

Valuation of equity shares of Deccan Health Care Limited for compliance with Regulation 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022

29th August, 2023



ABHISHEK CHHAJED

*Registered Valuer (Securities or Financial Assets) with IBBI
Registration No.: IBBI/RV/03/2020/13674*

To,
The Board of Directors
Deccan Health Care Limited
Add: H.No. 6-3-348/4, Dwarkapuri Colony,
Punjagutta, Hyderabad, TG-500082

**Sub: Valuation of
equity shares of
Deccan Health Care
Limited Date: 29th
August 2023**

Dear Sirs,

Deccan Health Care Limited (“DHCL” or “the Company”) intends to issue equity shares to its proposed investors.

In this regard, Abhishek Chhajed, Registered Valuer with IBBI Registration No. IBBI/RV/03/2020/13674 (‘Abhishek’ or ‘Independent Valuer’) has been appointed to determine fair value of equity shares of DHCL for compliance with Regulation 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended up to date (‘SEBI ICDR Regulations’) (‘Valuation Purpose’).

The relevant date, as informed to us by the Management of DHCL (‘the Management’), for the purpose of calculation of the price per share under the SEBI ICDR Regulations for issuance of equity shares is 29th August 2023 (‘Relevant Date’). The Valuation Date as informed to us by the Management for computation of equity value per share of DHCL is 29th August 2023 (‘Valuation Date’).

This Report is structured under the following broad heads:

- Background
- Information sources
- Key Dates
- Valuation Standards followed and Procedure adopted for Valuation
- Valuation Methodology
- Valuation Analysis and Conclusion
- Scope Limitation
- Annexures



BACKGROUND

Deccan Health Care Limited

- Deccan Health Care Limited L72200TG1996PLC024351 is a public limited company incorporated on 14/06/1996 under the Companies Act, 1956, with its registered office at H.No. 6-3-348/4, Dwarkapuri Colony, Punjagutta Hyderabad, TG-500082.
- Deccan Health Care Limited is a Nutraceuticals and wellness product Company and is listed on BSE Main Board. The Company has offering of more than 250 products recipes. The Company's food pills and meals categorized under Fast Moving Consumer Healthcare (FMCH) products are popular with millennials and GenX.
- The shareholding pattern of DHCL as of 29th August 2023 is as under:

Particulars	No. of shares	% Shareholding
Promoter & Promoter Group	32,85,014	19.27%
Public	1,37,58,166	80.73%
Total	1,70,43,180	100.00



INFORMATION SOURCES

We have relied on the following sources of information and documents as provided to us by the Management of DHCL ('the Management') and available in public domain:

- Other relevant publicly available data;
- Our regular discussions with management representatives of DHCL;
- We have also relied on published and secondary sources of data whether or not made available by the Companies.

KEY DATES:

- Appointing Authority- Board of Director of the Company
- Appointment Date:- August 28, 2023
- Valuation Date:- August 29, 2023
- Report Date:- August 29, 2023
- Valuation Currency: INR
- Bases of Value: Fair Value
- Premise of Valuation : Going Concern



VALUATION STANDARDS FOLLOWED AND PROCEDURES ADOPTED FOR VALUATION

- We have performed the valuation analysis, to the extent possible, in accordance with International Valuation Standards.
- In connection with this exercise, we have adopted the following procedures to carry out the valuation analysis:
 - Requested and received relevant data from the Management
 - Discussions with the Management on understanding of the business of the Company
 - Obtained and analysed data available in public domain, as considered relevant by us
 - Obtained and analysed market prices and other data involving equity shares of DHCL and of comparable companies, as applicable and relevant
 - Selection of valuation approach and valuation methodology/ (ies), in accordance with IVS, as considered appropriate and relevant by us
 - Determination of value per equity share of DHCL, as relevant
 - Preparation and issuance of this valuation report.



VALUATION APPROACHES AND METHODOLOGIES

- For the purpose of valuation, it is necessary to select an appropriate basis of valuation amongst the various valuation techniques. It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. The application of any particular method of valuation depends upon various factors including the size of company, nature of its business and purpose of valuation. Further, the concept of valuation is all about the price at which a transaction takes place i.e., the price at which seller is willing to sell and buyer is willing to buy. Accordingly, a fair and reasonable approach for valuing the shares of the company is to use a combination of relevant and applicable valuation methods.
- IVS 301 read with IVS 103 specifies that generally the following three approaches for valuation of business / business ownership interest are used:
 - Cost Approach
 - Market Approach
 - Income Approach

Cost Approach – Net Asset Value (NAV) method

- The value under cost approach is determined based on the underlying value of the assets which could be on book value basis, replacement cost basis or on the basis of realizable value. Under NAV method, total value of the business is based either on net asset value or realizable value or replacement cost basis. NAV methodology is most applicable for the business where the value lies in the underlying assets and not the ongoing operations of the business. NAV method does not capture the future earning capacity of the business. Given the nature and specifics of the business, we have not considered the Adjusted NAV method, since the going concern concept is applicable in this scenario.

Income Approach – Discounted Cash Flows (DCF) method

- Under the Income Approach, business is valued by converting maintainable or future amount of cash flows to a single current amount either through discounting or capitalization. DCF Method seeks to arrive at the value of the business based on its future cash flows generating capability and the risks associated with the said cash flows. FCFF or free cash flows to the firm (“FCFF”) represents the cash available for distribution to both the owners and the creditors of the business. Risk-adjusted discount rate or Weighted Average Cost of Capital (“WACC”) is applied to free cash flows in the explicit period and that in perpetuity. Adjustments pertaining to debt, surplus/non-operating assets including investments, cash & bank balance and contingent assets/liabilities and other liabilities, as relevant, are required to be made in order to arrive at the value for equity shareholders. The total value for the equity shareholders so arrived is then to be divided by the number of equity shares to arrive at the value per equity share of the company.

We have not considered Discounted Cash Flows (DCF) method under the income approach due to unavailability of business projections of DHCL as we understand that projections of DHCL would be price sensitive information, which was therefore not made available to us.

Market Approach – Market Price method

- Under the Market Price method, the market price of an equity share as quoted on a recognized Stock Exchange is normally considered as the value of the equity shares of that company, where such quotations are arising from the shares being regularly and frequently traded. Generally, market value is reflective of the investors' perception about the actual worth of the company. However, in certain situations, the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. We understand that the shares are frequently traded in BSE Main Board.

In terms of Regulation 166A of the SEBI ICDR Regulations,

166A. (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:

Provided further that if any proposed preferential issue is likely to result in a change in control of the issuer, the valuation report from the registered valuer shall also cover guidance on control premium, which shall be computed over and above the price determined in terms of the first proviso:

Provided further that the valuation report from the registered valuer shall be published on the website of the issuer and a reference of the same shall be made in the notice calling the general meeting of shareholders.

(2) Any preferential issue, which may result in a change in control of the issuer, shall only be made pursuant to a reasoned recommendation from a committee of independent directors of the issuer after considering all the aspects relating to the preferential issue including pricing, and the voting pattern of the said committee's meeting shall be disclosed in the notice calling the general meeting of shareholders.



Regulations 164 for frequently traded shares states the following:

In terms of Regulation 164 (1) of Part IV of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 (ICDR Regulations), if the equity shares 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 equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- a) the **90 trading days** volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or
- b) the **10 trading days** volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the 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 equity shares to be allotted pursuant to the preferential issue.”;

(2) If the equity shares of the issuer have been listed on a recognized stock exchange for a period of less than 90 trading days as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than the higher of the following:

- a) the price at which equity shares 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 sections 230 to 234 the Companies Act, 2013, as applicable, pursuant to which the equity shares of the issuer were listed, as the case maybe; or
- b) the volume weighted average prices of the related equity shares quoted on the recognized stock exchange during the period the equity shares have been listed preceding the relevant date; or
- c) the volume weighted average prices of the related equity shares quoted on a recognized stock exchange during the 10 trading days preceding the relevant date.

Since, DHCL is a listed company and equity shares of DHCL are traded on BSE Main Board over a reasonable period, we have considered Market Price method to determine the value of equity shares of DHCL. We have been informed by the Management that the relevant date as per the SEBI ICDR Regulations, for the purpose of calculation of the price per share of DHCL for the proposed preferential issue of shares is 29th August 2023. We have considered this as the cut-off date to determine the price for the proposed preferential allotment of equity shares of DHCL under Regulation 166A of SEBI ICDR Regulations. We have considered the stock prices of DHCL from BSE Main Board for calculating the fair market value of equity shares of the Company.



Market Approach – Comparable Companies' Multiple (CCM) method

- Under CCM Method, the value of shares of the subject company is determined on the basis of multiples derived from valuations of comparable companies. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. The Comparable Companies' Multiple Method arrives at the value of the company by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences, such as growth potential, past track record, size, company dynamics, etc.
- The subject company is in Pharmaceuticals sector. Given the Company's business and line of operations, market approach is preferred. We have therefore considered CCM method for the said Valuation.

For arriving at the value per equity share of DHCL and considering valuation inputs available for determining valuation under Market Price Method.



SCOPE LIMITATIONS AND DISCLAIMERS

- Valuation analysis and results are specific to the purpose of valuation mentioned in this report as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date.
- We owe responsibility to only the management of the client that has retained us and nobody else. We do not accept any liability to any third party in relation to the issue of this valuation report. Our valuation report cannot be used for any other purpose. This report has been prepared only for the sole use and information of DHCL. Without limiting the foregoing, we understand that DHCL may be required to submit this report to the regulatory authorities / stock exchanges in connection with the Proposed Transaction.
- Our analysis is based on the market conditions and the regulatory environment that currently exists. However, changes to the same in the future could impact the company and the industry it operates in, which may impact our valuation analysis.
- We are not responsible for updating this report because of any events or transactions occurring subsequent to the date of this report.
- We have considered and relied on the information provided to us by the Management including financial information, significant transactions and events occurring subsequent to the balance sheet date. We understand that the information provided to us and the representations made to us (whether verbal or written) are reliable and adequate. We have derived our conclusions and recommendation from the information so provided and we are thus reliant on the given information to be complete and accurate in every significant aspect. We are made to believe that the Management have informed us about all material transactions, events or any other relevant factors which are likely to have an impact on our valuation recommendation.
- In the ultimate analysis, valuation will have to capture the exercise of judicious discretion by the Valuer and judgment taking into account all the relevant factors. There will always be several factors which are not evident from the face of the financial statements, but which will strongly influence the worth of a share. Examples of such factors include quality and integrity of the management, capital adequacy, asset quality, earnings, liquidity, size, present and prospective competition, yield on comparable securities and market sentiment, etc. This concept is also recognized in judicial decisions.
- This Report does not look into the business / commercial reasons behind the transaction. We have no present or planned future interest in the company and the fee for this engagement is not contingent upon the values reported herein. Our valuation analysis should not be construed as an investment advice. We do not express any opinion on the suitability or otherwise of entering into any transaction with the Company
- Any discrepancies in any annexure between the total and the sums of the amounts listed are due to rounding-off.



VALUATION ANALYSIS AND CONCLUSION

- The value per equity share of DHCL are based on the various approaches / methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations. We have independently applied methods discussed above, as considered appropriate, i.e., Market Price method for determining value per share of Deccan Health Care Limited.
- In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this Report for the proposed transaction, in our opinion, we recommend the fair value of equity shares of DHCL at **INR 29.58 per equity share**, which is higher of value arrived as per (Weighted Average Value in Annexure IA and IB) AND Fair Value per Share in Annexure IIA.

Yours faithfully,


Abhishek Chhajed

Registered Valuer

Securities and financial Assets

IBBI Reg. No.: IBBI/RV/03/2020/13674

UDIN: F011334E000883799

Place: Ahmedabad

Date: 29th August 2023



Enclosed:

Annexure IA: Determination of value per equity share of DHCL using Book Value method

Annexure IB: Determination of value per equity share of DHCL using Comparable Companies method

Annexure IIA: Determination of value per equity share of DHCL using Market Price method

Annexure IIB: Computation of share price of DHCL under Regulation 166A of ICDR Regulations.

Annexure IA – Determination of value per equity share of DHCL using Book Value method

Book Value Computation as at 31.03.2023

Particulars	Amount (INR Cr)
Book Value of Assets	96,54,13,640
Less: Book Value of Liabilities	14,88,56,959
Equity Value (Book Value)	81,65,56,681
No. of Shares	1,70,43,180
Book Value per Share (INR)	47.91

Annexure IA – Determination of value per equity share of DHCL using Comparable Companies method (As at 31.03.2023)

Particulars	Amount (INR Cr)
Earnings per Share	0.27
Peer Multiple (post discount)	10.21
Fair Vaue per Share (INR)	2.76

Name of Peers	MPS (INR)	EPS (INR)	P/E
Ambalal Sarabhai Enterprise Ltd	20.51	0.54	37.98
Venus Remedies Ltd	161.95	24.67	6.56
Zenotech Laboratories Ltd	47.06	1.90	24.77
Jenburkt Pharma Ltd	666.00	53.90	12.36
Average			20.42
Less: Discount@50%			10.21
Post Discount Multiple			10.21

Computation of Weighted Average Value per Share as per Annexure IA and IB

Valuation Methodology/Approach	Value per Share (INR)
CCM Approach	2.76
Book Value Approach	47.91
Weighted Average Value per Share (INR)	25.33

Annexure IIA – Determination of value per equity share of DHCL using Market Price method

Valuation of equity shares of DHCL using Market Price method			
		Particulars	VWAP
	A	Average of 90 trading days VWAP	29.58
	B	Average of 10 trading days VWAP	25.52
		Floor Price (Higher of A or B)	29.58

Based on the above computation, we understand that the value of equity shares of DHCL can be considered at INR 29.58 per equity share for the said Valuation Purpose and as of the said Valuation Date.



Annexure IIB – Computation of share price of DHCL shares under Regulation 166A of SEBI ICDR Regulations, as per historical trading prices on BSE website

Volume weighted average price (VWAP) of the equity shares of Deccan Health Care Limited quoted on the BSE Main Board during the 90 trading days preceding the relevant date (considering relevant date as 29-Aug-2023)

Sr No	Date	Volume of Traded Shares	Total Turnover (Rs.)
1	28-Aug-23	95,614	2,519,582
2	25-Aug-23	98,868	2,507,173
3	24-Aug-23	58,881	1,499,849
4	23-Aug-23	14,726	374,799
5	22-Aug-23	8,409	212,891
6	21-Aug-23	3,554	90,745
7	18-Aug-23	7,332	185,114
8	17-Aug-23	17,202	430,266
9	16-Aug-23	24,348	603,204
10	14-Aug-23	34,973	864,239
11	11-Aug-23	52,817	1,319,728
12	10-Aug-23	9,230	239,631
13	09-Aug-23	3,322	88,179
14	08-Aug-23	26,791	709,455
15	07-Aug-23	72,359	1,916,693
16	04-Aug-23	107,143	2,786,939
17	03-Aug-23	19,185	470,186
18	02-Aug-23	83,829	2,075,964
19	01-Aug-23	93,327	2,301,418
20	31-Jul-23	90,610	2,266,250
21	28-Jul-23	182,107	4,951,643
22	27-Jul-23	8,699	235,706
23	26-Jul-23	2,253	60,044
24	25-Jul-23	23,436	608,811
25	24-Jul-23	1,924	51,999
26	21-Jul-23	1,019	27,922
27	20-Jul-23	2,397	64,602
28	19-Jul-23	7,318	202,235
29	18-Jul-23	7,263	198,015
30	17-Jul-23	16,851	450,482
31	14-Jul-23	6,110	167,485
32	13-Jul-23	4,376	122,431
33	12-Jul-23	2,822	78,408
34	11-Jul-23	2,046	57,106
35	10-Jul-23	8,830	246,294
36	07-Jul-23	6,730	188,434
37	06-Jul-23	1,675	46,949
38	05-Jul-23	10,313	293,305

Valuation of equity shares of Deccan Health Care Limited

39	04-Jul-23	21,960	621,416
40	03-Jul-23	15,529	445,423
41	30-Jun-23	23,087	649,949
42	28-Jun-23	11,390	331,016
43	27-Jun-23	18,610	552,691
44	26-Jun-23	4,447	130,004
45	23-Jun-23	5,974	176,133
46	22-Jun-23	2,909	86,538
47	21-Jun-23	55,387	1,655,095
48	20-Jun-23	8,886	266,630
49	19-Jun-23	68,841	2,077,183
50	16-Jun-23	18,588	583,768
51	15-Jun-23	58,403	1,870,360
52	14-Jun-23	80,858	2,625,322
53	13-Jun-23	12,062	384,850
54	12-Jun-23	72,839	2,395,189
55	09-Jun-23	109,701	3,607,229
56	08-Jun-23	116,689	3,872,587
57	07-Jun-23	174,025	5,768,065
58	06-Jun-23	76,929	2,570,276
59	05-Jun-23	23,106	757,525
60	02-Jun-23	48,525	1,577,196
61	01-Jun-23	52,324	1,721,569
62	31-May-23	790	24,806
63	30-May-23	-	-
64	29-May-23	10,023	325,636
65	26-May-23	13,454	432,713
66	25-May-23	6,225	200,540
67	24-May-23	2,693	87,826
68	23-May-23	62,544	2,090,846
69	22-May-23	53,033	1,765,890
70	19-May-23	56,487	1,872,844
71	18-May-23	65,749	2,376,739
72	17-May-23	240,000	7,938,588
73	16-May-23	4,800	146,064
74	15-May-23	74,400	2,160,840
75	12-May-23	-	-
76	11-May-23	3,600	102,540
77	10-May-23	2,400	72,240
78	09-May-23	10,800	309,288
79	08-May-23	27,600	808,572
80	05-May-23	79,200	2,308,512
81	04-May-23	85,200	2,482,896
82	03-May-23	73,200	2,122,320
83	02-May-23	3,600	105,372

84	28-Apr-23	16,800	484,116
85	27-Apr-23	1,200	36,120
86	26-Apr-23	1,200	36,120
87	25-Apr-23	-	-
88	24-Apr-23	4,800	139,032
89	21-Apr-23	6,000	174,972
90	20-Apr-23	27,600	794,292
Total		3,233,156	95,639,914
VWAP of 90 trading Days (INR)			29.58

Volume weighted average price (VWAP) of the equity shares of Deccan Health Care Limited quoted on the BSE Main Board during the 10 trading days preceding the relevant date (considering relevant date as 29-Aug-2023)

Sr No	Date	Volume of Traded Shares	Total Turnover (Rs.)
1	28-Aug-23	95,614	2,519,582
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5	22-Aug-23	8,409	212,891
6	21-Aug-23	3,554	90,745
7	18-Aug-23	7,332	185,114
8	17-Aug-23	17,202	430,266
9	16-Aug-23	24,348	603,204
10	14-Aug-23	34,973	864,239
Total		9,287,862	363,907
VWAP of 10 trading Days (INR)			25.52

<<End of Report>>

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