

Valuation Analysis

Issuance of Warrants

JHS Svendgaard Retail Ventures Limited



27th September 2024

Strictly Private & Confidential



To,
 The Board of Directors
 JHS Svendgaard Retail Ventures Limited
 B-1/E-23, Mohan Co-Operative Industrial Area, Badarpur,
 South Delhi, New Delhi, Delhi, India, 110 044

Ref. No.: CPV/RV/2024-25/022

Subject: Valuation Analysis of Equity Shares of JHS Svendgaard Retail Ventures Limited (“Company”) as per SEBI (ICDR) Regulations for the issuance of 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 **JHS Svendgaard Retail Ventures Limited** (“Company”/ “Client”) to assist in determination of the fair value of equity shares of the Company for allotment of warrants on preferential basis to certain proposed allottees.

The primary transaction involves the issuance of warrants by the Company to select prospective investors through a preferential offering. The Company is dual listed on both the BSE Ltd. (BSE) and the National Stock Exchange of India Limited (NSE), with trading activity occurring on both exchanges.

The Existing Equity Shares of the Company are frequently traded within the meaning of explanation provided in Regulation 164(5) of Chapter V of the SEBI (ICDR) Regulations, 2018 and NSE being the Stock Exchange with higher trading volumes for the said period, has been considered for pricing in compliance with Regulation 164 of Chapter V of SEBI (ICDR) Regulations, 2018.

In compliance with Regulation 166A of the ICDR Regulations as the preferential issue to all allottees is more than five per cent of the post issue fully diluted share capital of the Company, therefore, the minimum issue price per Warrant shall be the higher of the price determined through following methods:

- a) In terms of the provisions of Regulation 164 (2) of SEBI ICDR Regulations, the price at which Warrants shall be allotted, shall not be less than higher of the following:
 - i. 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 under sections 230 to 234 the Companies Act, 2013, as applicable, pursuant to which the equity shares of the Company were listed, as the case may be: **Not Applicable**;
 - ii. the average of the volume weighted average prices of the equity shares of the Company quoted on the NSE during the period the equity shares have been listed preceding the Relevant date, i.e., **INR 47.91/-** each; or
 - iii. the 10 (Ten) trading days’ volume weighted average price of the Equity Shares of the Company quoted on the NSE, preceding the Relevant Date, i.e., **INR 44.09/-** each
- b) The price determined through Valuation report of an Independent Valuer;



- c) Method of determination of price as per the Articles of Association of the Company - **Not applicable** as the Articles of Association of the Company are silent on the determination of a floor price/ minimum price of the shares issued on preferential basis

Based on our valuation analysis of the equity shares of **JHS Svendgaard Retail Ventures Limited** and subject to the notes and comments provided herein, we hereby certify that the value per equity share of the Company is **INR 49.77/-**

This certificate is being issued for compliance with the aforesaid regulatory purpose only and we further undertake that we are an independent valuer having no present or future interest in any transaction of the Company.

Thanking you

Date: 27th September 2024

Place: New Delhi

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


Sanchit Vijay
(Director)

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 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 23rd September 2024, we are issuing this certificate for compliance with Chapter V of SEBI (ICDR) Regulations.

B. Identity Of Client and Other Intended Users

JHS Svendgaard Retail Ventures Limited

B-1/E-23, Mohan Co-Operative Industrial Area, Badarpur,
South Delhi, New Delhi, Delhi, India, 110 044

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

JHS Svendgaard Retail Ventures Limited incorporated on 15 February 2007. It is classified as non-govt company and is registered at Registrar of Companies, Delhi. Its authorized share capital is INR 100,000,000 and its paid-up capital is INR 65,04,600. It is involved in non-specialized retail trade in stores.

JHS Svendgaard Retail Ventures Limited's Corporate Identification Number is (CIN) L52100HR2007PLC093324 and its registration number is 093324. Its Email address is csretail@svendgaard.com and its registered address is Fifth Floor, Plot No 107, Sector-44 Institutional Area, Gurugram Gurgaon HR 122 001 IN.

- **Date of Appointment:** 23rd September as per Engagement Letter
- **Valuation Date:** Based on 30th June 2024
- **Date of Report:** 27th September 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 Profit and Loss Statement for the period ended June 30th, 2024;
- Provisional Balance Sheet Statement for the period ended June 30th, 2024;
- Management Certified Projections starting from July 1st, 2024, to 31st March 2029;
- Capital line Database and other information in the public domain; and;
- Management Representation.

G. Extent Of Investigation Undertaken

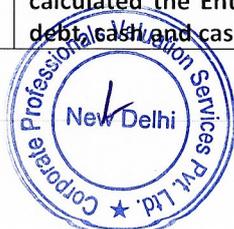
We have taken due care in performing valuation procedures and have also applied appropriate discount rates considering the riskiness of the business plan. However, we would like to expressly state that though we have reviewed the financial data for the limited purpose of valuation assessment, but we 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	<p>The Asset-based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on a Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. However, this methodology recognizes 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.</p> <p>In the Instant case, we have deemed it suitable to avoid NAV in the Company as this method involves identifying and valuing a company's assets, however, the Company satisfies the "Going Concern" assumption which makes this method not reliable for the valuation exercise.</p>
Market	Company Comparable Multiple (CCM) Method	<p>This methodology uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (E.g., Revenue, EBITDA, EBIT, Earnings per Share or Book Value). A key benefit of Comparable Company Market Multiple analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs.</p> <p>In the instant case, the Company is listed on the Stock Exchange and is frequently traded on the National Stock Exchange (NSE). Furthermore, the Company belongs to the retail trade industry, with negative PAT & Adjusted EBITDA. Therefore, we have not opted this methodology for estimation of fair value of equity shares of the company. Hence, we deemed it suitable to avoid this methodology for the valuation exercise of the Company.</p>
	Regulation 164(2) - SEBI (ICDR) Regulations, 2018	<p>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 compliance with Regulation 166A of the ICDR Regulations as the preferential issue to all allottees is more than five per cent of the post issue fully diluted share capital of the Company together with in terms of the provisions of Regulation 164 (2) of SEBI ICDR Regulations.</p> <p>This method takes the impact of price fluctuation in reference to market and industry. We have considered this methodology in instant cases.</p>
Income	Discounted Free Cash Flow (DFCF) Method.	<p>The DFCF method expresses the present value of the business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. The value of the firm is arrived at by estimating the Free Cash Flows (FCF) to the Firm and discounting the same with the Weighted Average cost of capital (WACC). The 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 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>



Computation of Equity value**Market Approach**

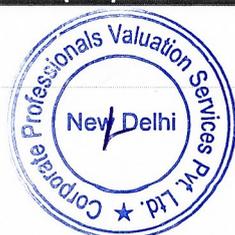
Regulation 164(2) - SEBI (ICDR) Regulations, 2018

Particular	Details
Total Value of the Shares trading of 64 TD	202,884,738.07
Total No. of shares Traded in 64 TD	4,234,528
64 TD VWAP	47.91
Total Value of the Shares trading of 10 TD	11,046,100.76
Total of No. of Shares Traded in 10 TD	250,540
10 TD VWAP	44.09
Maximum price (INR)	47.91

Note: We have considered 26th September 2024 as the relevant date for the valuation exercise while using this method.

Income Approach**Discounted Free Cash Flow to Firm (DFCF):**

Discounted Free Cash Flow Analysis - JHS Svendgaard Retail Ventures Limited						
WACC:	15.43%	Amount In INR Million				
Growth Rate:	5.00%					
FY	2025 (9 Months)	2026	2027	2028	2029	Terminal
Particulars						
Revenue from Operations	125.99	265.55	415.31	455.26	489.28	
Other Income	6.61	33.87	57.18	62.84	67.48	
PBT (Profit Before Taxes)	(11.04)	(8.86)	26.19	62.65	96.28	
Less: Direct Taxes Paid	-	-	1.58	15.77	24.23	
PAT (Profit After Taxes)	(11.04)	(8.86)	24.61	46.89	72.05	
Add: Depreciation (Including ROU Assets)	20.34	40.49	63.59	86.44	86.44	
Less: Capital Expenditure (Including ROU Assets)	106.56	289.92	93.93	-	-	
Add: Interest (Post Tax)	2.89	6.93	11.00	9.63	10.34	
Less: Change in Non-Cash Working Capital	-	1.67	2.07	7.30	7.90	
Free Cash Flows to Firm	(94.37)	(253.03)	3.20	135.65	160.92	806.52
Discounting Factor (Mid-Year)	0.95	0.84	0.72	0.63	0.54	0.54
Present value of Cash flow	(89.43)	(211.49)	2.31	85.09	87.45	438.29
Enterprise Value	312.23					
Add: Cash and Cash Equivalents	6.42					
Add: Investments	6.64					
Add: Security Deposit	20.24					
Add: Interest Receivable	0.52					
Less: Lease Liability	22.32					
Equity Value	323.74					
No. of Equity Shares	6,504,600					
Per Share Equity Value (INR)	49.77					



Note:

For the valuation of equity shares through DCF methodology, we have relied upon the projections provided by the management for the period beginning 01st July 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 28.06.2024	7.01%	Considering of long-term Indian government bond rate
Market Rate of Return	15.34%	BSE Sensex returns on a long-term basis
Industry Beta... (β)	0.85	We have taken the Leveraged beta for 5 Years of the JHS Svendgaard Laboratories Limited, Beta value (B) as 0.85 as the company is recently listed on BSE and NSE.
Additional Company Specific (Including Small Company) Risk Premium (Unsystematic Risk) (CSRP)	2.75%	We have given a 2.75% 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.
Cost of Equity (Ke)	16.87%	As per Modified CAPM model i.e. $[Ke = Rf + \beta(Rm - Rf) + CSRP]$
Cost of Debt	15.00%	As represented by the management of the Company
Equity portion in capital structure	74.52%	As per Audited Financials provided by the company as on 31 st March 2024
WACC	15.43%	$WACC = (Ke * \% \text{ Equity in Capital Structure}) + (\text{Cost of Debt} * \% \text{ Debt in Capital Structure} * (1 - \text{Tax Rate}))$
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 Fair Value of JHS Svendgaard Retail Ventures Limited

All Amount INR Millions				
Approach Applied	Methodology Applied	Weight	Per Share Value	Weighted Average Per Share Value
Market	Regulation 164(2) - SEBI (ICDR) Regulations, 2018	0%	47.91	-
Income	Discounted Cash Flow	100%	49.77	49.77
Weighted Average Per Share Value				49.77

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 49.77/.



Annexure IIIProvisional Balance Sheet as on 30th June 2024:

Particulars	Amount in INR Million
Equity Share Capital	65.05
Other Equity	0.24
Total Equity	65.29
Non-Current Liabilities	21.87
Current Liabilities	9.38
Total equity and liabilities	96.54
Non-Current Assets	44.84
Current Assets	51.70
Total assets	96.54

Provisional Profit and Loss Statement for the period ended 30th June 2024:

Particulars	Amount in INR Million
Revenue from operations	34.65
Add: Other income	11.09
Total Income	45.74
Total Operating Expenses	37.42
EBITDA	8.32
Depreciation & Amortization	5.86
Finance Cost	1.01
Profit Before Tax (PBT)	1.46



Annexure IV: Caveats

- This Valuation Report has been issued on the specific request of “**JHS Svendgaard Retail Ventures Limited**” for determining the value of the Equity Share of the Company in accordance with the SEBI (ICDR) Regulations. This Report is prepared exclusively for the above-stated purpose and must not be copied, disclosed, 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.

