Valuation Analysis for
Preferential allotment of Equity Shares of PTC Industries Limited as per SEBI (ICDR) Regulations

Corporate Professionals

11th January 2024

Strictly, Private & Confidential

Corporate Professionals Valuation Services Pvt. Ltd.
New Delhi

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Ref. No.: CPV/RV/2023-24/031

To,
Board of Directors
PTC Industries Limited
NH-25A, Sarai Sahjadi,
Lucknow, UP-227101, India.

Subject – Valuation Analysis of Equity Shares of PTC Industries Limited as per SEBI (ICDR) Regulations

Dear Sir/Ma'am,

We, "**Corporate Professionals Valuation Services Private Limited**", have been appointed as valuers by **PTC Industries Limited (hereinafter referred as "Company"/ "Client")** to assist in the determination of the fair value of equity shares of the company for the following purpose:

This valuation is in compliance with applicable provisions of **SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011** and **SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018** as follows:

Pricing of a preferential issue of infrequently traded shares is governed by Regulation 165 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 which states that-

The issuer shall take into consideration the valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for the valuation of shares of such companies.

Further, provided that the issuer shall submit a certificate stating that the issuer is in compliance with this regulation, obtained from an independent valuer to the stock exchange where the equity shares of the issuer are listed.

The company is making preferential issue of equity shares of the Company to certain Investor. The company is infrequently traded and is listed on BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).

Based on our valuation analysis of equity shares of **PTC Industries Limited ("Company"/ "Client"/ "PTC")**, and subject to the notes, comments & caveats provided herein, we, "**Corporate Professionals Valuation Services Private Limited**", as Insolvency and Bankruptcy Board of India ("IBBI") Registered Valuer (herein-after-referred as "**Valuer**"), hereby certify that the equity value and value per equity share of the company is **INR 79,889.83 million** & **INR 5,884.95/-** based as on 30th September 2023 financials.

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This certificate is being issued in compliance with the aforesaid regulatory purpose and the value determined herein would be the minimum price for this purpose.

Thanking you

Date: 11th January 2024
Place: New Delhi

For Corporate Professionals Valuation Services Private Limited
Registered Valuer (IBBI)
Registration No. IBBI/RV-E/02/2019/106

Debashis Das
(Director)
UDIN: 2413306ZZK3R5OV8VN

Enclosures:
Annexure I: Scope of Work
Annexure II: Valuation Approaches and Workings
Annexure III: Summary of Un-Audited Balance Sheet as of September 30th, 2023, and Profit and Loss Statement for the 06 months period endedSeptember 30th, 2023.
Annexure IV: Caveats

Annexure I: Scope of Work

a. PURPOSE OF VALUATION AND APPOINTING AUTHORITY

Based on the discussions held with the Management and Key Managerial Personnel (KMP's), we understand that the Company has proposed to issue equity shares on a preferential basis. Further, **the Equity shares of the company are infrequently traded on BSE and NSE. We have been appointed as** Registered Valuer as per the Engagement letter dated 01st January 2024 for issuing this certificate in compliance with Chapter V of SEBI (ICDR) Regulations.

b. IDENTITY OF CLIENT AND OTHER INTENDED USERS

PTC Industries Limited
NH-25A, Sarai Sahjadi,
Lucknow, UP-227101, India.

c. IDENTITY OF VALUER AND OTHER EXPERTS

Corporate Professionals Valuation Services Private Limited
Registered Valuer (IBBI)
Registration No. IBBI/RV-E/02/2019/106

d. BACKGROUND INFORMATION OF THE ASSET BEING VALUED

PTC Industries Limited has been manufacturing high quality engineering components for various critical and super-critical applications for more than 56 years. It is an exporter of stainless-steel casting and non-ferrous alloy. It was established in 1968. The company is a supplier and manufacturer of earth moving machine equipment, fork, machine tools, pump, spare parts -valves & pumps.

- **Date of Appointment:** 01st January 2024 as per Engagement letter
- **Valuation Date:** Based on 30th September 2023 Financials
- **Date of Report: 11th** January 2024
- **Base of value:** Fair value
- **Valuation Currency:** INR

e. PROCEDURES ADOPTED AND VALUATION STANDARDS FOLLOWED

We have performed this valuation in accordance with the internationally accepted valuation standards and customary valuation practices in India for such purposes.

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f. NATURE AND SOURCES OF INFORMATION USED OR RELIED UPON

We have reviewed the following documents, including but not limited to:

- Discussions with the KMPs.
- Un-Audited Profit and Loss statement for the six-month period ended September 30th, 2023, without notes to accounts.
- Un-Audited Balance Sheet as on September 30th, 2023, without notes to accounts.
- Capital line Database and other information in the public domain.
- Management Representation

g. EXTENT OF INVESTIGATION UNDERTAKEN

We have taken due care in performing valuation procedures and have also applied appropriate discount rates and adjustments considering the riskiness of the business & business plan. However, we would like to expressly state that we have reviewed the financials and other required data for the limited purpose of valuation assessment and have relied upon the financials and other data as provided by management (Profit & Loss Statement and Balance Sheet) of the company. Further, the management has represented to us that it has taken due care in preparation and presentation of financial statements.

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Annexure II:

Valuation Approaches and Workings

There are three approaches to Valuation namely Income, Asset and Market Approaches.

Approach	Valuation Methodologies	Basis of Consideration
Asset	Net Asset Value (NAV) Method	The Asset based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on a Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. However, this methodology recognizes historical cost of net assets only without recognizing its present earnings, comparative financial performance of its peers and their enterprise values etc. Therefore, in general Net Asset Value only reflects the minimum proxy value of the company. **In the instant case, Asset based approach only takes into consideration any Tangible Asset in the Financial Statements of the company. Which gives the Minimum value for the enterprise and cannot be considered as a Fair Value. Additionally, the Company's primary focus is on its manufacturing activities, which necessitates an evaluation of its risk and return using future cash flows or comparable companies, rather than solely relying on asset valuation.** **Furthermore, as per Directors' Report, there is no significant or material order passed during the year by any regulator, court or tribunal impacting the going concern status of the Company or its future operations, meaning that the management has not expressed any intention to divest the business in the foreseeable future. Considering these factors, it is deemed appropriate to exclude asset-based methodologies.**
Market	Comparable Companies Multiples (CCM) Method	This methodology uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g. Revenue, EBITDA, EBIT, Earnings per Share or Book Value). A key benefit of Comparable Company Market Multiple analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs. **In the instant case, the Company operates within a specific industry where we have identified two listed peers, namely DCM Engineering Limited and Synergy Green Industries Limited, these two companies fall outside the scope of our direct business operations. DCM Engineering Limited is engaged in manufacturing cylinder heads, blocks, and housings. The company caters to the requirements of cars, multi-utility vehicles, tractors, light commercial vehicles, heavy commercial vehicles, and earth moving equipment users. Synergy**

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		Green Industries Limited. is engaged in the business of foundry, manufacturing conehead, upper frame, pump casing, rear wheel, valve body, main axle, cannon tube, main bearing housing, wedges, front wheel, gearbox housing, etc. Whereas our Company (PTC Industries) is engaged in the manufacturing of castings and catering to Aerospace casting, Titanium and vacuum, Powder Metallurgy, and CNC machining. **Our peers' companies and the PTC industry are engaged in the manufacturing Industry, however, there are several discrepancies in our business model and product portfolio. So, in our opinion, Company Comparable will not give the true and fair value of PTC Industries Limited.**
Income	**Discounted Free Cash Flow (DFCF) Method.**	The DFCF method expresses the present value of the business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. The value of the firm is arrived at by estimating the Free Cash Flows (FCF) to Firm and discounting the same with Weighted Average cost of capital (WACC). The DFCF methodology is the most appropriate basis for determining the earning capability of a business. In the DFCF approach, the appraiser estimates the cash flows of any business after all operating expenses, taxes, and necessary investments in working capital and Capex are being met. **We have considered this methodology for calculation of the equity value of the Company based on its consolidated cash flows. After considering its business plan, we have calculated the Enterprise value and thereby derived the Equity value after adjusting its debts, cash and cash equivalents and surplus assets as on the date of valuation.**

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METHODOGIES USED FOR VALUATION:

Discounted Free Cash Flow (DFCF) Method

Computation of value per equity share as on 30th September 2023:

Discounted Free Cash Flow Analysis - PTC Industries Limited.												
WACC :	11.62%	Amount In INR Millions										
Growth Rate :	5.00%											
FY	2024 (6 Months)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Terminal
Particulars												
Turnover	1,409.79	3,689.22	4,753.76	6,814.44	9,746.93	13,342.63	17,128.82	21,425.79	24,968.68	29,346.81	33,771.71	
Other Income	-	-	-	-	-	-	-	-	-	-	-	
PBT (Excl. Other Income)	147.63	877.51	1,157.75	2,077.38	3,230.49	5,104.22	6,658.50	10,145.16	11,879.73	14,027.40	16,197.08	
Less: Direct Taxes Paid	37.16	220.85	291.38	522.83	813.05	1,284.63	1,675.81	2,553.33	2,989.89	3,530.42	4,076.48	
PAT (Excluding other income)	110.47	656.66	866.37	1,554.54	2,417.44	3,819.59	4,982.69	7,591.83	8,889.84	10,496.98	12,120.60	
Add: Depreciation	118.77	298.95	319.91	348.39	375.81	401.04	428.33	449.75	472.24	495.85	520.64	
Less: Capital Expenditure	1,249.75	1,100.00	350.00	100.00	100.00	120.00	112.00	113.20	114.52	115.97	117.57	
Add: Interest (post-tax)	95.02	141.10	139.31	173.51	145.93	173.66	208.45	248.62	285.90	331.98	378.54	
Less: Change in Non-Cash Working Capital	-	488.16	942.43	1,241.07	1,103.79	1,290.57	681.37	1,405.09	654.83	1,500.29	1,536.89	
Free Cash Flows to Company	(925.49)	(491.46)	33.15	735.37	1,735.38	2,983.72	4,826.10	6,771.91	8,878.64	9,708.54	11,365.32	188,968.01
Discounting Factor	0.97	0.90	0.80	0.72	0.64	0.58	0.52	0.46	0.42	0.37	0.33	0.33
Present value of Cash flow	(900.40)	(440.30)	26.61	528.81	1,118.02	1,722.18	2,495.63	3,137.32	3,685.17	3,610.18	3,786.35	62,954.55
Cumulative present value of business operations	81,724.10											
Enterprise Value	81,724.10											
Add: Cash and cash equivalents	88.85											
Add: Bank Balance	57.05											
Add: Investment in property	17.78											
Add: Surplus Investments	0.93											
Add: ESOPs Money received	5.24											
Less: Deferred Tax Liabilities	160.30											
Less: Debts	1,843.82											
Equity Value	79,889.83											
No of Shares (Including ESOPs)	13,575,288											
Per Share Equity Value	5,884.95											

Note: For the valuation of equity shares applying DFCF methodology, we have relied upon the projections provided by the management for the period beginning from 01st October 2023 and ending on 31st March 2034, duly supplemented by its Terminal Value based on the Gordon Growth Model and extrapolating the adjusted free cash flows for last year at an annual growth rate of 5% to perpetuity.

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DCF Assumptions:

Particulars		Notes
Risk free rate (Rf) as on 29.09.2023	7.21%	Considered based on long-term Indian government Sovereign bond rate
Market Rate of Return	15.14%	BSE Sensex return on long term basis (since 03-04-1979)
Industry Beta(β)	0.62	We have taken the Levered beta (B) as 0.62 of peers Companies.
Additional Company Specific Risk Premium (Unsystematic Risk) (CSRP)	2.50%	We have considered 2.50% additional risk premium on account of Business risk.
Cost of Equity (Ke)	**14.61%**	**As per Modified CAPM model i.e. [Ke = Rf+ β(Rm-Rf) + CSRP]**
Cost of Debt	7.50%	As represented by the management of the Company
Equity portion in capital structure	66.78%	As on 30th September 2023 Financials of the Company
Tax rate	25.17%	Effective Tax Rate
WACC	**11.62%**	**WACC = (Ke * % Equity in Capital Structure) + (Cost of Debt * % Debt in Capital Structure * (1-Tax Rate))**
Growth Rate	5%	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 etc. Accordingly, for perpetuity, we have considered 5% growth rate.

Based on our Analysis of the Company and subject to our comments and caveats as further detailed in this report, we have arrived at the fair value of equity of the Company & Value per equity share at INR 79,889.83 Million & INR 5,884.95/- based as on 30th September, 2023 financials.

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Note on increase in Valuation of PTC Industries Limited in the Last 1 Year

The company's valuation has significantly increased in comparison to the previous year, primarily attributed to increased capital expenditure (capex) and the subsequent anticipation of rising revenues over the next decade. This notable upswing can be attributed to several key factors:

1. The "One Plus China" policy and the geopolitical intricacies stemming from the Russia-Ukraine conflict, have strategically positioned India as a significant player as another source of supplies for Western countries after the US imposed sanctions on Russian trade. This strategic alignment has, in consequence, imparted a considerable impetus to our titanium business. In the recent past, the US and Europe have shown keen interest in sourcing titanium material and titanium cast and forged components. The company has successfully developed numerous products within the aerospace and defense sector, securing approvals from both Indian and international defense and aerospace entities. This achievement has created a substantial demand for our products, promising robust growth soon.

2. The aforementioned approvals and achievements have catalyzed a substantial augmentation in the company's titanium casting capacity, surging from 50 tons per annum to an impressive 600 metric tons per annum of Titanium and super alloy casting. Concurrently, the company is in the process of establishing a greenfield capacity dedicated to super alloys, aiming to achieve a production capacity of 900 metric tons per annum. The company has also added an open-end forging and rolling mill which will substantially increase sales realization of the Titanium metal division. The anticipated realization of these expansion initiatives is slated from the year 2025 onwards, reaffirming the company's unwavering dedication to growth and innovation within the industry.

3. Furthermore, the company has proficiently engineered a diverse range of products within the aerospace and defense sector over recent years, securing approvals from both Indian and international defense and aerospace entities. This accomplishment has generated a significant demand for our products, portending robust growth in the immediate future leading to an accelerated capex in the next 3 years leading to higher sales for the next 10 years.

4. The ascent of India's defense budget, coupled with Prime Minister Modi's emphasis on the "Make in India" initiative, is poised to foster a defense manufacturing ecosystem. This strategic development is anticipated to stimulate demand, given that a majority of the components will be procured domestically. Notably, our company stands out as one of the few industries specializing in the manufacturing of components for the defense sector, positioning us favorably to capitalize on this burgeoning demand.

All the above factors have led to a surge in valuation of the company as Company will command monopolistic status in all its segments with high profitability.

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Annexure III:

Summary of Un-Audited Balance Sheet as on September 30th, 2023

Particulars	Amount in INR Million
Equity Share Capital	135.62
Other Equity	3,570.38
Total Equity	3,706.01
Non-current Liabilities	1,184.32
Current Liabilities	1,338.55
Total Equity & Liabilities	6,228.88
Non-Current Assets	4,281.34
Current Assets	1,947.55
Total Assets	6,228.88

Summary of Un-Audited Profit and Loss statement for the 06 months period ended September 30th, 2023

Particulars	Amount in INR Million
Revenue from operations	1,290.21
Other income	56.80
Total Revenue	1,347.01
Operating Expenses	935.89
EBITDA	411.11
Depreciation	82.88
EBIT	328.23
Finance Cost	74.57
PBT	253.66

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Annexure IV: Caveats

- This Valuation Report has been issued on the specific request of **"PTC Industries Limited"** for determining the Value of Equity share of the company in accordance with the SEBI (ICDR) Regulations. This Report is prepared exclusively for the above-stated purpose and must not be copied, disclosed, or circulated or referred to in correspondence or discussion with any other party. Neither this report nor its content may be used for any other purpose without our prior written consent.
- No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- In Accordance with the customary approach adopted in Valuation exercise, we have summarized the Valuation Analysis of equity shares of the Company based on the information as was provided to us by the management of the Company both written, verbal and other publicly available information. We do not assume any responsibility for the accuracy or reliability of such documents on which we have relied upon in forming our opinion.
- This Report does not investigate the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the shareholders are expected to exercise their own discretion.
- We have no present or planned future interest in the Company and the fee for this Valuation analysis is not contingent upon the values reported herein. The Valuation Analysis contained herein is not intended to represent the value at any time other than the date that is specifically stated in this Report.
- The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- In no circumstances shall the liability of a valuer, its partners, directors, or employees, relating to the services provided in connection with the engagement set out in this Valuation report shall exceed the amount paid to such valuer in respect of the fees charged by it for these services.
- Our valuation report should not be construed as investment advice; specifically, we do not express any opinion on the suitability of or otherwise of entering into the proposed transaction.

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