

N.H. VYAS & Co.
Chartered Accountants



N.H. VYAS

B.Com (Hons.) L.L.B., F.C.A., F.C.S.

Admin. Office : 63, 6th Floor, Pranik Garden 'E' Bldg.Co. Op. Hsg. Soc. Ltd., Next to HDFC Bank, Mahavir Nagar, Dahanukar Wadi, Kandivali (West), Mumbai - 400 067 • Tel. : 022 - 32189899 • Email : nikhilcvyas@gmail.com • Mob. : 9930838070 / 9324914902.

Regd. Office : D2/28, 5th Floor, Bharat Nagar, Grant Road, (East), Mumbai - 400 007.

Ref. No.

Date :

ANNEXURE C

Date: 23-May-2018

To,
Hindustan Foods Limited
Dempo House, Campal,
Panaji, Goa -403 001

To,
Avalon Cosmetics Private Limited
Unit No 03, Level 02, Centrium, Phoenix Market City, Kurla
Mumbai 400070.

Dear Mr. Mayank Samdhani,

We have carried out valuation of Hindustan Foods Limited and Hyderabad unit of Avalon Cosmetics Pvt. Ltd.(together referred as "Companies") as at 23-May-2018.

Background of the companies:

1. Hindustan Foods Limited ("HFL") was incorporated in 1988 under the Companies Act, 1956 of India. It is a listed company in Bombay Stock Exchange. It is a principal contract manufacturer for a range of leading FMCG products. In 2013, Vanity Case Group bought a controlling stake in Hindustan Foods Ltd. from Dempo Group of Goa and since then the company has diversified across various FMCG categories with manufacturing competencies in food extrusion & blending processes, beverages, leather and pest control products. It is involved in the manufacturing of high quality cereal based food products and a range of instant mixes, baby foods, instant porridges, breakfast cereals and health drinks, Leather and other shoes and uppers, accessories, pest control products and tea, coffee and soups.

2. Avalon Cosmetics Pvt. Ltd. ("ACPL") was incorporated on 29th April 2003 with ROC Mumbai with its first plant in Paonta Sahib, Himachal Pradesh. The company has been serving the needs of top

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cosmetic and personal care companies as a contract manufacturer of their products. ACPL is engaged in contract manufacturing business and has units situated in over 6 locations and 11 sites across India. Range of products include hair gel, hair oil, hair shampoo, face lotion, body moisturizer, shower gel, face wash, skin cream, talcum powder, baby care products, home cleaning products and fabric cleaning products. The Hyderabad unit is one of the units of ACPL, it engages in manufacturing of fabric cleaning products including detergent powders on contract basis.

Background of the transaction:

We understand that the management of HFL and ACPL (together referred as "Management") has proposed demerger of Contract Manufacturing (Hyderabad) unit from ACPL into HFL. –"Proposed transaction"

Based on the calculations, the explanations therein in the report attached and on consideration of all the relevant factors and circumstances as discussed and outlined in this report, in our opinion, a fair equity share entitlement ratio in the event of demerger of the Contract Manufacturing (Hyderabad) unit from ACPL into HFL would be:

42.15 equity shares of Hindustan Foods Ltd. of INR 10 each full paid up,
for
1 equity shares of Avalon Cosmetics Pvt. Ltd. of INR 10 each full paid up.

We are issuing this certificate in our capacity as Chartered Accountants for the sole purpose of providing the valuation required by the management.

The Valuation is not intended for general circulation or publication and is not to be reproduced without our prior written consent, or used for any purpose other than for the purposes stated above and cannot be relied upon by third parties.

Yours sincerely

For N.H. Vyas and Company, Chartered Accountants

Firm's Registration No: 132204



Partner, N.H. Vyas and Company, Chartered Accountants

Membership No: 014433

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Executive Summary

Background of Transaction

The management has proposed restructuring of business through demerger of Contract Manufacturing (Hyderabad) unit from ACPL into HFL.

Background of the companies:

1. Hindustan Foods Limited:

HFL was incorporated in 1988 under the Companies Act, 1956 of India. It is a listed company in Bombay Stock Exchange. It is a principal contract manufacturer for a range of leading FMCG products. In 2013, Vanity Case Group bought a controlling stake in Hindustan Foods Ltd. from Dempo Group of Goa and since then the company has diversified across various FMCG categories with manufacturing competencies in food extrusion & blending processes, beverages, leather and pest control products.

Capital structure:

Particulars	Amount in INR
Authorised Capital	
1,30,00,000 Equity Shares of INR 10 each	13,00,00,000
2,00,000 9% Redeemable, Non-convertible Preference Shares of INR 100 each	2,00,00,000
Total	15,00,00,000
Issued Subscribed and Paid up	
1,29,92,500	12,99,25,000
1,60,000 9% Redeemable, Non-Convertible Preference Shares of INR 100 each	1,60,00,000
Total	14,59,25,000

2. Avalon Cosmetics Pvt. Ltd. ("ACPL"):

ACPL was incorporated on 29th April 2003 with ROC Mumbai with its first plant in Paonta Sahib, Himachal Pradesh. The company has been serving the needs of top cosmetic and personal care companies as a contract manufacturer of their products. ACPL is engaged in contract manufacturing business and has units situated in over 6 locations and 11 sites across India. Range of products include hair gel, hair oil, hair shampoo, face lotion, body moisturizer, shower gel, face wash, skin cream, talcum powder, baby care products and home cleaning products. The Hyderabad unit is one of the units of ACPL, it engages in manufacturing of detergent powders on contract basis.



Capital Structure:

Particulars	Amount in INR
Authorised Capital	
10,00,000 Equity Shares of INR 10 each	1,00,00,000
Total	1,00,00,000
Issued, Subscribed and Paid up	
1,18,709 Equity Shares of INR 10 each full paid up	11,87,090
Total	11,87,090

Sources of Information

During the course of our valuation analysis, we have conducted limited reviews, and analyses, which in our opinion, were deemed to be appropriate for this valuation analysis.

For the purpose of this valuation, we have perused and relied on the data provided by the respective managements for the purpose of this report are as under:

- Audited financial statements for fiscal year 2016-17 of HFL of ACPL.
- Provisional financial statements (including Balance Sheet and Income Statements) for the period ended on 31-March-2018 of HFL and the Hyderabad unit of ACPL certified by management.
- Projected Financials of the HFL and Hyderabad unit of ACPL (which includes Cash Flows, Balance Sheets and Income Statements) for 5 years, prepared and certified by the respective management of the Company.
- Verbal and electronic communications with management of the companies.

Valuation Methodology

- We have conducted valuation of the companies as per internationally accepted standards.
- Valuation is computed as at 23-May-2018 and is based on information shared by the management, and Market data compiled by N.H. Vyas and Company and information collated from publicly available domains.
- We were unable to find a listed company which is comparable to ACPL, which is into "contract manufacturing" of detergent powders.
- Since the Company meets the "going concern assumption", Net Assets Valuation method has not been taken into consideration.
- In absence of any listed peer, we have valued the companies using Discounted Cash Flow model

Valuation

As mentioned above, the valuation method used is Discounted Cash Flow model.



Discounted Cash Flow Approach

As per the Forecasted financials provided to us, we have discounted the Free Cash Flow to Equity (FCFE) with the Adjusted Cost of Equity. The Present Value of the cash flows at 23-May-2018 is the Equity Value of the companies

Concluded Equity Valuation

Hindustan Foods Limited

Valuation Approach	Value (INR MM)
Discounted Cash flow	3,896.12
Concluded Equity Value	3,896.12
Value per share	299.87

Avalon Cosmetics Pvt. Ltd.

Valuation Approach	Value (INR MM)
Adjusted value of Equity	1,500.32
Value per share	12,638.63
Swap ratio	42.15 : 1

Attestation of Valuation and Working

1. The Free Cash Flows from Equity (FCFE) is considered from projected Financials and Audited statements provided by the Management
2. We understand from the management of Hindustan Foods Limited that the management is contemplating the preferential issue of maximum 5,00,000 equity shares in accordance with the relevant rules and regulations.
3. The Free Cash Flows from Equity have been considered for the next 5 years.
4. The GDP growth rate of India in coming years is projected greater than 7%, but the growth rate (g) for calculating Terminal Value of Equity (beyond 5 years) is considered as 5% p.a. on a conservative basis.
5. The FCFE of all the future years of ACPL are discounted at the rate of 10.20% (Discounting Factor) to Present Value as at 23-May-2018



6. Adjusted Cost of Equity (which is Discounting Factor) is arrived by Capital Asset Pricing Method

Free Cash flow to Equity (FCFE)

1. Cash flows are considered for 5 years starting from 1-April-2018 to 31-Mar-2023 (i.e. 2018-19 to 2022-23), the future cash flows will be only considered till 31-March-2023. Beyond which Terminal Value of equity is computed, since this is a going concern.
2. Valuation is calculated as on 23-May-2018 in the following manner;
 - a. FCFE of all the years (including the Terminal Value) are discounted to 23-May-2018
 - b. Terminal value calculated is as on 31-Mar-2023 with growth rate of 5% p.a. and then it is further discounted to 23-May-2018

Conclusion

**42.15 equity shares of Hindustan Foods Ltd. of INR 10 each full paid up,
for
1 equity shares of Avalon Cosmetics Pvt. Ltd. of INR 10 each full paid up.**

Statement of Limiting Conditions Affecting Valuation Results

1. The valuation will not be valid for any other purpose or as at any other date. Also, the valuation may not be valid if done on behalf of any other entity. The valuation analysis and result are substantively based only on information contained in this report and are governed by concept of materiality.
2. We have relied upon the latest unaudited financial statement as of 31st March, 2018 and Audited Financial Statements for year ended 31st March 2017, provided by the management and attested by the Company's Chief Financial Officer. We have no obligation to update this report or revise this attestation of valuation because of events or transactions occurring subsequent to the date of this report.
3. Valuation analysis and results are specific to the date of this report. A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general. As such, our valuation results are, to a significant extent, subject to continuance of current trends beyond the date of the report. We, however, have no obligation to update this report for events, trends or transactions relating to the Company or the market/economy in general and occurring subsequent to the date of this report.



4. We provide no assurance that a sale or acquisition deal can be completed successfully at or close to our recommended valuation within a particular timeframe. Our valuation only aims to represent the likely price around which a deal can happen.
5. The recommendation(s) rendered in this report only represent the recommendation(s) of N.H. Vyas and Company, based upon information furnished by the Management of the Company.
6. Our recommendation will however not be for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.
7. In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data. We have however, evaluated the information provided to us by the Company through broad inquiry and comparative analysis vis-à-vis past information available (but have not carried out a due diligence or audit of the Company for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided). Through the above valuation, nothing has come to our attention to indicate that the information provided was materially mis-stated/incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.
8. We are not responsible for arithmetical accuracy / logical consistency of any financial model or business plan provided by the Company and used in our valuation analysis. The terms of our engagement were such that we were entitled to rely upon the information provided by the Company without detailed inquiry. Also, we have been given to understand by the Management that it has made sure that no relevant and material factors have been omitted or concealed or given inaccurately by people assigned to provide information and clarifications to us for this exercise and that it has checked out relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.
9. Our conclusions are based on these assumptions, forecasts and other information given by/on behalf of the Company. The management of the Company has indicated to us that it has understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the above information furnished by the Company and their impact on the present exercise. Also, we assume no responsibility for technical information furnished by the companies and believed to be reliable.
10. We express no opinion on the achievability of the forecasts given to us. The assumptions used in their preparation, as we have been explained, are based on the management's present



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expectation of both - the most likely set of future business events and circumstances and the Management's course of action related to them. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

11. No enquiry into Company's claim to title of assets or property has been made for the purpose of this valuation. With regard to Company's claim to title of assets or property, we have relied solely on representations, whether verbal or otherwise, made by the Management to us for the purpose of this report. We have not verified such representations against any title documents or any agreements evidencing right or interest in or over such assets or property, and have assumed Company's claim to such rights, title or interest as valid for the purpose of this report. No information has been given to us about liens or encumbrances against the assets, if any, beyond the loans disclosed in the accounts.

Accordingly, no due diligence into any right, title or interest in property or assets was undertaken and no responsibility is assumed in this respect or in relation to legal validity of any such claims.

12. The fee for the report is not contingent upon the results reported

Others:

1. We owe responsibility only to the companies that has engaged us and nobody else.
2. "N.H. Vyas and Company" does not accept any liability to any third party in relation to the issue of this valuation report.
3. Neither the valuation report nor its contents may be disclosed to any third party or referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties without our prior written consent. We retain the right to deny permission for the same.
4. Notwithstanding to the above, you may provide a copy of our valuation report to the companies or its direct or indirect subsidiaries or RBI & other regulatory authorities on the basis that we accept no responsibility or liability to any of them.





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Ref. No.

Date :

HFL:

Working:

Discounted Cash Flow Approach

Discounting Factor

For the valuation, to discount the FCFE, Adjusted Cost of Equity is considered as Discounting Factor. Please find below the working of calculating the Adjusted Discounting Factor;

1. Cost of Equity is calculated by the Capital Asset Pricing Model (CAPM).
2. The Risk Free (Rf) rate is the 10 year Government Bond yield as on 23-May-2018 which is 7.72%
3. Market Return (Rm) is assumed at 12% (5 year compounded annual growth rate of BSE is 12) and hence the Risk Premium (Rp = Rm - Rf) which is 4.28%
4. For calculation of Beta, we have calculated the variance of closing price of Hindustan Foods Ltd. and BSE index for the past 7 years
5. Calculation of Discount Rate:

DCF Parameters	
Beta	0.32
Rf	7.72%
Rp	4.28%
Rm	12%
Ke	9.10%
g	5.00%
Discount Rate	9.10%

- Discount rate = Cost of Equity
- Cost of Equity (Ke) = Rf + Rp*Beta.
- Rf is as per 10 year government bond taken from RBI Website as on 23-May-2018.
- Market return (Rm) is compounded annual growth rate of BSE over the past 5 years
- The GDP growth rate of India in coming years is projected greater than 7%, but the growth rate (g) for calculating Terminal Value of Equity (beyond 5 years) is considered as 5% p.a. on conservative basis



Calculation

Sr. No.	DCF Calculation			NPV INR MM.
	2019 to 2023 FY End	Adjusted FCFE INR MM	Discount Factor @ 9.10%	
1	2018-19	(32.53)	0.93	(30.25)
2	2019-20	69.43	0.85	59.02
3	2020-21	153.71	0.78	119.89
4	2021-22	243.34	0.71	172.77
5	2022-23	200.31	0.66	132.20
	Terminal Value as of 31-March-2023	5135.22	0.66	3389.25
	NPV on 31 -March-2018			3842.88
	Add: Cash			53.24
	Adjusted Value			3896.12

ACPL:

Discounted Cash Flow Approach

Discounting Factor

For the valuation, to discount the FCFE, Adjusted Cost of Equity is considered as Discounting Factor. Please find below the working of calculating the Adjusted Discounting Factor;

6. Cost of Equity is calculated by the Capital Asset Pricing Model (CAPM).
7. The Risk Free (Rf) rate is the 10 year Government Bond yield as on 23-May-2018 which is 7.72%.
8. Market Return (Rm) is assumed at 12% (5 year compounded annual growth rate of BSE is 12) and hence the Risk Premium (Rp = Rm - Rf) which is 4.28%
9. For calculation of Beta, we have calculated the variance of closing price of Hindustan Foods Ltd. and BSE index for the past 7 years, unlevered it and levered it back using D/E ratio of ACPL
10. Calculation of Discount Rate:

DCF Parameters	
Beta	0.59
Rf	7.72%



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Rp	4.28%
Rm	12%
Ke	10.25%
G	5.00%
Discount Rate	10.25%

- Discount rate = Cost of Equity
- Cost of Equity (Ke) = Rf + Rp*Beta.
- Rf is as per 10 year government bond taken from RBI Website as on 23-May-2018.
- Market return (Rm) is compounded annual growth rate of BSE over the past 5 years
- The GDP growth rate of India in coming years is projected greater than 7%, but the growth rate (g) for calculating Terminal Value of Equity (beyond 5 years) is considered as 5% p.a. on conservative basis.

Calculation

Sr. No.	DCF Calculation			NPV INR MM.
	2019 to 2023 FY End	Adjusted FCFE INR MM	Discount Factor @ 10.25%	
1	2018-19	(34.08)	0.91	(31.01)
2	2019-20	(18.79)	0.82	(15.41)
3	2020-21	34.53	0.75	25.90
4	2021-22	51.66	0.68	35.13
5	2022-23	140.73	0.61	85.85
	Terminal Value as of 31-March-2023	2817.18	0.61	1718.48
	NPV on 31 -March-2018			1818.93
	Add: Cash as of 31-March-2018			56.48
	Adjusted Value			1875.41
	Less: Illiquidity discount			375.08
	Equity Value as of 23-may- 2018			1500.32

Valuation Approach		Value (INR MM)
Adjusted value of Equity		1500.32
Number of shares to be received from HFE (in millions)		5
Swap ratio		42.15: 1



Note 1:

No. of paid up shares of HFL= 12.99 MM

Calculated value of HFL= INR 3896.12 MM

Calculated value of ACPL= INR 1500.32 MM

No. of shares issued by HFL to ACPL= $(1500.32 * 12.99) / 3896.12 = 5$ MM

Note 2:

No. of shares issued by HFL= 5 MM

No. of paid up shares of ACPL= 0.119 MM

Swap ratio= $(5/0.119) = 42.15: 1$

As Per Books & Details

Produced Before us

**N. H. VYAS AND COMPANY
CHARTERED ACCOUNTANTS
Firm Reg. No. 132204 W**



N. H. Vyas

**N. H. VYAS
Proprietor
M. No. 014433**

**Place : Mumbai
Date :**