Valuation Analysis
Issuance of Equity Shares
Ester Industries Limited

Corporate Professionals Valuation Services Pvt. Ltd. New Delhi

Corporate Professionals

16th September 2024

Strictly Private & Confidential

Corporate Professionals | 20 YEARS OF EXCELLENCE

To,
The Board of Directors
Ester Industries Limited
Sohan Nagar, P. O. Charubeta Dist. Uttam singh Nagar,
Khatima, Uttarakhand – 262 308, India

Ref. No.: CPV/RV/2023-24/021

Subject: Valuation Analysis of Equity Shares of Ester Industries Limited ("Company") as per SEBI (ICDR) Regulations for the issuance of Equity Shares

Dear Sir/Madam,

We, **Corporate Professionals Valuation Services Private Limited**, an Insolvency and Bankruptcy Board of India ("IBBI") Registered Valuer ("herein-after-referred as "**Valuer**") have been appointed as valuers by **Ester Industries Limited** ("Company"/ "Client") to assist in determination of the fair value of equity shares of the Company for allotment of equity shares on preferential basis to certain proposed allottees.

The underlying transaction is the preferential issue of equity shares of the Company to certain proposed investors. The Company is listed on the BSE Ltd. (BSE) and National Stock Exchange of India Limited (NSE) and frequently traded on NSE.

In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, a preferential issue, in which allotment of more than 5% of the post-issue fully diluted share capital of an issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and should be considered for determining the issue price. Accordingly, the Company has approached us to compute a valuation.

Based on our valuation analysis of the equity shares of **Ester Industries Limited** and subject to the notes and comments provided herein, we hereby certify that the value per equity share of the Company is **INR 152.11/-**

This certificate is being issued for compliance with the aforesaid regulatory purpose only and the value determined herein would be the minimum price for this purpose. We further undertake that we are an independent valuer having no present or future interest in any transaction of the Company.

Thanking you

Date: 16th September 2024
Place: New Delhi

For Corporate Professionals Valuation Services Private Limited
(Registration No. IBBI/RV-E/02/2019/106)

Corporate Professionals Valuation Services Pvt. Ltd. ★ New Delhi

Sanchit Vijay
(Director)

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Enclosures:
Annexure I: Scope of Work
Annexure II: Valuation Approaches and Workings
Annexure III: Provisional Financial Statements for the period ended 30th June 2024.
Annexure IV: Caveats

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ANNEXURE I: SCOPE OF WORK

A. **Purpose Of Valuation and Appointing Authority**

Based on the discussions held with the Management we understand that the Company is proposing preferential allotment of Equity Shares to certain investor(s). In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 ('SEBI (ICDR) Regulations'), a preferential issue, which may result in a change in control or allotment of more than 5% of the post issue fully diluted share capital of an issuer, to the allottee acting in concert, shall, besides the market price, require valuation from an independent registered valuer and should be considered for determining the issue price. Thus, we, being a Registered Valuer, have been engaged as per the engagement letter dated 27th August 2024, we are issuing this certificate for compliance with Chapter V of SEBI (ICDR) Regulations.

B. **Identity Of Client and Other Intended Users**

Ester Industries Limited
Sohan Nagar, P. O. Charubeta Dist. Uttam Singh Nagar,
Khatima , Uttarakhand-262308

C. **Identity Of Valuer and Other Experts**

Corporate Professionals Valuation Services Private Limited
Registered Valuer (IBBI)
Registration No. IBBI/RV-E/02/2019/106

D. **Background Information of The Asset Being Valued**

Established on February 4, 1985, Ester boasts 30 years of industry expertise, specializing in Polyester Films, and Specialty Polymers. Their Polyester Films are vital for flexible packaging, while Specialty Polymers cater to rigid packaging and textile sectors. Serving the Automotive, Electrical & Electronics, Appliances, and Telecom industries, their Engineering Plastics division offers tailored solutions. Headquartered in Gurgaon, India, with a cutting-edge facility in Khatima, Uttarakhand, Ester operates globally, reaching clients in 75 countries across diverse regions, prioritizing innovation, sustainability, and customer-centricity.

- **Date of Appointment** – 27th August 2024 as per Engagement Letter
- **Valuation Date** – Based on 30th June 2024 Financials
- **Date of Report** – 16th September 2024
- **Base of value** – Fair Value
- **Valuation Currency** – INR

E. **Procedures Adopted and Valuation Standards Followed**

We have performed this valuation in accordance with the internationally accepted valuation standards and customary valuation practices in India for such purposes.

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F. **Nature And Sources of Information Used or Relied Upon**

We have reviewed the following documents including but not limited to:

- Discussions with the KMPs.
- Provisional Profit and Loss Statement for the period ending June 30th, 2024.
- Provisional Balance Sheet Statement for the period ended June 30th, 2024.
- Capital line Database and other information in the public domain.
- Management Representation

G. **Extent Of Investigation Undertaken**

We have taken due care in performing valuation procedures and have also applied appropriate discount rates considering the riskiness of the business plan. However, we would like to expressly state that though we have reviewed the financial data for the limited purpose of valuation assessment, but we have not performed an Audit and have relied upon the historical as well as future financials (P&L Account and Balance Sheet) as prepared and submitted to us by the management of the company. It may so happen that the projections do not materialize but the management has represented to us that it has taken due care in the preparation of such forecasts of financial statements and the same may be considered as a true and fair view of the expected business plan of the company.

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ANNEXURE II: VALUATION APPROACHES AND WORKINGS

There are three approaches to Valuation namely Income, Asset and Market Approaches.

Approach	Valuation Methodologies	Basis of Consideration
Asset	Net Asset Value (NAV) Method	The Asset-based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on a Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. However, this methodology recognizes the historical cost of net assets only without recognizing its present earnings, the comparative financial performance of its peers and their enterprise values, etc. Therefore, in general, Net Asset Value only reflects the minimum proxy value of the company. **In the instant case, we have considered this methodology for the valuation exercise of the Company. However, the company is operating undergoing-Concern assumption we have not given this weightage in the determination of fair value of equity share.**
Market	**Company Comparable Multiple (CCM)Method**	This methodology uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g. Revenue, EBITDA, EBIT, Earnings per Share or Book Value). A key benefit of Comparable Company Market Multiple analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs. **Company belongs to the manufacturing industry, with negative PAT & EBITDA. Hence, we have not opted this methodology for estimation of fair value of equity shares of the company.**
	90 Trading-10 Trading Days	The Company's shares are listed on both BSE Ltd and the National Stock Exchange (NSE), with a higher frequency of trading observed on the NSE. To determine the equity value in accordance with Regulation 33 of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, which references Regulation 164 of SEBI ICDR Regulation, 2018, the following criteria are considered for frequently traded shares: The equity shares' price for preferential issue should not be less than the higher of: • The 90 trading days volume weighted average price (VWAP) of the related equity shares quoted on the recognized stock exchange preceding the relevant date. • The 10 trading days volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date. **This method takes the impact of price fluctuation in reference to market and industry. We have considered this methodology in instant cases.**
Income	**Discounted Free Cash Flow (DFCF) Method.**	The DFCF method expresses the present value of the business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. The value of the firm is arrived at by estimating the Free Cash Flows (FCF) to the Firm and

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		discounting the same with the Weighted Average cost of capital (WACC). The DFCF methodology is the most appropriate basis for determining the earning capability of a business. In the DFCF approach, the appraiser estimates the cash flows of any business after all operating expenses, taxes, and necessary investments in working capital and Capex are being met. **We have considered this methodology for the calculation of the fair equity value of the Company based on its consolidated cash flows. After considering its business plan. We have calculated the Enterprise value and then derived the Equity value by adjusting its debt, cash and cash equivalents, and surplus assets on the date of valuation.**

Computation of Equity value

Asset Approach

Net Asset Value (NAV) Method (Bases on Consolidated Financials):

Particulars	All Amount INR Million
Equity Share Capital	469.77
Reserves and Surplus	6,544.67
Net Asset Value	**7,014.44**
Add: ESOPs money yet to be received as on 30.06.2024	19.91
Adjusted Net Worth	**7,034.35**
No. of Equity Shares	94,143,602
Value per Equity Share (INR)	**74.72/-**

Market Approach

90 Trading Days – 10 Trading Days

Particular	Details
Total Value of the Shares trading of 90 TD	8,295,333,871.16
Total No. of shares Traded in 90 TD	59,189,218
90 TD VWAP	**140.15**
Total Value of the Shares trading of 10 TD	2,259,359,852.41
Total of No. of Shares Traded in 10 TD	14,322,466
10 TD VWAP	**157.75**
Maximum price	**157.75**

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Income Approach

Discounted Free Cash Flow to Firm (DFCF):

Discounted Free Cash Flow Analysis - Ester Industries Limited							
WACC :	**13.02%**						
GROWTH RATE :	**5%**						**Amount In INR Million**
FY	**2025 (9 Months)**	**2026**	**2027**	**2028**	**2029**	**2030**	**Terminal**
Particulars							
Revenue from Operations	11,519.30	15,482.61	16,733.88	18,423.76	19,129.05	19,696.63	
Other Income	11.33	94.17	163.26	239.85	256.07	264.35	
PBT (Profit Before Taxes)	452.40	718.98	1,372.76	1,748.21	2,063.12	2,323.11	
Less: Direct Taxes Paid	-	123.57	233.44	285.00	331.41	469.55	
PAT (Profit After Taxes)	**452.40**	**595.41**	**1,139.32**	**1,463.21**	**1,731.70**	**1,853.56**	
Add: Depreciation	506.30	655.21	658.42	636.92	571.72	510.80	
Less: Capital Expenditure	420.53	841.77	300.00	300.00	300.00	300.00	
Add: Interest (Post Tax)	627.08	614.54	531.58	480.03	373.23	286.56	
Less: Change in Non-Cash Working Capital	48.35	-	186.65	276.24	155.51	152.43	
Free Cash Flows to Firm	**1,116.91**	**1,023.39**	**1,842.68**	**2,003.92**	**2,221.15**	**2,198.49**	**24,237.52**
Discounting Factor (Mid-Year)	0.96	0.86	0.76	0.67	0.59	0.53	0.53
Present value of Cash flow	1,066.80	878.20	1,399.08	1,346.22	1,320.25	1,156.23	12,747.00
Enterprise Value	**19,913.78**						
Add: Cash and Cash Equivalents	281.60						
Add: Bank Balances	197.91						
Add: Investments	611.41						
Add: ESOPs money yet to be received as on 30.06.2024	19.91						
Less: Borrowings	7,235.14						
Less: Lease Liability	0.13						
Equity Value	**13,789.35**						
No. of Equity Shares (Including ESOPs)	**94,143,602**						
Per Share Equity Value	**146.47/-**						

Note:

For the valuation of equity shares through DCF methodology, we have relied upon the projections provided by the management for the period beginning 1st July 2024, and ending March 31, 2030, duly supplemented by its Terminal Value based on the Gordon Model and extrapolating the adjusted free cash flows for last year at an annual growth rate of 5% to perpetuity.

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DCF Assumptions:

Particulars		Notes
Risk free rate (Rf) as on 28.06.2024	7.01%	Considering of long-term Indian government bond rate
Market Rate of Return	15.34%	BSE Sensex returns on a long-term basis
Industry Beta… (β)	0.82	We have taken the Leveraged beta for 5 Years of the target company, Beta value (B) as 0.82 as the company is listed on BSE and NSE.
Additional Company Specific (Including Small Company) Risk Premium (Unsystematic Risk) (CSRP)	5.00%	We have given a 5.00% additional risk premium looking into company profile, financial structure, and ROI an investor will investigate while investing in this type of company. This is also dependent upon the level of aggressiveness of the future cash flows, the present scenario of the country and the company environment in which it is operating. Additionally, the company is under loss till FY2025 along with huge amount of debt.
Cost of Equity (Ke)	**18.82%**	**As per Modified CAPM model i.e. [Ke = Rf+ β(Rm-Rf) + CSRP]**
Cost of Debt	9.86%	As represented by the management of the Company
Equity portion in capital structure	49.30%	As per financials provided by the company as on 30th September 2024
WACC	**13.02%**	**WACC = (Ke * % Equity in Capital Structure) + (Cost of Debt * % Debt in Capital Structure * (1-Tax Rate))**
Growth Rate	5%	As the perpetuity growth rate assumes that the Company will continue its historic business and generate Free Cash Flows at a steady state forever. Since terminal value constitutes a major proportion of the entire value of the business, we while deciding the terminal growth rate have given emphasis to economic factors & financial factors like Inflation of the Country, GDP growth of the Country, Projected Financials, Historical Financial Position, Organic & Inorganic growth strategies of the Company etc. Accordingly, for perpetuity, we have considered 5% growth rate.

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Computation of Fair Value of Ester Industries Limited:

Fair Value of ESTER INDUSTRIES LIMITED				
				All Amount INR
Approach Applied	Methodology Applied	Weight	Equity Value per Share	Weighted Average Equity Value per Share
Asset	Net Asset Value	0%	74.72	-
Market	90D-10D Trading Days	50%	157.75	78.87
Income	Discounted Cash Flow	50%	146.47	73.24
Weighted Average Equity Value per Share				152.11

Based on our analysis of the Company and subject to our comments and caveats as further detailed in this report, we have arrived at the value per equity share of the Company as INR 152.11/-.

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Annexure III:

Provisional Balance Sheet as on 30th June 2024:

Particulars	Amount in INR Million
Equity share capital	469.77
Other equity	6,544.67
Total equity	**7,014.44**
Non-current liabilities	4,710.61
Current liabilities	4,031.41
Total equity and liabilities	**15,756.46**
Non-current assets	10,904.09
Current assets	4,852.37
Total assets	**15,756.46**

Provisional Profit and Loss Statement for the 3-Months period ended 30th June 2024:

Particulars	Amount in INR Million
Revenue from operations	2,861.50
Other income	62.07
Total Income	**2,923.57**
Total Operating Expenses	2,749.62
EBITDA	**173.95**
Depreciation & Amortization	172.87
Finance Cost	167.64
Profit Before Tax (PBT)	**(166.56)**

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Annexure IV: Caveats

- This Valuation Report has been issued on the specific request of "**Ester Industries Limited**" for determining the value of the Equity Share of the Company in accordance with the SEBI (ICDR) Regulations. This Report is prepared exclusively for the above-stated purpose and must not be copied, disclosed, circulated, or referred to in correspondence or discussion with any other party. Neither this report nor its content may be used for any other purpose without our prior written consent.
- No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- In Accordance with the customary approach adopted in the Valuation exercise, we have summarized the Valuation Analysis of equity shares of the Company based on the information as was provided to us by the management of the Company both written, verbal, and other publicly available information. We do not assume any responsibility for the accuracy or reliability of such documents on which we have relied in forming our opinion.
- This Report does not investigate the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the shareholders are expected to exercise their own discretion.
- We have no present or planned future interest in the Company and the fee for this Valuation analysis is not contingent upon the values reported herein. The Valuation Analysis contained herein is not intended to represent the value at any time other than the date that is specifically stated in this Report.
- The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- In no circumstances shall the liability of a valuer, its partners, directors, or employees, relating to the services provided in connection with the engagement set out in this Valuation report shall exceed the amount paid to such valuer in respect of the fees charged by it for these services.
- Our valuation report should not be construed as investment advice; specifically, we do not express any opinion on the suitability of or otherwise of entering into the proposed transactions.

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