

# Valuation Analysis For Issue of Equity Shares of Aplab Limited

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09<sup>th</sup> February, 2023

Strictly Private & Confidential



Ref. No.: CPV/RV/2022-23/027

To,  
The Board of Directors  
Aplab Limited  
Plot No. 12, TTC Industrial Area,  
Village Digha Thane Belapur Road Navi Mumbai,  
Thane Maharashtra – 400 708, India

**Subject: Valuation Analysis of Equity Shares of Aplab Limited as per SEBI (ICDR) Regulations.**

Dear Sir/Ma'am,

We, **Corporate Professionals Valuation Services Private Limited**, Insolvency and Bankruptcy Board of India ("IBBI") Registered Valuer ("herein-after-referred as "**Valuer**") have been appointed as valuers by **Aplab Limited ("Company"/"Client")** to assist in the determination of the fair value of equity shares of the Company for issue of Equity Shares of the Company.

The underlying transaction is the issuance of equity shares of the Company to its Promoters in lieu of the Loan taken by the Company from such Promoters. The Company is listed on BSE Ltd (BSE) and is frequently traded on BSE Ltd (BSE). In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, 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 require a valuation report from an independent registered valuer and should be considered for determining the issue price.

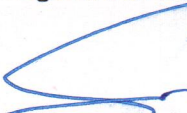
Based on our valuation analysis of equity shares of **Aplab Limited** and subject to the notes and comments provided herein, we hereby certify that the equity value and value per equity share of the Company based on 31<sup>st</sup> December, 2022 financials are **INR 199.08 Million & INR 19.91/-**, respectively.

This certificate is being issued for compliance with the aforesaid regulatory purpose only and the value determined herein would be the minimum price for this purpose. We further undertake that we are an independent valuer having no present and future interest in any transaction of the Company.

Thanking you

Date: 09<sup>th</sup> February, 2023  
Place: New Delhi

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

  
Sanchit Vijay  
(Director)

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## PURPOSE OF VALUATION, SCOPE & LIMITATIONS

### **A. PURPOSE OF VALUATION AND APPOINTING AUTHORITY**

Based on the discussions held with the management and Key Managerial Personnel (KMPs), we understand that the Company is proposing to issue equity shares of the Company to its Promoters in lieu of the Loan taken by the Company from such Promoters. 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, requires valuation from an independent registered valuer and should be considered for determining the issue price. Thus, we, being a Registered Valuer, have been appointed as per the engagement letter dated 06<sup>th</sup> February, 2023, we are issuing this certificate for compliance with the Chapter V of SEBI (ICDR) Regulations.

### **B. IDENTITY OF CLIENT AND OTHER INTENDED USERS**

#### **Aplab Limited**

Plot No. 12, TTC Industrial Area,  
Village Digha Thane Belapur Road Navi Mumbai,  
Thane Maharashtra – 400 708, 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**

Aplab has been serving the global market for almost half a century and offers a wide range of electronic products meeting International standards for safety and reliability such as UL, VDE, etc. The company has multiple product Divisions namely Test and Measurement Instruments, Power Conversion & Controls, UPS Systems, and Banking & Retail Automation.

Aplab is a publicly quoted company on the BSE and has Sales and support offices in more than 50 cities across India!

Aplab enjoys worldwide recognition for the quality of its products, its business integrity, and innovative engineering skills. It is today a globally preferred source for test and measurement products and power systems.

### **E. SCOPE OF WORK**

- **Date of Appointment** – 06<sup>th</sup> February, 2023
- **Valuation Date** – Based on 31<sup>st</sup> December, 2022 financials
- **Date of Report** – 09<sup>th</sup> February, 2023
- **Base of value** – Fair Value
- **Valuation Currency** – INR

### **F. PROCEDURES ADOPTED AND VALUATION STANDARDS FOLLOWED**

We have performed this valuation following the internationally accepted valuation standards and customary valuation practices in India for such purposes.



**G. NATURE AND SOURCES OF INFORMATION USED OR RELIED UPON**

We have reviewed the following documents including but not limited to:

- Discussions with the KMPs;
- Unaudited Balance Sheet for the period ended December 31<sup>st</sup>, 2022, and Unaudited Profit and Loss Statement for 9 months period ended December 31<sup>st</sup>, 2022;
- Management Certified Future Projections of the Company for a period beginning January 01<sup>st</sup>, 2023, and ending March 31<sup>st</sup>, 2029;
- Damodaran database and other information in the public domain, and;
- Management Representation.

**H. EXTENT OF THE 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 been taken due care in preparation of such forecasts of financial statements and the same may be considered as true and fair view of the expected business plan of the company.



**EXECUTIVE SUMMARY**

**About the Company**

Aplab has been serving the global market for almost half a century and offers a wide range of electronic products meeting International standards for safety and reliability such as UL, VDE, etc. The company has multiple product Divisions namely Test and Measurement Instruments, Power Conversion & Controls, UPS Systems, and Banking & Retail Automation.

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Aplab enjoys worldwide recognition for the quality of its products, its business integrity, and its innovative engineering skills. It is today a globally preferred source for test and measurement products and power systems.

**Unaudited Balance Sheet for the period ended 31<sup>st</sup> December, 2022**

Particulars	Amount in INR Million
Equity Share Capital	100.00
Other Equity	(367.10)
<b>Total Equity</b>	<b>(267.10)</b>
Non-Current Liabilities	106.64
Current Liabilities	817.17
<b>Total Equity &amp; Liabilities</b>	<b>656.71</b>
Non-Current Assets	288.71
Current Assets	368.00
<b>Total Assets</b>	<b>656.71</b>

**Unaudited Profit and Loss Statement for the 9 months ended 31<sup>st</sup> December, 2022**

Particulars	Amount in INR Million
Revenue from Operations	329.98
Other Income	4.08
<b>Total Income</b>	<b>334.06</b>
Other Expenses	348.36
<b>EBITDA</b>	<b>(14.29)</b>
Depreciation and Amortization Expenses	3.67
<b>EBIT</b>	<b>(17.96)</b>
Finance Cost	20.83
<b>Profit Before Tax (PBT)</b>	<b>(38.79)</b>



**EQUITY VALUATION METHODOLOGIES AND VALUE CONCLUSION**

Valuation Approaches and Workings

There are three approaches to Valuation namely Income, Asset, and Market Approaches.

Approach	Valuation Methodologies	Basis of Consideration
Asset	Net Asset Value (NAV) Method	<p>The Asset-based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on a Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. However, this methodology recognizes the cost of assets only without recognizing their earning potential, present earnings, the comparative financial performance of its peers, and their enterprise values, etc.</p> <p><b>The Company is engaged in the Manufacturing of Electrical Equipment, so, its risk and return can be better analyzed by the cash flow of the business; therefore, we have not applied this methodology for the valuation.</b></p>
Market	Comparable Companies Multiples (CCM) Method	<p>This methodology uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance (e.g. Revenue, EBITDA, EBIT, Earnings per Share, or Book Value) as compared to its peers. A key benefit of Comparable Company Market Multiple analysis is that the methodology is based on the current market stock price of multiple companies in the same industry or sector. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs.</p> <p><b>In the instant case, as per the Management of the Company, there is no Listed Company with whom Aplab can be compared since the Company has been manufacturing a variety of electronic equipment i.e. UPS, Test &amp; Measuring Instruments, Power Conversion &amp; Control, Banking Automation, Education products for Export, etc. are the product line hence there is no comparable company. Thus, we deemed it suitable to avoid this methodology for the Valuation exercise.</b></p>
Income	Discounted Free Cash Flow (DFCF) Method	<p>The DFCF method expresses the present value of the business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. The value of the firm is arrived at by estimating the Free Cash Flows (FCF) to the Firm and discounting the same with the Weighted Average cost of capital (WACC). The DFCF methodology is considered to be 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 met.</p> <p><b>We have considered this methodology for the calculation of the fair equity value of the Company based on its cash flows. After considering its business plan, We 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.</b></p>



Computation of Equity values based on 31<sup>st</sup> December, 2022 financials

Method of Valuation

Discounted Free Cash Flow Analysis (DFCF) Working:

Discounted Free Cash Flow Analysis - Aplab Limited								
WACC :	10.82%		Amount In INR Million					
Growth Rate :	5.00%							
FY	2023 (3 months)	2024	2025	2026	2027	2028	2029	Terminal
Particulars								
Turnover	262.53	908.77	1,263.19	1,623.20	1,988.41	2,356.27	2,733.28	
Other Income	1.29	5.91	6.50	8.12	10.15	12.69	15.86	
PBT (Excluding Other income/Exceptional items)	43.74	8.32	20.16	35.12	54.05	76.85	103.49	
Less: Direct Taxes Paid	-	-	-	-	-	-	25.00	
<b>PAT (Excluding Other income/Exceptional items)</b>	<b>43.74</b>	<b>8.32</b>	<b>20.16</b>	<b>35.12</b>	<b>54.05</b>	<b>76.85</b>	<b>78.48</b>	
Add: Depreciation	-	3.12	2.65	2.25	1.92	1.63	1.38	
Less: Capital Expenditure	0.43	-	-	-	-	-	-	
Add: Interest (Post-tax)	6.50	22.00	22.00	22.00	22.00	22.00	16.68	
Less: Change in Non-Cash Working Capital	19.12	63.95	71.67	72.80	73.85	74.39	76.24	
<b>Free Cash Flows to Firm</b>	<b>30.68</b>	<b>(30.52)</b>	<b>(26.86)</b>	<b>(13.43)</b>	<b>4.11</b>	<b>26.09</b>	<b>20.31</b>	<b>1,222.50</b>
Mid-Year Discounting Factor	0.99	0.93	0.84	0.75	0.68	0.61	0.55	0.55
Present value of Cash flow	30.28	(28.25)	(22.44)	(10.12)	2.79	16.01	11.25	677.04
<b>Enterprise Value</b>	<b>676.56</b>							
Add: Cash and Cash Equivalents	18.48							
Add: Investment Properties	1.07							
Add: Investments	0.27							
Less: Borrowings	497.30							
<b>Equity Value</b>	<b>199.08</b>							
No of Shares as on 31.12.2022	10,000,000							
<b>Per Share Equity Value</b>	<b>19.91</b>							

**Notes:**

- For the valuation of equity shares through DCF methodology, we have relied upon the projections provided by the management for the period beginning January 01, 2023 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.
- Furthermore, we have relied on the Non-Cash Working Capital/Sales Ratio of the Industry (Electrical Equipment) from the Damodaran Databases i.e. 20.22% as the Current Non-Cash Working Capital/Sales Ratio is too high (i.e. 27.54%) resulting in Negative Equity Value of the Company.
- The Market Value as on 30.12.2022 of the Investments (Quoted Shares) is considered for the determination of the Equity Value of the Company because it was Saturday as on 31.12.2022.





DFCF Assumptions:

Particulars	Notes	
Risk-free rate (Rf) as on 30.12.2022	7.33%	Considering of long-term Indian government bond rate
Market Rate of Return	15.20%	BSE Sensex return on a long-term basis
Industry Beta... ( $\beta$ )	1.00	We have taken the Levered beta as 1.00 as there are no identifiable listed peers of the Company available in the market.
Additional Company Specific (including Small Companies) Risk Premium (unsystematic risk) (CSRP)	0.00%	We have given a 0.00% additional risk premium looking into the company profile, financial structure, and ROI that investors will look into while investing in this type of company. This is also dependent upon the level of aggressiveness of the future cash flows and the present scenario of the country and the company environment in which it is operating.
<b>Cost of Equity (Ke)</b>	<b>15.20%</b>	<b>As per Modified CAPM model i.e. <math>[Ke = Rf + \beta(Rm - Rf) + CSRP]</math></b>
Cost of Debt	13.20%	As represented by the management of the Company.
Equity portion in capital structure	17.77%	We have considered the Future Estimated Debt Equity Ratio of the Company for the FY 2023 as the Current Debt Equity Ratio is negative.
<b>WACC</b>	<b>10.82%</b>	<b><math>WACC = (Ke * \% \text{ Equity in Capital Structure}) + (\text{Cost of Debt} * \% \text{ Debt in Capital Structure} * (1 - \text{Tax Rate}))</math></b>
Growth Rate	5.00%	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 emphasized 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, investment opportunity, etc. Accordingly, for perpetuity, we have considered a 5% growth rate.

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 fair value of equity of the Company & Value per equity share at INR 199.08 Million & INR 19.91/-.

**CONCLUSION**

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 Fair Value per Equity Share at INR 19.91/- respectively. However, as per Regulation 164 of SEBI ICDR Regulation, 2018, "Market Price (90 Trading Days – 10 Trading Days)", the Value per Equity Share is INR 22.40/-.

Hence, the company shall consider the price that is higher for the issuance of Equity Shares of the Company i.e. INR 22.40/- per share.



**CAVEATS**

- This Valuation Report has been issued on the specific request of “**Aplab Limited**” for determining the value of the Equity Share of the Company under the SEBI (ICDR) Regulations. This Report is prepared exclusively for the above-stated purpose and must not be copied, disclosed or 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 legal nature.
- Following 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 look into 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 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 or otherwise of entering into the proposed transaction.



## ANNEXURE

The shares of the Company are listed on BSE LTD (BSE). We understand that the shares of the Company are frequently traded on BSE LTD (BSE). Thus, we have arrived at the equity value of the Company as per Regulation 33 of the Securities and Exchange Board of India ("SEBI") (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 which refers to Regulation 164 of SEBI ICDR Regulation, 2018, which provides that in case of frequently traded shares listed on a recognized stock exchange for a period of 90 trading days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- 90 trading days volume weighted average price (VWAP) of the related equity shares quoted on the recognized stock exchange preceding the relevant date; or,
- 10 trading days volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date.

Particular	Details
Total Value of the Shares trading of 90 TD	19,975,049.00
Total No. of shares Traded in 90 TD	891,834
90 TD VWAP	22.40
Total Value of the Shares trading of 10 TD	1,291,060.00
Total of No. of Shares Traded in 10 TD	59,930
10 TD VWAP	21.54
Maximum price (INR)	22.40
Number of Equity Shares	10,000,000
Total Equity Value (INR)	223,977,208.76
Total Equity Value (INR Mn)	223.98

**Note:**

We have considered 09<sup>th</sup> February, 2023 as the relevant date for the calculation of the Equity Value of the Company.

***We have arrived at the equity valuation of Company as on 09<sup>th</sup> February, 2023 which is INR 223.98 Million & Value per Equity Share is INR 22.40/-***

