Strictly Confidential

Determination of Fair Market Value

Of

Allied Blenders and Distillers Pvt Ltd

as of Valuation Date

The information contained herein is of a confidential nature and is intended for the exclusive use of the persons for whom it was prepared.

VENKATRAMAN IYER
Regn. No. IBBI/RV/06/2019/11818
(Securities or Financial Assets)
REGISTERED VALUER

20th July 2021

STRICTLY PRIVATE & CONFIDENTIAL

To,

Allied Blenders and Distillers Pvt Ltd,

Ashford Centre, 3rd & 4th Floor,

Shankarrao Naram Marg, Lower Parel (W),

Mumbai 400 013

Dear Sirs,

Re: Report on valuation of Allied Blenders and Distillers Pvt Ltd

We have been appointed by Board of Allied Blenders and Distillers Pvt Ltd **("ABDPL" or "Company")** to ascertain the fair value of ABDPL as at 31st March 2021 ("Valuation Date") as per Section 62 of the Companies Act, 2013 read along with Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014.

BACKGROUND AND SCOPE OF THIS REPORT

ABDPL is engaged in the business of manufacture, purchase and sale of Alcoholic Beverages/ liquids. The Company is a private limited Company domiciled and headquartered in Mumbai, Maharashtra, India and incorporated under the Companies Act, 1956.

Established in 1986 and headquartered in Mumbai, ABDPL is 100% promoted by the Mr. Kishore Chhabria (KRC) family. Mr. Kishore Chhabria, Chairman of ABD, is a stalwart of the Alcohol industry and the company has professionally run organisation structure.

ABD has a capacity of ~49 Mn cases per annum in the Indian made Foreign Liquor (Whisky, Vodka, Rum & Brandy segments) and is the largest domestic spirit player in India. The Company has a strong inhouse manufacturing capability supported by 40 manufacturing units across the country. ABD supplies its products to 67,237 outlets in 25 states and 6 union territories and has 14 sales offices manned by 400+ enthusiastic sales force team.

The Company also by purchasing and processing their low-quality grain and supports thousands of MSME businesses across India. The Company is present in over 20 countries with an annual export of more than INR 200 crs.

ABDPL owns the "Officer's Choice" brand which is the second largest selling whiskey in the world (~34% market share in India). ABDPL has recently entered the Premium and Semi Premium segment with "Sterling Reserve" brand which is the fastest growing brand to reach sales of 3 Mn+ cases (~9% market share in India)

The summary financials for the Company, namely the Audited financials for FY21 and FY20 is given as **Annexure A** to this Report.

The issued, subscribed and paid up share capital of ABDPL as at the Valuation Date is as given below

Issued, subscribed & Paid up capital	No of Shares	Face Value	In INR Crs
Equity Shares	23,55,66,665	2.00	47.11
0.01% Non-Cumulative Convertible Preference Shares	68,18,180	10.00	6.82

The detailed shareholding on a fully diluted basis is as given in **Annexure B** to this Report.

INDUSTRY OVERVIEW

India is one of the fastest growing alcohol markets in the world. Alcohol consumption in India amounted to about 5.4 billion liters in 2016 and was estimated to reach about 6.5 billion liters by 2020. The steady increase in consuming these beverages can be attributed to multiple factors including the rising levels of disposable income and a growing urban population among others. Although the average per adult intake of alcohol was considerably low in India when compared to other countries such as the United States, heavy drinkers among young Indians were more prevalent. This provides tremendous opportunity to drive growth of alcobev industry on the back of its rising working-age population. It is expected that per capita consumption will increase with changes in life style and]aspiration of the population.

Indian spirits market overview

- Industry performance: The alcobev industry in India has been growing at more than 12% CAGR for the decade starting 2001 making it one of the fastest growing markets in the World. The industry experience significant headwinds on back of slower economy growth. The impact of this slowdown has aggravated by the increasing raw material prices and Covid.
- Market segmentation: The Indian alcobev industry is segmented into IMFL (Indian Made Foreign Liquor), IMIL (Indian Made Indian Liquor), Wine, Beer and imported alcohol. The heavy import duty and taxes levied raised the prices of imported alcohol to a large extent. IMFL category accounts for almost 72% of the market.
- Consumption pattern: The states of Karnataka, Maharashtra, West Bengal, Odisha, Telangana, Delhi, Haryana, Punjab etc. are amongst the largest consuming states for alcobev in India. The most popular channel of alcobev sale in India is liquor stores as its consumption is primarily an outdoor activity and supermarkets and malls are present only in the tier I and tier II cities of India.
- Constantly changing regulatory environment: Last year, Government in the State of Andhra Pradesh has changed the route to market by setting up state managed retail outlets and discontinuing private retailers. In contrast, State of Chhattisgarh has rolled back from Govt. controlled to private parties which is expected to flourish the industry.
- Growth drivers: Indian alcobev industry holds huge growth potential given the low per capita consumption and the demographics and aspirations of the growing younger population. Rapid urbanisation is expected to enhance disposable income, which is favourable for the growth of the industry. The revival in GDP will give a further fillip to alcobev sales as IMFL volumes are

seen to grow 1.5x GDP when GDP growth picks up. Favourable demographics with a median age of 27.9 years and growing social acceptability of alcobev consumption are likely to bode well for the industry. The organised players stand to benefit from steady growth in the conversion from country liquor to IMFL given increasing health concerns associated with consumption of country liquor. States like Tamil Nadu and Karnataka have banned the sale of country liquor primarily on account of rising death toll due to consumption of country liquor.

- Growing prevalence of premium alcobev: Rapid urbanization is also leading to spur in aspirational values of people, leading to higher consumption of premium alcobev brands. With more Indians travelling abroad, rising aspirations, favourable environment for imported liquor and higher disposable income, consumers are upgrading towards Premium segments in the country. The rise in premiumisation is clearly reflective in the increased focus of the big players on semi-premium and Premium categories with an increase in launches and increased marketing of these categories. Another trend which is gaining traction in the alcobev space is the growing popularity of grain-based liquor as against traditionally popular molasses based liquor.

Regulatory scenario in Indian market

Regulatory oversight of both central and state governments encompass a slew of restrictions on production, movement and sale of alcobev products. Alcobev also falls under the purview of Food Safety and Standards Authority of India (FSSAI). In addition, direct advertising of alcobev products are not permitted in India. Prohibitively high inter-state duties compel national alcobev players to set-up owned or contract manufacturing setups in every state. Licenses are required to produce, bottle, store, distribute or retail all alcobev products. Distribution is also highly controlled, both at the wholesale and retail levels. In states with government control on pricing, price increase is based on government notifications. In states where retailing is controlled by the state government, there is a specified quota that each player can sell, capping potential to increase market share. These regulations make operations restrictive for the industry players.

PURPOSE OF VALUATION

We understand from the management of ABDPL (the **"Management"**) that one of the existing shareholder of the Company, namely Oriental Radios Private Limited, is contemplating to invest Rs 100 crs in the Company in the form of Compulsory Convertible Debenture (**"Proposed Transaction"**).

We have been appointed by the Board of the Company to carry out fair valuation of ABDPL as at the Valuation Date as per Section 62 of the Companies Act, 2013 read along with Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014. As requested, this report recommends, what in our opinion, is the fair valuation of ABDPL.

PREMISE AND STANDARD OF VALUE

Premise of Value refers to the conditions and circumstances how an asset is deployed. In the current case, we have determined the fair value on the Company on a Going Concern value which is defined as below:

"Going Concern" value is the value of the business enterprise that is expected to continue to operate in future.

Standard of value used in the Purpose is fair value.

IDENTITY OF THE RV

I, Venkatraman Iyer, Registered Valuer (Securities or Financial Assets), registered with the Insolvency and Bankruptcy Board of India vide registration number IBBI/RV/06/2019/11818.

DISCLOSURE OF INTEREST

I neither have any present or any prospective contemplated financial interest in the Company nor any personal interest with respect to the Promoters & Board of Directors of ABDPL. I have no bias/prejudice with respect to any matter that is the subject of the valuation report or to the parties involved with this engagement.

APPOINTMENT DATE, VALUATION DATE AND REPORT DATE

Our appointment date is 1st July 2021. The analysis of the fair value of the equity share of the Company has been carried out on the Valuation Date i.e. 31st March 2021. The valuation report is issued on 20th July 2021.

SOURCES OF INFORMATION

The information and documents, which have been furnished to us, are as under:

1. Audited financials of ABDPL as of 31st Mar 2021, 31st March 2020 & 31st March 2019
2. Financial projections of ABDPL from FY22 to FY26 as certified by Management
3. Management representation letter from ABDPL
4. Fully diluted Shareholding pattern of ABDPL
5. For our analysis, we have relied on published and secondary source of data, whether or not made available to us by the Company.
6. Information gathered from the website of the Company and other public domain.

It may be mentioned that ABDPL has been provided opportunity to review factual information in our report as part of our standard practice to make sure that factual inaccuracies/omissions/etc. are avoided in our final report.

SCOPE LIMITATIONS:

Our report is subject to the scope 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 therein.

The scope of the assessment is to provide ABDPL with a valuation based on information provided and suitable assumptions made to arrive at valuation.

The Report assumes that the Company comply fully with relevant laws and regulations applicable in all its areas of operations and in their country of operations unless otherwise stated, and that it will be managed in a competent and responsible manner.

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. We have not provided any accounting, tax or legal advice to ABDPL. The Report should not be construed as investment advice or any form of recommendation for making investment in ABDPL.

The recommendation rendered in this report only represent our recommendation based upon information furnished by the Management and other sources and the said recommendation shall be considered advisory in nature.

Our work does not constitute an audit, due diligence or certification of the historical financial statements of the Company. The terms of our engagement were such that we were entitled to rely upon the information, including the financial projections, provided by the Management without detailed inquiry. We have been given to understand by the Management that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding the accuracy and completeness of the data provided.

In the course of the valuation, we were provided with both written and verbal information. We have evaluated the information provided to us through broad inquiry, analysis and review but have not carried out a due diligence of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the information provided and their impact on the present exercise.

This Report is issued on the understanding that the Management has drawn our attention to all material information, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on our opinion, on the valuation of shares of the Company, including any significant changes that have taken place or are likely to take place in the financial position of the Company, subsequent to the report date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The valuation computation in this Report is materially dependent on the projections provided for the Company wherever applicable. Any change/ underachievement of the business projection may have a significant impact and can materially affect the Valuation. We do not provide assurance on the achievability of the results forecast by the Management 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.

Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity. 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.

The valuation of the Company 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 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 of the Company, derived as an arithmetic average of the range of Fair Values. Whilst, we consider the valuation to be both reasonable and defensible based on the information available, others may place a different value.

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.

We have no present or any planned future interest in either the Company or any of its subsidiaries and the fee for this report is not contingent upon the equity valuation reported herein.

The report assumes that the Company complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Company will be managed in a competent and responsible manner. Except as specifically stated to the contrary, this valuation report has given no consideration to the matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the balance sheet of the Company.

No enquiry into the Company claim to title of assets or property has been made for the purpose of this valuation. With regard to the Company claim to title of assets or property, we have relied solely on representations, whether verbal or otherwise, made by the Management to us for the purpose of this report. No information has been given to us about liens or encumbrances against the assets, if any, beyond the loans disclosed in the accounts.

We are not aware of any contingency, commitment or material issue which could materially affect the Company economic environment and future performance and therefore, the value of the Company business.

We owe responsibility only to ABDPL who have retained us and nobody else. We do not accept any liability to any third party in relation to the issue of this valuation report.

The information contained herein and our report is confidential. Any person/party intending to provide finance/invest in the shares/businesses of the Company, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offer memorandum, annual report, loan agreement or other agreement or document given to third parties.

It is hereby notified that reproduction, copying or otherwise quoting of this report or any part thereof, either in whole or in part is not permitted without our prior written permission.

VALUATION APPROACH

Valuation of a business is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. This exercise may be carried out using various methodologies, the relative emphasis of each often varying with:

- whether the entity is listed on a stock exchange;
- industry to which the Company belongs;
- past track record of the business and the ease with which the growth rate in cash flows to perpetuity can be estimated;
- extent to which industry and comparable company information is available;
- Strategic business benefits and control premium.

The results of this exercise could vary significantly depending upon the basis used, the specific circumstances, professional judgment of valuer and the data provided by Company.

By its very nature, valuation work cannot be regarded as an exact science and given the same set of facts and using the same assumptions expert opinion may differ due to the number of separate judgment decisions, which have to be made. There can therefore, be no standard formulae to establish an indisputable value although certain appropriate formulae are useful in establishing the reasonableness. Hence, others may place a value different from the value arrived by us on the same business.

The cornerstone of our approach to valuation is the fundamental assumption of "going concern". Under the going concern concept, it is envisaged that the business would continue to run in the foreseeable future and that there is no intention to wind-up the operation of the Company.

For the purpose of arriving at valuation of equity shares of a company, it would be necessary to select an appropriate basis of valuation from the various alternatives available. The application of any particular method of valuation depends on the nature of business and other relevant factors. There are several commonly used and accepted methods for determining the value of the shares of a company.

There are several commonly used and accepted methods for determining the fair value of business/ shares of a company, which could be applied in the present case, to the extent relevant and applicable. There are three generally accepted approaches to valuation:

- the "market based" approach,
- the "earnings based" approach; and
- the "asset based" approach

Market based Approach

The Market based approach normally considers arriving at the valuation of the company through Market Price approach or Market Comparable Approach.

Under the Market Price approach, the valuation is based on the market capitalization of the company under review. This method generally reflects the investors' perception about the true worth of the company. The Market Comparable approach is a valuation technique whereby the value of a company is estimated by comparing it to similar companies whose shares are publicly traded. Analysis of companies engaged in similar business, therefore, yields insight into investor perceptions of the target company.

Earning based Approach

The 'earnings based' approach focuses on the income generated by the company as well as its future earning capability. The 'earnings based' approach includes namely the Discounted Cash Flow (DCF) method.

Under the DCF Method, the value of the undertaking is based on expected free cash flows for future, discounted at a rate, which reflects the expected return and the risks associated with the cash flows. The value of the undertaking is determined as the net present value of its future free cash flows. This method takes into account the future potential earnings of the company and profitability.

The Discounted Free Cash Flow method is one of the most rigorous approaches to valuation of business. In this method, the projected free cash flows from operations are discounted at the weighted average cost of capital and sum of such discounted free cash flows after adjusting the net debt of the company is the value available to equity shareholders.

Asset Based Approach

In case of "asset based" approach, the value is determined by dividing the net assets of the company by the number of shares. The "asset based" approach represents the value with reference to the historical cost of the assets owned by the Company and attached liabilities as at the Valuation Date.

The Net Asset Value or Net Worth of the company is calculated by deducting the total outside liabilities and the estimated value of contingent liabilities not provided for in the books from the total value of tangible assets & intangible assets. The value of investments, if any, has been considered at its fair value.

The underlying net assets value as arrived is divided by the outstanding number of equity shares to arrive at the value per share.

We have looked at the nature of the business, available information and other relevant factors of the Company and applied the most appropriate and relevant method of valuation out of the various valuations methods listed above.

Basis the analysis with respect to use of various methods available for valuation, we have considered the below mentioned methods for the purposes for the valuation of the Company. All other popular methods of valuation were considered inappropriate or suboptimal for current analysis.

- Discounted Cash Flow (DCF) method: Under the DCF Method, the value of the undertaking is based on future free cash flows, discounted at a rate, which reflects the expected return and the risks associated with the cash flows. The Management has provided us with the financials projection for ABDPL from FY22 to FY26 and accordingly we have used the DCF method to value ABDPL and ascribed 60% weight to the same.

- Comparable Companies Multiples (CCM) Method: The Market Comparable approach is a valuation technique whereby the value of a company is estimated by comparing it to similar companies whose shares are publicly traded. Hence, we have looked at listed companies in the India in the Alcoholic Beverage industry. We have considered CCM method and considered it appropriate to give 40% weight to this method to estimate the value of Company.

The other methods that were considered suboptimal for the current analysis

- Market Price Method: The shares of ABDPL are not listed on any recognized exchange. Hence, we have not considered the Market Price Method for the purpose of valuation exercise.

- Comparable Transactions (M&A) Multiples (CTM) method: Under this approach the value of a company is estimated by looking at various transactions that have taken place in the marketplace for comparable companies, and at what valuation multiples these companies were acquired. We have not used CTM method as we could not find any transactions in comparable companies/businesses in recent times where credible and sufficient information about the transaction is available in public domain.

- Net Asset Value (NAV) method: The Net Asset Value or Net Worth of the Company is calculated by deducting the total outside liabilities and the estimated value of contingent liabilities not provided for in the books from the total value of tangible assets & intangible assets. We have not considered the NAV method, since NAV is not a true indicator of the future distributable cash flow/the profit generating ability of a business.

VALUATION ANAYSIS

Valuation by Discounted Cash Flow method

Under this method, the value of equity share of the Company is arrived at by analyzing the historical trends and preparing the future financial projections. This method takes into account the future potential earnings of the Company and profitability. It discounts the future earning potential of the Company and arrives at the possible value on the present day.

The Discounted Free Cash Flow method is one of the most rigorous approaches to valuation of business. In this method, the projected free cash flows from operations are discounted at the cost of equity and sum of such discounted free cash flows is the value available to equity shareholders.

This would enable the different macroeconomic parameters, which have an impact on the operations of the business to be considered for the purpose of ascertaining cash flows to determine the fair value of the business.

Use of Discounted Free Cash Flows method involves determining the following:

- Estimating projected free cash flows & time frame of the cash flows
- Appropriate Discount Rate to be applied to free cash flows

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- The terminal values i.e. the cumulative value of the free cash flows beyond the explicit forecast period.

The value available to the equity shareholders is obtained by discounting expected cash flows to the equity at the cost of equity.

Projected Free Cash flow

The Management has provided us the financial projection of ABDPL for the forecast period from FY22 to FY26. The financials projection entails the projected Income Statement, Balance Sheet and Cash flow.

Free cash flow (FCF) represents the cash that a company can generate after laying out the money required to maintain or expand its asset base - both fixed assets and working capital.

Free cash flow is important because it allows a company to pursue opportunities that enhance shareholder value and is available for investment or distribution. The projection for the Company is as given in Annexure C to this report.

Discount rate

All cash flow calculations are predicted on the principle of the Time-Value of Money i.e. the cash received today is more valuable than an equal amount of cash to be received in future.

To factor in the principle of Time-Value of Money, the future cash flows are discounted at an appropriate discount rate to arrive at the present value of the stream of cash flows.

The primary determinant of the Time-Value of money is the cost of capital. In many cases the capital comprises of a combination of Equity as well as Debt, and the Cost of Equity can be quite different from the Cost of Debt. In such a case, the weighted average cost of capital ("WACC") is computed and applied.

a. Weighted Average Cost of Capital (WACC):

   The WACC for the purpose of discounting Free Cash Flow to shareholders is determined after taking into consideration of risk free return prevailing in the respective country where the Company being evaluated is domiciled. For determination of WACC, the Capital Asset Pricing Model ("CAPM") has been employed

   WACC = Cost of Equity * (Equity/total Capital) + After Tax Cost of Debt * (Debt/total Capital)

b. Cost of Equity: Capital Asset Pricing Model:

   This model describes the relationship between risk and expected return and that is used in the pricing of risky securities. The general idea behind CAPM is that investors need to be compensated in two ways: time value of money and risk.

   The time value of money is represented by the risk-free (Rf) rate in the formula and compensates the investors for placing money in any investment over a period of time.

The other half of the formula represents risk and calculates the amount of compensation the investor needs for taking on additional risk. This is calculated by taking a risk measure (beta) that compares the returns of the asset to the market over a period of time and to the market premium (Rm-Rf).

$$Re = Rf + \beta\,(Rm-Rf)$$

Where:

Re = Return on equity

Rf = Risk-free rate

β = Beta

Rm = Market risk premium

c. Beta Coefficient

The Beta coefficient essentially represents the relative volatility of returns on the stock vis-a-vis returns on the market. Beta measures a stocks systematic market risk i.e. sensitivity of the scrip to the market, which can't be diversified away. The beta coefficient has been derived by calculating the equity market beta for comparable publicly Indian listed firms in the alcoholic beverage industry.

d. Risk free Rate

The only securities that have a chance of being risk free are government securities. Therefore, we have taken into consideration yields on government treasury bonds issued by the Government of India.

e. Cost of debt

Cost of debt is the post-tax cost of debt by the company.

Terminal Value

Terminal value is the present value at a future point in time of all future cash flows when we expect stable growth rate forever. In order to provide a finite horizon to Cash Flow computations, it is necessary to provide for a Terminal Value to effectively capture the present values of cash flows beyond the discrete projection period.

We have computed the Terminal value by applying the Gordon Growth model which is the most commonly applied methodology. The Gordon Growth model solves for the present value of an infinite series of future inflows, assuming a constant growth rate, and assuming a given discount rate. Algebraically, the Terminal Value (TV) is computed as

$$TV = \frac{\text{(Final discrete period cash flow)} \times \text{(1 + Constant Growth Rate)}}{\text{(Discount rate)} - \text{(Constant Growth Rate)}}$$

The growth rate may fluctuate with economic and industry cycles with the terminal growth rate representing an average growth rate.

Equity Value

To arrive at the value of equity, the value of debt and debt like obligations and cash & cash equivalents have been adjusted. The detailed working of the valuation under the DCF methods is as given below:

DCF Workings

In Rs Crs	FY22	FY23	FY24	FY25	FY26
Inflow					
EBITDA	237	271	407	494	563
Less Depreciation & Amortization	55	69	83	74	65
Operating profit (EBIT)	182	202	324	420	498
Tax on EBIT	46	51	82	106	125
EBITDA Less Tax on EBIT	**191**	**220**	**326**	**389**	**437**
Outflows					
Change in WC	234	(35)	159	160	154
Capex	15	45	69	20	20
Total Outflow	**249**	**10**	**228**	**180**	**174**
Free Cash Flow	(58)	210	98	208	264
Perpetuity Value					5,030
Free Cash with flow with Perpetuity	**(58)**	**210**	**98**	**208**	**5,294**
Disc Factor	0.89	0.79	0.70	0.63	0.56
PV of Free Cash Flows	**(51)**	**166**	**69**	**130**	**2,946**

Equity Valuation	In Rs Crs
Enterprise Value	**3,259**
Less : Debt Obligations	958
Add: Cash & Cash Equivalents	85
Equity value	**2,387**
Less: Illiquidity Discount @ 20%	477
Adjusted Equity value	**1,910**

WACC & Growth Rate	
Risk Free Rate (Rf)	6.2%
Market risk (Rm)	6.2%
Beta (β)	1.91
Cost of Equity (Ke)	18.1%
Cost of Debt Pre tax	11.6%
Cost of Debt (Kd)	8.7%
Target Debt/Equity ratio	150.0%
WACC	12.44%
Tax Rate	25.17%
Perpetuity Growth Rate%	5.0%

Footnotes:

1. Cash and cash equivalent and Debt & Debt like obligation is assumed to be as per Audited Balance sheet as of 31st March 2021

2. Risk Free Rate (Rf) is assumed to be current YTMs of Government bonds with 10 year residual maturity

3. Beta is calculated being the beta for the peers from the Indian Alcoholic Beverages Industry.

4. The target Debt/Equity ratio is based on our discussion with the Management of the Company.

5. All figures rounded off.

<u>Valuation by Comparable Companies Multiples (CCM) method</u>

In this method we have analyzed listed players in alcoholic beverages space in India based on the following parameters:

- Companies with revenues more than Rs. 2,000 Crores for 12 months trailing revenue as of 31st March 2021.
- Companies with adequate trading volumes.

The enterprise value ("EV") has been computed by adding the market capitalization of the company and the debt (net of investments and cash and bank balance).

The market capitalization is computed by considering the weighted average share prices of the last 2 weeks (ended 31st March 2021) on the National Stock Exchange.

The debt & cash balance as stated in the audited Balance Sheet as of March 21 of the respective company has been considered.

The companies considered and the computation of Enterprise Value (EV)/EBITDA multiple has been given below:

<u>Estimation of EV/Revenue multiple</u>

			In Rs Crs								
Company Name	Shares Outstanding	Share Price (INR)	Market Cap	Debt	Cash	Investments	Enterprise Value	TTM Revenue	TTM EBITDA	TTM PAT	EV/ EBITDA
United Spirits Ltd	72,66,38,715	547.2	39,763	876.7	77.8	-	40,562.1	27,418.5	1,028.0	362.1	39.5
Radico Khaitan Ltd	13,35,68,265	551.2	7,362	272.1	121.1	184.4	7,328.9	10,367.4	429.0	277.2	17.1
										Median	28.27

The following table summarizes Enterprise valuation of ABDPL as per CCM method:

Enterprise value as per EBITDA multiple

Particulars	In Rs Crs
EV/ EBITDA multiple	28.3
Less: Discount	20%
Multiple after discount	22.6
EBITDA for the year FY21	215.5
Enterprise value	**4,874.1**

Note:
We have considered a discount rate of 20% considering the size of ABDPL to its peers and shares of ABDPL being illiquid.

Equity Value as per CCM method

Particulars	In Rs Crs
Enterprise Value as per CCM method	**4,874.1**
Based on Audited Balance Sheet as of 31st March 2021	
Less: Debt & Debt Like Obligation	957.8
Add: Cash & Cash Equivalents	60.7
Add : Investments	24.5
Equity Value	**4,001.5**

Disclaimer

- As informed by the Management, there are no contingent liabilities which are expected to devolve in the Company.
- There are no surplus/ non-operating assets in ABDPL as at the Valuation date

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VALUATION SUMMARY

The valuation summary for ABDPL as of the Valuation Date is summarized below:

Particulars	In INR Crs	Weights (%)	In INR Crs
As per DCF Method			
Equity Value as per DCF	1,909.5	60%	1,145.7
As per CCM Method			
Equity Value as per CCM	4,001.5	40%	1,600.6
Equity Value (after applying weights)		-	**2,746.3**
No of Equity Shares			**23,55,66,665**
Fair Value per equity share of FV 2			**116.6**

VALUATION RECOMMENDATION

Valuation is very subjective and based on individual perception. Large number of valuation models and its countless variants are in vogue, each of which has its own strength and weakness. Such practices lead to varying values arrived at by expert which at times may differ by larger margin.

Based on the analysis of various assumptions underlying valuations and methodologies used by us to arrive at valuation of ABDPL, the fair equity value of ABDPL is INR 2,746.3 crores and equity value per share on fully diluted basis is INR 116.6/-

Venkat

VENKATRAMAN IYER ★ REGISTERED VALUER ★ Regn. No. IBBI/RV/06/2019/11818 (Securities or Financial Assets)

Venkatraman Iyer
Registered Valuer (Securities or Financial Assets)
IBBI/RV/06/2019/11818

Place: Mumbai
Date: 20th July 2021

ANNEXURE A
Historical Profit & Loss A/c

		(₹ in lakhs)
	Audited	**Audited**
Particulars	**FY21**	**FY20**
Revenue		
Revenue from operations	6,37,878	8,11,906
Other income	2,000	1,749
Total Income	**6,39,877**	**8,13,655**
Expenses		
Cost of materials consumed	1,39,044	1,84,512
Purchases of stock-in-trade	373	518
Changes in inventories of finished goods, stock-in-trade and WIP	2,688	1,756
Excise duty	4,03,041	5,12,311
Employee benefit expense	17,150	17,766
Other expenses	56,030	71,633
Total expenses	**6,18,326**	**7,88,497**
Profit before depreciation, finance costs and tax	**21,552**	**25,158**
Finance costs	14,151	18,019
Depreciation and amortisation expenses	5,823	6,886
Profit before tax	**1,577**	**254**
Tax expense/(credit), net		
(i) Current tax	455	0
(ii) Deferred tax	670	-1,198
(iii) Tax adjustments in respect of earlier years	-119	-39
	1,007	**-1,237**
Profit after tax	**571**	**1,491**

ANNEXURE A

Historical Balance Sheet

In Rs Lakhs	Audited FY21	Audited FY20
ASSETS		
Property, plant and equipment	43,362.13	42,276.49
Capital work-in-progress	1,259.91	4,338.29
Right of use assets	13,620.39	13,473.87
Goodwill	366.31	366.31
Other intangible assets	6,142.72	5,961.02
Investments in subsidiaries	238.10	226.73
Financial assets		
(i) Investments	2,210.83	0.36
(ii) Loans	2,210.30	2,066.50
(iii) Other financial assets	4,055.79	3,008.55
Deferred tax assets (net)	1,596.85	2,248.54
Income tax (current-tax) assets (net)	905.79	859.07
Other non-current assets	12,515.88	12,521.96
Total non-current assets	88,485.00	87,347.69
Current assets		
Inventories	34,581.09	36,964.11
(i) Trade receivables	86,692.96	93,474.54
(ii) Cash and cash equivalents	4,305.93	7,184.94
(iii) Other bank balances	2,676.09	3,102.61
(iv) Loans	936.18	416.65
(v) Other financial assets	1,603.09	3,460.72
Other current assets	11,200.04	8,418.32
Total current assets	1,41,995.38	1,53,021.89
TOTAL ASSETS	2,30,480.38	2,40,369.58
EQUITY AND LIABILITIES		
Equity		
Equity share capital	4,711.33	4,711.33
Non-cumulative convertible preference shares	681.82	681.82
Other equity	33,831.81	33,295.47
Total equity	39,224.96	38,688.62
Liabilities		
(i) Borrowings	20,143.22	24,810.69
(ii) Lease liabilities	1,705.90	1,256.15
Provisions	1,261.72	1,160.80
Total non-current liabilities	23,110.84	27,227.64
Current liabilities		
(i) Borrowings	65,817.78	70,817.03
(ii) Lease liabilities	274.16	625.33
(iii) Trade payables		
Dues of micro and small enterprises	15,598.80	16,745.33
Dues of creditors other than MSME	21,681.37	26,549.66
(iv) Other financial liabilities	41,593.78	38,607.10
Other current liabilities	21,487.06	19,581.97
Provisions	1,474.87	1,450.61
Current tax liabilities (net)	216.76	76.29
Total current liabilities	1,68,144.58	1,74,453.32
TOTAL LIABILITIES	1,91,255.42	2,01,680.96
TOTAL EQUITY AND LIABILITIES	2,30,480.38	2,40,369.58

ANNEXURE B

Shareholding Pattern of the ABDPL

Name of Shareholders	No of Equity Shares	%
Mrs. Bina K Chhabria	11,74,28,650	49.85%
Mrs. Resham C J Hemdev	5,87,14,320	24.92%
Mrs. Neesha K Chhabria	5,87,14,320	24.92%
Bina Chhabria Enterprises Private Limited	1,41,095	0.06%
Oriental Radios Private Limited	5,66,665	0.24%
Officer's Choice Spirits Private Limited	1,615	0.00%
Total	**23,55,66,665**	**100.00%**

ANNEXURE C -

Financial Projection of ABDPL – Profit & Loss A/c

In Rs Crs	FY22	FY23	FY24	FY25	FY26
Volume (lac cases)	**324**	**373**	**420**	**470**	**517**
Gross Sales	9133	10914	12919	14969	17057
Excise Duty/Epf/Imp Fees	5903	7067	8311	9607	11006
Rebate/Discounts Invoice	31	38	46	55	64
LPB	318	381	462	547	626
Net Sales	**2881**	**3428**	**4101**	**4761**	**5361**
ENA	701	821	940	1074	1205
Other Raw Material	240	309	387	474	537
Packing Material	917	1081	1278	1471	1671
Bottling Charges	173	206	237	271	304
Govt Bottling Fee	111	128	146	166	186
Capex Benefit			-6	-16	-16
Cost Reduction Initiatives (Others)	-22	-35	-39	-44	-48
Total- COGS	**2121**	**2510**	**2944**	**3396**	**3839**
Gross Profit	**760**	**918**	**1157**	**1365**	**1523**
Freight	91	110	130	152	174
Detention	3	3	4	4	4
Breakages	10	12	14	16	18
Bond & Brand Fees	9	10	12	13	14
Selling Commission	46	56	67	78	85
Cash Discount	15	18	21	25	28
Contribution Before ATL/BTL	**586**	**708**	**910**	**1076**	**1198**
BTL/ATL	**100**	**154**	**205**	**262**	**322**
Net Contribution	**486**	**554**	**705**	**814**	**877**
Personnel Cost	198	235	257	280	280
Operating Overheads	140	139	141	144	146
Write back	-15	-15	-20	-20	-25
Operating Profit	**163**	**195**	**327**	**411**	**476**
Other Income	16	16	18	20	23
Wine Shop	1	1	1	1	1
EBITDA (IMFL)	**179**	**211**	**345**	**431**	**500**
EBITDA (Distillery)	**58**	**60**	**62**	**63**	**63**
EBITDA (Total)	**237**	**271**	**407**	**494**	**563**
Interest	130	134	137	128	104
Depreciation	55	60	62	59	54
Operational PBT	**52**	**77**	**208**	**308**	**404**
CSR Spends	**1**	**2**	**4**	**6**	**8**
PBT post CSR	**51**	**76**	**204**	**302**	**396**
Tax	21	20	50	76	102
PAT	**30**	**56**	**154**	**226**	**294**

C4, 1002, Harihar, Madhav Sankkalp , Khadakpada, Kalyan (W) - 421301.

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ANNEXURE C -

Financial Projection of ABDPL – Balance Sheet

In Rs Crs	FY22	FY23	FY24	FY25	FY26
Equity and liabilities					
Shareholders' funds					
Share Capital	97	97	97	97	97
Other Equity	400	456	610	836	1,130
Non-Current Liabilities					
Long - term Borrowings(Including CLPTD)	296	189	168	22	1
Other Long term Liabilities	83	83	83	83	83
Long term provisions	20	20	20	20	20
Current Liabilities					
Short-term Borrowings	673	723	773	773	618
Trade payables	273	269	320	369	418
Other current Liabilities	317	317	317	317	317
Short term provisions	15	15	15	15	15
Total Liabilities	**2,173**	**2,169**	**2,403**	**2,532**	**2,699**
Assets					
Fixed assets					
- Tangible Assets	543	536	543	505	471
- Intangible assets	65	57	57	57	57
Capital work in Progress					
Non Current Investments	24	24	24	24	24
Deferred Tax Assets (Net)	11	11	11	11	11
Long term Loans and advances	89	89	89	89	89
Other Non-current Assets	8	8	8	8	8
Current Assets					
Inventories	221	228	268	310	352
Trade receivables	988	941	1,111	1,279	1,440
Cash and cash equivalents	52	101	118	76	75
Other Bank Balances	27	27	27	27	27
Short term Loans and advances	25	25	25	25	25
Other current Assets	121	121	121	121	121
Total Assets	**2,173**	**2,169**	**2,403**	**2,532**	**2,699**