

***Valuation of equity shares of Fischer Chemic Limited for compliance with Regulation 165 and 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022***

***30<sup>th</sup> March 2023***

**NITISH CHATURVEDI**

*Registered Valuer (Securities or Financial Assets) with IBBI*

*Registration No.: IBBI/RV/03/2020/12916*

Date: 30<sup>th</sup> March 2023

**To,  
The Board of Directors  
Fischer Chemic Limited**

104, First Floor, Raghuleela  
Mega Mall Behind Poisar Depot  
Kandivali West, Mumbai, MH 400067

Dear Sirs,

**Sub: Valuation of equity shares of Fischer Chemic Limited**

Fischer Chemic Limited intends to issue equity shares to its proposed investors.

In this regard, Nitish Chaturvedi, Registered Valuer with IBBI Registration No. IBBI/RV/03/2020/12916 ('Nitish' or 'Independent Valuer') has been appointed to determine fair value of equity shares of Fischer Chemic Limited ("FCL") for compliance with Regulation 165 and 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended up to date ('SEBI ICDR Regulations') ('Valuation Purpose').

The Report date, as confirmed to us by the Management of *FCL* ('the Management'), for the purpose of calculation of the price per share under the SEBI ICDR Regulations for issuance of equity shares is 29<sup>th</sup> March 2023. The Valuation Date as informed to us by the Management for computation of equity value per share of *FCL* is 29<sup>th</sup> March 2023 ('Valuation Date').

This Report is structured under the following broad heads:

- Background
- Information sources
- Valuation Standards followed and Procedure adopted for Valuation
- Valuation Methodology
- Valuation Analysis and Conclusion
- Scope Limitation
- Annexures



## BACKGROUND

### Fischer Chemic Limited

Fischer Chemic Limited L24231MH1993PLC288371 is a public limited company incorporated on 22/03/1993, 104, First Floor, Raghuleela, Mega Mall Behind Poisar Depot, Kandivali West, Mumbai, MH 400067.

The Company engages in the processing and manufacturing of laboratory grade chemicals. The Company has not generated any revenue in the recent Financial Years.

The equity shares of the Company are listed on BSE.

### The Shareholding Pattern of *FCL* as of 31<sup>st</sup> December 2022 is as under:

Particulars	No. of shares	% Shareholding
Promoter & Promoter Group	-	-
Public	1,72,000	100.00%
<b>Total</b>	<b>1,72,000</b>	<b>100.00%</b>

## INFORMATION SOURCES

We have relied on the following sources of information and documents as provided to us by the Management of *FCL* ('the Management') and available in public domain:

- Management Certified Financials as on period ended 30<sup>th</sup> September 2022;
- Shareholding Pattern as on 31<sup>st</sup> December 2022;
- Other relevant publicly available data;
- Our regular discussions with management representatives of *FCL*;
- We have also relied on published and secondary sources of data whether or not made available by the Companies.

## VALUATION STANDARDS FOLLOWED AND PROCEDURES ADOPTED FOR VALUATION

- We have performed the valuation analysis, to the extent possible, in accordance with International Valuation Standards (hereinafter referred as "IVS").
- In connection with this exercise, we have adopted the following procedures to carry out the valuation analysis:



- Requested and received relevant data from the Management
- Discussions with the Management on understanding of the business of the Company
- Obtained and analysed data available in public domain, as considered relevant by us
- Obtained and analysed market prices and other data involving equity shares of *FCL* and of comparable companies, as applicable and relevant
- Selection of valuation approach and valuation methodology/ (ies), in accordance with IVS, as considered appropriate and relevant by us
- Determination of value per equity share of *FCL*, as relevant
- Preparation and issuance of this valuation report.

### **VALUATION APPROACHES AND METHODOLOGIES**

- For the purpose of valuation, it is necessary to select an appropriate basis of valuation amongst the various valuation techniques. It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. The application of any particular method of valuation depends upon various factors including the size of company, nature of its business and purpose of valuation. Further, the concept of valuation is all about the price at which a transaction takes place i.e., the price at which seller is willing to sell and buyer is willing to buy. Accordingly, a fair and reasonable approach for valuing the shares of the company is to use a combination of relevant and applicable valuation methods.
- IVS 301 read with IVS 103 specifies that generally the following three approaches for valuation of business / business ownership interest are used:
  - Cost Approach
  - Market Approach
  - Income Approach

#### **Cost Approach – Net Asset Value (NAV) method**

- The value under cost approach is determined based on the underlying value of the assets which could be on book value basis, replacement cost basis or on the basis of realizable value. Under NAV method, total value of the business is based either on net asset value or realizable value or replacement cost basis. NAV methodology is most applicable for the business where the value lies in the underlying assets and not the ongoing operations of the business. NAV method does not capture the future earning capacity of the business. Given the nature and specifics of the business, we have considered the Net Asset Value method.

#### **Income Approach – Discounted Cash Flows (DCF) method**





- Under the Income Approach, business is valued by converting maintainable or future amount of cash flows to a single current amount either through discounting or capitalization. DCF Method seeks to arrive at the value of the business based on its future cash flows generating capability and the risks associated with the said cash flows. FCFF or free cash flows to the firm (“FCFF”) represents the cash available for distribution to both the owners and the creditors of the business. Risk-adjusted discount rate or Weighted Average Cost of Capital (“WACC”) is applied to free cash flows in the explicit period and that in perpetuity. Adjustments pertaining to debt, surplus/non-operating assets including investments, cash & bank balance and contingent assets/liabilities and other liabilities, as relevant, are required to be made in order to arrive at the value for equity shareholders. The total value for the equity shareholders so arrived is then to be divided by the number of equity shares to arrive at the value per equity share of the company.

We have not considered Discounted Cash Flows (DCF) method under the income approach due to unavailability of business projections of *FCL* as we understand that projections of *FCL* would be price sensitive information, which was therefore not made available to us.

#### **Market Approach – Market Price method**

- Under the Market Price method, the market price of an equity share as quoted on a recognized Stock Exchange is normally considered as the value of the equity shares of that company, where such quotations are arising from the shares being regularly and frequently traded. Generally, market value is reflective of the investors’ perception about the actual worth of the company. However, in certain situations, the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. We understand that the shares are infrequently traded in BSE.

In terms of Regulation 166A of the SEBI ICDR Regulations,

166A. (1) Any preferential issue, which may result in a change in control or allotment of more than five per cent of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price:

Provided that the floor price, in such cases, shall be higher of the floor price determined under sub-regulation (1), (2) or (4) of regulation 164, as the case may be, or the price determined under the valuation report from the independent registered valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable:

Provided further that if any proposed preferential issue is likely to result in a change in control of the issuer, the valuation report from the registered valuer shall also cover guidance on control premium, which shall be computed over and above the price determined in terms of the first proviso:

Provided further that the valuation report from the registered valuer shall be published on the website of the issuer and a reference of the same shall be made in the notice calling the general meeting of shareholders.



(2) Any preferential issue, which may result in a change in control of the issuer, shall only be made pursuant to a reasoned recommendation from a committee of independent directors of the issuer after considering all the aspects relating to the preferential issue including pricing, and the voting pattern of the said committee's meeting shall be disclosed in the notice calling the general meeting of shareholders.

Regulation 165 of ICDR Regulations shall continue to apply in case of infrequently traded shares:

(Explanation: The pricing in case of infrequently traded shares as per regulation 165 of the ICDR Regulation is determined by the issuer taking into account valuation parameters such as book value, comparable trading multiples, and other such customary parameters for valuation, and such valuation is required to be certified by independent valuer).

Since, *FCL* is a listed company and equity shares of *FCL* are traded on BSE over a reasonable period but are infrequently traded, therefore we have considered Net Asset Value method to determine the value of equity shares of *FCL*. We have been informed by the Management that the report date as per the SEBI ICDR Regulations, for the purpose of calculation of the price per share of *FCL* for the proposed preferential issue of shares is 29<sup>th</sup> March 2023. Since the latest financial data available is till September 30, 2022. Therefore, we have considered the same for our valuation purposes.

Date	No.of Shares
28-Mar-23	25
23-Mar-23	50
06-Mar-23	20
20-Feb-23	39
13-Feb-23	21
06-Feb-23	50
30-Jan-23	20
23-Jan-23	26
13-Jan-23	9
12-Jan-23	7
11-Jan-23	381
10-Jan-23	54
09-Jan-23	47
06-Jan-23	5
05-Jan-23	50
04-Jan-23	160
03-Jan-23	83
02-Jan-23	268
30-Dec-22	84
29-Dec-22	45
28-Dec-22	175
27-Dec-22	10
26-Dec-22	207
22-Dec-22	77



*Valuation of equity shares of Fischer Chemic Ltd*

21-Dec-22	104
20-Dec-22	14
19-Dec-22	3
16-Dec-22	90
15-Dec-22	84
14-Dec-22	72
12-Dec-22	36
09-Dec-22	10
08-Dec-22	45
06-Dec-22	3
05-Dec-22	50
02-Dec-22	67
01-Dec-22	11
29-Nov-22	121
28-Nov-22	47
25-Nov-22	13
24-Nov-22	5
23-Nov-22	50
21-Nov-22	29
18-Nov-22	10
15-Nov-22	128
14-Nov-22	128
11-Nov-22	2
09-Nov-22	1
04-Nov-22	5
01-Nov-22	1
31-Oct-22	1
27-Oct-22	10
25-Oct-22	1
24-Oct-22	1
21-Oct-22	1
20-Oct-22	1
12-Oct-22	2
10-Oct-22	1
06-Oct-22	28
30-Sep-22	3
29-Sep-22	2
28-Sep-22	490
27-Sep-22	5
26-Sep-22	205
23-Sep-22	130
22-Sep-22	269
21-Sep-22	59
20-Sep-22	214
19-Sep-22	81
16-Sep-22	102
15-Sep-22	150



*Valuation of equity shares of Fischer Chemic Ltd*

14-Sep-22	96
13-Sep-22	133
12-Sep-22	103
09-Sep-22	33
07-Sep-22	115
06-Sep-22	1
05-Sep-22	6
02-Sep-22	2
01-Sep-22	33
30-Aug-22	63
29-Aug-22	3
26-Aug-22	10
25-Aug-22	61
24-Aug-22	25
23-Aug-22	7
22-Aug-22	108
18-Aug-22	15
17-Aug-22	48
11-Aug-22	48
10-Aug-22	13
08-Aug-22	5
05-Aug-22	20
04-Aug-22	6
03-Aug-22	2
29-Jul-22	6
28-Jul-22	6
27-Jul-22	100
26-Jul-22	39
25-Jul-22	74
21-Jul-22	125
19-Jul-22	383
18-Jul-22	13
15-Jul-22	14
14-Jul-22	173
13-Jul-22	55
12-Jul-22	5
11-Jul-22	10
08-Jul-22	5
07-Jul-22	30
06-Jul-22	5
05-Jul-22	209
04-Jul-22	12
30-Jun-22	1056
29-Jun-22	30
28-Jun-22	47
27-Jun-22	26
24-Jun-22	85

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**Valuation of equity shares of Fischer Chemic Ltd**

22-Jun-22	424
21-Jun-22	32
20-Jun-22	386
17-Jun-22	1263
16-Jun-22	135
15-Jun-22	141
14-Jun-22	492
13-Jun-22	5
10-Jun-22	40
09-Jun-22	20
07-Jun-22	4
06-Jun-22	103
03-Jun-22	25
02-Jun-22	24
01-Jun-22	102
31-May-22	224
30-May-22	203
27-May-22	3
26-May-22	83
25-May-22	27
23-May-22	26
20-May-22	30
19-May-22	139
17-May-22	49
16-May-22	12
13-May-22	3
12-May-22	22
10-May-22	36
09-May-22	29
06-May-22	10
04-May-22	132
02-May-22	62
29-Apr-22	53
28-Apr-22	41
27-Apr-22	1
26-Apr-22	30
25-Apr-22	306
22-Apr-22	423
21-Apr-22	197
20-Apr-22	96
19-Apr-22	63
18-Apr-22	97
<b>Total Shares Traded</b>	<b>13,855</b>
No. of O/s Shares	1,72,000
<b>% of shares traded in last 240 days</b>	<b>8.06%</b>

*\*Calculations for determining frequently or infrequently traded shares*

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**Market Approach – Comparable Companies’ Multiple (CCM) method**

- Under CCM Method, the value of shares of the subject company is determined on the basis of multiples derived from valuations of comparable companies. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. The Comparable Companies’ Multiple Method arrives at the value of the company by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences, such as growth potential, past track record, size, company dynamics, etc.
- The subject company is in Chemicals Sector. Given the Company’s business and line of operations, the company have not generated any revenues in the recent financial year and has negative net worth as of FY 22. We have therefore not considered the CCM method for the said Valuation.

**SCOPE LIMITATIONS AND DISCLAIMERS**

- Valuation analysis and results are specific to the purpose of valuation mentioned in this report as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date.
- We owe responsibility to only the management of the client that has retained us and nobody else. We do not accept any liability to any third party in relation to the issue of this valuation report. Our valuation report cannot be used for any other purpose. This report has been prepared only for the sole use and information of **FCL**. Without limiting the foregoing, we understand that **FCL** may be required to submit this report to the regulatory authorities / stock exchanges in connection with the Proposed Transaction.
- Our analysis is based on the market conditions and the regulatory environment that currently exists. However, changes to the same in the future could impact the company and the industry it operates in, which may impact our valuation analysis.
- We are not responsible for updating this report because of any events or transactions occurring subsequent to the date of this report.
- We have considered and relied on the information provided to us by the Management including financial information, significant transactions and events occurring subsequent to the balance sheet date. We understand that the information provided to us and the representations made to us (whether verbal or written) are reliable and adequate. We have derived our conclusions and recommendation from the information so provided and we are thus reliant on the given information to be complete and accurate in every significant aspect. We are made to believe that the Management have informed us about all material transactions, events or any other relevant factors which are likely to have an impact on our valuation recommendation.



- In the ultimate analysis, valuation will have to capture the exercise of judicious discretion by the Valuer and judgment taking into account all the relevant factors. There will always be several factors which are not evident from the face of the financial statements, but which will strongly influence the worth of a share. Examples of such factors include quality and integrity of the management, capital adequacy, asset quality, earnings, liquidity, size, present and prospective competition, yield on comparable securities and market sentiment, etc. This concept is also recognized in judicial decisions.
- This Report does not look into the business / commercial reasons behind the transaction. We have no present or planned future interest in the company and the fee for this engagement is not contingent upon the values reported herein. Our valuation analysis should not be construed as an investment advice. We do not express any opinion on the suitability or otherwise of entering into any transaction with the Company
- Any discrepancies in any annexure between the total and the sums of the amounts listed are due to rounding-off.



## VALUATION ANALYSIS AND CONCLUSION

The value per equity share of *FCL* are based on the various approaches / methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations. We have independently applied different valuation methods for determining value per share of Fischer Chemic Limited which is explained below;

S.No.	Valuation Approaches	Weights	Fair Value (INR Lakhs)
1.	DCF Method	0.00	N/A
2.	Comparable Companies Method (Price/Book Value)	0.00	N/A
3.	Market Method	0.00	N/A
4.	Net Asset Value (NAV) Method	1.00	(34.38)
Weighted Average Value (INR Lakhs)			(34.38)
No. of Shares			1,72,000
<b>Weighted Average Value per Share (INR)</b>			<b>(19.99)</b>

*\* As per the provisions of Companies Act, 2013, a company cannot issue shares less than its face value. Since the Fair Value per share comes out to be negative, which is less than face value per share of INR 10. Therefore, the face value becomes its fair value.*

In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this Report for the proposed transaction, in our opinion, we recommend the fair value of equity shares of *FCL* at **INR 10 per equity share.**

Yours faithfully,

**Nitish Chaturvedi**

**Registered Valuer**

**IBBI Reg. No.: IBBI/RV/03/2020/12916**

**Place: Mumbai**

**Date: 30<sup>th</sup> March 2023**

***Enclosed:***

***Annexure I: Determination of value per equity share of FCL using Net Asset Value Method***

## VALUATION ANALYSIS AND CONCLUSION

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Yours faithfully,

*Nitish Chaturvedi*  
**Nitish Chaturvedi**  
**Registered Valuer**  
**IBBI Reg. No.: IBBI/RV/03/2020/12916**  
**Place: Mumbai**  
**Date: 30<sup>th</sup> March 2023**



**Enclosed:**

**Annexure I: Determination of value per equity share of *FCL* using Net Asset Value Method**



**Annexure I – Determination of value per equity share of FCL using Net Asset Value method**

<b>Particulars</b>	<b>Amount (INR Lakhs)</b>
Deferred Tax Asset	12.33
Cash and Cash Equivalents	0.49
Other Assets	0.5
Other Current Assets	4.87
<b>Total Assets</b>	<b>18.19</b>
<b>Less: Liabilities</b>	
Borrowings	44.96
Trade Payables	4.27
Other Liabilities	2.45
Short term Provisions	0.14
Other Current Liabilities	0.75
<b>Total Liabilities</b>	<b>52.57</b>
<b>Net Asset Value</b>	<b>(34.38)</b>

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