

**FAIRNESS OPINION REPORT ON VALUATION FOR THE PROPOSED SCHEME OF ARRANGEMENT**

amongst

**CHORDIA FOOD PRODUCTS LIMITED**

and

**PRAVIN FOODS PRIVATE LIMITED**

and

**CHORDIA FOOD-PARK AND PROPERTIES LIMITED**

By



**Navigant**

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**2<sup>ND</sup> MAY, 2017**

**SEBI Registered Category I Merchant Banker**

**SEBI Registration No. INM000012243**

## Notice to Reader

Navigant Corporate Advisors Limited (“Navigant” / “NCAL” or “Authors of the Report”) is a SEBI registered ‘Category I’ Merchant banker in India and was engaged by Board of Directors of Chordia Food Products Limited (herein after referred as “CFPL”) to prepare an Independent Fairness Opinion Report (“Report”) with respect to providing an independent opinion and assessment as to fairness of Valuation Report and Swap ratio determined by M/s Haresh Upendra & Co., Chartered Accountants (“HUC”) an independent Valuers for the purpose of intended proposed Merger of Pravin Foods Private Limited (“PFPL”) with Chordia Food Products Limited (“CFPL”) and intended proposed demerger of Food Division of Chordia Food-Park and Properties Limited (“CFPPL”) into CFPL.

CFPL, PFPL AND Food Division of CFPPL are collectively referred as “Companies”

The Fairness Opinion Report (“Report”) has been prepared on the basis of the review of information provided to Navigant and specifically the Report on Swap ratio (hereinafter referred as Valuation Report) prepared by HUC as an independent valuer. The report does not give any valuation or suggest any swap ratio, However this report is limited to provide its fairness opinion on the Valuation Report.

The information contained in this Report is selective and is subject to updations, expansions, revisions and amendment. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent.

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## Executive Summary

Purpose:	Express an Independent Fairness Opinion and assessment with respect to fairness of Valuation Report and Swap ratio determined by HUC for the proposed Merger of PFPL with CFPL and demerger of CFPPL into CFPL
Merged Business:	PFPL will merge with CFPL and the food division of CFPPL will be demerged to CFPL and this consolidation will lead to synergies of operations as well as expansion of operations.

## Background of the Companies

### CHORDIA FOOD PRODUCTS LIMITED

Chordia Food Products Limited was incorporated on 20th January 1982 under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number (CIN) of Chordia Food Products Limited is L15995PN1982PLC026173. The registered office of Chordia Food Products Limited is situated at Plot No 399/400 S. No. 398 Tal. Shirwal, Village Sangvi, Dist Satara, Satara, Maharashtra - 412801. Chordia Food Products Limited is one of the leading Manufacturer of processed fruits and vegetables in Western India and has been successfully selling its products under the brand name of Pravin, Navin and Toofan for more than three decades.

At present, Equity Shares of the company are listed on the BSE Limited ("BSE").

### PRAVIN FOODS PRIVATE LIMITED:

Pravin Foods Private Limited was incorporated on 7th September 1989 under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number (CIN) of Pravin Foods Private Limited is U15496PN1989PLC053353. The registered office of Pravin Foods Private Limited is situated at P O No. 55, S. No. 112, Hadapsar Industrial Estate, Hadapsar Pune, Maharashtra - 411 013. Pravin Foods Private Limited is engaged in the business of manufacturing machine made & hand-made papad. The products are sold under brand name Suhana. Pravin Foods Private Limited is promoters Group Entity.

### CHORDIA FOOD-PARK AND PROPERTIES LIMITED:



Chordia Food - Park & Properties Limited was incorporated on 19th April, 2000 under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number (CIN) of Chordia Food - Park & Properties Limited is U15137PN2000PLC014777. The registered office of Chordia Food - Park & Properties Limited is situated at Gat No 395 Village Sangvi Taluka, Khandala, Dist Satara, Pune, Maharashtra - 412801. Chordia Food - Park and Properties Limited is engaged in the business of food related infrastructure facilities like cold storage and agritech centre also in the business of Real Estate Development. Chordia Food - Park and Properties Limited is promoters Group Entity.

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#### Transaction Overview and Rational

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It is proposed to demerge Undertaking consisting of Cold Storage and Agritech Centre of Chordia Food - Park and Properties Limited ("CFPPL") into Chordia Food Products Limited ("CFPL") and amalgamate Pravin Foods Private Limited ("PFPL") into Chordia Food Products Limited ("CFPL") by this Scheme, as a result of which the following benefits shall, inter-alia, accrue to the shareholders and stakeholders of CFPL

The following rational are envisaged:

- To enter and expand the business in new category of products with the objective to bring the authentic Indian flavors and become a leading name in the food processing business.
- To acquire established and proven food product hand-made and machine-made Papad, which are sold under Brand Name "Suhana".
- To expand the current business with ready infrastructure established in the demerged undertaking of CFPPL. It will add adequate storage capacity in line the expansion of the business on the large scale. This infrastructure is near to the current premises of the CFPL.
- To develop Innovative Processed Food Products viz. Frozen foods and ready to eat, as testing laboratory established in the demerged undertaking of CFPPL.
- CFPPL has several commercial activities/businesses which are distinct and diverse from each other, the demerger will ensure focused management attention and resources and skill set allocation.

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#### Valuation Methodology & Explanation adopted by HUC:

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Some of the methods considered by HUC for arriving at fair value of shares of a company are as under:



Valuation methods are broadly classified into -

**1. Cost Approach:**

- The Cost approach focuses on the net worth or net assets of company. Cost approach includes net asset value [NAV] method based on realizable or book value of assets. This valuation approach is mainly used in case where the assets base dominates earnings capability or if it is investment holding company and significant value is derived from its investment holdings.
- The Net Assets Value (“NAV”) Method under the cost approach considers the assets Liabilities including intangible assets and contingent liabilities. The Net Assets, after reducing the dues to the Preference shareholders, if any, represent the equity value of the company.
- In Break-up Value (“BUV”) Method, the assets and liabilities are considered at their Realizable restated value including intangible assets and contingent liabilities or liabilities on account corporate guarantees given by the company, if any, which are not stated in the Balance sheet. From the realizable value of the assets, the potential liabilities (including the preference share capital, if any, with the amount of surplus due to them), which would have to be paid, would be deducted and the resultant value is the BUV of the business.

**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 strength of the Future cash flows Earnings based that aims at measuring the earning capacity of the target entity and includes methods such as EBITDA, Profit Earning Capacity Value [PECV], Future Maintainable Profit Method [FMPM], Return on Networth [RONW], etc.

**3. Market Approach:**

Under the market approach, the valuation is based on the market capitalization of the company in case of listed companies or/and comparable companies trading or



transaction multiples of comparable companies. The market approach generally reflects the investors' perception about the true worth of the company.

*Deriving a value is influenced by the following factors -*

- *The objective or purpose of valuation*
- *The industry and business the transacting entities*
- *The commercial viability of the most appropriate method/s*
- *The unique facts of the case as relating to the entities*
- *The compliance of regulatory framework for the purpose of valuation*
- *Dividend payment capability*

**Basis of Valuation and Assumptions made by HVC:**

They have based their valuation, on the combination of aforesaid methods as described below:.

**1. VALUATION OF CFPL**

- 1.1 For determining the Fair Value of Chordia Food Products Limited (CFPL), the market prices disseminated on BSE Limited were considered, since the shares of CFPL is frequently traded share in terms of SEBI (SAST) Regulations, 2011 as amended.
- 1.2 The Fair value has been considered by complying the provisions of Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended.
- 1.3 The Fair value has been arrived at Rs.118.09 per Equity Share of face value of Rs. 10/- Each.

**2. VALUATION OF PFPL**

- 2.1 While calculating fair value of PFPL, combination of Net Assets Value Method, Profit Earning Capacity Method and Discounted Cash Flow Method has been used.
- 2.2 For calculating Net Asset value (NAV) of PFPL, unaudited financials of 31<sup>st</sup> December, 2016 were taken in to account and Net Asset value per Equity Share of face value of Rs. 10/- each has been arrived at Rs. 3466 per share.
- 2.3 For calculating, Profit Earning capacity value (PECV), HUC has taken simple average profit of last five years commencing from fiscal 2013 and multiplied by Profit Earning multiple of Eight (8). The value per Equity Share of face value of Rs. 10/- each based on profit earning method has been arrived at Rs. 2697 per share.
- 2.4 For calculating, Discounted cash flow (DCF), HUC has taken free cash flow of succeeding five years commencing from fiscal 2018 and perpetual growth rate has been considered at 5% and cost of equity has been considered at 18%. The value per Equity Share of face value



of Rs. 10/- each based on discounted cash flow method has been arrived at Rs. 3950 per share.

2.5 The fair value has been arrived as under:

Value as per	Value per Share	Weight	Weighted Value per Share
NAV	3269	1	3269
PECV	2697	1	2697
DCF	3950	2	7900
TOTAL		4	13866
FAIR VALUE PER SHARE OF PFPL			3466

### 3. VALUATION OF DEMERGED UNDERTAKING I.E. FOOD DIVISION OF CFPPL

3.1 Demerged Undertaking of CFPPL is engaged in business of leasing of infrastructure and storage facilities required by food industry which is running business and currently CFPPL income mainly comprised of lease rentals. The business is at nascent stage and has potential to grow substantially. In the opinion of HUC, present value of assets will capture fair value of business as against profit based method. CFPPL assets base capture future earnings capability. Since profit earning is not able to capture real value as business is at nascent stage the same is not considered. HUC has considered Adjusted Net Assets value which capture market value of property after non mobility discount of 33%.

3.2 The value per Equity Share of face value of Rs. 10/- each of Demerged undertaking i.e. of Food Division of CFPPL is arrived at Rs. 10.

#### CONCLUSION ON FAIR VALUE AND SHARE EXCHANGE RATIO RECOMMENDED BY HUC:

Based on the above fair values, the share exchange ratio has been determined by HUC as follows:

**For Amalgamation of PFPL with CFPL:** CFPL shall issue 293 (Two Hundred Ninety Three) Equity Shares of Rs. 10 (Rupees ten) each fully paid up to the equity shareholders of PFPL for every 10 (Ten) Equity Share of Rs. 10 (Rupees Ten) each fully paid held in PFPL.

**For Demerger of Demerged Business/Undertaking from CFPPL into CFPL:** CFPL shall issue 85 (Eighty Five) Equity Shares of Rs. 10 (Rupees ten) each fully paid up to the equity shareholders of CFPPL for every 1000 (Thousand) Equity Share of Rs. 10 (Rupees Ten) each fully paid held in CFPPL.



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**Our Fairness Opinion:**

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Based upon valuation work carried out by HUC, we are of the opinion that the purpose of the proposed Merger of PFPL with CFPL and demerger of Food Division of CFPL to CFPL are fair, from a financial point of view.

The fairness of the Proposed Merger is tested by:

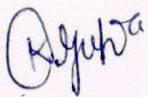
- (1) Considering whether the Valuation methods adopted by HUC depict a correct picture on the value of shares of all companies
- (2) Calculating the fair market value of companies
- (3) Considering qualitative factors such as economies of scale of operations, synergy benefits that may result from the proposed Merger of PFPL with CFPL and demerger of Food Division of CFPL into CFPL.

The rationale for Share Exchange ratio as explained above, will be issued as assumed by HUC is justified.

We are in opinion that, HUC is justified by taking the Fair Value of Companies, and covers each aspect of valuation.

This being of our best of professional understanding, we hereby sign the Fairness Opinion report on valuation.

For Navigant Corporate Advisors Ltd.



**Khushbu Gupta**  
Company Secretary

