

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

---



**8<sup>th</sup> June 2023**

***Strictly, Private & Confidential***

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

Ref. No.: CPV/RV/2023-24/007

**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 (herein after referred as “Company”/ “Client”)** to assist in 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 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 Company to certain Investor. The company is infrequently traded and is listed on BSE.**

The Company has received approval for listing and trading of its entire 1,33,82,257 (One Crore Thirty-Three Lakh Eighty-Two Thousand Two hundred and fifty-seven) equity shares of face value of Rs. 10/- each w.e.f. 09th June 2023 vide NSE Circular Ref. No. NSE/LIST/114 dated June 07, 2023

Based on our valuation analysis of equity shares of **PTC Industries Ltd. ("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 35,004.75 million & INR 2,498.12/-** based as on 31<sup>st</sup> March, 2023 financials.

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: 08<sup>th</sup> June, 2023**

**Place: New Delhi**

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

**Sanchit Vijay**  
**(Director)**

**Enclosures:**

**Annexure I:** Scope of Work

**Annexure II:** Valuation Approaches and Workings

**Annexure III:** Summary of Management certified Balance Sheet as on March 31<sup>st</sup>, 2023, and Management certified Profit and Loss Statement for the 12 months period ended March 31<sup>st</sup>, 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 Limited. We have been appointed as** Registered Valuer as per the Engagement letter dated 06<sup>th</sup> June 2023 for issuing this certificate in compliance with Chapter V of SEBI (ICDR) Regulations.

**b. IDENTITY OF CLIENT AND OTHER INTENDED USERS**

**PTC Industries Ltd.**

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 Ltd 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:** 06<sup>th</sup> June 2023 as per Engagement letter
- **Valuation Date:** Based on 31<sup>st</sup> March 2023 Financials
- **Date of Report:** 08<sup>th</sup> June 2023
- **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.

**f. NATURE AND SOURCES OF INFORMATION USED OR RELIED UPON**

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

- Discussions with the KMP's.
- Management certified Profit and Loss statement for 12 months period ended March 31<sup>st</sup>, 2023, without notes to accounts.
- Management certified Balance Sheet as on March 31<sup>st</sup>, 2023, without notes to accounts.
- Capital line Database and other information in 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.

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	<p>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. <b>In the instant case, the Company is engaged in manufacturing activities therefore its risk and return is better accounted for by future cash flows or comparable companies rather than by assets, therefore we have not applied this methodology.</b></p>
Market	Comparable Companies Multiples (CCM) Method	<p>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. <b>In the instant case, there are only two suitable listed peers of the Company in the similar industry. However, only two peers may not reflect the appropriate picture of the overall industry. Hence, we deemed it suitable to avoid this methodology for the valuation exercise.</b></p>
Income	Discounted Free Cash Flow (DFCF) Method.	<p>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 considered to be 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. <b>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.</b></p>

**METHODOGIES USED FOR VALUATION:**

Discounted Free Cash Flow (DFCF) Method

Computation of value per equity share as on 31<sup>st</sup> March, 2023:

Discounted Free Cash Flow Analysis - PTC Industries Ltd.								
WACC :	11.97%		Amount In INR Millions					
GROWTH RATE :	4%							
FY	2024	2025	2026	2027	2028	2029	2030	Terminal
Particulars								
Turnover	2,799.68	3,608.55	4,913.20	7,150.91	9,398.15	11,832.20	14,427.09	
Other Income	-	-	-	-	-	-	-	
PBT (Excl. Other Income)	582.70	800.58	1,424.16	2,500.77	3,597.74	4,862.56	6,325.42	
Less: Direct Taxes Paid	146.65	201.49	358.43	629.39	905.48	1,223.81	1,591.98	
PAT (Excluding other income)	436.05	599.09	1,065.73	1,871.37	2,692.26	3,638.75	4,733.44	
Add: Depreciation	201.65	298.95	319.91	348.39	375.81	401.04	428.33	
Less: Capital Expenditure	711.63	622.00	800.00	700.00	250.00	250.00	50.00	
Add: Interest (Post-tax)	86.46	125.16	165.58	156.20	142.05	129.68	128.15	
Less: Change in Non-Cash Working Capital	369.01	704.58	1,039.67	544.50	217.28	117.57	121.99	
Free Cash Flows to Company	(356.49)	(303.39)	(288.45)	1,131.47	2,742.84	3,801.90	5,117.93	61,039.09
Discounting Factor (Mid-Year)	0.95	0.84	0.75	0.67	0.60	0.54	0.48	0.48
Present value of Cash flow	(336.89)	(256.05)	(217.41)	761.62	1,648.84	2,041.09	2,453.80	29,265.35
Enterprise Value	35,360.35							
Add: Cash and cash equivalents	301.10							
Add: Money pending against Share Warrants	1,109.73							
Less: Debts	1,766.43							
Equity Value	35,004.75							
No. of Diluted Equity Shares	1,40,12,427							
Per Share Equity Value as on 31.03.2023	2,498.12							

Note: For valuation of equity shares applying DFCF methodology, we have relied upon the projections provided by the management for the period beginning from 01<sup>st</sup> April 2023 and ending on 31<sup>st</sup> March, 2030, 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 4% to perpetuity.

**DCF Assumptions:**

Particulars	Notes	
<b>Risk free rate (Rf) as on 31.03.2023</b>	<b>7.32%</b>	Considered based on long-term Indian government Sovereign bond rate
<b>Market Rate of Return</b>	<b>15.14%</b>	BSE Sensex return on long term basis (since 03-04-1979)
<b>Industry Beta(<math>\beta</math>)</b>	<b>0.88</b>	We have taken the Levered beta (B) as 0.88 of peers Companies.
<b>Additional Company Specific Risk Premium (Unsystematic Risk) (CSRP)</b>	<b>0.00%</b>	We have considered 0.00% additional risk premium on account of Business risk.
<b>Cost of Equity (Ke)</b>	<b>14.08%</b>	<b>As per Modified CAPM model i.e. <math>[Ke = Rf + \beta(Rm - Rf) + CSRP]</math></b>
<b>Cost of Debt</b>	<b>7.25%</b>	As represented by the management.
<b>Equity portion in capital structure</b>	<b>75.65%</b>	Stable D/E ratio of the Company
<b>Tax rate</b>	<b>25.17%</b>	
<b>WACC</b>	<b>11.97%</b>	<b><math>WACC = (Ke * \% \text{ Equity in Capital Structure}) + (\text{Cost of Debt} * \% \text{ Debt in Capital Structure} * (1 - \text{Tax Rate}))</math></b>
<b>Growth Rate</b>	<b>4%</b>	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 4% 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 35,004.75 Million & INR 2,498.12/- based as on 31<sup>st</sup> March, 2023 financials.***



Annexure III:
Summary of Management certified Balance Sheet as on March 31<sup>st</sup>, 2023

Particulars	Amount in INR Million
Equity Share Capital	133.82
Other Equity	2,932.80
<b>Total Equity</b>	<b>3,066.62</b>
Non-current Liabilities	1,232.94
Current Liabilities	1,229.50
<b>Total Equity &amp; Liabilities</b>	<b>5,529.06</b>
Non-Current Assets	3,565.54
Current Assets	1,963.52
<b>Total Assets</b>	<b>5,529.06</b>

Summary of Management certified Profit and Loss statement for the 12 months period ended March 31<sup>st</sup>, 2023

Particulars	Amount in INR Million
Revenue from operations	2,192.60
Other income	74.70
<b>Total Revenue</b>	<b>2,267.30</b>
Operating Expenses	1,606.21
<b>EBITDA</b>	<b>661.10</b>
Depreciation	166.69
<b>EBIT</b>	<b>494.40</b>
Finance Cost	157.78
<b>PBT</b>	<b>336.63</b>

**Annexure IV: Caveats**

- This Valuation Report has been issued on the specific request of “**PTC Industries Ltd.**” 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 look into 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 or otherwise of entering into the proposed transaction.