

Valuation of Equity Shares

of

K D Commercials Limited

Conducted By

LSI Financial Services Pvt. Ltd



SEBI Registration Code INM000011468

Registered Office: 227, A.J.C.Bose Road, Kolkata-700 020. Tel: 033 2280 2558

Corporate Office: 104, S.P. Mukherjee Road, Sagar Trade Cube, 5th Floor,

Kolkata - 700026. Tel: 033 2486 3816 / 3362

CIN No: U65999WB1997PTC082841; **Email:** info@lsimails.com; **URL:** www.lsifinance.com.

8th April 2024

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List of Abbreviations Used

BS	Balance Sheet
CAGR	Compound Annual Growth Rate
NAV	Net Asset Value
NSE	National Stock Exchange
PAT	Profit After Tax
PECV	Price Earning Capacity Value
PL	Profit & Loss
KDCL	K D Commercials Limited



1. Objective of the Valuation Report

The main objective to have the shares of KDCL valued is to arrive at a valuation of its equity shares to quote to the public shareholders for the purpose of Delisting.

Accordingly, KDCL has appointed LSI Financial Services Pvt. Ltd. (LSI) as Merchant Banker and LSI has carried out the present valuation as part of the Merchant Banking assignment.

2. Company Profile

2.1. MCA DATA

K D Commercials Ltd is a Public Company incorporated on 08 October 1982. It is classified as non-govt company and is registered at Registrar of Companies, Kolkata. The Following details have been obtained from the MCA Portal

Company Information	
CIN	L51109WB1982PLC035332
Company Name	K D COMMERCIALS LTD
ROC Name	ROC Kolkata
Registration Number	035332
Date of Incorporation	08/10/1982
Email Id	*****nue@gmail.com
Registered Address	35 CHITTARANJAN AVENUE, Kolkata, KOLKATA, West Bengal, India, 700012
Address at which the books of account are to be maintained	-
Listed in Stock Exchange(s) (Y/N)	Yes
Category of Company	Company limited by shares
Subcategory of the Company	Non-government company
Class of Company	Public
ACTIVE compliance	ACTIVE Non-Compliant
Authorised Capital (Rs)	24,50,000
Paid up Capital (Rs)	24,50,000
Date of last AGM	30/09/2023
Date of Balance Sheet	31/03/2023
Company Status	Active
Jurisdiction	
ROC (name and office)	ROC Kolkata
RD (name and Region)	RD, Eastern Region

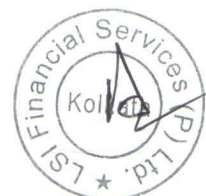
2.2. BOD

The Board of Directors of the Company consists of:

Sl. No	Name	DIN / PAN	Date of Appointment
1.	Surendra Kumar Saraf	00267701	13/08/1989
2.	Ashok Hari	01625650	25/03/2015
3.	Santosh Kumar Sharma	01625672	25/03/2015
4.	Ridhima Saraf	01390688	05/12/2016
CS	Aaisha Raza (Company Secretary)	*****0688P	01/04/2023

2.3. Shareholding pattern as on 30.09.2023

Sl. No	Promoter Type	Name of the Shareholder	No. of Shares held	%Age of Shareholding
1.	Individual	Surendra Kumar Saraf	7,800	3.18%
2.		Ram Naresh Saraf	46,750	19.08%
3.		Raj Kumar Saraf	46,750	19.08%
4.		Nikunj Kumar Saraf	7,790	3.18%
5.		Anita Saraf	7,790	3.18%
6.		Sharda Devi Saraf	7,800	3.18%
7.		Shikha Saraf	7,785	3.18%
8.		Bidushi Saraf	7,785	3.18%
9.	Corporate	Chittaranjan Housing Co. (P) Ltd	24,000	9.80%
10.		Bhandari & Asopa (India) Pvt. Ltd.	24,000	9.80%
11.		Evergreen Commercial Co. Ltd	23,250	9.49%
12.		Swadeshi Projects Ltd	23,500	9.59%
13.	Public	-	10,000	4.08%
	Total		2,45,000	100.00%



2.4. Financial Performance

Figures in Rs. thousand

Particulars	30 th Sep, 2023	31 st March, 2023
Share Capital	2450	2450
Revenue from Operations	81	270
Net Profit/ Loss	(959.26)	(182.20)
Earnings per Share (Rs.)	(3.92)	(0.74)

3. Source of Information

- Information available over various public portals.
- Audited Accounts for the year ended 30th September 2023 & 31st March, 2023.
- Undertaking by the Acquirer with respect to Compliance of SEBI Delisting Regulations, 2021.



4. Choice of Valuation Methodology

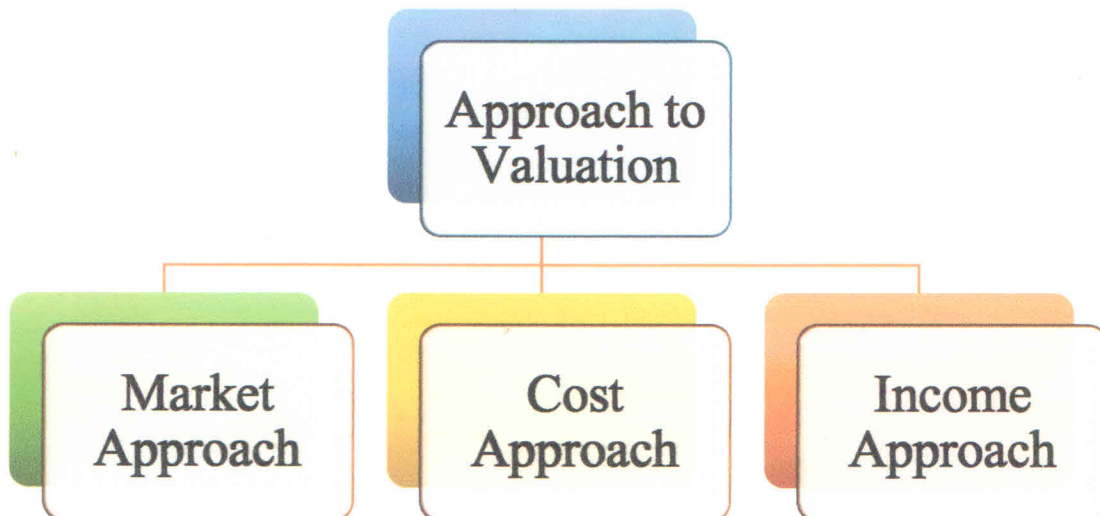
Business Valuation of an Enterprise or its Equity Shares is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be even prepared to pay goodwill/ value for ready production facilities which saves gestation period. This exercise may be carried out based on the generally accepted methodologies, the relative emphasis of each often varying with the factors such as;

- Specific nature of the business
- Listing and liquidity of the Equity
- Economic life cycle in which the industry or the company Is operating and
- Extent to which rind 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 commonly in vogue.

International Valuation Standard 2022 provides for following approaches to Valuation:

1. **Cost Approach**
2. **Income Approach**
3. **Market Approach**



4.1. Cost Approach

The Cost Approach values the underlying assets of the business to determine the business value. This valuation method carries more weight with respect to holding companies than operating companies. Also, asset value approaches are more relevant to the extent that a significant portion of the assets are of a nature that could be liquidated readily if so desired.

✓ Net Asset Value Method.

The NAV Method under Cost Approach considers the assets and liabilities, including intangible assets and contingent liabilities at their respective fair values. The Net Assets, after reducing the dues to the preference shareholders, if any, represent the value of a company.

The NAV Method is appropriate in a case wherein the main strength of the business lies in its asset backing rather than its capacity or potential to earn profits. This valuation approach is also used in case where the firm is to be liquidated i.e., it does not meet the "going concern" criteria.

As an indicator of the total value of the entity, the net asset value method has the disadvantage of only considering the status of the business at one point in time. Additionally, net asset value does not consider the exact earning capacity of the business or any intangible assets that has zero historical cost.

KDCL is a non-operating company. Hence it derives value from its Assets. Hence, we have considered NAV method for the valuation of equity shares of KDCL.

4.2. Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow ("DCF") Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

✓ Discounted Cash Flow ("DCF") Method

Under DCF Method value of a company can be assessed using the Free Cash Flow to Firm Method ("FCFF") or Free Cash Flow to Equity Method ("FCFE"). Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows to equity shareholders represent the cash available for distribution to them after payment made to the creditors and lenders of the business. Under the FCFE approach, the free cash flows attributable to equity shareholders in the explicit forecast period and those in

perpetuity are discounted by the Cost of Equity ("Ke") to arrive at Equity Value. The Ke is based on the Capital Asset Pricing Model ("CAPM").

Under the FCFF approach, the free cash flows attributable to the firm in the explicit forecast period and those in perpetuity are discounted by the Weighted Average Cost of Capital ("WACC") to arrive at Enterprise Value.

The perpetuity (terminal) value is calculated based on the business' potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the explicit forecast period.

The discounting factor (rate of discounting the future cash flows, i.e., Ke or WACC) reflects not only the time value of money, but also the risk associated with the business' future operations, including the applicable tax implications. Under the FCFE approach, the equity value is aggregate of the present value of explicit forecast period, terminal period cash flows so derived and fair value of surplus assets/contingent liabilities, if any. Under the FCFF approach, the Enterprise Value arrived as an aggregate of the present value of explicit forecast period and terminal period cash flows is adjusted for the net outstanding debt and fair value of surplus assets/contingent liabilities, if any to arrive at equity value.

KDCL is a non-operating company, hence we have not considered DCF method for valuation of the Equity shares of KDCL.

4.3. Market Approach

Under the Market Approach, the valuation is based on the market value of the listed company, and comparable companies trading or transaction multiples. The Market Approach generally reflects the investors' perception about the true worth of the company.

Since the equity shares of the company are not actively traded in the market, Market approach has not been considered for the purposes of valuation of Equity Shares of KDCL.



5. Valuation of Shares of KDCL

The calculation of Net Asset Value of KDCL is as given below:

Particulars	Book Value As at 30.09.2023
ASSETS	
Non-current Assets	
Property, Plant & Equipment	2,764
Financial Asset	
- Investments	1,855
TOTAL NON-CURRENT ASSETS (A)	4,619
Current Assets	
Financial Asset	
- Investments	-
- Cash & cash equivalents	77
Current Tax Asset (Net)	111
Other current Assets	245
TOTAL CURRENT ASSETS (B)	433
TOTAL ASSETS (A+B)	5,052
Current Liabilities	
Financial Liability	
- Borrowings	501
- Other financial liabilities	10
- Deferred Tax Liabilities	8
Other current liabilities	86
TOTAL CURRENT LIABILITIES (C)	605
Net Asset Value =(A+B-C)	4,447
No. of Equity Shares	245000
NAV per Share (Rs.)	18.15



5.1. Notes to Valuation of Shares of KDCL

The Net Asset Value represents the value of assets available after meeting the outside liabilities of the Company. This approach determines the intrinsic value per share, reflecting the company's asset base rather than its operational earnings.

It is pertinent to note that for the purposes of Valuation of the Equity Shares of KDCL on the basis of NAV Approach, the value of all the Items in the Balance Sheet have been taken as Book Value.



6. Conclusion

Based on the above detailed calculation as shown in Section 5, the value of equity has been reasonably calculated to be **Rs. 18.15 per equity share** of KDCL. This report is based on information including audited accounts provided to us by the management of the Company. We have assumed such representations to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects.

Our findings do not constitute a recommendation as to whether to carry out the transaction based on this valuation. Our work was not designed to verify the accuracy, reliability or achievability of the information provided to us and nothing in this report should be taken to imply that we have conducted procedures, audits or investigations in an attempt to verify any of the information supplied to us.

Date – 8th April 2024

Kolkata



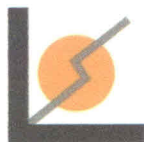
For LSI Financial Services Pvt. Ltd

A handwritten signature in black ink, appearing to read "V.S. Modi".

V.S. Modi

(Director)

DIN - 00001410



LSI FINANCIAL SERVICES PRIVATE LIMITED



corporate@lsimails.com



www.lsifinance.com

Delhi Office

"Chiranjiv Tower" 12th Floor,
43, Nehru Place,
New Delhi 110 019
+91 (11) 4662 8856

Kolkata Office

Sagar Trade Cube, 5th Floor,
104 S P Mukherjee Road,
Kolkata 700 026
+91 (33) 2486 3815

Mumbai Office

507, 5th Floor, Madhava E
Block,
Bandra Kurla Complex,
Bandra (E)
Mumbai 400 051
T: +91 (22) 4971 3684

Hyderabad Office

301, Sri Brundavanam
Residency
Patrika Nagar, 2nd Line,
Madhapur
Hyderabad – 500081

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