



REPORT ON VALUATION OF EQUITY SHARES

Ovobel Foods Limited

Table of Contents

| | | |
|------|--|----|
| A. | INTRODUCTION OF THE ENTITY | 2 |
| B. | PURPOSE | 2 |
| C. | INFORMATION RELIED UPON AND INSPECTIONS | 3 |
| D. | RESTRICTIONS ON USAGE OF REPORT | 3 |
| E. | STATEMENT OF LIMITATIONS AND DISCLAIMERS | 4 |
| F. | APPROACHES TO VALUATION | 4 |
| I. | INCOME APPROACH | 4 |
| II. | MARKET APPROACH | 5 |
| III. | ASSET APPROACH | 6 |
| G. | SELECTION OF APPROACH & METHOD | 7 |
| H. | VALUATION ANALYSIS | 8 |
| I. | CONCLUSION | 9 |
| | Annexure - A | 10 |
| I. | NET ASSET VALUE PER EQUITY SHARE | 10 |
| II. | MARKET VALUE OF THE EQUITY SHARE | 11 |
| | Annexure - B | 13 |

A. INTRODUCTION OF THE ENTITY

| | |
|-----------------------|--|
| Name of the Company | Ovobel Foods Limited (hereinafter referred to as “Ovobel” or “Company”) |
| Registered Address | Ground Floor, No.46 Old No.32/1, 3rd Cross, Aga Abbas Ali Road, Ulsoor, Bangalore - 560042 |
| CIN | L85110KA1993PLC013875 |
| Date of Incorporation | January 11, 1993 |
| Listing Status | Listed on Bombay Stock Exchange |
| Share Capital | Authorized Capital – INR 11,00,00,000 Issued and Paid-up Capital – INR 10,50,08,000 |
| Operational Activity | Ovobel are the manufacturers and exporters of Whole Egg/ Yolc, Albumen in powdered or frozen form. |

B. PURPOSE

We have been appointed as valuers by the management of the Company to determine the value, as on August 14, 2019 (“Valuation Date”), of Equity Shares of the Company held by Karnataka State Industrial and Infrastructure Development Corporation Limited (“KSIIDC”) for the purpose of capital reduction to the extent of such Equity Shares held by KSIIDC (“KSIIDC Shares”), for compliance with regulations under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the circular on Schemes of Arrangements by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, dated March 10, 2017.

This report is meant for said purpose only and should neither be placed before any third party nor be made available for circulation except to the management or shareholders of the Company, and the SEBI, as required for the said purpose.

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C. INFORMATION RELIED UPON AND INSPECTIONS

- Audited Financial Statements of the Company for the financial year ended March 31, 2019;
- Information related to the market prices of the Company from publicly available resources;
- Explanation provided by the management, with respect to the terms of settlement agreed upon between KSIIDC and the Company for capital reduction of KSIIDC Shares;
- Other information and explanations given by management of the Company (*Refer Annexure – B for detailed representations*);

In the course of the study, we have used financial and other information provided by the Company. However, we have not validated such information and our conclusions are dependent on such information being complete and accurate in all material respects.

D. RESTRICTIONS ON USAGE OF REPORT

This Valuation Report has been prepared for the internal and exclusive use of the Management of the Company and shall not be disclosed or transmitted, in whole or in part, to any third party or used for any purpose whatsoever other than those indicated in the Engagement letter or in this Report, provided that the Report may be transmitted to the experts appointed for compliance with any law or statute applicable to the Company or to any of the statutory or regulatory authorities.

Content of this Report may be disclosed to public where required by regulations of any relevant statute. Any other use, in whole or in part, of the Report will have to be previously agreed and authorised in writing by Guru & Jana (“We” / “Us”).

The conclusion contained in this report is based on analyses and explanation provided in entirety herein and therefore no part of this report may be used apart from the document in its entirety.

The value of KSIIDC Shares arrived at in this report is exclusively for the purpose mentioned herein and has no relevance for any other purpose.

E. STATEMENT OF LIMITATIONS AND DISCLAIMERS

For the preparation of this report we have relied upon the accuracy and completeness of the information provided by the Company. We have relied upon all specific information as received and decline any responsibility should the results presented be affected by the lack of completeness or truthfulness.

For the purpose of determination of value of KSIIDC Shares of the Company, we have performed our analyses based on the information provided by the management, reaching the conclusion contained in this Report.

This Report and the conclusion are necessarily based on the written and oral information made available to us until **November 06, 2019**. We are expressing no opinion as to the price at which any securities of the Company may trade on the stock market at any time.

Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of us or any of our employees unless previous arrangements have been made in writing.

F. APPROACHES TO VALUATION

I. INCOME APPROACH

Income approach is the valuation technique that converts future amounts (example cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Income approach includes different models of valuation, out of which Discounted Cash Flow model (“DCF”) is the most commonly used methodology for various assets such as shares, businesses, real estate projects, debt instruments, etc.

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 the perpetuity value (or terminal value) in case of indefinite life assets. Terminal value is the value of the asset at the end of the explicit forecast period.

DCF is based upon expected future cash flows of the Company that will determine investor's actual return and is not influenced by short-term market conditions or non-economic indicators. DCF methodology is not vulnerable to accounting conventions since it is based on cash flows rather than accounting profits. DCF method of valuation is based on two key inputs: Cash flows and Discount rate.

Cash flow projections used for DCF shall reasonably capture the growth prospects and earnings capability of the Company, and shall be determined based on its past performance and factors such as the Company's vulnerability to advancement in technology, actions by competitors, changes in end-user requirements, expansion plans, cyclical fluctuations, effects of change in government policies, availability of financing etc.

Discount rate ("Cost of Capital") is the return expected by a market participant from a particular investment and shall not only reflect the time value of money but also the inherent risk in the asset being valued as well as risk inherent in achieving the future cash flows.

There are many methods which are used for determining the discount rate. The most commonly used methods are Capital Asset Pricing Model ("CAPM") and Weighted Average Cost of Capital ("WACC") which is the combination of cost of equity and cost of debt weighted for their relative funding in the asset. Additional risk premium can be added to the Discount rate to incorporate specific risks associated with stage and size of business of the Company.

Terminal value represents the present value at the end of explicit forecast period of all subsequent cash flows to the end of the life of the asset or into perpetuity if the asset has an indefinite life. There are multiple methods in estimating the terminal value which include Gordon (Constant) growth model, Variable growth model, Exit multiple and Salvage/liquidation value among others.

II. MARKET APPROACH

Market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business. Most commonly used

methods under market approach are Market price method, Comparable companies multiple (CCM) or Comparable transactions multiple (CTM) method.

Under Market price method the traded price of the asset observed over a reasonable period shall be considered.

Comparable Companies Multiple Method, also known as Guideline Public Company Method, involves valuing an asset based on market multiples derived from prices of market comparables traded on active market. While identifying and selecting the market comparables, following factors shall be considered:

- industry to which the asset belongs;
- geographic area of operations;
- similar line of business, or similar economic forces that affect the asset being valued; or
- other parameters such as size (for example - revenue, assets, etc), stage of lifecycle of the asset, profitability, diversification, etc.

Comparable Transaction Multiple Method, also known as 'Guideline Transaction Method', involves valuing an asset based on transaction multiples derived from prices paid in transactions of asset to be valued /market comparables (comparable transactions). While identifying and selecting the comparable transaction, following factors shall be considered:

- transactions that have been consummated closer to the valuation date are generally more representative of the market conditions prevailing during that time;
- there shall be in an orderly transaction;
- availability of sufficient information on the transaction to reasonably understand the market comparable and derive the transaction multiple; or
- availability of information on transaction from reliable sources;

III. ASSET APPROACH

Asset approach is a valuation technique that reflects the amount that would be required to replace the current service capacity of net assets of the Company or the value that net assets of the Company can derive. The asset approach may be most appropriate for valuation in following specific circumstances:

- An asset can be quickly recreated with substantially the same utility as the asset to be valued and without regulatory or legal restrictions;

- In case of liquidation; or
- In cases where income approach and/or market approach cannot be used, such as:
 - a. Where there is paucity of information about future profitability or uncertainty about future cash flows;
 - b. Where there are violent fluctuations or disruptions in future cashflows;
- Where it is required by specific provisions of any tax or other statutes;

G. SELECTION OF APPROACH & METHOD

Keeping in mind the purpose of the report and availability of information, the valuation has been arrived at considering the following:

1. Income Approach – Discounted Cash Flow methodology: This method has not been adopted since the Management was not in a position to provide the projections with sufficient certainty.
2. Market Approach – Market Price methodology: The value under this method has been derived as a part of Annexure A, however, this method has not been adopted as the shares are traded in the market infrequently.
3. Asset Approach – Net Asset Value methodology: The value under this method has been derived as a part of Annexure A, however, this method has not been adopted since the book value of the assets does not represent the value of the assets.
4. Considering the fact, as above, that the other methods are not suitable in the present scenario and further that there is an agreement between the Company and KSIIDC, we have adopted the face value of the instrument as the value which is also the agreed value between the parties for the capital reduction

H. VALUATION ANALYSIS

ICAI Valuation Standard 101 defines “Participant Specific Value” as the estimated value of an asset or liability considering specific advantages or disadvantages of either of the owner or identified acquirer or identified participants.

We understand KSIIDC, with further assistance of Ministry of Food Processing Industries (“MFPI”) had provided financial assistance of INR 1,00,00,000 to the Company by way of subscription to 10,00,000 KSIIDC Shares of INR 10/-, in the years 1995 and 1996 (5,00,000 KSIIDC Shares in each of the years). In addition, the Company has also received financial assistance of INR 1,27,75,000/- from KSIIDC in the form of Loan.

We further understand that, as per the agreement between KSIIDC and the Company, the Company had to remit the agreed return of 15% on financial assistance received from KSIIDC. The Company has remitted such agreed return to KSIIDC in the form acceptable to KSIIDC, as per the terms of settlement agreed upon between KSIIDC and the Company. Further as a part of the settlement, KSIIDC has agreed for a consideration of INR 1,00,00,000/- for capital reduction of 10,00,000 KSIIDC Shares by the Company and approved that such consideration would settle the claims that KSIIDC has in the Company on account of holding of KSIIDC Shares.

Considering above facts, it can be derived that Participant specific value per KSIIDC Share is INR 10/-

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I. CONCLUSION

Based on the foregoing data and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we consider that the value of the Equity shares as per the generally adopted valuation methods would not described the fair value and thereby no weightage has be provided for such methods, as under:

| Valuation Approach | Value per Share | Weight |
|--------------------|-----------------|--------|
| Income Approach | NA | NA |
| Market Approach | NA | NA |
| Asset Approach | NA | NA |

(Please refer Section G of this report for explanation)

Considering the same and based on our analysis, as described in the valuation report herein, value per Equity Share of the Company to the extent held by KSIIDC is INR 10/- (Indian Rupees Ten Only)

We have no obligation to update this report or our conclusion for information that comes to our attention after the date of report.

For Guru & Jana
Chartered Accountants

Chinmaya AM
Partner
Membership No: 225189
Firm Registration No: 006826S

UDIN: 19225189AAAACY8867
Date: November 29, 2019
Place: Bangalore

Annexure - A

I. NET ASSET VALUE PER EQUITY SHARE

| Particulars | | INR in Lakhs |
|--|--------------------------------------|--------------------|
| Property, Plant & Equipment | | 351.50 |
| Investments | | 3.90 |
| Long-term Loans & Advances | | 30.98 |
| Current Tax Assets (Net) | | 20.22 |
| Deferred Tax Asset (Net) | | 80.31 |
| Inventories | | 1,063.66 |
| Trade Receivables | | 697.78 |
| Cash & Cash Equivalents | | 57.48 |
| Bank Balance other than above | | 734.32 |
| Short-term Loans & Advances | | 645.36 |
| Other Current Assets | | 33.53 |
| A | TOTAL ASSETS | 3,719.04 |
| Long-term Provision | | 46.21 |
| Short-term Borrowings | | 1,161.84 |
| Short-term Provision | | 48.85 |
| Trade Payables | | 331.09 |
| Other Current Liabilities | | 102.22 |
| B | TOTAL LIABILITIES | 1,690.21 |
| C | Net Asset Value (A-B) | 2,028.83 |
| D | Total Number of Equity Shares | 1,05,00,800 |
| Net Asset Value per Equity Share (C/D) (in INR) | | 19.32 |

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II. MARKET VALUE OF THE EQUITY SHARE

(A) Average of weekly High & Low of the Volume Weighted Average Price (VWAP) of the equity shares of Ovobel, quoted on the BSE Limited during the last twenty-six weeks preceding the relevant date (considering relevant date as Valuation date - August 14, 2019)

(Amount in INR)

| Weeks | From | To | High | Low | Average |
|----------------------|------------|------------|--------------------|-------|--------------|
| 1 | 11-02-2019 | 17-02-2019 | 18.00 | 17.65 | 17.83 |
| 2 | 18-02-2019 | 24-02-2019 | 19.45 | 17.50 | 18.48 |
| 3 | 25-02-2019 | 03-03-2019 | Data not available | | |
| 4 | 04-03-2019 | 10-03-2019 | 19.20 | 17.35 | 18.28 |
| 5 | 11-03-2019 | 17-03-2019 | 16.50 | 14.90 | 15.70 |
| 6 | 18-03-2019 | 24-03-2019 | 14.35 | 14.20 | 14.28 |
| 7 | 25-03-2019 | 31-03-2019 | 13.70 | 13.10 | 13.40 |
| 8 | 01-04-2019 | 07-04-2019 | 14.22 | 14.22 | 14.22 |
| 9 | 08-04-2019 | 14-04-2019 | 14.93 | 13.55 | 14.24 |
| 10 | 15-04-2019 | 21-04-2019 | 15.65 | 14.21 | 14.93 |
| 11 | 22-04-2019 | 28-04-2019 | 14.21 | 14.21 | 14.21 |
| 12 | 29-04-2019 | 05-05-2019 | 14.92 | 14.92 | 14.92 |
| 13 | 06-05-2019 | 12-05-2019 | 18.12 | 15.66 | 16.89 |
| 14 | 13-05-2019 | 19-05-2019 | 18.85 | 17.15 | 18.00 |
| 15 | 20-05-2019 | 26-05-2019 | 18.00 | 18.00 | 18.00 |
| 16 | 27-05-2019 | 02-06-2019 | 17.95 | 17.10 | 17.53 |
| 17 | 03-06-2019 | 09-06-2019 | Data not available | | |
| 18 | 10-06-2019 | 16-06-2019 | 17.10 | 16.25 | 16.68 |
| 19 | 17-06-2019 | 23-06-2019 | 15.50 | 14.75 | 15.13 |
| 20 | 24-06-2019 | 30-06-2019 | Data not available | | |
| 21 | 01-07-2019 | 07-07-2019 | 14.05 | 14.02 | 14.04 |
| 22 | 08-07-2019 | 14-07-2019 | 14.72 | 14.72 | 14.72 |
| 23 | 15-07-2019 | 21-07-2019 | 13.99 | 13.99 | 13.99 |
| 24 | 22-07-2019 | 28-07-2019 | 13.50 | 13.30 | 13.40 |
| 25 | 29-07-2019 | 04-08-2019 | 13.30 | 13.30 | 13.30 |
| 26 | 05-08-2019 | 11-08-2019 | 12.70 | 12.05 | 12.38 |
| Average Price | | | | | 15.41 |

(B) Average of weekly High & Low of the Volume Weighted Average Price (VWAP) of the equity shares of Ovobel, quoted on the BSE Limited during the last two weeks preceding the relevant date (considering relevant date as Valuation date - August 14, 2019)

(Amount in INR)

| Weeks | From | To | High | Low | Average |
|----------------------|------------|------------|-------|-------|--------------|
| 1 | 29-07-2019 | 04-08-2019 | 13.30 | 13.30 | 13.30 |
| 2 | 05-08-2019 | 11-08-2019 | 12.70 | 12.05 | 12.38 |
| Average Price | | | | | 12.84 |

(C) Applicable Minimum Price.

| | |
|---|--------------|
| Average of 26 weeks High-Low of the VWAP (as per A above) | 15.41 |
| Average of 2 weeks High-Low of the VWAP (as per B above) | 12.84 |
| Applicable Minimum Price (Higher of A and B) | 15.41 |

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Annexure - B

We have relied upon following management representations/assumptions in subject valuation:

- a) Ovobel Foods Limited (“Company”) was incorporated on January 11, 1993 and is listed under the Bombay Stock Exchange. The Company is manufacturer and exporter of Whole Egg/ Yolk, Albumen in powdered or frozen form.
- b) KSIIDC, with further assistance of Ministry of Food Processing Industries (“MFPI”) had provided financial assistance of INR 1,00,00,000 to the Company by way of subscription to 10,00,000 KSIIDC Shares of INR 10/-, in the years 1995 and 1996 (5,00,000 KSIIDC Shares in each of the years). In addition, the Company has also received financial assistance of INR 1,27,75,000/- from KSIIDC in the form of Loan
- c) As per the agreement between KSIIDC and the Company, the Company had to remit the agreed return of 15% on financial assistance received from KSIIDC. The Company has remitted such agreed return to KSIIDC in the form acceptable to KSIIDC, as per the terms of settlement agreed upon between KSIIDC and the Company.
- d) Further as a part of the settlement, KSIIDC has agreed for a consideration of INR 1,00,00,000/- for capital reduction of 10,00,000 KSIIDC Shares by the Company and approved that such consideration would settle the claims that KSIIDC has in the Company on account of holding of KSIIDC Shares.
- e) The commercial decision is independent of valuation report.
- f) The Audited Financial statements of the Company for the Financial Year ended March 31, 2019 has been provided separately.
- g) There is no change in the shareholding of the Company and the Capital structure thereof since March 31, 2019 to the Valuation date.
