

VALUATION REPORT

**REPORT ON FAIR VALUE OF
PREFERENTIAL ISSUE (OTHER THAN
CASH) AND CONVERTIBLE WARRANTS
(CASH CONSIDERATION) OF
DIPNA PHARMACHEM LIMITED**

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Summary Report

1. Date of Valuation : 26th July, 2024
2. Date of appointment : 06th May, 2024
3. Date of submission of the Valuation Report : 31st July, 2024

The said valuation assignment has been conducted for the purpose of computing the Value per Preferential issue (other than cash) and Convertible Warrants (cash consideration) of **DIPNA PHARMACHEM LIMITED** (herein after referred to as "**the Company**") for the purpose to estimate the fair value for further issuance of securities, as per Section 42 and Section 62(1)(c) of the Companies Act 2013 read with Rule 13(2)(g) of Companies (Share Capital and Debentures) Rules, 2014 and in accordance with the 'Chapter V - Preferential Issue' of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('**SEBI (ICDR) Regulations 2018**') and the valuation guidelines stipulated under International Valuation Standards.

The Value per Preferential issue (other than cash) and Convertible Warrants (cash consideration) ascertained by us is **Rs. 1.60 per share**.

For and on behalf of



For Corporate Professionals Valuation Services Private Limited

Registered Valuer Entity

Registration No. IBBI/RV-E/02/2019/106

Place: Ahmedabad

CA Sejal Agrawal (Director)

VRN: IOVRVF/CP/2024-2025/3796

Corporate Professionals Valuation Services Private Limited

CIN: U74999DL2018PTC340117



E 716, Ganesh Glory 11, Jagatpur, S G Highway,
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968-767-2506

Executive Summary

Client	: DIPNA PHARMACHEM LIMITED
CIN	: L24100GJ2011PLC066400
Purpose of Valuation	Further issuance of securities, as per Section 42 and Section 62(1)(c) of the Companies Act 2013 read with Rule 13(2)(g) of Companies (Share Capital and Debentures) Rules, 2014 and in accordance with the 'Chapter V - Preferential Issue' of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (' SEBI (ICDR) Regulations 2018 ')
Base of Valuation	: Market Value - Sec 30 of IVS 2020
Premise of Valuation	: Highest and best use - Sec 140 of IVS 2020
Method for Valuation	Market Approach (Market price method), Net Asset Approach, Income Approach
Value Variation from Standard Assumptions	None
Special Assumptions	None
Capacity & Status of Valuer	External- Sejal Agrawal (RV-S&FA)
Independence	The total fees, including the fee for this assignment earned from the instructing party are less than 5.0% of our total annual revenues.
Standards Utilized	International Valuation Standard



Introduction

Background Information:

Company Information	
CIN	L24100GJ2011PLC066400
Company Name	DIPNA PHARMACHEM LIMITED
ROC Name	ROC Ahmedabad
Registration Number	066400
Date of Incorporation	19/07/2011
Email Id	dharachem99@yahoo.in
Registered Address	A/211, Siddhi Vinayak Complex, Near D.A.V. School, Makarba, Ahmedabad, Gujarat, India, 380055
Listed in Stock Exchange(s) (Y/N)	Yes
Category of Company	Company limited by shares
Subcategory of the Company	Non-government company
Class of Company	Public
ACTIVE compliance	ACTIVE Compliant
Authorised Capital (Rs)	25,00,00,000
Paid up Capital (Rs)	24,04,52,500

The Board of Directors of the company as on valuation date are as follows: -

Director Details

Directors/Signatory Details

Director/Signatory Details			
Sr. No	DIN/PAN	Name	Designation
1	02507462	DIPNA KEYUR SHAH	Director
2	03167258	KEYUR DIPAKKUMAR SHAH	Managing Director
3	09565657	NANDISH SHAILESHBHAI JANI	Director
4	09699769	JITENDRA PRADIPBHAI PARMAR	Director



i. Restriction on use of Valuation Report

This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Our client is the only authorized user of this report and is restricted for the purpose indicated in the engagement letter. This restriction does not preclude the client from providing a copy of the report to third-party advisors whose review would be consistent with the intended use. I do not take any responsibility for the unauthorized use of this report.

ii. Responsibility of RV

We owe responsibility only to the client that has appointed us under the terms of the engagement letters. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the client or companies, their directors, employees or agents.

iii. Accuracy of Information

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

iv. Achievability of the forecast results

We do not provide assurance on the achievability of the results forecast by the management as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected as the achievement of the forecast results is dependent on actions, plans and assumptions of management.

v. Post Valuation Date Events

The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date. Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the valuation date.

vi. Reliance on the representations of the clients, their management and other third parties

The client and its management warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the clients, their management and other third parties concerning the financial data, operational data and maintenance schedule of all plant-machinery-equipment-tools-vehicles, real estate investments and any other investments in tangible assets except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee or agents.

vii. No procedure performed to corroborate information taken from reliable external sources

We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that



such data has been correctly extracted from those sources or reproduced in its proper form and context.

viii. Compliance with relevant laws

The report assumes that the company complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the companies will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not reflected in the balance sheet provided to us.

ix. Multiple factors affecting the Valuation Report

The valuation report is tempered by the exercise of judicious discretion by the RV, taking into account the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the Balance Sheet but could strongly influence the value.

x. Future services including but not limited to Testimony or attendance in courts/ tribunals/ authorities for the opinion of value in the Valuation Report

We are fully aware that based on the opinion of value expressed in this report, we may be required to give testimony or attend court / judicial proceedings with regard to the subject assets, although it is out of scope of the assignment, unless specific arrangements to do so have been made in advance, or as otherwise required by law. In such event, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and our tendering evidence before such authority shall be under the applicable laws.

Purpose of the Report

This valuation is done for the purpose of determining the value per Preferential issue (other than cash) and Convertible Warrants (cash consideration) for issuance of Preferential issue (other than cash) and Convertible Warrants (cash consideration) : in pursuance to compliance with the provisions of Section 42 and Section 62(1)(c) of the Companies Act 2013 read with Rule 13(2)(g) of Companies (Share Capital and Debentures) Rules, 2014 and in accordance with the 'Chapter V - Preferential Issue' of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('SEBI (ICDR) Regulations 2018') and the valuation guidelines stipulated under International Valuation Standards.

- The company is looking to assess its fair value for the proposed issuance of Preferential issue (other than cash) and Convertible Warrants (cash consideration) : in accordance with Regulations 164 and 166A of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 ("ICDR") using latest available Audited Auditor's Report on Financial Results as on 31st March, 2024 for the Preferential Allotment of Preferential issue (other than cash) and Convertible Warrants (cash consideration):
- There is no change in control, however, allotment to the Proposed allottees is more than five percent of the post issue fully diluted share capital of the issuer, therefore, the pricing of Preferential issue (other than cash) and Convertible Warrants (cash consideration) of the Company shall be determined as higher of:



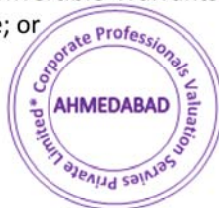
- the price determined as per Regulation 164 of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 or
- the price determined as per Valuation Report of an Independent Registered Valuer as per Regulation 166A of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 or
- the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable.
- For the purposes of price to be determined as per Regulation 164 of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, the Preferential issue (other than cash) and Convertible Warrants (cash consideration): of the company are frequently traded on the stock exchange, on BSE and thus Regulation 164(1) becomes applicable.
- For the purposes of valuation under Regulation 166A, detailed valuation methodology has been explained in this report.
- The relevant extract of the regulation 164 and 166A are as under:

Regulation 164: Pricing of frequently traded shares

1. If the Preferential issue (other than cash) and Convertible Warrants (cash consideration): 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 Preferential issue (other than cash) and Convertible Warrants (cash consideration): to be allotted pursuant to the Preferential issue (other than cash) shall be not less than higher of the following:
 - (a) The 90 trading days volume weighted average price of the related Preferential issue (other than cash) and Convertible Warrants (cash consideration): quoted on the recognised stock exchange preceding the relevant date; or
 - (b) The 10 trading days volume weighted average prices of the related Preferential issue (other than cash) and Convertible Warrants (cash consideration): quoted on a recognised stock exchange preceding the relevant date.

Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under these regulations, then the same shall be considered as the floor price for Preferential issue (other than cash) and Convertible Warrants (cash consideration): to be allotted pursuant to the preferential issue.

2. If the Preferential issue (other than cash) and Convertible Warrants (cash consideration): 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 Preferential issue (other than cash) and Convertible Warrants (cash consideration): to be allotted pursuant to the Preferential issue (other than cash) shall be not less than the higher of the following:
 - (a) The price at which Preferential issue (other than cash) and Convertible Warrants (cash consideration): 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 Preferential issue (other than cash) and Convertible Warrants (cash consideration): of the issuer were listed, as the case may be; or



- (b) the average of the volume weighted average prices of the related Preferential issue (other than cash) and Convertible Warrants (cash consideration): quoted on the recognised stock exchange during the period the Preferential issue (other than cash) and Convertible Warrants (cash consideration): have been listed preceding the relevant date; or
- (c) the average of the 10 trading days volume weighted average prices of the related Preferential issue (other than cash) and Convertible Warrants (cash consideration): quoted on a recognised stock exchange during the two weeks preceding the relevant date.

Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under these regulations, then the same shall be considered as the floor price for Preferential issue (other than cash) and Convertible Warrants (cash consideration): to be allotted pursuant to the preferential issue (other than cash).

- 3. Where the price of the Preferential issue (other than cash) and Convertible Warrants (cash consideration): 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 if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that 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 (other than cash).

- 4. (a) A Preferential issue (other than cash) 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 Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under these regulations, then the same shall be considered as the floor price for Preferential issue (other than cash) and Convertible Warrants (cash consideration): to be allotted pursuant to the preferential issue (other than cash):

(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 the promoters. Explanation. —For the purpose of this clause, a qualified institutional buyer who has any of the following rights shall be deemed to be a person related to the promoters of the issue:-



- (a) rights under a shareholder's agreement or voting agreement entered into with promoters or promoter group;
- (b) veto rights; or
- (c) right to appoint any nominee director on the board of the issuer.

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 Preferential issue (other than cash) and Convertible Warrants (cash consideration) : of the issuer are listed and in which the highest trading volume in respect of the Preferential issue (other than cash) and Convertible Warrants (cash consideration): of the issuer has been recorded during the preceding 90 trading days prior to the relevant date.

Regulation 166A: Allotment of more than five per cent of the post issue fully diluted share capital of the Issuer

- (1) Any preferential issue, which may result in a change in control or allotment of more than five per cent. of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price:

Provided that the floor price, in such cases, shall be higher of the floor price determined under sub-regulation (1), (2) or (4) of regulation 164, as the case may be, or the price determined under the valuation report from the independent registered valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable:

Keeping in the view of above regulations: -

- There is no change in control, however, the allotment to the proposed allottees is more than five percent of the post issue fully diluted share capital of the issuer

The Companies Act, 2013

Relevant Extract of Section 62: Further issue of share capital

- (1) Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered—

- (c) to any persons, if it is authorised by a special resolution, whether or not those persons include the persons referred to in clause (a) or ~~clause (b)~~, either for cash or for a consideration other than cash, if



the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed

Scope of Work and Bases of Valuation

- Registered Valuer has been appointed by the Management to issue a report on the likely valuation of equity share. I understand that the purpose of the said report is to determine the Fair Market Value of quoted Preferential issue (other than cash) and Convertible Warrants (cash consideration): of the company for the purpose of issuance of Preferential issue (other than cash) and Convertible Warrants (cash consideration): on a preferential basis as per Section 42 and Section 62(1)(c) of the Companies Act 2013 read with Rule 13(2)(g) of Companies (Share Capital and Debentures) Rules, 2014 and in accordance with the 'Chapter V - Preferential Issue' of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('SEBI (ICDR) Regulations 2018').
- Registered Valuer to value the Preferential issue (other than cash) and Convertible Warrants (cash consideration): of the Company as per the International Accounting Standards.
- The value is to be determined with reference to the date of Valuation.

Appointing Authority

Management of DIPNA PHARMACHEM LIMITED appointed CORPORATE PROFESSIONALS VALUATION SERVICES PRIVATE LIMITED for valuation determine the fair market value of unquoted Preferential issue (other than cash) and Convertible Warrants (cash consideration):

Disclosure of Registered Valuer Interest

I have no present or prospective contemplated financial interest in the Company nor any personal interest with respect to the Promoters & Board of Directors of the Company. I have no bias/prejudice with respect to any matter that is the subject of the valuation report or to the parties involved with this engagement.

My professional fee for this valuation is based upon my normal billing rates, and not contingent upon the results or the value of the business or in any other manner.

Basis and Premise of Valuation

As per IVS 2020 we have used the "Market Value" as the basis of valuation. The Premise of Value has been taken as Highest & Best Use (HABU), which is also understood to be the Current Use, in the present case.

IVS-104 defines "Market Value" as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.



Sec 140 of International Valuation Standard defines Highest and best use is the use, from a participant perspective, that would produce the highest value for an asset.

Source of Information

- Financial Statements of the Company for the Financial Year 2020-21, 2021-22, 2022-23.
- Audited Report of the Company for the 31st March, 2024
- MOA, AOA and COI
- GST certificate
- A signed management representation letter stating the projections are based on best estimates and judgment of the management.
- Data extracted from publicly available sources believed to be reliable and true i.e. money control, BSE, and The Economic Times.
- Copy of company profile including the details about business of the company and the product range of the company.
- Other information / data available in public domain.

Valuation Methodology and Approaches

In valuing the shares of the company, we need to perform the following steps:

1. Understanding the Business of the company
2. Understanding the Industry in which the company operates
3. Identifying the Assets of the company, including Income Generating Businesses, fixed assets, etc.
4. Valuing the Assets of the company, wherein, three different approaches may be employed to determine value: (i) the Income Approach, (ii), the Market Approach and (iii) the Cost Approach. While each of these approaches is initially considered in the valuation of an asset, the nature and characteristics of the asset, availability of required data for each of the approaches indicate which approach, or approaches, is most applicable.
5. Identifying the liabilities of the company
6. Computing the Value available to Shareholders and arriving at the Value per share

As required by Valuation Standards, we have given consideration to all the relevant and appropriate valuation approaches. In selecting the appropriate valuation approach and method, we have considered the following:

- a) The appropriate basis (es) of value and premise(s) of value, determined by the terms and purpose of the valuation assignment,
- b) The respective strengths and weaknesses of the possible valuation approaches and methods,
- c) The appropriateness of each method in view of the nature of the asset, and the approaches or methods used by participants in the relevant market, and
- d) The availability of reliable information needed to apply the method(s).

We have hereunder discussed the various approaches available under the valuation standards and approach (es) adopted by us after considering the above and the information available for the asset under valuation:



Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. This approach is appropriate where the income-producing ability of the asset is the critical element affecting the value or reasonable projections of the amount and timing of future income are available for the subject asset. The approach is used where 'Anticipation of benefits' is the economic principle which would be used by market participants to decide the Value of the subject asset.

The following Income Approach method have been considered by us in the report:

➤ Discounted Cash Flow (DCF) Method

DCF uses the future free cash flows of the company discounted by the firm's weighted average cost of capital (the average cost of all the capital used in the business, including debt and equity), plus a risk factor measured by beta, to arrive at the present value.

Beta is an adjustment that uses historic stock market data to measure the sensitivity of the company's cash flow to market indices, for example, through business cycles.

The DCF method is a strong valuation tool, as it concentrates on cash generation potential of a business. This valuation method is based on the capability of a company to generate cash flows in the future. The free cash flows are projected for a certain number of years and then discounted at a discount rate that reflects a company's cost of capital and the risk associated with the cash flows it generates. DCF analysis is based mainly on the following elements:

- Projection of financial statements (key value driving factors)
- The cost of capital to discount the projected cash flows

Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. This approach is appropriate where the subject assets or substantially similar assets are frequently publicly traded and the information on the market transactions are sufficiently and reliably available. The approach is used where 'Price Equilibrium' is the economic principle which would be used by market participants to decide the Value of the subject asset.



The following Market approach methods have been considered by us in this report:

- **Guideline Publicly Trade comparable method** – The Guideline publicly trade comparable method utilizes the information on publicly traded comparable that are the same or similar to the subject asset to arrive at an indication of the value.
- **Comparable transactions method** - The comparable transactions method, also known as the guideline transactions method, utilizes information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence. The approach is used where 'cost of substitution' is the economic principle which would be used by market participants to decide the Value of the subject asset.

The value arrived at under this approach is based on the financial statements of the Company, may be defined as Shareholders' Funds or Net Assets owned by the Company. The balance sheet values are adjusted for any contingent liabilities that are likely to materialize.

Selection of Valuation Methodology

There is no single definition of the term 'Value' that is suitable for all purposes or at all times. The value of a particular asset may vary according to different valuation methodologies that are adopted to ascertain the value for a specific purpose. Valuation of securities is an inexact science. It may sometimes involve a set of judgments and assumptions that may be subject to certain uncertainties. In the section above, Independent Registered Valuer has discussed some of the commonly used valuation methodologies. The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. There are a number of methodologies to value companies / businesses using historical and forecast financials of the company.

A typical valuation analysis involves review and analysis of historical financials of the company and broad comparison of the company's forecast financial projections as regards all the significant macro and micro variables like economy and industry growth rate assumptions, inflation, interest and foreign exchange rates and tax rate forecasts. Company's profitability factors (industry competitive factors and company's operating strategies and its competitive position in the industry), economies of scale and optimal capital structure also affects the business valuation of the company.

However, the value is specific to the point in time and may change with the passage of time.



Valuation of Shares of the Company

We have considered appropriate weightage to all the three methods as discussed above and derived a value of equity share.

Weightage Average method

Relevant date	26/07/2024
Valuation date	26/07/2024

DIPNA PHARMACHEM LIMITED			
Valuation Approach			
	Value per share (INR)	Weight	Total Value (Weight x Price)
A. Asset Approach [NAV] (Annexure 1)	1.5	33%	0.50
B. Market Approach -VWAP Basis [90/10 days] (Annexure 2)	0.92	33%	0.30
C. Income Approach-[DCF] (Annexure 3)	2.44	33%	0.80
TOTAL		100%	1.6
Average Price Per Share			

1. Net Asset Value (NAV):

The Net Asset Value method calculates the value of a company based on its assets and liabilities. Assigning 33.33 weight to NAV is justified for the following reasons:

- In allocating a weightage of 33.33 to the Net Asset Approach (NAV), In the pharmaceutical industry, where physical assets like office Equipment's, plant and machinery, and inventory are significant components of a company's value, the NAV method becomes crucial.

2. Market Approach:

Market Price Method: Assigning a weight of 33.33 to the Market Price Method, specifically utilizing Volume Weighted Average Price (VWAP) over 10 and 90 days,

- The pharmaceutical market is highly dynamic and subject to frequent price fluctuations due to changes in demand, supply, and market sentiment.
- By considering both short-term (10 days) and slightly longer-term (90 days) perspectives, it accounts for recent market trends and provides a balanced view.
-

3. DCF Method (Discounted Cash Flow):

The DCF method is a fundamental approach to valuation that estimates the present value of a company's future cash flows Discounted Cash Flow Method under the Income Approach has been considered. For computing the Value of Shares using Income Method, we have adopted the Discounted Cash Flows (DCF) method. Discounted cash flow is one the most prominent methodology of valuation. Assigning 0.33 weight to DCF is justified for the following reasons:



- DCF is a fundamental valuation method that focuses on the future cash flows of the company, providing a comprehensive and intrinsic view of its value.
- It considers the time value of money, providing a present value for future cash flows, making it a robust method for long-term investment analysis.

The price computed above is in consonance with Regulation 166A as amended by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 vide Notification No. SEBI/LAD-NRO/GN/2022/63 dated 14th January, 2022 which mandates that Preferential issue (other than cash) of Preferential issue (other than cash) and Convertible Warrants (cash consideration): which may result in allotment of more than five per cent, shall conform to the pricing provisions of Preferential issue (other than cash) specified under Chapter V of the ICDR Regulations.

Conclusion

Based on my valuation exercise, the minimum issue price for the issuance of the Preferential issue (other than cash) and Convertible Warrants (cash consideration): as at the close of trading hours of the date preceding the Relevant date i.e. 26th July, 2024 as per Regulation 166A is Rs. [9.19] per share, i.e. higher of the value arrived under Regulation 164(1) or by the Valuation Approach adopted by me.

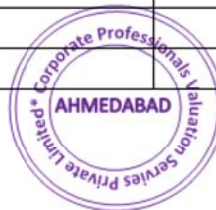
The allotment to proposed allottees is for Preferential issue is for other than cash and warrants is for cash consideration and there is no change in control, however, the allotment is more than five percent of the post issue fully diluted share capital of the issuer, kindly treat this valuation report as per the mandatory requirement of Regulation 166A of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.



Annexure 1**Valuation Method – Net Asset Approach**

Book value based on Audited financial statement as on 31st March,2024 has been calculated.

<u>Statement of Financial Position as on 31st March,2024</u>	
	Amt in lakh
Particulars	<u>DIPNA PHARMACHEM LIMITED</u>
<u>Assets</u>	
<u>Non-Current Assets</u>	
-	
Property, Plant and Equipment	3.72
Deferred Tax Asset	0.25
<u>Current Assets</u>	
Current Investments	-
Inventories	3738.18
Trade Receivables	3,093.67
Cash And Cash Equivalents	1,387.83
Other Current Assets	5,066.87
Total Assets	13,290.52
<u>Liabilities</u>	
Long-term borrowings	1,254.70
<u>Current Liabilities</u>	
Trade Payables	7453.56
Other Current Liabilities	
Short-Term Provision	120.85
Short-Term Borrowings	689.80
Other Financial Liabilities	19.76
Total Liabilities	9,538.67
Net Worth	3,751.85
Preference Share Holder	-
Net Worth attributable to Equity Holders	3,751.85
No. of Equity share: Outstanding	2,40,45,250
Book Value/ Equity Share	15.60
Face Value	10



Based on NAV the Book value is 15.60 but due to split/subdivision of share the Book value would be considered is 1.5.

Annexure 2

Valuation Method - VWAP Basis [90/10 days]

Regulation 164(1)

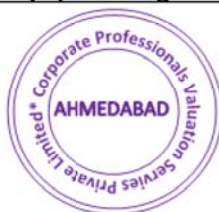
- At least 10% of the total Preferential issue (other than cash) and Convertible Warrants (cash consideration): have been traded on the BSE in 240 trading days preceding the Valuation Date, therefore, Preferential issue (other than cash) and Convertible Warrants (cash consideration): of the company shall be treated as frequently traded.
- Stock Exchange means the Stock Exchange where highest trading volume in respect of the Preferential issue (other than cash) and Convertible Warrants (cash consideration): of the issuer has been recorded during the preceding 90 trading days prior to the Valuation Date. The company is listed in BSE Only. therefore, BSE data is considered for all relevant computations.
- For the purpose of valuation, we have relied on the data of BSE in accordance to the amended Regulations 164 and 166A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended vide Notification No. SEBI/LAD-NRO/GN/2022/63 dated 14th January, 2022.

Note: - Based on draft resolution received from the company, pursuant to the sub-division / split of existing equity shares of the Company, all the equity shares of face value of Rs. 10/- (Rupees Ten Only) each to face value of Re. 1/- (Rupee One Only) each, the existing Authorised and Paid-up Equity Share Capital of the Company as on record date as may be decided by the Board.

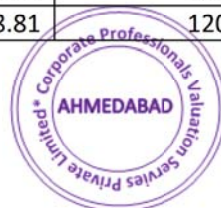
Valuation as per Weighted Average for 10 Days preceding the relevant date:

S.NO	DATE	WAP	NO OF SHARE	NO. OF TRADES	TOTAL TURNOVER (RS.)
1	25-Jul-24	7.69	33000	11	253650
2	24-Jul-24	7.61	102000	31	775980
3	23-Jul-24	7.77	39000	13	302940
4	22-Jul-24	7.70	126000	39	969900
5	19-Jul-24	7.73	42000	11	324450
6	18-Jul-24	7.82	54000	17	422010
7	16-Jul-24	7.88	84000	27	662310
8	15-Jul-24	7.89	84000	25	662700
9	12-Jul-24	7.94	75000	25	595260
10	11-Jul-24	7.99	69000	21	551460
			708000		5520660
VWAP of 10 Trading 'days					7.79

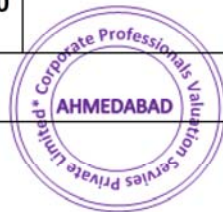
Valuation as per Weighted Average for 90 Days preceding the relevant date:



S.NO	DATE	WAP	NO. OF SHARES	NO. OF TRADES	TOTAL TURNOVER (RS.)
1	25-Jul-24	7.69	33000	11	253650
2	24-Jul-24	7.61	102000	31	775980
3	23-Jul-24	7.77	39000	13	302940
4	22-Jul-24	7.70	126000	39	969900
5	19-Jul-24	7.73	42000	11	324450
6	18-Jul-24	7.82	54000	17	422010
7	16-Jul-24	7.88	84000	27	662310
8	15-Jul-24	7.89	84000	25	662700
9	12-Jul-24	7.94	75000	25	595260
10	11-Jul-24	7.99	69000	21	551460
11	10-Jul-24	8.08	78000	23	630570
12	09-Jul-24	8.07	75000	24	605280
13	08-Jul-24	8.16	63000	20	513810
14	05-Jul-24	8.12	69000	22	560340
15	04-Jul-24	8.24	123000	35	1013040
16	03-Jul-24	8.11	138000	43	1119060
17	02-Jul-24	8.02	66000	22	529290
18	01-Jul-24	8.07	24000	8	193740
19	28-Jun-24	8.09	105000	30	849570
20	27-Jun-24	8.00	177000	45	1416840
21	26-Jun-24	8.05	168000	50	1351920
22	25-Jun-24	8.16	48000	16	391830
23	24-Jun-24	8.15	57000	17	464730
24	21-Jun-24	8.06	138000	42	1112910
25	20-Jun-24	8.30	27000	9	224100
26	19-Jun-24	8.25	135000	44	1113420
27	18-Jun-24	8.57	144000	43	1234350
28	14-Jun-24	8.59	249000	79	2137890
29	13-Jun-24	8.19	90000	30	737130
30	12-Jun-24	8.14	216000	63	1757640
31	11-Jun-24	8.18	150000	45	1227270
32	10-Jun-24	8.16	57000	17	465240
33	07-Jun-24	8.21	69000	22	566340
34	06-Jun-24	8.12	126000	42	1022670
35	05-Jun-24	7.85	111000	36	871410
36	04-Jun-24	8.03	198000	65	1590360
37	03-Jun-24	8.35	144000	40	1202550
38	31-May-24	8.45	99000	30	836580
39	30-May-24	8.59	93000	29	798870
40	29-May-24	8.59	57000	17	489570
41	28-May-24	8.53	177000	53	1510440
42	27-May-24	8.83	225000	58	1987320
43	24-May-24	8.62	102000	29	878910
44	23-May-24	8.64	57000	17	492510
45	22-May-24	8.84	234000	52	2068440
46	21-May-24	8.84	63000	21	557100
47	18-May-24	8.81	12000	4	105720



S.NO	DATE	WAP	NO. OF SHARES	NO. OF TRADES	TOTAL TURNOVER (RS.)
48	17-May-24	8.99	135000	37	1213140
49	16-May-24	8.99	99000	32	889740
50	15-May-24	8.94	165000	44	1474560
51	14-May-24	8.67	132000	40	1144980
52	13-May-24	8.24	153000	42	1260210
53	10-May-24	8.52	78000	26	664680
54	09-May-24	8.53	198000	49	1689570
55	08-May-24	8.39	207000	61	1735860
56	07-May-24	8.73	264000	82	2305110
57	06-May-24	9.14	126000	40	1151250
58	03-May-24	9.00	216000	60	1944900
59	02-May-24	9.05	216000	62	1954830
60	30-Apr-24	9.17	540000	133	4949100
61	29-Apr-24	9.43	207000	58	1952100
62	26-Apr-24	9.65	153000	50	1476690
63	25-Apr-24	9.52	342000	106	3255240
64	24-Apr-24	9.22	480000	136	4427040
65	23-Apr-24	9.43	327000	98	3084690
66	22-Apr-24	9.74	654000	200	6369030
67	19-Apr-24	8.85	1104000	313	9768690
68	18-Apr-24	8.14	729000	226	5932380
69	16-Apr-24	8.37	4347000	831	36370200
70	15-Apr-24	8.93	3174000	465	28333890
71	12-Apr-24	9.70	3243000	442	31470150
72	10-Apr-24	10.13	3687000	623	37363110
73	09-Apr-24	10.01	1182000	114	11836410
74	08-Apr-24	9.26	474000	120	4388430
75	05-Apr-24	10.09	174000	47	1756050
76	04-Apr-24	10.16	189000	41	1919940
77	03-Apr-24	10.26	501000	140	5139210
78	02-Apr-24	10.80	57000	17	615810
79	01-Apr-24	10.03	66000	21	662130
80	28-Mar-24	9.52	135000	33	1285380
81	27-Mar-24	9.87	60000	20	591900
82	26-Mar-24	10.22	264000	72	2698650
83	22-Mar-24	10.96	234000	42	2565450
84	21-Mar-24	11.24	84000	24	944400
85	20-Mar-24	11.26	120000	37	1350780
86	19-Mar-24	11.98	612000	134	7331880
87	18-Mar-24	11.29	15000	5	169350
88	15-Mar-24	10.85	42000	10	455610
89	14-Mar-24	11.00	291000	41	3200520
90	13-Mar-24	11.18	96000	32	1072890
			30444000		280315350
VWAP of 90 Trading 'days					9.21



VWAP Basis (90/10 days)	
VWAP (10 trading days preceding the relevant date) (A)	7.79
VWAP (90 trading days preceding the relevant date) (B)	9.21
Minimum Price (Higher of (A) or (B))	9.21

Based on 90 days and 10 days the VMAP is 9.21 but due to split/subdivision of share the VMAP would be considered is 0.92.

Annexure 3

Valuation Method - Discounted Cash Flow Method

							(Figures in INR Lakhs)
PARTICULARS	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	Terminal
							Perpetuity Growth Rate 3%
Cash Accrual Timing Factor	0.00	0.50	1.50	2.50	3.50	4.50	
PBT (Excluding Other Income)	141.53	1,325.27	1,805.66	2,362.23	3,077.21	6,577.87	
Tax @ 25.168%	33.60	333.57	454.49	594.57	774.53	1,655.65	
EBIT(1-Tax)	107.93	991.70	1,351.18	1,767.66	2,302.68	4,922.22	
Add Finance Cost	149.37	156.84	164.68	172.92	181.56	190.64	
Book Depreciation	1.70	1.87	2.06	2.26	2.49	2.74	
Inc/(Dec) in NC Asset							
Inc/(Dec) in NC Liability							
(Inc)/Dec in Working Capital	-851.23	-1,578.53	-1,158.55	-1,380.46	-1,649.71	-1,792.01	
Operating Cash Flows	(592.22)	(428.12)	359.37	562.37	837.02	3,323.59	
(Inc)/Dec in Fixed Assets	-1.46	-	-2.24	-1.69	-2.63	-2.12	
Free Cash Flows	(593.69)	(428.12)	357.12	560.69	834.38	3,321.47	14,102.79
Discounting Factor	1.00	0.89	0.70	0.55	0.43	0.34	0.34
Present Value of Free Cash Flows	(593.69)	(379.51)	248.77	306.91	358.89	1,122.64	4,766.67

Cash Flow Summary		(Amounts in Lakhs)
Present Value of Total Discrete Period Cash Flows	1,657.69	
Present Value of Terminal Cash Flows	4,766.67	
Enterprise value (EV)	6,424.36	
Less: Debt	1,944.50	
Add:Defferes tax Assets	0.25	
Add: Cash & Cash Equivalent	1,387.83	
Equity Value (In INR Lakhs)	5,867.94	
Total No. of Shares Outstanding as on Valuation Date	24,04,52,500	
Value per share (INR)	2.44	
Value per share (INR) (Round off)	2.00	



DFCF Assumptions:

Particulars	Notes	
Risk free rate (Rf) as on 28.03.2024	7.05%	Considered of long-term Indian government bond rate
Market Rate of Return	15.79%	BSE Sensex return on long term basis
Industry Beta... (β)	1.50	We have taken the Leveraged Beta of listed companies in the same industry and then unlevered it with their debt to equity, then levered it with Debt-to-Equity Ratio of Company, resulting into the value of 1.50.
Additional Company Specific (including Small Company) Risk Premium (unsystematic risk) (CSRP)	20%	We have given a 20% additional risk premium looking into company profile, financial structure and ROI investor will look into while investing in this type of company. This is also dependent upon the level of aggressiveness of the future cash flows and present scenario of the country and company environment in which it is operating.
Cost of Equity (Ke)	40.10%	As per Modified CAPM model i.e. $[K_e = R_f + \beta(R_m - R_f) + CSRP]$
Cost of Debt	15.00%	As represented by the management of Company
Equity portion in capital structure	55.53%	We have taken the average of Loan Fund to Market Capitalization of its listed peers, as the company's Debt to Equity is not stable.
WACC	27.26%	$WACC = (K_e * \% \text{ Equity in Capital Structure}) + (\text{Cost of Debt} * \% \text{ Debt in Capital Structure} * (1 - \text{Tax Rate}))$
Growth Rate	3%	As the perpetuity growth rate assumes that the Company will continue its historic business and generate Free Cash Flows at a steady state forever. Since terminal value constitutes a major proportion of the entire value of the business, we while deciding the terminal growth rate have given emphasis to economic factors & financial factors like Inflation of the Country, GDP growth of the Country, Projected Financials, Historical Financial Position, Organic & Inorganic growth strategies of the Company, investment opportunity etc. Accordingly, for perpetuity, we have considered 3% growth rate.

NOTE: -

Based on draft resolution received from the company, pursuant to the sub-division / split of existing equity shares of the Company, all the equity shares of face value of Rs. 10/- (Rupees Ten Only) each to face value of Re. 1/- (Rupee One Only) each, the existing Authorised and Paid-up Equity Share Capital of the Company as on record date as may be decided by the Board

Based on DCF the value is 24.40 but due to split/subdivision of share the Book value would be considered is 2.44.

