

February 28, 2023

To:

The Board of Directors
PARAG FANS AND COOLING SYSTEMS LIMITED
1/2 & 1B/3A INDUSTRIAL AREA
NO. 1 A B ROAD
DEWAS 455001
Madhya Pradesh

Dear Sirs,

Sub: Valuation Report on the Fair Value of Equity Shares of PARAG FANS AND COOLING SYSTEMS LIMITED for issue of Equity Shares for raising capital.

In terms of the Engagement Letter dated 25th February 2023, we have been requested by the Management of M/s PARAG FANS AND COOLING SYSTEMS LIMITED (in short PFCSL) to provide Valuation Report as to the Fair Value of Equity Shares for the purpose of fresh issue of equity shares as on 24-Feb-2023.

1. Background of the Company:

PFCSL was incorporated during the month of 14-Nov-1991 at ROC - Gwalior with CIN U51102MP1991PLC006760. The Registered Office of the Company is situated at 1/2 & 1B/3A INDUSTRIAL AREA NO.1, A B ROAD, DEWAS 455001, Madhya Pradesh. PFCSL India's largest and one of the world's leading manufacturers of High-Efficiency Axial Flow FRP (Fibre Glass Reinforced Plastic) Fans and other related components. The Master Data extract from MCA website is reproduced below:

Company Master Data	
CIN	U51102MP1991PLC006760
Company / LLP Name	PARAG FANS AND COOLING SYSTEMS LIMITED
ROC Code	RoC-Gwalior
Registration Number	006760
Company Category	Company limited by Shares
Company Sub-Category	Non-govt company
Class of Company	Public
Authorised Capital (Rs)	60000000

Paid up Capital (Rs)	49912000
Number of Members (Applicable in case of company without Share Capital)	0
Date of Incorporation	14/11/1991
Registered Address	1/2 & 1B/3A INDUSTRIAL AREA NO. 1 A B ROAD DEWAS MP 455001 IN
Email Id	info@paragfans.com
Whether Listed or not	Unlisted
Date of last AGM	26/09/2022
Date of Balance Sheet	31/03/2022
Company Status (for e-filing)	Active

Charges				
Assets under charge	Charge Amount	Date of Creation	Date of Modification	Status
	600000	21/02/1994	28/07/1995	CLOSED
	10560000	29/08/1998	-	CLOSED
Immovable property or any interest therein	1500000	07/08/1995	04/09/1996	CLOSED
Immovable property or any interest therein	800000	21/02/1994	28/07/1995	CLOSED
Immovable property or any interest therein	1000000	04/09/1996	07/09/1996	CLOSED
	2500000	04/09/1996	07/09/1996	CLOSED
Immovable property or any interest therein	2000000	20/10/1995	07/09/1996	CLOSED
Movable property (not being pledge)	4440000	06/12/2012	-	OPEN
Book debts	500000	28/07/1995	04/09/1999	CLOSED
Immovable property or any interest therein; Book debts; Movable property (not being pledge)	59100000	11/05/2002	25/06/2020	OPEN
Immovable property or any interest therein; Book debts; Movable property (not being pledge)	7000000	22/12/2021	-	OPEN

Directors/Signatory Details			
DIN/PAN	Name	Begin date	End date

0000017285	VIJAI SINGH BHARAKTIYA	06/12/2012	-
0000979809	SANDEEP SURENDRAKUMAR BADJATIA	10/12/2008	-
0002566355	UMESH NAMBIAR	04/02/2009	-
0002566436	DEEPAK PAGNIS	04/02/2009	-
0007501398	SURENDRAKUMAR BADJATIA	18/01/2017	-
0007501462	RUKMINI BADJATIA	18/01/2017	-
AQOPC9875H	POOJA CHAUHAN	06/12/2022	-
ACQPT4590E	GAJENDRA MADHUKAR TAKWALE	01/09/2014	-

1. Purpose of Valuation:

The purpose of this valuation report is to arrive at a fair value of equity shares of the company as on the valuation date for the purpose of fresh issue of equity shares. Accordingly, as per the request received from the Management of the PARAG FANS AND COOLING SYSTEMS LIMITED, we are evaluating the valuation of the Company. The information contained herein and our report is confidential. It is intended only for the sole use and information of the Company, and only in connection with the purpose mentioned above. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the purpose as aforesaid, can be done only with our prior permission of the valuer in writing.

2. Date of Valuation:

The effective date of Valuation is **24-February-2023**.

3. About the Valuer:

Mr. Girish Kambadaraya is a valuer registered with Insolvency and Bankruptcy Board of India (IBBI) vide Registration No.: **IBBI/RV/04/2019/11649** for the **Asset Class - Securities or Financial Assets**.

4. Disclosure of Valuer's interest and conflict:

The Valuer is not related to the Company or its promoters or its director or their relatives, the valuer has not any interest or confliction of interest with respect to the valuation under consideration.

The Professional Fee for this valuation is based upon the normal billing rates and not contingent upon the results or the value of the business or in any other manner.

5. Sources of information:

We were provided with the following information by the management of the Company for the valuation purpose as aforesaid:

- Brief background of the business of the company.
- Audited Financial Statements for the year ended 31st March, 2022
- Provisional Financial Statements for the period 1-Apr-22 to 24-Feb-23.
- Information available on public domain

6. Capital Structure of the Company:

The Company is having Authorized Share Capital of Rs. 6,00,00,000/- divided into 60,00,000 Equity Shares of Rs.10/- each and the Paid Share Capital of Rs.4,99,12,000/- divided into 49,91,200 Equity Shares of Rs.10/- each.

7. Financial Statements of the Company:

We have been provided with the financials statements of the Company for the year ending 31st March 2022 and also the provisional financials as on 23-Feb-2023. On perusal of the financial statements of the Company and also the valuation reports referred above, it is noticed that the Company is having huge asset base which needs to be considered in valuation of the business.

8. General Principle for Valuation:

There is no single definition of the term 'Value' that is suitable for all purposes or at all times. The value of a particular asset may vary according to different valuation methodologies that are adopted to ascertain the value for a specific purpose. Valuation of securities is an inexact science. It may sometimes involve a set of judgments and assumptions that may be subject to certain uncertainties. Broadly there are three approaches of Valuations which are as follows:

- a) "Net Asset Value" approach

- b) "Income" approach
- c) "Market" Approach

IN SUMMARY: The application of any method of valuation depends on the purpose for which the valuation exercise is performed; relevance of each method under the circumstances of the case and other factors as determined appropriate.

9. Selection of Valuation Methodology:

The objective of the valuation process is to make a best reasonable judgment of the value of the Shares of the Company. The best reasonable judgment of the value will be referred to as the Fair Value. Valuation is not an exact science and is dependent on various factors such as specific nature of business, economic life cycle in which the industry and company is operating, past financial performance of the business, future growth potential of the business, business model, management of the company, relevance of technology in the business model, liquidity of equity and much more. The results of the valuation exercise may vary significantly depending on the basis used, the specific circumstances and the judgement of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and commonly in vogue.

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As per RICS appraisal Manual, the Fair Value (FV) 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. Ind AS (113) as well as IFRS 13 defines Fair Value 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.

There are several commonly used and accepted methods for determining the Fair Value of the business of a company. They mainly fall under the following three categories and the application of any below mentioned methods of valuation depends on the nature of operations, level of maturity of the businesses, future business potential and purpose of valuation. For the purpose of arriving at the Fair Value of the Equity shares of the Company, it would be necessary to select an appropriate basis for valuation from among the various alternatives available.

The valuation exercise is aimed at the determining the Fair Value of Equity Shares of the Company. There are several commonly used and accepted methods for determining the value of business/shares of the company, which would be applied to the present case, to the extent relevant and applicable. The valuation has been carried out in accordance with the Valuation Standards 2018 issued by the Institute of Chartered Accountants of India wherein the following valuation approaches and methods have been prescribed in terms of Valuation Standard 103:

A) MARKET APPROACH:

The market approach is a method of determining the value of shares based on the quoting price in the respective stock exchange where the shares have been listed.

The market approach measures value by reference to what other purchasers in the market have paid for similar assets to those being valued. The application of a market approach results in an estimate of the price expected to be realized if the shares were to be sold in the open market. The market multiple approach, arguably, delivers value estimates that come close to what investors are willing to pay. Unfortunately, there is a hitch i.e., comparable market transactions can be very hard to find. It is not always easy to find companies that are close comparisons, since the deal terms are often kept under wraps by early-stage, unlisted companies - the ones that probably represent the closest comparisons. As such, it is very difficult to get the information on the public domain.

Applicability of this method:

We have not considered this method since though the shares are listed in MSE, it is not frequently traded and hence information is not available in the public domain. As such, this method is not appropriate for valuation of shares of the Company.

B) INCOME APPROACH:

The company is valued on the assumption of going concern with growth in revenue over explicit period. This approach to be appropriate to arrive at a business value using the DCF method wherein future expected cash flows have been discounted to arrive at business value of the company.

The income approach is based upon the economic principle of expectation. This approach assumes that the value of the business is equal to the present value of the economic income expected to be generated. Expected returns on an investment are discounted or capitalized at an appropriate rate of return to reflect investor risks and hazards.

The income approach is defined in the International Glossary of Business Valuation Terms as, "A general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount."

Discounted Cash Flow:

The Discounted Cash Flow (DCF) method under income approach is commonly used. It is accepted as an appropriate method by business appraisers. This approach constitutes estimation of the business value by calculating the present value of all the future cash flows which the company is expected to generate.

DCF uses the future free cash flows of the company discounted by the firm's weighted average cost of capital (The average cost of capital used in the business, including debt and equity), plus risk factor measured by beta, to arrive at the present value.

Beta is an adjustment that uses historic stock market data to measure the sensitivity of the company's cash flow to market indices, for example through business cycles. The DCF method is a strong valuation tool, as it concentrates on

cash generation potential of a business. This valuation method is based on the capability of a company to generate cash flows in the future. The free cash flows are projected for certain number of years and then discounted at a discount rate that reflects the company's cost of capital and the risk associated with the cash flows it generates. DCF analysis is based mainly on the following elements:

- Projected financial statements
- WACC to discount the projected Cash flows.

Applicability of this method:

On perusal of the financial statements, it is noticed that the Company is having huge asset base and there is tremendous potential to multiply its revenue. Since the financial statements does not reflect the future growth potential and the projections may not be accurate, we have not considered this method for valuation of equity shares of the Company.

c) NET ASSET VALUE (NAV) APPROACH:

This method takes into account the value of the assets of the business or the net worth as represented in the financial statements of the Company. In determining the valuation of shares of the company Net Asset Value / Net worth Method is considered for arriving at the value of equity shares of the company. Under this method of valuation, the equity shares of the company are valued based on the book value per share. The net worth has been computed by deduction of total liabilities from the total value of assets of the Company.

Applicability of this method:

As the Company is having substantial tangible assets, we have considered this method for valuation of equity shares of the Company.

PARAG FANS AND COOLING SYSTEMS LIMITED		
NAV AS ON 24-Feb-2023		
A) ASSETS		INR
Fixed Assets		62,48,329
Accumulated Depreciation	- 6,12,28,866	

Building	1,54,36,233	
Computers Equipment	2,94,455	
Furniture & Fixture	30,68,642	
Land	4,57,983	
Office Equipment	2,90,220	
Patser Dsir Project	-	
Plant & Machinery	2,75,64,499	
Plant & Machinery - Dies	1,39,72,408	
Site Development	8,07,895	
Vehicles	55,84,860	
Investments		-
S.B.I. Megnum	-	
Share Investment in Bank of India	-	
Current Assets		8,62,61,286
Closing Stock	4,41,52,510	
Sundry Debtors	1,08,61,567	
Cash-in-Hand	2,67,236	
Bank Accounts	20,06,679	
Loans & Advances (Asset)	2,89,73,295	
Long Term Deposits		21,81,524
BOI Deposit	21,35,848	
Deposit with Government	-	
Other Deposit	45,676	
TOTAL (A)		9,46,91,139
B) LIABILITIES		INR

Bank Facilities		4,83,82,768
Secured Loans	3,08,82,768	
Bank CC	1,75,00,000	
Current Liabilities		3,15,47,726
Provisions	32,44,723	
Sundry Creditors	2,82,28,303	
Credit Cards	48,700	
Audit Fees Payable A/c	25,000	
Directors Sitting Fees Payable	1,000	
Term Loans Current		90,02,736
FD Loan 890061110000973	3,11,970	
Term Loan A/c 890070210000019	972	
WCTL Under Star GECL (A/c No.890073410000075)	16,89,788	
WCTL Under Star GECL (A/c No.890073410000200)	70,00,006	
Long Term Non-Current Creditors		3,82,056
Shree Traders (F)	1,82,070	
Shri Sai Labour Contractors	1,74,196	
Yugal Trading Co. (F)	25,791	
Unsecured Loans		62,90,996
Deepak Pagnis	5,00,000	
Sandeep Badjatia Current	50,90,996	
Umesh Nambiar Loan A/C	7,00,000	
TOTAL (B)		9,56,06,283

NET ASSET VALUE (A - B)		-9,15,144
No. of Equity Shares of Rs.10/- each		49,91,200
Fair Value per Equity Share of Rs.10/-		-0.18

10. Conclusion:

The objective of the valuation process is to make a best reasonable judgment of the value of the shares of the Company. The best reasonable judgment of the value will be referred to as the Fair Value.

For determining the **Fair Value** of **Equity Shares** of PARAG FANS AND COOLING SYSTEMS LIMITED, we have reviewed the different valuation approaches and methods discussed above and, in our view, the Net Asset Value Method is the most appropriate method. Since the NAV is **Rs.0.54** as on **24-Feb-2023** which is less than the face value, we conclude that the **Fair Value** of **Equity Share** of **PARAG FANS AND COOLING SYSTEMS LIMITED** is to be taken as the Face Value of **Rs. 10/-** per share. Hence the shares are to be issued at face value i.e., **Rs.10/-** per equity share.

11. Limitations & Disclaimers:

- Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While PARAG FANS AND COOLING SYSTEMS LIMITED has provided an assessment of the value based on the information available, application of certain formulae and

within the scope and constraints of our engagement, others may place a different value to the same.

- Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review, due diligence or examination of any of the historical or prospective information used and therefore, does not express any opinion with regards to the same.
- The draft of the present report was circulated to the Management for confirming the facts stated in the report and to confirm that information or facts stated are not erroneous and the assumptions used are reasonable.
- No investigation on the Company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the liabilities in the books. Therefore, no responsibility is assumed for matters of a legal nature.
- Our work does not constitute an audit or certification of the historical financial statements of the Company referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation mentioned in the report as per agreed terms of our engagement. 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.
- In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried

out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by / on behalf of the Company. We assume no responsibility for any errors in the above information furnished by the Company and consequential impact on the present exercise.

- A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on our opinion, on the fair value of the shares of the Company including any significant changes that have taken place or are likely to take place in the financial position of the Company. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- Any person / party intending to provide finance / invest in the shares / business of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- The decision to carry out the transaction (including consideration thereof) on the basis of this valuation lies entirely with the Management / the Company and our work and our finding shall not constitute a recommendation as to whether or not the Management / the Company should carry out the transaction.
- Our report is meant for the purpose mentioned in Para 1 and should not be used for any purpose other than the purpose mentioned therein. The Report

should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.

- Neither Valuer, nor its partners/directors, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.



GIRISH KAMBADARAYA
Registered Valuer - SFA
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