Sai Parenterals Private Limited

Valuation Report

Report Date: 05/02/2024
Place: Hyderabad

M.No: IBBI/RV/02/2019/11544 HYD.
Registered Valuer-Sec or FA

A. SOMESWARA RAO
Registered Valuer-Securities or Financial Assets
IBBI No: IBBI/RV/02/2019/11544
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To
The Board of Directors
SAI PARENTERAL'S LIMITED
Plot No 39, 5th Floor, lavanya Arcade,
Jayabheri Enclave, Gachibowli,
K.V.Rangareddy,
SeriLingampally,
Telangana,
India, 500032

Dear Sir,

SUB: VALUATION OF EQUITY SHARES IN THE MATTER OF SAI PARENTERAL'S LIMITED (SPL)

With reference to the above mentioned subject, please find attached herewith the certificate of Valuation for the purpose of issue of securities by way of private placement under section 42 & 62 of the Companies Act 2013.

Based on the Discounted Cash Flow analysis, we certify that the fair value of the Enterprise, based on Provisional financials as on 05/02/2024 has been arrived INR. 17268.13 Lacs and fair value per share is Rs.138.69 (Rupees one hundred and thirty eight and sixty nine paise only).

Thanking You,

Yours faithfully,

ARTHAM SOMESWARA RAO
M.No: IBBI/RV/02/2019/11544
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Registered Valuer-Sec or FA

A. Someswara Rao

Place: Hyderabad

A. SOMESWARA RAO

Date: 05/02/2024

Registered Valuer-Securities or Financial Assets
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TABLE

ARITHAM SOMESWARA RAO
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1. Overview

a) About the company

Sai Parenteral's Limited (SPL), is registered on 12/01/2001 with the Registrar of Companies, Hyderabad, Telangana.

SAI Parenterals Ltd is a 20-year old, technology-driven, highly focused, WHO-GMP and ISO 9001-2000 certified company that specializes in the manufacturing of pharmaceutical parenteral formulations. As a fully-integrated company, Sai Parenteral engages in efficient research, development, manufacturing, marketing, sourcing and distribution of high- quality pharmaceutical products.

The manufacturing facilities are based at Jeedimetla, Hyderabad, where SAI manufactures sterile dry powder Injections, sterile Liquid Injections in form of Prefilled Syringes, Ampoules and Vials in area of 42000 Sft in compliance to WHO-GMP Standards.

In addition to the existing manufacturing facility of general and B-lactam group of drugs, the company has moved ahead as a futuristic pharmaceutical company focusing on research-led projects with quality manufacturing centres across India and a regulatory operator abroad.

b) Capital Structure

The Authorized share capital of the company is INR 14,00,00,000 /- and the Paid-up share capital of the company is INR 12,45,05,510/- . Equity face value of the company is Rs.10/- each.

Further the Company holds 100% of M/s. Revat Laboratories Private Limited by holding 5331560 of Rs.10/- each, making it a wholly owned subsidiary and this company has a % Subsidiary of M/s. Rohini Solaris Private Limited by holding 589050 Shares.

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c) **Management of the company :**

Sl.No	Name of the Director	DIN	Date of appointment
1	Aruna Karusala	01673731	16/08/2016
2	Anil Kumar Karusala	01866646	19/11/2021
3	Vijitha Gorrepati	03492979	16/08/2016
4	Seeta Ram Anjaneyulu Gorantla	01874325	01/01/2024
5	Bhagyashri Dharmasa Zad	09174356	01/01/2024

d) Current Assignment

We have been appointed by the board of directors of the SAI Parenterals Ltd to carry out the valuation of fair price of the Company and its investments as on 05/02/2024 vide the engagement letter dated 05/02/2024 for issue of securities by way of private placement under section 42 and Section 62 of the companies act 2013.

e) About Valuer and other experts involved if any:

Mr. Artham Someswara Rao is a practicing Company Secretary and a registered Valuer under Asset Classification Securities & Financial Assets, duly registered with Insolvency and Bankruptcy Board of India, having membership number as **M.No. IBBI/RV/02/2019/11544**.

No other expert was involved in this transaction.

f) **Disclosure of the valuer's interest:**

I, CS Artham Someswara Rao, registered Valuer hereby declare that I have no interest either direct or indirect in the Company "SAI Parenterals Ltd" Further to state that I am not having relation or any connection with Promoters or Directors or any officer of the Company directly or indirectly. Further to state that I am independent and being appointed in my individual capacity and nowhere related to any officials of the Company.

2. Valuation Analysis

2.1. Methodology

In this report Fair Market Value is defined as the highest price available in terms of cash in an open and unrestricted market between informed and prudent parties acting at arm's length and under no compulsion to act.

There is no single value of a business / company. The value depends upon the purpose for which the valuation is made. In a merger for instance, the valuer is concerned with the relative value of the two companies. In an acquisition, the valuer is concerned with the absolute value of the share. The value to the sellers is the deprival value of the business. The value to the buyer is the opportunity value. It is also related to future expectations.

In valuing an asset / business also, there is no single or specific mathematical formula. The particular approach and the factors to consider will vary in each case. Where there is evidence of open market transactions having occurred or readily available as in the case of a listed company they often form the basis for establishing the value of a company. In the absence of open market transactions the three basic generally accepted approaches for valuing a business interest are as follows.

i. The Income based Approach

Fundamental to the income based approach is the belief that the value of the business must be related to the profits it will earn and the cash it will generate in the future. Consistent with this belief, the two most commonly used

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methods of valuation are the capitalisation of past earnings method and the discounted cash flow method.

Capitalisation of earnings

The capitalisation of past earnings method uses the past earnings pattern to make a judgement regarding the future maintainable profits. Then they are capitalised at what is considered as the expected market rate of return applicable to the business.

Discounted free Cash Flows (DCF)

The discounted cash flow (DCF) method is based on the premise that the value of a business is the sum total of the present value of all future cash flows. The method estimates the free cash flow for each financial period included in the discrete period and discounts this to its present value at an appropriate rate such as weighted average cost of capital (WACC), or such other rate as is appropriate in given situation. These discounted values are aggregated and to this aggregation is added the discounted perpetual growth cash flows to arrive at the enterprise value of the business. When the interest bearing borrowings of the business are deducted the equity value of the business is determined.

ii. The asset based approach

Under the asset based approach, three methods are generally used namely the liquidation value, the replacement value and the net asset value. The first two of these are rarely used but the net asset value is often used in conjunction with earnings based methods. It proceeds on the premise that operating assets do not have a value different from the capitalised value of the profits they can generate and since under the earning methods, depreciation and interest have been calculated on the book value of fixed assets these values cannot be changed when the asset based method is used in conjunction with the earnings based methods. However, since the non-operating assets do not influence the value determined under the earnings based methods, these can be valued at their net realisation value.

iii. The market related approach

This approach is adopted more in case of Listed entities only. In this approach the value of a business is determined by a comparison of relevant accounting ratios computed for the business with ratios determined for publicly traded companies in similar lines of business. Another market related approach is to identify actual sale transactions which have taken place and to bench mark these. In both these approaches the major difficulty arises in identifying a company which can be considered as comparable with the business which is being valued. As no two businesses are identical, it becomes necessary to apply a discounter premium for dis-similarity and the subjectivity involved in selecting an appropriate rate of discount or premium could significantly affect the final value.

2.2 VALUATION OF COMPANY SHARE:

DISCOUNTED FREE CASH FLOW METHOD:

The purpose of DCF-Valuation is to determine the value of the Company in terms of its future cash flows. The cash flows are adjusted with certain items in order to make sure the flows reflect the actually generated cash. The Discounted Free Cash Flow method is based on the premise that the value of the business is the sum of the present values of all future cash flows. This procedure recognizes that the cash flow steams at different time periods differ in value and hence all cash flows are expressed in terms of their present values. These discounted values are then aggregated to arrive at the enterprise value of Business.

The basic formulation of discounted cash flow valuation is as follows:

- PAT is adjusted with total depreciation and other non-cash costs to get Gross cash flow. This has to be done because depreciation and other non-cash costs have no cash effect and thus does not really reduce the cash generated.
- The gross cash flow is then discounted at cost of capital to get the discounted cash flow stream.

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- The resultant cash flow stream is added along with the terminal value of the enterprise to get the sum of the discounted free cash flow.
- The proportion of total cumulative discounted free cash flows to profit share held by the investor company is calculated to get the fair price of capital contribution.

For DCF methodology, we have used the Free Cash Flow to Equity (FCFE) approach based on the characteristics of the Company being valued. FCFE is the cash flow available to the Company holders of common capital after all operating expenses, interest, and principal payments have been paid and necessary investments in working and fixed capital have been made. The value of the Company's capital contribution is the present value of the expected future FCFE discounted at the cost of equity

3. PROCEDURE ADOPTED IN CARRYING OUT THE VALUATION

The valuation is based on the provisional financial statements as of 30/09/2023 of the company.

The method of valuation adopted as suitable in the present situation is the **DCF Method for the following reasons:**
Under the Income tax Act, these are the recognised methods. And they are also internationally recognised methods of valuation and also appropriate under Companies act 2013.

4 VALUATION CONCLUSION

As per DCF, the value of shares as of 05/02/2024 is
Number of equity shares (absolute and fully dilutive basis) : 12450551
Total equity value : Rs 17268.13 (in lakhs)
The fair value per share of Rs. 138.69/- only.

Hence, the indicative value per shares is Rs. 138.69/-.

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SAI PARENTERALS PVT. LTD.
Valuation of Equity Shares

Discounted Cash Flow Method *Rs. In Lacs*

Particulars	31.03.2024	31.03.2025	31.03.2026	31.03.2027	31.03.2028
Inflow					
Profit Before Tax	1,418.97	1,888.04	2,559.56	3,317.79	4,238.03
Add: Depreciation & Amortisation	425.63	383.07	344.76	310.28	279.26
Add: Capital Raised	-	-	-	-	-
Total Inflow	**1,844.60**	**2,271.11**	**2,904.32**	**3,628.07**	**4,517.29**
Outflow					
Increase in Investments	2,827.16	-	-		
Incremental Working Capital (exc cash)	- 1,800.70	1,235.73	1,175.57	1,854.42	2,011.87
Repayment of Debt - Principal	366.00	366.00	366.00	366.00	366.00
Income Tax	368.93	490.89	665.49	862.63	1,101.89
Total Outflow	**1,761.39**	**2,092.62**	**2,207.06**	**3,083.05**	**3,479.76**
Net Free Cash Flows (FCF)	**83.21**	**178.49**	**697.26**	**545.03**	**1,037.53**
Year	0.17	1.17	2.17	3.17	4.17
Discounting factor	0.985	0.898	0.818	0.746	0.680
Present Value	81.93	160.23	570.63	406.63	705.67
Present Value of cash inflow during the explicit forecast Period	1,925.09				
Present Value of the Perpetuity	12,893.59				
Add: Investments	3,183.34	Value of Revat			
Business Value	18,002.02				
Less : Debt financing	733.89				
Less : Contingent Liabilities	-				
Equity Value	**17268.13**				
No. of shares	12450551				
Value Per Share (Rs.)	**138.69**				

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ROHINI SOLARES PRIVATE LIMITED
Valuation of Equity Shares

Discounted CashFlow Method *Rs. In Lacs*

Particulars	2023-24 (Estimated)	2024-25 (Projected)	2025-26 (Projected)	2026-27 (Projected)	2027-28 (Projected)
Inflow					
EBT - Operating profit	-42.06	48.49	137.27	225.23	313.27
Add: Depreciation & Amortisation	253.62	218.11	187.58	161.32	138.73
EBDITA	211.56	266.60	324.85	386.55	452.00
Total Inflow	**211.56**	**266.60**	**324.85**	**386.55**	**452.00**
Outflow					
Increase in Fixed Assets	-	-	-	-	-
Repayment of Debt	194.17	194.17	194.17	194.17	194.17
Incremental Working Capital (exc cash)	7.70	2.08	-5.90	47.29	59.63
Income Tax	-	-	-	-	-
Total Outflow	**201.87**	**196.25**	**188.27**	**241.46**	**253.80**
Net Free Cash Flows (FCF)	**9.69**	**70.35**	**136.58**	**145.09**	**198.20**
Year	0.17	1.17	2.17	3.17	4.17
Discounting factor	0.984	0.894	0.812	0.737	0.669
Present Value	9.53	62.87	110.85	106.94	132.67
Present Value of cash inflow during the explicit forecast Period	422.86				
Present Value of the Perpetuity	2,256.83				
Add: Investments	-				
Gross Business Value	2,679.69				
Less : Debt outstanding	1,309.98				
Less : Contingent Liabilities	-				
Equity Value	**1369.71**				
No. of shares	1155000				
Value Per Share (Rs.)	**118.59**				

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REVAT LABORATORIES PRIVATE LIMITED
Valuation of Equity Shares

Discounted CashFlow Method *Rs. In Lacs*

Particulars	2023-24 (Estimated)	2024-25 (Projected)	2025-26 (Projected)	2026-27 (Projected)	2027-28 (Projected)
Inflow					
EBT - Operating profit	543.99	640.06	778.70	933.48	1,150.85
Add: Depreciation & Amortisation	70.82	55.94	44.20	34.92	27.58
EBDITA	614.80	696.01	822.90	968.40	1,178.44
Total Inflow	**614.80**	**696.01**	**822.90**	**968.40**	**1,178.44**
Outflow					
Increase in Fixed Assets	-	-	-	-	-
Repayment of Debt					
Incremental Working Capital (exc cash)	-359.76	655.62	719.33	793.60	554.63
Income Tax	136.92	161.10	196.00	234.96	289.67
Total Outflow	**-222.83**	**816.73**	**915.33**	**1,028.55**	**844.30**
Net Free Cash Flows (FCF)	**837.64**	**-120.72**	**-92.44**	**-60.16**	**334.14**
Year	0.17	1.17	2.17	3.17	4.17
Discounting factor	0.976	0.847	0.734	0.636	0.552
Present Value	817.95	-102.20	-67.85	-38.28	184.36
Present Value of cash inflow during the explicit forecast Period	793.98				
Present Value of the Perpetuity	1,690.81				
Add: Investments	698.55	51% value of Rohini			
Gross Business Value	3,183.34				
Less : Debt Outstanding	-				
Less : Contingent Liabilities	-				
Equity Value	**3183.34**				
No. of shares	5331560				
Value Per Share (Rs.)	**59.71**				

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5. SOURCES OF INFORMATION

a) Background information of the Company and its subsidiaries and its business.
b) Financial projections of all the three Companies for the period from F.Y.2023-24, 2024-25, F.Y.2025-26, F.Y.2026-27 and 2027-28.

c) Such other information as we considered relevant.

d)Tax slab @ 25%

e) perpetuity growth rate @ 4%

6. CAVEATS

Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report as agreed and as per 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.

Valuation analysis and results are also specific to the date of this report. A review of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. As such, our review results are, to a significant extent, subject to continuance of current trends beyond the date of the report. I, however, have no obligation to update this report for events, trends or transactions relating to the companies or the market/economy in general and occurring subsequent to the date of this report.

The terms of our engagement were such that I was entitled to rely upon the information provided by the Company without detailed inquiry. Also, I have been given to understand by the Management that they have not omitted any relevant and material factors. Our conclusions are based on these assumptions, forecasts and other information given by/on behalf of the Company.

No investigation of the Company's claim to title of assets has been made for the purpose of this review and the Company's claim to such rights has been

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assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matter of a legal nature. I have not conducted or provided an analysis or prepared a model for any asset valuation and have wholly relied on information provided by the Company in that regard. The fee for the report is not contingent upon the results reported.

Subject to the limitations and exclusions has mentioned above, I owe responsibility only to the Board of Directors of the Company that has retained me and nobody else. I do not accept any liability to any third party in relation to the issue of this report. Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or documents given to third parties, other than in connection with the proposed issuance of securities by way of private placement without our prior written consent.

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