

ABRIDGED PROSPECTUS

The following constitutes full and true disclosure of all material facts relating to the shares offered by this prospectus as required by the Companies Act of Bhutan 2016.

1. General Information

- 1.1. Name of the Company : Sherza Ventures Limited
- 1.2. Registered Office : Phuendhey Khangzang, Changjalu, Thimphu
- 1.3. Name & Address of Auditors : Karma & Associates, Thimphu
- 1.4. Registration/ License : Registered as Public Limited Company under the Companies Act of Kingdom of Bhutan 2016 vide registration no. L20150611THI0479 dated 17th July 2019.

2. Objectives of the Issue

The proceeds from the sale of Rights shares will be used as follows:

- ▶ To fund retail expansion as a plan for forward integration to acquire a larger market share. A sum of **Nu. 28.55** million would be used for setting up new stores and inventory.
- ▶ To fund Construction of Office and warehouse at Ramtoktok, as a backward integration to strengthen supply chain management. A total of **Nu. 10.45** million would be used for the construction of warehouse and office space for the company towards strengthening SCM and operation efficiencies.
- ▶ To fund production and packaging of cottage industries products as part of Brand Bhutan mission of the company and take it to the international market in the future. A sum of **Nu. 2** million would be invested for this project.
- ▶ Also to provide an opportunity for the current shareholders to buy shares at discounted rates.

3. Capital Structure of the Company

- ▶ Authorized Share Capital :Nu. 500,000,000.00
- ▶ Issued and Paid up Capital :Nu. 169,072,210.00

4. Particulars of the Offer

- 4.1. Number of shares on offer for Rights Issue: 4,340,000
- 4.2. Issue Price: Nu 10 per share
- 4.3. Ratio : 4:1 (For every four shares held, one share will be eligible)
- 4.4. Rights share offered: 25.66% on current holding
- 4.5. Total capital to be raised from rights shares: Nu 43,400,000.00


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Head Office, Olakha
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4.6. Allotment: The offer of rights share will be 25.66% on current holding. However in case of fractional entitlement, the allotment shall be carried out as per the existing practice of issuing rights shares of RSEBL.

4.7. Eligibility: All existing shareholders

4.8. Timeline of the issue subscription

Opening Date	Closing Date	Allotment Date
1/04/2022	30/04/2022	16/05/2022

5. Market Value of the Shares

The market value of SVL's share as per RSEBL website is Nu 24.24 per share as on 18.03.2022.

6. Application Forms

6.1 Application forms and other documents are available at the following centers:

- Brokerage Firm: BOB securities

6.2 Filled in application forms may be submitted at the following addresses:

- Tshering Wangmo, Phone: 77207417, email: tshering.wangmo2405@bob.bt
C/O BOBL Corporate Office, Norzin Lam, Thimphu.

7. Renunciation of Rights Issue

7.1 The shareholder shall have the right to renounce the rights offered partially or in full in favor of any person other than the promoters, substantial shareholders of the issuing company and other than a person who is 18 years of age as per Companies Act of Bhutan, 2016.

7.2 The shareholders who do not want to renounce their rights shall have the option to sell their rights as per the norms of RSEBL.

7.3 Any shareholder not exercising their rights as above, their rights shall be treated as renounced and the option shall be sold as per RSEBL norms.

8. Risk Factors

Any investment in equity shares involves certain degree of risk. The following are some of the possible risks and uncertainties:

8.1 Decline in Consumer Spending

The decline in consumer spending is the greatest danger facing retail stores, as it has a material impact on cash flows, which in turn affects the day-to-day operations relating to purchases from suppliers and meeting the daily obligations of the company. Consumer spending is affected by a host of factors


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that the company cannot easily control except for basic groceries. Conditions such as local and international economic factors, the prices of oil, decrease in international tourist visits etc. will affect the revenue if the business projections are based mostly on above mentioned markets.

8.2 Intense Competition

Retail business is known for intense competition due to limited barriers to entry. An increase in competition may hinder revenue growth. Competition through product price reduction is a major factor in consumer purchasing decisions and reaching economy of scale will need additional capital.

9. Financial Highlights - Previous Year.

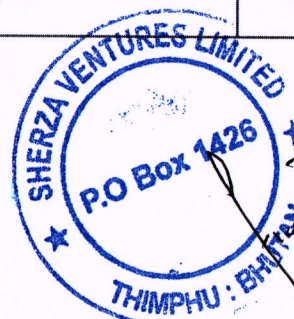
9.1. Audited Balance Sheet (In million Nu.)

Particulars	Year 2019	Year 2020
EQUITY & LIABILITIES		
Share Capital	186.84	186.84
Share Premium	0.00	0.00
Proposed Right Share	0.00	0.00
Reserve and surpluses	-2.62	-23.89
Other Long term liabilities	3.11	45.33
Long term Borrowings	9.34	8.50
Trade Payables	4.44	18.99
Other Current liabilities	1.67	0.02
Total Shareholders' Equity and Liabilities	202.78	235.80
ASSETS		
Property, Plant & Equipment	83.44	90.96
Inventory	14.72	23.72
Trade & other receivable	66.46	82.79
Cash & Bank Balances	38.16	38.33
Total Assets	202.78	235.80

1.1. Audited Profit and Loss accounts (In million Nu.)

Particulars	Year 2019	Year 2020
Revenue	82.86	252.30
Cost of Goods Sold	71.01	232.67
Gross Profit	11.84	19.62
O&M	9.98	23.91
Other Expenses	0.00	0.76
Total Operating Costs	9.98	24.67
EBITDA	1.86	-5.05


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Depreciation	2.71	2.30
EBIT	-0.85	-7.36
Interest expense	1.77	2.38
Profit Before Tax (PBT)	-2.62	-9.73
Taxes @ 30% (Tax holiday 2019 to 2020)	0.00	0.00
Profit After Tax (PAT)	-2.62	-9.73

2021 financial year statutory audit is not completed due to the lockdown situation. We shall publish the same after the AGM.

10. Financial Highlights after Rights Offer

10.1. Projected Balance Sheet (In million Nu)

Particulars	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
EQUITY & LIABILITIES						
Share Capital	172.68	172.68	172.68	172.68	172.68	172.68
Share Premium	8.67	37.08	47.94	69.16	79.29	90.43
Proposed Right Share	43.40	43.40	43.40	43.40	43.40	43.40
Reserve and surpluses	8.67	37.08	47.94	69.16	79.29	90.43
Other Long term liabilities	0	0	0	0	0	0
Long term Borrowings	45.58	41.02	36.92	33.23	29.90	26.91
Trade Payables	5.875	20.56	23.19	26.12	29.36	31.13
Other Current liabilities	0	0	0	0	0	0
Total Shareholders' Equity and Liabilities	276.07	314.74	324.13	344.59	354.64	364.55
ASSETS						
Property, Plant & Equipment	108.90	119.79	131.76	144.94	159.43	169.00
Inventory	38.06	53.20	61.14	78.72	84.42	85.51
Trade & other receivable	56.77	60.85	48.08	35.40	22.72	19.30
Cash & Bank Balances	72.35	80.90	83.15	85.53	88.06	90.74
Total Assets	276.07	314.74	324.13	344.59	354.64	364.55


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10.2. Projected Profit and Loss accounts (In million Nu.)

Particulars	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Revenue	421.95	684.22	858.84	932.45	1,012.89	1,100.88
Cost of Goods Sold	360.16	574.75	704.25	745.96	810.32	880.71
O&M	28.19	47.06	59.27	60.45	61.66	62.89
Other Expenses	18.90	19.28	19.66	20.06	20.46	20.87
Total Operating Costs	47.09	66.34	78.93	80.51	82.12	83.76
EBITDA	14.70	43.14	75.66	105.98	120.46	136.41
Depreciation	3.25	3.41	3.58	3.76	3.95	4.15
EBIT	11.45	39.73	72.08	102.22	116.51	132.27
Interest expense	2.78	2.65	2.51	2.39	2.27	2.15
Profit Before Tax (PBT)	8.67	37.08	69.56	99.83	114.24	130.11
Taxes @ 30% (Tax holiday 2019 to 2023)	0	0	21.62	30.67	34.95	39.68
Profit After Tax (PAT)	8.67	37.08	47.94	69.16	79.29	90.43

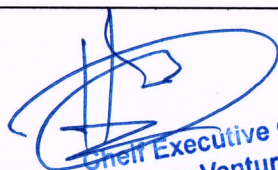
11. Particulars of Present Board of Directors

Name	Occupation/ Present designation
Jigme Drukpa	CEO, Drukar Pvt. Ltd / Thimphu
Jigme Tashi Tshering	CEO, Bhutan Lhayul Tours & Travels / Thimphu
Pranayee Chhetri	CEO, Environ Legal Consultancy Firm / Thimphu
Sangay Dendup	GM, CDCL / Thimphu
Kinzang Lhendup	Asst. Professor, Paro College of Education / Paro
Jurmey Chopel	CEO, Sherza Ventures Ltd

12. Name & Contact address for Rights Issue


Sherza Ventures Limited 77889911/17626490/17127022	The contact details of the broker will be submitted later after the right issue approval
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Signature./Seal of CEO


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Signature/seal of Board Director



Sherza Ventures Limited
RIGHTS SHARE APPLICATION FORM
(For use by Bhutanese Citizen(s) only)

Name of Brokerage firm:

Opening Date: 14/02/2022

Closing Date: 14/03/2022

Allotment Date: 22/03/2022

CD Code : _____

The Board of Directors
Sherza Ventures Limited
Thimphu: Bhutan

Sub : Rights Offer of 4,300,000 Equity Shares

Dear Sir/Madam,

I/We, hereby agree to accept the Equity shares applied or such numbers as may be allotted to me/us, subject to the terms of the Offer document.

Part I: Rights Offer Subscription

Name : _____ CID No. _____ Contact No. _____		
Address: _____		
Bank Name & Saving Account No. _____		
No. of shares already held: _____ No. of shares applied _____ Amount remitted: Nu. _____		

Signature of the Applicant

Part II: Renunciation

The shareholder(s) reserve the right to renounce their offers wholly or partially to any person, other than the promoters or any substantial shareholders of the company whom he/she so desires.

Name of the Renouncee	CID No.	Address	No. of Shares applied

This is to confirm that the above applicants have been offered my rights and are not the promoters of substantial shareholders of the company and therefore, authorize the company to register them as shareholders of the company.

Signature of the Applicant

NB : Please attach a Copy of Citizen Identity Card.

Signature of the Executing Broker & Date :-

Part III : Buy Order Form (Rights Issue)

Central Depository Code : _____

Date : ____ / ____ / ____

Buy	Security Code	Quantity	Price

a) Name of Buyer : _____

b) Citizen Identity Card : _____ (Please attach copy of CID)

c) Address : _____

d) Saving Account No. & Bank Name : _____

e) Contact No. : _____

(Signature of the Applicant)