

VALUATION REPORT

on

Fair Value of Equity Shares

The Indian Hume Pipe Company Limited



Bhavesh M Rathod
Chartered Accountants, Registered Valuer – SFA
12D, White Spring, A wing, Rivali Park Complex,
Western Express Highway, Borivali East, Mumbai 400066
Email : info.cabhavesh@gmail.com
Mobile : +91 9769 11 34 90

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Valuation Analysis

We refer to our Engagement Letter dated 01st June 2023 as independent valuers of **The Indian Hume Pipe Company Limited** (the “Company”). In the following paragraphs, we have summarized our valuation Analysis (the “Analysis”) of the business of the Company as informed by the management and detailed herein, together with the description of the methodologies used and limitation on our scope of work.

1 Context and Purpose

Based on discussion with the management, we understand that the Company is evaluating the possibility of **Fair Value of Equity shares as per Regulation 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and other applicable provisions**. In the context of the proposed transaction, the management requires our assistance in determining the **Fair Value of Equity shares** of the Company.

Proposed Transaction:

During the Financial Year 2023-24, Company is evaluating the possibility of issuing equity shares to the proposed allottees i.e. Promoters and members of Promoter group on preferential basis. In this context, the management of **The Indian Hume Pipe Company Limited** (the “Management”) has requested us to estimate the fair value of the Equity Shares. - “Proposed Transaction”.

2 Conditions and major assumptions

Conditions

The historical financial information about the Company presented in this report is included solely for the purpose to arrive at value conclusion presented in this report and it should not be used by anyone to obtain credit or for any other unintended purpose. Because of the limited purpose as mentioned in the report, it may be incomplete and may contain departures from generally accepted accounting principles prevailing in the country. We have not audited, reviewed or compiled the financial statements and express no assurance on them.

Readers of this report should be aware that a business valuation is based on future earnings potential that may or may not be materialised

This report is only to be used in its entirety, and for the purpose stated in the report. No third parties should rely on the information or data contained in this report without the advice of their lawyer, attorney or accountant.

We acknowledge that we have no present or contemplated financial interest in the Company. Our fees for this valuation are based upon our normal billing rates, and not contingent upon the results or the value of the business or in any other manner. We have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.

We have, however, used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. The valuation analyst, by reason of performing this valuation and preparing this report, is not to require to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the analyst regarding such additional engagement.

Assumptions

The opinion of value given in this report is based on information provided by the management of the Company and other sources as listed in the report. This information is assumed to be accurate and complete.

We have relied upon the representations contained in the public and other documents in our possession and any other assets or liabilities except as specifically stated to the contrary in this report.

We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances, or that the owner has good title to all the assets.

We have also assumed that the business will be operated prudently and that there are no unforeseen adverse changes in the economic conditions affecting the business, the market, or the industry. This report presumes that the management of the Company will maintain the character and integrity of the Company.

We have been informed by the management that there are no significant lawsuits or any other undisclosed contingent liabilities which may potentially affect the business, except as may be disclosed elsewhere in this report. We have assumed that no costs or expenses will be incurred in connection with such liabilities, except as explicitly stated in this report.

3 Background of the Company

The Indian Hume Pipe Co. Ltd. was incorporated in 1926. The Company is in the business of manufacturing, laying and joining of pipelines. The Company has also been undertaking infrastructure development programmes by way of execution on turnkey basis the combined water supply projects. The company also manufactures and supplies Concrete Railway Sleepers to Indian Railways

Company URL: <http://www.indianhumepipe.com/>

Further data of the company is as under:

CIN	L51500MH1926PLC001255
Company / LLP Name	THE INDIAN HUME PIPE COMPANY LIMITED
ROC Code	RoC-Mumbai
Registration Number	001255
Company Category	Company limited by Shares
Company Subcategory	Non-govt company
Class of Company	Public
Authorised Capital (Rs)	200000000
Paid up Capital (Rs)	96894340
Number of Members (Applicable in case of company without Share Capital)	0
Date of Incorporation	20/07/1926
Registered Address	CONSTRUCTION HOUSE WALCHANDHIRACHAND MARG BALLARD ESTATE FORT MMUMBAI MH 400001 IN
Email Id	info@indianhumepipe.com
Whether listed or not	Listed
Date of last AGM	28/07/2022
Date of Balance Sheet	31/03/2022
Company Status (for efilling)	Active

Directors and Key Managerial Persons:

DIN/PAN	Name	Begin date	Designation
00050594	Rajas Ratanchand Doshi	14/04/1994	Managing Director
00095732	Jyoti Rajas Doshi	27/05/1996	Director
00095753	Rajendra Motichand Gandhi	27/05/1996	Director
00095766	Rameshwar Deokisan Sarda	27/05/1996	Director
00095831	Anima Bhupendra Kapadia	27/07/2001	Director
00096977	Vijaykumar Mahabirprasad Jatia	25/10/2001	Director
00250358	Mayur Rajas Doshi	28/05/2012	Wholetime Director
00322403	Sucheta Shah	12/02/2020	Director
AAFPM3390N	Subhash Madhusudan Mandke	07/04/2008	Company Secretary
AABPR0848N	Milind Shrikrishna Rajadhyaksha	27/05/2014	CFO(KMP)

Shareholding Details as on 12th May 2023

Particulars	No. of Shares	% Holding
Promoter & Promoter Group		
Rajas R Doshi	4,09,150	0.84%
Jyoti R Doshi	3,13,330	0.65%
Mayur Rajas Doshi	1,72,070	0.36%
IHP Finvest Ltd	3,19,34,160	65.92%
Ratanchand Investments Pvt Ltd	8,72,320	1.80%
Aditya R Doshi	1,73,740	0.36%
Public	1,45,72,400	30.08%
Total	4,84,47,170	100.00%

Face Value Per Share is Rs. 2.00/-

4 Valuation Premise

The premise of value for our analyses is going concern value as there is neither a planned or contemplated discontinuance of any line of business nor any liquidation of the Company.

5 Valuation Date

The Analysis of the Fair Value of Equity share of **The Indian Hume Pipe Company Limited** as on **11th May 2023** while **Relevant Date** is **12th May 2023**.

6 Valuation Standards

The Report has been prepared in compliance with the internationally accepted valuation standards and valuation standard adopted by ICAI Registered Valuers Organisation.

7 Valuation Methodology and Approach

The standard of value used in the Analysis is "Fair Value", which is often defined as the price, in terms of cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the business were exposed for sale on the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.

Valuation of a business is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. This exercise may be carried out using various methodologies, the relative emphasis of each often varying with:

- whether the entity is listed on a stock exchange
- industry to which the Company belongs
- past track record of the business and the ease with which the growth rate in cash flows to perpetuity can be estimated
- Extent to which industry and comparable Company information is available.

The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue. These can be broadly categorised as follows:

1. Asset Approach

Net Asset Value Method ("NAV")

The value arrived at under this approach is based on the audited financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The balance sheet values are adjusted for any contingent liabilities that are likely to materialise.

The Net Asset Value is generally used as the minimum break-up value for the transaction since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy it as a going concern.

2. Market Approach

Comparable Company Market Multiple Method

Under this methodology, market multiples of comparable listed companies are computed and applied to the business being valued in order to arrive at a multiple based valuation. The difficulty here in the selection of a comparable company since it is rare to find two or more companies with the same product portfolio, size, capital structure, business strategy, profitability and accounting practices.

Whereas no publicly traded company provides an identical match to the operations of a given company, important information can be drawn from the way comparable enterprises are valued by public markets. In case of early stage company and different business model the problem aggravates further.

Comparable Transactions Multiple Method

This approach is somewhat similar to the market multiples approach except that the sales and EBITDA multiples of reported transactions in the same industry in the recent past are applied to the sales and EBITDA of the business being valued.

3. Income Approach

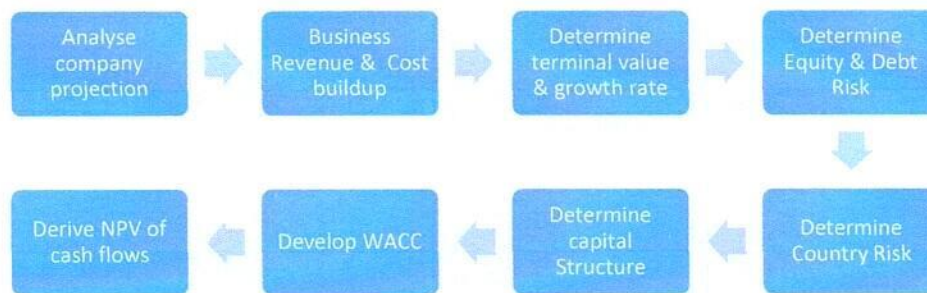
Discounted Cash Flows - "DCF"

DCF uses the future free cash flows of the company discounted by the firm's weighted average cost of capital (the average cost of all the capital used in the business, including debt and equity), plus a 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 a certain number of years and then discounted at a discount rate that reflects a Company's cost of capital and the risk associated with the cash flows it generates. DCF analysis is based mainly on the following elements:

- Projection of financial statements (key value driving factors)
- The cost of capital to discount the projected cash flows



Valuation Methodology

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose.

In this case, the Company being a listed Company, we have considered valuation regulations applicable to preferential issue of Equity Shares as defined in Securities and Exchange Board of India (Issue of Capital & Disclosure) Regulations, 2018.

SEBI Regulations for requirement of Valuation:

SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED

The relevant Regulations under SEBI (ICDR) are reproduced as under:

Regulation 164(1) - Pricing of frequently traded shares

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

....

Regulation 166A (1): Other conditions for pricing

Any preferential issue, which may result in a change in control or allotment of more than five per cent. of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price:

Provided that the floor price, in such cases, shall be higher of the floor price determined under sub-regulation (1), (2) or (4) of regulation 164, as the case may be, or the price determined under the valuation report from the independent registered valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable.

Provided further that if any proposed preferential issue is likely to result in a change in control of the issuer, the valuation report from the registered valuer shall also cover guidance on control premium, which shall be computed over and above the price determined in terms of the first proviso.

....

Regulation 161: "relevant date" means: a) in case of preferential issue of equity shares, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue:

Explanation: Where the relevant date falls on a weekend or a holiday, the day preceding the weekend or the holiday will be reckoned to be the relevant date.

Our choice of methodology and valuation has been arrived using usual and conventional methodologies adopted for purposes of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of similar nature.

8 Source of Information

The Analysis is based on trading prices and volumes as available in the public domain. Specifically, the sources of information include:

- Historical Data of Trading Price and Volume traded of the stock on National Stock Exchange of India Limited.

Further, we have also been informed by the Company that,

1. The Equity Shares of the Company are listed on the BSE Limited & National Stock Exchange of India Limited.
2. The Equity Shares are frequently traded on the National Stock Exchange of India Limited meet the definition of Frequently traded shares as per Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.
3. The Company is proposing to hold Extraordinary General Meeting of Members on Monday, 12th June 2023 to approve the proposed preferential issue and hence, the relevant date is Friday, 12th May 2023.
4. The present issue of Equity Shares shall not result in change in control of the Company.

9 Caveats

Provision of valuation recommendations and considerations of the issues described herein are areas of our regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by us.

We have relied on data from Recognized Stock Exchange. This source is considered to be reliable and therefore, we assume no liability for the accuracy of the data.

The valuation worksheets prepared for the exercise are proprietary to the Valuer and cannot be shared. Any clarifications on the workings will be provided on request, prior to finalizing the Report, as per the terms of our engagement.

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them.

The Valuation Analysis contained herein represents the value only on the date that is specifically Stated in this Report.

We have no present or planned future interest in the Company and the fee for this Report is not contingent upon the values reported herein.

Our Valuation analysis should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with the Company.

Our Report is not nor should it be construed as our opining or certifying the compliance with the provisions of any law / standards including company, foreign exchange regulatory, accounting and taxation (including transfer pricing) laws / standards or as regards any legal, accounting or taxation implications or issues.

Our Report and the opinion / valuation analysis contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities. This report does not in any manner address, opine on or recommend the prices at which the securities of the Company could or should transact.

10 Distribution of Report

The Analysis is confidential and has been prepared exclusively for **The Indian Hume Pipe Company Limited**. It should not be used, reproduced or circulated to any other person or for any purpose other than as mentioned above, in whole or in part, without the prior written consent of the valuer. Such consent will only be given after full consideration of the circumstances at the time. However, we do understand that the report will be shared according to the terms of SEBI ICDR Regulation, 2018.

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11 Opinion on Fair Value of Equity Shares

Based on our valuation exercise Fair Value of the Equity Shares is as under:

Method		in INR
As per Regulation 164 SEBI, ICDR	A	139.82
Price determined under the valuation report from the independent registered valuer	B	133.20
Higher of A & B	C	139.82

Method	Value per share	Weight	Product
NAV Method	143.52	2	287.04
CCM Method	112.54	1	112.54
PECV Method	53.49	0	0.00
Weight Average Value per share			133.20

Control Premium

The present issue of Equity Shares shall not result in change in control of the Company. Hence guidance on control premium is not considered under Regulation 166A.

We trust the above meets your requirements. Please feel free to contact us in case you require any additional information or clarifications.

Yours faithfully


Bhavesh M Rathod
Chartered Accountants
M No: 119158
Registered Valuer - Securities or Financial Assets
(Reg No: IBBI/RV/06/2019/10708)



Date: 02nd June 2023

Place: Mumbai

UDIN

23119158B6VZHF7680

12 Annexure 1

As per Regulation 164 SEBI, ICDR

Method		in INR
90 trading days' volume weighted average price	A	139.17
10 trading days' volume weighted average price	B	139.82
Higher of A & B	C	139.82

Note: - The shares are frequently traded on the National Stock Exchange of India Limited. Hence, we have considered 90/10 days as per National Stock Exchange of India Limited.

Volume Weighted Average Price for 90 trading Days.

Date	No. of Shares Traded	Total Turnover (Rs.)
11-May-23	1,17,634	1,65,59,558
10-May-23	58,149	81,13,855
09-May-23	34,072	47,71,335
08-May-23	23,515	33,11,632
05-May-23	76,072	1,07,29,226
04-May-23	27,179	37,71,051
03-May-23	78,459	1,09,18,755
02-May-23	29,121	40,44,215
28-Apr-23	22,846	31,74,400
27-Apr-23	56,713	78,40,129
26-Apr-23	38,724	54,50,148
25-Apr-23	1,03,097	1,45,68,235
24-Apr-23	11,940	16,47,628
21-Apr-23	28,972	40,35,128
20-Apr-23	2,04,300	2,90,78,387
19-Apr-23	31,488	42,31,661
18-Apr-23	18,732	24,75,933
17-Apr-23	18,157	24,11,471
13-Apr-23	12,995	17,41,603
12-Apr-23	36,417	48,78,770
11-Apr-23	30,992	42,23,859
10-Apr-23	1,04,382	1,43,32,761
06-Apr-23	66,575	88,35,164
05-Apr-23	23,360	29,81,267
03-Apr-23	39,894	49,70,301
31-Mar-23	65,758	80,15,187
29-Mar-23	76,508	90,56,534
28-Mar-23	72,746	85,14,468

27-Mar-23	51,881	62,06,141
24-Mar-23	42,024	51,05,797
23-Mar-23	36,140	44,70,574
22-Mar-23	37,989	47,28,145
21-Mar-23	21,801	26,94,837
20-Mar-23	29,753	36,88,553
17-Mar-23	35,308	44,13,295
16-Mar-23	34,938	43,64,754
15-Mar-23	26,975	34,04,247
14-Mar-23	62,008	78,29,921
13-Mar-23	36,055	47,76,334
10-Mar-23	15,646	20,85,737
09-Mar-23	70,903	94,60,924
08-Mar-23	56,817	76,15,598
06-Mar-23	65,679	88,21,285
03-Mar-23	41,383	55,65,097
02-Mar-23	46,746	63,00,566
01-Mar-23	41,813	57,01,822
28-Feb-23	17,016	22,61,756
27-Feb-23	43,486	58,20,205
24-Feb-23	31,383	43,07,400
23-Feb-23	18,734	25,97,874
22-Feb-23	42,198	58,61,104
21-Feb-23	15,182	21,54,454
20-Feb-23	28,680	41,06,494
17-Feb-23	14,683	21,00,201
16-Feb-23	18,959	27,10,235
15-Feb-23	22,941	32,68,650
14-Feb-23	32,158	45,76,743
13-Feb-23	41,384	60,55,467
10-Feb-23	1,44,710	2,24,88,980
09-Feb-23	1,39,532	2,10,17,445
08-Feb-23	33,478	47,47,221
07-Feb-23	22,069	31,08,340
06-Feb-23	33,919	47,63,411
03-Feb-23	24,781	35,15,429
02-Feb-23	13,563	19,41,654
01-Feb-23	26,131	37,80,769
31-Jan-23	68,112	98,23,856
30-Jan-23	27,777	39,69,437
27-Jan-23	23,441	33,64,650
25-Jan-23	13,435	19,71,044
24-Jan-23	26,875	40,27,375
23-Jan-23	21,525	31,88,454
20-Jan-23	21,889	32,71,930
19-Jan-23	27,001	40,21,116

18-Jan-23	17,582	26,31,615
17-Jan-23	31,739	47,79,476
16-Jan-23	1,26,361	1,91,19,446
13-Jan-23	13,342	20,27,749
12-Jan-23	15,932	24,40,050
11-Jan-23	27,934	42,64,949
10-Jan-23	19,420	29,01,228
09-Jan-23	23,307	34,84,583
06-Jan-23	24,081	35,75,905
05-Jan-23	22,801	34,16,670
04-Jan-23	56,257	85,14,741
03-Jan-23	24,264	37,49,008
02-Jan-23	30,487	47,24,857
30-Dec-22	61,340	95,41,990
29-Dec-22	14,007	21,00,499
28-Dec-22	17,131	25,72,726
Total	37,83,683	52,65,83,472

Traded Turnover	52,65,83,472
No. of Share Traded	37,83,683
Volume Weighted Average Price for 90 Trading Days	139.17

Volume Weighted Average Price for 10 trading Days.

Date	No. of Trades	Total Turnover (Rs.)
11-May-23	1,17,634	1,65,59,558
10-May-23	58,149	81,13,855
09-May-23	34,072	47,71,335
08-May-23	23,515	33,11,632
05-May-23	76,072	1,07,29,226
04-May-23	27,179	37,71,051
03-May-23	78,459	1,09,18,755
02-May-23	29,121	40,44,215
28-Apr-23	22,846	31,74,400
27-Apr-23	56,713	78,40,129
Total	5,23,760	7,32,34,155

Traded Turnover	7,32,34,155
No. of Share Traded	5,23,760
Volume Weighted Average Price for 10 Trading Days	139.82

13 Annexure 2

Method	Value per share	Weight	Product
NAV Method	143.52	2	287.04
CCM Method	112.54	1	112.54
PECV Method (*)	53.49	0	0.00
Weight Average Value per share			133.20

(*) Value per share as per PECV is minimum and lower than CCM Method and NAV Method, hence NIL weightage is assigned to PECV Method.

NAV Method as on 31st March 2023

(INR Lakhs)

Particulars	Amount
Assets	
Non-Current Assets	
-Tangible Assets	10,598.99
-Intangible Assets	47.08
-CWIP	20.74
-Investment Property	608.76
-Right Of Use Assets	165.34
Long-term loans and advances	0.00
Deferred tax assets (net)	456.77
Non-Current Investment	357.00
Other Non-Current Assets	7,577.26
Current Assets	
Inventories	7,543.77
Trade receivables	82,261.07
Cash and bank balances	4,745.43
Other Current Assets	1,03,719.52
Total Assets	A 2,18,101.73
Non-Current Liabilities	
Long Term Borrowings	1,342.22
Lease Liability	104.10
Long-term provisions	543.88
Other Non-Current Liabilities	2,590.62
Current liabilities	
Short Term Borrowings	61,832.26
Trade payables	57,791.67
Lease Liability	62.83
Other current liabilities	23,221.87
Short-term provisions	559.72
Current Tax Liabilities(net)	520.59
Total Liabilities	B 1,48,569.76

Net Worth	A - B	69,531.97
No. of Equity Shares	C	4,84,47,170.00
Value Per Share	(A - B) / C	143.52

Comparable Company Method (CCM)

Particulars	P / E
Ratios	9.79
PAT of the Company (in INR Lakhs) (Mar-23)	5,570.31
Equity Value (INR Lakhs)	54,524.05
No. of Shares	4,84,47,170
Value per share (in INR)	112.54

Note 1: -

P / E Multiple of Listed Peer Company

Company Name	P/E
K&R Rail Engine	17.22
NCC	12.47
Pennar Industries	12.26
Average	13.98
Less: Size Discount	-4.20
Adjusted Ratio	9.79

Profit Earning Capitalization Value Method (PECV Method)

(INR Lakhs)

Particulars	FY21	FY22	FY 23
Profit After Tax	4,200.07	5,779.01	5,570.31
Average Profit of Past 3 Years			5,183.13
Capitalization	20.00%		25,915.65
No. of Equity Shares			4,84,47,170
Value per share (Rs.)			53.49

Capitalization Rate

Organisation Specific Discount Rate

- Cost of Equity of 20.00% is taken as Capitalization rate, calculated using,
 - Historical Market Return of BSE 500 from February 01, 1999, to May 12, 2023 is 18.52%
 - We have considered Premium of 1.00% towards risk and illiquidity.
 -

	Rate	Source
Market Return (Rm)	18.52%	Return of BSE 500 for the period of Feb 01, 1999, to May 12, 2023.
Company Specific Risk	1.00 %	Contingency of revenues, projected high profitability, achievability of projections

Based on the above parameters, the Cost of Equity has been calculated at **20.00 % (Rounded off)**