

November 27, 2024

To,
Chief Financial Officer,
Prudential Sugar Corporation Limited
144, 4th Floor, Akash Ganga, Srinagar Colony, Hyderabad, Telangana - 500 073

Subject – Reply to the clarification sought on report on Floor Price for Preferential Allotment of Equity Shares ('Shares') of Prudential Sugar Corporation Limited ("PSCL") calculated in accordance with Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 vide valuation report dated September 18, 2024.

Dear Sir,
Kindly refer to point wise reply to the clarification sought as per the captioned subject –

1. It has been observed that the Income Approach has not been considered to derive the value. Kindly clarify the same.

As informed during the valuation exercise, the Company was originally engaged in sugar manufacturing at its facility in Chittoor, AP. However, the company had sold its business including the assets and is now planning to enter new ventures, primarily in the manufacturing of agri-based products, either by establishing a new facility or acquiring an existing one. It is also exploring joint ventures in other profitable sectors. **Recently, company is not engaged in trading activity which mainly consists of Sugar Trading. It is further observed that, since past 3-4 years, substantial part of company earnings are from interest income from the loans & advances (already considered at fair value in NAV approach) provided by the company. Refer Annexure A for the detailed information on Historical Consolidated Profit & Loss Statement.**

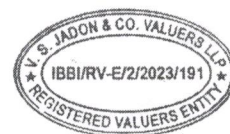
Due to following reasons we have not considered Income Approach –

- a. Lack of business operations
- b. Company was carrying trading business of sugar & agriculture commodities which are highly dependent on external factors like market demand and government regulations, and significant price fluctuations in agricultural commodities. Additionally, the short & seasonal business cycles, high market risks, and inconsistent historical data make reliable cash flow forecasting challenging. Thus, application of Discounted Cash Flow or Earnings capitalization method is infructuous.

As there is no business activity being carried out, we have relied on alternative approaches such as the Market or Cost Approach are more suitable for this valuation

2. It has been observed that in the Valuation Report undertaken, the weights are not assigned to all the Approaches considered to derive the value of shares for the current issue. Kindly clarify the same.

In addition to above explanation, we have considered all the valuation approaches & assigned the weightages as follows -



Valuation Approach	Valuation Method	Estimated Fair Value of Equity Share [Rs/Equity]	Weightage
Asset Approach	Net Asset Value	28.25	50%
Market Approach	Actively Traded Market Price	32.14	50%
Income Approach	Not considered due to reasons provided in explanation above	NA	0%
	Estimated Weighted Fair Value of Equity Share [Rs/Equity]	30.20	

Annexure A

Historical Consolidated Profit & Loss Statement (Rs Crores)	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24
Net Revenue				
Operating Cost				
Cost of Materials Consumed				
Purchases of Stock-in-trade				
Changes in Inventories / Finished Goods				
Employee Benefit Expense	0.26	0.20	0.32	0.18
Other Expenses	0.33	0.25	0.38	0.08
Total Operating Cost	0.59	0.46	0.71	0.26
Operating Profit (EBITDA)	(0.59)	(0.46)	(0.71)	(0.26)
Other Income*	3.78	3.98	6.89	6.27
Depreciation and Amortization Expense				0.00
Profit Before Interest and Tax	3.19	3.53	6.18	6.01
Finance Costs**	1.81	2.13	3.40	2.30
Profit Before Tax and Exceptional Items Before Tax	1.38	1.40	2.79	3.71
Exceptional Items Before Tax				
Profit Before Tax	1.38	1.40	2.79	3.71
Income Tax	0.40	0.39	0.77	1.03
Profit for the Period from Continuing Operations	0.99	1.01	2.01	2.68
Profit from Discontinuing Operations	0.00	0.00	0.00	0.00
After Tax				
Minority Interest and Profit from Associates and Joint Ventures	0.00	0.00	0.00	0.00
Profit for the Period	0.99	1.01	2.01	2.68

* Other Income mainly includes interest earnings on loans & advances provided by the company

** Finance cost mainly includes interest expense on loans from holding company.

