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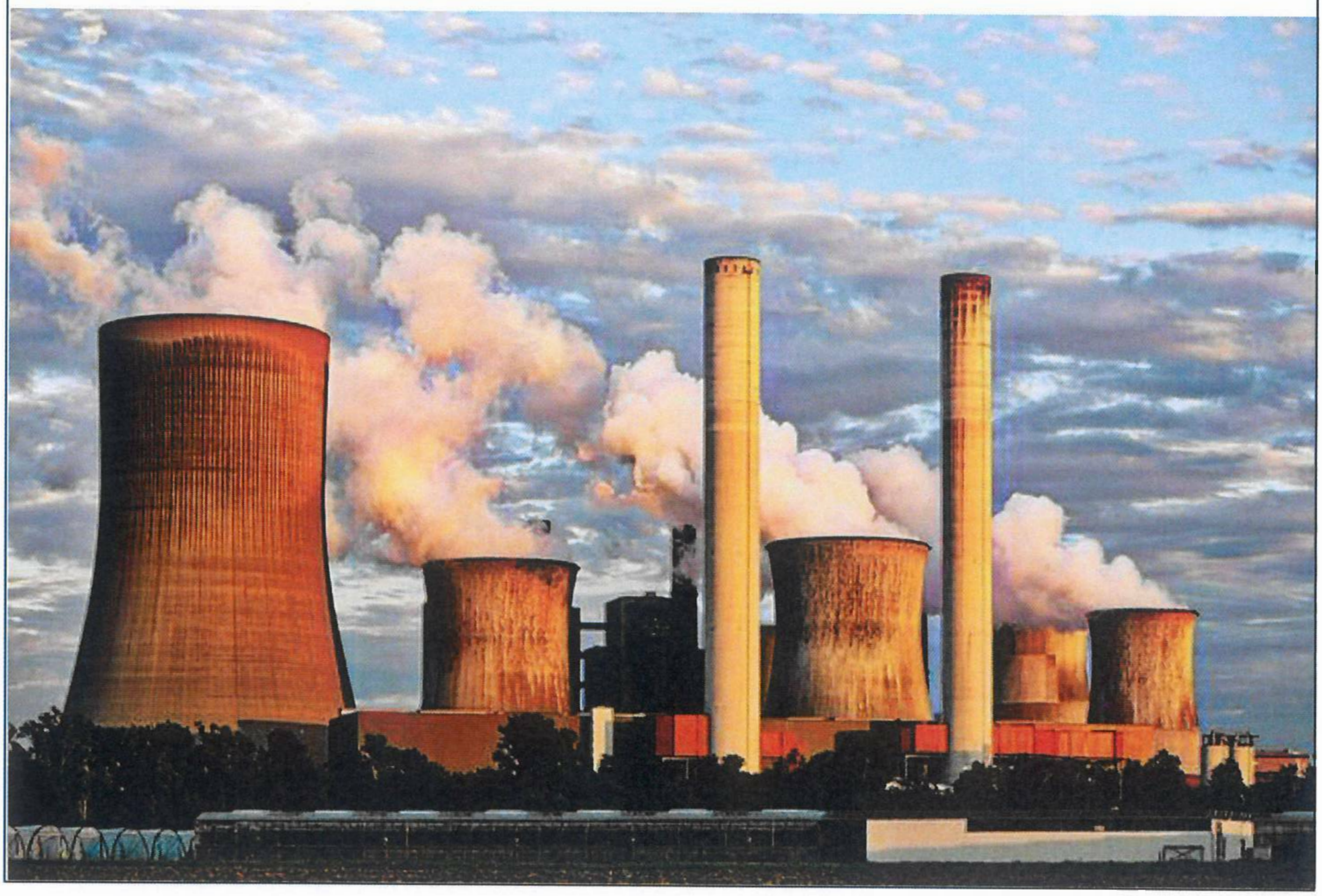
VALUATION REPORT
ANGUL ENERGY LIMITED

True Copy
Angul Energy Limited
Rupesh Purwar
(Rupesh Purwar)
Company Secretary



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To,
The Board of Directors
Angul Energy Limited
Ground Floor, Mira Corporate Suites
Plot No 1 & 2, Ishwar Nagar, Mathura Road
New Delhi, South Delhi 110065 India

Dear Sir/ Madam,

Ref: Valuation of equity shares of Angul Energy Limited as on 31st December 2022

Pursuant to our engagement with you ("the client") for valuation of shares of Angul Energy Limited ("Company" or "Angul") as of 31st December 2022 ("Valuation Date") to be carried on for the proposed merger of the Company with Tata Steel Limited in a cash deal.

It should be noted that the valuation engagement is purely an analytical exercise based on the information and documents given to us and we have not assessed the merits or legality of the transaction. Our report is not some advice on the transaction and should not be used as the basis of investment. Our valuation conclusion will not necessarily be the price at which actual transaction will take place.

Based on our assessment, the **Fair value of Equity** of the company is **INR 1,041.70 Crore** leading to a **value per share of INR 1,041.68**. The detailed valuation report including computation of value has been attached in subsequent pages.

Regards

Vikash Goel

Digitally signed by VIKASH GOEL

Director, Omnifin Valuation Services (OPC) P Ltd
(IBBI Regd. No.: IBBI/RV/01/2018/10339)
(RVM No. RVOESMA/RVM/2020/0045)
Date: 6-Feb-2023 | Kolkata

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Contents

1.0 Purpose

We have been engaged for the purpose of assessing fair value of equity shares of the Company as of 31st December 2022 for the purpose of merger with Tata Steel Limited using audited and projected financials.

2.0 Key dates

Appointment Date: We have been appointed by the Board of Directors vide letter dated 27th January 2023.
Valuation Date: The valuation exercise has been performed based on the information available to us as of 31st December 2022.
Report Date: Our valuation report has been submitted as of 6th February 2023.

3.0 Appointing Authority

We have been appointed by the Audit Committee of Angul Energy Ltd ("Appointing Authority") to value the company for the purpose of merger with Tata Steel Ltd. The Appointing Authority are the only authorized user of this report and is restricted for the purpose indicated in the report. This restriction does not preclude the Appointing Authority from providing a copy of the report to its internal stakeholders on a need-to-know basis, auditors, regulators, and third-party advisors as would be consistent with the intended use.

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4.0 About the Valuer

Omnifin Valuation Services (OPC) Pvt Ltd ("Omnifin") is a Registered Valuer Entity under Insolvency and Bankruptcy Board of India (IBBI) having Registration No. IBBI/RV-E/01/2022/160. Omnifin holds a Certificate of Practice with RVO ESMA to value Securities and Financial Assets.

Vikash Goel (the "Valuer"), is a Director at Omnifin and is a Registered Valuer with IBBI. The Valuer is registered with the Insolvency and Bankruptcy Board of India to undertake the Valuation of Securities and Financial Assets of the Companies and holds a Certificate of Practice to practice as a valuer. Vikash is a Chartered Accountant (Fellow member of ICAI), CFA (ICFAI) and holds MS Finance and MBA in HR. He is also an alumnus of St Xavier's College, Kolkata, and hails from Indian Institute of Management Calcutta (IIM-C). Vikash has extensive experience of over 16 years spanning across Industry and Consulting and has worked with companies like PwC, EY, and ICA in India and Canada. Vikash has conducted valuation across a variety of spectrum including but not limited to Angel fund raising, Private equity exit, Private Placement, Valuation of shares under Income Tax, Investment advisory around valuation of shares, mutual funds, hedge funds and derivatives and has been exposed to global valuation and business modelling practices for companies.

5.0 Disclosure of valuer interest or conflict

We hereby certify that the valuer is suitably qualified and authorized to practice as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the company and jeopardise proper execution of this engagement. The valuer accepts instructions to value the company only from the appointing authority or eligible instructing party.

We have no present or planned future interest in the company or its group companies, if any and the fee payable for this valuation is not contingent upon the value of shares reported herein. In case of entities that are traded in stock markets, we, or our partners, employees or relatives, may have an insignificant stake in some cases. Such investments, if any, have not impaired our independence in carrying out the engagement.

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6.0 Background Information about the Company

Angul Energy Limited (formerly known as Bhushan Energy Limited)

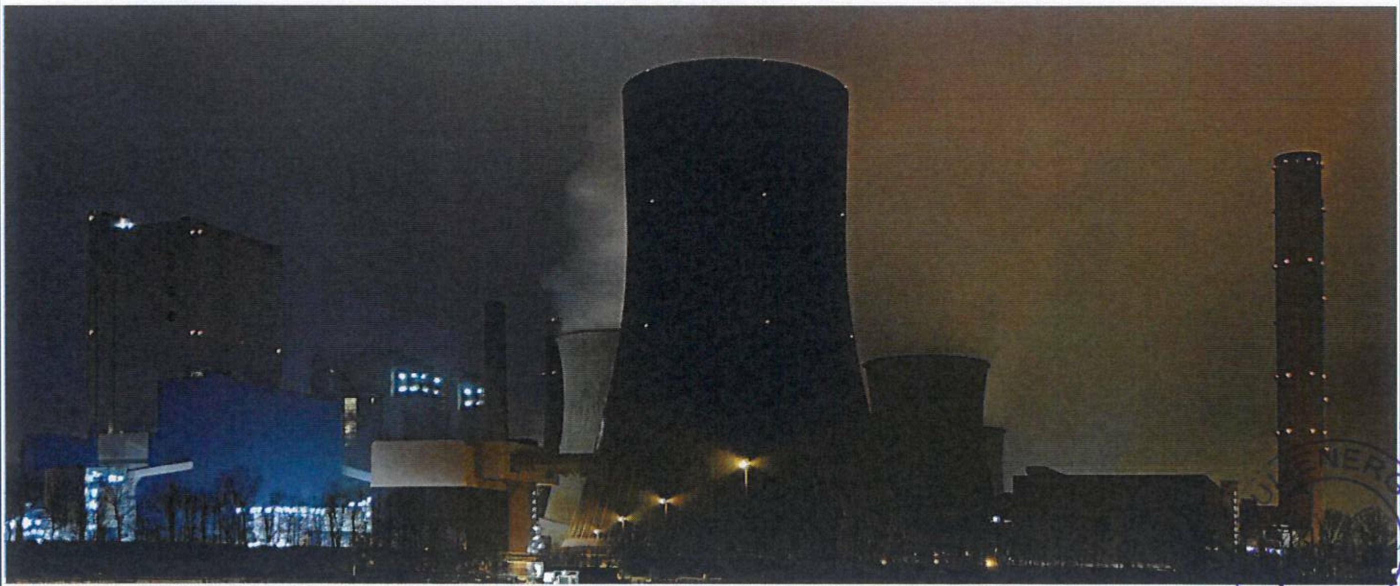
CIN	**U40105DL2005PLC140748**	
Date of Incorporation	14th September 2005	
Registered Address	Ground Floor, Mira Corporate Suites Plot No 1 & 2, Ishwar Nagar, Mathura Road, New Delhi, South Delhi 110065 India	
Listing status	Unlisted	
Authorised Capital (INR)	2,10,00,00,000	
Paid Up Capital (INR)	10,00,01,420	
Directors and Key Signatories	DIN: 00134136	Sougata Ray
	DIN: 01045306	Sanjib Nanda
	DIN: 02845138	Ansuman Das
	DIN: 05133322	Meena Lall
	DIN: 08279634	Subodh Pandey
	DIN: 08830968	Shailesh Verma
	DIN: 09184467	Rajesh Kumar Agrawal
	PAN: AKZPP9731A	Rupesh Purwar
	PAN: ALPPP8867J	Sanjeev Kumar Poddar

[Source: www.mca.gov.in/ and company financials*]*

Angul Energy Limited (formerly known as Bhushan Energy Limited) is a Public Limited Company incorporated on 14 September 2005. It is classified as Non-govt Company and is registered at Registrar of Companies, Delhi. Its authorized share capital is INR 2,100,000,000 and its paid up capital is INR 10,00,01,420. The Company is involved in Production, collection and distribution of electricity. With effect from February 27, 2020 the name of the Company changed to Angul Energy Limited.

[Source: angulenergy.co.in , Company financials]

During the Financial year ending March 2022, the company reported a Revenue growth of 25 percent along with a EBITDA Margin of 72.8 percent against 73.9 percent in FY 2021. We observed that majority of the company's revenue comes from sale of services to Tata Steel Ltd. Tolling Charges includes INR 1,834.55 Lakhs on account of reimbursement of one-time operation related cost and are net off of electricity duty amounting INR 8,746 lakhs.



6.1 Industry Overview

India is the third-largest producer and consumer of electricity worldwide, with an installed power capacity of 408.71 GW as of October 31, 2022. As of October 31, 2022, India's installed renewable energy capacity (including hydro) stood at 165.94 GW, representing 40.6% of the overall installed power capacity. Solar energy is estimated to contribute 61.62 GW, followed by 41.84 GW from wind power, 10.70 GW from biomass, 4.92 GW from small hydropower, and 46.85 GW from hydropower. The non-hydro renewable energy capacity addition stood at 4.2 GW for the first three months of FY23 against 2.6 GW for the first three months of FY22.

With electricity generation (including renewable sources) of 846.18 BU in India between April-September 2022, the country witnessed a growth of 10.67% YoY. According to data from the Ministry of Power, India's power consumption increased 1.64% YoY in October 2022 to 114.64 BU. The peak power demand in the country stood at 210.79 GW on June 9, 2022. All India actual PLF of thermal power plants stood at 68.24% in June 2022, compared with 67.92% in May 2022.

Total FDI inflows in the power sector reached US$ 16.39 billion between April 2000-June 2022, accounting for 2.71% of the total FDI inflow in India. The Government of India has identified the power sector as a key sector of focus to promote sustained industrial growth.

In the current decade (2020-2029), the Indian electricity sector is likely to witness a major transformation with respect to demand growth, energy mix and market operations. India wants to ensure that everyone has reliable access to sufficient electricity at all times, while also accelerating the clean energy transition by lowering its reliance on dirty fossil fuels and moving toward more environmentally friendly, renewable sources of energy. Future investments will benefit from strong demand fundamentals, policy support and increasing government focus on infrastructure.

The Government of India is preparing a 'rent a roof' policy for supporting its target of generating 40 GW of power through solar rooftop projects by 2022. It also plans to set up 21 new nuclear power reactors with a total installed capacity of 15,700 MW by 2031. The Central Electricity Authority (CEA) estimates India's power requirement to grow to reach 817 GW by 2030. Also, by 2029-30, CEA estimates that the share of renewable energy generation would increase from 18% to 44%, while that of thermal energy is expected to reduce from 78% to 52%. The government plans to establish renewable energy capacity of 500 GW by 2030.

7.0 Inspections and Investigations

The Valuation of equity shares is being done as on the Valuation Date considering the available financial statements as on 31st December 2022 and documents produced before us for the purpose of ascertaining the value of equity shares.

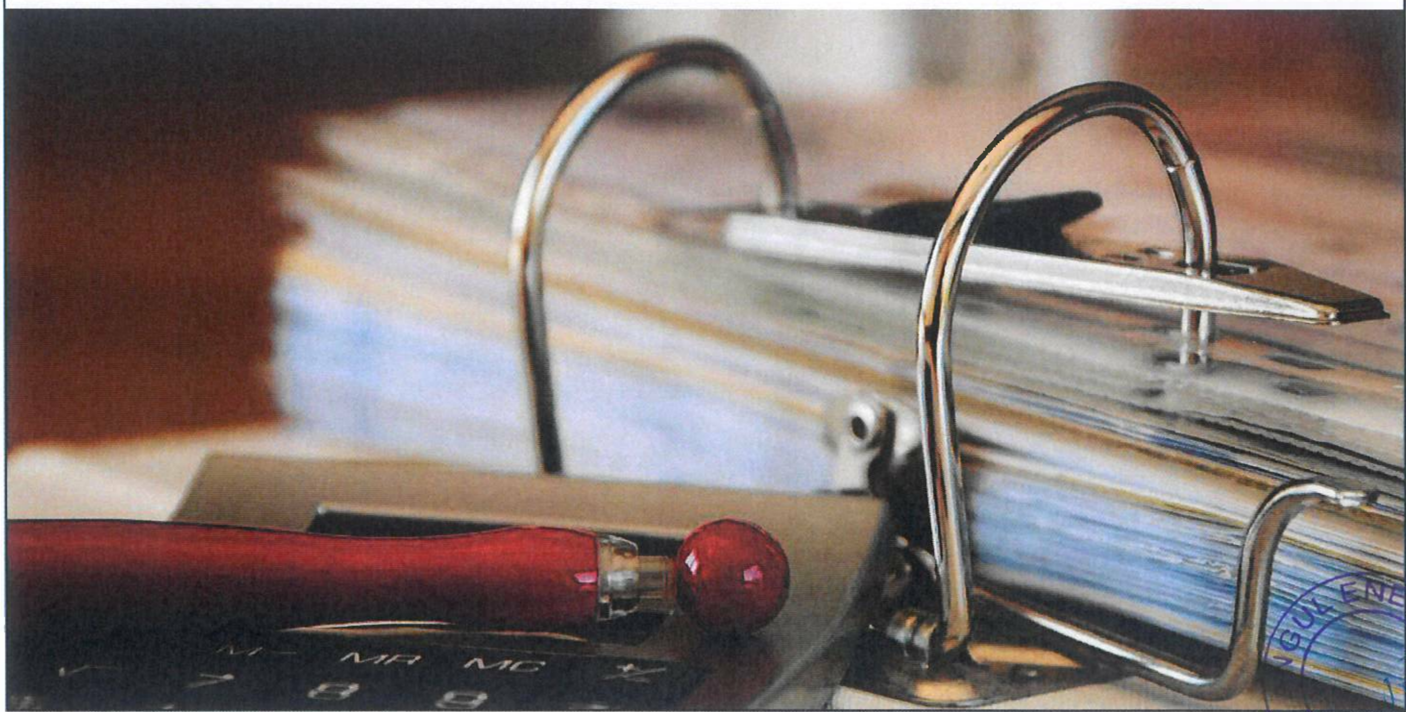
During our valuation, we have not carried out any independent verification or validation to establish accuracy or sufficiency of information given to us. We have received representations from the management of the Company and have accordingly assessed the value of equity shares. We believe that given the nature of the valuation and the underlying reports made available to us, it is plausible to carry out such valuation.

8.0 Sources of Information

While performing the valuation, we have relied on the following sources:

- Brief received from the management about the company's background.
- Audited Financial Statements for the period ended 31st December 2022.
- Management certified projected financial statements for periods ending till FY 2034.
- Power Tolling Agreement as on 24th October 2019.
- Broad terms of the merger as provided by the management.
- Verbal and written information and discussions with the management.
- We have also accessed public documents as available from external sources such as mca.gov.in to better understand and assess the value of the business.

We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations, or liabilities of the Company. The valuation analysis and result are substantively based only on information contained in this report and are governed by concept of materiality.



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9.0 Caveats, limitations, and disclaimers

9.1. **Restriction on use of Valuation Report:** This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose. The management of the Company are the only authorized user of this report and is restricted for the purpose indicated in the report. This restriction does not preclude the Appointing Authority from providing a copy of the report to its internal stakeholders on a need-to-know basis, auditors, regulators, and third-party advisors whose review would be consistent with the intended use. Our report is subject to the scope and 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 herein and in the context of the purpose for which it is made. We do not take any responsibility for the unauthorized use of this report.

9.2. **Purpose:** Our report is meant for the purpose mentioned above and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.

9.3. **No advice towards investment or on transaction:** Our Valuation report should not be construed as advice for the transaction. Specifically, we do not express any opinion on the suitability or otherwise of entering the proposed transaction as stated in the purpose of engagement. We express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. We would not be responsible for the decision taken by anybody based on this report.

9.4. **Responsibility of Registered Valuer:** We owe responsibility to only to the appointing authority that has appointed us under the terms of the engagement. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or wilful default on part of the client or companies, their directors, employees, or agents. We do not take any responsibility towards the report unless our fee is paid in full. In any case, our liability to the management or any third party is limited to be not more than the amount of the fee received by us for this engagement.

9.5. **Accuracy of Information:** While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by the appointing authority/management.

9.6. **Achievability of the forecast results:** We do not provide assurance on the achievability of the results forecast by the management as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecast as the

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achievement of the forecast results is dependent on actions, plans and assumptions of management.

9.7. **Post Valuation Date Events:** An analysis of such 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. The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date. 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. Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the Valuation Date.

9.8. **Range of Value Estimate:** The valuation of companies and assets is made based on the available facts and circumstances and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Although every scientific method has been employed in systematically arriving at the value, there is no indisputable single value, and the estimate of the value is normally expressed as falling within a likely range. We have provided a single value for the overall Value of equity shares, derived based on appropriate approaches. Whilst we consider the valuation to be both reasonable and defensible based on the information available, others may place a different value.

9.9. **No Responsibility to the Actual Price of the subject asset:** The actual market price achieved may be higher or lower than our estimate of value depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place. The final transaction price is something on which the parties themselves have to agree. We also emphasize that our opinion is not the only factor that should be considered by the parties in agreeing the transaction price or swap ratio.

9.10. **Reliance on the representations of the management and other third parties:** During the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company. The management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the management and other third parties concerning the financial data, operational data except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost, or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee, or agents.

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9.11. <u>No procedure performed to corroborate information taken from reliable external Sources:</u> We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

9.12. <u>Compliance with relevant laws:</u> The report assumes that the company/business/asset complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the companies/business/assets will be managed in a competent and responsible manner. This Report does not look into the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. Further, unless specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet/fixed assets register provided to us.

9.13. <u>Multiple factors affecting the Valuation Report:</u> The valuation report is tempered by the exercise of judicious discretion by us, considering the relevant factors. There will always be several factors, e.g., management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the Balance Sheet but could strongly influence the value.

9.14. <u>Questions, Appearances or Testimony in courts/ tribunals/ authorities:</u> Our engagement is limited to preparing the report to be submitted to the management. The Calculation worksheets and related financial models are proprietary to the valuer and will not be shared with the appointing authority or anyone. We shall not be liable to provide any evidence for any matters stated in the report nor shall we be liable or responsible to provide any explanation or written statement for any assumption, information, methodology or any other matter pertaining to the report. However, in case we are required to appear before any regulatory authority as per law, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and our tendering evidence before such authority shall be under the applicable laws.

9.15. <u>Fees and Independence:</u> We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid/to be paid for our services in no way influenced the results of our analysis.

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10.0 Valuation

The valuation exercise is aimed at the assessment of the Value of the company. We are required to arrive at the above valuations based on internationally accepted valuation practices.

As per **RICS appraisal Manual,** as well as **Ind AS 113** and **IFRS 13**, the **Fair Value** (FV) is defined as *'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.'*

10.1 Valuation bases and premise

There are three common bases of value viz;

- **Fair Value:** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.
- **Participant Specific Value:** Participant specific value is the estimated value of an asset or liability considering specific advantages or disadvantages of either of the owner or identified acquirer or identified participants.
- **Liquidation Value:** Liquidation value is the amount that will be realised on sale of an asset or a group of assets when an actual/hypothetical termination of the business is contemplated / assumed. It may be orderly liquidation or forced sale.

Our assessment is based on the information given to us. Considering the purpose of valuation, we have considered the premise of value to be Going concern. Our general approach has been to assess the Fair Value of the company.

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10.2 Valuation approach and methodologies

Valuation is not an exact science and is dependent on various factors such as specific nature of business, economic life cycle in which the industry and company is operating, past financial performance of the business, future growth potential of the business, business model, management of the company, relevance of technology in the business model, liquidity of equity and much more. The results of the valuation exercise may vary significantly depending on the basis used, the specific circumstances and the judgement of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue.

As per International Valuation Standards (IVS) issued by International Valuation Standards Council the principal approaches to valuation are:

a) Market Approach
b) Cost Approach
c) Income Approach

Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. The market approach should be applied and afforded significant weight under the following circumstances:

- the subject asset has recently been sold in a transaction appropriate for consideration under the basis of value,
- the subject asset or substantially similar assets are actively publicly traded, and/or
- there are frequent and/or recent observable transactions in substantially similar assets.

Some of the methods applied under Market Approach include Comparable Transactions Method and Guideline publicly traded comparable method.

- The comparable transactions method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.
- The guideline publicly traded method utilises information on publicly-traded comparables that are the same or similar to the subject asset to arrive at an indication of value.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence. The cost approach should be applied and afforded significant weight under the following circumstances:

- **participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,**

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- the asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- the basis of value being used is fundamentally based on replacement cost, such as replacement value.

Broadly, there are three cost approach methods:

- replacement cost method: a method that indicates value by calculating the cost of a similar asset offering equivalent utility,
- reproduction cost method: a method under the cost that indicates value by calculating the cost to recreating a replica of an asset, and
- summation method: a method that calculates the value of an asset by the addition of the separate values of its component parts.

Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. A fundamental basis for the income approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment.

The income approach should be applied and afforded significant weight under the following circumstances:

a) the income-producing ability of the asset is the critical element affecting value from a participant perspective, and/or
b) reasonable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.

Although there are many ways to implement the income approach, methods under the income approach are effectively based on discounting future amounts of cash flow to present value. The Discounted Cash Flow (DCF) method is a common application of Income Approach and there are variations to this method such as Capitalisation of Income Method.

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10.3 Valuation rationale

10.3.1 Market Approach:

The company is privately held and sells almost all its products and services to Tata Steel Ltd. We have assessed the value of the company based on EV/EBITDA multiple. The EV/EBITDA multiple was chosen based on industry peers and multiplied by the EBITDA of the Company as on Financial Year March 2022 being the latest annual figures. These figures have been adjusted for Debt, Cash and Non-Operating Assets to arrive at Equity Value.

EV/EBITDA Multiple Method	Amount (INR Lakhs)
EV/EBITDA Multiplier (Peer Companies)	5.16
EBITDA	13,476.28
Enterprise Value	**69,492.68**
Less: Debt on Valuation Date	5,600.00
Add: Cash on Valuation Date	260.07
Add: Value of Non-Operating Assets	1,892.21
Value of Equity	**66,044.96**
No. of Shares	1,00,00,142
Value per share (INR)	**660.44**

The company operates at well below its total capacity and thus its operating profits are not representative of its potential profits. Thus, we have not considered this value and have assigned NIL weight for our conclusion of value under this approach.

As a benchmarking approach, we have also considered Price / Book Value Method as a method of valuation. Since the Company primarily operates in Energy, we have considered comparable companies from the Power & Energy Industry. Since the company is privately held, we have applied a Discount for lack of marketability of 20 percent based on our studies and industry standards.

Price / Book Value Multiple Method	Amount (INR Lakhs)
P/BV Multiplier	1.35
Book Value as on Valuation Date	91,951.51
Multiplied Value	1,24,441.04
Less: Discount for lack of marketability (20%)	24,888.21
Value of Equity	**99,552.83**
No. of Shares	1,00,00,142
Value per share (INR)	**995.51**

Since, the comparable companies demonstrated very divergent multiples, the average multiple may not be representative of the industry or the company. Further, the company operates at a value well below its capacity as compared to its industry peers. Thus, Book Value multiples based valuation may not represent true value of the company. Accordingly, we have not assigned weight to the value arrived at under this method.

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While we have used the market approach to corroborate the values under Income Approach to compare using Market Approach, we did not find it relevant to assign weight under Market Approach in our final assessed value.

10.3.2 Cost Approach

The value under cost approach is arrived at based on Value of Assets, less value of liabilities. We understand from the financials that the investments are valued at Fair Values, thus, no adjustments were made to the value of such investments. The values are as follows:

Particulars as on Valuation Date (31-Dec-22)	Amount (INR Lakhs)
Total Assets	1,01,070.82
Less: Total Liabilities	9,119.31
Value of Equity	**91,951.51**
No. of Shares	1,00,00,142
Value per share (INR)	**919.50**

We have not assigned any weight to value arrived under Cost Approach as the replacement cost or book value may not be representative of the Fair Value of the company.

10.3.3 Income Approach

We have used Discounted Cash Flow Method as the methods of valuation based on financial projections given by the management. Under the Discounted Cash Flow Approach, the value of the firm's equity is the present value of future free cash flows discounted at the appropriate discount rate. DCF approach requires significant assumptions about the future earning potential as well as the discount rate.

1. **Going concern assumption**: Based on the projections received from the management, the company is operating at less than optimum capacity and is expected to enhance its production / power generation leading to positive cash flows in the foreseeable future. We did not observe any visible sign of default in the visible period. Accordingly, we have valued the company as a going concern.

2. **Cash Flows:** Based on the representation received from the management, the company is expected to generate positive free cash flows in the future years. Further, the company has purchasing power agreements with Tata Steel limited for a reasonable. Also there are 3 power plants, 2x 150 MW and 1 x 165 MW that is operative with reasonable useful life. Therefore, we have considered the Discounted Cash Flow (DCF) method of valuation and assessed free cash flows. Under the Discounted Cash Flow Approach, the value of the firm's equity is the present value of future free cash flow discounted at the appropriate discount rate.

3. **Terminal Value:** Power companies operate based on power plants that have limited standard life of around 25 years. However, most companies may operate the plants well beyond their standard lives based on sustenance and replacement capex. While we have received forecasts till FY 2034, we have assumed that the company may operate beyond FY 2034. Since cash flows beyond FY 2034 cannot be ascertained with certainty, we have considered the EBITDA of FY 2034 and multiplied with EV/EBITDA multiple of peer companies as representative of industry

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to arrive at the Terminal Value. We believe that towards the end of the forecast period, the company would have achieved appropriate capacity to be compared against peers. This is then discounted at the Cost of Equity to arrive at the present value of Terminal Value.

4. **Discount Rate:** Since the cash flows used are DCF, we have used the Cost of Equity (Ke) as the discounting factor. The cash flows for each year have been discounted and brought to their present value applying the discounting factor. The Cost of equity is derived using the Capital Asset Pricing Model (CAPM), as follows:

Ke = Rf + (β x Rp) + Additional Unsystematic Risk Premium

Where:

- Rf = the current return on risk-free assets.
- Rm = The market rate of return is the compounded average in BSE Sensex, BSE 500 and SmallCap as on valuation date.
- Equity Risk Premium is the difference of Rm and Rf i.e., the premium of additional returns from investment in equity (due to market risks)
- Beta is the measure of the riskiness of the investments. Beta is the co-variance between the return on sample stock and the return on the market, divided by the variance of market return. We have taken the Beta based on comparable peers, adjusted for Leverage and considered Unlevered Beta considering no debt in the company.
- Unsystematic Risk Premium, for the purpose of valuation, we have added an additional unsystematic risk premium of 1% to incorporate company specific risk factors which may arise due to unforeseen circumstances.

Based on management estimates, available documents and financial records, we have assumed a Target Debt of 0 percent and a consequent Equity proportion of 100 percent based on the average Debt-Equity share as per management projections. Based on the projections and risk and reward attributable to the company, we believe that this discount rate is reasonable and defensible.

The Present Value of Free Cash Flows from the explicit forecast period and the Terminal value gives us the Value of the Firm (Enterprise Value). The value of Equity is derived from Firm Value after adjusting for Debt and Cash as on the valuation date.

Risk Free Rate	7.47%
Market Return	13.09%
Risk Premium	5.62%
Beta	0.95
Additional Risk Premium	1.00%
Cost of Equity	13.83%
Proportion of Equity (Discount Rate)	100%

5. **Number of shares:** As on the valuation date the total diluted **no. of equity shares is 1,00,00,142.** In case the management issues any other number of shares, number of shares and the value per share may change accordingly. Our primary analysis is on the Value of Equity of the Company rather than "value per share".

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6. **Value of Equity:** Based on the above, we have arrived at the Equity Value using FCFE Approach. This equity value is adjusted for Cash and Non-operating assets as on the valuation date to arrive at adjusted Value of Equity as follows.

Particulars	Amount
Value of Equity	1,02,017.44
Add: Cash on Valuation Date	260.07
Add: Value of Non-Operating Assets	1,892.21
Value of Equity (INR Lakhs)	**1,04,169.72**
Number of Shares	1,00,00,142
Value per Share	**INR 1,041.68**

10.4 Valuation Results and Conclusion

Based on the rationale explained under **10.3 Valuation Rationale**, our Valuation Conclusion is based on the weighted average of the values arrived under each of the three approaches. As explained, we have assigned 100 percent weight to the value under Income Approach (DCF Method).

Weighted Value	Weights	Value of Equity (INR Lakhs)	Value Per Share (INR)
Value as per Income Approach (DCF Method)	100%	1,04,169.72	1,041.68
Value as per Market Approach (P/BV Method)	0%	99,552.83	995.51
Value as per Market Approach (EV/EBITDA method)	0%	66,044.96	660.44
Value as per Cost Approach (NAV Method)	0%	91,951.51	919.50
Weighted Value	**100%**	**1,04,169.72**	**1,041.68**

Rationale for not using Market Approach: Since, the comparable companies demonstrated very divergent multiples, the average multiple may not be representative of the industry or the company. Also, the company operates at a value well below its capacity as compared to its industry peers. Further, the company being a captive plant serving only one company primarily, the peer companies do not represent true comparable companies for valuation. Thus, we did not find it relevant to assign weight under Market Approach in our final assessed value

Rationale for not using Cost Approach: We have not assigned any weight to value arrived under Cost Approach as the replacement cost or book value may not be representative of the Fair Value of the company.

Conclusion: We have arrived at the Value of Equity at around INR 1,041.70 Crore and a corresponding value per share of INR 1,041.68.

--- Over to Annexure ---

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11.0 Annexure: Calculation of FCFE (Discounted Cash Flow Approach)

Particulars (INR Lakhs)	FY 2023 (3 months)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Net Profit After Tax	1,305	7,699	8,717	9,042	9,762	7,685	9,487	10,154	9,444	11,328	11,379	12,639
Add: Net Non-Cash Charges (E.g., Depreciation)	1,672	6,867	7,193	7,558	7,764	14,034	14,634	15,134	15,334	15,534	15,734	15,934
Add: Net Borrowing	(5,600)	-	-	-	-	-	-	-	-	-	-	-
Less: Capital Expenditure	860	10,422	7,835	2,200	7,250	13,750	12,500	5,000	5,000	5,000	5,000	5,000
Less: Investment in Non-Cash Working Capital	(1,067)	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flow to Equity	**(2,416)**	**4,144**	**8,075**	**14,400**	**10,276**	**7,969**	**11,621**	**20,288**	**19,778**	**21,862**	**22,113**	**23,573**
Terminal Value												1,61,139
PV of Cash Flows	**(2,339)**	**3,524**	**6,033**	**9,453**	**5,926**	**4,037**	**5,172**	**7,933**	**6,794**	**6,598**	**5,863**	**43,023**
Sum of PV of Cash Flows	1,02,017.44											
Add: Cash on Valuation Date	260.07											
Add: Value of Non-Operating Assets	1,892.21											
Equity Value (INR Lakhs)	**1,04,169.72**											
Number of Shares	1,00,00,142											
Value per Share (INR)	**1,041.68**											

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