

# Valuation Report on Swap Ratio

for the merger of

**NATROYAL INDUSTRIES PRIVATE LIMITED**

with

**ROYAL CUSHION VINYL PRODUCTS LIMITED**

DATE OF VALUATION REPORT: 13/08/2024

# A. N. GAWADE

FCA, RV (IBBI)

## Registered Valuer

Securities or Financial Assets

Regn No. IBBI/RV/05/2019/10746

13 August, 2024

7, Saraswati Heights,  
Behind Café Goodluck,  
Deccan Gymkhana, Pune -411004  
Phone No. Ph. 7722063311  
Email: ang@angca.com

To,  
The Board of Directors  
Royal Cushion Vinyl Products Limited  
60 CD, Shlok Govt. Industrial Estate Charkop,  
Kandivli (West), Mumbai 400067

To,  
The Board of Directors  
Natroyal Industries Private Limited  
60 CD, Shlok Govt. Industrial Estate Charkop,  
Kandivli (West), Mumbai 400067

**Sub: Recommendation of share exchange ratio for the proposed merger / amalgamation of Natroyal Industries Private Limited with Royal Cushion Vinyl Products Limited**

Royal Cushion Vinyl Products Limited (hereinafter referred to as "RCVPL" or "Transferee Company") was incorporated on November 21, 1983. The company is registered under the Companies Act, 1956 (CIN: L24110MH1983PLC031395) and its registered office is at 60CD Shlok Government Ind. Estate Charkop, Kandivli (West), Mumbai 400067.

Natroyal Industries Private Limited (hereinafter referred to as "NIPL" or "Transferor Company") was incorporated on September 20, 1989. The company is registered under the Companies Act, 1956 (CIN: U74210MH1989PTC053554) and its registered office is at 60 CD, Shlok Govt. Industrial Estate Charkop, Kandivli (West), Mumbai 400067.

The management of RCVPL and NIPL have requested me, Anandkumar Gawade, to carry out the valuation analysis of Royal Cushion Vinyl Products Limited and Natroyal Industries Private Limited (hereinafter collectively referred to as "Companies") as at August 13, 2024 as per the guidelines and other applicable provisions of the Companies Act, 2013 including rules and regulations made there under and applicable Securities and Exchange Board of India guidelines as may be applicable to listed entities.

The computation of the fair market value of Royal Cushion Vinyl Products Limited is attached herewith as Exhibit 1 and the computation of fair market value of Natroyal Industries Private Limited is attached herewith as Exhibit 2. A detailed summary of valuation is given in the report.

Yours Faithfully,



Mr. Anandkumar Gawade,  
Registered Valuer Reg. No. IBBI/RV/05/2019/10746  
UDIN: 24110752BKEODL4380

Valuation Report on Swap Ratio for the merger / amalgamation of Natroyal Industries Private Limited with Royal Cushion Vinyl Products Limited

13/08/2024



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### Scope and purpose of this report and appointing authority:

I have been engaged by the management of the Companies to determine the swap ratio of Royal Cushion Vinyl Products Limited and Natroyal Industries Private Limited as per the guidelines under applicable provisions of the Companies Act, 2013 including rules and regulations made thereunder and applicable Securities and Exchange Board of India guidelines as may be applicable to listed entities.

We have been informed that the management of the Companies are contemplating a Scheme of Arrangement in the nature of merger / amalgamation of NIPL with RCVPL on going concern basis with effect from the Appointed Date of April 1, 2024 pursuant to a scheme of arrangement under section 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Scheme”).

We have been informed that as consideration for the Scheme, the Transferee Company will issue its equity shares to the shareholders of the Transferor Company. Therefore, we have been requested by the Management to undertake a valuation exercise for determining the relative fair value of equity shares of both the Companies and basis such relative fair value, recommend a share exchange ratio for the consideration of the Board of Directors of the Companies.

Further, in terms of provisions of ‘Chapter V – Preferential Issue’ of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“SEBI Preferential Issue Regulations”), the shares issued by a listed company to a select group of shareholders or to the shareholders of the unlisted companies pursuant to a scheme of arrangement under section 230 to 234 of the Companies Act, 2013 needs to be in compliance with the pricing provisions of the SEBI Preferential Issue Regulations. In the present case, the Scheme contemplates issue of equity shares by the Transferee Company, being a listed company, to the shareholders of the Transferor Company, being an unlisted company and therefore, issue of such shares needs to be in compliance with the pricing provisions of the SEBI Preferential Issue Regulations. Therefore, we have duly taken into consideration the provisions of SEBI Preferential Issue Regulations while undertaking the valuation exercise.

We would like to emphasize that certain limited terms of the Scheme are stated in our report, however, the detailed terms of the Scheme shall be more fully described and explained in the Scheme document to be submitted with the relevant authorities in relation to the Proposed Amalgamation.

Given the above requirement, the management of the companies have requested me to compute and recommend the swap ratio for the proposed merger / amalgamation of Royal Cushion Vinyl Products Limited and Natroyal Industries Private Limited.

### Valuation Date, Date of Appointment and Date of Report:

For the purpose of this assignment of valuation, the following shall be the key dates:

**Appointment Date:** I have been appointed by the management vide letter dated 11 June, 2024.

**Valuation Date:** We have undertaken the valuation exercise as on August 13, 2024 (“**Valuation Date**”) being the date on which the Scheme was considered by the Board of Directors of the Companies. For this purpose, we have considered the audited financial statements of NIPL for the period ended May 31, 2024 and the limited reviewed financial results of RCVPL for the period ended June 30, 2024, which is not older than 3 months from the Valuation Date as required under the guidelines specified by BSE. Further, given that RCVPL is a listed company, market price data till August 12, 2024, being the date preceding the relevant date, has been considered for the purposes of the valuation exercise.

**Report Date:** My valuation report has been submitted as of 13<sup>th</sup> August 2024.

### Identity of the Valuer and other experts involved in the valuation:

Valuation is carried out by me, i.e. Anandkumar Gawade, Registered Valuer, under Class Securities or Financial Assets vide Registration No. IBBI/RV/05/2019/10746. I am also Practicing Chartered Accountant since 2002 vide ICAI Membership No. 110752. There were no other experts involved in the carrying out the process of valuation of Equity Shares. I am allowed to carry out the same valuation as per rules. We have relied on the valuation reports of the Independent Valuers determining the fair market value of the land and buildings owned by the Companies.

### Declaration of Independence of Valuer and Financial Interest:

I hereby declare that I am independent of the subject firms for valuation and have not been under any direct or indirect influence, which may affect the valuation exercise. I also state that I have no financial interest in the Subject Companies for valuation.

### Sources of Information:

The following information has been received from the Management of the Company:

- Draft Scheme of Arrangement for the proposed amalgamation
- Audited Financial statements of Royal Cushion Vinyl Products Limited and Natroyal Industries Private Limited for FY 2024, FY 2023, FY 2022, FY 2021.
- Limited Reviewed financial results of Royal Cushion Vinyl Products Limited for the period ended on June 30, 2024.
- Audited Financial Statements of Natroyal Industries Private Limited for the period ended on May 31, 2024.
- Quantity of shares traded and Traded turnover of equity shares of RCVPL on BSE.
- Memorandum and Articles of Association of the Companies
- Valuation reports of the Independent Valuers determining the fair market value of the land and buildings owned by the Companies.
- Projected Financial Statements of RCVPL and NIPL from FY 2024-25 to FY 2028-29.
- I have also accessed public documents as available from external sources such as mca.gov.in to better understand and assess the value of the business.
- I have also obtained necessary explanations and information, which I believed were relevant to the present exercise, from the executives and representatives of the company.

### Inspections and/or Investigations undertaken:

- I have verified the industry in which the company is operating and the performance of the industry.
- Business Profile of the Companies.
- MOA, AOA of the Company, and other ROC Documents.
- Oral information for various clarifications.
- Stock exchange trading information. I have also obtained necessary explanations and information, which I believed were relevant to the present exercise, from the executives and representatives of the Company.
- I have applied all the appropriate techniques for coming out at assumptions of Unsystematic risk, and perpetual rate of growth which are taken in DCF Calculation.
- Peer Comparable Companies Information.

## Background Information about the Companies

### Royal Cushion Vinyl Products Limited

Royal Cushion Vinyl Products Limited manufactures and sells poly vinyl chloride (PVC) products in India. It offers PVC floor coverings, laminated sheets and tiles, and leather cloths, which are used in commercial, residential, transport, and contract ranges, as well as household, offices, shops, health club, automobiles etc. applications under the Royal House brand name. The company also provides a range of residential and transport flooring products and services. In addition, it offers vinyl floorings for various commercial applications, such as malls, offices, showrooms, lobbies, indoor play areas, retail and hospitality, etc. The company sells its products through a network of distributors and retailers. Royal Cushion Vinyl Products Limited was incorporated in 1983 and is based in Mumbai, India.

CIN	L24110MH1983PLC031395
Company Name	ROYAL CUSHION VINYL PRODUCTS LIMITED
ROC Code	ROC Mumbai
Registration Number	031395
Company Category	Company limited by Shares
Company SubCategory	Non-govt company
Class of Company	Public
Authorised Capital(Rs)	50,00,00,000
Paid up Capital(Rs)	36,58,84,620
Date of Incorporation	21/11/1983
Registered Address	60CD Shlok Government Ind. Estate, Charkop, Kandivli (West), Mumbai 400067.

(source: [www.mca.in](http://www.mca.in))

### Current Capital Structure of the Company:

Particulars	Amount in Rs.
<b>Issued, Subscribed and Paid up Share Capital</b>	
3,65,88,462 Equity shares of Rs. 10/- each	36,58,84,620

(Source: Company)

### Natroyal Industries Private Limited

NIPL was incorporated on September 20, 1989 under the provisions of the Companies Act, 1956 as a Private Limited Company in the State of Maharashtra under the name and style of "Vijayjyot Seats Private Limited". Subsequently, the name of NIPL was changed to its present name of "Natroyal Industries Private Limited" by a special resolution passed by the members of NIPL in the EGM held on February 10, 2014. The Corporate Identity Number of NIPL is U74210MH1989PTC053554. NIPL is an entity related to the promoter and promoter group of RCVPL and as such, a related party of RCVPL.

NIPL is primarily engaged in the business of manufacturing of seating components, coated textile fabrics, knitted fabrics and trading of PVC Vinyl Flooring / chemical items.

Company Name	Natroyal Industries Private Limited
CIN	U74210MH1989PTC053554
Date of Incorporation	20/09/1989
Registered Address	60CD Shlok Government Ind. Estate, Charkop, Kandivli (West), Mumbai 400067.
Listing status	Unlisted
Directors	1) Rahul Motasha Mukesh 2) Suvrat Mahesh Shah

(Source: [www.mca.gov.in](http://www.mca.gov.in))

The capital structure of "NIPL" as of May 31, 2024 is as follows:

Particulars	No. of Equity Shares	Face Value	Amount
<b>Authorized Share Capital</b>			
Equity Shares	10,90,000	100	10,90,00,000
<b>Subscribed, Issued &amp; Paid Up</b>			
Equity Shares	7,22,170	100	7,22,17,000

(Source: Company)



### Premise of Value/Assumed Use:

Current use/existing use is the current way an asset, liability, or group of assets and/or liabilities is used. The current use may be, but is not necessarily, also the highest and best use.

### Bases of Valuation:

Market Value: Market Value is the estimated amount for which an asset or liability should be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

### Key Factors Affecting Valuation

To carry out a valuation, I consider certain fundamental factors that affect the wealth-generating capability of the company. These include:

- General economic outlook as well as current & expected conditions in the business environment.
- Competitive environment prevailing within the industry.
- Relative competitive advantages of the business in terms of the service capability, management capabilities, etc.;
- Historical financial and operational performance.

### Valuation Approaches & Methodologies

The following are commonly used and accepted methods for determining the value of a company:

1. Asset Approach – Net Asset Value method;
2. "Market" Approach and
3. "Income" Approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

#### **1. Asset Approach- Net Asset Value Method ('NAV')**

The asset-based value analysis technique is based on the value of the underlying net assets of the business, either on a book value basis, realizable value basis or replacement cost basis. This value analysis approach is mainly used in cases where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in cases where the assets base dominates earnings capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

#### **2. Market Approach:-**

The Market Approach of indicator value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. The market approach often uses market multiples derived from a set of comparable assets, each with different multiples. The selection of the appropriate multiple within the range requires judgment, considering qualitative and quantitative factors.

**i. Guideline Publicly Traded Comparable or Comparable Companies Multiple (“CCM”) Method:-** The guideline publicly traded method utilizes information on publicly traded comparable companies that are like the subject asset to arrive at an indication of value. The method should be used only when the subject asset is sufficiently similar to the publicly traded comparable companies to allow for a meaningful comparison.

**ii. Comparable Transactions Multiples (“CTM”) Method:-** The CTM, also known as the Guideline Transactions Method, utilizes information on transactions involving assets that are the same or like the subject asset to arrive at an indication of value.

**iii. Market Price Method:-** Under this method, the market price of equity shares of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investors’ perception about the true worth of the Company.

### **3. Income Approach**

The Income Approach provides an indication of value by converting future cash flows to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. A fundamental basis for the Income Approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment. Commonly used method under this Approach is the Discounted Cash Flow Method.

#### **Discounted Cash Flow Method (DCF):**

Under the DCF method the forecast cash flows are discounted back to the valuation date, resulting in a present value of the asset. When selecting the appropriate type of cash flow for the nature of asset or assignment. In addition, the discount rate and other inputs must be consistent with the type of cash flow chosen.

The intended holding period for one investor should not be the only consideration in selecting an explicit forecast period and should not impact the value of an asset. However, the period over which an asset is intended to be held may be considered in determining the explicit forecast period if the objective of the valuation is to determine its investment value. Where the asset is expected to continue beyond the explicit forecast period, valuers must estimate the value of the asset at the end of that period. The terminal value is then discounted back to the valuation date, normally using the same discount rate as applied to the forecast cash flow. The Market Approach/exit value method can be performed in a number of ways, but the ultimate goal is to calculate the value of the asset at the end of the explicit cash flow forecast. Common ways to calculate the terminal value under this method include application of a market-evidence based capitalization factor or a market multiple. The rate at which the forecast cash flow is discounted should reflect not only the time value of money, but also the risks associated with the type of cash flow and the future operations of the asset.

### Selection of appropriate Valuation Approach:

For Royal Cushion Vinyl Products Limited – Exhibit 1

### **Adjusted Net Asset Value Method:**

I have calculated the amount of Net Worth in the books of RCVPL as on June 30, 2024, after adding incremental value of properties and investment, if any over book value.

*Amount in INR Millions (Unless otherwise mentioned)*

Calculation of Book Value as on 30th June 2024		
Particulars	INR	INR
Share Capital	365.88	
Add : Reserve & Surplus	-669.15	
Add: Incremental Value of Immovable Property	244.38	-58.89
<b>Net Asset Value</b>		<b>-58.89</b>
No. of Equity Shares (Face Value@10)		3,65,88,462
<b>Value Per Share (INR)</b>		<b>(1.61)</b>

However, Net Asset Value method is not considered for weightage as the value is negative and other methods are more considerable as those are relevant from business perspective and market response.

### **Market Approach:**

The Market Approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

The Market Approach should be applied and afforded significant weight under the following circumstances:

- The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value,
- The subject asset or substantially similar assets are actively publicly traded, and/or
- There are frequent and/or recent observable transactions in substantially similar assets.

There are some of the limitations to the Market Approach which are as follows:

- It is difficult to identify transactions or companies that are comparable. There is usually a lack of a sufficient number of comparable companies or transactions.
- It is less flexible compared to other methods.

### Market Price Method

The method raises questions on how much data is available and how good the data is. The equity shares of the Transferee Company are listed and traded on BSE. The equity shares of the Transferee Company are frequently traded as per Regulation 164(5) of SEBI Preferential Issue Regulations. The following table represents the calculation of frequently trading of shares of the Transferee Company:

Total no. of equity shares of Royal Cushion Vinyl Products Limited	<b>3,65,88,462</b>
Weighted Average no. of equity shares of Royal Cushion Vinyl Products Limited (Refer Workings Below)	<b>3,06,62,493</b>
10% of Total no. of shares	<b>30,66,249</b>
Total traded shares on BSE	<b>62,19,157</b>
<b>Hence, the shares are frequently traded</b>	

Calculation of the weighted average number of equity shares of the Transferee Company:

Particulars	Number	Duration for which available for trading		Total Trading Days	Time weight	Weighted Avg. No.
Shares as on 12-08-2023	1,20,67,212	12-08-2023	12-08-2024	240	1	1,20,67,212
Equity Shares allotted under preferential issue	2,45,21,250	17-Nov-23	12-08-2024	182	0.76	1,85,95,281
	<b>3,65,88,462</b>					<b>3,06,62,493</b>

I have considered the higher of volume weighted average price of 90 and 10 trading days preceding the relevant date i.e. 13<sup>th</sup> August 2024 for computation of price in accordance with Regulation 164(1) of SEBI Preferential Issue Regulations. As per the pricing methodology prescribed above, the floor price of the equity shares of the Transferee Company is arrived at INR.32.05.

SI No.	Parameters	Value (in INR)
i	the 90 trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date	32.05
ii	the 10 trading days volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date	27.16
	<b>Higher of the above</b>	<b>32.05</b>

## Income Approach – Discounted Cash Flow Method

The Income Approach provides an indication of value by converting future cash flow to single current value. Under the Income Approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The Income Approach should be applied and afforded *significant weight* under the following circumstances:

- The income-producing ability of the asset is the critical element affecting value from a participant perspective, and/or
- Reasonable projections of the amount and timing of future income are available to the subject asset, but there are few, if any, relevant markets comparable.

A fundamental basis for the Income Approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment.

One of the advantages is that the Income Approach has over the other two approaches is that it is more flexible in addressing firms or assets that are in different stages of the life cycle. This is because this approach factors in varying operating conditions over the projected period. The Income Approach is also able to cater to the differing investment or ownership needs of the buyer and seller, by measuring risks through its discount or capitalization rate, or by including cost synergies in its projections.

The detailed calculation has been attached as below –

*Amount in INR Millions (Unless otherwise mentioned)*

FY	2025 (9 Months)	2026	2027	2028	2029	TERMINAL
<b>PARTICULARS</b>						
<b>PAT</b>	<b>4.41</b>	<b>83.08</b>	<b>121.65</b>	<b>164.13</b>	<b>211.22</b>	
Add : Depreciation	8.18	10.84	11.66	12.41	13.10	
Less : Capital Expenditure	-	15.00	20.00	20.00	20.00	
Add : Interest (post Tax)	11.36	13.53	11.11	6.77	2.13	
Less: Net Working Capital	57.15	51.94	67.99	85.06	30.05	
<b>Free Cash Flows</b>	<b>-33.20</b>	<b>40.50</b>	<b>56.43</b>	<b>78.25</b>	<b>176.40</b>	<b>1,477.85</b>
Discounting Factor	0.91	0.80	0.70	0.62	0.54	0.54
<b>Present value of Cash flow</b>	<b>(30.13)</b>	<b>32.29</b>	<b>39.53</b>	<b>48.16</b>	<b>95.38</b>	<b>799.06</b>
Cumulative present value of Cash Flows	984.29					
<b>Enterprise Value</b>	<b>984.29</b>					
Add: Cash & Cash Equivalent as on 30-06-2024	5.40					
Add: Fair Market Value of Investment Property	87.32					
Add: Investment as on 30-06-2024	0.39					
Less: Debt as on 30-06-2024	658.17					
<b>Equity Value</b>	<b>419.24</b>					
No. of Equity Shares	<b>3,65,88,462</b>					
<b>Value Per Equity Share (INR)</b>	<b>11.46</b>					

**Capitalization Rate is calculated as follows:**

COE assumptions	Values	Source
Risk free rate, Rf	6.92%	Risk Free Rate based on 10-year Government Bond Rate) *
Expected Return, Rm	14.15%	Based on historic rolling returns of Sensex
Market equity risk premium over risk free rate	7.23%	Rm-Rf
Beta	1	Assumed
Additional risk premium	5.00%	To account for higher risk as the Company is in high growth phase.
<b>Adjusted Cost of equity, Ke</b>	<b>19.15%</b>	Computation

\*Source: <https://www.ccilindia.com/RiskManagement/SecuritiesSegment/Pages/ZCYC.aspx>

**Cost of debt** is the rate of interest for existing debts outstanding. Kd of the company is arrived by reducing the Corporate Tax Rate on the Interest-bearing Borrowings of the Company.

Cost of Debt	Values
Average interest rate*	11.00%
Tax Shield*	25.17%
<b>Cost of debt (after tax)</b>	<b>8.23%</b>

\* as per management input

**Weighted Average Cost of Capital (WACC)**

As the majority of businesses run on borrowed funds, the cost of capital becomes an important parameter in assessing a firm's potential for net profitability. WACC measures a company's cost to borrow money, where the WACC formula uses both the company's debt and equity in its calculation.

Source of finance	Cost (K)	Weight(W)	K*W
Debt (Post Tax)*	8.23%	48.79%	4.02%
Equity	19.15%	51.21%	9.80%
		<b>WACC</b>	<b>13.82%</b>

\*as per management inputs

**Terminal value calculation**

Terminal Value has been computed based on the Gordon Growth Model and extrapolating the adjusted free cash flows for last year at an annual growth rate of 3% percent to perpetuity.

### Value of Royal Cushion Vinyl Products Limited

Final value is calculated as per table below:

Calculation of Fair Value			
Valuation Method	Value (In INR)	Weights	Value x Weight
Net Asset Value Method	-1.61	0	-
Market Approach	32.05	0.5	16.03
Income Approach	11.46	0.5	5.73
		1	
<b>Fair Value</b>			<b>21.75</b>

Net Asset Value method is not considered for weightage as the value is negative and other methods are more considerable as those are relevant from business perspective and market response.

### Conclusion

As per Regulation 164(1) of SEBI Preferential Issue Regulations, value per share of Royal Cushion Vinyl Products Limited is arrived at INR 32.05 and the weighted average Fair Value as per table above is INR 21.75. Therefore, as per Regulation 166A(1) of SEBI Preferential Issue Regulations, the fair value of the equity shares of RCVPL for the purpose the Scheme will be higher of the two and hence INR 32.05 can be considered as fair value of the equity shares of RCVPL.

[For NIPL – Exhibit 2](#)

[Adjusted Net Asset Value Method](#)

I have calculated the amount of Net Worth in the books of the company as on May 31, 2024, after adjusting for incremental value of investment and properties, if any over book value.

*Amount in INR Millions (Unless otherwise mentioned)*

Calculation of Book Value as on 31 <sup>st</sup> May 2024		
Particulars	INR	INR
Share Capital	72.217	
Add: Reserve & Surplus	210.03	
Add: Incremental Value of Immovable Property	137.49	419.73
<b>Net Asset Value</b>		<b>419.73</b>
No. of Equity Shares (Face Value @100)		7,22,170
<b>Value Per Share (INR)</b>		<b>581.21</b>

NIPL also owns and is in possession of land and building including as part of its business activities and has another sizeable asset base. Therefore, given this background, it is also appropriate to apply the asset / cost-based valuation method to value the business of NIPL.



## Income Approach – Discounted Cash Flow Method

I have also used the Discounted Cash Flow Method (DCF) under the Income Approach for the valuation of NIPL based on financial projections provided by NIPL.

The detailed calculation has been attached as below –

*Amount in INR Millions (Unless otherwise mentioned)*

FY	2025 (10 Months)	2026	2027	2028	2029	TERMINAL
<b>PARTICULARS</b>						
<b>PAT</b>	<b>84.47</b>	<b>218.96</b>	<b>230.80</b>	<b>286.86</b>	<b>351.66</b>	
Add : Depreciation	24.10	30.91	32.72	36.74	42.75	
Less :Capital Expenditure	49.81	50.00	50.00	100.00	100.00	
Add : Interest (post Tax)	21.67	10.17	-	-	-	
Less: Net Working Capital	-54.54	105.06	125.71	124.46	132.78	
<b>Free Cash Flows</b>	<b>134.97</b>	<b>104.98</b>	<b>87.81</b>	<b>99.14</b>	<b>161.62</b>	<b>2,830.11</b>
Discounting Factor	0.89	0.77	0.67	0.58	0.51	0.51
<b>Present value of Cash flow</b>	<b>120.10</b>	<b>81.20</b>	<b>59.05</b>	<b>57.95</b>	<b>82.13</b>	<b>1,438.06</b>
Cumulative present value of Cash Flows	1,838.49					
<b>Enterprise Value</b>	<b>1,838.49</b>					
Add: Cash & Cash Equivalent as on 31-05-2024	16.81					
Add: Investment as on 31-05-2024	0.49					
Less: Debt as on 31-05-2024	295.32					
<b>Equity Value</b>	<b>1,560.47</b>					
No. of Equity Shares	<b>7,22,170</b>					
<b>Value Per Equity Share (INR)</b>	<b>2,160.80</b>					

Discount Rate is calculated as follows:

COE assumptions	Values	Source
Risk free rate, Rf	6.94%	Risk Free Rate based on 10-year Government Bond Rate) *
Expected Return, Rm	14.15%	Based on historic rolling returns of Sensex
Market equity risk premium over risk free rate	7.21%	Rm-Rf
Beta	0.50	Relevered Beta of Comparable companies.
Additional risk premium	5%	To account for higher risk as the Company is in high growth phase.
<b>Adjusted Cost of equity, Ke</b>	<b>15.54%</b>	Computation

**Cost of debt** is the rate of interest for existing debts outstanding. Kd of the company is arrived by reducing the Corporate Tax Rate on the Interest-bearing Borrowings of the Company.

Cost of Debt	Values
Average interest rate*	11.00%
Tax Shield*	28.00%
<b>Cost of debt (after tax)</b>	<b>7.92%</b>

\* as per management input

### Weighted Average Cost of Capital (WACC)

As the majority of businesses run on borrowed funds, the cost of capital becomes an important parameter in assessing a firm's potential for net profitability. WACC measures a company's cost to borrow money, where the WACC formula uses both the company's debt and equity in its calculation.

Source of finance	Cost (K)	Weight(W)	K*W
Debt (Post Tax)*	7.92%	6.67%	0.53%
Equity	15.54%	93.33%	14.51%
		<b>WACC</b>	<b>15.04%</b>

*\*as per management inputs*

### Terminal value calculation

Terminal Value has been computed based on the Gordon Growth Model and extrapolating the adjusted free cash flows for last year at an annual growth rate of 3% percent to perpetuity.

### Value of Natroyal Industries Private Limited

Method	FMV	Weights	Value
DCF	2,160.80	0.90	1,944.72
NAV	581.21	0.10	58.12
<b>Total</b>			<b>2,002.84</b>

In case of NIPL, given the fact that it is an operating company with significant business operations, we consider it appropriate to give a weight of 90% to the Income Approach / DCF Method and balance weight of 10% to the Asset / Cost approach in order to weigh more towards value derived based on income approach as it is a going concern entity and allocate the remaining weight of 10% to asset / cost method to duly factor in the value of land and buildings and other sizeable assets owned by it.

## Summary of Valuation: -

The computation of fair market values is summarized as under:

No.	Particulars	Transferee Company / RCVPL		Transferor Company / NIPL	
		Value per share (INR)	Weight	Value per share (INR)	Weight
A	Market Approach	32.05	50%	NA	-
B	Income Approach based on DCF Method	11.46	50%	2160.80	90%
C	Asset / Cost based approach	-1.61	N.A.	581.21	10%
I.	Relative Valuer per Share	21.75	-	2002.84	-
II.	Relative Valuer per Share considered for determining fair exchange ratio	32.05	-	2002.84	-
III.	Exchange Ratio for issue of Equity Shares (rounded off)	125		2	

## Conclusion

In light of the above and on consideration of all the relevant factors and circumstances as discussed & outlined hereinabove referred to earlier in this report for Proposed transaction, in our opinion, we recommend fair share exchange ratio as follows –

***“125 (One Hundred Twenty Five) equity shares of face value of INR 10/- (Indian Rupees Ten Only) each of RCVPL, for every 2 (Two) fully paid-up equity shares of face value of INR 100/- (Indian Rupees One Hundred Only) each of NIPL.”***

*i.e, swap ratio of shares is -*

ROYAL CUSHION VINYL PRODUCTS LIMITED	NATROYAL INDUSTRIES PRIVATE LIMITED
125	2

## Limitations, Caveats, and Disclaimers:

### i. Restriction on use of Valuation Report

This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Our client is the only authorized user of this report and is restricted for the purpose indicated in the engagement letter. This restriction does not preclude the client from providing a copy of the report to third-party advisors whose review would be consistent with the intended use and the Regulations. We do not take any responsibility for the unauthorized use of this report.

### ii. Responsibility of valuer

We owe a responsibility only to the authority/client that has appointed me/us under the terms of the engagement letters. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions, or advice given by any other person. In no event shall we be liable for any loss, damages, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or wilful default on part of the client or companies, their directors, employees, or agents.

### iii. Accuracy of Information

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit following generally accepted auditing standards of the client's existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

### iv. Achievability of the forecast results

We do not assure the achievability of the results forecast by the management/owners as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecast as the achievement of the forecast results is dependent on actions, plans, and assumptions of management.

### v. Post Valuation Date Events (This should be disclosed while defining valuation date)

The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date. Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the valuation date.

### vi. Range of Value Estimate

The valuation of companies and assets is made based on the available facts and circumstances and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Although every scientific method has been employed in systematically arriving at the value, there is, therefore, no indisputable single value and the estimate of the value is normally expressed as falling within a likely range. To comply with the client's request, We have provided a single value for the overall Fair Value Whilst, we consider the valuation to be both reasonable and defensible based on the information available, others may place a different value.

vii. No Responsibility to the Actual Price of the subject asset, if sold or transferred/, exchanged

The actual market price achieved may be higher or lower than our estimate of value (or value range of value) depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability, and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect the actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which the actual transaction will take place.

viii. Reliance on the representations of the owners/clients, their management, and other third parties

The client/owner and its management/representatives warranted to us that the information they supplied was complete, accurate and true, and correct to the best of their knowledge. We have relied upon the representations of the owners/clients, their management, and other third parties concerning the financial data, operational data, and maintenance schedule of all plant machinery equipment tools vehicles, real estate investments, and any other investments in tangible assets except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost, or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee, or agents.

ix. No procedure was performed to corroborate information taken from reliable external sources

We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions, or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

x. Compliance with relevant laws

The report assumes that the company/business/asset complies fully with relevant laws and regulations applicable in its area of operations and used unless otherwise stated and that the companies/business/assets will be managed competently and responsibly. Further, as specifically stated to the contrary, this report has not considered matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet/fixed assets register provided to us.

xi. Multiple factors affecting the Valuation Report:

The valuation report is tempered by the exercise of judicious discretion by the RV and judgment taking into account the relevant factors. There will always be several factors, e.g., management capability, present and prospective competition, the yield on comparable securities, market sentiment, etc. which may not be apparent from the Balance Sheet but could strongly influence the value.

xii. Future services include but are not limited to testimony or attendance in courts/ tribunals/ authorities for the opinion of value in the Valuation Report.

xiii. We are fully aware that based on the opinion of value expressed in this report, we may be required to give testimony or attend court / judicial proceedings concerning the subject assets, although it is out of scope of the assignment unless specific arrangements to do so have been made in advance, or as otherwise required by law. In such an event, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings, and our tendering evidence before such authority shall be under the applicable laws.



- xiv. While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit following generally accepted auditing standards of the client's existing business records. Accordingly, we assume no responsibility and make no representations concerning the accuracy or completeness of any information provided by and on behalf of you and the client. our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- xv. The valuation of companies and businesses is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment.
- xvi. The actual market price achieved may be higher or lower than our estimate depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability, and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect the actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves have to agree. we also emphasize that our opinion is not the only factor that should be considered by the parties in agreeing on the transaction price.
- xvii. An analysis of such nature is 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 information made available to us as of, the date hereof. Events occurring after the date hereof 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.
- xviii. The ultimate analysis will have to be tempered by the exercise of judicious discretion by the RV and judgment taking into account the relevant factors. There will always be several factors, e.g., management capability, present and prospective competition, the yield on comparable securities, market sentiment, etc. which may not be apparent from the face of the Balance Sheet but could strongly influence the value.
- xix. In the course of the valuation, we were provided with both written and verbal information. We have, however, evaluated the information provided to us by the Company through broad inquiry, analysis, and review but have not carried out due diligence or audit of the information provided for this engagement. Our conclusions are based on the assumptions, forecasts, and other information given by/on behalf of the Company.
- xx. We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.
- xxi. Our report is meant for the purpose mentioned above and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.
- xxii. The information provided by the management is believed to be true and reliable to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of such information.

- xxiii. No investigation of the company's claim to the title of the assets has been made for this valuation and their claim to such rights has been assumed to be valid. Our report is not, nor should it be construed, as we are certifying the compliance with the provisions of any law including Company and Taxation laws or as regards any legal, accounting, or taxation implications or issues.
- xxiv. We have no obligation to update this report because of events or transactions occurring after the date of this report.
- xxv. Valuation analyses are specific to the date of this report. A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. As such, our valuation results are, to a significant extent, subject to the continuance of current trends beyond the date of the report. We, however, have no obligation to update this report for events, trends, transactions occurring after the date of this report. This report is prepared as per Indian Laws and Rules.
- xxvi. We owe no responsibility neither accept any liability to any third party about the issue of this report for any false or incorrect information given to me or anything beyond our control.

Thanking You.

End of Report