

SMS PHARMACEUTICALS LIMITED

Valuation Report



Report Date: 07-02-2024

VRN: IOV/2023-24/6008

VINOD SAKARAM

Registered Valuer-Securities or Financial Assets

IBBI No: IBBI/RV/02/2020/13284

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A. SUMMARY REPORT

1. Date of Valuation: 05-02-2024
2. Date of appointment: 02-02-2024.
3. Date of submission of the Valuation Report: 07-02-2024.

The said valuation assignment has been conducted for the purpose of computing the Fair Value per equity shares of M/s. SMS PHARMACEUTICALS LIMITED (herein after referred to as "Company") for the purpose to estimate the fair value for further issuance of securities, as per Section 62(1)(c) of the Companies Act, 2013 (as amended) read with Rule 13 of the Companies (Share Capital and Debenture) Rules, 2014, and Regulation 160 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, for a Preferential Allotment as per in accordance with Regulations 166(A) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 vide Notification No. SEBI/LAD-NRO/GN/2022/63 Dated: 14th January, 2022.

After considering all the three approaches for valuation namely Asset Approach, Income Approach, and Market Approach as detailed below

Valuation Approach	Value Per Share	Weight
Income Approach	113.95	0%
Asset Approach	62.12	0%
Market Approach	126.04	100%
Relative Value per Share	Rs.126.04/-	

Hence the Fair Value per Equity Share ascertained by me is Rs. 126.04/- (Rupees One Hundred and Twenty Six Rupees and Four Paise Only).

Place: Hyderabad
Date: 07-02-2024



Sakaram Vinod
VINOD SAKARAM
Registered Valuer-Securities or Financial Assets
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I. BACKGROUND INFORMATION

The company "M/s. SMS PHARMACEUTICALS LIMITED" (hereinafter also referred to as "the Client" or "the Company") incorporated on 14/12/1987 having CIN L24239TG1987PLC008066, The Registered email address of the company is cs@smspharma.com and its registered address is Plot No. 72, H.No: 8-2-334/3&4, Road No. 5 Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, Hyderabad, Telangana, India, 500034 has appointed me as Registered Valuer vide engagement Letter dated 02nd February, 2024., to determine the Fair Value per Equity Shares for the purpose of preferential allotment of securities as per chapter V of SEBI ICDR.

II. ABOUT THE COMPANY

a. Overview :

The Company was originally incorporated as S.M.S. Pharmaceuticals Pvt. Ltd. on December 14, 1987 for the manufacture of Bulk Drugs, On November 2, 1994 the company was converted to Public Limited Company from private limited and the name was changed to S.M.S. Pharmaceuticals Limited. Subsequently on April 12, 2004 for operational purpose the name was changed to SMS Pharmaceuticals Limited from S.M.S. Pharmaceuticals Limited.

b. SMS Pharmaceuticals Ltd. is a global player in API manufacturing having a strong research and manufacturing team supported by state of the art facilities. What started off as a single facility – single product manufacturing company in 1990 grew to be a multi-location group having product list spreading across an array of therapeutic segments. SMS was given the export house status in the year 1997-98. SMS is currently a listed company having ever appreciating international and domestic customer base. Having four multi product facilities in operation and two research centers,

c. Management of the Company :

DIN/ PAN	Full Name	Designation	Date of Appointment
06905851	SHRAVAN KUDARAVALLI	Director	26/05/2018
02292051	SRINIVAS SARVEPALLI	Director	12/08/2019
00065571	NEELAVENI THUMMALA	Director	12/08/2014
01456746	SARATH KUMAR PAKALAPATI	Director	12/08/2014
00166381	RAMESH BABU POTLURI	Managing Director	01/12/2008
06956498	VAMSI KRISHNA POTLURI	Whole-time director	05/06/2020
*****4603L	THIRUMALESH TUMMA	Company Secretary	16/02/2022
*****3793B	LAKSHMI NARAYANA TAMMINEEDI	CFO	13/09/2017



d. **Equity Shareholding Pattern of the Company as on 31st December, 2023 :**

SL. No	Category	No of shares held	% of shareholding
A	PROMOTERS/PROMOTERGROUP HOLDING		
1	Indian		
	Individuals/Hindu undivided Family	4,59,58,270	54.29
	Bodies Corporate including LLP	84,86,740	10.03
	Sub-total	5,44,45,010	64.32
2	Foreign promoters/Promoter Group		
	Sub-total(A)	5,44,45,010	64.32
B	NON-PROMOTERS'HOLDING		
1	Institutional investors		
	Mutual Funds	279	0.00
	Foreign Portfolio Investors	5,00,000	0.59
	Financial Institutions/Banks/Mutual Funds/AIF		
2	Non-Institutional Investors		
	Bodies Corporate	20,19,019	2.39
	Directors and relatives	16,100	0.02
	Indian public	2,76,71,351	32.69
	Others including Non-resident Indians(NRIs)	271	0.00
	Sub-total(B)	3,02,07,020	35.68
	GRANDTOTAL	8,46,52,030	100.00

III. IDENTITY OF THE RV AND ANY OTHER EXPERTS INVOLVED IN VALUATION:

I, **Vinod Sakaram**, a registered Valuer under Asset Classification Securities & Financial Assets, duly registered with Insolvency and Bankruptcy Board of India under the provisions of Section 247 of Companies Act, 2013 read with Companies (Registered Valuers and Valuation) Rules, 2017, having registration Number as **IBBI/RV/02/2020/13284**.

No other expert was involved in this transaction.

IV. DISCLOSURE OF THE VALUER'S INTEREST OR CONFLICT, IF ANY :

I, Vinod Sakaram, registered Valuer hereby declare that I have no interest either direct or indirect in the Company. Further to state that I am not having relation or any connection with Promoters or Directors or any officer of the Company directly or indirectly. Further to state that I am independent and being appointed in my individual capacity and nowhere related to any officials of the Company.



V. PURPOSE OF THE REPORT

This valuation is done for the purpose of valuation of Equity share pursuant as per in accordance with **Regulations 166(A) and 164** of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

VI. APPOINTING AUTHORITY

I have been appointed as Registered Valuer under the authority of the Resolution passed by the Audit Committee, vide by engagement Letter dated 02nd February, 2024 as per the provisions of section 247 of the Companies Act, 2013.

VII. INTENDED USERS OF THE VALUATION

I understand that this deliverable will be used by the Company and other stakeholders for deciding the fair market value of Equity Shares to be offered for preferential allotment of equity shares by way of private placement.

VIII. SCOPE OF WORK

Our scope of work involved determination of the Fair Value per Equity Share of M/s. SMS PHARMACEUTICALS LIMITED, a company registered under the Companies Act 1956/2013 having CIN based on International Valuation Standards and Guidance Notes of International Valuation Standards Council (IVSC) which have been prescribed by IOV Registered Valuer Foundation (IOV-RVF) with which I am Registered as Valuer. The valuation report is based on the information and documents provided by the client and information collected independently by me. I have agreed to determine the Fair Value per Equity Shares of the company as at 05th February, 2024 for the purpose of arriving at the fair market value for preferential allotment of securities.

As per the engagement letter dated 02nd February, 2023, I am required to follow established methods of valuation of the shares i.e. market value or DCF or NAV or Cost. As required by International Valuation Standards, I have considered possible and appropriate methods of valuation of shares and provided adequate disclosure of the same in our report.

The Valuation Currency for this Valuation Report is Indian Rupees.

IX. BASES AND PREMISE OF VALUATION

As per IVS 2020 I have used the "Market Value" as the basis of valuation. The Premise of Value has been taken as Highest & Best Use (HABU), which is also understood to be the Current Use, in the present case.

IVS-104 defines "Market Value" as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

X. SOURCE OF INFORMATION

- Copy of company profile including the details about business of the company and the product ranges by the company.
- Data extracted from publicly available sources believed to be reliable and true i.e. NSE India, BSE India.
- Provisional financial statements of Company for the period ended 31st December 2023.
- Articles of Association of the Company.



XI. PROCEDURES CONDUCTED

The Procedures conducted by me are:

1. Requested and received all required information from the Management.
2. Run through of the AOA of the Company
3. Considered the historical financial statements of the Companies.
4. Discussed the profile and operations of the Companies with the Management(s).
5. Discussions with the Management on understanding of the businesses of the Company.
6. Evaluated the various valuation methods and computing the value using each of the applicable methods.
7. Arrived at the fair value taking cognizance of the AOA and the ICDR Regulations.
8. Prepared and issued valuation report.

XII. VALUATION METHODOLOGY AND APPROACHES:

In valuing the shares of the company, I need to perform the following steps,

1. Understanding the Business of the company
2. Understanding the Industry in which the company operates
3. Identifying the Assets of the company, including Income Generating Businesses, fixed assets, etc.
4. Valuing the Assets of the company, wherein, three different approaches may be employed to determine value: (i) the Income Approach, (ii), the Market Approach and (iii) the Cost Approach. While each of these approaches is initially considered in the valuation of an asset, the nature and characteristics of the asset, availability of required data for each of the approaches indicate which approach, or approaches, is most applicable.
5. Identifying the liabilities of the company
6. Computing the Value available to Shareholders and arriving at the Fair Value per share

As required by IVS -105, I have given consideration to all the relevant and appropriate valuation approaches. In selecting the appropriate valuation approach and method, I have considered the following:

- a) The appropriate basis(es) of value and premise(s) of value, determined by the term, and purpose of the valuation assignment,
- b) The respective strengths and weaknesses of the possible valuation approaches and methods,
- c) The appropriateness of each method in view of the nature of the asset, and the approaches or methods used by participants in the relevant market, and
- d) The availability of reliable information needed to apply the method(s).

I have hereunder discussed the various approaches available under the valuation standards and approaches(es) adopted by me after considering the above and the information available for the asset under valuation.

A) INCOME APPROACH

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. This approach is appropriate where the income-producing ability of the asset is the critical element affecting the value or reasonable projections of the amount and timing of future income are available for the subject asset. The approach is used where 'Anticipation of benefits' is the economic principle which would be used by market participants to decide the Value of the subject asset.

The following Income Approach method have been considered by me in the report :

Discounted Cash Flow (DCF) Method

The Discounted Cash Flow Method involves forecasting the Free Cash Flows Available to Equity (FCFE) & Estimated Terminal Value and discounted back to the valuation date with Cost of Equity (Ke) for the company to arrive at the Value available to equity shareholders.



I have carried out the valuation of the company using the Discounted Cash Flow Method and value arrived is per share is Rs.113.95/- detailed working annexed to this Report and this Value is **not considered as appropriate by me, for valuation of the shares of company** as the value arrived is less than the value arrived under Market approach.

B) NET ASSET VALUE (NAV) METHOD (ASSET APPROCH)

The Net asset value is the value of an entity's assets minus the value of its liabilities. The formula to determine Net Asset Value (NAV) of the Company is as follows:

Net Asset Value (NAV) : Total Assets - Total Liabilities

Period	Total Assets (A)	Outside Liabilities(B)	Net Asset Value (C) = (A – B)
31/12/2023	10,33,28,00,112	5,07,40,13,077	5,25,87,87,036

Further, the Net Asset Value (NAV) per share is as follows:

Sr. No.	Net Asset Value (NAV) (A)	No. of Equity Shares (B)	Net per share (C) = (A / B)
1	5,25,87,87,036	8,46,52,030	62.12 (Per share)

I have carried out the valuation of the company using the Net Asset Value Method and the Value arrived per share Rs.62.12/- as above and this value is **not considered as appropriate by me, for valuation of the shares of company** as the value arrived is less than the value arrived under Market approach.

C) MARKET APPROACH

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. This approach is appropriate where the subject assets or substantially similar assets are frequently publicly traded and the information on the market transactions are sufficiently and reliably available. The approach is used where 'Price Equilibrium' is the economic principle which would be used by market participants to decide the Value of the subject asset.

The Market approach method have been considered:

- **Guideline Publicly Trade comparable method** - The Guideline publicly trade comparable method utilises the information on publicly traded comparable that are the same or similar to the subject asset to arrive at an indication of the value.
- **Comparable transactions method** - The comparable transactions method, also known as the guideline transactions method, utilizes information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

D) COST APPROACH

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence. The approach is used where 'cost of substitution' is the economic principle which would be used by market participants to decide the Value of the subject asset.

The cost approach is not found suitable for the purpose of valuation of the shares of the company as the same can only result in a value using the economic principle of 'Substitution' and it is difficult to estimate the cost of 'Substitution' for a Going Concern. Moreover, Para 70 of IVS 200 allows use of Cost Method for valuation of businesses and business Interests only in case of following specific scenario –



a) The business is an early stage or start-up business where profits and/ or cash flow cannot be reliably determined and comparisons with other businesses under the market approach is impractical or unreliable, which is not met by the subject company or its business.

b) The business is an investment or holding business, in which case the summation method is used.

c) The business does not represent a going concern and/or the value of its assets in a liquidation may exceed the business' value as a going concern. Since any of the above scenarios are not met in case of the subject company under valuation, the cost approach is not considered for valuation of the shares of company.

Since any of the above scenarios are not met in case of the subject company under valuation, **the cost approach are not considered for valuation of the shares of company.**

XIII. VALUATION

I have carried out the valuation of the company using the market approach. SMS PHARMACEUTICALS LIMITED being a listed company, I have used the Market Price Approach Method for valuing its shares. Volume weighted average price of SMS PHARMACEUTICALS LIMITED as observed on NSE over a reasonable period has been used to arrive at the fair value per equity share. For the purpose of valuation I have relied on the data of NSE India in accordance to Regulations 166(A) and 164 Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 vide Notification No. SEBI/LAD-NRO/GN/2022/63 Dated: 14th January, 2022.

The price computed above is in consonance with Regulation 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 vide Notification No. SEBI/LAD-NRO/GN/2022/63 Dated: 14th January, 2022, which mandates that preferential issue of equity shares which may result in a change in control or allotment or more than five percent, shall conform to the pricing provisions of preferential issue specified under Regulation 164 of the ICDR Regulations.

The equity shares of Company are listed at National Stock Exchange of India Limited, and BSE Limited and are frequently traded in accordance with SEBI (ICDR) Regulations.

In terms of the applicable provisions of SEBI (ICDR) (Amendment) Regulations, 2022, the price at which Equity Shares shall be allotted shall not be 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."

In this regard the Articles of Association("AOA") of the Company **does not categorically mention about the pricing of preferential issue.** The Company, hence, needs a fair valuation report on valuation of equity shares of Company for computation of the price for preferential issue of equity shares to the Allotees, in compliance with the provisions of regulation 164(1) of the SEBI ICDR Regulations.

Calculation of Issue Price as prescribed under Reg.164 (1) of SEBI (ICDR) Regulations 2018.

Date of EGM : 06-03-2024

Relevant Date : 05-02-2024 (being 30th day prior to the EGM Date)



Stock Exchange : National Stock Exchange of India Limited (NSE) is consider as Stock Exchange, as the equity shares of the Company is listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding 90 trading days prior to the relevant date.

Frequently Traded Shares : The Equity shares as considered as Frequently traded shares under the provisions of Section 164(5) of SEBI (ICDR) Regulations, 2018

A) The 90 Trading Days Volume Weighted Average Price of the related Equity shares quoted on the Recognized Stock Exchange (NSE) preceding the relevant Date : (i.e., from 25-09-2023 to 02-02-2024).

$$\frac{TO1+TO2+ + TO90}{Q1+Q2+ + Q90} = \frac{1,59,23,73,919.40}{1,26,60,204.00} = 125.78 \text{ (A)}$$

B) The 10 Trading Days Volume Weighted Average Price of the related Equity shares quoted on the Recognized Stock Exchange (NSE) preceding the relevant Date : (i.e., from 19-01-2024 to 02-02-2024).

$$\frac{TO1+TO2+ + TO10}{Q1+Q2+ + Q10} = \frac{15,23,62,634}{12,08,876} = 126.04 \text{ (B)}$$

Where, TOn = Total turnover in the scrip on 'nth' trading day
Qn = Number of shares of the scrip traded on 'nth' trading day

Calculation of 90 Trading days :

Sl. No.	Date	No. of Shares Traded	Turnover (in Rs.)
1	02-Feb-24	3,56,908	4,61,33,876.60
2	01-Feb-24	88,091	1,08,84,126.00
3	31-Jan-24	67,748	83,54,120.50
4	30-Jan-24	1,10,281	1,36,77,658.90
5	29-Jan-24	1,25,684	1,56,12,878.95
6	25-Jan-24	1,18,212	1,48,36,582.25
7	24-Jan-24	78,530	96,79,613.70
8	23-Jan-24	1,19,772	1,49,88,285.45
9	20-Jan-24	67,343	86,09,271.70
10	19-Jan-24	76,307	95,86,219.95
11	18-Jan-24	1,29,143	1,60,90,559.80
12	17-Jan-24	1,15,370	1,45,41,014.40
13	16-Jan-24	1,89,938	2,42,82,341.40
14	15-Jan-24	1,68,749	2,19,88,467.90
15	12-Jan-24	1,25,142	1,63,00,142.00
16	11-Jan-24	1,39,176	1,82,16,968.20
17	10-Jan-24	2,61,937	3,43,64,009.40
18	09-Jan-24	2,96,429	3,89,33,991.50
19	08-Jan-24	6,63,262	8,64,91,177.30
20	05-Jan-24	2,75,178	3,66,51,976.70
21	04-Jan-24	3,12,924	4,19,43,912.15
22	03-Jan-24	12,03,988	16,13,09,681.30
23	02-Jan-24	10,08,167	12,80,49,748.60
24	01-Jan-24	66,305	79,59,456.65
25	29-Dec-23	42,790	51,01,202.50



26	28-Dec-23	46,634	55,74,876.10
27	27-Dec-23	1,22,243	1,47,89,199.80
28	26-Dec-23	39,315	46,67,732.75
29	22-Dec-23	1,13,795	1,35,78,032.40
30	21-Dec-23	1,14,380	1,33,52,393.30
31	20-Dec-23	3,95,978	4,80,17,661.00
32	19-Dec-23	1,32,668	1,65,64,506.25
33	18-Dec-23	3,19,281	4,01,69,139.95
34	15-Dec-23	3,62,048	4,44,52,289.05
35	14-Dec-23	62,627	74,49,043.80
36	13-Dec-23	55,499	65,64,446.70
37	12-Dec-23	55,200	65,94,788.55
38	11-Dec-23	93,775	1,11,89,461.90
39	08-Dec-23	40,438	48,05,635.95
40	07-Dec-23	54,580	64,56,454.05
41	06-Dec-23	46,240	54,77,479.00
42	05-Dec-23	58,560	69,75,978.25
43	04-Dec-23	1,03,514	1,24,80,678.40
44	01-Dec-23	46,860	55,72,694.05
45	30-Nov-23	66,901	79,31,008.40
46	29-Nov-23	79,210	94,85,697.35
47	28-Nov-23	99,440	1,20,97,983.80
48	24-Nov-23	4,77,175	5,94,14,257.30
49	23-Nov-23	74,739	89,24,623.45
50	22-Nov-23	93,003	1,09,73,891.80
51	21-Nov-23	1,28,980	1,51,66,059.95
52	20-Nov-23	1,06,302	1,27,91,855.55
53	17-Nov-23	96,805	1,14,67,310.95
54	16-Nov-23	61,314	72,86,727.15
55	15-Nov-23	41,774	49,88,482.75
56	13-Nov-23	54,807	65,43,620.30
57	12-Nov-23	19,573	23,55,638.35
58	10-Nov-23	83,191	98,85,615.70
59	09-Nov-23	1,41,658	1,70,37,320.75
60	08-Nov-23	9,64,785	12,22,18,040.55
61	07-Nov-23	1,05,101	1,28,41,258.70
62	06-Nov-23	51,026	61,42,083.75
63	03-Nov-23	83,190	1,00,59,429.15
64	02-Nov-23	65,379	77,50,429.35
65	01-Nov-23	26,260	30,74,498.15
66	31-Oct-23	25,522	29,91,138.00
67	30-Oct-23	17,084	20,04,220.35
68	27-Oct-23	31,415	37,19,829.85
69	26-Oct-23	52,578	59,95,716.20
70	25-Oct-23	73,996	87,59,496.55
71	23-Oct-23	72,303	86,47,464.65



72	20-Oct-23	86,629	1,07,40,183.50
73	19-Oct-23	40,120	48,74,936.75
74	18-Oct-23	46,459	56,58,324.25
75	17-Oct-23	55,642	67,61,510.15
76	16-Oct-23	43,769	52,86,201.00
77	13-Oct-23	34,309	41,80,520.70
78	12-Oct-23	43,223	52,44,379.00
79	11-Oct-23	46,700	56,43,375.00
80	10-Oct-23	59,613	72,12,709.15
81	09-Oct-23	46,901	56,73,222.80
82	06-Oct-23	21,956	27,12,063.85
83	05-Oct-23	23,414	29,02,870.65
84	04-Oct-23	42,835	52,90,217.35
85	03-Oct-23	1,00,883	1,26,81,779.00
86	29-Sep-23	78,416	98,69,820.55
87	28-Sep-23	89,898	1,12,58,437.15
88	27-Sep-23	45,918	56,22,024.10
89	26-Sep-23	28,152	34,50,079.00
90	25-Sep-23	60,847	74,37,791.60
	Total	1,26,60,204.00	1,59,23,73,919.40

Calculation of 10 Trading days :

Sl. No.	Date	No. of Shares Traded	Turnover (in Rs.)
1	02-Feb-24	3,56,908	4,61,33,876.60
2	01-Feb-24	88,091	1,08,84,126.00
3	31-Jan-24	67,748	83,54,120.50
4	30-Jan-24	1,10,281	1,36,77,658.90
5	29-Jan-24	1,25,684	1,56,12,878.95
6	25-Jan-24	1,18,212	1,48,36,582.25
7	24-Jan-24	78,530	96,79,613.70
8	23-Jan-24	1,19,772	1,49,88,285.45
9	20-Jan-24	67,343	86,09,271.70
10	19-Jan-24	76,307	95,86,219.95
	Total	12,08,876	15,23,62,634

XIV. CONCLUSION:

The Fair Value Per share is Rs. 126.04/- (Rupees One Hundred and Twenty Six Rupees and Four Paise Only) being the Highest Value per share arrived amongst all the approaches as stated above.

XV. CAVEATS, LIMITATION AND DISCLAIMERS :

i. Restriction on the use of Valuation Report

This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Our client is the only authorized user of this report and is restricted for the purpose indicated in the engagement letter. This restriction does not preclude the client from providing a copy of the report to third -party advisors whose review would be consistent with the intended use . I do not take any responsibility for the unauthorized use of this report.



ii. Responsibility of RV

I owe responsibility to only to the client that has appointed me under the terms of the engagement letters. I will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken. omissions or advice given by any other person. In no event shall I be liable for any loss. damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the client or companies, their directors, employees or agents.

iii. Accuracy of Information

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 clients existing business records. Accordingly, I express no audit opinion or any other form of assurance on th is information.

iv. Achievability of the forecast results

I do not provide assurance on the achievability of the results forecast by the management as events and circumstances do not occur as expected; differences between actual and expected results may be material. I express no opinion as to how closely the actual results will correspond to those projected as the achievement of the forecast results is dependent on actions. plans and assumptions of management.

v. Post Valuation Date Events

The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date. Due to possible changes in market forces and circumstances, this valuation report Can only be regarded as relevant as at the valuation date i.e. 05th February, 2024.

vi. Reliance on the representations of the clients, their management and other third parties.

The Client and its management warranted to me that the information they have supplied was complete, accurate and true and correct to the best of their knowledge and I have relied upon the representations of the clients their management and other third parties concerning the financial data, operational data and maintenance schedule and all plant machinery equipment's tools vehicles, real estate investments and other investments in tangible assets except as specifically stated to the contrary in the report. I shall not be liable for any loss, damage, cost or expenses arising from fraudulent acts, misrepresentation or wilful default on the part of the Companies, their directors, employees or clients.

vii. No procedure performed for corroborate, information taken from reliable external sources.

I have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, I assume no liability for the truth of accuracy of any data. opinions or estimates furnished by others that have been used in this analysis. Where I have relied on data. opinions or estimates from external sources, reasonable care has been ta ken to ensure that such data has been correctly extracted from those sources or reproduced in its proper form and context.

viii. Compliance with relevant laws

The report assumes that the company complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the companies will be managed in a competent and responsible manner. Further. as specifically stated to the contrary. this report has given no consideration to matters of a legal nature. including issues of legal title and compliance with local laws. and litigations and other contingent liabilities that are not reflected in the balance sheet provided to me.

ix. Multiple factors affecting the Valuation Report

The valuation report is tempered by the exercise of judicious discretion by the RV. 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 Balance Sheet but could strongly influence the value.

x. Future services including but not limited to Testimony or attendance in courts/tribunals/authorities for the opinion of value in the Valuation Report

I am fully aware that based on the opinion of value expressed in this report, I may be required to give testimony or attend court / judicial proceedings with regard to the subject assets, although it is out of scope of the assignment, unless specific arrangements to do so have been made in advance, or as otherwise required by law. In such event, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and our tendering evidence before such authority shall be under the applicable laws.

Place: Hyderabad
Date: 07-02-2024



VINOD SAKARAM
Registered Valuer-Securities or Financial Assets
IBBI No: IBBI/RV/02/2020/13284
VRN: IOV/2023-24/6008

Annexure to the Valuation Report of M/s. SMS PHARMACEUTICALS LIMITED.

Working of Income Approach Discounted Cash Flow Method :

				Rs. In Lacs	
Particulars	2023-24	2024-25	2025-26	2026-27	2027-28
	(Estimated)	(Projected)	(Projected)	(Projected)	(Projected)
Inflow					
EBT - Operating profit	5,835.62	6,351.93	7,086.14	8,528.73	9,835.35
Depreciation & Amortisation	3,365.76	3,715.72	4,072.28	4,301.33	4,410.45
Increase in Equity by Warrants	2,925.00	-	8,775.00	-	-
Increase in Term Loans	5,577.38	6,000.00	-	-	-
Increase in Bank Borrowings	1,221.07	-	-	-	-
Total Inflow	18,924.83	16,067.65	19,933.42	12,830.06	14,245.80
Outflow					
Increase in Capital Expenditure	7,979.77	6,941.27	6,050.00	1,000.00	1,000.00
Increase in Investments	-	-	-	200.00	200.00
Repayment of Debt	3,759.06	4,408.10	4,659.18	3,967.94	3,460.51
Incremental Working Capital (exl. cash)	4,704.56	1,369.43	1,696.55	4,558.41	3,980.34
Income Tax	1,400.55	1,524.46	1,771.53	2,217.47	2,557.19
Dividends	253.96	253.96	280.96	280.96	280.96
Total Outflow	18,097.90	14,497.21	14,458.22	12,224.78	11,479.00
Net Free Cash Flows (FCF)	826.93	1,570.44	5,475.20	605.28	2,766.80
Year	0.15	1.15	2.15	3.15	4.15
Discounting factor	0.991	0.934	0.880	0.829	0.781
Present Value	819.40	1,466.07	4,815.49	501.54	2,159.89
Present Value of cash inflow during the explicit forecast Period	9,762.38				
Present Value of the Perpetuity	1,04,792.90				
Add: Investments	-				
Gross Business Value	1,14,555.28				
Less : Debt Outstanding	18,090.80				
Less : Contingent Liabilities	-				
Equity Value	96464.48				
No. of shares	84652030				
Value Per Share (Rs.)	113.95				



Weighted average cost of capital		
		Mix
Risk free rate	7.18%	
Add: Market Risk Premium	11.46%	
Add: Liquidity risk	2.00%	
Cost of Equity	20.64%	0.02
Effective interest rate	8.25%	0.98
Less: Effective Tax rate	29.12%	
Net adjusted interest rate	5.85%	
Weighted average cost of capital (WACC)	6.14%	1.0

COST OF EQUITY	
Return on Index	18.64%
Dividend Yield	0.00%
Expected Return	18.64%
Calculation of Risk Premium	
Expected Return	18.64%
Risk Free Return	7.18%
Beta	1.00
Risk Premium	11.46%
Risk Free Rate of Return	7.18%
Risk Premium	11.46%
Company Specific Premium	2.00%
Cost of Equity	20.64%

