

Den Valuation (OPC) Private Limited

India's 46th Registered Valuer Entity (IBBI/RVE/06/2021/146)

Registered Valuer (Securities or Financial Assets) under Companies (Registered Valuers and Valuation) Rules, 2017

CIN No. : U74999GJ2021OPC121047



Annexure - 1

To

Date: 03rd February 2022

The Board of Directors,

Ushanti Colour Chem Limited

CIN - L24231GJ1993PLC019444

Reg. Off. : 88/6, 88/7, 88/8, Phase - 1,

GIDC, Vatva, Ahmedabad – 382445

Gujarat, India.

Dear Sirs/ Madams,

Subject: Valuation of Equity Shares of Ushanti Colour Chem Limited (“The Company”) for the purpose of proposed issue of Convertible Equity Warrants on preferential basis to the identified investors in accordance with the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended (“SEBI ICDR Regulations”) and under section 42 & 62(1)(c) of the Companies Act, 2013, read with applicable rules issued thereunder

The management of Ushanti Colour Chem Limited (hereinafter referred to as “Ushanti” or the “Company”) has approached and appointed, Den Valuation (OPC) Private Limited, Registered Valuer’s Entity (hereinafter referred to as “Den”, “we”, “us”, “our”) on January 27, 2022, to value the Equity Shares of the Company for the purpose of proposed issue of Convertible Equity Warrants on preferential basis to the identified investors.

On the basis of the discussions that we had and based on the information and documents received from the management of the Company (hereinafter referred to as “**Management**”) from time to time, we hereby provide our report on the valuation of equity shares of Ushanti Colour Chem Limited.



1. BRIEF DETAILS OF THE COMPANY

Ushanti Colour Chem Limited is a public company limited by shares, incorporated on May 12, 1993, having Corporate Identification Number L24231GJ1993PLC019444. The registered office of the Company is situated at 88/6, 88/7, 88/8, Phase – 1, GIDC, Vatva, Ahmedabad-382445.

The Company is engaged in to providing manufacturing & marketing of Direct Dyestuffs, Reactive & Acid Dyestuff along with intermediates namely CPC Blue Crude and Pigments especially CPC based.

The Equity Shares of the Company are currently listed on SME platform of National Stock Exchange of India Limited (NSE Limited). They are traded on NSE (Security ID NSE: UCL).

2. PURPOSE OF VALUATION AND ASSET UNDER VALUATION

The Company is proposing to issue convertible equity warrants of face value of ₹10/- each ("warrants") on preferential allotment basis to certain identified persons.

The preferential allotment is proposed to be made for consideration in cash.

For this purpose, the price of the company's equity shares quoted on the National Stock Exchange of India Limited (SME Platform) has been considered, where the Company's existing equity shares also listed and traded.

To issue the warrants on preferential allotment basis, the Company is required to determine the price at which convertible equity warrants should be allotted in accordance with the SEBI ICDR Regulations, 2018 as amended and its articles of association and under Companies Act. Further, section 247 of Companies Act 2013 provides statutory backing to the valuation, which requires that in respect of valuation of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the



provision of the Companies Act, 2013, read with the Companies (Registered Valuers and Valuation) Rules, 2017, it should be valued by a person having such qualification and experience and registered as valuer in such manner as may be prescribed.

In view of the above background, the Registered Valuer Entity understands that the purpose of this report is to determine the fair value of convertible equity warrants of the Company that will be allotted to the investors in accordance with the requirement of Chapter V of the SEBI ICDR Regulations, 2018 as amended, Section 42 & 62(1)(c) and Section 247 of the Companies Act, 2013 read with the Companies (Registered Valuers and Valuation) Rules, 2017 and the articles of association of the Company, which states that when a company proposes to issue new shares or securities, the price of such shares should be determined by the valuation report of a Registered Valuer.

Accordingly, we have been engaged by the Company to determine the price of Equity Shares of the Company to determine the value at which convertible equity warrants may be issued on preferential basis in accordance with the applicable laws described above.

3. DISCLAIMER AND LIMITATIONS

This Valuation Report is prepared by us under a mandate from Ushanti Colour Chem Limited on the basis of information, documents, papers, representation and explanations given by the management, officers and staff of Ushanti Colour Chem Limited to us.

This Report is issued to facilitate the Company to determine the price of Equity Shares for the purpose of issue of convertible equity warrants may be issued on preferential basis.

In preparing the Valuation Report, we have relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and the financial data provided by Ushanti Colour Chem Limited. We have therefore relied upon all specific information as received and decline any responsibility should the results presented be affected by the lack of completeness, accuracy or



truthfulness of such information.

Our work does not constitute an audit or certification or due diligence of the past financials of the Company and we have relied upon the information provided to us by the Company as regards such working results.

We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Company. As implied by the financial statements, Ushanti Colour Chem Limited is assumed to have those legal rights to the assets and be subject to those claims represented by the liabilities presented in its financial statements. No investigation was undertaken to confirm these legal rights or claims.

Publicly available information deemed relevant for the purpose of the analysis contained in the Valuation Report has also been used. Accordingly, the Valuation Report is based on our interpretation of the information provided by Ushanti Colour Chem Limited and/or any of its affiliates as well as its representatives and advisors, to date.

We shall not be liable for any losses whether financial or otherwise or expenses arising directly or indirectly out of the use of or reliance on the information set out herein in this report.

This Valuation Report should not be construed as an investment advice or any form of recommendation either for making or divesting investment in the Company.

This Report does not constitute a fairness opinion, solvency opinion, or an investment recommendation and should not be construed as such either for making or divesting investment. No responsibility is assumed for market prices / multiples that differ from the values presented / assumed in this report.

This Valuation Report is furnished on strictly confidential basis. Neither this Valuation Report nor the information contained herein may be reproduced or passed to any person or used for any purpose other than stated above. For the avoidance of doubt it



is clarified that this Valuation Report may be placed for inspection of the shareholders of the Company.

This Report, its contents and the results herein (i) are specific to the purpose of valuation agreed as per the terms of our engagement; (ii) are specific to the date of this report and (iii) are necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the written and oral information made available to us as of date of this report.

Events occurring after this date may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

4. SOURCES OF INFORMATION

- We have relied the data available on NSE website to work out valuation as per SEBI ICDR Regulations, 2018 as amended for frequently traded equity shares;
- Brief Profile of the Company;
- Audited Financials of the Company for FY 2020, 2021;
- Provisional Financials Statement of the Company for 31st January 2022;
- Future Projections provided by the company.

5. METHODS AND APPROACH OF VALUATION

In arriving at the fair value of Equity Shares of the Company, we have considered DCF Approach, Cost Approach as well as Market Approach but finally used the Market approach in accordance with the Companies Act, 2013, SEBI ICDR Regulations Regulations, 2018 as amended and the Companies (Registered Valuers and Valuation) Rules, 2017 and have not considered other approaches and methods on account of following grounds:

- a) The equity shares of the Company has been listed on recognized stock exchange for the period of more than 90 trading days;

- b) The Equity Shares of the Company are frequently traded within the meaning of the SEBI ICDR Regulations Regulations, 2018 as amended, the calculation for the same has been presented in **Annexure A**;
- c) The method of valuation for frequently traded shares has been prescribed in SEBI ICDR Regulations, 2018 as amended.
- d) The value derived from DCF Approaches provides unrealistic results.
- e) The value derived from cost approaches provides only its historical value per equity shares. Such value cannot be considered as fair value of equity shares.

A. DISCOUNTED CASH FLOW METHOD – INCOME APPROACH

Under the DCF method the project free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flow is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's equity capital. i.e. After Tax earnings adjusted for Depreciation, Capital Expenditure, Workings Capital and Net borrowings.

Appropriate discount rate to be applied to cash flows i.e. the cost of equity:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers (namely shareholders). The opportunity cost to the equity capital provider equals the rate of return the equity capital provider expects to earn on other investments of equivalent risk.

The cash flows are typically projected over a limited number of years, depending on the planning horizon of the specific company and other factors related to the

particular industry and the general economy. As a result, it is necessary to compute a terminal value as of the end of the last period for which cash flows are projected. This terminal value is essentially an estimate of the value of the enterprise as of that future point in time, and it incorporates the assumptions of perpetual operations and implicit growth found in the market approach. Discounting the projected future cash flows and the terminal value back to the present and summing the results yields an indication of value for the enterprise as a whole.

Appropriate adjustments have been made to the enterprise value for specific cash and cash equivalents and Value of Non-Operating Assets pertaining to company to arrive at the fair value of the Company.

We have been provided with the Projected Financial Statement for the next 4 years till F.Y.2025-26. Based on which following Value conclusion has been derived:

Ushanti Colour Chem Limited						(₹ in Lacs)
Particulars	2022	2023	2024	2025	2026	
PAT	278.22	392.51	442.26	486.14	503.35	
Add: Interest	51.00	50.00	55.00	47.50	45.00	
Add: Depreciation and Amortisation	121.00	129.00	119.00	122.00	125.00	
Gross Cash Flow to Firm	450.22	571.51	616.26	655.64	673.35	
Capital Expenditure	(328.56)	(163.06)	(187.07)	(109.63)	(121.19)	
Changes in W.C.	(1,369.09)	305.98	65.78	16.57	1.75	
Net Free Cash Flow to Firm	(1,247.43)	714.42	494.97	562.59	553.91	
Year for Discounting Factor	-	1.17	2.17	3.17	4.17	
Discounting Factor	1.00	0.82	0.70	0.59	0.50	
Net Present Value	(1,247.43)	588.04	344.79	331.67	276.36	
Present Value for Explicit Period	1,540.86					

Equity Valuation	
Particulars	₹ in Lacs
Present Value of Explicite period	1,540.86
Terminal Period Value	2,303.03
Cash & Bank Balance	2.72
Add : Non Operating Asset	17.88
Business Value (Post)	3,864.48
Less: Value of debt	630.82
Equity Value (Post)	3,233.67
Less: Newly issued equity shares	-
Equity Value (Pre)	3,233.67
Existing No. of Shares	7,301,700
Value Per Share (₹)	44.29

As per the DCF Method the valuation of per equity shares of the Company is ₹44.29 per equity shares.

B. NET ASSETS VALUE (NAV) METHOD – COST APPROACH

This is a general way of determining a fair value indication of a business, business ownership interest, or security by using one or more methods based on the value of the assets of that business net of liabilities. The cost-based approach establishes value based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. The asset-based approach derives an indication of value based on anticipated cost to replace, replicate, or recreate the assets. It is often considered as "Floor" value. Since the company is operating and profit making company. We have not applied this method to arrive fair value of equity shares of the company. The conclusion of value derived on net assets value is under:

Net Asset Value Method

As on 31.01.2022

Particulars	Amount
Non-Current Assets	204,786,605
Non Current Investment	1,787,775
Current Assets	269,931,098
Total Assets	476,505,478
Non-Current Liabilities	89,152,282
Current Liabilities	86,496,208
Total Liability	175,648,490
Net Asset available to Equity Share Holder	300,856,988
No. of Equity Shares	7,301,700
NAV Per Share	41.20

C. MARKET PRICE METHOD – MARKET APPROACH

The Company is being a listed Company, the valuation of equity shares under this method is arrived at, by average of volume weighted average market price as per the SEBI ICDR Regulations, 2018 as amended. As per Reg.164 of SEBI ICDR Regulations, 2018 as amended, when the shares of the company is frequently traded on exchange, then the value of the shares to be determined in following manner:

Regulation 164 (1)

"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 the recognized stock exchange preceeding the relevant date.”*

The brief working of the value per equity share of the Company as per Reg. 164(1) of SEBI Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended is set out below:

A) Price as per Regulation 164(1) of SEBI (ICDR) Regulations, 2018 as amended

Option – I Volume Weighted Average Price of last 90 trading days Stock Price at NSE

Sr. No.	Date	VWAP
1	02-Feb-22	58.98
2	01-Feb-22	Not Traded
3	31-Jan-22	61.55
4	28-Jan-22	59.00
5	27-Jan-22	53.50
6	25-Jan-22	54.35
7	24-Jan-22	55.51
8	21-Jan-22	Not Traded
9	20-Jan-22	Not Traded
10	19-Jan-22	Not Traded
11	18-Jan-22	Not Traded
12	17-Jan-22	Not Traded
13	14-Jan-22	Not Traded
14	13-Jan-22	53.00
15	12-Jan-22	60.65
16	11-Jan-22	53.59
17	10-Jan-22	54.94
18	07-Jan-22	Not Traded
19	06-Jan-22	56.00
20	05-Jan-22	Not Traded

21	04-Jan-22	Not Traded
22	03-Jan-22	Not Traded
23	31-Dec-21	Not Traded
24	30-Dec-21	Not Traded
25	29-Dec-21	Not Traded
26	28-Dec-21	58.50
27	27-Dec-21	Not Traded
28	24-Dec-21	Not Traded
29	23-Dec-21	Not Traded
30	22-Dec-21	Not Traded
31	21-Dec-21	54.29
32	20-Dec-21	Not Traded
33	17-Dec-21	Not Traded
34	16-Dec-21	53.72
35	15-Dec-21	53.98
36	14-Dec-21	Not Traded
37	13-Dec-21	57.75
38	10-Dec-21	Not Traded
39	09-Dec-21	Not Traded
40	08-Dec-21	Not Traded
41	07-Dec-21	51.00
42	06-Dec-21	49.33
43	03-Dec-21	Not Traded
44	02-Dec-21	Not Traded
45	01-Dec-21	Not Traded
46	30-Nov-21	52.75
47	29-Nov-21	60.75
48	26-Nov-21	Not Traded
49	25-Nov-21	57.00
50	24-Nov-21	Not Traded
51	23-Nov-21	53.68
52	22-Nov-21	Not Traded
53	18-Nov-21	55.98
54	17-Nov-21	53.00
55	16-Nov-21	51.67
56	15-Nov-21	53.35

57	12-Nov-21	Not Traded
58	11-Nov-21	Not Traded
59	10-Nov-21	59.40
60	09-Nov-21	57.22
61	08-Nov-21	57.77
62	04-Nov-21	58.63
63	03-Nov-21	57.88
64	02-Nov-21	58.37
65	01-Nov-21	57.54
66	29-Oct-21	56.66
67	28-Oct-21	58.45
68	27-Oct-21	57.56
69	26-Oct-21	58.01
70	25-Oct-21	57.78
71	22-Oct-21	58.40
72	21-Oct-21	56.84
73	20-Oct-21	58.89
74	19-Oct-21	57.69
75	18-Oct-21	58.64
76	14-Oct-21	55.73
77	13-Oct-21	55.00
78	12-Oct-21	Not Traded
79	11-Oct-21	Not Traded
80	08-Oct-21	55.94
81	07-Oct-21	54.90
82	06-Oct-21	49.90
83	05-Oct-21	47.50
84	04-Oct-21	Not Traded
85	01-Oct-21	Not Traded
86	30-Sep-21	Not Traded
87	29-Sep-21	47.50
88	28-Sep-21	47.00
89	27-Sep-21	Not Traded
90	24-Sep-21	40.50
	Total	55.34

Option – II Volume Weighted Average Price of last 10 trading days of Stock Price at NSE

Sr. No.	Date	VWAP
1	02-Feb-22	58.98
2	01-Feb-22	Not Traded
3	31-Jan-22	61.55
4	28-Jan-22	59.00
5	27-Jan-22	53.50
6	25-Jan-22	54.35
7	24-Jan-22	55.51
8	21-Jan-22	Not Traded
9	20-Jan-22	Not Traded
10	19-Jan-22	Not Traded
Total		57.15

Price per equity shares as per Reg. 164(1) is higher of the Option-I and Option-II:

Particular	Price Per Shares (₹)
(A) Average of VWAP for last 90 trading Days	55.34
(B) Average VWAP for last 10 trading Days	57.15
Applicable Minimum Price (Higher of above) as per Regulation 164(1) of SEBI (ICDR) Regulations, 2018	57.15

6. CONCLUSION

On the basis of the valuation methodologies and basis for determining value of Equity Shares discussed above and 'Relevant Date' for the purpose of determining the price for the Preferential Allotment of the Convertible Warrants as February 03, 2022, we hereby certify that in terms of Regulation 164(1) of SEBI ICDR Regulations, 2018 as amended, and for the purposes of Section 42 & 62(1)(c) and section 247 of the Companies Act, 2013 read with the Companies (Registered Valuers and Valuation) Rules, 2017 and the articles of association of the Company, the minimum price shall be at higher of DCF Method or NAV Method or Market Price Method i.e. valuation as per Regulation 164 of SEBI ICDR Regulations, 2018 as amended, hence the convertible warrants may be allotted on preferential basis is **₹57.15/-**.

FOR, DEN VALUATION (OPC) PRIVATE LIMITED



CA JIGAR SHAH

Director

IBBI Regd. No. - IBBI/RV-E/06/2021/146

Place: Ahmedabad

UDIN: 22115916ADOWYI5277



Annexure – A

Details of Trading in Equity Shares of Ushanti Colour Chem Limited during last 240 trading days, i.e., February 02, 2022 to February 15, 2021

A. Percentage of Traded Turnover

Total Traded Turnover	14,54,000
Total No. of Outstanding Shares	73,01,700
% of Total Traded Turnover	19.91%

(Source: www.nseindia.com)

Since the traded turnover during 240 trading days in the equity shares of the Company is more than 10.00% of the total number of equity shares outstanding, the equity shares of the Company are frequently traded within the meaning of regulation 164 of SEBI ICDR Regulations, 2018 as amended.