

VALUATION REPORT
TEMBO GLOBAL INDUSTRIES LIMITED
As on May 22, 2023

Ms. Sayali Deshkar
Chartered Accountant
Membership Number 132663
Registered Valuer - (Securities or Financial Assets)
Reg. No. IBBI/RV/07/2019/12246

SAYALI DESHKAR

Chartered Accountant & Registered Valuer (IBBI)

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Date: 24th May 2023

To,

The Board of Directors

TEMBO GLOBAL INDUSTRIES LIMITED

Plot No- Pap D- 146/ 147, TTC MIDC,

Turbhe, Navi Mumbai, Mumbai City Mh 400705

Dear Sirs,

Reference: Recommendation of Fair Value of equity

This is with reference to the engagement letter dated 17th May 2023 and discussions held wherein Ms. Sayali Deshkar (referred to as 'Valuer' or 'we' or 'us') have been given to understand that the Management of Tembo Global Industries Limited (hereinafter referred to as the 'Client'/'Company') is contemplating to issue share warrants on a preferential allotment basis. For this purpose, a business valuation exercise needs to be carried out pursuant to the requirements of Section 42, 55 and 62(1)(c) of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014.

In accordance with Regulation 166A of the SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) Regulations, 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 for determining the price

In connection with the above, the management of the Company has requested us to render professional services by way of recommendation of fair value of the equity shares as on date for compliance with these requirements in our capacity as a Registered Valuer.

As requested we have carried out a valuation of the business of the Company as at the Valuation Date with a view to recommend the fair value of the equity shares. We are pleased to present herewith our report on the same.

On the basis of the methodology specified in the report attached herewith, in our assessment, the fair value of the equity shares is **INR 190.21/-** per share on the valuation date.

Yours Truly,

Ms. Sayali Deshkar
Chartered Accountant
Membership Number 132663
Registered Valuer - (Securities or Financial Assets)
Reg. No. IBBI/RV/07/2019/12246

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VALUATION REPORT

1. BACKGROUND

Tembo Global Industries Limited (hereinafter referred as 'the client' or 'the Company') is a Public Limited Company incorporated on 16th June 2010 under the Companies Act, 1956 having CIN L24100MH2010PLC204331 and registered office at Mumbai.

The Company is listed on the Main Board Platform of National Stock Exchange at Mumbai.

The main objects of the Company are manufacturing steel products having similar economic characteristics, primarily with operations in India.

The Company is engaged in varied product portfolio and a wide scope including jobbing, machining, manufacturing and fabrication of various engineering goods, steel products, nuts, bolts, various types of clamps, saddle hose clamps, various types of hangers, various types of Bolts etc.

Further company's product portfolio includes all types of bathroom pipes, fittings, bathroom accessories and sanitary wares and would be channeled for company's business and future expansion, if any. The company has dedicated divisions for marketing different types of products and for different geographical locations.

The sales division and export division are responsible for marketing of company's products. All the divisions have well trained and adequate teams to handle daily activities and are supervised regularly. While the economic climate throughout the industry has remained challenging during past few years, the company has undertaken major reforms, has kept up the developments in projects and also tried to evolve with the changing market. The Company has taken up several initiatives to embrace growth by aggressive business strategies and new business models.

The authorised share capital of the Company as on the date of valuation is INR 22,00,00,000 (Twenty Two Crore) divided into 2,20,00,000 equity shares of INR 10/- each.

The paid up capital of the company as on the date of valuation is INR 11,10,37,460/- (Rupees Eleven Crore Ten Lakhs Thirty Seven Thousand Four Hundred Sixty only) divided into 1,11,03,746 equity shares of INR 10/- each.

The Company has two foreign subsidiaries namely Tembo Global LLC and Tembo USA Inc and has investments in Saketh Seven Star Industries Limited, an Associate company.

The details of the Board of Directors and Key Managerial Persons as on date of valuation is given below:

DIN/DPIN/PAN	Name	Designation	Date of Appointment
01958033	Sanjay Jashbhai Patel	Managing Director	21/01/2011
06982324	Fatema Shabbir Kachwala	Wholetime Director	23/02/2021
AEAPM7675K	Shabbir Huseni Merchant	CFO(KMP)	20/12/2017
08579598	Shalin Sanjay Patel	Director	31/07/2020
08017248	Jasbir Singh Jaswant Singh Anand	Director	26/12/2017
07825744	Jehan Darayus Variava	Director	26/12/2017
00348305	Smita Patel	Additional Director	30/01/2023
06982324	Fatema Shabbir Kachwala	Additional Director	23/02/2021
07052896	Raman Talwar	Additional Director	13/03/2023
08242466	Kaushik Waghela	Additional Director	13/03/2023
010065699	Karan Shinde	Additional Director	13/03/2023
BWRPM3646Q	Tasneem Husain Marfatia	Company Secretary	30/09/2019

I, Sayali Nikhil Deshkar, am a Registered Valuer, registered with the Insolvency Bankruptcy Board of India (IBBI) under the Asset Class – Securities or Financial Assets vide registration number IBBI/RV/07/2019/12246 and an Associate Chartered Accountant having membership number 132663 holding a Certificate of Practice from the Institute of Chartered Accountants of India.

2. TERMS OF REFERENCE

Based on the discussions held with the management we understand that the company intends to issue share warrants on a preferential allotment basis in terms of Section 42, 55 and 62(1)(c) of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014.

In accordance with Regulation 166A of the SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) Regulations, 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 for determining the price.

A valuation report is required from a Registered Valuer in order to comply with the provisions of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014 and Regulation 166A of the SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) Regulations.

In connection with the above, the management of the Company has requested us to render professional services by way of recommendation of fair value of the shares for the proposed transaction in our capacity as a Registered Valuer. We have been engaged to conduct an

independent valuation of the equity shares of the Company on “as is where is”, “going concern basis” with a view to recommend the fair value of the shares of the Company for this purpose.

3. ASSUMPTIONS

The valuation report provided by us is aimed to arrive at an indicative value analysis of the Client depending on various factors specific to the Company such as historically reported financial performance, financial projections, future business outlook, value of assets, the valuation methodology used, the various assumptions etc. and it is a subjective exercise. The opinion of value given in this report is based on information provided by the Company and other sources as listed in the report. This information is assumed to be accurate and complete.

We have relied on the representations contained in the public domain and other documents in our possession concerning the value and useful conditions of all investments in securities or partnership interests, and other assets or liabilities except as specifically stated to the contrary in this report.

We have also assumed that the business will be operated prudently and that there are no unforeseen adverse changes in the economic conditions affecting the business, the market or the industry. This report presumes that the management of the Company will maintain the character and integrity of the Company through any sale, re-organisation or reduction of any owner’s participation in the existing activities of the Company.

We have been informed by the management that there are no environmental problems, any significant law suits, or any other undisclosed contingent liabilities which may potentially affect the business, except as may be disclosed elsewhere in the report. We have assumed that no costs or expenses will be incurred in connection with such liabilities except as explicitly stated in this report. This report is issued on the understanding that the Client has drawn our attention to all the matters, which they are aware of, concerning the financial position of the Company and any other matters, which may have an impact on the indicative valuation exercise. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We have, however, used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. The valuation analyst, by reason of performing this valuation, is not required to give testimony nor is to be in attendance in court or any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the analyst regarding such additional engagement.

We have been provided with adequate information and sufficient time to carry out the valuation exercise.

In view of the COVID Pandemic, we have discussed with the management regarding the reliability of the balances reflected in the financial statements, the future forecasts and all other information to ensure that the effects of the Pandemic on the business operations, revenue and profitability have been taken into account.

The fee for the preparation of this report is not contingent to or dependent on the reported value of the shares of the company. We acknowledge that we do not have any present or contemplated financial interest in the Company.

The information contained herein and our report is absolutely confidential. It is intended only for the sole use and the proposed requirement of the company as described in the terms of reference.

4. LIMITATIONS

Our work does not constitute an audit in accordance with the generally accepted auditing standards or an examination of internal controls or other attestation or review services. Accordingly we are unable to and do not express an opinion or any form of assurance on the financial projections or any financial or other information or any operational data and internal controls of the company. No responsibility is assumed for matters of a legal nature. We were not required to carry out a legal due diligence review.

The reader of this report should be aware that business valuation is based on future earning potential that may or may not materialize. Any financial projection e.g. projected Balance Sheet, projected Profit and loss account, projected cash flow statement as presented in this report is included solely to assist in the development of the value conclusion. The actual results may vary from the projections given and the variations may be material which may change the overall value.

Valuation analysis and result are specific to the purpose of valuation and the valuation date that is agreed with us. It may not be valid 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 valuation arrived at in this report is based on the methodology outlined and assumptions listed. It is not representative of market value which may be realized, as market value is dependent on capital market conditions, industry forecasts, enterprise value and several other factors.

This report is only to be used in its entirety and for the purpose stated in the report. No third party should rely on the information or data contained in this report without the advice of a Business Expert, Registered Valuer, Accountant or Legal Advisor.

5. SOURCES OF INFORMATION

- Audited Financial Statements of the Company for the financial year ended 31st March 2022.
- Provisional unaudited Financial Statements of the Company for the period ended 31st March 2023.
- Management financial projections and plans for the financial years 2023-24 to 2027-28 and assumptions for arriving at the said financial projections.
- Memorandum and Articles of Association of the Company.
- Other relevant documents and information as furnished by the Company in accordance with the Management Representation Letter dated 24th May 2023.
- Discussions with the executives and management of the Company and the information available in the public domain.

6. VALUATION DATE

The analysis of the fair value of the equity has been carried out as on 22nd May 2023.

7. VALUATION STANDARDS

The report has been prepared in compliance with International Valuation Standards issued by the International Valuation Standards Board and more specifically in terms of International Valuation Standard 500, Financial Instruments ('IVS 500') and other Relevant standards i.e. Indian Accounting Standard (IND AS) 102, Share Based Payment, IND AS 103, Financial Instruments, IND AS 113, Fair Value Measurement and other applicable valuation norms.

8. VALUATION METHODOLOGY

The standard of value used in the analysis is 'Fair Value' which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation of business is not an exact science and ultimately depends upon what is worth to a serious investor or buyer who may be prepared to pay substantial goodwill.

There are various approaches which may be used for valuation of a public company:

- The Income Approach
- The Market Approach
- The Cost or Asset Approach

In performing a valuation exercise, the valuer should consider all three approaches and select the most appropriate approach. The selection would involve consideration of various factors such as the history, nature, stage of the development of the company, the nature of its assets and liabilities,

its capital structure, the availability of reliable, comparable and verifiable data that will be required to perform the analysis and also the purpose of the valuation.

Income Approach – Discounted Cash Flow (DCF) Method (Refer Annexure 1)

Discounted Cash Flow Method ('DCF') is a widely used method for valuation of Companies. As per this method, Value is defined as:

Value = present value of future cash flow than can be withdrawn from the company

The value so derived is not impacted by accounting practices, as it is based on cash flows and not the accounting profit. This method involves the following steps:

- Projecting the cash flows that are available to the enterprise, i.e. Free Cash Flows to Firm ('FCFF') for a foreseeable future. Generally FCFF forecasts are developed for a period of 3 to 6 years depending upon the operations of the company and the availability of reliable estimates.
- FCFF is calculated as Earnings before Interest, tax and depreciation (EBITDA) add/less cash outflow due changes in working capital and capital expenditure requirement less Tax on earnings before Interest.
- It is also required to estimate the terminal equity value i.e. an estimate of the enterprise value of the company at the end of the forecast period. This value is generally calculated by assuming an implicit growth rate till perpetuity and capitalization the free cash flows corresponding to the last year in the forecast period.
- Selection of the discount rate reflects the expected rate of return (adjusted for risks associated with the investment) to prospective investors in similar investment opportunities. The Weighted Average Cost of Capital ('WACC') is used as the indicator of the relevant discount rate and is defined as the weighted combination of the Cost of Equity Capital and the Cost of Debt Capital.

The Cost of Equity Capital as per the Capital Asset Pricing Model is expressed as:

$$K_e = r_f + (H * r_{pm})$$

Where

k_e = cost of equity financing

r_f = Risk free rate of return

H = Beta, a measure of risk associated with the company

r_{pm} = Market risk Premium ($r_m - r_f$)

r_m = Expected Market Return

We have based our calculations on the consolidated projected Cash flows of the Company.

The fair value per equity share of the company as per DCF method is approximately **INR 220.98/-**

Market Approach

Profit Earning Capacity Value (“PECV”) (Refer Annexure 2)

Under this methodology, capitalization rates of comparable listed companies are computed and applied to the business being valued in order to arrive at a capitalization rate based valuation. The listed comparable Companies are freely traded in the market; thus, it can be expected that the market gives better approximation of the fair valuations to these Companies on which Valuations are made.

This Market Approach is based mainly on the average capitalization rate and average earnings of the company after tax.

Under this method PECV Per Share is calculated by applying average peer capitalization rate to average earnings of the company after tax and then dividing PECV value arrived by Outstanding Shares of the company as on valuation date.

Based on this approach, the PECV value of equity is 159.41 crores and The fair value per Equity Share of the company as per PECV method is approximately **INR 143.56/-**

Market Price Method

Under this method, we have calculated the fair market value by using the 31 days volume weighted average price of the Equity shares of the company quoted on the National Stock Exchange (NSE).

The fair value per equity share of the company as per the Market Price Method is approximately **INR 209.59/-**

Cost or Asset Approach – Book Value Method (Refer Annexure 3)

The value arrived at under this approach may be defined as Shareholders’ Funds or Net Assets owned by the business. It is calculated by deriving at Shareholders’ Funds by adding Equity Share Capital and Other Equity. The asset-based approach derives an indication of value based on anticipated cost to replace, replicate, or recreate the assets. It is often considered as “Floor Value”. In this approach, the balance sheet values can be adjusted for any contingent liabilities that can be likely to materialise. This approach shows how much value Equity holders hold in the books of the company.

We have based our calculations on the unaudited Consolidated Financial Statements of the Company as on 31st March 2023 to arrive at Shareholders’ Funds.

The value per Equity Share of the company as per Net Assets Value Method is approximately **INR 36.20/-**.

9. SELECTION OF VALUATION APPROACHES AND WEIGHTS ASSIGNED

In our analysis, we have taken into consideration the market factors, past performance and future income and cash-generating ability of the Company. All three approaches (Income/Asset/Market) have been considered in our valuation. Under market approach, we have used Capitalization of Earning Method (PECV) method and Market Price Method for to reach at the Fair Equity value. Under Net Assets approach, we have used Shareholder's Fund for arriving at Equity value. Under Income approach, we have considered valuation based on Discounted Free Cash Flows.

Considering the information available, stage of business, market outlook, and our professional judgement, we have assigned following weights to the three methods as given below:

Method	Weights
Income Approach	40.00%
PECV Method	10.00%
Market Price Method	40.00%
Asset Approach	10.00%
Total	100%

The Final Valuation is derived as below:

Valuation Approach	Valuation Methods	Weights	Equity Valuation (INR Lakhs)	Number of Shares	Value per Share (INR)	Weighted Valuation (INR)
Income Approach	Discounted Cash Flow (DCF)	40.00%	24,537.20	1,11,03,746	220.98	88.39
Market Approach	Capitalization of Earning Method (PECV)	10.00%	15,940.86	1,11,03,746	143.56	14.36
Market Approach	Market Price	40.00%	-	-	209.59	83.84
Asset Approach	Book Value	10.00%	4,019.72	1,11,03,746	36.20	3.62
Total		100.00%				190.21

10. OPINION

On the basis of the methodology specified above, in our assessment, the fair value of the equity shares is **INR 190.21/-** each on the valuation date.

Ms. Sayali Deshkar
Chartered Accountant
Membership Number 132663
Registered Valuer - (Securities or Financial Assets)
Reg. No. IBBI/RV/07/2019/12246
Date: 24th May 2023
UDIN: 23132663BQVBAM5441

ANNEXURE 1
CALCULATION OF VALUE PER SHARE USING DISCOUNTED CASH FLOW METHOD

CALCULATION OF FREE CASH FLOWS AND FAIR VALUE PER SHARE

TEMBO GLOBAL INDUSTRIES LTD						
(All figures are in INR lacs unless otherwise stated)						
Particulars	2023-24	2024-25	2025-26	2026-27	2027-28	
EBT	2,332.15	3,042.71	4,258.45	4,854.24	5,554.40	
Add: Interest	401.63	421.71	442.79	464.93	488.18	
Add: Depreciation	251.19	301.43	331.57	348.15	365.56	
Less: Income tax	587.00	765.85	1,071.85	1,221.81	1,398.04	
Cash flows from operations	2,397.97	3,000.00	3,960.96	4,445.51	5,010.10	
Add:						
(Purchase)/Sale of fixed assets	(560.05)	(3,170.54)	(253.12)	(1,017.09)	(1,150.36)	
(Increase)/Decrease in net working capital	(2,112.27)	(2,010.42)	(2,510.44)	(1,867.65)	(1,989.04)	
Free Cash flow to equity (FCFE)	(274.35)	(2,180.96)	1,197.40	1,560.76	1,870.70	
Terminal Value						41,327.15
Time factor	1.00	2.00	3.00	4.00	5.00	5.00
Discounting Factors (11.32%)	0.90	0.81	0.72	0.65	0.58	0.58
NPV	(246.45)	(1,759.93)	867.98	1,016.32	1,094.26	24,174.32
Value of Operations						25,146.52
Add: Cash and Cash Equivalents as on Valuation Date						47.65
Other Non Operating Assets						109.53
Enterprise value						25,303.70
Less: Debt as on Valuation date						766.50
Equity value						24,537.00
No of equity shares (Actual Numbers)						1,11,03,746
Value per share (INR)						220.98

CALCULATION OF WEIGHTED AVERAGE COST OF CAPITAL (WACC)

WACC = (Weightage to Equity x Cost of Equity) + (Weightage to Debt after Tax (1-Tax Rate %) Cost of Debt)

Calculation of Cost of Equity: It is derived using the **Capital Asset Pricing Model** and is calculated by using following calculation: **Rf + Beta * Equity Risk Premium**. The Risk-Free rate of return is considered based on yield on long term government securities.

Beta	0.76
Risk Free Return	7.32%
Market Return	13.89%
Risk Premium (Market Return less Risk Free return)	6.58%
Cost of Equity using CAPM	12.33%

- The beta considered for the purpose of WACC is the 5 year average beta for the Company – Source – investing.com
- Risk Free rate of Return is return on RBI 10-year G-Sec bond rate yields
- Market Return is derived from the BSE 500 S&P Index Returns since inception

Calculation of Cost of Debt:

Particulars	Amount (INR Lacs)	Pre tax cost (INR Lacs)	Interest Rate %
Total Debt	4,061.19	326.49	8.04%
Tax Rate			25.17%
Post-tax cost of Debt (Interest Rate - (1 - Tax Rate))			6.02%

Calculation of Weighted Average Cost of Capital (WACC):

WACC = (Weightage to Equity x Cost of Equity) + (Weightage to Debt after Tax (1-Tax Rate %) Cost of Debt)

Sources of Fund	Cost %	Weights	Weighted Cost
Debt	6.02%	0.16	0.96%
Equity	12.33%	0.84	10.36%
WACC based on CAPM			11.32%

CALCULATION OF TERMINAL VALUE

Particulars	Amount (INR Lacs)
Free Cash Flow for the year 2027-2028	1,870.70
Growth Rate	6.50%
Free Cash Flow for the year 2028-2029 = Free Cash Flow (Year 2027-28) *(1+g)	1,992.29
WACC	11.32%
WACC less growth rate	4.82%
Terminal Value = Free Cash Flow (Year 2027-28) *(1+g)/ (WACC-g)	41,327.15

- It has been assumed that after the explicit forecast period, the business will continue to grow at the rate of 6.50% p.a.

ANNEXURE 2	
CALCULATION OF VALUE PER SHARE USING MARKET APPROACH	
Capitalization of Earning Method (PECV)	
<u>Particulars</u>	<u>Amount (INR Lacs)</u>
PAT Consolidated Basis -	
2022-2023	595.00
2021-2022	315.34
2020-2021	234.89
Average PAT (INR Lakhs)	381.74
*Average Peer Capitalization Rate	2.39
PECV (INR Lakhs)	15,940.86
Outstanding Shares	1,11,03,746
PECV Per Share (INR)	143.56

*Average Capitalisation rate of Peer listed companies operating in similar line of business - *Source: Money control.com*

ANNEXURE 3

CALCULATION OF BOOK VALUE OF EQUITY SHARES BASED ON THE SHAREHOLDER'S FUNDS AS PER THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS ON 31.03.2023

Sr No	Particulars	Amount (INR Lakhs)
I	Equity	
1.	Equity Share Capital	1,110.37
2.	Other Equity	2,909.35
	Shareholder's Fund	4,019.72
	Outstanding Shares (Actual Numbers)	1,11,03,746
	Book Value per share (INR)	36.20