

**Subhas R. Hegde,**  
Registered Valuer (Securities or Financial Assets)

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**PRIVATE & CONFIDENTIAL**

To,

**NEOGEN CHEMICALS LIMITED**

Office No. 1002, 10<sup>th</sup> 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 1<sup>st</sup> December, 2021, 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 7<sup>th</sup> 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 of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 (“ICDR”) and in compliance with applicable provisions of Companies Act, 2013.
- Relevant Date is 1<sup>st</sup> December, 2021 i.e. thirty days prior to the date on which the meeting of the shareholders 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 shareholders is proposed to be held on 31st December, 2021. 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 31.03.2021
- (iv) Unaudited Financial Results and Balance sheet as on 30.9.2021.
- (v) Share Price quoted on the BSE & NSE preceding twenty six weeks prior to the relevant date
- (vi) Information available in public domain and databases such as Moneycontrol, National Stock Exchange, Bombay Stock Exchange, Value Research etc.; and
- (vii) 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.

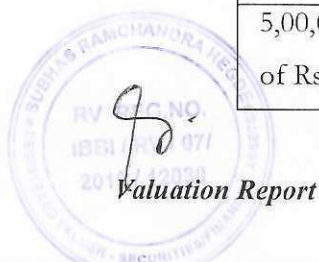
#### 4. BACKGROUND AND PROFILE OF THE COMPANY :

The Company was incorporated on the 7<sup>th</sup> 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, 10<sup>th</sup> 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 Lakhs)
<b>Authorized</b>	
2,50,00,000 Equity Shares of Rs.10/- each.	2,500.00
5,00,000 10% Cumulative Optionally Convertible Preference Shares of Rs.100/- each.	500.00





20,00,000 9.8% Fully Redeemable Cumulative Preference Shares of Rs.100/- each	2,000.00
<b>Total</b>	<b>5,000.00</b>
<b><u>Issued, Subscribed &amp; Paid-up</u></b>	
2,33,34,606 Equity Shares of Re.10/- each, fully paid up.	2,333.46
<b>Total</b>	<b>2,333.46</b>

## 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. 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.

### B. 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.

**C. 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.

**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 of all the factors and methodologies mentioned hereinabove. Though different values need to be considered under each of the above approaches for the purpose of recommending a fair value of Equity Share, it is necessary to arrive at a single value for the share of the company. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of company.

**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 fits into the definition of 'Frequently Traded Shares' as per Regulation 164 (5) of the Securities and Exchange Board of India (ICDR) Regulations, 2018.**

**Hence, In case of frequently traded shares, in terms of Regulation 164 (1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, the price of equity shares allotted pursuant to the preferential issue shall not be less than higher of the following:**

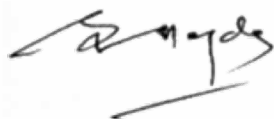
- a) the average of weekly high and low of the volume weighted average price of the related equity shares quoted on the recognized stock exchange during the twenty six weeks preceding the relevant date; or
- b) the average of weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognized stock exchange during the two weeks preceding the relevant date;

In our case, Relevant Date is 1<sup>st</sup> December, 2021 i.e. 30 days prior to the date on which the meeting of the shareholders is proposed to be held to consider the proposed Preferential Allotment of Shares. As per information provided by the management of the company, the meeting of shareholders is proposed to be held on 31<sup>st</sup> December, 2021.

Therefore, 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. 1,402.12 /- per share.**



**CA SUBHAS R. HEGDE**

Registered Valuer

RV No.: IBBI/RV/07/2019/12038

UDIN: 21041944AAAAHO3636

Date: 7/12/2021

Place: Mumbai

Encl.: As above



**ANNEXURE**

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

**Determination of Fair Value of Equity Share**

	Particulars	Amount
A	Average of 26 weeks high and low of the volume weighted average price of the related equity shares	1,076.81
B	Average of 2 weeks high and low of the volume weighted average price of the related equity shares	1,402.12
<b>Value of Equity Share [Higher of (A) or (B) ]</b>		<b>1,402.12</b>

**A] Average of weekly high and low of the Volume Weighted Average Price of the related Equity Shares quoted on the recognized stock exchange during the twenty six weeks preceding the relevant date**

Weeks	From	To	VWAP High	VWAP Low	Average
1	02-06-2021	08-06-2021	905.86	900.05	902.96
2	09-06-2021	15-06-2021	886.95	851.80	869.38
3	16-06-2021	22-06-2021	855.90	817.07	836.49
4	23-06-2021	29-06-2021	848.34	825.84	837.09
5	30-06-2021	06-07-2021	878.82	849.83	864.33
6	07-07-2021	13-07-2021	911.44	879.04	895.24
7	14-07-2021	20-07-2021	918.93	883.43	901.18
8	21-07-2021	27-07-2021	924.92	888.46	906.69
9	28-07-2021	03-08-2021	927.68	899.81	913.75
10	04-08-2021	10-08-2021	928.94	905.01	916.98
11	11-08-2021	17-08-2021	967.79	907.06	937.43
12	18-08-2021	24-08-2021	949.60	909.99	929.80
13	25-08-2021	31-08-2021	984.94	924.39	954.67
14	01-09-2021	07-09-2021	1,096.76	956.57	1,026.67
15	08-09-2021	14-09-2021	1,185.55	1,162.40	1,173.98
16	15-09-2021	21-09-2021	1,304.79	1,128.07	1,216.43
17	22-09-2021	28-09-2021	1,294.26	1,235.21	1,264.74
18	29-09-2021	05-10-2021	1,272.96	1,238.88	1,255.92
19	06-10-2021	12-10-2021	1,259.45	1,227.24	1,243.35
20	13-10-2021	19-10-2021	1,386.29	1,245.21	1,315.75
21	20-10-2021	26-10-2021	1,354.06	1,176.32	1,265.19
22	27-10-2021	02-11-2021	1,241.29	1,175.39	1,208.34
23	03-11-2021	09-11-2021	1,269.22	1,231.81	1,250.52
24	10-11-2021	16-11-2021	1,325.86	1,285.98	1,305.92
25	17-11-2021	23-11-2021	1,380.61	1,315.33	1,347.97
26	24-11-2021	30-11-2021	1,489.65	1,422.89	1,456.27
<b>Average Price (A)</b>					<b>1,076.81</b>

**B] Average of weekly high and low of the Volume Weighted Average Prices of the related equity shares quoted on the recognized stock exchange during the two weeks preceding the relevant date.**

Weeks	From	To	VWAP High	VWAP Low	Average
1	17-11-2021	23-11-2021	1,380.61	1,315.33	1,347.97
2	24-11-2021	30-11-2021	1,489.65	1,422.89	1,456.27
<b>Average Price (B)</b>					<b>1,402.12</b>

