

HARESH UPENDRA & CO.

CHARTERED ACCOUNTANTS

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4th February 2020

To,

The Audit Committee, Chordia Food Products Limited, Plot No. 399 & 400, S. No. 398, Village Sangavi, Shriwal, Tal- Khandala, Dist.- Satara-412801.	The Board of Directors, Aveer Foods Limited, Plot 55/A/5 6, Hadapsar Industrial Estate, Pune- 411013.
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Subject: Recommendation of Fair Share Entitlement Ratio for the Proposed Demerger of "Food Division" of Chordia Food Products Limited into Aveer Foods Limited.

Dear Sirs/Madam,

We refer to our engagement letter dated 20th December 2019 and subsequent discussion with the management of Chordia Food Products Limited (hereinafter referred "CFPL" or "Demerged Company" or "Client") wherein CFPL has requested Haresh Upendra & Co. (hereinafter referred "HU" or "We" or "Us") a recommendation of Share Exchange Ratio/ Share Entitlement Ratio for proposed demerger of "Food Division" of CFPL into Aveer Foods Limited (hereinafter referred "AFL" or "Resulting Company") pursuant to a Scheme of Arrangement under section 230 to 232 and other applicable clauses of the companies Act, 2013 ("Scheme" or "Scheme of Arrangement"). In the following paragraphs, we have summarized our valuation analysis together with the description of the methodologies used and limitation on our scope of work.

CFPL & AFL shall hereinafter be collectively referred as "Companies".

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

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1. PURPOSE OF THE REPORT

We have been informed by the management that CFPL is contemplating a restructuring pursuant to a scheme to demerge its "Food Division" from the appointed date 1st April 2020



into AFL. The proposed restructuring is to be effective through the Scheme pursuant to the provision of Section 230 to 232 and other applicable provisions of the Companies Act, 2013. Under the Scheme, the shareholders of CFPL would be issued equity shares of AFL as a consideration for the proposed demerger. The equity shares held by CFPL and its nominees in AFL shall stand cancelled following the issuance of shares of Resulting Company to the shareholders of the Demerged Company.

In pursuant to the above, Haresh Upendra & Co. has been requested by CFPL to submit valuation report as necessitated under Companies Act, 2013 and recommendation of Share Exchange Ratio/ Share Entitlement Ratio in connection with the proposed demerger to be placed before the Board of Directors of respective companies involved in the scheme.

This Report has been issued only for the purpose of facilitating the demerger of Food Division of CFPL into AFL and should not be used for any other purpose.

2. BRIEF BACKGROUND

Chordia Food Products Limited

CFPL was incorporated on 20th January 1982 under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number (CIN) of Chordia Food Products Limited is L15995PN1982PLC026173. The registered office of Chordia Food Products Limited is situated at Plot No 399/400 S. No. 398 Tal. Shirwal, Village Sangvi, Satara, Maharashtra - 412801. The equity shares of the demerged company have been listed on BSE Limited (BSE).

Chordia Food Products Limited is a Manufacturer of processed fruits and vegetables in Western India for more than three decades and has been successfully selling its products under the brand name of Pravin, Navin, Toofan and Suhana-Pravin. Currently, the Company is having two business divisions; Food & Food Infra Business Division.

Share Capital of the company as on 30th September 2019 is as follow: -

Particulars	Amount in Rs.
Authorized Share Capital:	
55,50,000 Equity Shares of Rs.10/- each	5,55,00,000
TOTAL	
Issued Share Capital:	
42,56,452 Equity Shares of Rs.10/- each fully paid up	4,25,64,520
TOTAL	4,25,64,520
Subscribed and Paid-up Share Capital:	
40,28,252 Equity Shares of Rs.10/- each fully paid up	4,02,82,520
Add: Share Forfeiture	17,250
TOTAL	4,02,99,770

There has been no change in the share capital of CFPL after 30th September 2019.

The aforesaid share capital is held as follows:

Shareholders	Number of Shares	Percentage Holding
Promoters	29,13,885	72.34
Public	11,14,387	27.66
Total	40,28,252	100

The Management has represented that there are no outstanding stock options/warrants/security/convertible instruments, etc. issued or granted by CFPL as at the date of issue of this Report, which would impact the number of equity shares of CFPL. Further, the Management has confirmed that there will be no change in the shareholding pattern of CFPL on account of allotment / issue of any shares till the demerger becomes effective.

Aveer Foods Limited

AFL was incorporated on 11th April 2019 under the Companies Act, 2013. The Corporate Identity Number (CIN) of Aveer Foods Limited is U15549PN2019PLC183457. The registered office of Aveer Foods Limited is situated at Plot 55/A/5 6, Hadapsar Industrial Estate, 1 Pune - 411013. Aveer Foods Limited is incorporated to carry out the business of manufacturing of food products and dealing in Agricultural, Horticultural and Farm produce. On 14.08.2019, AFL became a wholly owned subsidiary of CFPL.

The share capital of the company as on 30th September 2019 is as follow: -

Particulars	Amount in Rs
Authorized Share Capital:	
50,00,000 Equity Shares of Rs.10/- each	5,00,00,000
TOTAL	5,00,00,000
Issued, Subscribed and Paid-up Share Capital:	
10,000 Equity Shares of Rs.10/- each fully paid up	1,00,000
TOTAL	1,00,000

There has been no change in the share capital of AFL after 31st September 2019.

The aforesaid share capital is held as follows:

Shareholders	Number of Shares	Percentage Holding
CFPL (Including shares held by Nominees)	10,000	100
Total	10,000	100

The Management has represented that there are no outstanding stock options/warrants/security/convertible instruments, etc. issued or granted by AFL as at the date of issue of this Report, which would impact the number of equity shares of AFL. Further, the Management has confirmed that there will be no change in the shareholding pattern of AFL on account of allotment / issue of any shares till the demerger becomes effective.

3. SCOPE & LIMITATIONS

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

- 3.1 The scope of our services is to conduct a relative (and not absolute) valuation of equity shares of the Companies and report a fair share exchange ratio for the Proposed Demerger in accordance with ICAI Valuation Standards 2018 issued by Institute of Chartered Accountants of India. This Report sets out the findings of our exercise.
- 3.2 Recommend a Share Entitlement Ratio for an issue of equity share of AFL to the shareholders of CFPL.
- 3.3 This Valuation Report, its contents and the results herein are specific to the purpose mentioned in this report.



- 3.4 In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of information (both written & verbal) made available to us by the Companies and (ii) the accuracy of the information that was publicly available, and formed substantial basis for this Valuation Report. We have not carried out a due diligence or audit of the Companies, nor have we independently investigated or otherwise verified the data provided by the Companies. In rendering this Valuation Report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof. We do not express any opinion or offer any form of assurance that the explanations, financial information or other information as prepared and provided by the Companies is accurate and complete. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that, in case of any doubt, they have checked the relevance or materiality of any specific information with respect to the present exercise with us. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.
- 3.5 Our scope of work was not designed to verify the accuracy or reliability of the information provided to us and nothing in this report should be taken to imply that we have for the purpose of this assignment conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.
- 3.6 We do not hold any responsibility to update this Report for events occurring after the date of this Report.
- 3.7 The information contained herein, and our report is confidential and it is intended only for the sole use and information of the companies and for use in the above-mentioned proceeds.
- 3.8 We are not responsible either for any person/party or for any decision of such person or party based on this Report.
- 3.9 Valuation of companies and businesses 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 judgement. There is, therefore, no indisputable single Share Entitlement Ratio. While we have provided our view on the Share Entitlement Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion. The companies acknowledge and agree that the companies have the final responsibility for determination of the Share Entitlement Ratio for the proposed restructuring and factors other than our report will need to be taken into account in determining such ratios; these will include the companies own assessment of the proposed restructuring and may include the input of other professional advisors.
- 3.10 This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed in the report. As such, the Report is to be read in totality, and not in parts, in conjunctions with relevant documents referred therein.
- 3.11 This Report does not look into the business/ commercial reasons behind the Proposed Demerger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Demerger as compared with any other alternative business transaction, or other alternatives, or whether such alternatives could be

achieved or are available. This Report is restricted to recommendation of share entitlement ratio only. Its suitability and applicability of any other use has not been checked by us.

- 3.12 No investigation of CFPL's claim to title of assets has been made for the purpose of this report and the CFPL's claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 3.13 We owe responsibility to the Demerged Company only which has appointed us under the terms of our agreement and nobody else. We do not accept any liability to any third party in relation to the issuance of this Report.
- 3.14 The fee for this engagement is not contingent upon the results of this report.

4. SOURCES OF INFORMATION

We have called for and obtained such data, information, etc. as were necessary for the purpose of our assignment, which have been, as far as possible, made available to us by the Management. For the purpose of this assignment, we have relied on the following information provided by the Management of the respective companies:

- Audited financial statements of CFPL for FY 2019, 2018 & 2017
- Audited financial statements of AFL as of 10th June 2019
- Unaudited Financial of CFPL as on 30th September 2019
- Latest Shareholding Pattern of CFPL and AFL
- Draft Scheme of Arrangement
- Proposed Capital Structure of AFL
- Explanation & Management Representation (Orally & written) provided by the management of the companies from time to time
- Such other analysis, reviews and enquiries, as we considered relevant

The Companies have been provided with an opportunity to review the report as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final Report.

5. BASIS & RECOMENDATION of SHARE ENTITLEMENT RATIO

We understand that, as part of the Scheme, Food Division of CFPL is proposed to be demerged into AFL. AFL is 100% subsidiary of CFPL and taking over the Food Division of CFPL, by way of the demerger. Once the Scheme is implemented and in consideration of the demerger of the Food Division and transfer and vesting thereof with AFL, all the shareholders of CFPL would also become the shareholders of AFL, and their shareholding in AFL would mirror to their shareholding in CFPL. The effect of demerger is that each shareholder of CFPL would be allotted shares of AFL in the same proportion as in CFPL and thus would become shareholders of AFL also. All the equity shares held by CFPL and its nominee(s) shall stand cancelled, extinguished without any further act, instrument or deed.

Based on the above provision in the Scheme, the percentage holding of a shareholder post-demerger in CFPL would remain unchanged and they will receive same number of shares in AFL.

In the current instance, the determination of Fair Share Entitlement Ratio would not have any economic impact on the ultimate value of the shareholders of CFPL and the proposed restructuring will be value-neutral to the shareholders of CFPL.

Accordingly, the Board of Directors of CFPL and AFL have proposed a share exchange ratio for the scheme having regard to the following factors:

- Desirable capital structure
- Serviceability of Capital
- Regulatory requirements

Hence, a detailed valuation to determine the swap ratio is not required, accordingly, fair valuation of equity shares has not been carried out.

Given the above context, AFL shall, without any further act or deed and without any further payment, issue and allot the equity shares at par on a proportionate basis to each member of CFPL whose name is recorded in the register of members of CFPL as holding equity shares as may be recognized by the Board of Directors of CFPL in the following proportion.

"For every 1 (One) equity share of face value of INR 10 each held in CFPL, as on record date, every equity shareholder of CFPL shall without any application, act or deed be entitled to receive 1 (One) equity share of face value of INR 10 each of AFL, credited as fully paid up."

It should be noted that we have not examined any other matter including economic rationale for the Proposed Transaction per se or accounting, legal or tax matters involved in the Proposed Transaction.

Yours faithfully,
Haresh Upendra & Co
Chartered Accountant

Haresh B Shah

Proprietor

Membership No – 032208

IBBI/RV/06/2018/10343

Place: Pune

UDIN: **20032208 AAAAAB5017**

