

VALUATION REPORT

Valuation report for determining the fair equity share swap ratio in relation to the Scheme of Amalgamation

Abstract

The purpose of this Valuation Report is to render valuation to determine the fair equity share swap ratio pursuant to Scheme of Amalgamation

- i) Gopi Synthetics Private Limited
- ii) Aarnav Synthetics Private Limited
- iii) Aarnav Textile and Mills Private Limited
- iv) Symbolic Finance and Investment Private Limited
- v) Ankush Motor & General Finance Company Private Limited
- vi) Aarnav Fashions Limited

CA Hitendra Ranka [FCA, RV (IBBI) - S&FA, DISA (ICAI), B.Com]

CA Hitendra Ranka

IBBI Registered Valuer

Asset Class: Securities or Financial Assets

Reg. No.: IBBI/RV/06/2019/11695

Strictly private and confidential

Dated: 23 January 2021

To,

| | |
|---|--|
| The Board of Directors Aarnav Fashions Limited, 1, New Cloth Market, O/s, Raipur Gate, Raipur, Ahmedabad – 380 002. | The Board of Directors Gopi Synthetics Private Limited, Survey No. 302, Isanpur Gopi Compound, Narol - Vatva Road, Narol, Ahmedabad – 382 405. |
| The Board of Directors Aarnav Synthetics Private Limited, Survey No. 6/1 & 6/2, Gopi Compound, Near Narol Village, Narol, Ahmedabad – 382 405. | The Board of Directors Aarnav Textile Mills Private Limited, Survey No. 305, Isanpur Gopi Compound, Narol - Vatva Road, Narol, Ahmedabad – 382 405. |
| The Board of Directors Symbolic Finance and Investment Private Limited, 1, Mezzanine Floor, New Cloth Market O/s. Raipur Gate, Raipur, Ahmedabad – 380 002. | The Board of Directors Ankush Motor & General Finance Company Private Limited, 1, New Cloth Market, Mezzanine Floor, Outside Raipur Gate, Raipur, Ahmedabad – 380 002. |

Dear Sir(s) / Madam(s),

Sub: Fair Equity Share Swap Ratio Report pursuant to Scheme of Arrangement

I, Hitendra Ranka (“**Valuer**” or “**I**” or “**me**”), have been appointed vide engagement letter dated November 25, 2020 to recommend the fair equity share swap ratio for the proposed amalgamation of:

- A. Gopi Synthetics Private Limited (“**GSPL**” or “**Amalgamating Company 1**”) with and into Aarnav Fashions Limited (“**AFL**” or “**Amalgamated Company**”);
- B. Aarnav Synthetics Private Limited (“**ASPL**” or “**Amalgamating Company 2**”) with and into AFL;



- C. Aarnav Textiles Mills Private Limited (“**ATMPL**” or “**Amalgamating Company 3**”) with and into AFL;
- D. Symbolic Finance and Investment Private Limited (“**SFIPL**” or “**Amalgamating Company 4**”) with and into AFL and
- E. Ankush Motor & General Finance Company Private Limited (“**AMGFCPL**” or “**Amalgamating Company 5**”) with and into AFL

pursuant to a scheme of amalgamation between GSPL, ASPL, ATMPL, SFIPL, AMGFCPL and AFL and their respective shareholders and creditors (“**the Scheme**”). GSPL, ASPL, ATMPL, SFIPL, AMGFCPL and AFL shall be collectively be referred as “**the Companies**”.

I am pleased to present herewith my report on the same. For the purpose of arriving at the valuation of the Companies, I have considered the valuation base as ‘Fair Value’ and the premise of value is ‘Going Concern Value’. Any change in the valuation base, or the premise could have significant impact on my valuation exercise, and therefore, this report.

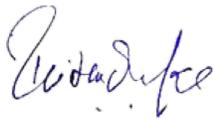
The threshold date for all the financial information used in the present valuation exercise has been considered as September 30, 2020 and the market parameters have been considered upto January 22, 2021.

I believe that my analysis must be considered as a whole. Selecting portions of my analysis or the factors I considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

This letter should be read in conjunction with the attached report.

Thanking you,

Yours Faithfully,



Hitendra Ranka

Registered Valuer

Asset Class: Securities or Financial Assets

Registration No. IBBI/RV/06/2019/11695

Place: Ahmedabad

Date: 23 January 2021

UDIN: 21157129AAAAAE9986

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1. BACKGROUND OF THE SCHEME OF AMALGAMATION

- 1.1 The Scheme of Amalgamation (**“the Scheme”**) as more particularly defined hereinafter is under the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.
- 1.2 The Scheme provides for amalgamation of Gopi Synthetics Private Limited (**“GSPL” or “Amalgamating Company 1”**), Aarnav Synthetics Private Limited (**“ASPL” or “Amalgamating Company 2”**), Aarnav Textiles Mills Private Limited (**“ATMPL” or “Amalgamating Company 3”**), Symbolic Finance and Investment Private Limited (**“SFIPL” or “Amalgamating Company 4”**), Ankush Motor & General Finance Company Private Limited (**“AMGFCPL” or “Amalgamating Company 5”**) with and into Aarnav Fashions Limited (**“AFL” or “Amalgamated Company”**). GSPL, ASPL, ATMPL, SFIPL, AMGFCPL and AFL shall be collectively be referred as **“the Companies” or “the Clients”**.
- 1.3 Appointed date shall mean the opening hours of October 1, 2020 or such other date as may be agreed by the Board of directors of Companies and approved by the National Company Law Tribunal (**“NCLT”**) or as directed or imposed by the NCLT.

2. BACKGROUND OF THE COMPANIES

2.1 GSPL

GSPL having CIN U17119GJ1981PTC004187 was originally incorporated under the provisions of the Companies Act, 1956 as a private limited company under the name of Gopi Fabrics Mills Private Limited on March 16, 1981 and thereafter, the name of the Company was changed to present name w.e.f. March 17, 2003. Amalgamating Company 1 has its registered office situated at Survey No. 302, Isanpur, Gopi Compound, Narol-Vatva Road, Narol, Ahmedabad – 382 405 in the State of Gujarat. It is engaged in processing of fabrics like shirting, ladies and kids wear. It undertakes various processing activities such as mercerizing, calendaring, desizing, bleaching, dyeing, printing, finishing etc. on the textile grey cloth.

2.2 ASPL

ASPL having CIN U17110GJ1973PTC002397 was originally incorporated under the provisions of the Companies Act, 1956 as a private limited company under the name of ‘Ajanta Mills Gujarat Private Limited on October 4, 1973 and thereafter, the name of the Company was changed to Omkar Textile Mills Private Limited and thereafter it was changed to Omkar Textile Mills Limited and again it was changed to Omkar Textile Mills Private Limited and subsequently it has been changed to present name w.e.f. February 4, 2015. Amalgamating Company 2 has its registered office situated

at Survey No. 6/1 & 6/2, Gopi Compound, Near Narol Village, Narol, Ahmedabad – 382 405 in the State of Gujarat. It is engaged in the business of Manufacturing and Trading of Textiles. It also deals in the variety of textile cloths like Cloth, Dyed Cloths, Printed Cloths etc.

2.3 ATMPL

ATMPL having CIN U17110GJ1983PTC006036 was originally incorporated under the provisions of the Companies Act, 1956 as a private limited company under the name of Alok Synthetics Private Limited on Mach 19, 1983 and thereafter, the name of the Company was changed to Arnav Textile Mills Private Limited and subsequently it has been changed to present name with effect from March 28, 2012. Amalgamating Company 3 has its registered office situated at Survey No. 305, Isanpur Gopi Compound, Narol-Vatva Road, Narol, Ahmedabad – 382 405 in the State of Gujarat. It is engaged in the business of Trading of Textiles. It is also engaged in variety of textile cloths like Cloth, Dyed Cloths, Printed Cloths, etc.

2.4 SFIPL

SFIPL having CIN U74110GJ1996PTC107790 was originally incorporated under the provisions of the Companies Act, 1956 as a private limited company on August 27, 1996 in New Delhi. Subsequently, vide certificate dated April 24, 2019 its registered office was shifted to the State of Gujarat. Amalgamating Company 4 is having its present registered office at 1, Mezzanine Floor, New Cloth Market, Outside Raipur Gate, Raipur, Ahmedabad -380 002 in the State of Gujarat. The Company is engaged in the business of trading of textiles as well as into financing activities. It is also engaged in variety of textile cloths like Cloth, Dyed Cloths, Printed Cloths, etc. It is a subsidiary company of AMGFCPL.

2.5 AMGFCPL

AMGFCPL having CIN U74110GJ1987PTC119132 was originally incorporated under the provisions of the Companies Act, 1956 as a private limited company on February 23, 1987 in the State of Uttar Pradesh at Kanpur. Subsequently, vide certificate dated December 28, 2020 its registered office was shifted to the State of Gujarat. Amalgamating Company 5 is having its present registered office at 1, New Cloth Market, Mezzanine Floor, Outside Raipur Gate, Raipur, Ahmedabad – 380 002 in the State of Gujarat. The Company is engaged in the business of Trading of Textiles as well as into financing activities. It is also engaged in variety of textile cloths like Cloth, Dyed Cloths, Printed Cloths, etc. It is a holding company of SFIPL.

2.6 AFL

AFL having CIN L17100GJ1983PLC028990 was originally incorporated under the provisions of the Companies Act, 1956 as a public limited company under the name of Kamal Chand Jain & Company Limited on February 26, 1983 in the State of Assam and Meghalaya at Shillong. Subsequently, vide certificate dated March 7, 1996 its registered office was shifted to the State of

Gujarat. Thereafter vide certificate dated July 4, 1996 the name of the Company was changed to Kayel Securities Limited and subsequently it has been changed to present name with effect from July 6, 2019. The Company is having its present registered office at 1, New Cloth Market, Outside Raipur Gate, Raipur, Ahmedabad – 380 002 in the State of Gujarat. The Equity shares of the Amalgamated company are listed on BSE Limited ('BSE'). The Company is engaged in the business of trading of various kinds of Textiles.

3. CAPITAL STRUCTURE & SHAREHOLDING PATTERN

3.1 GSPL

The issued and subscribed equity share capital of GSPL as at September 30, 2020 is as under under:

| Share capital | Amount (In INR) |
|--|--------------------|
| Authorized | |
| - 40,000,000 Equity Shares of Rs. 10/- each | 400,000,000 |
| - 150,000 Special Equity Shares of Rs. 10/- each | 1,500,000 |
| Total | 401,500,000 |
| Issued, Subscribed and Paid-up Capital | |
| - 37,000,000 Equity Shares of Rs. 10/- each fully paid up | 370,000,000 |
| - 150,000 Type B - DVR Equity Shares* of Rs. 10/- each fully paid up | 1,500,000 |
| Total | 371,500,000 |

*The holders of Type B – DVR Equity Shares possess superior rights as to voting and 1 DVR Equity Share carries 1000 voting rights.

The aforesaid equity share capital is held as follows:

| Sr. No. | Shareholder | Percentage |
|---------|-----------------------------|-------------|
| 1 | Promoter and Promoter group | 98.60% |
| 2 | Public | 1.40% |
| | Total | 100% |

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3.2 ASPL

The issued and subscribed equity share capital of ASPL as at September 30, 2020 is as under under:

| Share capital | Amount (In INR) |
|--|--------------------|
| Authorized | |
| - 30,000,000 Equity Shares of Rs. 10/- each | 300,000,000 |
| Total | 300,000,000 |
| Issued, Subscribed and Paid-up Capital | |
| - 1,757,690 Equity Shares of Rs. 10/- each fully paid up | 17,576,900 |
| Total | 17,576,900 |

The aforesaid equity share capital is held as follows:

| Sr. No. | Shareholder | Percentage |
|---------|-----------------------------|-------------|
| 1 | Promoter and Promoter group | 97.91% |
| 2 | Public | 2.09% |
| | Total | 100% |

3.3 ATMPL

The issued and subscribed equity share capital of ATMPL as at September 30, 2020 is as under und

| Share capital | Amount (In INR) |
|--|-------------------|
| Authorized | |
| - 8,975,000 Equity Shares of Rs. 10/- each | 89,750,000 |
| - 100,000 Special Equity Shares of Rs. 10/- each | 1,000,000 |
| Total | 90,750,000 |
| Issued, Subscribed and Paid-up Capital | |
| - 6,800,000 Equity Shares of Rs. 10/- each fully paid up | 68,000,000 |
| - 100,000 Type B - DVR Equity Shares* of Rs. 10/- each fully paid up | 1,000,000 |
| Total | 69,000,000 |

**The holders of Type B – DVR Equity Shares possess superior rights as to voting and 1 DVR Equity Share carries 200 voting rights.*

The aforesaid equity share capital is held as follows:

| Sr. No. | Shareholder | Percentage |
|---------|-----------------------------|-------------|
| 1 | Promoter and Promoter group | 95.80% |
| 2 | Public | 4.20% |
| | Total | 100% |

3.4 **SFIPL**

The issued and subscribed equity share capital of SFIPL as at September 30, 2020 is as under under:

| Share capital | Amount (In INR) |
|--|-------------------|
| Authorized | |
| - 2,000,000 Equity Shares of Rs. 10/- each | 20,000,000 |
| Total | 20,000,000 |
| Issued, Subscribed and Paid-up Capital | |
| - 2,000,000 Equity Shares of Rs. 10/- each fully paid up | 20,000,000 |
| Total | 20,000,000 |

The aforesaid equity share capital is held as follows:

| Sr. No. | Shareholder | Percentage |
|---------|-----------------------------|-------------|
| 1 | Promoter and Promoter group | 100% |
| 2 | Public | 0% |
| | Total | 100% |

3.5 **AMGFCPL**

The issued and subscribed equity share capital of AMGFCPL as at September 30, 2020 is as under under:

| Share capital | Amount (In INR) |
|--|------------------|
| Authorized | |
| - 150,000 Equity Shares of Rs. 10/- each | 1,500,000 |
| Total | 1,500,000 |
| Issued, Subscribed and Paid-up Capital | |
| - 149,000 Equity Shares of Rs. 10/- each fully paid up | 1,490,000 |
| Total | 1,490,000 |

The aforesaid equity share capital is held as follows:

| Sr. No. | Shareholder | Percentage |
|---------|-----------------------------|-------------|
| 1 | Promoter and Promoter group | 100% |
| 2 | Public | 0% |
| | Total | 100% |

3.6 **AFL**

The issued and subscribed equity share capital of AFL as at September 30, 2020 is as under under:

| Share capital | Amount (In INR) |
|--|--------------------|
| Authorized - 15,100,000 Equity Shares of Rs. 10/- each | 151,000,000 |
| Total | 151,000,000 |
| Issued, Subscribed and Paid-up Capital - 15,005,000 Equity Shares of Rs. 10/- each fully paid up | 150,050,000 |
| Total | 150,050,000 |

The aforesaid equity share capital is held as follows:

| Sr. No. | Shareholder | Percentage |
|---------|-----------------------------|-------------|
| 1 | Promoter and Promoter group | 27.21% |
| 2 | Public | 72.79% |
| | Total | 100% |

4. **CONTEXT AND PURPOSE**

- 4.1 As informed to me by management of the companies and based on my perusal of the Scheme, I understand that pursuant to the Scheme and all the necessary approvals and fulfillment of conditions as specified in the Scheme, AFL, the Amalgamated Company shall be required to issue new Equity shares to the shareholders GSPL, ASPL, ATMPL, SFIPL and AMGFCPL and shall require to comply with the provisions of section 230 to 232 and other relevant provisions of the Companies Act, 2013, along with the applicable provisions of Securities and Exchange Board of India ('SEBI').
- 4.2 I have been appointed in this regard to determine and recommend the fair equity swap ratio for the amalgamation of GSPL, ASPL, ATMPL, SFIPL and AMGFCPL into AFL.

5. **REGISTERED VALUER**

I am a fellow member of The Institute of Chartered Accountants of India ('ICAI') practicing as a partner with Ranka & Associates, Chartered Accountants. I am also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with registration no. IBBI/RV/06/2019/11695. I have been hereinafter referred to as 'Valuer' or 'I' or 'me' in this Report ('Valuation Report' or 'Report').



6. CONDITIONS, MAJOR ASSUMPTIONS, EXCLUSIONS AND LIMITATIONS

- 6.1 I have not audited, reviewed, or compiled the financial statements of the Companies and express no assurance on them. I acknowledge that I have no present or contemplated financial interest in the Companies. My fees for this valuation is based upon normal billing rates, and not contingent upon the results or the value of the business or in any other manner. I have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.
- 6.2 I have, however, used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the valuation professional regarding such additional engagement.
- 6.3 This report, its contents, and analysis herein are specific to i) the purpose of valuation agreed as per the terms of my engagement, ii) the report date and iii) are based on the audited / provisional financial statements of the Companies as at September 30, 2020. The management of the Companies have represented that the business activities of the Companies have been carried out in the normal course between September 30, 2020 and the Report date and that no material changes have occurred in their respective operations and financial position between September 30, 2020 and the Report date.
- 6.4 This report and the information contained herein are absolutely confidential and are intended for the use of management and representatives of the Companies for providing selected information and only in connection with purpose mentioned above or for sharing with shareholders, creditors, Regional Directors, Registrar of Companies, NCLT and office of other regulatory or statutory authorities. It should not be copied, disclosed, circulated, quoted or referred to either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without my written consent. In the event, the Companies or their management or their representatives intend to extend the use of this report beyond the purpose mentioned earlier in this report, with or without my consent, I will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.
- 6.5 I have not attempted to confirm whether all assets of the business of the companies are free and clear of liens and encumbrances, or that the owner has good title to all the assets. I have also assumed that the business of the Companies will be operated prudently and that there are no unforeseen adverse changes in economic conditions affecting the business, the market, or the industry.
- 6.6 I have been informed by management of Companies that there are no environmental or toxic contamination problems, any significant lawsuits, or any other undisclosed contingent liabilities which may potentially affect the business of company, except as may be disclosed elsewhere in this



- 9.6 Listed Comparable Companies for valuation of GSPL as per Comparable Companies Multiple method i.e. Anjani Synthetics Limited and Raghuvir Synthetics Limited.
- 9.7 Provisional financial statements of investee entities for valuation of investments held by Companies as per below:
- ATMPL holding investments in equity shares of Alpine Spinweave Private Limited
 - ASPL holding investments in equity shares of Aarnav Industries Private Limited ('AIPL') and AIPL further holding investments in equity shares of Aarnav Fabrics Private Limited
 - AFL holding investments in equity shares of Kayel Syntex Limited
- 9.8 Draft Scheme of Amalgamation
- 9.9 Discussion with the management of the Companies and representatives of the Companies including necessary information, explanations and representations provided by the management and representatives of the Companies.
- 9.10 Management representation letter dated 23 January 2021.
- From publicly available sources**
- 9.11 Comparable Companies data for Valuation of GSPL based on Comparable Companies Multiple method – Screener.in and BSE website.
- 9.12 Valuation of AFL as per pricing provisions of Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time – BSE website.

10. VALUATION STANDARDS

The Report has been prepared in compliance with the Valuation standards adopted by ICAI Registered Valuers Organisation as well as International Valuation Standards issued by International Valuation Standards Council ('IVS').

11. PROCEDURES ADOPTED

In connection with this exercise, I have adopted the following procedures to carry out the valuation of the Companies:

- 11.1 Requested and received information as stated in Sources of Information section in this Report.
- 11.2 Obtained data available in public domain.

- 11.3 Undertook industry and market analysis such as researching publicly available market data including economic factors and industry trends that may impact the valuation.
- 11.4 Discussion (Physical/over call) with the respective management and representatives of the Companies to understand relevant aspects that may impact the valuation like fair valuation of investments in equity shares of other unlisted companies, freehold land and factory building etc. on the date of valuation.
- 11.5 Sought various clarifications from the respective management and representatives of the Companies based on my review of information shared and my analysis.
- 11.6 Selection of valuation methodology/(ies) as per Valuation Standards adopted by ICAI Registered Valuers Organisation as well International Valuation Standards accepted by IVS.
- 11.7 Determined the fair equity shares swap ratio based on the selected methodology.

12. VALUATION METHODOLOGY AND APPROACH

- 12.1 The standard of value used in the Analysis is “Fair Value”, which is often defined as the price, in terms of cash or equivalent, that a buyer could reasonably be expected to pay and a seller could reasonably be expected to accept, if the business were exposed for sale in the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.
- 12.2 Valuation of a business is not an exact science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgement taking into accounts all the relevant factors. There is, therefore, no indisputable single value. While I have provided my recommendation of the fair equity share swap ratio pursuant to the proposed scheme of the Companies based on the financial and other information available to me and within the scope and constraints of my engagement, others may have a different opinion. The final responsibility for determination of the fair equity share swap ratio is of the management of the Companies who takes into account other factors such as their own assessment of the companies and input of other advisors.
- 12.3 The valuation exercise involves selecting methods suitable for the purpose of valuation, by exercise of judgment by the Valuers, based on the facts and circumstances as applicable to the business of the Companies to be valued. There are several commonly used and accepted methods for determining the fair value of equity which have been considered in the present case, to the extent relevant and applicable, including:
 - 12.4 **Cost Approach:**
Cost approach focuses on the net worth or net assets of a business.

(A) Net Asset Value (NAV) method

The Net Assets Value (NAV) method, widely used under the Cost approach, considers the assets and liabilities as stated at their book values. The net assets, after reducing the dues to the preference shareholders, and contingent liabilities, if any, represent the value of the Company to the equity Shareholders. This valuation approach is mainly used in case where the assets base dominates earnings capability or in case where the valuing entity is a holding Company deriving significant value from its assets and investments.

(B) Adjusted Net Asset Value Method (“Adjusted NAV”)

Adjusted NAV method is a version of NAV method wherein assets and liabilities are considered at their realizable (market) value including intangible assets and contingent liabilities, if any, which are not stated in the Statement of Assets and Liabilities. Under this method, adjustments are made to the company’s historical balance sheet in order to present each asset and liability item at its respective fair market value. The difference between the total fair market value of the adjusted assets and the total fair market value of the adjusted liabilities is used to value a company. The value arrived at under this approach is based on the financial statements of the business and may be defined as Net-worth or Net Assets owned by the business.

This valuation approach is mainly used in case where the Company is to be liquidated i.e. it does not meet the “going concern” criteria or in case where the assets base dominates earnings capability. The Asset Approach is generally considered to yield the minimum benchmark of value for an operating enterprise.

12.5 Market Approach:

(a) Market Price Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that Company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of shares.

(b) Comparable Companies Market Multiple (CCMM) Method

Under this methodology, market multiples of comparable listed companies are computed and applied to the business being valued in order to arrive at a multiple based valuation. The difficulty here is in the selection of a comparable company since it is rare to find two or more companies with the same product portfolio, size, capital structure, business strategy, profitability and accounting practices.



Whereas no publicly traded company provides an identical match to the operations of a given company, important information can be drawn from the way comparable enterprises are valued by public markets. This valuation is based on the principle that market transactions taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for exceptions and circumstances. Generally used multiples are EV/EBITDA multiple, EV/Revenue and Market Capitalization/PAT (PE multiple).

To arrive at the total value available to the stakeholders, the value arrived under CCMM method if calculated by EV/EBITDA or EV/Sales is adjusted for debt, (net of cash and cash equivalents), surplus non-operating investments and contingent liabilities. Value arrived under the PE multiple is adjusted only for surplus non-operating investments and contingent liabilities. (No debt adjustments required)

(c) Comparable Companies Transactions Multiple (CTM) Method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations in comparable companies, as manifest through transaction valuations. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

12.6 Income Approach:

The income approach is appropriate for estimating the value of a specific income / cash flows stream with consideration given to the risk inherent in that stream. The most common method under this approach is discounted cash flow method.

Maintainable Profit Method (Discounted Cash Flows – “DCF”)

DCF uses the future free cash flows of the company discounted by the firm’s weighted average cost of capital (the average cost of all the capital used in the business, including debt and equity), plus a risk factor measured by beta, to arrive at the present value.

Beta is an adjustment that uses historic stock market data to measure the sensitivity of the company’s cash flow to market indices, for example, through business cycles.

The DCF method is a strong valuation tool, as it concentrates on cash generation potential of a business. This valuation method is based on the capability of a company to generate cash flows in the future. The free cash flows are projected for a certain number of years and then discounted at a discount rate that reflects a company’s cost of capital and the risk associated with the cash flows it generates. DCF analysis is based mainly on the following elements:

- Projection of financial statements (key value driving factors)
- The cost of capital to discount the projected cash flows

Terminal Value

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated by taking into account expected growth rates of the business in future, sustainable capital investments required for the business as well as the estimated growth rate of the industry and economy.

13. VALUATION OF COMPANIES

VALUATION OF GSPL

- 13.1 Based on the information and explanations received from management of the Amalgamating Company 1, I understand that the current adjusted NAV with fair value adjustments in relation to freehold land, factory building etc. would be appropriate since the asset base dominates earning capacity for the company.
- 13.2 Also, Income approach is not used for GSPL since financial projections are not made available to me by the Company.
- 13.3 Further, management of the Company has identified listed peers and accordingly, I have also used Comparable Companies multiple ('CCM') method for valuation of GSPL. Refer Annexure A and B of this report for valuation as per Adjusted NAV and CCM method respectively.
- 13.4 Since the GSPL is not listed on any Indian Stock Exchange; hence Market price method under Market approach is not used.

VALUATION OF ASPL, ATMPL, SFIPL, AMGFCPL

- 13.5 Based on the information and explanations received from management of the Amalgamating Company 2, Amalgamating Company 3, Amalgamating Company 4 and Amalgamating Company 5, I understand that the current adjusted NAV with fair value adjustments in relation to freehold land, factory building, investments in equity shares of other unlisted companies etc. would be appropriate since the asset base dominates earning capacities of these respective Companies. Refer Annexure A of this report for valuation as per Adjusted NAV for these Companies.
- 13.6 Further, based on the information and explanations received from management of the ASPL, ATMPL, SFIPL and AMGFCPL, I understand that there are no exact comparable companies as well as comparable transactions for me to present a relative case for valuation. Accordingly, I have not used the CCMM and CTM methods under Market Approach for the valuation exercise of these Companies.



- 13.7 Since the ASPL, ATMPL, SFIPL and AMGFCL are not listed on any Indian Stock Exchange; hence Market price method under Market approach is not used for these Companies.

VALUATION OF AFL

- 13.8 NAV/ Adjusted NAV method under Cost approach has not been considered since the net asset value does not reflect the intrinsic value of the business in a going concern scenario.
- 13.9 AFL is a listed entity and information related to profit and loss account, balance sheet and cash flows is price sensitive. In light of the above, I was not provided with projections of AFL by the Management of the Company. I have therefore, not used this method for the valuation exercise.
- 13.10 Further, based on the information and explanations received from management of the Company, I understand that there are no exact comparable companies as well as comparable transactions for me to present a relative case for valuation. Accordingly, I have not used CCMM and CTM methods under the Market Approach for the valuation exercise.
- 13.11 Since the equity shares of Amalgamated company are listed and traded on BSE, I have referred to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2018 as amended from time to time (**“ICDR Regulations”**) and the specific information/explanations available.
- 13.12 Since the AFL’s shares are listed only on BSE, the share price on the BSE has been considered as per the requirements of the ICDR Regulations and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 2011 guidelines, as applicable, on a recognized stock exchange during the twelve calendar months preceding the relevant date to determine whether the shares are frequently traded or not.
- 13.13 Attention may also be drawn to Regulation 158 of ICDR Regulations which specifies that issue of equity shares to shareholders of an unlisted entity pursuant to a NCLT approved scheme shall conform with the pricing provisions of preferential issue specified under Regulation 164 of the said regulations. Further it may be noted that Regulation 164 specifies the **minimum price** for issue of shares on a preferential basis.

The Pricing Formula provided in Regulation 164(1) has been considered for arriving at the minimum value per equity share of AFL under the Market Price Method. The market price is considered as higher of the following:

- (a) average of the weekly high and low of the volume weighted average price during the 26 weeks preceding January 23, 2021; or
- (b) average of weekly high and low of the volume weighted average price during the 2 weeks preceding January 23, 2021.
- (c) In the present case, the market price of AFL has been considered based on the last 2 weeks Volume Weighted Average Price (“VWAP”) on BSE upto January 22, 2021. The said price is higher than the minimum price as per ICDR regulations. Refer Annexure C of this report for the underlying working.

14. BASIS OF FAIR EQUITY SHARE SWAP RATIO

- 14.1 The basis of the fair equity share swap ratio pursuant to the scheme would have to be determined after taking into consideration all the factors and methods mentioned hereinabove and to arrive at a final value for the shares of each company. It is, however, important to note that in doing so, I am not attempting to arrive at the absolute values of the Companies, but their relative values to facilitate the determination of the fair equity share swap ratio.
- 14.2 I have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of the Companies. To arrive at the consensus of the fair equity share swap ratio, rounding off have been done in the values (upto two decimals).
- 14.3 The fair equity share swap ratio has been arrived at on the basis of a relative valuation based on the various approaches/methods explained above and various qualitative factors relevant to each Company having regard to information base, key underlying assumptions and limitations. For this purpose, I have assigned appropriate weights to the values arrived at under each approach/method.
- 14.4 Based on the information and explanations received from the management and representatives of the GSPL and ATPML as well based on the perusal of the documents provided to me, I understand that Type B Divisional Voting Rights ('DVRs') Equity shares have disproportionate rights as compared to ordinary equity shares by virtue of having superior voting rights and entitlement of dividend at 50% rate of such rate as declared. However, there is no economic advantage demonstrated by exercise of the rights by its holders in past. Consequently, I have considered Type B DVR Equity shares at par with ordinary equity shares for my valuation exercise.

15. CAVEATS

- 15.1 Provision of valuation recommendations and considerations of the issues described herein are areas of my regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by me.
- 15.2 My review of the affairs of the Companies and its books and account does not constitute an audit in accordance with Auditing Standards. I have relied on explanations and information provided by the Management and representatives of the Companies and accepted the information provided to me as accurate and complete in all respects. Although, I have reviewed such data for consistency and reasonableness, I have not independently investigated or otherwise verified the data provided. Nothing has come to my attention to indicate that the information provided had material misstatements or would not afford reasonable grounds upon which to base the Report.
- 15.3 The report is based on the details and information provided to me by the Management and representatives of the Companies and thus the responsibility for the assumptions on which they are based is solely that of the Management of the Companies and I do not provide any confirmation or

assurance on these assumptions. Similarly, I have relied on data from external resources. These sources are considered to be reliable and therefore, I assume no liability for the accuracy of the data. I have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.

- 15.4 The valuation worksheets prepared for the exercise are proprietary to the valuer and cannot be shared except as stated in the purpose statement of this document. Any clarifications on the workings will be provided on request, prior to finalizing the Report, as per the terms of my engagement.
- 15.5 The scope of my work has been limited both in terms of the areas of the business and operations which I have reviewed and the extent to which I have reviewed them.
- 15.6 The Valuation Analysis contained herein represents the fair equity share swap ratio only on the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the Companies has drawn my attention to all matters of which they are aware, which may have an impact on my Report up to the date of signature. I have no responsibility to update this Report for events and circumstances occurring after the date of this Report.
- 15.7 My valuation analysis should not be construed as investment advice; specifically, I do not express any opinion on the suitability or otherwise of entering into any transaction with the Companies.

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16. VALUATION AND CONCLUSION

Based on the foregoing data, considerations and steps followed, I consider the recommendation of fair equity share swap ratio for amalgamation of GSPL, ASPL, ATMPL, SIFPL, AMGFCPL into AFL as follows:

Computation of fair equity share swap ratio

(All amounts in INR except equity share swap ratio)

| Valuation approach | AFL | | GSPL | | ASPL | |
|--|-----------------|---------|-----------------|---------|-----------------|---------|
| | Value per share | Weights | Value per share | Weights | Value per share | Weights |
| Asset approach | | | | | | |
| Adjusted NAV method | NA | NA | 27.31 | 50% | 30.01 | 100% |
| Market approach | | | | | | |
| Market price method | 51.31 | 100% | NA | NA | NA | NA |
| Comparable Company Market Multiple method | NA | NA | 29.91 | 50% | NA | NA |
| Comparable Companies Transactions Multiple method | NA | NA | NA | NA | NA | NA |
| Income approach | | | | | | |
| Discounted Cash flow method | NA | NA | NA | NA | NA | NA |
| Relative Value per Ordinary Equity Share | 51.31 | | 28.61 | | 30.01 | |
| Relative Value per Type B DVR Equity Share | NA | | 28.61 | | NA | |
| Fair Equity Share Swap Ratio for Ordinary Equity Shares (Rounded off) | | | 0.56 | | 0.58 | |
| Fair Equity Share Swap Ratio for Type B DVR Equity Shares (Rounded off) | | | 0.56 | | NA | |
| <u>My recommendation</u> : For every 100 equity shares (including Type B DVR Equity Shares as applicable for GSPL and ATMPL) of GSPL, ASPL, ATMPL, SIFPL and AMGFCPL respectively, no. of equity shares to be issued of AFL (rounded off) | | | 56 | | 58 | |

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Computation of fair equity share swap ratio (continued)

(All amounts in INR except equity share swap ratio)

| Valuation approach | ATMPL | | SFIPL | | AMGFCPL | |
|---|-----------------|---------|-----------------|---------|-----------------|---------|
| | Value per share | Weights | Value per share | Weights | Value per share | Weights |
| Asset approach | | | | | | |
| Adjusted NAV method | 70.02 | 100% | 186.47 | 100% | 1,967.41 | 100% |
| Market approach | | | | | | |
| Market price method | NA | NA | NA | NA | NA | NA |
| Comparable Company Market Multiple method | NA | NA | NA | NA | NA | NA |
| Comparable Companies Transactions Multiple method | NA | NA | NA | NA | NA | NA |
| Income approach | | | | | | |
| Discounted Cash flow method | NA | NA | NA | NA | NA | NA |
| Relative Value per Ordinary Equity Share | 70.02 | | 186.47 | | 1967.41 | |
| Relative Value per Type B DVR Equity Share | 70.02 | | NA | | NA | |
| Fair Equity Share Swap Ratio for Ordinary Equity Shares (Rounded off) | 1.36 | | 3.63 | | 38.34 | |
| Fair Equity Share Swap Ratio for Type B DVR Equity Shares (Rounded off) | 1.36 | | NA | | NA | |
| My recommendation : For every 100 equity shares (including Type B DVR Equity Shares as applicable for GSPL and ATMPL) of GSPL, ASPL, ATMPL, SFIPL and AMGFCPL respectively, no. of equity shares to be issued of AFL (rounded off) | 136 | | 363 | | 3834 | |

Notes to the above tables for computation of fair equity share swap ratio

- NA means Not Adopted / Not Applicable.
- GSPL, ASPL, ATMPL, SFIPL and AMGFCPL are not listed on any Indian Stock Exchange; consequently, Market Price Method under Market Approach is not used.
- AFL is listed only on BSE. Hence, I have considered Market Price Method for valuing AFL.
- I have not used NAV / Adjusted NAV under Cost Approach for valuation of AFL since the net asset value does not reflect the intrinsic value of the business in a going concern scenario.

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- *I have not used CCMM Method and CTM Method for AFL, ASPL, ATMPL, SFIPL and AMGFCPL due to difference in size, nature, features, financial data, etc. of AFL, ASPL, ATMPL, SFIPL and AMGFCPL as compared to other Companies operating in similar sector and listed on Indian Stock Exchanges.*
- *Income approach is not used for GSPL since financial projections are not made available to me by the Company. Income approach is not used for ASPL, ATMPL, SFIPL and AMGFCPL as based on the information and explanations received from the management of companies, I understand that the current adjusted NAV with fair value adjustments in relation to freehold land, factory building, investments in equity shares of other unlisted companies etc. would be appropriate since the asset base dominates earning capacities of these respective Companies. AFL is a listed entity and information related to profit and loss account, balance sheet and cash flows is price sensitive. In light of the above, I was not provided with projections of AFL by the Management of the Company. I have therefore, not used this method for the valuation exercise.*

Respectfully submitted,



Hitendra Ranka

Registered Valuer

Asset Class: Securities or Financial Assets

Registration No. IBBI/RV/06/2019/11695

Place: Ahmedabad

Date: 23 January 2021

UDIN: 21157129AAAAAE9986