

Valuation Analysis

Issuance of Convertible Warrants

Bhartiya International limited



07th May 2024

Strictly Private & Confidential





To,
The Board of Directors
Bhartiya International limited
56/7, Nallambakkam Village (Via Vandalur),
Chennai, Tamil Nadu-600048

Ref. No.: CPV/RV/2024-25/004

Subject: Valuation Analysis of Equity Shares of Bhartiya International limited ("Company") for the as per SEBI (ICDR) Regulations for the Issuance of Convertible Warrants.

Dear Sir/Madam,

We, **Corporate Professionals Valuation Services Private Limited**, an Insolvency and Bankruptcy Board of India ("IBBI") Registered Valuer ("herein-after-referred as "Valuer") have been appointed as valuers by **Bhartiya International limited** ("Company"/ "Client") to assist in determination of the fair value of equity shares of the Company for allotment of Convertible warrants on preferential basis to certain proposed allottees.

The underlying transaction is the preferential issue of Convertible warrants of the Company to certain proposed investors. The Company is listed on the BSE Ltd. (BSE) and National Stock Exchange of India Limited (NSE) and frequently traded on NSE.

In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, a preferential issue, in which allotment of more than 5% of the post-issue fully diluted share capital of an issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and should be considered for determining the issue price. Accordingly, the Company has approached us to compute a valuation.

Based on our valuation analysis of the equity shares of **Bhartiya International limited for the Issuance of Convertible Warrants** and subject to the notes and comments provided herein, we hereby certify that the value per equity share of the Company is **INR 426.81/-**.

This certificate is being issued for compliance with the aforesaid regulatory purpose only and the value determined herein would be the minimum price for this purpose. We further undertake that we are an independent valuer having no present or future interest in any transaction of the Company.

Thanking you

Date: 07th May 2024

Place: New Delhi

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



Debashis Das
(Director)

Enclosures:

Annexure I: Scope of Work

Annexure II: Valuation Approaches and Workings

Annexure III: Provisional Standalone Financial Statements for the period ended 31st March 2024.

Annexure IV: Caveats



ANNEXURE I: SCOPE OF WORK

A. Purpose Of Valuation and Appointing Authority

Based on the discussions held with the Management we understand that the Company is proposing preferential allotment of Convertible Warrants to certain investor(s). In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 ('SEBI (ICDR) Regulations'), a preferential issue, which may result in a change in control or allotment of more than 5% of the post issue fully diluted share capital of an issuer, to the allottee acting in concert, shall, besides the market price, require valuation from an independent registered valuer and should be considered for determining the issue price. Thus, we, being a Registered Valuer, have been engaged as per the engagement letter dated 02nd May 2024, we are issuing this certificate for compliance with Chapter V of SEBI (ICDR) Regulations.

B. Identity Of Client and Other Intended Users

Bhartiya International limited

56/7, Nallambakkam Village (Via Vandalur),
Chennai, Tamil Nadu-600048

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

At Bhartiya, their aim is to delight with every design, whether it's a meticulously crafted leather jacket or a city you'd love to call home. Their journey began in the fashion world back in 1987, collaborating with some of the globe's top brands. Drawing from their deep understanding of lifestyle solutions worldwide, they ventured into the creation of a whole city in Bengaluru, which they named Bhartiya City. This endeavor, in partnership with their residential brand Nikoo Homes, marks India's first integrated city of its kind.

Their footprint spans numerous cities globally, design studios in Italy and manufacturing facilities in India and China. Their operations are organized into three key verticals:

- Bhartiya International, dedicated to apparel and accessories manufacturing.
- Bhartiya Urban, focusing on real estate development.
- Bhartiya International SEZ, specializing in industrial park development.

- **Date of Appointment** – 02nd May 2024 as per Engagement Letter
- **Valuation Date** – Based on Financials of 31st March 2024.
- **Date of Report** – 07th May 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.

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.
- Provisional Standalone Profit and Loss Statement for the period ended March 31st, 2024.
- Provisional Standalone Balance Sheet Statement for the period ended March 31st, 2024.
- 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 considering the riskiness of the business plan. However, we would like to expressly state that though we have reviewed the financial data for the limited purpose of valuation assessment, but we have not performed an Audit and have relied upon the historical as well as future financials (P&L Account and Balance Sheet) as prepared and submitted to us by the management of the company. It may so happen that the projections do not materialize but the management has represented to us that it has taken due care in the preparation of such forecasts of financial statements and the same may be considered as a true and fair view of the expected business plan of the company.



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 the historical cost of net assets only without recognizing its present earnings, the 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, we have considered this methodology for the valuation exercise of the Company. However, the company is operating undergoing-Concern assumption we have not given this weightage in the determination of fair value of equity share.
Market	Company Comparable Multiple (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. The company is engaged in the manufacturing of leather products and a listed entity, with suitable listed peers. Hence, we have employed this methodology.
	90 Trading-10 Trading Days	The Company's shares are listed on both BSE Ltd and the National Stock Exchange (NSE), with a higher frequency of trading observed on the NSE. To determine the equity value in accordance with Regulation 33 of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, which references Regulation 164 of SEBI ICDR Regulation, 2018, the following criteria are considered for frequently traded shares: The equity shares' price for preferential issue should not be less than the higher of: <ul style="list-style-type: none"> • The 90 trading days volume weighted average price (VWAP) of the related equity shares quoted on the recognized stock exchange preceding the relevant date. • The 10 trading days volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date. This method takes the impact of price fluctuation in reference to market and industry. We have considered this methodology in instant cases.
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 the Firm and discounting the same with the Weighted Average cost of capital (WACC). The



	<p>DFCF methodology is the most appropriate basis for determining the earning capability of a business.</p> <p>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.</p> <p>We have considered this methodology for the calculation of the fair equity value of the Company based on its Standalone cash flows. After considering its business plan. We have calculated the Enterprise value and then derived the Equity value by adjusting its debt, cash and cash equivalents, and surplus assets on the date of valuation.</p>
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Computation of Equity valueAsset Approach

Net Asset Value (NAV) Method (Based on Standalone Financials):

Bhartiya International limited	
Particulars	All Amount INR Million
Equity Share Capital	122.07
Reserves and Surplus	3,324.93
Net Asset Value as on 31.03.2024	3,447.00
Diminution of investment	-
Adjusted Networkth	3,447.00
No. of Shares as on 31.03.2024	12,209,411
Value per Equity share (INR) as on 31.03.2024	282.32

Market Approach

Company Comparable Multiple Method:

As per EV/EBITDA Multiple	
Particulars	Amount (INR Million)
Adjusted EBITDA for the period ended 31.03.2024	757.72
Industry Multiple (Peers) as on 03.05.2024	11.26
Enterprise Value	8,531.90
Add: Cash and cash equivalents	503.55
Add: Investments in subsidiary	657.61
Add: Building Not use in business Operations	50.20
Less: Borrowings	4,791.38
Less: Deferred Tax Liability	79.61
Adjusted Equity Value	4,872.28
No. of Equity Shares as on 31.03.2024	12,209,411
Value per Equity Share	399.06

90 Trading-10 Trading Days

Particular	Details
Total Value of the Shares trading of 90 TD	612,288,752.80
Total No. of shares Traded in 90 TD	1,676,153
90 TD VWAP	365.29
Total Value of the Shares trading of 10 TD	17,997,887.55
Total of No. of Shares Traded in 10 TD	42,402
10 TD VWAP	424.46
Maximum price	424.46



Income Approach

Discounted Free Cash Flow to Firm (DFCF):

Discounted Cash Flow Analysis-Bhartiya International limited								
WACC:	14.84%	Amount In INR Million						
GROWTH RATE:	5.00%	FY	2025	2026	2027	2028	2029	Terminal
PARTICULARS								
Revenue	8,040.00	9,246.00	10,355.52	11,391.07	12,530.18			
Other Income	35.00	35.00	35.00	35.00	35.00	35.00		
PBT (Excluding Other Income)	595.13	769.74	923.87	1,079.72	1,241.11			
Less: Direct Taxes Paid	149.78	193.73	232.52	271.74	312.36			
PAT (Excluding Other Income)	445.35	576.01	691.35	807.98	928.75			
Add: Depreciation	100.00	100.00	100.00	100.00	100.00	100.00		
Less: Capital Expenditure	-	99.80	99.80	99.80	99.80	99.80		
Add: Interest (post Tax)	252.54	239.28	234.16	216.29	204.88			
Less: Non-Cash Working Capital	156.78	141.10	129.81	121.16	133.28			
Free Cash Flows	641.10	674.39	795.89	903.31	1,000.55	11,347.68		
Discounting Factor (Mid-year Discounting)	0.93	0.81	0.71	0.62	0.54	0.54		
Present value of Cash flow	598.24	547.96	563.11	556.50	536.73	6,087.36		
Enterprise Value	8,889.90							
Add: Cash and cash equivalents	503.55							
Add: Investments in subsidiary	657.61							
Add: Building Not use in business Operations	50.20							
Less: Borrowings	4,791.38							
Less: Deferred Tax Liability	79.61							
Equity Value	5,230.28							
No of Diluted Equity Shares	12,209,411							
Value per Equity Share (INR)	428.38							

Note:

For the valuation of equity shares through DCF methodology, we have relied upon the Standalone projections provided by the management for the period beginning 1st April 2024, and ending March 31, 2029, duly supplemented by its Terminal Value based on the Gordon Model and extrapolating the adjusted free cash flows for last year at an annual growth rate of 5% to perpetuity.



DCF Assumptions:

Particulars		Notes
Risk free rate (Rf) as on 28.03.2024	7.05%	Considering of long-term Indian government bond rate
Market Rate of Return	15.24%	BSE Sensex returns on a long-term basis
Industry Beta... (β)	0.63	We have taken the Leveraged beta for 5 Years of the target company, Beta value (B) as 0.63 as the company is listed on BSE and NSE.
Additional Company Specific (Including Small Company) Risk Premium (Unsystematic Risk) (CSRP)	15.00%	We have given a 15.00% additional risk premium looking into company profile, financial structure, and ROI an investor will investigate while investing in this type of company. This is also dependent upon the level of aggressiveness of the future cash flows, the present scenario of the country and the company environment in which it is operating. Additionally, the company has a huge amount of debt as of 31 st March 2024 Financials.
Cost of Equity (Ke)	27.18%	As per Modified CAPM model i.e. $[Ke = Rf + \beta(Rm - Rf) + CSRP]$
Cost of Debt	7.98%	As represented by the management of the Company
Equity portion in capital structure	41.84%	As per financials provided by the company as on 31 st March 2024.
WACC	14.84%	$WACC = (Ke * \% \text{ Equity in Capital Structure}) + (\text{Cost of Debt} * \% \text{ Debt in Capital Structure} * (1 - \text{Tax Rate}))$
Growth Rate	5%	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 etc. Accordingly, for perpetuity, we have considered 5% growth rate.



Computation of Fair Value of Bhartiya International limited

Fair Value of Bhartiya International limited				
				All Amount INR Millions
Approach Applied	Methodology Applied	Weight	Equity Value per Share	Weighted Average Equity Value per Share
Asset	Net Asset Value	0%	282.32	-
Market	90D-10D Trading Days	40%	424.46	169.78
	Company Comparable Method	0%	399.06	-
Income	Discounted Cash Flow	60%	428.38	257.03
Weighted Average Equity Value per Share				426.81

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 value per equity share of the Company as INR 426.81/.



Annexure III:Provisional Standalone Balance Sheet as on 31st March 2024

Particulars	Amount in INR Million
Equity share capital	122.07
Other equity	3,324.93
Total equity	3,447.00
Non-current liabilities	1,054.96
Current liabilities	4,972.25
Total equity and liabilities	9,474.21
Non-current assets	2,003.02
Current assets	7,471.19
Total assets	9,474.21

Provisional Standalone Profit and Loss Statement for the period ended 31st March 2024

Particulars	Amount in INR Million
Revenue from operations	6,700.00
Other income	35.00
Total Income	6,735.00
Total Operating Expenses	5,942.28
EBITDA	792.72
Depreciation & Amortization	98.00
Finance Cost	374.80
Profit Before Tax (PBT)	319.92



Annexure IV: Caveats

- This Valuation Report has been issued on the specific request of “**Bhartiya International limited**” for determining the value of the Equity Share of the Company for the Issuance of Convertible Warrants in accordance with the SEBI (ICDR) Regulations. This Report is prepared exclusively for the above-stated purpose and must not be copied, disclosed, 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 the 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 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 transactions.

