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CHARTERED ACCOUNTANTS

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Date: 2nd May 2017

To,

Board of Directors:

Company/ Body Corporate	Address: Registered Office
CHORDIA FOOD PRODUCTS LIMITED <i>(hereinafter known as "CFPL" or Transferee Company or Resulting Company)</i>	Plot No 399/400 S. No. 398 Tal. Shirwal, Village Sangvi, Dist Satara, Satara, Maharashtra - 412801
PRAVIN FOODS PRIVATE LIMITED <i>(hereinafter known as "PFPL" or "Transferor Company)</i>	P O No. 55, S. No. 112, Hadapsar Industrial Estate, Hadapsar Pune, Maharashtra - 411013
CHORDIA FOOD - PARK AND PROPERTIES LIMITED <i>(hereinafter known as "CFPPL" or "Demerged Company)</i>	Gat No 395 Village Sangvi Taluka, Khandala, Dist Satara, Pune, Maharashtra - 412801

Subject: Recommendation on share exchange ratio in course of Scheme of Arrangement Chordia Food - Park and Properties Limited and Pravin Foods Private Limited and Chordia Food Products Limited and Their Respective Shareholders

We refer to our engagement letter whereby the CFPL, PFPL and CFPPL requested us to undertake valuation of companies for the following:

- a. Recommendation of the Share Exchange Ratio on the proposed merger of PFPL into CFPL;
- b. Recommendation of Share exchange ratio on the proposed demerged of Undertaking of CFPPL into CFPL.



The valuation exercise and Report thereon is executed into the following sections –

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I. BRIEF BACKGROUND:

1. Chordia Food Products Limited is one of the largest Manufacturer & Exporter of Pickles in Western India and has been successfully selling its products under the Pravin brand for more than three decades. Chordia Food Products Ltd is engaged in the manufacturing and marketing of high quality authentic & ethnic Indian processed foods i.e. Pickles, Spice pastes, Instant Mixes, Ketchup & Sauces, etc. With its mission of aiming at the best quality standards in manufacturing food products and its attention continuously focused on customer satisfaction, CFPL strives hard to maintain a leading position in the process food section by widening his customer base and making its products available at affordable prices in India and abroad.
2. Pravin Foods Private Limited, an individual enterprise, which manufactures machine made & hand-made papad has its products reaching all over Maharashtra, and other states too. Driven by a passion for excellence it set out to produce the finest machine papad. By developing totally indigenous, innovative technologies, the company has elevated to a level of sophistication that can meet the demands and standards of the global market. Pravin began with the production of papad and through dynamic



R&D efforts it has developed innovative processes for processing and packaging its products, which fulfill the desire of customer. The production of papad is supplied to Pravin Masale a partnership firm which distribute them under the Brand Names "Suhana". PFPL manufacture the products under contract manufacturing for Pravin Masale.

3. Chordia Food – Park and Properties Limited, is engaged in the business of Real Estate business and as a part there of it has built Cold Storage and Agritech Centre required for food business. CFPPL recently started leasing of its assets and derives its income from leasing of its owned infrastructure.

II. PURPOSE OF THE REPORT:

We have been informed that BODs of CFPL, PFPL and CFPPL are contemplating amalgamation of PFPL into CFPL and demerger of Demerged Undertaking consisting of cold storage and agritech centre of CFPPL into CFPL from the appointed date as 1st April 2016.

In pursuant to the above we have carried out the valuation exercise of CFPL, PFPL and CFPPL to recommend on the share exchange ratio i.e. number of shares to be issued by CFPL to the shareholders of CFPPL and PFPL.

III. SCOPE & LIMITATIONS:

Our report is subject to the scope and limitations detailed hereinafter.

- a. Valuation of the companies has been done to arrive at the share exchange ratio using appropriate valuation model.
- b. This report is issued on the understanding that you have drawn our attention to all the matters, which are concerning the financial position of CFPPL, PFPL and CFPL and any other matter that may have impact on our opinion as regards the fair valuation of shares of CFPPL, PFPL and CFPL.



- c. Our scope of work was not designed to verify the accuracy or reliability of the information provided to us and nothing in this report should be taken to imply that we have for the purpose of this assignment conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.
- d. We do not hold any responsibility to update this report for events occurring after the date of this report.
- e. The information contained herein and our report is confidential and it is intended only for the sole use and information of CFPPL, PFPL and CFPL and for use in the above mentioned proceedings.
- f. We are not responsible either to any person/party or for any decision of such person or party based on this report.
- g. The determination of share exchange ratio is not a precise science and the conclusions arrives at in many cases will, of necessity, be subjective

IV. SOURCES OF INFORMATION:

For the purpose of this assignment, we have relied on the following sources of information provided by the Management of CFPPL, PFPL and CFPL:

- i. Memorandum and Articles of Association of CFPPL, PFPL and CFPL.
- ii. Audited financial statements as follows –
 - CFPPL as on 31st, March 2016
 - PFPL as on 31st, March 2016
 - CFPL as on 31st, March 2016
- iii. Unaudited financial statements as follows –
 - CFPPL as on 31st, December 2016
 - PFPL as on 31st, December 2016



- CFPL as on 31st, December 2016
- iv. Projected Financial of CFPL for FY 2018 and 2019.
 - v. Projected Financial of CFFPL for FY 2018, 2019 and 2020
 - vi. Projected Financial of PFPL for FY 2018, 2019, 2020, 2021 and 2022.
 - vii. Draft Scheme of Arrangement and Amalgamation between Chordia Food - Park and Properties Limited and Pravin Foods Private Limited and Chordia Food Products Limited and Their Respective Shareholders
 - viii. Assets and liabilities statement of Demerged Undertaking of CFPPL as on 31st March 2016 and 31st December 2016.
 - ix. Report from government approved valuer for Valuation of immovable properties of Demerged Undertaking of CFPPL.
 - x. Shareholding pattern of CFPPL, PFPL and CFPL.
 - xi. Information on key events between 31st March 2016 to till date, as made known to us and their financial report.
 - xii. Discussions with the management of CFPPL, PFPL and CFPL on various matters considered relevant by us for the purpose of this valuation
 - xiii. Secondary research and market data on comparable companies and information on recent transactions, to the extent readily available and
 - xiv. Such other analysis, reviews and enquiries, as we considered relevant

The Companies have been provided with opportunity to review the report (excluding the recommended share exchange ratio) as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final report.

V. Share Capital of Transacting Entities:

1. **Chordia Food Park and Properties Limited (CFPPL):** Its net worth as on March 31st, 2016 is Rs. 5.32 crores. The share capital on such date is as under:

Particulars	Amount in Rs.
Authorized Share Capital:	
20,00,000 Equity Shares of Rs.10/- each	2,00,00,000
TOTAL	2,00,00,000
Issued, Subscribed and Paid up Share Capital:	
19,90,000 Equity Shares of Rs.10/- each fully paid up	1,99,00,000
TOTAL	1,99,00,000

There is no change in the share capital of the Demerged Company till date.

2. **Pravin Foods Private Limited (PFPL):** Its net worth as on March 31st, 2016 is Rs. 9.07 crores. The share capital on such date is as under –

Particulars	Amount in Rs
Authorized Share Capital:	
50,000 Equity Shares of Rs.10/- each	5,00,000
TOTAL	5,00,000
Issued, Subscribed and Paid up Share Capital:	
30,000 Equity Shares of Rs.10/- each fully paid up	3,00,000
TOTAL	3,00,000

There is no change in the share capital of the Transferor Company till date.

3. **Chordia Food Products Limited (CFPL):** Its net worth as on March 31st, 2016 is Rs. 34.81 crores. The share capital on such date is as under-

Particulars	Amount in Rs
Authorized Share Capital:	
55,00,000 Equity Shares of Rs.10/- each	5,50,00,000
TOTAL	5,50,00,000
Issued,	
32,08,300 Equity Shares of Rs.10/- each fully paid up	3,20,83,000
Subscribed and Paid up:	
29,80,100 Equity Shares of Rs.10/- each	2,98,01,000
Add: Share Forfeiture	17,250
Total	2,98,18,250

There is no change in the share capital of the Transferee Company till date. The Equity shares of the company are listed on BSE

VI. Rationale of the Scheme of Arrangement:

It is proposed to demerge Undertaking consisting of Cold Storage, Agritech & tiny 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-

- i. To expand the business with the objective to bring the authentic Indian flavors and become a leading name in the food processing business
- ii. To expand the current business as approval, licensing and registration for cold storage and pilot project are ready in the demerged undertaking of CFPPL. The infrastructure as mentioned above is near to the current premises of the CFPL. It will add adequate storage capacity in line the expansion of the business.
- iii. To develop Innovative Processed Food Products viz. Frozen foods and ready to eat, as testing laboratory established in the demerged undertaking of CFPPL
- iv. To enter and expand in new category of established and proven food product hand-made and machine-made Papad, which are sold under Brand Name “Suhana”.
- v. 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.
- vi. The scheme will provide the company with infrastructure and logistics facilities to expand the business on the large scale

VII. Valuation Methods and Analysis:

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 o 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 Network [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*

ARRIVING SHARE EXCHANGE RATIO FOR THE AMALAGAMATION OF PFPL WITH CFPL:

Most Appropriate Method:

Both PFPL and CFPL are going concern and operating companies. Both the companies have good track records of the profit and expected to grow at market related rate even in future. The management also has expansion plan. Since the both companies are growing companies having substantial future growth potential the fair equity share exchange ratio has been arrived based on a relative valuation of the shares of the both Companies based on the methodology explained herein earlier.

Since shares of CFPL are listed, its market price method is considered for complying the provisions of Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended.

Under the given circumstances and considering this, we have thought fit to apply appropriate weight to value arrived under Net Assets Method, DCF Method and Profit Multiple in case of PFPL and Market Price Method to arrive at fair value of CFPL.

ARRIVING SHARE EXCHANGE RATIO FOR THE DEMERGER OF FOOD DIVISION OF CFPPL TO CFPL:

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 our opinion, 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. We have considered Adjusted Net Assets value which capture market value of property *and thought fit to apply after appropriate discount for CFPPL.*

VIII. Recommendation of Share Exchange Ratio:

Sr. No.	Activities of the arrangement Process	Share Exchange Ratio
1	Amalgamation of Pravin Foods Private Limited into Chordia Food Products Limited	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.
2	Demerger of Demerged Business/Undertaking from Chordia Food-Park and Properties Limited into Chordia Food Products Limited	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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**Haresh Upendra & Co
Chartered Accountant**



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Computation of Fair Exchange Ratio

Valuation Approach	Chordia Food Products Limited (CFPL)		Pravin Foods Private Limited (PFPL)		Demerged Undertaking of Chordia Food – Park and Properties Limited (CFPPL)	
	Value per Share	Weight	Value per Share	Weight	Value per Share	Weight
Asset Approach	N.A.	0	Rs. 3,269/-	1	10	1
Income Approach	N.A.	0	Rs. 2,696./- & Rs. 3,950/-	1 & 2	N.A.	0
Market Approach	Rs. 118.09	1	N.A.	0	N.A.	0
Relative Value per Share	Rs. 118.09		Rs. 3,466		Rs. 10	
Exchange Ratio (rounded off)			293:10		85:1000	
Ratio						
Amalgamation of PFPL with CFPL : 293 equity shares of CFPL Ltd of INR 10 each fully paid up for every 10 (Ten) equity shares of PFPL Ltd of INR 10 each fully paid up						
Demerged Underatking of CFPPL With CFPL : 85 equity shares of CFPL Ltd of INR 10 each fully paid up for every 1000 (Thousand) equity shares of CFPPL of INR 10 each fully paid up						

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Haresh Upendra & Co.
Chartered Accountant

Date : 2nd May, 2017.

