
Valuation Report

Of

Equity Shares

Of

KHANDWALA SECURITIES LIMITED

Prepared by

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IBBI Registered Valuer

IBBI Registration No: IBBI/RV/07/2021/14536

Notice to Reader

This report is prepared by Arpit Tapadia solely for the purpose of estimating the indicative valuation of Khandwala Securities Limited ("Company"). Arpit has been appointed by Khandwala Securities Limited. This report is not to be used, circulated and quoted otherwise than for the purpose stated herein. This report is subject to the scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts. This report has been prepared solely for the purpose set out in this report and should not be reproduced (in part or otherwise) in any other document whatsoever without Arpit's specific written consent.

I have relied on such data, information, etc. as was necessary deemed for the purpose of this assignment which has been made available to me by the management of the Khandwala Securities Limited.

For the purpose of this assignment, I have relied on the statements; information and explanation provided by the management of the Khandwala Securities Limited and has not tried to evaluate the accuracy thereof.

My work does not constitute certification or due diligence of the past working results of companies and Navigant has relied upon the information provided to it by the company as set out in their audited and working results.

I have not carried out any physical verification of the assets and liabilities of the company and takes no responsibility on the identification, availability and valuation of such assets and liabilities.

The valuation of this company has been carried out for the express purpose as mentioned in scope of assignment and may not be applicable or referred to or quoted in any other context.



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1. Overview of Company

The Company was incorporated under the provisions of Companies Act, 1956 on 09th February, 1993 and the name of company is Khandwala Securities Limited. The Company's CIN is L67120MH1993PLC070709. The registered office of the Company is situated at Ground Floor, Vikas Building, Green Street, Fort, Mumbai - 23.

The present Directors of company are as below.

Sr. No.	Name of Director	Designation
1	PARESH JAYANTILAL KHANDWALA	
2	SUBRAMANIAN MURLIDHARDAS	
3	PRANAV PARESH KHANDWALA	
4	PRATIK PARESH KHANDWALA	
5	BHAGYASHREE PRANAV KHANDWALA	
6	HOMIAR NARIMAN VAKIL	
7	SHYAM MURALIDHARDAS SESHADRI	
8	ABHISHEK NARENDRA JOSHI	

2. Shareholding Pattern:

The share capital and holding structure of the Company, on a fully diluted basis, as on the date of this report is as under:

Particulars	Amount in INR
Authorized Share Capital	25,00,00,000
Issued, subscribed and paid up Capital	11,93,90,000

Sl. No.	Name of Shareholder	No of Shares	% of Share Holding
1	Promoters	72,70,977	60.90%
2	Public	46,68,023	39.10%
	Total	1,19,39,000	100.00%

3. Purpose of Valuation

Khandwala Securities Limited has approached Arpit ("Valuer") to arriving the fair market value ("FMV") of its shares in order to submit to the stock exchange for the purpose of Preferential Issue of its shares.

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4. Valuation Methodology:

There are various methods adopted for valuation of the Company. Certain methods are based on asset value of an entity while certain other methods are based on the earnings potential of the company. Each method proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the methods to be adopted for a particular valuation exercise must be judiciously chosen.

4.1 NET ASSETS VALUE ('NAV') METHOD

The Net Assets Method represents the value with reference to historical cost/ Current Market Value of assets owned by the company and the attached liabilities on the valuation date.

Since Majority of the Assets of the Entity are liquid Assets and in either in form of Investments or deposit with bank or receivable from either government authorities/exchange this method seems proper and reliable and has been used while deriving the fair value.

4.2 PROFIT EARNING CAPACITY VALUE METHOD ("PECV" METHOD)

- The PECV method focuses on the past income generated as well as the future earning capability of the business enterprise.
- PECV method requires determination of three parameters
- Future maintainable profits (FMP)
- Approximate income tax rate
- Expected rate of return

The value is determined by capitalizing the FMP (net of tax) by the expected rate of return.

4.3 MARKET PRICE ('MP') APPROACH

The market price of a share as quoted on a stock exchange is normally considered as the fair value of the shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

In the present case, the equity shares of Khandwala Securities Limited is frequently traded on the Stock Exchange where the equity shares of Khandwala Securities Limited are listed, the last trading price of the equity shares is available on Exchange's site and the same is taken for the purpose of the valuation of equity shares.

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4.4 DISCOUNTED CASH FLOW (DCF) METHOD

The Discounted Cash Flow (DCF) Method values the Company by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both the owners and the creditors of the company. The free cash flows are discounted by Weighted Average Cost of Capital (WACC). The WACC represents the returns expected by the investors from equity, weighted for their relative funding in the entity. The present value of the free cash flows during the explicit period and the perpetuity value indicate the value of the company.

5. Valuation & Conclusion:

The shares of Khandwala Securities Limited are to be valued in terms of the Regulations which is higher of the 90 trading days or 10 Trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date as the traded turnover during the 12 calendar months preceding the month in which the public announcement is being made, is more than 10% of the total number of shares of such class of the Company on BSE Limited, But AOA of the company does provide for obtaining the report of valuer for the same and hence a number of valuation methods are feasible, the following approach has been considered:

- a) **Net Asset Value (NAV):** The Net Asset Value is Rs. 26.82 per equity share as per the Audited yearly result for the year-ended 31.03.2022.
- b) **Profit Earning Capacity Value (PECV):** The average loss after tax for last 3 financial years ending on 31.03.2022 as per audited annual accounts is Rs. 170.55 Lakh. Thus, this method does not provide a good estimate for the same and not been considered while calculating the value.
- c) **Market Based Value:** Since the equity shares of Khandwala Securities Limited were frequently traded on the Regional Stock Exchanges, i.e. the Stock Exchanges where the equity shares of Khandwala Securities Limited are listed, the last trading price of the equity shares as on March 31, 2022 was Rs. 20.15 and the same is taken for the purpose of the valuation of equity shares.
- d) **DCF Based Value:** The Company has provided us the projected financial statements and based on the same we have calculated the price of the share by applying the weighted average cost of capital as deemed fit in the case. The value as derived as per this method is Rs 33.41 and the same is taken for the purpose of the valuation of equity shares.



- e) Considering the appropriateness of the method, the fair value of a listed company is assessed based on the following weightages: Intrensic/Net Asset Value: 3, Market Based Value: 2; DCF Based Value: 1.

Given the NAV of Rs. 26.82 per share, market price of Rs. 20.15 per share and the value calculated as per DCF of Rs. 33.41 per share, the fair value based on the weighted average would be Rs. 25.70 per equity share.

The above certificate is based upon statement of affairs and scrutiny of the records, confirmation provided and documents produced before us and to the best of our knowledge and as per information provided to our satisfaction.

Working Sheet: -

- (i) Applying the valuation methodology, the fair value of the company is assessed based on the following weightages:

(a) Net Asset Value: 3; (b) Market Value: 2; (c) DCF Based Value: 1

1. Net Asset Value per share: Rs. 26.82

Particulars	Amount (Rs.) 31.03.2022
Property, Plant and Equipment	5,19,61,188
Investments	3,98,64,673
Deposits	15,74,74,872
Amount Paid for Share Allotment	2,16,68,641
Deposits with Banks	2,39,37,535
Deposits With Revenue Authorities	44,27,875
Trade Receivables	4,70,10,195
Cash in Hand	1,45,680
Balances With Banks	7,63,48,034
Loans & Advances	17,81,012
Exchange Obligation -Receivable	4,94,46,227
Other Current Assets	20,000
Total Assets	47,40,85,932
Borrowings	6,46,29,249
Statutory Dues	36,49,429
Security Deposits	5,14,730

Trade Payables	20,02,19,233
Other Current Liabilities	24,62,652
Total Liabilities	27,14,75,292
Net Assets	20,26,10,640
Less :	
WDV of the Buildings	4,92,14,533
Add :	
Fair Value of Buildings	16,68,31,090
Fair Value of Net Assets	32,02,27,197
No. of Equity Shares	1,19,39,000
Value per equity share (Rs.)	26.82

2. Price Earning Capacity Value per share: Since the Company is in Average Loss considering Last 3 Financials years and hence this approach seems unfit for the purpose and hence not considered for valuation of fair value of equity shares.

3. Market Value: 20.15 was the closing price as on March 31, 2022 and the same is considered while determining the fair value of equity shares.

4. Value based on DCF : Value as per this approach is calculated by discounting the projected cash flows available for equity share holders by weighted average rate of return. Value as derived by this approach is Rs. 33.41 and the same is considered while determining the fair value.

Fair Value of the Equity shares of the Company:

Measure	Weight (a)	Amount (Rs.)	
		Value Per Share (b)	(a)*(b)
NAV per share	3	26.82	80.47
Market Value	2	20.15	40.30
DCF Based Value	1	33.41	33.41
Total	6		154.18
Weighted Average Value of the Above			25.70

Based upon the above, the Fair Value of the Equity shares of the Company is Rs. 25.70.

6. Limitation / Disclaimers:

- 6.1 Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- 6.2 Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While I have provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of our engagement, others may place a different value to the same.
- 6.3 Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review, due diligence or examination of any of the historical or prospective information used and therefore, does not express any opinion with regards to the same.
- 6.4 The draft of the present report was circulated to the Management for confirming the facts stated in the report and to confirm that information or facts stated are not erroneous and the assumptions used are reasonable.
- 6.5 No investigation on the Company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the liabilities in the books. Therefore, no responsibility is assumed for matters of a legal nature.
- 6.6 Our work does not constitute an audit or certification of the historical financial statements including the working results of the Company referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation mentioned in the report is as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 6.7 In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions and other information given by/on behalf of the Company. We assume no responsibility for any errors in the above information furnished by the Company and consequential impact on the present exercise.
- 6.8 Any person/party intending to provide finance/invest in the shares/business of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

- 6.9 The decision to carry out the transaction (including consideration thereof) on the basis of this valuation lies entirely with the Management/ the Company and our work and our finding shall not constitute a recommendation as to whether or not the Management/ the Company should carry out the transaction.
- 6.10 Our report is meant for the purpose mentioned in Para 3 and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.
- 6.11 Neither I nor my partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

For CA Arpit Tapadia



Arpit Tapadia
IBBI Registered Value
Reg. No - IBBI/RV/07/2021/14536
UDIN - 22182428AKGDAD4676
Date: 01st June, 2022
Place: Mumbai