Valuation Analysis
Issuance of Equity Shares/Warrants
JHS Svendgaard Laboratories Limited

Corporate Professionals

04th June 2024

Strictly Private & Confidential

To,
The Board of Directors **Ref. No.: CPV/RV/2024-25/007**
JHS Svendgaard Laboratories Limited
B1/E23, Mohan Co-Operative Industrial Area,
Mathura Road New Delhi,
Delhi – 110 044, India

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

The primary transaction involves the issuance of Equity Shares/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. However, given the higher trading volume on the NSE, we have opted to base our considerations on NSE prices.

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

Based on our valuation analysis of the equity shares of **JHS Svendgaard Laboratories Limited** and subject to the notes and comments provided herein, we hereby certify that the value per equity share of the Company is **INR 27.63/-**

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: 04th June 2024**
Place: New Delhi

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

SANCHIT VIJAY Digitally signed by SANCHIT VIJAY
Date: 2024.06.04 17:11:08 +05'30'

Sanchit Vijay
(Director)

Enclosures:
Annexure I: Scope of Work
Annexure II: Valuation Approaches and Workings
Annexure III: Audited Financial Statements for the period ended 31st March 2024.
Annexure IV: Caveats

ANNEXURE I: SCOPE OF WORK

A. Purpose Of Valuation and Appointing Authority

Based on the discussions held with the Management we understand that the Company is proposing preferential allotment of Equity Shares/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 30th May 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 Laboratories Limited
B1/E23, Mohan Co-Operative Industrial Area,
Mathura Road New Delhi,
Delhi – 110 044, India

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

Established in August 1997 as Sunehari Svendgaard Laboratories Limited, later renamed JHS Svendgaard Laboratories Limited in October 2004, the company swiftly expanded its operations. By April 2005, it absorbed businesses from Sunehari Svendgaard Laboratories Limited and Jai Hanuman Exports. Listed on BSE and NSE on October 21, 2006, it began with toothbrush manufacturing and diversified into toothpaste, mouthwash, and denture tablets. Noteworthy brands include Dr. Gold, launched in April 2009. JHS collaborates with major brands like Amway India Enterprises Pvt. Ltd., Dabur India Limited, and international giants like Dr. Fresh and Walmart.

Production facilities, inaugurated in April 2007 at Kala Amb, Himachal Pradesh, boast fully automated processes maintaining hygienic conditions. Over 60 skilled professionals manage these facilities, emphasizing Human Resource Development and adhering to ISO 9001:2000 quality standards. JHS prioritizes innovation through its research and development department, equipped with modern technology. With in-house facilities from injection molding to packaging, quality control remains stringent. Cutting-edge machinery from renowned global suppliers ensures product excellence.

In essence, JHS Svendgaard Laboratories Limited stands as a leading oral care product manufacturer and exporter, renowned for its quality, innovation, and collaborations with domestic and international partners.

- **Date of Appointment –** 30th May 2024 as per Engagement Letter
- **Valuation Date –** Based on 31st March 2024 Audited Financials.
- **Date of Report –** 04th June 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;
- Audited Profit and Loss Statement for the period ended March 31st, 2024;
- Audited Balance Sheet Statement for the period ended March 31st, 2024;
- Management Certified Projections starting from April 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**	The Asset-based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on a Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. However, this methodology recognizes the historical cost of net assets only without recognizing its present earnings, the comparative financial performance of its peers and their enterprise values, etc. Therefore, in general, Net Asset Value only reflects the minimum proxy value of the company. **In the Instant case, we have deemed it suitable to apply NAV in the Company as this method involves identifying and valuing a company's assets which is quite objective and reliable as the company has stable and predictable asset values.**
Market	**Company Comparable Multiple (CCM)Method**	This methodology uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (E.g., Revenue, EBITDA, EBIT, Earnings per Share or Book Value). A key benefit of Comparable Company Market Multiple analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs. **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 manufacturing 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.**
	90 Trading-10 Trading Days	The Company's shares are listed on both BSE Ltd and the National Stock Exchange (NSE), with a higher frequency of trading observed on the NSE. To determine the equity value in accordance with Regulation 33 of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, which references Regulation 164 of SEBI ICDR Regulation, 2018, the following criteria are considered for frequently traded shares: The equity shares' price for preferential issue should not be less than the higher of: • **The 90 trading days volume weighted average price (VWAP) of the related equity shares quoted on the recognized stock exchange preceding the relevant date.** • **The 10 trading days volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date.** This method takes the impact of price fluctuation in reference to market and industry. **We have considered this methodology in instant cases.**
Income	**Discounted Free Cash Flow (DFCF) Method.**	The DFCF method expresses the present value of the business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. The value of the firm is arrived at by estimating the Free Cash Flows (FCF) to the Firm and discounting the same with the Weighted Average cost of capital (WACC). The DFCF methodology is the most appropriate basis for determining the earning capability of a business. 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. **We have considered this methodology for the calculation of the fair equity value of the Company based on its consolidated 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.**

Computation of Equity value

Asset Approach
Net Asset Value (NAV) Method (Bases on Consolidated Financials):

Particulars	All Amount INR Million
Equity Share Capital	783.97
Reserves and Surplus	914.87
Net Asset Value	1,698.84
Add: Appreciation/ (Diminution)	377.74*
Adjusted Net worth	2,076.58
No. of Equity Shares	78,396,762
Value per Equity share (INR)	26.49

*We have considered the Fair Value of the Mutual Funds as per the Statement of Accounts provided by the management of the Company. Along with that we have considered the Fair Value of the Land as per Valuation Report Dated 31.07.2023 prepared by New Tech. Building Consultants.

Market Approach
90 Trading-10 Trading Days

Particular	Details
Total Value of the Shares trading of 90 TD	915,957,093.50
Total No. of shares Traded in 90 TD	33,478,214
90 TD VWAP	27.36
Total Value of the Shares trading of 10 TD	34,574,028.30
Total of No. of Shares Traded in 10 TD	1,798,236
10 TD VWAP	19.23
Maximum price (INR)	27.36

Note: We have considered 04th June 2024 as the relevant date for the valuation exercise while using 90-10 Trading Days Method.

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

Discounted Free Cash Flow Analysis - JHS Svendgaard Laboratories Limited						
WACC:	18.84%	Amount In INR Millions				
Growth Rate:	5.00%					
FY	2025	2026	2027	2028	2029	Terminal
Particulars						
Revenue from Operation	2,834.21	3,558.94	3,946.52	4,341.18	4,775.29	
Other Income	221.47	222.48	197.37	173.68	152.84	
PBT (Excluding other income)	273.41	387.13	432.90	479.64	531.86	
Less: Direct Taxes Paid	61.73	97.43	108.95	120.72	133.86	
PAT (Excluding other income)	211.68	289.69	323.94	358.93	398.00	
Add: Depreciation	70.03	75.93	81.83	87.73	93.63	
Less: Capital Expenditure	-	100.00	100.00	100.00	100.00	
Add: Interest on Borrowings (Post Tax)	3.10	2.99	2.99	2.99	2.99	
Less: Change in Non-Cash Working Capital	-	247.85	-	252.25	-	
Free Cash Flows to Company	284.81	20.77	308.77	97.40	394.62	2,862.33
Discounting Factor (Mid-Year Discounting)	0.92	0.77	0.65	0.55	0.46	0.46
Present value of Cash flow	261.27	16.03	200.56	53.23	181.50	1,316.49
Enterprise Value	2,029.08					
Add: Cash and cash equivalents	91.05					
Add: Bank Balances	12.60					
Add: Investment	35.53					
Add: Bank Deposits	5.18					
Add: Deferred Tax Assets	105.22					
Add: Interest Receivables	4.27					
Less: Borrowings	35.58					
Less: Lease Liabilities	15.71					
Equity Value	2,231.64					
No. of Equity Shares	78,396,762					
Equity per share value	28.47					

Note:

For the valuation of equity shares through DFCF methodology, we have relied upon the projections provided by the management for the period beginning 01st April 2024, and ending March 31, 2029, duly supplemented by its Terminal Value based on the Gordon Model and extrapolating the adjusted free cash flows for last year at an annual growth rate of 5% to perpetuity.

DCF Assumptions:

Particulars	Notes	
Risk free rate (Rf) as on 28.03.2024	7.05%	Considering of long-term Indian government bond rate
Market Rate of Return	15.25%	BSE Sensex returns on a long-term basis
Industry Beta… (β)	0.87	We have taken the Leveraged beta for 5 Years of the target company, Beta value (B) as 0.87 as the company is listed on BSE and NSE.
Additional Company Specific (Including Small Company) Risk Premium (Unsystematic Risk) (CSRP)	5%	We have given a 5% additional risk premium looking into company profile, financial structure, and ROI an investor will investigate while investing in this type of company. This is also dependent upon the level of aggressiveness of the future cash flows, the present scenario of the country and the company environment in which it is operating. Additionally, the company is under loss in the Current Year with negative PAT and Adjusted EBITDA. Along with that, the Company is operating in a highly competitive FMCG industry with huge giants in the markets.
Cost of Equity (Ke)	19.20%	As per Modified CAPM model i.e. [Ke = Rf+ β(Rm-Rf) + CSRP]
Cost of Debt	9.00%	As represented by the management of the Company
Equity portion in capital structure	97.07%	As per Audited Financials provided by the company as on 31st March 2024
WACC	18.84%	WACC = (Ke * % Equity in Capital Structure) + (Cost of Debt * % Debt in Capital Structure * (1-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 LABORATORIES LIMITED

Fair Value of JHS SVENDGAARD LABORATORIES LIMITED				
				All Amount INR Millions
Approach Applied	Methodology Applied	Weight	Per share value	Weighted Average Equity Value
Assets	Adjusted Net Assets Value	20%	26.49	5.30
Market	90 Trading Days - 10 Trading Days	40%	27.36	10.94
Income	Discounted Cash Flow	40%	28.47	11.39
Weighted Average Equity Value				27.63

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 27.63/.

Annexure III

Audited Consolidated Balance Sheet as on 31st March 2024:

Particulars	Amount in INR Million
Equity share capital	783.97
Other equity	914.87
Total equity	1,698.84
Non-current liabilities	38.34
Current liabilities	233.37
Total equity and liabilities	1,970.55
Non-current assets	1,533.91
Current assets	436.63
Total assets	1,970.55

Audited Consolidated Profit and Loss Statement for the period ended 31st March 2024:

Particulars	Amount in INR Million
Revenue from operations	707.98
Add: Other income	43.14
Total Income	751.13
Less: Total Operating Expenses	717.35
EBITDA	33.77
Less: Depreciation & Amortization	63.46
Less: Finance Cost	4.60
Profit Before Tax (PBT)	(34.29)

Annexure IV: Caveats

- This Valuation Report has been issued on the specific request of "**JHS Svendgaard Laboratories 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.