



ADITYA CHOKHRA
Chartered Accountants
Registered Valuer – Securities or Financial Assets (SFA)
Registration No. – IBBI / RV / 06 / 2020 / 12719

**REPORT ON EQUITY VALUATION
OF
TIRUPATI STARCH & CHEMICALS LIMITED**

Date of Valuation: 26th Aug 2023
Date of Valuation Report (Relevant Date): 26th Aug 2023

Prepared By:
Aditya Chokhra
Chartered Accountant
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Table of Contents

S. No.	Particulars
1.	Background
2.	Purpose of Valuation
3.	Valuation Date
4.	Scope of Work
5.	Information Sources
6.	Standard of Value and Premise of Value
7.	Valuation Methodology
8.	Valuation Approaches
9.	Valuation Assumptions
10.	Scope Limitation
11.	Valuation Opinion



To,
The Board of Directors
Tirupati Starch & Chemicals Limited
Shree Ram Chambers, 12,
Agrawal Nagar, Main Road,
Indore (MP) - 452001

August 26, 2023

Sub: Certificate from Chartered Accountant indicating value of Equity shares of Tirupati Starch & Chemicals Limited as on date.

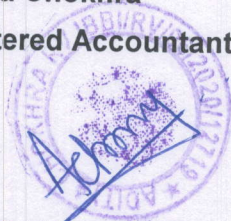
Dear Sir,

We refer to the request to us by **Tirupati Starch & Chemicals Limited ('Company')** for valuation of fair value of the equity shares of the Company, as required pursuant to Chapter V of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended (the "ICDR Regulations").

We have provided the valuation opinion in the capacity of Registered Valuer under the provisions of the Companies Act, 2013 by CA Aditya Chokhra and in the capacity of Independent Chartered Accountant as per the regulation of the Securities and Exchange Board of India.

Based on our study, analytical review process and subject to the limitations expressed within this report, our opinion of the fair value of equity shares of the Company on a going concern basis, for the purpose of complying with the valuation requirements under the Companies Act, 2013 and regulations & circulars issued by the Securities and Exchange Board of India in relation to infrequently traded shares on stock exchange, the Company can issue proposed preferential shares **as on valuation date at INR 36.71 Per Share** or higher.

Thanking You,
Aditya Chokhra
Chartered Accountant



ICAI M. No. – 405034

Place – Indore

UDIN: 23405034 B4PPTQ 4500

1. Background

Tirupati Starch & Chemicals Limited was incorporated on the 09th December 1985 bearing Corporate Identification Number L15321MP1985PLC003181. It is classified as Non Govt. Company (limited by shares) and is registered with Registrar of Companies, Gwalior. Its Authorized Share Capital stands at INR 12,50,00,000 divided in 8250000 equity shares of INR 10 each and 4250000 preference shares of INR 10 each . The Paid up Share Capital stands at INR 12,34,15,670/-comprising of INR 8,09,15,670/- divided into 8091567 equity shares of INR 10 each and INR 4,25,00,000/- divided into 4,25,0000 preference shares of INR 10 each. The Registered office of the company is situated at Shree Ram Chambers, 12, Agrawal Nagar, Main Road, Indore (MP) – 452001. The Company is mainly engaged in manufacturing of starch & chemicals.

2 Purpose of Valuation

The management of the Company is considering preferential issue of equity shares under the provisions of the Companies Act and for the same the management of the company appointed Registered Valuer to issue the Valuation Report ("the report") for determination of the fair valuation of equity shares of the company as per the internationally accepted valuation principles, as on 26th Aug 2023.

This report has been issued in accordance with section 247 of Companies Act 2013 and Registered Valuer understands that the purpose of this report is to determine the fair value of equity shares of the Company that will be allotted to the investors in accordance with the requirement of section 62(1)(c) of the Companies Act, 2013, which states that when a company proposes to issue new shares, the price of such shares should be determined by the valuation report of a Registered Valuer.

The company is looking to assess its fair value of equity shares in accordance with Regulations 164 and/or 165 (as applicable) of the SEBI (Issue of Capital & Disclosure Requirements) (Amendment) Regulations, 2022 ("ICDR") using latest available Independent Auditor's Report on Audited Financial Results as on 31st March 2023 for the Preferential Allotment of Shares.



Since Regulation 164 deals with frequently traded shares and corresponding regulation 165 deals with infrequently traded shares, we have assessed them together based on the circumstances given in this case.

The relevant extract of the regulation 164 and 165 are as under:

As per the requirements of regulation 165 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations 2022, a certificate for the fair value of the equity shares to be taken from an independent valuer and submit the same to the stock exchange where the shares are listed for the shares which are infrequently traded.

The Pricing of Frequently Traded Shares:

Regulation 164 (1) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of 90 trading days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- a. the 90 trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or
- b. the 10 trading days volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.

"Provided that if the Article of Association of the issuer provide for a method of determination which results in a floor price higher than the determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue"

(2) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of less than 90 trading days as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than the higher of the following:



a) the price at which equity shares were issued by the issuer in its initial public offer or the value per share arrived at in a scheme of compromise, arrangement and amalgamation under sections 230 to 234 the Companies Act, 2013, as applicable, pursuant to which the equity shares of the issuer were listed, as the case may be; or

b) the average of the volume weighted average prices of the related equity shares quoted on the recognised stock exchange during the period the equity shares have been listed preceding the relevant date; or

c) the average of the 10 trading days volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date

"Provided that is the Article of Association of the issuer provide for a method of determination which results in a floor price higher than the determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue"

(3) Where the price of the equity shares is determined in terms of sub-regulation (2), such price shall be recomputed by the issuer on completion of 90 trading days from the date of listing on a recognised stock exchange with reference to the 90 trading days volume weighted average prices of the related equity shares quoted on the recognised stock exchange during these 90 trading days and if such recomputed price is higher than the price paid on allotment, the difference shall be paid by the allottees to the issuer.

"Provided that is the Article of Association of the issuer provide for a method of determination which results in a floor price higher than the determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue"

(4) a) A preferential issue of specified securities to qualified institutional buyers, not exceeding five in number, shall be made at a price not less than the 10 trading days volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.

"Provided that if the Article of Association of the issuer provide for a method of determination which results in a floor price higher than the determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue"

b) No allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to the promoters of the issuer.

Provided that a qualified institutional buyer who does not hold any shares in the issuer and who has acquired rights in the capacity of a lender shall not be deemed to be a person related to promoters.

(5) For the purpose of this Chapter, "frequently traded shares" means the shares of the issuer, in which the traded turnover on any recognised stock exchange during the 240 trading days preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer:

Provided that where the share capital of a particular class of shares of the issuer is not identical throughout such period, the weighted average number of total shares of such class of the issuer shall represent the total number of shares.

Explanation : For the purpose of this regulation, 'stock exchange' means any of the recognised stock exchange(s) in which the equity shares of the issuer are listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding 90 trading days prior to the relevant date.

Pricing of Infrequently Traded Shares:

Regulation 165. Where the shares of an issuer are not frequently traded, the price determined by the issuer shall take into account the valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies:



Provided that the issuer shall submit a certificate stating that the issuer is in compliance of this regulation, obtained from an independent registered valuer to the stock exchange where the equity shares of the issuer are listed.

This valuation report is being issued interalia with reference to Regulation 166A of SEBI (ICDR) (Amendment) Regulations 2022 as the proposed allotment will result in allotment of more than five percent (5%) of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert. However, it does not result to change in control of more than five percent (5%) of the post issue fully diluted share capital of the issuer.

We, Aditya Chokhra, Chartered Accountants, have been appointed by the management of the Company to arrive at the fair value of the equity shares of the Company for the proposed preferential issuance of equity shares in compliance with the provisions of the SEBI guidelines.

The purpose of this report is to express an opinion on the fair value of the equity shares of the Company as of 26th Aug 2023 to comply with the valuation requirements under the Companies Act, 2013 and the regulations issued by the SEBI with the respect to preferential issuance.

3 Valuation Date

The Valuation date is 26/08/2023.

4. Scope of work

We are given to understand that the management of the Company wants to issue equity shares under preferential mode.

In this regard Mr. Aditya Chokhra has been requested to submit a report recommending the fair value of the equity shares of the Company.

The scope of our service is:



Conduct a relative (and not absolute) valuation of the equity shares of the company.

Therefore, as a pre-requisite for determination of Fair Market value as required under the Chapter V of the ICDR Regulations of SEBI for the infrequently traded shares and as required under the provisions of The Companies Act, 2013, Mr. Aditya Chokhra (an IBBI Registered Valuer) has been appointed by the Company to determine the fair value of the equity shares of the Company.

- Registered Valuer has been appointed by the management of the Company to issue a report on the fair valuation of equity shares of the Company. We understand that the purpose of the said report is to determine the fair value of equity shares of the company, as on 26th Aug 2023.
- Registered Valuer to value the company as per Valuation rules under the Companies Act 2013.
- Fair valuation of the shares of the Company as per Regulations 164 and/or 165 (as applicable) of the SEBI (Issue of Capital & Disclosure Requirements) (Amendment) Regulations, 2022 ("ICDR").
- The value is to be determined with reference to the valuation date, which is 26th Aug 2023.
- Our report on recommendation of fair value of equity shares is in accordance with International Valuation Standards as per IBBI regulations.

5. Information Sources

The date of valuation considered is 26th Aug 2023. In connection with this exercise, we have used the following information received from the Management and/or gathered from public domain:

1. Audited Financial Statements of the company for the period starting from 01/04/2022 to 31/03/2023



2. Audited Profit and Loss Statement and Balance Sheet of the Company for the financial years 2020-21 & 2021-22.
3. Discussions with the management and key finance personnel of the Company.
4. Other relevant information provided, whether in oral or physical form or in soft copy.
5. List of competitors derived from the discussion with the management, market sources and other sources
6. Our discussions from time to time with the management of the company.
7. Economy & Industry data and analysis is from websites of various Govt. departments and other sources.
8. Data extracted from publicly available sources believed to be reliable and true (i.e., BSE, NSE, Moneycontrol, Screener.in etc.)
9. Applicable laws and public circulars under SEBI regulations and the provisions of the Companies Act, 2013.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executive and representatives of the Company. It may be mentioned that the Company has been provided opportunity to review the draft report (excluding our valuation analysis and recommendation) for the current job as part of our standard practice to make sure that factual inaccuracies/ omissions are avoided in our report.

6. Standard of Value and Premise of Value

We opine that Fair value of the Equity Shares is the standard of value in the analysis as the company has been in business from past 36 years in the manufacturing of starch and chemicals.

Here Fair value refers to the, fair value calculated based on comparable market multiples method based.

The premise of value is based on going concern value, which is value of a business enterprise that is expected to continue to operate in the future.



7. Valuation Methodology

Valuation by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions. There can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.

The international Accounting Standard Board (IASB), which is the independent standard setting body of the IFRS foundation, has set out two internationally accepted valuation methodologies for arriving at the fair value of a share namely, the income approach and the market approach.

Guidance is also available from the Institute of Chartered Accountants of India (ICAI) which has published valuation Standards 2018 and prescribes the approaches for generally accepted valuation methodologies such as the Income approach and the market approach similar to the internationally accepted valuation methodologies.

However, ICAI also allows for a third method which is the asset approach for arriving at the fair value of a share.

For the purpose of determining fair value, a valuer may therefore, use any of the approaches as per the generally / internationally accepted valuation methodologies which in its opinion are most appropriate based on the facts of each valuation. Reliance is placed on the case of Dr. Mrs. Renuka Datla vs. Solvay Pharmaceutical B.V. & Ors on 30th October 2003, in which it was held that, a valuer has to give a justification for selecting or rejecting a method.

The internationally / generally accepted valuation methodologies have been discussed hereinafter, along with the reasons for choice of approach used based on the facts of the company.

Here the valuation has been carried out as per the Net Assets Value and Comparable Market Multiples methods.



8. Valuation Approaches

A. Income Approach:

Usually under the Income Based Approach, the methods that maybe applied are Discounted Cash Flow (DCF) Method or the Price Earning Capacity Value (PECV) Method.

The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also perpetuity value (or terminal value) in case of asset with an indefinite life. Here the Free Cash Flow to business are discounted at Weighted Average Cost of Capital (WACC), where weighted cost after taking into account of Cost of Equity (based on CAPM Method) and Cost of Debt (Post Tax Interest Cost).

Under PECV method, the average earning on the basis of historical 3 to 5 years are first determined, adjustments and then made for any exceptional transactions or items of nonrecurring nature. The adjusted average earnings are then capitalized at an appropriate rate to arrive at the value of business. The capitalization rate so factored has to be decided depending upon various factors such as the earning trend in the industries, P/E prevailing in the industries etc.

The Company being a listed entity, as per management information related to future financial projections are price sensitive. Therefore we are not provided with the financial projections of the company by the management. Thus we did not apply the DCF method to determine fair value of the equity shares of the company.

B. Market Approach:

Under this approach the valuation is done on the basis of the quoted market price of the company in case it is a publicly traded company, or publicly traded comparable businesses are reviewed in order to identify a peer group similar to the subject company and then their multiples are applied to the entity being valued to determine the fair value.

Usually under the market based approach, the methods that maybe applied are Market Price Method, Comparable Multiple Method or Precedent Transaction Method by taking into account the various multiple like EV/Sales, EV/EBITDA, P/BV, P/E, Price/Sales can be used to value a business depending upon the facts and circumstances of the cases.

In the present case, a search for publicly traded comparable companies with similar core business, sales size and other attributes have been analyzed by using various database



(BSE, NSE and Money Control) and other publicly available data to arrive at the fair value. We have considered Price to Book Value and Enterprise Value to EBITDA multiples of the comparable listed companies for the purpose of valuation.

C. Asset Based Approach:

Under this approach, the book value / replaceable value / realizable value of the underlying assets of the company is determined to arrive at the value of the business, depending on the facts and circumstances applicable to a company.

Usually under the asset based approach, the methods that maybe applied are Net Book Value Method, Net Replaceable Value and Net Realizable Value.

This method has not been used as historical books values may not reflect the proper fair value of the Company.

9. Valuation Assumptions

- ✓ FY 2022-23, which is completed recently, has been used for the comparable companies analysis
- ✓ For the calculation of Comparable Market Multiples, we have taken comparable companies based on turnover criteria, as the company is in the business of manufacturing of starch and food & other chemicals hence, we have taken the same sector companies listed in India.
- ✓ Market Capitalization of comparable companies have been taken as on the valuation date.
- ✓ There have been no material adverse or positive changes occurred during the period of valuation date and signing of the valuation report.

10. Scope Limitation

- ✓ We have not made an appraisal or independent valuation of any of the assets or liabilities of the Company and have not conducted an audit or due diligence or reviewed/validated the financial data provided by the management



- ✓ We have by no means carried out any audit or due diligence exercise to verify the financial data pertaining to the Company in terms of both past and current balances sheet and profit & loss account provided to us. At this point, we offer no comment on the accuracy and completeness of information.
- ✓ We may mention that our scope of work for this exercise did not include technical /financial feasibility or market research, we shall not have any liability for any misunderstanding (express or implied) contained in, or from any omission from, this document or any other written or oral communication transmitted to us for the purpose of this assignment.
- ✓ It should be noted that any assumptions contained herein are based on information available at the time of written preparation. Any changes in the external and internal environment could significantly affect our analysis and findings.
- ✓ The scope of our work has been limited both in terms of the areas of the businesses and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Report, which might be relevant in the context of the transaction and which a wider scope might uncover.
- ✓ This report contains confidential information that has been provided at your request and the same should not be disclosed or circulated in whole or in part without express written consent of the author of this report.
- ✓ In furnishing the Report, we reserve the right to amend or replace the report at any time. Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of date hereof. It should be understood that subsequent development may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the Report.
- ✓ We have relied on the audited Balance Sheets & Profit and Loss Accounts for the period ending on 31/03/2023 as provided to us by the management. The management has represented to us that all the items and their values in regards to this valuation assignment are true to the best of their knowledge and information. We have not done any audit of the financial statements provided to us.



- ✓ We have no present or planned future interest in and the fee for this Valuation analysis is not contingent upon the values reported herein.
- ✓ The Valuation Analysis contained herein is not intended to represent the value at any time other than the date that is specifically stated in this Report. We have no responsibility to update this report for events and circumstances occurring after the date of this Report.
- ✓ Our valuation analysis should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with the Company.
- ✓ The report is neither an offer to sell, nor a solicitation to buy securities, and/or equity in or assets of the company.
- ✓ An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.
- ✓ We have selected the competitors for the comparable company multiple calculation based on the turnover criteria within the food chemical & other chemical sector. We have selected 3 companies to take average of the numbers, in case the number of companies decrease or increase, accordingly the valuation can be changed based on those companies' multiples. But we have relied for 3 companies only.
- ✓ We have provided a draft copy / workings of this report to the management of the Company, who have confirmed to the best of their knowledge and belief that the factual information contained within this document is correct and that there are no material omissions. We reserve the right to alter our conclusions should any information that we are not aware of at the time of preparing this report comes to light that has a material impact on the conclusions herein.
- ✓ The calculation of proposed allotment with respect to the % of change in shareholding for person acting in concert, has been provided by the management of the company.



This report has been prepared solely for the management and Boards of Directors of the Company. This report should not be used for any other purpose.



11. Valuation Opinion

As per the SEBI (ICDR) Regulations, 2022 pricing rules for frequently traded equity shares and infrequently traded equity shares have been clearly defined. On applying the same pricing methodology, we observed that the company's traded turnover during the 240 trading days preceding the valuation date is less than 10% of the total number of shares. Therefore, we have applied the method of valuation provided for infrequently traded shares.

The calculation of the same is as follows:

Trading Days	No. of Shares
240 Trading Days	4,20,500
No. of Equity Shares	80,91,567
% of Equity Shares	5.20%

Valuation Parameters Considered:

Comparable Companies Multiple Method

Basis of Valuation

We have applied following weights on the equity value arrived by the above methods to get the fair value of the equity shares of the company:

S. No.	Parameters	Weight
1.	Price to Book Value	50%
2.	Enterprise Value to EBITDA	50%

Accordingly the fair value of the equity shares of the company has been arrived on the basis of above two methodologies as on the valuation date on the basis of available information and documents.

The detailed valuation methodologies are as under:

Comparable Company Multiple (CCM) Method:

The Company is in the manufacturing sector, and to negate the effect of any one specific multiple of the comparable listed companies, we have taken two multiples viz., Price to Book Value and Enterprise Value to EBITDA Value and equity value so arrived from these two multiples were added by simple average method.

The comparable listed companies were obtained from the market sources like, BSE India, Screener and Money Control for the companies working in food chemical and other chemical segment having turnover near to the turnover of the Company.



Method 1: Price to Book Value:

The Price to Book Value multiple obtained for the comparable listed companies then the same is multiplied to the book value per share of the Company to arrive at the equity value.

S. No.	Name of Company	Market Capitalization (INR Lacs)	Book Value (INR Lacs)	P/B Value
1.	Universal Starch-chem Allied Ltd.	5,397	5,825	0.93
2.	Teesta Agro Industries Ltd.	4,664	10,716	0.44
3.	Chemfab Alkalies Ltd.	46,141	36,332	1.27
Average				0.88
Book Value Per Share (Tirupati as on 31 st Mar 2023) (INR)				56.88
Equity Value Per Share (INR)				49.90

Method 2: Enterprise Value to EBITDA:

The Enterprise Value to EBITDA multiple obtained for the comparable listed companies then the same is multiplied to the EBITDA of the Company to arrive at the Enterprise Value of the Company. The same adjusted with the Net Debt to obtain the equity value of the company.

S. No.	Name of Company	EV (INR Lacs)	EBITDA (INR Lacs)	EV/EBITDA
1.	Universal Starch-chem Allied Ltd.	11,130	2,029	5.49
2.	Teesta Agro Industries Ltd.	5,989	1,307	4.58
3.	Chemfab Alkalies Ltd.	46,049	11,752	3.92
Average				4.66
EBITDA (Tirupati for FY 2022-23) (INR Lacs)				2,160.12
Enterprise Value (INR Lacs)				10,070.23
Less: Net Debt (INR Lacs)				8,167.32
Equity Value (INR Lacs)				1,902.91
No. of Shares				80,91,567
Equity Value Per Share (INR)				23.52



Computation of The Fair Value of The Company:

The final Equity Value Per Share based on Comparable Companies Multiple basis is calculated as follows:

S. No.	Valuation Method (CCM)	Equity Value (INR)
1.	Price to Book Value	49.90
2.	EV to EBITDA Value	23.52
Average		36.71

Conclusion:

Based on the above calculation, the fair value of the company is arrived at INR 36.71 (Rupees Thirty Six and Seventy One Paise Only) per equity share of the face value of INR 10/- each.

