

VALUATION for
PREFERENTIAL ALLOTMENT OF EQUITY
SHARES

of

SIMPLEX INFRASTRUCTURES
LIMITED

[Registered Office: Simplex House, 27, Shakespeare Sarani,
Kolkata, West Bengal – 700017]

Report Reference No. PK/2022-23/SIL/01

Valuation Date: 01.04.2022
Report Date: 12.04.2022

Prepared By: Pijush Karmakar, FCA
IBBI Registered Valuer for Securities or Financial Assets
IBBI Regn. No. IBBI/RV/06/2019/11909
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Date: April 12, 2022

To
The Audit Committee
Simplex Infrastructures Ltd
Simplex House
27, Shakespeare Sarani, Kolkata - 700017

Sub: Valuation of Equity Shares of Simplex Infrastructures Ltd. as per SEBI (ICDR) Regulations, 2018.

Dear Sir/Madam,

I, an Insolvency and Bankruptcy Board of India ("IBBI") Registered Valuer ("herein-after-referred as "Valuer") have been appointed as valuer by **Simplex Infrastructures Ltd.** ("Company/ Client") to assist in determination of the fair value of equity shares of the Company for issuance of Equity shares on preferential basis to certain investors.

The underlying transaction is the preferential issue of equity shares of Company to certain Investors. The Company is listed on BSE Ltd, National Stock Exchange of India Limited (NSE) and Calcutta Stock Exchange Ltd (CSE). In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, a preferential issue, which may result in a change in control or allotment of more than 5% of the post issue fully diluted share capital of an issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and should be considered for determining the issue price.

Based on my valuation of equity shares of **Simplex Infrastructures Ltd.** and subject to the notes and comments provided in the detailed report which is marked as **Annexure-A** herein, I hereby certify that the determined equity value of the Company and value per equity share of the Company as on 01st April, 2022 (i.e. Valuation Date) are **INR 296.55 Crores & INR 51.90** respectively.

This certificate is being issued for compliance with aforesaid regulatory purpose only and the value determined herein would be the minimum price for this transaction.

I further undertake and confirm that I am an independent registered valuer having no present and future interest in any transaction of the Company.

Thanking you



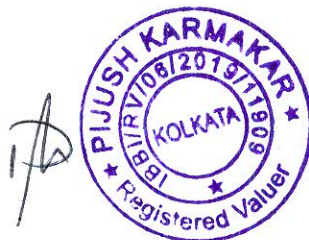
Pijush Karmakar, FCA
Registered Valuer

Category – Securities or Financial Assets
Registration No. IBBI/RV/06/2019/11909
CA Membership No. 052941
UDIN: 22052941AGXKXO1059
Place: Kolkata



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ANNEXURE - A

COMPANY OVERVIEW

Name of the Company	Simplex Infrastructures Limited (SIL)
Incorporation	19 th December 1924
Constitution	Limited Company
CIN	L45209WB1924PLC004969
Industry	Civil Construction Services
Business Activity	<p>Engineering, Procurement & Construction (EPC): Company is involved in Infrastructure & Construction Industry executing Engineering, Procurement and Construction projects. The Company has executed various projects for –</p> <ul style="list-style-type: none"> • Infrastructure segment such as construction of metro, railways, roads, Flyover & bridges, ports, airports, sewerage etc. • Industrial sectors such as automobile plant, pharmaceutical plant, petrochemical plants, thermal, nuclear & hydel power plants, power transmission projects, steel plant, cement plant etc. • Buildings for purpose of residential, commercial and institutional including hospitals, hotels, etc.; and • Ground Engineering (Piling) projects <p>The company has a diversified portfolio of infrastructure projects across India and works primarily for various central/state government departments and public/private sector undertaking companies.</p>
Registered Office	Simplex House, 27, Shakespeare Sarani, Kolkata, West Bengal – 700017
Directors	<ul style="list-style-type: none"> • Mr. Rajiv Mundhra • Mr. Sheo Kishan Damani • Mr. Sukumar Dutta • Mr. Pratap Kumar Chakrabarty • Mr. Dipak Narayan Basu • Ms. Indira Biswas
Present status	SIL's had been undergoing difficulties in servicing its debt obligations towards its lenders as a result of which its account has turned NPA. It is currently in discussion with the lenders to undergo a restructuring of its debt in accordance with the change in control as per the RBI Circular dated 07 th June 2019. For the purpose of such restructuring and in line with the proposed Resolution Plan furnished, the company is raising equity by way of preferential issue.



PURPOSE OF ENGAGEMENT

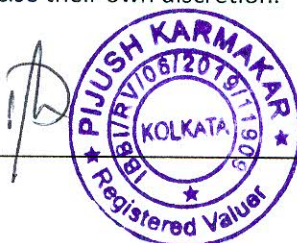
Based on the discussions held with the management and Key Managerial Personnel (KMP's), I understand that the Company is proposing to issue certain equity shares on preferential basis. The Equity shares of the company are listed on the BSE Ltd, National Stock Exchange of India Limited (NSE) and the Calcutta Stock Exchange Ltd (CSE). In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 ('SEBI (ICDR) Regulations'), a preferential issue, which may result in a change in control or allotment of more than 5% of the post issue fully diluted share capital of an issuer, to an allottee or to allottees acting in concert, shall, besides the market price, requires valuation from an independent registered valuer and should be considered for determining the issue price. Thus I, being a Registered Valuer, have been appointed as per the appointment letter dated 04th April, 2022. I am issuing this certificate for the purpose of compliance with the Chapter V of SEBI (ICDR) Regulations.

Intended Users of the report

The instant valuation exercise has been carried out with the understanding that the valuation, analysis and opinions/recommendations arrived at or stated in the report will be used for the Purpose as mentioned herein in this report. This report and the information contained herein are absolutely-confidential and are intended for the use of the Company and only in connection with the Purpose set out above.

CAVEATS

1. This Valuation Report has been issued on the specific request of "Simplex Infrastructures Limited" for determining the value of Equity Share of the Company in accordance with the SEBI (ICDR) Regulations. This Report is prepared exclusively for the above stated purpose and must not be copied, disclosed or circulated or referred to in correspondence or discussion with any other party.
2. Neither this report nor its content may be used for any other purpose without our prior written consent.
3. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in accounts. Therefore, no responsibility is assumed for matters of legal nature.
4. In accordance with the customary approach adopted in Valuation exercise, we have summarized the Valuation Analysis of equity shares of the Company based on the information as was provided to us by the management of the Company both written, verbal and other publicly available information.
5. I do not assume any responsibility for the accuracy or reliability of such documents on which we have relied upon in forming our opinion.
6. This Report does not look into the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the shareholders are expected to exercise their own discretion.



7. I have no present or planned future interest in the Company and the fee for this Valuation analysis is not contingent upon the values reported herein.
8. The Valuation Analysis contained herein is not intended to represent the value at any time other than the date that is specifically stated in this Report.
9. The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
10. In no circumstances shall the liability of a valuer, its partners, directors or employees, relating to the services provided in connection with the engagement set out in this Valuation report shall exceed the amount paid to such valuer in respect of the fees charged by it for these services.
11. The valuation report should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.

SCOPE EXCLUSIONS

1. The scope of the engagement did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Further, conducting a financial or technical feasibility study was also not covered.
2. Performing separate Valuation of the fixed asset, inventory, working capital or any other asset and liability including deferred tax assets/liabilities, financial instruments, borrowings, forward contracts, warranties/penalties and employee related liabilities of the Company;
3. Performing Separate valuation for intangible assets like brand, technology, customer contracts, relationships etc. of the Company;
4. The valuation procedure will neither constitute certification of the historical financial statements and projections of the Company, nor involve any representation to be made by the issuing registered valuer before any regulatory authority for any purpose as may be required by the management.

SOURCES OF INFORMATION

The information used for the instant valuation exercise includes, but is not limited to –

- Discussion with the company officials.
- The projections and estimates as used by the Techno Economic Valuer in their TEV Study and the same provided by the management.
- Statement of contingent liabilities, dated 30th September 2021 as provided by the management
- Information accessed from subscribed databases and other information in public domain.



VALUATION APPROACHES & METHODOLOGY

As per rule 8 ("**Conduct of Valuation**") prescribed under Companies (Registered Valuers and Valuation) Rules, 2017:

A Registered Valuer shall, while conducting a valuation, comply with the valuation standards as notified or modified under Rule 18; Provided that until the valuation standards are notified or modified by the Central Government, a valuer shall make valuations as per –

- Internationally accepted valuation standards;
- Valuation standards adopted by any registered valuers' organization.

The Central Government of India is in the process of issuing the valuation standards. Therefore I, being a member of ICAI Registered Valuers Organisation (ICAI RVO), have considered ICAI Valuation Standards ("IVS") prescribed by ICAI RVO.

As per the Indian Valuation Standards, the three approaches for carrying out a valuation exercise are:

- Cost/Asset Approach
- Income Approach
- Market Approach

Within these three basic approaches, several methods are used to estimate the value. A fair view of the various methods under each approach is described hereunder.

Approach	Method	Basis of Consideration
Cost/Asset Approach	Net Asset Value Method	<p>The Asset based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on a Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. However, this methodology recognizes cost of assets only without recognizing their earning potential, present earnings, comparative financial performance of its peers and their enterprise values etc.</p> <p>In the instant case I have not used this method to arrive at the value of the Equity Shares the Company as the true worth of any company engaged in EPC business is not represented only by its underlying assets. This method is generally used in the case of ascertaining the value at the time of Liquidation of the company. Since I have valued the company as a going concern hence this method has not been applied.</p>
Income Approach	Discounted Cash Flow Method	<p>The DCF method expresses the present value of the business as a function of its future cash earnings capacity.</p> <p>I have not applied this methodology as it is based on future business plan of the company and measures the potential value of business. However, the Company,</p>



Approach	Method	Basis of Consideration
		being a listed company has not made/disclosed any long terms projections and is also under stress. Hence, the certainty of its future performance cannot be assured and is solely dependent on the restructuring plan that is yet to be approved, so this methodology has been ignored.
Market Approach	Comparable Companies Multiple Method	<p>This methodology uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance (e.g., Revenue, EBITDA, EBIT, Earnings per Share or Book Value) as compared to its peers.</p> <p>A key benefit of Comparable Company Market Multiple (CCM) analysis is that the methodology is based on the current market stock price of multiple companies in the same industry or sector. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs.</p> <p>The CCM approach generally uses multiples like 'Market Capitalization to Sales Multiples', 'Enterprise Value to EBITDA', PE Ratio and Price to Book Value.</p> <p>In the instant case, I have applied the 'Market Cap/Sales' multiple as this method is the most appropriate in the given circumstance as other multiples like - EV/EBITDA Multiple and PE Ratio is reflecting a negative valuer per share of the Company.</p> <p>We have determined the comparable companies, considering the industry/sector, size of operation, current financial position and other relevant factors.</p>



VALUATION RESULT AND CONCLUSION

To arrive at the value of equity share using the 'Market Capitalization to Sales Multiple', the sales of the Company for Trailing Twelve months (TTM) period from 1st January 2021 to 31st December 2021 is multiplied by the average 'Market Capitalization to Sales Multiple' of listed peer companies as on 01.04.2022.

Particulars	Amount
Revenue (TTM from 01 January 2021 to 31 December 2021) INR in Cr.	2,163.83
Comparable multiple [Market Cap/Revenue]	0.25544x
Equity Value INR in Cr.	552.73
Less: Adjustment for Contingent Liability [Exhibit 1] INR in Cr.	294.86
Adjusted Equity Value INR in Cr.	257.87
Add: Control Premium ^[Note 1] 15%	38.68
Adjusted Equity Value with change in Control INR in Cr.	296.55
No. of Shares outstanding #	5,71,42,820
Equity value per share without Control Premium in INR	45.13
Control Premium in INR	6.77
Equity value per share with Change in Control in INR	51.90

The detailed computation of the comparable multiples is annexed hereunder as Exhibit 2.

Notes:

1. Control premium - Control Premium generally represents the amount paid by acquirer for the benefits it would derive by controlling the acquiree's assets and cash flows. Control premium would usually be applied in cases where the Investor acquires ability to control operational decision making and/or financial decision making of the company. Control premium is defined as "An amount or percentage by which the pro-rata value of controlling interest exceeds the pro-rata value of non-controlling interest in a business enterprise, to reflect the power of control. In practice, control premium is generally expressed as a percentage of minority value."

CONTROL PREMIUM IN INDIA

Although the Indian scenario lacks the legal guidance in respect of control premium, there have been significant instances of control premium being considered. Historically, control premiums were observed in more than 90 per cent of the transactions analysed thereby, reinforcing the relevance of control premiums in the Indian context. For example, Sun Pharma acquired Ranbaxy for an implied value of INR 457 for each Ranbaxy share, which was acquired at a premium of 18% to Ranbaxy's 30-day volume-weighted average share price and a premium of 24.3% to Ranbaxy's 60-day volume-weighted average share price. The quantification of control premium in India is a tedious task due to lack of transactional databases for public as well as private companies. Research has shown that the control premium in India has ranged from 15% to 37% in the past few years. As per CCI guidelines, 15% discount for lack of control has been prescribed which is further subject to the appraiser's judgements. In the instant case, I have been given to understand that proposed investment is for the controlling stake and I applied 15% control premium to the minority value.



EXHIBIT I:

Statement of Contingent Liabilities

The company has the following contingent liabilities as on 30th September 2021 as certified by the Management:

Claims against the Company not acknowledged as debts	Amount (INR In Cr.)
Interest (Others)	0.06
Professional Tax	0.04
Sales Tax/VAT	157.67
Entry Tax	7.30
Excise Duty	14.05
Income Tax	13.87
Service Tax	21.31
Total	214.30

Attributable to Guarantees	Amount (INR In Cr.)
Corporate Guarantees given to banks against credit facilities extended to third parties:	827.72
- In respect of associates	
Bank Guarantees in respect of associates	1.96
Total	829.68

As mentioned in the caveats section of the report, I have not considered any contingent liability as provided by the management to crystallize in the future, except a claim for a Corporate Guarantee advanced by the company for one of its associates of INR. ~589.72 Cr. (amount included INR 827.72 Cr. mentioned above). I have been given to understand that an associate Company of Simplex Infrastructures Limited was awarded an overseas contract through a Joint Venture in 2013. The value of the Project was worth INR 2,322 Cr. The Joint Venture had taken Loan from a Local Bank to execute the aforesaid project. As per Loan agreement of Joint Venture, M/s Simplex Infrastructures Limited had given Corporate Guarantee. The Project was completed and handed over to client. The Final bill including various claims is under dispute and is under arbitration. Since there is an ongoing dispute, I have considered 50% of the total stated liability (i.e. INR 589.72 Cr.) being INR 294.86 Cr. to crystallise and the same has been adjusted with the Equity Value of the company.



EXHIBIT II:

Computation of Comparable Multiple

Comparable Companies [Note 1]	No. of shares (in Cr.)	Weighted average share price [Note 2] (in INR)	Market capitalisation (in INR Cr.)	Revenue (TTM) [Note 3] (in INR Cr.)	Market Capitalisation/ Revenue (in INR Cr.)
Hindustan Construction Company Ltd	151.30	12.21	1,846.85	10,266.27	0.17989x
Patel Engineering Ltd	47.92	21.40	1,025.40	3,002.21	0.34155x
Supreme Infrastructure India Ltd	2.57	20.06	51.56	210.53	0.24489x
Average Multiple					0.25544x

Notes:

1. The above mentioned companies as exact comparable of the subject company as all three of them are in the similar line of business as Simplex Infrastructures Limited and have been in stress and got their resolution plan under the restructuring scheme approved by its lenders or are being under process to get approved.
2. I have taken the average of 1 year daily volume weighted average share price of the aforementioned companies to derive their market capitalisation.
3. The revenue of the companies has been taken as the Trailing Twelve Months sales for the period 01st January 2021 to 31st December 2021. The revenue for the fourth quarter for FY 2022 could not be considered as the result for said period has not been published by these companies yet.

