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## **VALUATION REPORT**

Under Chapter V of SEBI (Issue of Capital & Disclosure  
Requirements) Regulation, 2018

On Fair Market Valuation of Equity Shares for proposed preferential allotment of shares

### **AVG Logistics Limited**

VALUATION DATE – June 15, 2020

BY

**SYSTEMATIX CORPORATE SERVICES LIMITED**

(SEBI Category I Merchant Banking Registration Number – INM000004224)

NSE and BSE empanelled Independent Valuer

June 16, 2020

To,  
**Board of Directors**  
**AVG Logistics Limited**  
102, 1<sup>st</sup> Floor, Above State Bank of India,  
Jhilmil Metro Station Complex,  
Delhi – 110095, India

**Sub: Fair Market Valuation of Equity Shares for the proposed preferential allotment of AVG Logistics Limited as per the provision of Chapter V of SEBI (Issue of Capital & Disclosure Requirements) Regulation, 2018 (“SEBI ICDR Regulations”)**

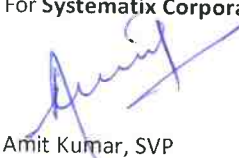
Dear Members of the Board,

**AVG Logistics Limited** (“AVG” or “the Company”) is engaged in the business of transportation and warehousing. The Company intends to raise funds through issue of equity shares of face value of Rs 10 each (“Equity Shares”) at a fair market price determined under the applicable SEBI regulations through preferential allotment.

In this regard, the Company has appointed Systematix Corporate Services Limited, a Category I Merchant Banker registered with SEBI vide Registration Number – INM000004224, (“SCSL” or “We” or “Valuer”) also BSE and NSE empanelled Independent Valuer to provide a report on fair market valuation of Equity Shares of the Company as per the provision of Chapter V of SEBI ICDR Regulations, 2018. The Equity Shares of the Company are infrequently traded so the pricing of the preferential issue will be derived as per Regulation 165 of SEBI ICDR Regulations, 2018. The fair market value of each Equity Share of the Company is **INR 43.76** (Rupees Forty Three and Paise Seventy Six Only) as of June 15, 2020 (“Valuation Date”).

Please find enclosed our narrative report on valuation of Equity Shares. If you have any questions or require any additional information, please do feel free to contact us.

Yours truly,  
For **Systematix Corporate Services Ltd.**

  
Amit Kumar, SVP  
Authorised Signatory



## Systematix Corporate Services Limited

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SEBI Merchant Banking Registration No. : INM000004224



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## Engagement Background

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The Company intends to raise funds through further issue of Equity Shares through preferential allotment. In this regard, the Company has appointed Systematix Corporate Services Limited, a Category I Merchant Banker registered with SEBI vide Registration Number – INM000004224, (“Valuer” or “We”) also BSE and NSE empanelled Independent Valuer to provide a report on the Fair Market Valuation of the Equity Shares of the Company as per provision of Chapter V of SEBI ICDR Regulations.. The shares of the Company are infrequently traded so the pricing of the preferential issue will be derived as per Regulation 165 of SEBI ICDR Regulations, 2018.

Our scope of services is governed by the engagement letter dated June 12, 2020.

## About the Company

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The Company was originally incorporated as a private limited company, at Delhi, India under the erstwhile Companies Act, 1956 in the name of AVG Logistics Private Limited by way of Certificate of Incorporation dated January 25, 2010. Further, the Company was converted to a public limited company, on February 21, 2018. The registered office of the Company is situated at Office No. 25, D.D.A Market, Savita Vihar, Delhi - 110092. The Corporate office is situated at 102, 1st Floor, Above State Bank of India, Jhilmil Metro Station Complex, Delhi – 110095, India.

The Company is listed on the National Stock Exchange under the SME Platform 'NSE EMERGE' and is engaged in the business of transportation, warehousing and trading of goods. The CIN of the Company is L60200DL2010PLC198327.

*Source: Company*



### Capital Structure of the Company as on the Valuation Date

Particulars	Amount in Rs.
<b>Authorised Capital</b>	
1,20,00,000 Equity Shares of Rs. 10 each fully paid up	12,00,00,000
<b>Total</b>	<b>12,00,00,000</b>
<b>Paid up Capital</b>	
1,02,98,000 Equity Shares of Rs. 10 each fully paid up	10,29,80,000
<b>Total</b>	<b>10,29,80,000</b>

### Shareholding Pattern of the Company as on the Valuation Date

#### Equity Shares

Sr. No.	Name of Shareholders	No. of Shares	%
1.	Promoter and Promoter Group	72,08,000	69.99%
2.	Public	30,90,000	30.01%
	<b>Total</b>	<b>1,02,98,000</b>	<b>100.00%</b>

### Board of Directors as on the Valuation Date

Sr. No.	Name	Designation
1.	Mr. Bishwanath Shukla	Chairman & Independent Director
2.	Mr. Sanjay Gupta	Managing Director
3.	Mrs. Asha Gupta	Wholetime Director
4.	Mr. Suresh Kumar Jain	Independent Director
5.	Mr. Susheel Kumar Tyagi	Independent Director
6.	Mr. Shyam Sunder Soni	Non-Executive Director

Source: Company



## Financial Analysis

Provisional Financial Statements for the period ended September 30, 2019

(Rs in Lakhs)	
Balance Sheet	As at 30 September 2019
<b>Equity and Liabilities</b>	
Share capital	1,029.80
Reserves and surplus	6,221.76
<b>Non-Current Liabilities</b>	
Long-term borrowings	2,985.18
Other Current Liabilities	242.22
Long Term Provision	55.97
<b>Current Liabilities</b>	
Short-term borrowings	3,585.44
Trade payables: Total O/s Dues other than MSME	1,270.37
Other current liabilities	3,652.15
Short-term provisions	51.78
<b>TOTAL LIABILITIES</b>	<b>19,094.67</b>
<b>Assets</b>	
<b>Fixed assets</b>	
Tangible assets	4,079.86
Intangible assets	4.99
Capital work-in-progress	969.41
Non Current Investments	993.04
Deferred Tax assets	0.18
Long term Loan and advances	1,164.49
Other non current assets	59.50
<b>Current Assets</b>	
Inventories	29.85
Trade Receivables	6,691.91
Cash and Bank Balances	730.60
Short term loan & advances	3,614.04
Other current assets	756.80
<b>TOTAL ASSETS</b>	<b>19,094.67</b>



(Rs in Lakhs)	
Profit and Loss Statement	As at September 30, 2019
Revenue from operations	14,477.05
Other income	56.08
<b>Total Revenue</b>	<b>14,533.13</b>
<b>Expenses:</b>	
Purchases of Stock-in-Trade	1,000.00
Changes in inventories of Stock-in-Trade	(19.53)
Operating expenses	10,981.38
Employee benefits expense	686.10
Finance costs	407.52
Depreciation and amortization expense	466.40
Other expenses	552.20
<b>Total expenses</b>	<b>14,074.07</b>
<b>Profit before tax and prior period adjustment</b>	<b>459.06</b>
Prior period expenses (Net)	12.78
<b>Profit before tax</b>	<b>446.28</b>
<b>Tax expense:</b>	
Less: Current tax	95.71
Tax Adjustment of Prior Year	11.45
Deferred tax	20.64
<b>Profit / (Loss) for the period</b>	<b>318.48</b>

Source: NSE EMERGE



## Valuation Approaches and its Applicability

There are various internationally accepted pricing methodologies which can be applied to arrive at the valuation based on the specifics of the case.

Aspect	Income Approach	Market Approach	Cost / Asset Approach
<b>Valuation principle applied</b>	Discounts future cash flows to the present date	Values of companies operating in the same industry are correlated	Book Values or Realisable Values of Assets after considering balance sheet
<b>Relevant parameters</b>	Discounted Cash Flows (DCF)	Comparable Listed Companies / Comparable Transactions / Market Price Method	Replacement Cost / Net Asset Value / Realisable Value
<b>Appropriate situations to which the method may be applied</b>	DCF is commonly used to value businesses or equity interests. It is appropriate for use when the wealth generating capacity of the business is determinable, going concern assumption is valid and when forecasts are available.	Market Approach is used when forecasts are not available, a set of suitable comparable companies is available and going concern assumption is valid. It is also used as a cross-check / benchmark to DCF method.	The Cost Approach is used when going concern assumption is doubtful and liquidation is predominant or if the Company is newly incorporated.





## Valuation Methodology and Analysis

Our valuation analysis and conclusion is based on the financial information and terms of Equity Shares (as detailed in the Sources of Information section of our Report) as of the valuation date, provided to us by the Management.

We note that there are certain accepted valuation methodologies as approved by Hon'ble Supreme court in TOMCO – HLL's merger case. We have considered these valuation methods. The valuation methods as approved by Hon'ble Supreme Court in that case were the Net Worth Method under Cost/Asset Approach, the Market Value Method under Market Approach and the Earnings/ Yield Method under Income Approach.

Our valuation analysis with respect to each of these methods is explained in detail below:-

### 1. Net Worth Method under Asset Approach or Cost Approach

We have considered the latest available consolidated provisional balance sheet of the Company as of September 30, 2019 (as available in public domain) and have computed the Net Worth per equity share of the Company. Our calculations are given below:

Computation of fair value using the Net Worth Method (Cost Approach)		
Sr No	Particulars	All Amounts in INR lacs
1	Share Capital as of 30th September, 2019	1,029.80
2	Reserves & Surplus as of 30th September, 2019	6,221.76
3	Net Worth as of 30th September, 2019	7,251.56
	No. of equity shares	102.98
	Value per share (in INR)	70.42

Accordingly, based on information available in public domain and as provided by the Management, we have computed value using Net Worth Method under Cost approach to be **INR 70.42** per equity share.

### 2. Earnings Method or Yield Method (Comparable Companies' Multiples method) under Income Approach:

The Comparable Companies' Multiples method under Market Approach is considered as Company operations are at stabilized levels. Further, usage of market Multiples Method such as Price to earnings multiple or Price to earnings Multiple methodology would be appropriate as the Company has a large customer base, distribution network, diversified customer base etc. Since this is capitalisation of earnings, we have classified this method under Income Approach.

We have considered a Price to Earnings Multiple of 3.4 times and computed the value of the Company. The Price to Earnings (P/E) Multiple has been considered based on the median of the P/E Multiples of following Comparable Companies that are listed on Indian Stock Exchanges:



<u>Guideline Companies</u>	<u>Price-to Earnings Multiple</u>
Sical Logistics Ltd	-0.64
Patel Integrated Ltd	3.40
Aspinwall & Co Ltd	19.96
ChartLogistics Ltd	-15.99
Tiger Logistics Ltd	13.11
ABC India Limited	2.76
Total Transport Limited	4.86
<b>Median</b>	<b>3.40</b>

We have annualized the profit after tax ("PAT") based on PAT for the half year ended September 30, 2019

<b>Profit after tax</b>	<b>INR in lakh</b>
Net profit (loss) for the quarter ended 30th September, 2019	388.01
Annualised Profit after tax based on PAT of Half year ended 30.9.19	<b>776.02</b>

Our workings for computing value per equity share of ALL is as under-	
Median of the above multiples	3.40
Annualised Profit after tax	776.02
<b>Computed Equity value (INR in lacs)</b>	<b>2637.02</b>
<b>No of equity shares (In lacs)</b>	<b>102.98</b>
<b>Computed value (in INR)</b>	<b>25.61</b>

Accordingly, based on information available, we have computed value under Comparable Companies' Multiples method under Income Approach to be INR 25.61 per equity share.

### 3. Market Value Method under Market approach:

The Company's equity shares have been infrequently traded (Refer Annexure 1) in terms of SEBI (ICDR) Regulations, 2018. We have considered average of last two weeks of VWAP of the shares of the Company as recorded on NSE EMERGE:

DATE	SERIES	OPEN	HIGH	LOW	PREV. CLOSE	LTP	CLOSE	VWAP	52W H	52W L	VOLUME	VALUE	NO OF TRADES	VWAP	Min	Max	Average
15-Jun-20	SM	41.15	41.15	39.75	39.2	41.15	41.15	40.67	101.9	23.1	15600	6,34,380.00	8	40.67	35.60	40.67	38.13
12-Jun-20	SM	39.2	39.2	39.2	37.35	39.2	39.2	39.2	104.85	23.1	1200	47,040.00	1	39.20			
11-Jun-20	SM	37.35	37.35	37.35	35.6	37.35	37.35	37.35	104.85	23.1	1200	44,820.00	1	37.35			
09-Jun-20	SM	35.6	35.6	35.6	33.95	35.6	35.6	35.6	104.85	23.1	1200	42,720.00	1	35.60			
05-Jun-20	SM	33.95	33.95	33.95	32.35	33.95	33.95	33.95	108	23.1	1200	40,740.00	1	33.95	30.85	33.95	32.40
03-Jun-20	SM	32.35	32.35	32.35	30.85	32.35	32.35	32.35	108	23.1	1200	38,820.00	1	32.35			
02-Jun-20	SM	30.85	30.85	30.85	29.4	30.85	30.85	30.85	108	23.1	1200	37,020.00	1	30.85			
<b>Average</b>																	<b>35.27</b>

Accordingly, based on information available in public domain, we have computed the value using the Market Price Method under Market Approach to be INR 35.27; being the average price of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the National Stock exchange during the two weeks preceding the date of signing of this report.



## Valuation Summary

We have considered the three valuation methods and the weightages to valuation result under each method as ratified by Hon'ble Supreme Court in TOMCO – HLL's merger case. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors which will strongly influence the worth of a share. This concept is also recognised in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

*"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."*

Our Valuation results are summarized in table below:

Value per equity share of ALL using various methods				
Valuation Method	Valuation approach	Value INR / share	Weight	Value x Weights
Net Worth Method	Cost/Asset	70.42	33.33%	23.47
Earnings / Yield Method (Comparable Companies' Multiples method)	Income	25.61	33.33%	8.53
Market Value Method	Market	35.27	33.34%	11.76
<b>Total (INR)</b>			100%	43.76
<b>Weighted Average (INR/share)</b>				43.76
No of shares				1,02,98,000
<b>Fair Equity Value (INR)</b>				45,06,79,004

We have given 1/3<sup>rd</sup> weightage to each of the values computed using the methods namely; Net Worth Method, Earnings/Yield Method and Market Price Method as each of these values is a representative of the fair value of the Company.



### Valuation Conclusion

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Accordingly, based on our analysis, the fair market value of each Equity Shares of the Company is **INR 43.76**  
(Rupees Forty Three and Paise Seventy Six Only)



## Limiting Conditions incl. Assumptions, Qualifications, Disclaimers and Exclusions

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Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

- The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the Company and have considered them at the value as disclosed by the Company in their regulatory filings or in submissions, oral or written, made to us.
- We do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Company or any of its subsidiaries or associated companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.
- This report and the information contained herein are absolutely confidential and are intended for the sole use of the Company for providing select information and only in connection with the purpose as set out above. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to the financial investor who is planning to get exit from the Company. We will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, without our written consent.
- This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Company. We have assumed that no information has been withheld that could have influenced the purpose of our report. This report forms an integral whole and cannot be split in parts. The outcome of the valuation can only lead to proper conclusions if the report as a whole is taken into account.
- Valuation is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on this business.
- Our valuation is primarily from a business perspective and does not take into account various legal and other corporate structures beyond the limited information provided to us by the Management. The value analysis recommendation is not intended to represent the value at any time other than the date that is specifically stated in this report.
- For our analysis, we have relied on primary and secondary sources of data, whether or not made available by the Company. We have not independently verified the accuracy or timeliness of the same.
- It is inappropriate to use this Report for financing or any purpose other than the purpose mentioned above. We are not responsible for the unauthorized use of this Report. We shall not assume any responsibility to any third party to whom the Report is disclosed or otherwise made available. Unless



required by law, it shall not be provided to any third party without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom this report is disclosed or otherwise made available.

- Valuation is done to determine Fair Market Value of Equity Shares by using weighted average of Net Worth, Earning/ Yield and Market Value Methods
- In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Company, their directors, employees or agents. In no circumstances our liability relating to the services provided in connection with the engagement set out in this Valuation Report shall exceed the amount paid in respect of the fees charged for these services.
- We have obtained a general representation from Client confirming that the Client has provided us with all the relevant information, knowledge, supporting documents completely and correctly and that no material information has been concealed or withheld or misrepresented by the Client



## Sources of Information

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We have obtained such information, explanation and document as were necessary for the purpose of this valuation, including, the following:

- Company specific information - The following Company specific information, as provided by the Management, verbally or in written form have been inter-alia used in the valuation:
    - Background information provided through emails, or during discussions.
    - Stand Alone and Consolidated Audited financials as on 31<sup>st</sup> March, 2019
    - Stand Alone and Consolidated Unaudited financials as on 30<sup>th</sup> September, 2019
    - Capital Structure and Share Shareholding pattern as on 15<sup>th</sup> June, 2020.
    - There are no convertible or dilutive instruments issued and outstanding that will dilute the equity share capital base of the Company as of the date of this Report.
  - Besides the above listing, there may be other information provided by the Company which may not have been perused by us in any detail, if not considered relevant for our defined scope.
  - In addition to the above, we have also obtained such other information and explanations from the Management as were considered relevant for the purpose of the valuation.
  - It may be mentioned that the Management has been provided opportunity to review factual information in our draft report as part of our standard practice to make sure that factual inaccuracies / omissions / etc. are avoided in our final report.
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**Annexure 1**

**In-frequently Trading Testing under Regulation 164(5) of SEBI ICDR 2018**

<b>Month</b>	<b>VOLUME</b>
Jun-19	1,93,200
Jul-19	1,17,600
Aug-19	36,000
Sep-19	21,600
Oct-19	4,800
Nov-19	39,600
Dec-19	40,800
Jan-20	27,600
Feb-20	27,600
Mar-20	32,400
Apr-20	21,600
May-20	2,400
<b>Total Volume</b>	<b>5,65,200</b>
<b>Total No. of Equity Shares Issued/Listed</b>	<b>1,02,98,000</b>
<b>% of Total Volume to Total Equity Shares Issued/Listed</b>	<b>5.49%</b>

As per Regulation 164(5) of SEBI ICDR 2018, a Company's Equity Shares will be Frequently traded if 10% or more of the total Issued and listed No. of shares are traded in the last 12 months (excluding the month in which board meeting is proposed).

In this case only 5.49% shares are traded in the last 12 months. Therefore the Company's Equity Shares are in-frequently traded.





June 26, 2020

To,

**Board of Directors**

**AVG Logistics Limited**

102, 1<sup>st</sup> Floor, Above State Bank of India,  
Jhilmil Metro Station Complex,  
Delhi – 110095, India

**Sub: Addendum to our Valuation Report dated June 16, 2020 (“the Valuation Report”) on fair market valuation of Equity shares of AVG Logistics Limited (“the Company”)**

**Ref.: Fair Market Valuation Report of Equity Shares for the proposed preferential allotment of AVG Logistics Limited as per the provision of Chapter V of SEBI (Issue of Capital & Disclosure Requirements) Regulation, 2018 (“SEBI ICDR Regulations”)**

Dear Members of the Board,

Referring to the captioned subject and the email received from the Company Secretary & Compliance Officer of the Company on June 25, 2020; we wish to state that the details of Board of Directors of the Company appearing on page no. 5 of the Valuation Report are found to be incorrect. The actual Board of Directors of the Company as on the Valuation Date are as follows:

<b>Sr. No.</b>	<b>Name</b>	<b>Designation</b>
1.	Mr. Sanjay Gupta	Managing Director
2.	Mrs. Asha Gupta	Whole-time Director
3.	Mr. Shyam Sunder Soni	Non-Executive Director
4.	Mr. Susheel Kumar Tyagi	Independent Director
5.	Mr. Pawan Kant	Independent Director

Apart from the above change(s) there is/are no change(s) to the Valuation Report including the valuation certified by us. If you have any questions or require any additional information, please do feel free to contact us.

Yours truly,

For **Systematix Corporate Services Ltd.**



Amit Kumar, SVP  
**Authorised Signatory**