# REPORT ON SWAP RATIO OF AMALGAMATION OF ASSOCIATED ALCOHOLS & BREWERIES LIMITED

# WITH

# MOUNT EVEREST BREWERIES LIMITED

**PREPARED BY:**
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**Registration No. I B B I / R V / 0 5 / 2 0 1 9 / 1 0 7 7**

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## Table of Contents



Navin Khandelwal RV IBBI/RV/05/2019/10779

| To | To |
|---|---|
| The Board of Directors | The Board of Directors |
| ASSOCIATED ALCOHOLS & BREWERIESLIMITED | MOUNT EVEREST BREWERIES LIMITED |

We refer to your Engagement Letter dated 28.03.2023 appointing me as a Valuer for carrying out the Amalgamation valuation Report of **ASSOCIATED ALCOHOLS & BREWERIES LIMITED and MOUNT EVEREST BREWERIES LIMITED** in terms of engagement letter, we are enclosing herewith our report along with this letter. In the attached report, we have summarized our Valuation Report on Value of the Companies as at report date, together with the description of methodologies used and limitation on our Scope of Work.

Our analysis and report are in conformity with the "ICAI Valuation Standards" issued by the Institute of Chartered Accountants of India and International Valuation Standards 2022. Our valuation is subject to the scope, assumptions, exclusions, limitations, and disclaimers detailed herein. As suchthe report has to be read in totality and not in parts. The valuation report is in relation to the information provided by the client.

## BUSINESS INTEREST, OWNERSHIP CHARACTERISTICS

### Associated Alcohols & Breweries Limited ('AABL' or 'Transferor Company')

AABL was incorporated on 7 July 1989 and is primarily engaged in the business of manufacturing and trading of Extra Neutral Alcohol (ENA), Indian Made Indian Liquor (IMIL/ country liquor), Indian Made Foreign Liquor (IMFL) and other by products. Further the Company intends to start the manufacturing of grain-led ethanol from FY24 to capitalise on the GOI (Government of India) Ethanol Blending Policy.

Over the years, AABL has transformed from a small distillery manufacturing country liquor to a diversified alcoholic beverage business with a portfolio covering both manufacturing services as well as direct to consumer business as set out below:

Navin Khandelwal RV IBBI/RV/05/2019/10779

**Manufacturing Business**

AABL has integrated alcoholic beverage manufacturing facility located in central India near Indore, Madhya Pradesh with an installed capacity of 12.5 million cases per annum. Manufacturing business is the business of selling products which are either not used by the consumers directly or business where even though the product is used by the consumers directly their supply is regulated by the Government on a contractual basis.

Manufacturing business is commonly referred to as B2B business. This business segment contributed ~ 68% of total revenue earned during the nine months period ended 31 December 2022 ('PE23') and also in FY22. The key revenue streams of the manufacturing business is as under:

a) **Extra Neutral Alcohol ('ENA'):** AABL is one of India's largest manufacturers of raw material ENA that is consumed in the production of liquor and typically contains 96% of alcohol by volume. The company has an installed manufacturing capacity of 45 million liters per annum and has fully utilized this capacity during FY22 and has contributed ~ 26% of total revenue during PE23 and FY22.

b) **Indian Made Indian Liquor ('IMIL'):** IMIL, also known as 'country liquor,' is a type of alcoholic beverage containing approximately 30% alcohol. Country liquor are produced locally and sold within the state of manufacturing. Arrack, Feni and Toddy are few types of country liquor preferred by blue collar and lower middle-class workers. This segment contributed ~ 30% of total revenue during PE23 and FY22.

c) **By products:** Poultry feed, spent grain etc. are the manufacturing process residue converted into monetizable by-products. This segment contributed ~ 10% of total revenue during PE23 and FY22.

d) **Contract manufacturing**: AABL also does contract manufacturing for Diageo – United Spirits Limited ('USL') for brands like Black Dog, VAT 69, Smirnoff, etc. This segment contributed ~ 2% of total revenue during PE23 and FY22.

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Navin Khandelwal RV IBBI/RV/05/2019/10779

– **Consumer Business**

Consumer business is the business of selling products to the end consumer through distributors/ intermediates. This business is commonly referred to as B2C business. AABL is also engaged in the business of marketing and sale of Indian made foreign liquor ('IMFL') for both proprietary and licensed brands (as set out below). The consumer segment contributed ~ 32% of total revenue duringPE23 and FY22 out of which 20% is from third party licensed brands and its proprietary brand contributed ~ 12% of total revenue.

**a) Proprietary brands**

AABL has diversified over the years to create 6 of its own proprietary IMFL brands. The company's IMFL brands are being sold today in states like Madhya Pradesh, Delhi, Chhattisgarh, and Kerala contributing ~ 12% of total revenue during PE23 and FY22. Following are the proprietary brands of AABL:

- Central Province Whiskey
- Titanium Triple Distilled Vodka
- James McGill Whiskey
- Jamaican Magic Rum
- Super Man Series
- Bombay Special Series

**b) Licensed/ Franchised brands**

In 2017, AABL entered into an exclusive franchise agreement with Diageo – USL to distil, blend, bottle, and market some of its key brands such as Bagpiper Deluxe Whiskey, Mc Dowell's No. 1 Rum etc. in the state of Madhya Pradesh. AABL has been accredited as being the best franchise performerfrom Diageo. The segment contributed ~ 20% of total revenue during PE23 and FY22.

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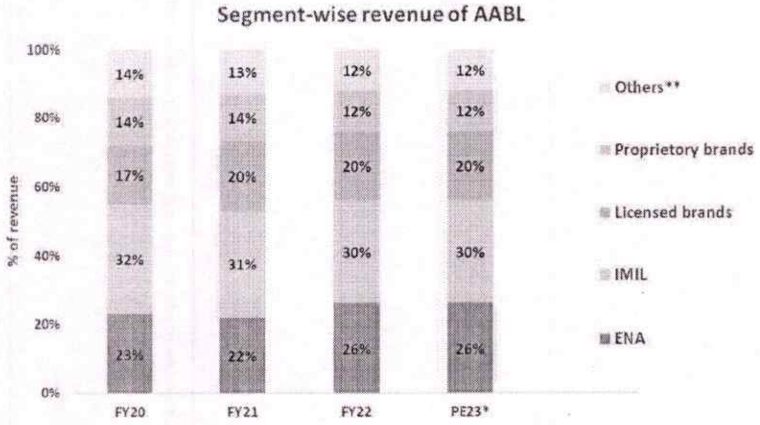
Navin Khandelwal RV IBBI/RV/05/2019/10779

Proportion of revenue earned by AABL over the years from the above-mentioned segments is set out below:




**For the nine months period ended 31 December 2022*
*** Others include revenue from contract manufacturing segment and sale of by-products.*

**Mount Everest Breweries Limited ('MEBL' or 'Transferee company')**

MEBL was incorporated on 13 August 1999 and is engaged in the business of manufacturing and sale of beer under four in-house brands namely Lemount, Mounts 6000, Stok (recently launched in premium category) and Dabang. MEBL is also engaged in manufacturing beer on a contract manufacturing basis with United Breweries Limited ('UBL') for its 'Kingfisher' strong brand.

Following are the two business segments of MEBL:

– **Consumer Business (Own Brand)**:

MEBL started the manufacturing of its own beer brands in 2009 and in the span of 10 years, the company has been able to establish itself as one of the largest beer brands in Central India. The products are primarily marketed under four in-house brands available in different SKUs. Its manufacturing facility is located in Indore, Madhya Pradesh and enjoys more than 50% of the total market share in the state of Madhya Pradesh with an installed capacity of around 18 million cases of beer per annum. Its products are also popular in the states of Chhattisgarh and Assam.

Following are the beer brands of MEBL:

a. **Lemount**: This is the premium and highest selling strong beer brand in Madhya Pradesh under the premium beer category.

b. **Mounts 6000**: This brand is renowned for strong and addictive taste with 6-8% alcohol content under super strong beer category.

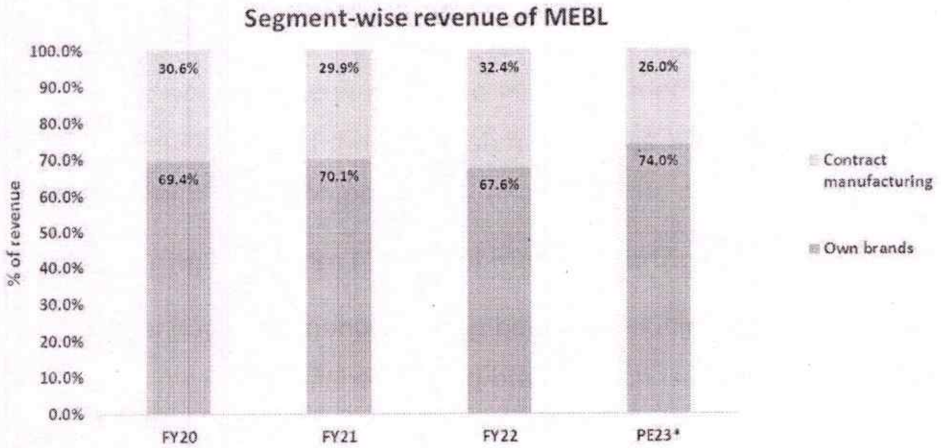
c. **Dabang**: This brand is known for its smooth yet strong taste with 6-8% alcohol content under strong beer category.

d. **Stok**: This brand has been launched in 2019 under the premium category. Outbreak of Covid -19 had adversely impacted the establishment of this brand in the previous two years. However, this brand has gained traction post FY22 and is gaining popularity among the youth.

– **Manufacturing Business (Contract manufacturing)**:

MEBL is also engaged in manufacturing beer on a contract manufacturing basis for United Breweries Limited ('UBL') for its 'Kingfisher' strong brand which is also marketed by the company in the state of Madhya Pradesh.

Proportion of revenue earned by MEBL from the above-mentioned segments is set out below:




*For the nine months period ended 31 December 2022*

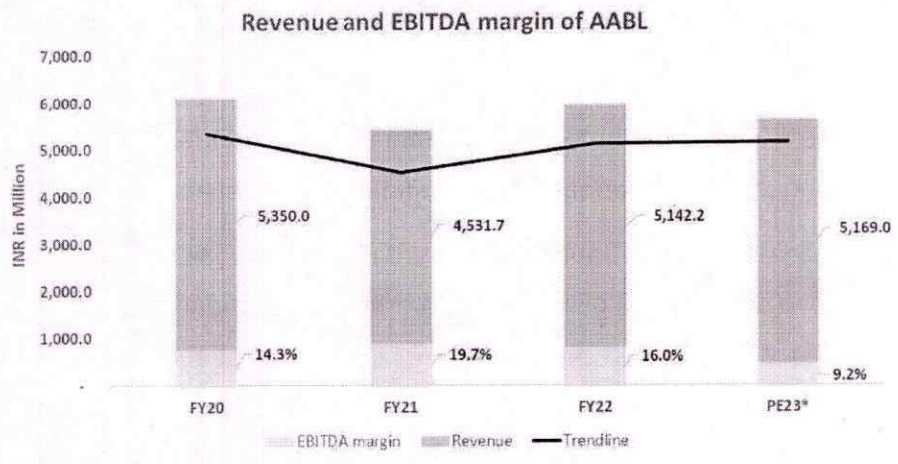
## FINANCIAL OVERVIEW

### Associated Alcohols & Breweries Limited ('AABL' or 'Transferor Company')

The company had clocked a revenue of 5,350 million in FY20 and subsequently saw a drop during FY21. Among the various reasons for the drop in revenue was impact on the business due to covid-19. During FY22, the revenue was almost in similar lines to FY20 and further in nine months period ended 31 December 2022 itself revenue earned by the Company has crossed revenue earned for FY22.

Given that manufacturing business is sale of intermediary products or government related products, the business has inherent limitations with respect to product pricing ability.

Based on our discussion with the Management we understand that there was a sharp increase in the price of critical inputs used in the manufacturing process like rice, pet resin, glass bottle, and coal which could not be passed on to customers through higher sticker prices. On account of this, margins were adversely impacted during the nine months period ended 31 December 2022, however the Management has represented that they are pursuing price increase related options in consultation with government to achieve better margins in future.

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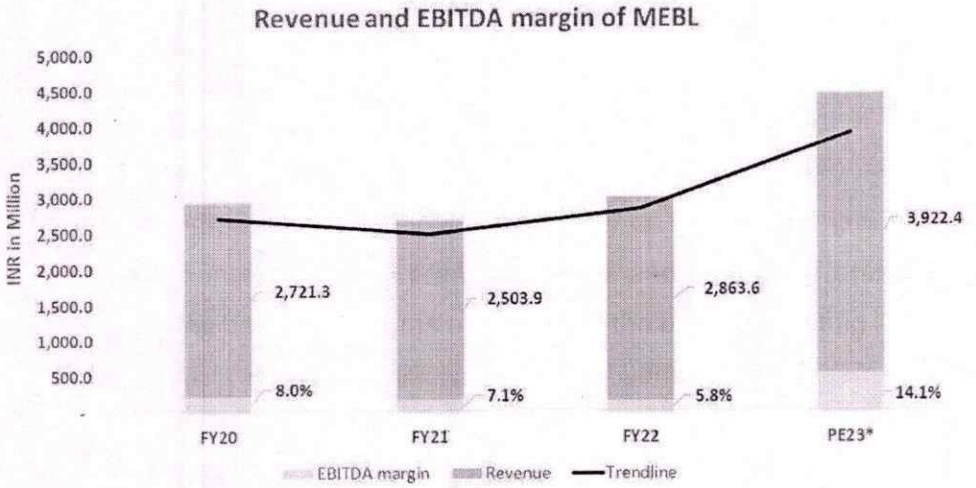
**Mount Everest Breweries Limited ('MEBL' or 'Transferee company')**

The company had clocked revenue of 2,516.1 million in FY20. Indian beer industry is a very seasonal industry with almost 40-45% of the annual sales clocked in the summer months of March to June. Covid-19 has been at its peak during the period of March 2020 to June 2020 (national lockdown) and March 2021 to June 2021 (second wave of covid). Quarter 1 of FY23 was the first summer when the company had an uninterrupted summer in the recent past. MEBL had clocked revenue of 3,011.7 million during the first half of FY23 (i.e., more than annual revenue of FY21 and FY22).

Based on discussion with the management, we understand that MEBL is primarily engaged in consumer business. It has incurred significant marketing spend to popularize its products among the diaspora. The company has also invested heavily on its R&D to introduce innovative packaging which has helped them in establishing brand presence and creating a brand recall which would give them long term enduring benefits in terms of achieving the better operating leverage which would in turn help earn higher margins as pricing ability is with the Company. The same can be seen from the financial performance of the Company for nine months period ended 31 December 2022 in which MEBL has earned EBITDA margins of 14.1% on the back of higher sales.




**For the nine months period ended 31 December 2022*

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Navin Khandelwal RV IBBI/RV/05/2019/10779

## FUTURE OUTLOOK

- **Associated Alcohols & Breweries Limited**

Considering the inherent limitation of Manufacturing Business and dependence of AABL on Manufacturing Business, the next level growth is largely dependent on the success of consumer business i.e. increase in the sale of proprietary IMFL brands which contributed only 12% of the total revenue in FY22. Given this background the company has initiated the process of setting up ethanol manufacturing facility to capitalise on the Government of India Ethanol Blending Policy. Post this expansion, ENA capacity will increase from 45 million litres per annum to 75 million litres per annum with a flexibility to produce ethanol with a completely new 30 million litres ethanol capacity plant. The ethanol produced will be sold to oil marketing companies as permitted by the government.

- **Mount Everest Breweries Limited**

As per the survey conducted on the most preferred alcoholic beverages in February 2022, beer was the favourite alcoholic drink in India as compared to liquors and ciders. Further it has been seen that there is shift in the preferences towards the quality alcohol which has low alcohol content. According to publicly available information, the beer industry is poised to grow at a much faster pace compared to spirits in India.

MEBL has established itself as the largest manufacturer of beer in Madhya Pradesh and further has been able to establish its brand presence and create brand recall in central India through dedicated marketing and distribution network.

Considering the above background and in order to leverage this growth in the beer industry, MEBL is planning to increase the capacity from 18 million cases to 24 million cases annually in next 5 years with sizable share of its own premium brands and is also expanding its reach across high beer consuming states such as Goa, Maharashtra, West Bengal etc.

Navin Khandelwal RV IBBI/RV/05/2019/10779

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## OBJECTIVES AND RATIONALE OF THE SCHEME OF AMALGAMATION:

The amalgamation shall be in the interest of all concerned stakeholders including shareholders, customers, creditors, employees, and general public, in the following ways:

- Amalgamation of AABL into MEBL will result into creation of a unique Indian alco-beverage supermarket offering resources such as ENA/ ethanol, beer, branded liquor and outsourcing relationships, hence acting as a catalyst for future growth of both the companies.

- This amalgamation will lead to the progression of AABL more towards consumer business than manufacturing business. This would result in huge growth potential for the combined entity through widening access to retail consumers, creation of mass opportunities and enhanced business sustainability.

- AABL has diversified portfolio of alcoholic beverages and MEBL has well established beer brands in central India. Hence, the combined synergy of both the companies including the cross-sale of products through a range of customer engagements shall provide a competitive edge, thereby creating value for the shareholders.

## Appointing Authority, Appointed date, Valuation date & Report date

Board of Directors, appointed NavinKhandelwal, RV registered under Section 247 of Companies Act ("Valuer"), having Registration No. IBBI/RV/05/2019/10779 on 28.03.2023, to determine the EXCHANGE Ratio of equity Shares. The date of valuation is considered as on report date. The valuation report is issued on 13.04.2023.

## DISCLOSURE OF VALUER INTEREST AND IDENTITY OF RV

I have no present or prospective contemplated financial interest in **ASSOCIATED ALCOHOLS& BREWERIES LIMITED and MOUNTEVEREST BEVERAGES LIMITED**. Further I have no personal interest with respect to the Promoters & Board of Directors of **ASSOCIATED ALCOHOLS & BREWERIES LIMITED and MOUNT EVEREST BREWERIES LIMITED.** I have no bias/prejudice with respect to any matter that is the subject of the valuation report or to the parties involved with this engagement. My professional fees for this valuation are based upon my normal billing rates and not contingent upon the results or the value of the business or in any other manner. Identity of the Registered Value Navin Khandelwal is a Registered Valuer as required under The Companies

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Navin Khandelwal RV IBBI/RV/05/2019/10779

(Registered Valuers& Valuation) Rules, 2017. Navin Khandelwal is registered with Insolvency & Bankruptcy Board of India vide registration number IBBI/RV/05/2019/10779.

## VALUATION STANDARDS

The fair value has been arrived in accordance with the ICAI Valuation Standards issued by ICAI and International Valuation Standard 105 - Valuation Approaches and Methods.

## NATURE AND SOURCES OF INFORMATION AND SIGNIFICANT ASSUMPTIONS

The valuation exercise was undertaken on the basis of the following information relating to the Companies, furnished to us by the representatives of the Companies and information available in the public domain:

- Scheme of amalgamation pursuant to which the proposed amalgamation is proposed tobe undertaken between the companies;
- Audited financial statements for the nine months period ended 31 December 2022 ('PE23') and for the financial year ended 31 March 2022 ('FY22') of AABL;
- Audited financial statements for the nine months period ended 31 December 2022 ('PE23') and for the financial year ended 31 March 2022 ('FY22') of MEBL;
- Audited financial statements for the financial year ended 31 March 2020 ('FY20') and 31 March 2021 ('FY21') of MEBL;
- Projected Financial Statement of the Transferor and Transferee company for explicit period i.e. from 01 April 2022 to 31 March 2028 as prepared and certified by the management.
- Valuation report dated 10 April 2023 prepared and issued by Mr Arvind Agrawal, IBBI approved Registered Valuer - Land and Building with respect to the fair valuation of land available with AABL and not used for the business operations.
- Latest shareholding pattern of Transferee Company and Transferor Company;
- Discussions with the Management to understand the perception of the historical and expected future performance, macro-economic parameters, and key value drivers of the Companies.

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Navin Khandelwal RV IBBI/RV/05/2019/10779 *

Besides the above listing, there may be other information provided by the Client which may not have been perused by me in any detail, if not considered relevant for my defined scope.

Discussions (in person / over call) with the management to: Understand the business and fundamental factors that affect its earning- generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance. During the discussions with the management, I have also obtained explanations and information considered reasonably necessaryfor this exercise.

**PROCEDURES ADOPTED:**

Following are the procedures used in our valuation analysis;

- Reviewed the scheme of amalgamation between the companies;
- Considered the audited financial statements for the nine months period ended 31 December 2022 ('PE23') and for the financial year ended 31 March 2022 ('FY22') of AABL;
- Considered the audited financial statements for the nine months period ended 31 December 2022 ('PE23') and for the financial year ended 31 March 2022 ('FY22') of MEBL;
- Considered the audited financial statements for the financial year ended 31 March 2020 ('FY20') and 31 March 2021 ('FY21') of MEBL;
- Reviewed the projected financial statements as prepared and certified by the management.
- Considered the fair value of surplus land as per the valuation report dated 10 April 2023 prepared and issued by Mr. Arvind Agrawal, IBBI approved Registered Valuer - Land and Building.
- Used data available in public domain related to the Companies and listed companies operating in similar industry.
- Selection of valuation approach and valuation methodology/ (ies), in accordance with IVS, as considered appropriate and relevant by us.
- Arrived at the relative valuation of the companies using the method considered appropriate to determine the fair share exchange ratio for the proposed amalgamation.

Navin Khandelwal RV IBBI/RV/05/2019/10779

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## INTENDED USERS OF THE VALUATION AND RESTRICTION ON USE OF REPORT:

This report contains confidential information that has been provided at your request and the same should not be disclose or circulated in whole or in part without express written consent of Navin Khandelwal, Registered Valuer. This document should not be duplicated or used, in whole or in part.

The report is being provided solely for the benefit of the company and is not on behalf of, and shall not confer right or remedies upon, any other person other than Board of Directors. The report may not be used or relied upon by, or disclosed, referred to, or communicated by Board of Directors (to whole or in part) to any third party for any purpose whatsoever without our prior consent in each instance. This document should not be duplicated or used, in whole or in part.

In furnishing the Report, we reserve the right to amend or replace the report at any time. Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of date hereof. It should be understood that subsequent development may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the Report.

Nothing contained within the report is or should upon as promise or representation as to the future.

## BASES OF VALUE and PREMISE OF VALUE

As per Indian Valuation Standard 102 and International valuation Standard 104, Valuation Bases, the type of value being used in this engagement is "Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly market participant at the valuation date". The cornerstone of our approach to valuation is the fundamental assumption of "going concern." The same premise of value is used. Going concern value is the value of a business enterprise that is expected to continue to operate in the future.

For the purpose of arriving at the value of equity it would be necessary to select an appropriate basis of valuation from the various alternatives available as mentioned below. Indian Valuation Standard 103 and International Valuation Standard 105 - Valuation Approaches and Methods lays the following Valuation Approaches:

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Navin Khandelwal RV IBBI/RV/05/2019/10779

## VALUATION METHODOLOGIES

Valuation by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions. There can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.

For the purpose of determining enterprise value, a Valuer may therefore, use any of the approaches as per the Indian Valuation Standard 103 and International Valuation Standard 105, Different valuation approaches has been proposed and the same has been considered below along with the justification.

## VALUATION APPROACHES

The Indian Valuation Standard 103 and International Valuation Standard 105 "Valuation Approaches and Method" provide for selection of the appropriate valuation approaches and methodologies in determining the value of an asset, liability, or a business. Paragraph 8 of the valuation standard provides guidance for following 3 main valuation approaches.

(a) Income Approach

(b) Market Approach

(c) Assets Based Approach

## RELATIVE VALUATION APPROACHES AND METHODOLOGIES

The Scheme envisages the Proposed amalgamation of AABL with MEBL. In consideration thereof, equity shares of MEBL will be issued to the equity shareholders of AABL.

Arriving at the ratio would require determining the relative fair value of the equity shares of the transferee company in terms of the relative fair value of the equity shares of the transferor company i.e. a relative valuation of the equity shares of the companies. There are several commonly used and accepted methods for determining the fair value of the equity shares of a company / business, which can be considered for such a relative valuation as in the present case, to the extent relevant and applicable, such as:

I. Asset Approach:
- Net Asset Value ('NAV') Method

II. Market Approach:
- Market Prices ('MP') Method
- Comparable Companies' Multiples ('CCM') Method
- Comparable Transactions' Multiples ('CTM') Method

III. Income Approach:
- Discounted Cash Flows ('DCF') Method

I. Asset Approach:

NAV Method

This valuation method is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation method is mainly used in a case where the firm is to be liquidated i.e. it does not meet the 'going concern' criteria or in a case where the asset base dominates earnings capability.

In the present case, AABL and MEBL would merge on a 'going concern basis' and further there is no intention to dispose-off the assets. In such a going concern scenario the relative earning power, as reflected under the income and market approaches is of greater importance for arriving at the value as compared to the value arrived on the Net Asset Value basis considering the realizable value of the assets recorded in the books.

Further I understand that MEBL and AABL have self-generated intangibles in the form of proprietary brands which are currently not recorded in the financial statements of both the companies hence the value arrived under NAV method will not represent the intrinsic values of their business.

Given the above background, I have not used this method for arriving at the equity value of AABL and MEBL.

II. Market Approach:

Under this approach the valuation is done on the basis of the quoted market price of the Company in case it is a publicly traded company, or publicly traded comparable businesses date is reviewed in order to identify a peer group similar to the subject company and then their multiples are applied to the entity being valued to determine the fair value.

Usually under the market based approach, the methods that may be applied are Market Price Method, Comparable Multiple Method (CMM), Comparable Transaction Method (CTM) or Price of Recent Investment Method (PORI). Under CMM method various multiple like EV/Sales, EV/EBITDA, P/BV P/E, Price/Sales can be used to value a business depending upon the facts and circumstances of thecases.

Market Price (MP) Method

In case of a company, the equity shares of which are listed, the market price of an equity share as quoted on a stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in.

Equity shares of AABL are listed on both NSE and BSE. The shares are traded with reasonable volume.

In my opinion, the share price of AABL in the recent past is not representative of the fair value of the company, hence I have not used this method to value the equity shares of AABL. However, I have ensured that the fair value of the company considered for determining the fair share exchange ratio is above floor equity price arrived using the formula prescribed under Regulations 164 of SEBI ICDR Regulations, 2022.

Equity shares of MEBL are not listed on any stock exchange, I have therefore not used this method to value the equity shares of MEBL.

CCM Method

Under this method, the value of the equity shares of a company is measured by applying the derived market multiples – based on the market quotations of comparable listed companies possessing attributes similar to the business of the company that is being valued – to the company's metrics after making adjustments to such multiples on account of dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued. These valuations are based on the principle that such market valuations, taking place between informed buyers and informed sellers, incorporate factors relevant to valuation.

The market multiples are generally computed on the basis of trading prices of comparable companies in an active market and financial metrics such as EV/ Revenue, EV/ EBITDA, P/E multiple etc. The choice of multiple to be used for valuation varies with the nature of business such as commonly manufacturing business is evaluated on the basis of EV/ EBITDA or P/E multiple whereas for a client facing business with brand value EV/ Revenue is the preferred matrix for valuation.

AABL is primarily engaged in the business of manufacturing and trading of Extra Neutral Alcohol (ENA), Indian Made Indian Liquor (IMIL/ country liquor), Indian Made Foreign Liquor (IMFL) and otherby products. In FY22, the Company earned 12% of its revenue from sale of IMFL under its proprietary brands.

Considering the nature of business i.e. primary focus on manufacturing business and relevant financial and operating parameters of AABL, I understand that Globus Spirits Limited ('GSL') is the only listed company in India which is comparable to AABL. Currently GSL is trading at EV/ EBITDA multiple of 10.0x. (Source: yahoo finance)

Other listed companies either have large-scale operations with well-established proprietary brands or are majorly concentrated in one segment and hence are not comparable.

Comparable Company Multiple Method derives equity value of a subject company basis the average multiple of a listed peer group. Given that there is only one comparable listed company for AABL, I have therefore not used CCM Method to value the equity shares of AABL.

MEBL is engaged in the business of manufacturing and sale of beer under four in-house brands namely Lemount, Mounts 6000, Stok (recently launched in premium category) and Dabang. MEBL is also engaged in manufacturing of beer on a contract manufacturing basis with United Breweries Limited ('UBL') for its 'Kingfisher' strong brand. Company earned ~ 74% of its revenue from the sale of beer under its in-house brands in PE23.

Considering the nature of business and relevant financial and operating parameters of MEBL, I understand that United Breweries Limited ('UBL') is the only listed company in India engaged in beer manufacturing. However, UBL is significantly larger in terms of size of operations. Currently UBL is trading at EV/ Revenue multiple of 5.1x, EV/ EBITDA multiple of 37.8x and P/E ratio of 67.6x. (Source: yahoo finance)

Comparable Company Multiple Method derives equity value of a subject company basis the average multiple of a listed peer group. Given that there is only one comparable listed company engaged inthe same business as MEBL, I have therefore not used CCM Method to value the equity shares of MEBL.

CTM METHOD

Comparable Transaction Multiple Method, also known as 'Guideline Transaction Method' involves valuing an asset based on transaction multiples derived from prices paid in transactions of asset to be valued /market comparable (comparable transactions). The price paid in comparable transactions generally include control premium, except where transaction involves acquisition of non-controlling/ minority stake.

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Navin Khandelwal RV IBBI/RV/05/2019/10779

Considering the nature of business and relevant financial and operating parameters of AABL, I understand that there are no recent comparable transactions, data of which is available in public domain, involving companies of similar nature as that of AABL, I have therefore not used CTM method to value the equity shares of these Companies.

B9 Beverages Private Limited, which manufactures and markets beer under brand name 'BIRA', has done various round of fundings within last two years. Based on publicly available information we understand that B9 Beverages Private Limited has incurred operational losses over the years and its last round of fund raise was done at an EV/ revenue multiple upwards of 5x.

Considering the nature of business and relevant financial and operating parameters of MEBL, I understand that the abovementioned transaction is the only comparable transaction. Given that there is only one comparable transaction in similar space, I have therefore not used CTM method to value the equity shares of MEBL.

III. Income Approach:

DCF Method

The DCF method is considered the most theoretically sound approach and scientific and acceptable method for determination of the value of a company. Under this technique the projected free cash flows from business operations are discounted at the weighted average cost of capital to the providers of capital to the company, and the sum of the present discounted value of such free cash flows is the value of the company.

The future free cash flows are derived considering, inter alia, the changes in the working capital and investments in capital expenditure. They are an aggregation of the free cash flows during the explicit forecast period – prepared based on the business plans – and during the post explicit forecast period, estimated using an appropriate method, and are available to all providers of the company's capital - both debt and equity.

The discount rate i.e. weighted average cost of capital ('WACC'), which is applied to the free cash flows should reflect the opportunity cost to all the capital providers (namely shareholders and lenders), weighted by their relative contribution to the total capital of the company. Determining the WACC involves determining the Debt Equity ratio, Cost of Debt, and the Cost of Equity.

To the value of the business so arrived at, the value of surplus / non-operating assets, debt, and other assets / liabilities as appropriate, if any, have to be adjusted to arrive at the total value of the business for the equity shareholders of the company.

The DCF method expresses the present value of the business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. Given that AABL and MEBL are intended to be continued on going concern basis and are expected to generate surplus cash for the foreseeable future, I have therefore used DCF Method to arrive at the equity value of AABL and MEBL.

## CONCLUSION

**Based on the methods selected the Fair Value of Companies and exchange ratio is as follows**

| Valuation Approach | MEBL (A) | | AABL (B) | |
|---|---|---|---|---|
| | Value per share (INR) | Weight | Value per share (INR) | Weight |
| Market Approach - Market Price Method | NA | 0.0% | 391.7 | 0.0% |
| Market Approach - Comparable Companies Multiple ('CCM') Method | NA | 0.0% | NA | 0.0% |
| Income Approach - Discounted Cash Flow ('DCF') Method | 769.2 | 100.0% | 580.4 | 100.0% |
| Net Asset value Method | NA | 0.0% | NA | 0.0% |
| **Relative value per share** | | **769.2** | | **580.4** |
| **Share Exchange Ratio Round Off (B/A)** | | | | **0.755** |
| **Recommended share exchange ratio (for every 1000 equity shares)** | | | | **755** |

## CAVEATS, LIMITATIONS AND DISCLAIMERS

In preparing this valuation report ("the Report"), we have relied upon information, documented or oral, provided by management without independent verification. 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, we express no audit opinion or any other form of assurance on this information.

We may mention that our scope of work for this exercise did not include technical /financial feasibility or market research. We shall not have any liability for any misunderstanding (express or implied) contained in, or from any omission from, this document or any other written or oral communication transmitted to us for the purpose of this assignment. It should be noted that any estimate contained herein are based on information available at the time of written preparation. Any changes in the external and internal environment could significantly affect our analysis and findings.

The pro-forma, estimates and financial information contained herein was prepared by management and report is based on certain assumptions, analysis of information available at the time of report preparation. While the information provided to us is believed to be accurate and reliable, we do not make any representation or warranties, express or implied, as to accuracy or completeness of such information. Part of this information is based, inter alia, on published / private reports or research studies carried out by other agencies. The information provided there has not been verified by us, though we are neither aware nor has reason to believe that the information is otherwise unreliable in any material aspects. No representation expressed or implied is made in that behalf.

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The client/owner and its management/representatives warranted us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the owners/clients, their management and other third parties concerning the financial data, operational data, and maintenance schedule I shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the companies, their directors, employee or agents.

In the course of the valuation, we were provided with both written and verbal information. We have, however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company. The latest financials of the Companies as at the report date were not provided by the Management, however the Management has represented that they do not expect significant changes in the financial performance and net asset position between 31 December 2022 and the report date. Hence, we have considered the financials as at 31 December 2022 for the purpose of our analysis.

The actual market price achieved may be higher or lower than our estimate depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating the ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves have to agree. We also emphasize that our opinion is not the only factor that should be considered by the parties in agreeing the transaction price.

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.

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