

**Valuation Analysis of Equity shares of .....**

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CORPORATE VALUATIONS.in<sup>TM</sup>  
Unexplored Inorganic Strengths

**March, 2012**  
**Strictly Private & Confidential**



Strictly Private and Confidential

**The Board of Directors**

**Company Name**

**Address:**

**Ref. No:** .....

**SEBI Reg. No:** .....

**For the Kind attention of Mr.** .....

Dear Sir,

**Sub: Valuation Analysis of Equity Shares of M/s ..... for ESOP Accounting purpose**

We refer to our letter of engagement dated ..... for carrying out the Valuation Analysis of Equity Shares of ..... Company Name (here-in-after referred as "Company"). In accordance with the terms of the engagement, we are enclosing our report along with this letter. In attached report, we have summarized our Valuation Analysis of the Equity Shares of the Company as at ..... together with the description of methodologies used and limitation on our Scope of Work.

This Valuation Analysis is confidential and has been prepared exclusively for the Management of Company. It should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of Corporate Professionals Capital Private Limited. Such consent will only be given after full consideration of the circumstance at the time. We are however aware that the conclusion in this report may be used for the purpose of certain statutory disclosures and we provide consent for the same.

Trust the above meets your requirements. Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully,

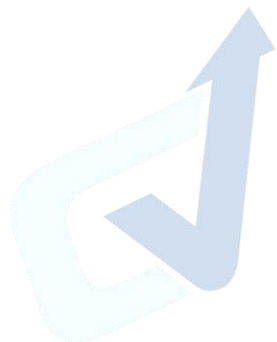
**For Corporate Professionals Capital Private Limited**

**Chander Sawhney**  
**[Asst. Vice President]**

**Maneesh Srivastava**  
**[Manager]**

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CORPORATE PROFESSIONALS

## EXECUTIVE SUMMARY

... Pvt. Ltd. is a company engaged in manufacturing of pharmaceutical ... and other pharmaceutical packing products .The Company was founded in ..... by ..... who have rich & vast experiences in this particular domain. The Company adapts as ISO 9001-2000 quality management system and has an installed capacity to produce .....Million ..... per day adapting ISO 9001-2000 system of quality management. It supplies to major pharmaceutical companies in India and also exports all over the world.

We are being told by the management that the Company has introduced “Employee Stock Option Scheme 2011” and shall be granting ..... options to its employees and consultants. Therefore, the company needs to ascertain its employee ESOP compensation cost based on the Intrinsic Value of Accounting. In this respect, we as a SEBI Registered (Category I) Merchant Banker have been appointed by the Company to determine the intrinsic value of the equity shares of the company.

It is pertinent to mention that valuation of a business is not an exact science and ultimately depends upon a number of factors like the past financials, expected financial results, industry scenario, market recognition, market price available on exchange, etc. Though there are multiple valuation methodologies, however based upon the facts of the instant case and taking into consideration the relevant provisions of Indian Income Tax Act, 1961, we have considered in this Valuation Analysis of “.....” ‘Comparable company multiple methodology’ and Asset Based Method’ as both these methodologies provide a value for minority shareholders.

Further as the % of shares being offered to such employees are in minority, so the effect of control premium has not been taken in account by us in this Valuation Analysis.

***Based on our Analysis of the Company and subject to our comments and caveats as further detailed in this report, we have arrived at the Intrinsic value of equity shares of the Company at Rs. .... Million and the value per equity share having face value of Rs. 10/- each at Rs .....***

## PURPOSE OF VALUATION

### ABOUT THE TRANSACTION

Based on the discussions held with the Management and Key Managerial Personnel (KMP's), we understand that the Company has introduced 'Scheme of ESOP' for granting of options to Employees/Consultants. In accordance with it the Company shall be granting ..... options to employees/ consultants on various grant dates in the year 2011. However no option has vested till date. Therefore, the company needs to ascertain its compensation cost based on the Intrinsic Value of Accounting.

### SCOPE OF SERVICES

This valuation report has been prepared by **M/s Corporate Professionals Capital Private Limited, SEBI Registered (Category – I), Merchant Banker** to ascertain the Intrinsic Value of Equity Shares of the Company for Accounting purposes.

This valuation report has been prepared based on 'Comparable Company Multiple Methodology' and 'Assets Based Method' as per the values appearing in the Management Certified provisional Balance Sheet of the Company as on 31st March, 2012 and Market Multiples of Comparative companies as on March 31<sup>st</sup> 2012.

### SCOPE LIMITATION

**The valuation exercise was carried out under the following limitations:**

- The Valuation analysis of equity shares is based upon the Audited financial results of the Company for the Financial Year ended 31<sup>st</sup> March 2011 provided by the management of the company.
- Keeping in view that in the instant case shares offered to employees are in minority, we have not factored in the Value of Control premium in our Valuation Analysis.

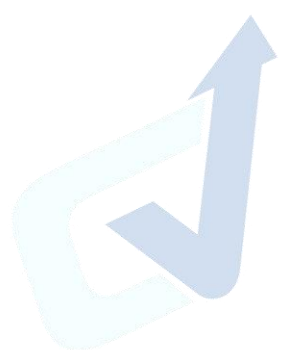
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- Our Valuation & Analysis and the conclusions drawn there from are further based on a no. of factors which are largely dependent upon the prevailing business and Industry conditions as on the Valuation date and Explanations provided by the Management. We presume that the Board of the Company has taken reasonable care to ensure that all relevant information which could have an impact over the Valuation has been duly disclosed & made available to us.
- 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.
- The scope of our work has been limited both in terms of the areas of the business 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.

## COMPANY ASSESSMENT

### BASIC INFORMATION:

... Pvt. Ltd. was incorporated on ..... . The company engaged in manufacturing of pharmaceutical ... and other pharmaceutical packing products .The Company was founded in ..... by ..... who have rich & vast experiences in this particular domain. The Company adapts as ISO 9001-2000 quality management system and has an installed capacity to produce .....Million ..... per day adapting ISO 9001-2000 system of quality management. It supplies to major pharmaceutical companies in India and also exports all over the world.



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**CAPITAL STRUCTURE**

The Capital Structure of the Company as on 31<sup>st</sup> March, 2011 is as under:

Particulars	Amount in (Rs.)	
	Latest	31.03.2011
<b><u>AUTHORIZED</u></b>		
..... Equity Shares of Rs.10/- each		
..... Convertible Cumulative Pref. Shares of Rs. 4000/- each		
..... Compulsorily Convertible cumulative participating pref. Shares of Rs. 10/- each		
..... Compulsorily Convertible Cumulative Participating Series B pref. Shares of Rs. 10/- each		
<b><u>ISSUED SUBSCRIBED &amp; PAID UP</u></b>		
..... Equity Shares of Rs. 10/- each fully paid up		
..... Convertible Cumulative Preference shares of Rs. 4000 each fully paid up		
..... Convertible Cumulative Preference shares of Rs. 10 each		



**HISTORICAL INCOME STATEMENT:**

**Amount in (Rs. Millions)**

For the Period Ended	Audited		
	31.03.2011	31.03.2010	31.03.2009
Business Income			
Other Income			
<b>Total Income</b>			
<b>Expenditure</b>			
Direct Expenditure			
Administration and other expenses			
Other Expenditure			
<b>Total Expenditure</b>			
<b>Profit Before Tax</b>			
Tax			
<b>Net profit/(loss) After tax</b>			

**HISTORICAL BALANCE SHEET:**

Amount in (Rs. Millions)

Particulars	Audited		
	31.03.2011	31.03.2010	31.03.2009
<b>Sources of Funds</b>			
Equity Share Capital (Including share application money)			
Reserve & Surplus			
Total Share holders fund			
<b>Loan Funds</b>			
Unsecured Loans			
Deferred Tax Liability			
<b>Total</b>			
<b>Application of Funds</b>			
Net Fixed Assets			
Intangible Assets			
Net Current Assets			
Miscellaneous Expenditure			
Deferred Tax Asset			
Profit and Loss Account			
<b>Total</b>			

## VALUATION METHODOLOGY, APPROACH AND ANALYSIS

### **METHODOLOGIES USED FOR VALUATION:**

- Assets Based Method
- Comparable Company Market (CCM) Multiple

### **ASSETS BASED METHOD:**

Asset based method determines the minimum net worth (price) of Entity/ Share. Under this method the cost of replacing the tangible assets of the business is estimated. Since the replacement methodology assumes the value of business as if a new business is being set up, this methodology may not be relevant in the case of valuation for a going concern. The asset valuation method may however be a good indicator of value as we are considering the value for minority shareholders, so Net Asset Value based on Book Value shall be reflecting a fundamental value for them.

**For arriving at the value of the Company, we have considered the Asset Based Methodology as per the values appearing in the Audited Balance Sheet of Company as on 31<sup>st</sup> March, 2011**

<b>VALUATION AS PER NET ASSET METHODOLOGY</b>	
<b>PARTICULARS</b>	<b>Amount in (Rs. Millions)</b>
Share Capital	
Reserves & Surplus	
Profit & Loss (Dr.)	
<b>Value of Company (Net Worth)</b>	

**COMPARABLE COMPANY MARKET (CCM) MULTIPLE**

Comparable Company Market Multiple uses the valuation ratios of a publicly traded company and applies that ratio to the company being valued (after applying appropriate discount). The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g. Turnover, EBITDA, EBIT, EPS or Book Value). A key benefit of CCM analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because markets are considered somewhat efficient. The difficulty here is in the selection of a comparable company since it is rare to find two or more companies with the same product portfolio, size, capital structure, business strategy, and profitability and accounting practices. Whereas no publicly traded company provides an identical match to the operations of a given company, important information can be drawn from the way similar enterprises are valued by public market. This methodology provides the value for minority shareholders so it is a good fit in case of ESOP Valuation.

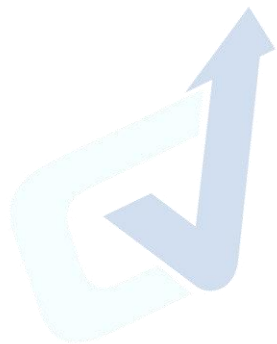
**To arrive at the Intrinsic value of the Company, we have used this methodology, by comparing the Enterprise Value to Sales i.e. EV/Sales Multiple vis-a-vis certain companies listed on Designated Stock Exchange belonging to the Pharmaceutical industry .**

**We have selected the Companies on the basis of the following parameters:-**

1. **Business Model:** - We have taken Co's which are listed on Designated Stock Exchange and considered their EV/Sales multiple.
2. **Trade Volume:** - Only those companies have been considered whose shares are frequently traded at the Stock Exchanges.

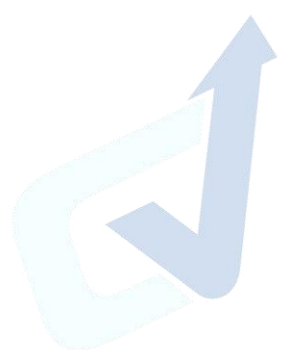
PARTICULARS	Enterprise Value /Sales	Listed at
A Ltd		BSE, NSE
B Ltd		BSE, NSE
C Ltd		BSE, NSE
<b>Average</b>  Discount @..... (Marketability Discount)  <b>Discounted Industry Multiple</b>	.....  .....  .....	

Source: .....



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VALUTION AS PER COMPARABLE COMPANY MULTIPLE METHODOLOGY	
PARTICULARS	Amount in (Rs. Million)
Business Income for FY11	
Discounted Industry Multiple	
<b>Value of Company operations (before adjustment of Surplus Assets)</b>	
<b>Add: Excess Cash</b>	
<b>Value of company</b>	



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**Based on the Net Asset Value Methodology (NAV) and the Comparable Company Multiple Methodology as detailed above the Intrinsic value per share of the Company as determined by us is as follows:**

<b>COMPUTATION OF INTRINSIC VALUE</b>		<b>Amount In (Rs. Millions)</b>	
<b>Method</b>	<b>Weights</b>	<b>Value of Company</b>	<b>Weighted Value</b>
Net Asset Methodology			
Comparable Company Multiple Methodology			
<b>Average Intrinsic Value of the company</b>			
Existing No. of Equity Shares (In Numbers)			
<b>Intrinsic Value Per Share</b>			

#### Value Recommendation

***Based on our Analysis of the Company and subject to our comments and caveats as further detailed in this report, we have arrived at the Intrinsic value of equity shares of the Company at Rs. .... Million and the value per equity share having face value of Rs. 10/- each at Rs .....***

## CAVEATS

- This Valuation Report has been issued on the specific request of ‘.....Pvt. Ltd.’ for determining the intrinsic value of company of ESOP accounting purposes. This Report is prepared exclusively for the above stated purpose and must not be copied, disclosed or circulated or referred to in correspondence or discussion with any other party. Neither this report nor its content may be used for any other purpose without prior written consent of M/s Corporate Professionals Capital Private Limited.
- We have summarized the Valuation Analysis of the Equity shares of the Company based on the information as was provided to us pursuant to the meetings held with the management of Company and other publically available information. We do not assume any responsibility for the accuracy or reliability of such documents on which we have relied upon in forming our opinion. However, we would like to state that in the process of evaluation, nothing has come to our attention to indicate that the information provided was, materially mis-stated or incorrect or would not afford reasonable grounds to believes it is incorrect upon which the report is based.
- We have no present or planned future interest in “..... Pvt. Ltd and/or Company’ 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.



## Contact Us

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