

# Saraswati Commercial (India) Limited

## Valuation of Equity Shares

Valuation Dated: December 31, 2024

Report Dated: January 30, 2025

Raghuraman Krishna Iyer

Registered Valuer

Mumbai

---

# Contents

- 1. Background** ..... 3
  - 1.1 Background of the Company: ..... 3
  - 1.2 Premise and Purpose of Valuation ..... 4
- 2. About the Company** ..... 4
- 3. Valuation Basis** ..... 4
  - 3.1 Sources of Information ..... 4
  - 3.2 Scope, Limitations, Assumptions, Qualifications, Exclusions and Disclaimers 5
  - 3.3 Approaches to Valuation..... 7
  - 3.4 Method of valuation applied: ..... 9
- 4. Valuation Results** ..... 10
- 5. Conclusion** ..... 11

## VALUATION OF EQUITY SHARES OF SARASWATI COMMERCIAL (INDIA) LIMITED

### 1. Background

#### 1.1 Background of the Company:

Saraswati Commercial (India) Limited (“SCL” or “The Company”) having CIN: L51909MH1983PLC166605 is a public limited company registered with Reserve Bank of India (RBI) as a Non-Banking Financial Company - Middle Layer and is classified as an investment company vide Registration No 13.01860. The company is engaged in the business of investing and trading in shares and securities and lending activities. The registered office of SCL is situated at 209-210, Arcadia Building, 195 Nariman Point, Mumbai – 400 021.

The paid up share capital of SCL as on December 31, 2024 is Rs 1,02,99,280 /- comprising of 10,29,928 equity shares of face value of Rs 10 each. The shares of the SCL are listed on BSE Limited erstwhile known as Bombay Stock Exchange Limited, “BSE”) but are infrequently traded as per the Regulation 164(5) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“SEBI ICDR Regulations”).

I, Raghuraman Krishan Iyer (hereinafter referred to as “I”, “we”, “RV”) a Chartered Accountant having registration number 221302 and a Registered Valuer having Registration Number IBBI/RV/06/2018/10384 have been appointed by the Company to value the equity share as on December 31, 2024 for the purpose of issuing further equity shares.

#### Shareholding Pattern as on December 31, 2024

Category of Shareholder	No. of equity shares held	% of Shareholding
Promoter & Promoter Group	7,44,850	72.32%
Public	2,19,569	27.68%
<b>Total Number of Equity Shares</b>	<b>10,29,928</b>	<b>100.00%</b>

Note: The Company has not issued any convertible instruments

## 1.2 Premise and Purpose of Valuation

RV understand that SCL is in the process of raising funds through a preferential issue of equity shares for cash consideration to certain proposed investors. As SCL's equity shares are infrequently traded, RV have been engaged by SCL to determine the valuation of its equity shares for the purpose of arriving at the issue price for the preferential allotment.

In accordance with SEBI ICDR Regulations, the valuation of equity shares is to be conducted as per Regulation 164 or 165. Regulation 164 applies when the issuer's shares are frequently traded, whereas Regulation 165 applies when they are infrequently traded.

Since the company's shares are infrequently traded, RV have carried out the valuation in accordance with the provisions of the Companies Act, 2013, as well as Regulation 165 of the SEBI ICDR Regulations.

Based on the information and explanations provided by the management, no material events have occurred between the valuation date and the date of this report. It is specifically noted that the proposed allotment does not result in a change in control of the Company

## 2. About the Company

SCL is a registered NBFC and engaged in Lending and Investment and trading in Shares & Securities

## 3. Valuation Basis

### 3.1 Sources of Information

- The latest available unaudited financial statements of SCL and its listed group companies (excluding small companies) for the period ended December 31, 2024, have been considered. These financial statements were subject to a Limited Review, wherever applicable.
- The latest available unaudited financial statements of SCL's operating unlisted public limited group companies (excluding small companies) for the period ended December 31, 2024, have been considered. These financial statements were subject to a Limited Review, wherever applicable.
- The latest available unaudited financial statements of SCL's operating private limited group companies for the period ended December 31, 2024, have been considered. These financial statements were subject to a Limited Review, wherever applicable.

- The latest available audited financial statements of SCL's small companies, including non-operating private limited group companies, for the period ended March 31, 2024.
- Market prices for all traded securities on 31<sup>st</sup> December, 2024.
- Net assets value of all mutual funds as on 31<sup>st</sup> December, 2024.
- Websites of NSE and BSE.
- Website of the Company.
- Articles of Association
- Such other information and explanations as we have required and which have been provided by the Management of the Company.

SCL has been provided with the opportunity to review the draft report for this engagement to make sure that factual inaccuracies are avoided in my final report. Facts provided in the final report shall be binding on the company.

### **3.2 Scope, Limitations, Assumptions, Qualifications, Exclusions and Disclaimers**

Provision of valuation opinions and consideration of the issues described herein are areas of regular practice. The services do not represent accounting, assurance, accounting /tax due diligence, consulting or tax related services that may otherwise be provided by RV.

The report, its contents and the results herein are specific to:

- (i) purpose of valuation agreed as per the terms of my Engagement and
- (ii) the date of this report.

For the purpose of valuation, reliance has been placed on both written and verbal information, including market, technical, financial & operating data.

In accordance with the terms of engagement, reliance has been placed without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this report and (ii) the accuracy of information made available by the company/ its affiliates. In accordance with the engagement letter and in accordance with the customary approach adopted in valuation exercises no audit/ review / investigation has been conducted on the financial information provided the company/ its affiliates.

This report shall not be construed as an expression an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Further, with respect to explanations and

information sought from the company, RV have been given to understand by the Company that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with me in case of any doubt.

Conclusions of this report are based on the assumptions and information provided by and on behalf of the company. The management of the Company has indicated that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/ results. Accordingly, no responsibility is assumed for any errors in the information furnished by the company and their impact on the report.

The report assumes that the company fully complies with all relevant laws and regulations applicable to its operations unless otherwise stated and that it will be managed in a competent and responsible manner. Further, RV has specifically mentioned, this valuation does not consider legal matters such as issues of legal title, compliance with local laws, or litigation. With respect to contingent liabilities, based on the information provided by the management, no material contingent liabilities have been identified that would have a significant impact on the valuation. Any contingent liabilities that may exist but are not reflected in the financial statements are assumed to be immaterial for valuation purposes.

The report does not look into the business or commercial reasons behind various transactions nor likely benefits arising out of the same. Similarly, it does not address the relative merits of the transaction as compared with any other alternative could be achieved or are available.

No investigation of the company's claim to title of assets has been made for the purpose of this report and the company's claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loan disclosed in the accounts. Therefore, no responsibility is assumed for matters of legal nature.

The book values of the assets and liabilities of the company has been considered as representative of their intrinsic value, other than for those assets and liabilities where adjustments described in this report have been effected in the absence of any report of external valuers.

RV owe responsibility only to the Board of Directors of the company under the terms of the engagement letter and no other person or persons or entities. RV will not be liable for any losses, claims, damages or liabilities arising out of the action taken, omission or advice given by any other advisors to any other

persons or entities. Any claims against the me by any party shall be limited to the fees actually received, excluding any GST on the same, on this particular assignment.

This report does not in any manner address the prices at which the company's equity shares will trade following consummation of this valuation report and RV express no opinion or recommendation as to such potential share prices

This valuation report is subject to the laws of India. The RV does not have any interest in the companies covered in this report. While the report may be shared with regulatory authorities and stakeholders as necessary, it should not be used for purposes beyond those outlined herein without prior consent .

### 3.3 Approaches to Valuation

The three approaches described and defined below are the main approaches used in valuation. They are all based on the economic principles of price equilibrium, anticipation of benefits or substitution. The principal valuation approaches are:

- (a) Intrinsic value approach, and
- (b) Comparable trading multiples
- (c) Market Price Approach

Prior to selecting the appropriate valuation method, the RV has also referred to Regulation 166A of the Securities and Exchange Board of India (SEBI) (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Since the proposed allotment will not result in a change of control, Regulation 166A is not applicable. Therefore, the RV has not been required to check the company's Articles of Association (AOA). The price of the equity shares will be determined based on the valuation provided by the RV in terms of Regulation 165 of SEBI ICDR Regulations.

#### **Intrinsic value approach**

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

- Assets and Liabilities other than investments in securities whether in the form of long term investments, current investments or business assets they are valued based at realisable value (net of tax).

- Shares held in group companies have been valued based on the net worth of those investee companies. While valuing the net worth of group companies, I have considered the investments made by those group companies (excluding listed entities where shares are frequently traded) at their intrinsic value after considering the impact of tax on gain and fair value of assets and liabilities (other than investments), wherever IND AS applied. For listed entities with frequently traded shares, the market price has been considered for valuation.
- Shares/Securities held in companies other than group which are listed, have been valued based on market price as on December 31, 2024. The carrying value of these investments has been determined after adjusting for the impact of tax on gain.
- Immovable properties of the group companies have been valued at market value (net of capital gain tax) based on recent comparable third party transaction / stamp duty valuation.
- Appropriate discount have been applied for illiquidity to arrive the value of equity shares of SCL.

### Comparable Trading Multiples

Comparable Trading Multiples are financial measurement tools that evaluate one financial metric as a ratio of another, enabling comparison between different companies. Analysing comparable trading multiples involves studying companies with similar operating, financial, and ownership profiles.

Multiples represents the proportion of one financial metric to another financial metric. Common multiplies applied for valuation include:

- Price-to-earnings (P/E) multiple,
- Price-to-book value (P/B) multiple,
- Enterprise value to EBITDA (EV/EBITDA) multiple and
- Sectoral-Specific multiples such as enterprise value per ton of installed capacity in the cement sector.

The most appropriate valuation multiple for the NBFC sector is price-to-book value.

RV has identified four investment companies that are comparable to SCL, as they operate in a similar line of business and have frequently traded shares. Other investment companies reviewed were found to have differing business models or operational structures, making them less relevant for direct

comparison. The selection of comparable companies is based on factors such as business operations, industry classification, revenue model, and investment strategy to ensure a meaningful and reliable benchmarking for valuation purposes.

As the book value information for December 2024 is unavailable for a few companies, and to maintain consistency in the approach, RV have considered the average P/B multiples of following companies as of September 30, 2024.

List of Companies	P/B Multiple
Dolat Algotech Ltd	2.68
Bajaj Holdings & Investment Ltd.	1.95
Tata Investment Corporation Ltd.	0.94
Balmer Lawrie Investments Ltd.	1.53
<b>Average Trading Multiple</b>	<b>1.77</b>

### Market Price Approach

The Market Price Approach considers the prevailing market price of SCL's equity shares as of the valuation date, December 31, 2024. Since the company's shares are listed but infrequently traded, the closing market price on the valuation date has been taken as a reference point for determining the fair value.

This approach reflects the price at which investors were willing to transact on that specific date, incorporating prevailing market conditions and investor sentiment. However, given the limited trading activity, appropriate adjustments have been made to account for factors such as illiquidity and any known corporate actions or significant events that may have influenced the market price. This adjustment provides an additional perspective in the valuation process, ensuring alignment with real-time market conditions while considering the stock's limited liquidity.

### 3.4 Method of valuation applied:

NBFCs are typically valued based on adjusted book values from an intrinsic valuation perspective. The intrinsic value is determined by subtracting the value of total financial and non financial liabilities from the total financial and non financials assets as of the valuation date. Given the lack of trading volumes in the company's stock, an illiquidity discount should be applied to reflect this constraint.

Another appropriate valuation approach is benchmarking the company's valuation against the price-to-book ratios of other companies in the sector. In my view, the intrinsic value method would carry a higher weightage given the composition of financial assets whose values are available in the traded market place to a substantial degree.

In addition to the above, the Market Price Approach has also been considered. Since SCL's equity shares are listed, the closing market price as of the valuation date, December 31, 2024, serves as a reference for valuation. This price reflects prevailing market conditions and investor sentiment on that date. However, due to the stock's infrequent trading, adjustments have been made for illiquidity and any known corporate actions or significant market events that may have impacted the price. While the market price approach provides an additional validation point, it has been assigned a lower weightage given the limited trading activity of the company's shares.

In arriving at the final valuation, appropriate weightages have been assigned to the Intrinsic Value Method, Comparable Trading Multiples Approach, and Market Price Approach to ensure a balanced and reliable estimate of SCL's share value.

Prof. Aswath Damodaran at NYU Stern, suggests that illiquidity discounts can range from 20% to 30% (for unlisted companies) depending on the asset's liquidity. He emphasizes that these discounts can vary based on specific circumstances. In case of SCL, a 15% discount for a listed company that isn't frequently traded seems reasonable and aligns with the lower end of this range, reflecting the balance between market access and trading activity

#### **4. Valuation Results**

##### **a. Valuation based on Intrinsic Value Method**

		<b>Rs In Lakhs</b>
Financial and Non Financial Assets	<b>A</b>	1,17,377.30
Less: Financial Liabilities and Non-financial liabilities	<b>B</b>	3,785.11
Net Asset Value	<b>C = A - B</b>	1,13,592.18
No of Equity Shares	<b>D</b>	10,29,928
Equity per share before illiquidity discount	<b>E = C / D</b>	11,029.14
Less: illiquidity discount @ 15 %	<b>F</b>	1,654.37
<b>Equity per share after illiquidity discount</b>	<b>G = E - F</b>	<b>9,374.77</b>

**b. Valuation based on Comparable Trading Multiples**

		Rs In Lakhs
Net Worth as on September 30, 2024	<b>A</b>	85,987.59
No of Equity Shares	<b>B</b>	10,29,928
Book value per share	<b>C = A / B</b>	8,348.89
Average Trading Multiple as on Sept 2024	<b>D</b>	1.77
<b>Equity value per share</b>	<b>G = E - F</b>	<b>14,777.54</b>

**c. Valuation based on Market Price Approach**

		Amount in Rs
Market Value as on Dec 31, 2024	<b>A</b>	19,605.50
Less: Illiquidity Discount @ 15 %	<b>B</b>	2,940.83
<b>Equity value per share</b>	<b>C = A - B</b>	<b>16,664.68</b>

**5. Conclusion**

Based on the valuation methodologies applied, the fair value of SCL's equity shares has been determined at **Rs. 11,913.00 per equity share**. This valuation has been derived by assigning appropriate weightages, as summarized in the table below.

Valuation Method	Value per share (Rs)	Weight	Weighted average valuation (Rs)
Intrinsic Value	9,374.77	60%	5,624.86
Comparable Trading Multiples	14,777.54	20%	2,955.51
Market Value	16,664.68	20%	3,332.94
Equity Value per share			11,913.30
<b>Equity Value per share (Rounded off)</b>			<b>11,913.00</b>




Raghuraman Krishna Iyer  
Registered Valuer  
Membership No - IBBI/RV/06/2018/10384  
Date : January 30, 2025  
UDIN - 25037110BBIJIV2909