

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 conflict 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.

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 not an exact science. It may sometimes involve a set of judgments and assumptions that may be subject to certain uncertainties. In the section below, we have discussed some of the commonly used valuation methodologies. The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. There are a number of methodologies to value companies / business using historical and forecast financials of the Company. A typical valuation analysis involves review and analysis of historical financials of the Company and broad comparison of the company's forecast financial projections as regards all the significant macro and micro variables like economy and industry growth rate assumptions, inflation, interest and foreign exchange rates and tax rate forecasts. Company's profitability factors (industry competitive factors and company's operating strategies and its competitive position in the industry), economies of scale and optimal capital structure also affects the business valuation of the company.

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
IBBI/RV/04/2019/11649