

SUBHAS R. HEGDE

B.com, FCA

Registered Valuer (Securities or Financial Assets)

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PRIVATE & CONFIDENTIAL

To,

NEOGEN CHEMICALS LIMITED,

Office No. 1002, 10th Floor, Dev Corpora Bldg,

Opp. Cadbury Co, Pokhran Road No. 2,

Khopat, Thane-400 601,

Maharashtra, India.

Gentlemen,

Sub :- Recommendation of Fair Value of Equity Share of NEOGEN CHEMICALS LIMITED (hereinafter also referred as “the company”) for the purpose of proposed Preferential Allotment of Shares

As requested by you vide Appointment Letter dated October 2, 2023 we have carried out the valuation of the equity shares of **NEOGEN CHEMICALS LIMITED** in connection with the above referred proposal.

This report is structured in the following seven segments:

1. Purpose and Scope of work
2. Sources of Information
3. Scope & Limitations
4. Background and Profile of the company
5. Valuation Approach
6. Fair basis of valuation and inference of valuation method
7. Recommended fair value of Equity Share



1. PURPOSE AND SCOPE OF WORK :

- **NEOGEN CHEMICALS LIMITED** (“the Company”) bearing CIN [L24200MH1989PLC050919] was incorporated under the provision of Companies Act, 1956 on 7th March, 1989 with the following main objects: -
 - “1. To carry on the business as manufacturers, processors, formulators, converters, importers, exporters, factors, agents, buyers, sellers distributions, concessioners, suppliers, stockiest of and dealers in chemicals like drugs intermediates dyes intermediates, precious metals salts and catalyst, Fine Chemicals and Industrial Chemicals.
 2. To carry on the business as manufacturers, processors, formulators, converters, importers, exporters, factors, agents, buyers, sellers, distributors, concessioners, suppliers, stockiest of and dealers in Basic Chemicals like Chlorine, Brome Iodine and its compounds.”
- As informed by the management of the Company, the purpose of this valuation is proposed preferential allotment of shares.
- The company is looking to assess its fair value of equity shares in accordance with Regulations 164 & 166A of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 (“ICDR”) and in compliance with applicable provisions of Companies Act, 2013.
- Relevant Date is 28th September, 2023 i.e. thirty days prior to the date on which the meeting of the sharcholders is proposed to be held to consider the proposed preferential allotment of shares. As per information provided by management of the Company, the meeting of sharcholders is proposed to be held on Saturday, October 28, 2023 Any change in Date of meeting may impact the valuation.
- As requested, we have carried out a valuation of the equity shares of the Company. This report recommends, what in our opinion, is the fair value for the proposed preferential allotment of shares. The information contained in this report is confidential and solely for the purpose intended as mentioned above.
- Any decision taken by any third party / person basis this report will be at their own risk and consequence. Mr. Subhas R. Hegde, Chartered Accountant and Registered Valuer,

having Registration Nos.: IBBI/RV/07/2019/12038 will not be held responsible for any loss to such third party.

- Our work does not constitute an audit but is a diligence of financial statements for the purpose of arriving at and recommending fair value of Equity Share. We have relied upon the documents & information provided to us by Management of the Company as regards such working results including but not limited to Financial Statements. In view thereof, we did not feel the need to have any access to the records of Company, nor were we required to verify the authenticity of the information that has been furnished to us.
- Any reproduction, copying, or converting any form of this report for the purpose other than that intended in this report is prohibited and can be done only with our prior permission in writing.

2. SOURCES OF INFORMATION :

We have relied upon the following sources of information/documents provided to us by the management of the company:-

- (i) Memorandum & Articles of Association
- (ii) Background documents and information of the company.
- (iii) Audited Financial Statement as on 31.03.2023.
- (iv) Share Price quoted on the BSE & NSE preceding 90 trading days prior to the relevant date.
- (v) Information available in public domain and databases such as Money control, National Stock Exchange, Bombay Stock Exchange, Value Research etc.; and
- (vi) Such other written and verbal information & explanations as we required, and which been provided by the management of the Company

3. SCOPE & LIMITATIONS :

- This report is issued on the understanding that the Company 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 basis of valuation, 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.



- While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the client's existing business records. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by the company. Our report is subject to the scope and 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.
- The valuation of companies and businesses is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value and we normally express our opinion on the value as falling within a likely range. However, considering that the purpose, requires the expression of a single value, we have adopted a value as per the method adopted in the present case. Whilst we consider our value to be both reasonable and defensible based on the information available to us, others may place a different value on the company/business.
- An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.
- The ultimate analysis will have to be tempered by the exercise of judicious discretion by the RV (Registered Valuer) and judgment taking into account the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the face of the Balance Sheet but could strongly influence the value.
- 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 are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.
- Our report is meant for the purpose mentioned above 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.
- Our report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- The valuation of the Company has been carried out for express purpose of the proposed preferential allotment of shares and may not be applicable in any other context.

4. BACKGROUND AND PROFILE OF THE COMPANY :

The Company was incorporated on the 7th day of March, 1989 under the Companies Act, 1956 under the name and style of “**NEOGEN CHEMICALS LIMITED**”.

The Registered Office is presently situated at Office No. 1002, 10th Floor, Dev Corpora Bldg, Opp. Cadbury Co, Pokhran Road No.2, Khopat, Thane – 400 601, Maharashtra, India.

The Authorized, Issued and Subscribed Paid up Share Capital of the Company as on date is as follows:

Particulars	Amount (Rs. in Crores)
<u>Authorized</u>	
4,00,00,000 Equity Shares of Rs. 10/- each.	40.00
10,00,000 Preference Shares of Rs. 100/- each.	10.00
Total	50.00
<u>Issued, Subscribed & Paid-up</u>	
2,49,39,316 Equity Shares of Rs. 10/- each, fully paid up.	24.94
Total	24.94

5. VALUATION APPROACH :

For the purpose of arriving at a fair value of the equity shares of a company, it would be necessary to select an appropriate basis for valuation from among the various alternatives available. There are several internationally accepted pricing methodologies for determining the fair value of the shares of a company which could, to the extent relevant and applicable, be applied in the present case, such as:

A. INCOME APPROACH :

Discounted Cash Flow (DCF) Method

The DCF method uses the Future free cash flows of the business discounted by the cost of capital to arrive at the present value. In general, the DCF method is a strong and widely accepted valuation tool, as it concentrates on cash generation potential of a business, considering that this method based on future potential and is widely accepted. Using the DCF analysis, involves Estimating Future free cash flows and appropriate discount rate to be applied to cash flows i.e. the cost of capital. As per recent financial performance and position of the Company as reflecting in the Financial Statements, it appears that the Company the cash flow from operating activities is negative and in view of the same, in our opinion, this approach / method may not be suitable in the present case.

B. ASSETS APPROACH :

Net Asset Method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. The value arrived at under this approach is based on the estimated financial statements of the business and may be defined as Shareholder's Funds or Net assets owned by the business. This approach is more suitable in case where the entity is to be liquidated / dissolved i.e., in other words, it is not suitable to entity which is going concern. Hence, considering the facts of the present case, in our opinion, this approach / method may not be suitable in the present case.

C. MARKET APPROACH :

Stock Exchange Quotation / Market price method

The Market Price of an equity share as quoted on a 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 freely traded in. As the company is listed company of which shares are frequently traded, we have considered this approach / method to value equity shares as per provisions of regulation 164 of the SEBI (ICDR) Regulations, 2018, as amended from time to time.

6. FAIR BASIS OF VALUATION AND INFERENCE OF VALUATION METHOD:

The fair basis of valuation of the Company would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. After considering different valuation approach / methods as explained in para 5 above, we summarise as follows:

In the present case, equity shares of **NEOGEN CHEMICALS LIMITED** are listed on the NSE and BSE. As per the information provided by management of the company, equity shares of the company fit into the definition of 'Frequently Traded Shares' as per Regulation 164 (5) of the Securities and Exchange Board of India (ICDR) Regulations, 2018 and the said equity shares of the issuer have been listed on a recognised stock exchange for a period of more than 90 trading days.

Hence, in the present case, value of Equity Share needs to be determined in accordance with Regulation 164 (1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 which reads as follows :

Regulation 164 (1):

"If the equity shares of the issuer have been listed on a recognised 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:

- a. the 90 trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or*
- b. the 10 trading days volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date:*

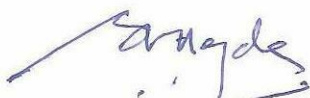
Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue.”

As per the Articles of Association submitted by the management of the Company, it does not provide any method of determination of value of equity share in this regard and hence the question of the same being higher than that of value determined under these regulations does not arise. Accordingly, in view of the aforesaid proviso to Regulation 164(1) and facts of the case as explained hereinabove, there is no option but to determine Value of Equity Share as per Market Approach and as per the methodology provided by Regulation 164(1). Hence, we have carried valuation of Equity Share in the present case according to Regulation 164(1) of SEBI (ICDR) Regulations, 2018.

Therefore, after considering different valuation approach & in terms of the Regulations 164(1) of the SEBI (ICDR) Regulations, we have considered the MARKET PRICE Method (Market Approach) for determining the value of the equity share, considering the share price observed on NSE (NSE has higher volume of trade than BSE) over a reasonable period, as prescribed under SEBI (ICDR) Regulations, 2018.

7. RECOMMENDED FAIR VALUE OF EQUITY SHARE:

On the basis and having regard to the examination of the documents referred to above and the information and explanation provided to us, and after considering all the relevant factors and circumstances including the qualitative factors, and working attached in annexure, **Fair Value of the Equity Share comes to Rs. 1,754.07/- per share.**



CA SUBHAS R. HEGDE
Registered Valuer
RV No.: IBBI/RV/07/2019/12038
UDIN: 23041944BGRSSV4237
Date: 05/10/2023
Place: Mumbai
Encl.: As above



ANNEXURE

**MARKET PRICE WORKING (MARKET APPROACH)
NEOGEN CHEMICALS LIMITED**

Determination of Fair Value of Equity Share

Sr	Particulars	Amount
A	90 trading days volume weighted average price of the related equity shares	1,643.16
B	10 trading days volume weighted average prices of the related equity shares	1,754.07
Value of Equity Share [Higher of (A) or (B)]		1,754.07

A] the 90 trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange (NSE) preceding the relevant date;

Days	Date	VOLUME	VALUE
1	27-09-2023	27,911	4,85,18,166
2	26-09-2023	30,320	5,23,99,699
3	25-09-2023	24,762	4,24,16,084
4	22-09-2023	36,033	6,14,21,389
5	21-09-2023	46,753	8,07,09,295
6	20-09-2023	54,523	9,75,85,003
7	18-09-2023	1,26,264	22,61,81,905
8	15-09-2023	58,196	10,23,43,307
9	14-09-2023	46,933	8,25,69,922
10	13-09-2023	40,715	6,95,77,348
11	12-09-2023	63,307	10,87,56,326
12	11-09-2023	35,570	6,30,02,416
13	08-09-2023	1,15,128	20,40,56,192
14	07-09-2023	63,777	11,03,30,175
15	06-09-2023	33,861	5,85,14,098
16	05-09-2023	27,593	4,73,81,900
17	04-09-2023	48,581	8,39,85,746
18	01-09-2023	58,718	10,17,11,081
19	31-08-2023	1,18,509	20,57,83,509
20	30-08-2023	3,93,439	66,84,76,342
21	29-08-2023	34,352	5,45,54,338
22	28-08-2023	20,733	3,25,75,514
23	25-08-2023	14,710	2,29,99,118
24	24-08-2023	9,152	1,43,21,450
25	23-08-2023	17,436	2,74,27,072
26	22-08-2023	12,862	2,02,59,224
27	21-08-2023	11,544	1,81,21,297



28	18-08-2023	18,723	2,91,89,317
29	17-08-2023	16,568	2,56,77,110
30	16-08-2023	22,045	3,44,68,043
31	14-08-2023	17,411	2,69,60,601
32	11-08-2023	18,583	2,92,16,038
33	10-08-2023	13,916	2,19,35,495
34	09-08-2023	1,32,222	20,62,70,096
35	08-08-2023	11,225	1,76,19,412
36	07-08-2023	54,020	8,43,49,767
37	04-08-2023	41,044	6,48,10,311
38	03-08-2023	10,110	1,60,41,239
39	02-08-2023	23,222	3,69,81,056
40	01-08-2023	50,692	8,05,70,936
41	31-07-2023	34,837	5,53,75,417
42	28-07-2023	50,188	7,86,65,775
43	27-07-2023	12,847	2,02,34,845
44	26-07-2023	16,599	2,62,64,805
45	25-07-2023	16,888	2,70,05,310
46	24-07-2023	27,920	4,44,76,965
47	21-07-2023	21,402	3,38,86,812
48	20-07-2023	22,038	3,46,72,004
49	19-07-2023	22,894	3,61,82,155
50	18-07-2023	36,183	5,71,25,411
51	17-07-2023	23,728	3,78,07,565
52	14-07-2023	26,533	4,23,98,599
53	13-07-2023	19,090	3,06,16,923
54	12-07-2023	41,016	6,56,48,843
55	11-07-2023	21,364	3,46,66,355
56	10-07-2023	36,039	5,84,94,514
57	07-07-2023	31,375	5,06,82,991
58	06-07-2023	21,871	3,57,37,180
59	05-07-2023	51,935	8,57,32,366
60	04-07-2023	27,869	4,52,46,244
61	03-07-2023	35,797	5,84,13,242
62	30-06-2023	30,017	4,82,41,813
63	28-06-2023	30,451	4,86,33,861
64	27-06-2023	55,114	8,81,38,850
65	26-06-2023	1,76,008	29,23,54,856
66	23-06-2023	1,48,977	24,52,92,685
67	22-06-2023	26,755	4,29,05,669
68	21-06-2023	15,636	2,50,18,545
69	20-06-2023	22,646	3,63,57,841
70	19-06-2023	38,098	6,20,30,543
71	16-06-2023	21,103	3,38,58,406



72	15-06-2023	15,353	2,47,51,301
73	14-06-2023	19,132	3,10,01,874
74	13-06-2023	21,461	3,48,53,726
75	12-06-2023	43,103	6,93,24,650
76	09-06-2023	34,783	5,64,22,449
77	08-06-2023	69,050	11,16,32,138
78	07-06-2023	44,108	7,12,57,430
79	06-06-2023	68,790	10,95,74,310
80	05-06-2023	24,494	3,84,77,819
81	02-06-2023	30,271	4,74,16,333
82	01-06-2023	30,860	4,88,92,473
83	31-05-2023	52,902	8,38,91,210
84	30-05-2023	60,568	9,50,64,068
85	29-05-2023	1,01,781	15,67,53,850
86	26-05-2023	1,40,029	21,08,24,359
87	25-05-2023	20,178	3,07,43,054
88	24-05-2023	26,755	4,12,24,931
89	23-05-2023	27,296	4,30,69,113
90	22-05-2023	28,054	4,41,02,318

40,23,649

6,61,15,12,132

Volume Weighted Average Price (A)

1,643.16

B] the 10 trading days volume weighted average prices of the related equity shares quoted on a recognised stock exchange (NSE) preceding the relevant date

Days	Date	VOLUME	VALUE
1	27-09-2023	27,911	4,85,18,166
2	26-09-2023	30,320	5,23,99,699
3	25-09-2023	24,762	4,24,16,084
4	22-09-2023	36,033	6,14,21,389
5	21-09-2023	46,753	8,07,09,295
6	20-09-2023	54,523	9,75,85,003
7	18-09-2023	1,26,264	22,61,81,905
8	15-09-2023	58,196	10,23,43,307
9	14-09-2023	46,933	8,25,69,922
10	13-09-2023	40,715	6,95,77,348
		4,92,410	86,37,22,117
Volume Weighted Average Price (B)			1,754.07

