

STRICTLY PRIVATE AND CONFIDENTIAL

To,

MTR Foods Private Limited

25 March 2021

No.1, 2nd and 3rd Floor, 100 Feet Inner Ring Road,
Ejipura, Ashwini Layout, Viveknagar,
Bangalore – 560 047.

Dear Sir/Madam,

Re: Valuation of the equity shares of Eastern Condiments Private Limited, India pursuant to the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (the "FEMA Regulations") issued by the Central Government of India ("CGI").

This has reference to the scoping document, various discussions that we had and the information that we have received from the management and representatives of MTR Foods Private Limited (hereinafter referred to as "MTR" or the "Client") from time to time in the above matter.

SCOPE AND PURPOSE OF THIS REPORT

We have been informed as under:

Eastern Condiments Private Limited, India ("ECPL" or "Company") was incorporated on 17 August 1989, and is in the business of processing, manufacturing and trading of straight spices, masala spices and other food products in India focusing especially in Kerala markets and in the export markets.

MTR Foods Private Limited, a subsidiary of Orkla SA, is engaged in the manufacture and sale of ready-to-eat food products, instant food mixes, spices and masalas, vermicelli, milk based products, confectionery and beverages. MTR also undertakes selling of certain other food products such as snacks, spice mix, pickles, papads and oral care products.

We understand that the resident shareholders of ECPL are proposing to transfer their equity holding in ECPL to MTR, which is a foreign-owned and controlled Indian company ("Proposed Transfer"). We are informed that such transfer of shares of an Indian company from resident to non-resident would require adherence to, inter alia, pricing guidelines as may be specified by RBI from time to time. As per the FEMA Regulations where the shares of an Indian company are not listed on a recognised

stock exchange in India, the transfer of its shares by a resident to a non-resident shall be at a price not less than the valuation of such shares done as per any internationally accepted pricing methodology for valuation of shares on arm's length basis.

It is in this connection that we have been requested by the Client to carry out a valuation of the equity shares of the Company, in terms of the FEMA Regulations, on an arm's length basis as at 31 January 2021 (the "Valuation Date"), which would determine the minimum price at which equity shares of the Company can be transferred to a non-resident.

We understand that our report containing our opinion on the value of the equity shares of the Company will be required to be furnished to the RBI / Authorised Dealer of RBI, pursuant to the provisions of the FEMA Regulations, in connection with the aforesaid Proposed Transfer.

It should also be understood that the value at which investments are made / price paid in a transaction may differ from the value computed in this report due to factors such as the motivation of parties, negotiation skills of the parties, the structure of the transaction (i.e. financing structure, transition of control, etc.) or other factors unique to the transaction. While we consent to the furnishing / submission of our report as aforesaid, we will owe responsibility only to the Client that has retained us and no other person, and to the fullest extent permitted by law, we accept no responsibility or liability to any other party in connection with this report.

This report on the valuation of the equity shares of the Company and the information contained herein is absolutely confidential. It is intended only for the sole use and information of the Client and only for the purpose of complying with the FEMA Regulations as applicable to the Proposed Transfer. Our report can be used by the Client only for the purpose, as indicated above, for which we have been appointed. The results of our computation and our report cannot be used or relied by the Client for any other purpose, including for the preparation of financial statements / accounting purpose including fixing of issue price of equity shares and impairment purposes, or by any other party for any purpose whatsoever. We are not responsible or liable to any other person / party for any decision of such person / party based on this report. If any person / party (other than the Client) chooses to place reliance upon any matters included in the report, they shall do so at their own risk and without recourse to us. Any person / party intending to provide finance / invest in the shares / business of the Company / their holding/subsidiary /associate companies, if any shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is hereby notified that any reproduction, copying or otherwise quoting of our report or any part thereof other than for the aforementioned purpose, including filing with the RBI / Authorized Dealer of RBI, is not permitted. Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreements or documents which may require disclosure to or access by third parties. We owe responsibility to only

the Client and nobody else. We do not accept any liability to any third party in relation to the issue of this report.

SOURCES OF INFORMATION

Valuation analysis was undertaken on the basis of the following information relating to the Company furnished to us by the management and the representatives of the Client ("Management") and information available in public domain:

1. Audited financial statements of the Company for the years ended 31 March 2018 and 31 March 2019.
2. Provisional financial statements of the Company for the year ended 31 March 2020 and for the year ended 31 January 2021.
3. Provisional financial statements of the Company for the 10 months ended 31 January 2021.
4. Projected profit and loss account and balance sheet of the Company for the 2 months and 4 years starting 1 February 2021 and ending 31 March 2025.
5. Management Representations including management's assessment of the impact of COVID-19 on the Company's business/ operations.
6. Other relevant details such as shareholding pattern, past and proposed activities of the Company, future plans and prospects and other relevant information and data.

We have also received the explanations, information and representations, which we believed were reasonably necessary and relevant to the present valuation exercise from the Management and the representatives of the Client.

SCOPE LIMITATIONS

Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to in this report.

Our work does not constitute an audit, due diligence, review or certification of the historical financials and of the projections of the Company referred to in this report. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information referred to in this report. Valuation analysis and result are specific to the purpose of valuation and the valuation date mentioned in the report is as agreed per terms of our engagement. It may not be valid for any other purpose or as at any other date.

The Client has provided us with an impact analysis of COVID-19 on the Company's business, demand for its products / services, operations, etc. basis their current assessment. Accordingly, we have been informed that the Client has considered the increasingly broad effects of the Company's business / operations, financial condition and projections as a result of the negative impact on the Indian and global economy and major financial markets from COVID-19. The scope of our services does not include an impact analysis / assessment of the COVID-19 outbreak on the Company's business / operations.

Valuation analysis and result are specific to the purpose of valuation and the valuation date mentioned in the report is as agreed per terms of our engagement. It may not be valid for any other purpose or as at any other date.

Valuation analysis and result are specific to the date of our analysis. A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Client has drawn our attention to all the matters, which it is aware of concerning the financial position of the Company and any other matter, which may have an impact on the valuation analysis of the equity shares of the Company as on the Valuation Date. Significant events and circumstances may have occurred since the Valuation Date concerning the financial position of the Company or any other matter and such events or circumstances might be considered material by the Client or any third party. We have no responsibility to update this report for events and circumstances occurring after the Valuation Date beyond those agreed to with the Client, or those occurring after the report date. Our valuation analysis was completed on 19 March 2021, a date subsequent to the Valuation Date and accordingly we have taken into account such valuation parameters and over such period, as we considered appropriate and relevant, upto a date close to such completion date. Our conclusions are based on the assumptions and information given by the Client and on the assumption that management and representatives of the Client have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / results.

In the course of the valuation, we were provided with both written and verbal information, including financial data. We have evaluated the information provided to us by the management / representatives of the Client through broad inquiry and analysis (but have not carried out a due diligence or audit or review of the Company for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided). In particular, we did not carry out any industry or product related technical or market analysis or survey or validation relating to the projections and their underlying assumptions. We have been given to understand by the management of the Client that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility for any errors in the above information furnished by the management of the Client and their impact on the present exercise. In the course of the valuation, we have assumed and relied upon, without independently verifying the accuracy of the information that was publicly available and formed a basis for this report. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. We assume no responsibility for such information.

We express no opinion on the achievability of the forecasts relating to the Company given to us by the management of the Client. The future plans are the responsibility of the Management of the Client. The assumptions used in their preparation, as we have been explained, are based on the Management's present 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.

No investigation of the Company's claim to title of assets has been made for the purpose of this valuation 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 to us. Therefore, no responsibility is assumed for matters of a legal nature.

Our report is not nor should it be construed as our opining or certifying the compliance with the provisions of any law/ standards including company, foreign exchange regulatory, accounting and taxation (including transfer pricing) laws/ standards or as regards any legal, accounting or taxation implications or issues.

The valuation presented in this Report is not a valuation required to be carried out by a registered valuer under the Companies Act 2013 ("Act"), the Companies (Registered Valuers And Valuation) Rules, 2017 ("Rules") or as per any other rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules. Accordingly, this valuation report cannot and should not be used in connection with any purpose where a valuation is required to be carried out by a registered valuer in accordance with such Act or Rules or as per any rules, regulations, standards, bye-laws, and ordinance, notifications issued pursuant to such Act or Rules.

Our report is not nor should it be construed as our recommending the Proposed Transfer. This report does not address the relative merits of the Proposed Transfer as compared with any other alternatives or whether or not such alternatives could be achieved or are available. Any decision by the Client /Company/ its shareholders regarding the Proposed Transfer shall rest solely with them. Our report and the opinion / valuation analysis contained therein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities. This report does not in any manner address, opine on or recommend the prices at which the securities of the Company could or should transact or have transacted at following or prior to the Proposed Transfer.

We have not conducted or provided an analysis or prepared a model for any individual asset/liability valuation and have wholly relied on information provided by the management of the Client in that regard.

The fee for our valuation analysis and the report is not contingent upon the results reported.

Any discrepancies in any table/annexure between the total and the sums of the amounts listed are due to rounding-off.

BACKGROUND

ECPL was incorporated on 17 August 1989, and is engaged in the business of processing, manufacturing and trading of straight spices, masala spices and other food products in India focusing especially in Kerala market and in the export markets.

As at 31 January 2021, the Company had issued, subscribed and paid up equity share capital of INR 96.6 million consisting of 9,656,900 equity shares of INR 10/- each fully paid up. As on the Valuation Date, c. 33.15% of the equity share capital is held by Mr. Navas M. Meeran c. 33.15% is held by Mr. Firoz Meeran, c. 26% is held by McCormick Ingredients SE Asia Pte. Ltd., Singapore and balance by other shareholders. We are informed by the Management that there has been no change in the share capital and the shareholding pattern from 31 January 2021 to the date of this report. We have considered the aforesaid share capital for the purpose of our valuation exercise.

APPROACH

There are several internationally accepted and commonly used pricing methodologies for determining the value of the equity shares of a company, whose shares are not listed on a recognized stock exchange such as:

1. Net Asset value (NAV) methodology
2. Comparable Companies Multiples (CCM) methodology
3. Comparable Transaction Multiples (CTM) methodology
4. Discounted Free Cash Flow (DCF) methodology

In terms of and as required under the FEMA Regulations, we are required to arrive at the valuation of equity shares of the Company as per any internationally accepted pricing methodology for valuation of shares on arm's length basis. Accordingly, in the present valuation exercise, we have considered and applied the aforesaid internationally accepted pricing methodologies, to the extent relevant and applicable, to arrive at the value of the equity shares of the Company on an arm's length basis as at the Valuation Date.

NAV methodology

The asset based valuation technique is based on the value of the underlying net assets and liabilities of the company, either on a book value basis or realizable value basis or replacement cost basis. It is also relevant for evaluating surplus/non-operational assets and contingent/off balance sheet liabilities.

The present valuation is on a going concern basis, i.e. proceeding on the basis that the Company has no intention of disposing off its operating assets. In the circumstances, the net asset value of the Company based on the value of its net assets is of relatively limited relevance. Hence, the NAV Methodology in the present case has not been considered.

CCM methodology

Under the CCM methodology, one attempts to measure the value of the shares of a company by applying the derived market multiples based on the market quotations of comparable public / listed companies possessing attributes similar to the business of such company to the company's financial parameters (based on past and/or projected working results) after making adjustments to the derived multiples on account of dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued.

We have identified companies primarily engaged in the business of Fast Moving Consumer Goods ("FMCG"), with product offerings including spices and packaged foods and ready to eat foods. We have considered the multiples, of benchmark companies, with appropriate adjustments, to arrive at the value of the equity shares of ECPL under this methodology.

Accordingly, we have considered the CCM methodology to arrive at the value of the equity shares of the Company. In computing the enterprise value of the Company, we have considered the Operating Enterprise Value ("EV") / Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") Multiple of the identified benchmark companies, with suitable adjustments, for the purpose of our valuation analysis. In the present case, the Adjusted Operating EV / EBITDA multiple of the identified benchmark companies has been applied to the Adjusted Operating EBITDA of the Company for the year ending 31 January 2021.

To arrive at the value of equity shares of the Company, the operating enterprise value of the Company so arrived has, inter alia, been adjusted for debt, cash and bank balances, and investments as at the Valuation Date.

Accordingly, in the present case, the value of 100% equity of the Company under the CCM Methodology works out to **INR 19,518 million** which translates to value per equity share of **INR 2,021/-** as set out in Annexure-1.

CTM methodology

Under this method, one attempts to measure the value of the shares of a company by applying the derived transaction multiples - based on market transactions of comparable businesses / companies possessing attributes similar to the business of such company to the company's financial parameters (based on past and / or projected working results) after making adjustments to the derived

transaction multiples on account of dissimilarities with the comparable transaction and the strengths, weaknesses and other factors peculiar to the company being valued.

We have performed a search for suitable comparable transactions for valuing the equity shares of the Company under the CTM Methodology. However, we couldn't find any recent comparable transaction in respect of which complete details of the deal structure, profitability, revenue/earnings, etc. are available in the public domain. Hence, we have not been able to apply this methodology.

DCF methodology

The DCF methodology is considered the most theoretically sound approach and, scientific and acceptable method for determination of the value of equity shares of a company. Under this technique the projected free cash flows from business operations are discounted at the weighted average cost of capital from a market participant perspective, to the providers of capital to the company, and the sum of the present discounted value of such free cash flows is the value of the company.

The future free cash flows are derived considering, inter alia, the changes in the working capital and investments in capital expenditure. They are an aggregation of the free cash flows during the explicit forecast period - prepared based on the business plan - and during the post explicit forecast period, estimated using an appropriate method, and are available to all providers of the company's capital - both debt and equity.

The discount rate i.e. weighted average cost of capital ("WACC"), which is applied to the free cash flows should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), on a market participant basis, weighted by their relative contribution to the total capital of the company. Determining the WACC, involves determining the Debt-Equity ratio, Cost of Debt and the Cost of Equity.

To the value of the operating business so arrived, the value of surplus / non-operating assets, debt and contingent liabilities / assets, if any, and other assets / liabilities as appropriate have to be adjusted to arrive at the total value of the business for the equity shareholders of the company.

In the present case, we have applied the DCF methodology to the projected working results of the Company as furnished to us by the management of the Company. We have considered the projections for the next 4 years and 2 months starting 1 February 2021 and ending 31 March 2025 as provided to us by the Management, as projections for the explicit forecast period. Terminal value of cash flows beyond 31 March 2025 (post the explicit forecast period) is based on the exit EV/EBITDA Multiple of the identified benchmark companies, applied to the Terminal / long-term maintainable EBITDA of the Company.

To arrive at the value of equity shares of the Company, the operating enterprise value of the Company so arrived has, inter alia, been adjusted for debt, cash and bank balances, and investments as at the Valuation Date.

Accordingly, in the present case, the value of 100% equity of the Company under the DCF Methodology works out to **INR 18,427 million** which translates to value per equity share of **INR 1,908/-** as set out in Annexure-2.

CONCLUSION

It would be in the light of the aforesaid, and after taking into consideration the principles of valuation as propounded by various authorities, that one would have to consider the value of the equity shares of the Company.

For the reasons set out earlier in this report, we have valued the equity shares of the Company using the CCM Methodology and the DCF methodology. Further, since the DCF Methodology takes into account the specific strengths of ECPL and represents the expected performance based on the business projections, we have considered it appropriate to give a higher weightage of 67% to the value arrived at under the DCF methodology and a lower weightage of 33% to the value arrived at under the CCM methodology in order to determine the value of the equity shares of ECPL.

Methods	Per share value (INR)	Weightages	Refer Annexure
CCM	2,021	33%	1
DCF	1,908	67%	2
Weighted value per Equity Share	1,946		

Accordingly, in the present case, the value per equity share of the Company of INR 10/- each fully paid up works out to **INR 1,946/- (Indian Rupees One Thousand Nine Hundred and Forty Six Only)**.

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, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon said 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."

On a consideration of all the relevant factors and issues discussed herein, in our analysis, in terms of the FEMA Regulations, for the purpose of MTR Foods Private Limited for the Proposed Transfer, the value per equity share of Eastern Condiments Private Limited of INR 10/- each fully paid up as at 31 January 2021, on an arm's length basis works out to **INR 1,946/- (Indian Rupees One Thousand Nine Hundred and Forty Six Only)**.

We trust the above meets with your requirements.

Thanking you,

Yours faithfully,

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

Registration No. 117366W/W-100018



Subramanian Krishnamani

Partner

Membership No: 206440

Date: 25 March 2021

UDIN: 21206440AAAAAE1617

Annexure 1 – Valuation of ECPL as at 31 January 2021 under the Comparable Companies Multiples Method (CCM).

	INR Million
EV / EBITDA Multiple	Jan-21
Adjusted Operating EBITDA	1,093
Operating EV/EBITDA Multiple	18.5
Operating Enterprise Value	20,218
Debt as at 31 January 2021	(784)
Cash & Bank Balance as at 31 January 2021	52
Investments as at 31 January 2021	32
Value of 100% Equity	19,518
Number of equity shares of INR 10 each	96,56,900
Value per share (INR)	2,021

Jan-21 refers to the trailing twelve months ended 31 January 2021.

Investments include non-current investment in the joint venture - Eastern Condiments Middle East & North Africa FZC, UAE which has been considered at book value as represented by the Management.

Annexure 2 – Valuation of ECPL as at 31 January 2021 under the Discounted Cash Flow Method (DCF).

Weighted Average Cost of Capital	11.50%
Exit Multiple	18.5

Particulars	INR Million				
	2ME		Year Ending		
	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Cash accrual timing factor	0.08	0.67	1.67	2.67	3.67
Profits After Tax	49	608	671	738	816
Depreciation / Amortisation	53	200	215	233	254
Interest (net of tax)	-	-	-	-	-
(Increase)/ Decrease in NCA*	579	(43)	(66)	(79)	(88)
Operating Cash Flows	680	764	821	892	982
Capital Expenditure	(175)	(217)	(234)	(254)	(276)
Free Cash Flows	505	547	587	638	706
Discounting Factor	0.99	0.93	0.83	0.75	0.67
Present Value of Free Cash Flows	501	509	489	478	473

Summary	INR Million	
Total Primary Period Cash Flows	2,450	-
Terminal Value	16,677	
Operating Enterprise Value	19,127	
Debt as at 31 January 2021	(784)	
Cash & Bank Balance as at 31 January 2021	52	
Investments as at 31 January 2021	32	
Value of 100% Equity	18,427	-
Number of equity shares of INR 10 each	9,656,900	
Value per share (INR)	1,908	

*NCA: Net Current Assets

TV: Terminal Value; Mar: 31 March

2ME Mar-21 pertains to period for the 2 months ending Mar-21.

Investments include non-current investments in the joint venture - Eastern Condiments Middle East & North Africa FZC, UAE which has been considered at book value as represented by the Management.

Note: Any discrepancies in any table between the total and the sum of the amounts listed are due to rounding off on account of use of a higher unit than a single rupee.