

N D A & Associates


Chartered Accountants

CERTIFICATE

We have been appointed by Riga Sugar Company Limited, 14 Netaji Subhash Road, Kolkata 700 001 to carry out the valuation of equity shares of the company in terms of Regulation 76A of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (as amended).

We certify that to the best of our information and as per explanations and relevant records provided to us, the valuation of equity shares of the company as on the relevant date, i.e. February 26, 2016 is Rs 11.94 per share as per our report attached herewith.

N D A & Associates
Chartered Accountants
(FRN: 028709N)


R K Bagri
Partner
Membership No. 051956



Place: Kolkata
Date: February 26, 2016

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Valuation of Equity Shares of Riga Sugar Company Limited (hereinafter referred to as "Riga" or "the company")) in terms of the requirements of Regulation 76A of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (as amended) [hereinafter referred as SEBI(ICDR) Regulation].

We refer to our engagement letter wherein Riga Sugar Company Limited has requested N D A & Associates (hereinafter referred to as "NDA" or "we" or "us") to carry out the valuation of equity shares of the company.

SCOPE AND PURPOSE OF THIS REPORT

Riga Sugar Company Limited of Dhanuka group having its Registered Office at 14, Netaji Subhash Road, Kolkata 700 001, West Bengal, India is engaged in business of manufacturing of Sugar and allied products.

The Equity Shares of RIGA are listed on Bombay Stock Exchange (BSE) (Symbol: RIGASUG, Stock Code: 507508) and Calcutta Stock Exchange (CSE) (Stock code: 10028038). However, there is no trading of shares on CSE.

We understand that the management of Riga are proposing to issue equity shares on preferential basis and the relevant date in terms of SEBI (ICDR) Regulations, 2009 is February 26, 2016.

For the aforesaid purpose, the management of Riga has appointed NDA to prepare a valuation report to arrive at the price for issue of such shares.

This report is our deliverable for the above engagement.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in entirety, and not in parts, in conjunction with the relevant documents referred to therein.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this report and (iii) are based on unaudited results for the period ended September 30, 2015 and December 31, 2015 of the company. A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.



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The recommendations rendered in this report only represent our recommendations based on information as at February 25, 2016, furnished by the company and other sources and the said recommendations shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

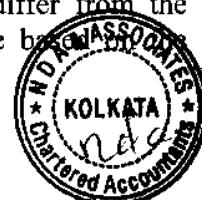
In the course of the valuation, we were provided with both verbal and written information, including market, technical, financial and operating data.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publically available and formed a substantial basis for this report and (ii) the accuracy of information made available to us by the company. In accordance with our engagement letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the company, we have been given to understand by the company that it has not omitted any relevant and material factors and they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the assumptions and 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/result. Accordingly, we assume no responsibility for any errors in the information furnished by the company and their impact on this report. Also, we assume no responsibility for technical information (if, any) furnished by the company. However nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the report.

The Report assumes that the company complies fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the company will be managed in a component and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal nature, including issues of legal and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/ unaudited balance sheet of the company.

No investigation of the company's claim to title of assets has been made for the purpose of this report and the company'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.

The financial forecasts / projections used in the preparation of the report reflects judgement of the management of the company, based on the present circumstances, as to the most likely set of conditions and the course of action they are most likely to take. It is usually the case that some events and circumstances do not occur as expected and are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts, which may be material. To the extent that our conclusions are based on forecasts, we express no opinion on achievability of those forecasts.



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The fee for the engagement is not contingent upon the results reported.

We owe responsibility only to the Board of the Directors of the company, under the terms of our engagement letter. We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. This valuation report is subject to the laws of India.

The valuation report should not be referred to or quoted for any other purpose other than the one for which we have been engaged, without our prior consent.

VALUATION OF EQUITY SHARES

The shares of RIGA are not frequently traded as defined in Regulation 71A of the SEBI (ICDR) 2009. As per Regulation 76A of the aforesaid guidelines, where the shares are not frequently traded, the price determined by the issuer shall take into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies.

As per the above valuation guidelines, the objective of the valuation process is to make a best reasonable judgment of the value of the equity share of a company based on aforesaid parameters.

"The best reasonable judgment of the value will be referred to as the fair value (FV) and it will be arrived at on the basis of the following in the manner describe in the subsequent paragraphs:"

- I. Book Value or Net Asset Value (NAV)
- II. Comparable Companies Multiple Method (CCM)
- III. Market value (MV) in the case of listed shares
- IV. Discounted Cash flow method

The valuation as per the above methods is as follows:

(i) Net Asset Value

This method is based on the value of the underlying net assets of the business, either on book value or realizable value basis. This valuation approach is mainly used in case where the entity is to be liquidated i.e. it does not meet the going concern criteria or where assets base dominate earning capability. Since in the instant case, the valuation is required to arrive at the share price for issuing equity shares on preferential basis, the relative earning power is of importance as against the realizable asset value which has limited relevance. Hence, on account of going concern assumption and earning power being considered as more important and asset value having limited relevance, this method has not been considered as appropriate to arrive at the price of equity shares.

(ii) Discounted Cash Flow (DCF)

Under the DCF method, the projected free cash flows available to equity shareholders are discounted at required rate of return on equity. The sum of the discounted value of such free cash flow is the equity shareholders' value.



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In terms of the future profitability projections as provided to us by the management, the company is expected to earn profits in view of better realization on the products of the company. It is also expected to generate cash flows. However, this will depend on the sustained and improved realization on the company's products.

Using the DCF analysis involves determining the following:

Estimating free cash flows:

Free cash flows are the cash flows expected to be generated by the company that is available to equity shareholders.

Appropriate Discount Rate:

The discount rate which is applied to the free cash flows available to equity shareholders should reflect opportunity cost to the shareholders. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

Based on the projections as above, prepared by the management, the value per share as per DCF calculation is Rs 19.21 per share.

We have given weightage to the extent of 20% for the purpose of calculating weighted average share value.

(iii) Market Value:

The shares of the Company are not frequently traded as per Regulation 71A of the SEBI (ICDR) Regulations, 2009 (as amended). Thus regulation 76 of SEBI (ICDR) 2009 regarding pricing of equity shares in case of frequently traded shares is not applicable. However, we have considered the valuation norms prescribed under that regulation to arrive at the value per share which comes to Rs 10.17. The volume weighted share price over appropriate period ended 25-02-2016 as prescribed in the above regulation has been considered.

(iv) Comparable Companies' Multiple Method (CCM)

Under this method, value of equity share of a company is arrived at by using multiples derived from valuation of comparable companies. We have used income (sales) based valuation multiple of comparable companies.

For the purpose of our valuation, we have considered, Upper Ganges Sugar & Industries Limited and The Oudh Sugar Mills Limited as the comparable listed companies because both these companies are having Sugar units in the State of Bihar where the units of RIGA are located.

Based on the above, the valuation as per CCM is Rs 10.06 per share.



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Value Per Equity Share:

As per the valuation criteria mentioned above, the value per equity share is to be considered as average of the values arrived/ determined on the basis of four methods mentioned above after giving them appropriate weights.

The Fair Value of the equity shares has been decided keeping in mind the Valuation principles:

The value under Discounted Cash Flow method is based on discounted future free cash flow, computed on the basis of future profitability projections. In view of uncertainty associated with the Sugar industry and the industry been highly regulated and sentiment driven, we have considered 20% as the appropriate weight.

The value under Comparable Companies Multiple Method has been arrived comparing RIGA with two other listed companies. Since the comparable companies are bigger in size and operate in Uttar Pradesh also, we have considered 30% as the appropriate weight.

The shares of the Company are listed on BSE Limited but are infrequently traded. We believe that the value as per market value method is Rs. 10.17, which is the volume-weighted average market price of shares of RIGA for the specified period immediately preceding the relevant date. Although the shares are not frequently traded, the trades taking place between informed buyers and sellers incorporate all factors relevant to valuation. This being the most realistic value in the current scenario, we have considered 50% as the appropriate weight.

We are of the opinion that based on the information as referred to hereinabove; the Fair Value of the equity shares of Riga Sugar Company Limited of face value Rs. 10/- each is Rs. 11.94 per share as per calculation below:

MODE OF VALUATION	Value in Rs	Weightage	Weighted Value (Rs)
Discounted Cash Flow Method	19.21	20%	3.84
Comparable Company Multiple Method	10.06	30%	3.02
Market Value Method	10.17	50%	5.09
Weighted Average Value			11.94

Valuation of share is not a precise art and the conclusions arrived at, will be subjective and dependent on the exercise of individual judgement. There is, therefore, no undisputed single value. While we have provided our assessment of the indicative value of shares of the company based on the information available to us and within the scope and constraints of our engagement, others may place a different value on the same.



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I, R K Bagri, the undersigned and a partner of M/s N D A & Associates, am holding Certificate of Practice issued by the Institute of Chartered Accountants of India since 1983.

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R K Bagri
Partner
Membership No. 051956

Place: Kolkata

Date: February 26, 2016



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Annexure 1: Valuation as per Discounted Cash Flow Method

Particulars	Amount (Rs. In Lacs)
Free Cash Flows to Equity Shareholders for the projection period (2015-16 to 2022-23)	182
Terminal Cash Flows to Equity Shareholders	7,365
Discounting Factor	15%
Value to Equity Shareholders	2,390
Number of equity shares	1,24,43,405
Value per equity share (FV of Rs. 10 each)	Rs. 19.21

Annexure 2: Valuation as per Market Rate Model

Particulars	Rs.
Relevant Date	26-02-2016
26 Weeks Average of High Low of Volume Weighted Average Price	9.54
2 Weeks Average of High Low of Volume Weighted Average Price	10.17
Applicable Price (higher of the two) (FV of Rs. 10 each)	10.17

Annexure 3: Comparable Companies Multiple Model

We have used Price to Sales Ratio in order to arrive at the value of the company. The capital structure of the company and comparables is identical and hence this methodology has been used.

Particulars	Upper Ganges Sugar & Industries Limited	The Oudh Sugar Mills Limited
Share Price as on February 25, 2016	58.85	39.55
Number of Equity Shares	11557239	26170410
Market Capitalisation (Rs. In Lacs)	6801.44	10350.40
Sales up to 9 months period ended December 31, 2015	57698	80184
Market Capitalisation/Sales	0.11788	0.129083
Average Market Capitalisation/Sales		0.123481
Sales of the company (Riga) up to 9 months period ended December 31, 2015		10135
Equity Shareholders' Value (Rs. In Lacs)		1251.45
Number of equity shares		12443405
Value per equity share (FV of Rs. 10 each)		Rs. 10.06

