



**SEBI REG NO: INM000010163**

**STRICTLY PRIVATE & CONFIDENTIAL**

18 May 2021

**Aerostructures Assemblies India Private Limited**

Aequs SEZ, No. 437/A,  
Hattargi Village, Hukkeri Taluk,  
Belgaum, KA - 591 243

**Dear Sir,**

Re: Valuation of equity shares of Aerostructures Assemblies India Private Limited

With reference to our engagement letter dated 26 March 2021 submitted for your pursuant of request from the management of Aerostructures Assemblies India Private Limited ('AAI' or 'the Company'), and the subsequent discussions we had with you, in connection with the valuation of equity shares of the Company, on a 'going concern' basis, as on 28 February 2021 ('Valuation Date').

**1. SCOPE AND PURPOSE OF THIS REPORT**

- 1.1 Aerostructures Assemblies India Private Limited ('the Company' or 'AAI' or "the Client"), a company incorporated under the provisions of Companies Act, 1956 with its registered office at Aequs SEZ, No. 437/A, Hattargi Village, Hukkeri Taluk, Belgaum, KA – 591 243 is engaged in manufacture aerostructure assemblies.
- 1.2 The management of AAI is planning to issue equity shares to an identified investor/ shareholder ("Proposed Transaction"). In this context, the Company has requested Fedex Securities Private Limited ('Fedex') to assist in the determination of the value of equity shares ('Valuation') as on 28 February 2021 ('Valuation Date'), to comply with the requirements of the Income Tax Act, 1961 and the rules made there under and with FEMA regulations.
- 1.3 The Proposed Transaction involves issuance of new securities/Equity Shares of AAI to a non-resident/person resident outside India, accordingly an Indian entity would need to comply with the pricing norms under FEMA and various notifications/circulars issued there under from time to time.



- 1.4 The Reserve Bank of India ("RBI") vide RBI/2017-18/60 FED Master Direction No. 11/2017-18 of the Foreign Exchange Management (Foreign Investment in India) updated as on March 8, 2019 applicable to Issue and Transfer of shares of an Indian company in all sectors, specifies pricing guidelines as follows:

"8.1 Capital instruments issued by a company to a person resident outside India

The price of capital instruments of an Indian company issued by it to a person resident outside India should not be less than:

- a. the price worked out in accordance with the relevant SEBI guidelines in case of a listed Indian company or in case of a company going through a delisting process as per the SEBI (Delisting of Equity Shares) Regulations, 2009; or
  - b. the valuation of capital instruments done as per any internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a Chartered Accountant or a SEBI registered Merchant Banker or a practicing Cost Accountant, in case of an unlisted Indian Company."
- 1.5 In relation to the Proposed Transaction, Fedex has been appointed by the Client to undertake the valuation of its equity shares on a "going concern" basis as on the Valuation Date, in order to comply with the pricing norms under the provisions of Foreign Exchange Management (Transfer or Issue of Security to a Person Resident Outside India) Regulations, 2017 and various notifications/circulars issued there under from time to time and for Income Tax Purpose.
- 1.6 The Valuation is solely for regulatory/ non- financial reporting purpose. Our scope of work is limited to the Valuation of equity shares.

## 2. BACKGROUND

- 2.1. Aerostructures Assemblies India Private Limited ("AAI" or "the Client" or "the Company") incorporated on February 08, 2013, is a private limited company incorporated under the provisions of the Companies Act, 1956 with its registered address at Aequs SEZ, No. 437/A, Hattargi Village, Hukkeri Taluk, Belgaum, KA – 591243 and Corporate Identification Number of the Company is U29253KA2013PTC067804.
- 2.2. Authorised Share Capital of the Company is INR 288.6 Mn and issued, subscribed and fully paid share capital of the Company is INR 288.6 Mn comprising of 2,88,60,802 equity shares of INR 10.0 each.
- 2.3. AAI was formed pursuant to an agreement between Aequs Aerospace Private Limited and Saab AB (publ). The Company is engaged in the business of manufacturing of aerostructure assemblies.
- 2.4. On May 2013, AAI obtained approval from Office of the Assistant Commissioner of Customs, Government of India to carry on the operations relating to manufacture and export of Aerostructures Assemblies under SEZ unit, the commercial operation of AAI commenced on February 19, 2014.
- 2.5. AAI currently has following two units in the below locations:
- Aequs SEZ, 437/A, Hattargi Village, Hukkeri Taluka, Belgaum – 591243
  - 30/1, Honaga Industrial Area, Belagavi – 591113
- 2.6. AAI is a Joint Venture (JV) between Aequs Group (74%) and SAAB Aero structures (26%) of Sweden.



- 2.7. Major customers include SAAB Aerostructures, HAL - Aerospace division, VSSC-ISRO & Apollo Aerospace-UK.
- 2.8. We understand that management of the Company is contemplating to issue equity shares to an identified investor/ shareholder ("Proposed Transaction").
- 2.9. The Proposed Transaction shall involve issue of equity shares to a Person Resident Outside India ("PROI"), thereby requiring valuation of AAI as per the requirement of Clause (viib) of Section 56(2) of the Income Tax Act, 1961 and also the transaction shall be governed by Foreign Exchange Management (Transfer or Issue of Security to a Person Resident Outside India) Regulations, 2017 ("FEMA"), thereby requiring valuation of AAI under applicable FEMA regulations and prevailing Income Tax Regulations. In this context, the management of the Company has requested Fedex to estimate the fair value of AAI.
- 2.10. The cut-off date considered for the current valuation exercise is February 28, 2021 ("Valuation Date") and the valuation has been undertaken based on the projected financial data as stated in the 'Sources of information' section in the report.
- 2.11. This report has been prepared for the Proposed Transaction, for submitting this report for various regulatory purposes to close this transaction including income tax purposes and FEMA Regulation compliance.

### 3. PROCEDURES

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including but not necessarily limited to the following:

- Considered Audited financial statements of AAI for the year ended 31 March 2020;
- Management certified Provisional financial statement for the year ending 28 February 2021;
- Considered statements of projected income and expenses, assets and liabilities (including key underlying assumptions) from 01 March 2021 to 31 March 2026 which the Management believes to be their best estimate as to the expected future operating performance of AAI ('Management Projections');
- Discussions with the Management to understand the historical and expected future performance, macroeconomic fundamentals and key value drivers affecting AAI;
- Consider information available in the public domain in respect of the comparable companies/ transactions, as may be relevant under the circumstances;
- Discussions and correspondence with the Management, to obtain requisite explanations and clarifications on the data provided;
- Such other analyses, reviews and inquiries, as we consider necessary. We had limited interactions with the management of AAI and our analysis is subject to the same.

### 4. SOURCES OF INFORMATION

The principal sources of information used in carrying out the Valuation included:

- (a) Audited Financial Statement of AAI as on 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020;
- (b) Management certified Provisional financial statements of AAI as on 28 February 2021;
- (c) Projected financial statements of AAI for the period starting from 01 March 2021 to 31 March 2026;
- (d) Income Tax Return for AY 2020-21;
- (e) Discussions with AAI regarding the business operations of the Company;
- (f) Management representation letter;
- (g) Relevant data and information provided to us by AAI either in written or oral form or in form of soft copy;
- (h) Information provided by leading database sources and other publicly available information.

## 5. EXCLUSIONS AND LIMITATIONS

- 5.1. The premise of value applied in this engagement is fair value. Fair value, as used herein, is the price, expressed in terms of money or money's worth, available in an open and unrestricted market at which the issuance of equity shares would take place between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both having reasonable knowledge of all the relevant facts.
- 5.2. Valuation reports may contain and/ or are based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as our predictions or as our assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from those described in our report and the variations may be material. Consequently, this information cannot be relied upon to the same extent as that derived from audited accounts for completed accounting periods. Any change in key assumptions underlying the Management Projections could have implications on the Valuation.
- 5.3. The robustness of the Valuation is highly dependent on the reasonableness, commercial viability and achievability of the assumptions underlying the forecasts. Whilst we have conducted a highlevel analysis of the Management Projections for arithmetic and logical consistency, our review was not in the nature of an audit/ a due diligence and we do not express an opinion as to how closely the actual revenues, expenses, cash flows and position of assets and liabilities will correspond to these Management Projections. We take no responsibility for the achievement of the predicted results.
- 5.4. Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single value. While we normally express our assessment as falling within a likely range as per requirements of this Engagement, we are providing a single value. Further, while we have provided our assessment of value based on the information available to us and within the scope and constraints of our engagement, others may place a different value to the same.
- 5.5. Valuation and outcome are inter alia based on valuation parameters prevailing as at the Valuation Date and information provided by the Management. Fedex undertakes no duty to update the valuation for



events or transactions relating to AAI or changes in the market and economy trends, and valuation parameters occurring subsequent to the Valuation Date.

- 5.6. For the purpose of this engagement and report, we have made no investigation of, and assume no responsibility for the title to, or liabilities against AAI. Our conclusion of value assumes that the title to the assets and liabilities of AAI reflected in the statement of assets and liabilities is intact, as at the Valuation Date. Further, for the purposes of this assignment, we are not required to carry out valuation of any other tangible/ intangible assets of AAI.
- 5.7. Actual transaction value, if any, may be higher or lower than our assessment of the value depending upon the circumstances of the transaction. The knowledge, negotiating ability and motivations of the buyers and sellers and the applicability of illiquidity discount or premium for control will also affect the price achieved. Accordingly, our assessment of the value will not be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves have to agree.
- 5.8. We are not required to and have not carried out an audit of nor independently verified the accuracy, reasonableness and completeness of the information provided by the Management. Accordingly, we do not express an opinion or offer any form of assurance regarding the accuracy, reasonableness or completeness of these data. We have also used available market data and other information in the public domain, where appropriate, for which we are not responsible in terms of content and accuracy.
- 5.9. For the purposes of this engagement, Fedex will provide the services described herein but will not act an agent or broker to AAI. All business decisions relating to the proposed transaction and negotiations of the terms are solely the responsibility of AAI and its management. We shall not be called upon to prove or defend the Valuation in any forum within the scope of the present engagement.
- 5.10. This Valuation is solely for regulatory purposes specified in paragraph 1 above.
- 5.11. Our Services are not designed to, and are not likely to reveal fraud or misrepresentation by the Management or any external parties. Accordingly, we cannot accept responsibility for detecting fraud (whether by the Management or by external parties) or misrepresentation by the Management or any other person. While performing this assignment, we have assumed the genuineness of all signatures and the authenticity of all documents and/ or copies of documents shown to us. We have also relied upon the veracity of the representations made, and the information provided to us by the Management.
- 5.12. This report forms an integral whole and cannot be split in parts. The outcome of the Valuation can only lead to proper conclusions if the report as a whole is taken into account.
- 5.13. A draft of this report was shared with the Company, prior to finalization of report, as part of our standard practice to make sure that factual inaccuracy/omission are avoided in the report.

## **6. RELIANCE ON THE MANAGEMENT**

In the course of our Valuation, we have relied upon financial and other information, provided by or on behalf of the Management. Our conclusions are dependent on such information being accurate and complete in all material respects. Although we have analysed this information, the scope of our work will not enable us to accept responsibility for the accuracy and completeness of this information. We have not conducted an independent audit, due diligence/ review or validation of such financial and other information. Accordingly, we do not express an opinion or any other form of assurance thereon and we accept no responsibility or liability for any losses occasioned to AAI, its shareholders, their directors or



Handwritten signature in blue ink, appearing to be 'Y SK'.

shareholders, prospective investors or to any other parties as a result of our reliance on such information.

## **7. VALUATION APPROACH**

- 7.1. For the purpose of arriving at the fair value of AAI, it would be necessary to select an appropriate basis for valuation from amongst the various alternatives available. As mentioned in the earlier para, the Proposed Transaction envisages private placement in Indian company. The Proposed Transaction would need to comply with the provisions of Income Tax Act, 1961 and pricing norms under the provisions of Foreign Exchange Management Act, 1999 ('FEMA') and various notifications/circulars issued there under from time to time.
- 7.2. Since no specific pricing methodology has been prescribed for valuing existing Indian / foreign Company, one has to select an internationally accepted pricing methodology/approach suitable for the purpose of valuation in each of the circumstances. Selection of an approach involves exercise of judgment by the valuer based on the facts and circumstances as applicable to the business of the company to be valued.
- 7.3. Valuation is carried out on a 'going concern' basis. Our Valuation is based on Valuation parameters as at the Valuation Date. There are several commonly used and accepted approaches for Valuation, including:
- Income Approach - Discounted Cash Flow method
  - Market Approach
  - Asset Approach - Net Asset Value method
- 7.4. Income Approach indicates the value of a business enterprise/equity shares based on the discounted value of the cash flows that the business can be expected to generate in the future. We have adopted the Discounted Cash Flow ('DCF') method under the Income Approach for the purpose of this Valuation.
- 7.5. DCF method values a business based upon the available cash flow a prudent investor would expect the subject business to generate over a given period of time. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the forecast period at an appropriate discount factor.
- 7.6. The Free Cash Flow to Firm ('FCFF') method has been used. FCFF refers to cash flows that are available to all the providers of capital, i.e. equity shareholders, preference shareholders and lenders. In FCFF, the free cash flows available to the firm are discounted by Weighted Average Cost of Capital ("WACC") to arrive the net present value and terminal period cash flows. We have considered, Capital Asset Pricing Model (CAPM) for the calculation of Cost of Equity. Value of equity shares of AAI as at 28 February 2021 is arrived at considering equity value based on DCF analysis, debt and debt like items and surplus assets, etc.
- 7.7. The Market Approach indicates the value of equity shares usually based on the market price or by estimating its market price on a comparison with other companies whose equity is traded on the stock exchanges. Investors are expected to pay for the earnings potential of the entity and earnings value is expected to converge towards the market value. The Market Approach may also consider the prices implied by reported transactions/ deals of comparable companies.



Y SK

The market/ transaction price, as a ratio of the subject asset's attribute such as sales, book value, earnings, etc. is used to derive an appropriate multiple. This multiple is then applied to the attribute of the asset being valued to indicate the value of the subject asset.

Since, shares of AAI is not listed, we have not adopted the Market Approach for the Value Analysis.

- 7.8. Asset Approach indicates the value by considering the asset and liability balances at the Valuation Date. Asset Approach is usually based on the summation of individual piecemeal values of the underlying assets less value of the liabilities. AAI is an operating company and the Valuation is carried out on a 'going concern' basis. The book value of fixed assets may not be reflective of their replacement value. Considering the aforementioned, asset approach is not adopted for the valuation.

## 8. DCF Method

- 8.1. Under the DCF method, business is valued by discounting the distributable free cash flows as available to the firm in the explicit forecast period and the continuing period thereafter. The free cash flows represent the cash available for distribution to both the owners and the lenders of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital ("WACC"), which is an appropriate rate of discount to calculate the present value of the future cash flows as it considers financial risk and also the debt–equity ratio of the company.
- 8.2. To the value of the enterprise so arrived, adjustments need to be made for surplus cash, surplus assets, debt, debt like items and contingent liabilities that are likely to materialise in order to arrive at the value for the equity shareholders.
- 8.3. In the current valuation exercise, we have relied on the projections of AAI, as provided by management of the Company, for the period from 01 March 2021 to 31 March 2026 and provisional financial statements for the period ended 28 February 2021. The going concern projections as provided by the Management for the period 01 March 2021 to 31 March 2026 has been considered as the explicit period for the purpose of current valuation exercise. The financial statements provided by the Management has been reviewed for consistency and reasonableness and we have relied on the estimates provided.
- 8.4. The other key assumptions considered in DCF method is determination of an appropriate rate to discount the future cash flows. The Free Cash Flows to Firm ("FCFF") have been calculated for AAI as on the Valuation Date based on the financial projections provided by the Management.
- 8.5. FCFF refers to cash flows that are available to all the providers of capital, i.e. equity shareholders, preference shareholders and lenders.
- 8.6. In FCFF, the free cash flows available to the firm are discounted by Weighted Average Cost of Capital ("WACC") to arrive the net present value and terminal period cash flows. We have considered, Capital Asset Pricing Model (CAPM) for the calculation of Cost of Equity.
- 8.7. Accordingly, for the current valuation exercise WACC of 16.0% is considered (Refer Annexure I-B).
- 8.8. We have considered a terminal growth rate of 5.0% to calculate the cash flows arising post explicit period, taking into account the growth estimated in explicit period.
- 8.9. Working Capital for terminal year is assumed to be ~11.7% of the revenue based on FY26 levels.



Handwritten signature or initials, possibly 'Y SK'.

- 8.10. Capital Expenditure for terminal year is assumed to be INR 6.4 Mn based on capex for FY26 which is increased by growth rate of 5.0%.
- 8.11. We have considered tax rate of 16.69% for explicit period, being the Minimum Alternate Tax ("MAT") rate and tax rate of 29.12% for terminal year, being the corporate tax rate prevailing in India as on the date of valuation.
- 8.12. Based on above, the Enterprise Value ("EV") of AAI, determined as an aggregate of the present value of explicit period and terminal period cash flows, is arrived at INR 308.3 Mn.
- 8.13. In order to arrive at the Equity Value of AAI, the above EV is adjusted for the following assets/liabilities as on the Valuation Date:
- Debt outstanding of INR 11.3 Mn; and
  - Cash & cash equivalent of INR 4.0 Mn.
- 8.14. Based on above, the Equity Value of the Company as at 28 February 2021, is arrived at INR 301.0 Mn (Refer Annexure I-A).
- 8.15. The above equity value is further discounted on account of lack of marketability, limited exit option for investors and restrictions on the transfer of shares, which are likely to have a depressing effect on the equity value. Generally, a closely held company can attract an illiquidity discount in the range of 10-20.0%. We have considered an illiquidity discount of 15.0%.
- 8.16. Based on the above, the equity value of AAI, as on 28 February 2021, is arrived at INR 255.8 Mn and the value per equity share is arrived at INR 8.9/- each (for 28,860,802 fully diluted equity shares of face value INR 10 each) (Refer Annexure I-A).

## 9. CONCLUSION

The value of equity shares of AAI as at 28 February 2021 is arrived at considering the DCF method under the Income Approach. Based on the above considerations and the information and explanations given to us, in our opinion, the value of each equity share of INR 10/- of AAI, as on 28 February 2021 is INR 8.9 per equity share. Since the value per share Rs. 8.9/- is less than the face value Rs.10, so as per the provisions of section 53 of the Companies Act, 2013, except as provided in section 54, company cannot issue shares at discount, so the recommended value of each equity share will be Rs. 10/- only i.e, the nominal value of the share. Therefore, the fair value of equity per share of the Company as at 28 February 2021 is arrived at INR 10.0 for allotment purposes.

## 10. DISTRIBUTION OF OUR REPORT

- 10.1. Our Report is solely for the purpose outlined in paragraph 1 above and to the extent mandatorily required under applicable laws of India, may be produced before the Indian Income-tax authorities in connection with the purpose outlined in paragraph 1 above.
- 10.2. We would not be called upon to defend our analysis on any forum. Our Report is not to be used, referred to or distributed for any other purpose without our written permission. In case you propose to make available our Report to any other third party, it shall require our written consent. Consequently, you should not make our Report available or otherwise disclose our Report or that we are undertaking this assignment for you to any third party unless we have specifically agreed with you and that party, in



Handwritten signature or initials, possibly 'Y SK'.

writing, the basis on which our Report may be made available and which we may give or withhold at our absolute discretion. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any other party to which the Report is disclosed or otherwise made available or is used for any purpose other than that indicated in paragraph 1 above.

- 10.3. This Report is not to be referred to or quoted, in whole or in part, in any offering memorandum, prospectus, registration statement, loan or other agreement or document without our express written approval, which may require that we perform additional work. Fedex accepts no duty, obligation, liability or responsibility to any party, other than to the Management with respect to the services and/or this report.
- 10.4. In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of AAI, their directors, employees or agents. In no circumstances shall the liability of Fedex, its partners, directors or employees, relating to services provided in connection with the engagement set out in this letter (or variation or addition thereto) exceed the amount paid to us in respect of the fees charged for those services.

Thanking you,

Yours faithfully,

For **Fedex Securities Private Limited**

(Formerly known as Fedex Securities Limited)



Authorised Signatory

Place: Mumbai

## Annexure I

### VALUATION WORKING

#### A) Discounted Cash Flow

| Valuation as per Discounted Cash Flow Method as on 28-Feb-21 (INR Mn) |               |             |             |             |             |             |              |
|-----------------------------------------------------------------------|---------------|-------------|-------------|-------------|-------------|-------------|--------------|
| WACC                                                                  | 16.0%         |             |             |             |             |             |              |
| Terminal Growth Rate (TVG)                                            | 5.0%          |             |             |             |             |             |              |
|                                                                       |               |             |             |             |             |             |              |
| Year Ending                                                           | FY21*         | FY22        | FY23        | FY24        | FY25        | FY26        | TV           |
| Net Sales                                                             | 32.4          | 408.7       | 494.3       | 547.2       | 593.2       | 623.0       | 654.1        |
| EBITDA                                                                | 2.0           | 31.8        | 40.2        | 52.7        | 64.6        | 69.9        | 73.4         |
| <b>Less : Outflows</b>                                                |               |             |             |             |             |             |              |
| Capital Expenditure                                                   | (1.3)         | (11.5)      | (8.5)       | (7.2)       | (6.6)       | (6.1)       | (6.4)        |
| Incremental Working Capital                                           | (13.9)        | 14.9        | (15.0)      | (5.9)       | 2.9         | 0.5         | (3.7)        |
| Taxation                                                              | -             | (3.6)       | (4.9)       | (6.9)       | (8.8)       | (9.9)       | (19.3)       |
| <b>Free Cash Flows (FCF)</b>                                          | <b>(13.2)</b> | <b>31.5</b> | <b>11.9</b> | <b>32.6</b> | <b>52.1</b> | <b>54.4</b> | <b>44.0</b>  |
| Terminal Value                                                        |               |             |             |             |             |             | 400.3        |
| Present Value Factor                                                  | 0.99          | 0.92        | 0.79        | 0.68        | 0.59        | 0.51        | 0.51         |
| <b>Present Value of Cash Flows</b>                                    | <b>(13.1)</b> | <b>28.9</b> | <b>9.4</b>  | <b>22.2</b> | <b>30.6</b> | <b>27.6</b> | <b>202.8</b> |
| NPV of Explicit Period                                                | 105.5         |             |             |             |             |             |              |
| Present Value of TV                                                   | 202.8         |             |             |             |             |             |              |
| <b>Enterprise Value (EV)</b>                                          | <b>308.3</b>  |             |             |             |             |             |              |
| <i>Other Adjustments as on Valuation Date</i>                         |               |             |             |             |             |             |              |
| Debt outstanding                                                      | (11.3)        |             |             |             |             |             |              |
| Cash & cash equivalents                                               | 4.0           |             |             |             |             |             |              |
| <b>Equity Value</b>                                                   | <b>301.0</b>  |             |             |             |             |             |              |
| Less: Illiquidity Discount @ 15%                                      | (45.1)        |             |             |             |             |             |              |
| <b>Adjusted Equity Value</b>                                          | <b>255.8</b>  |             |             |             |             |             |              |
| Nos. of Equity shares (in Mn)                                         | 28.9          |             |             |             |             |             |              |
| <b>Value per equity share (INR)</b>                                   | <b>8.9</b>    |             |             |             |             |             |              |

\*For 1 month period ended March 31, 2021

<<this space is intentionally left blank>>



Y SK

## B) WACC

| Cost of Equity                       | %            | Explanation                                                                                                                               |
|--------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Risk Free Rate of Return (Rf)        | 6.7%         | Risk free rate of return has been considered based on 10 years zero coupon yield curve issued by Government of India as at Valuation Date |
| Market Return (Rm)                   | 14.5%        | Market Return has been considered based on the long-term average returns earned by an equity investor investing in India.                 |
| Equity Risk Premium (Rm-Rf)          | 7.8%         | Equity Risk Premium = Market Return - Risk Free Rate of Return                                                                            |
| Levered Beta ( $\beta$ )             | 0.9          | Beta of listed comparable companies is considered                                                                                         |
| <b>Cost of Equity (Ke)</b>           | <b>13.9%</b> | <b><math>Ke = Rf + \beta \times (Rm - Rf)</math>.</b>                                                                                     |
| Company Specific Risk Premium        | 3.0%         | Company Specific Risk Premium has been based on factors such as Business and Operational Risk etc;                                        |
| <b>Effective Cost of Equity (A)</b>  | <b>16.9%</b> |                                                                                                                                           |
| Cost Debt                            | 11.5%        | As informed by the Management                                                                                                             |
| <b>Cost of Debt (Net of Tax) (B)</b> | <b>9.6%</b>  |                                                                                                                                           |
| Debt to Total Capital (C)            | 14.0%        | Based on current debt-equity ratio of the Company.                                                                                        |
| WACC                                 | 15.9%        | $B \times C + (1 - C) \times A$                                                                                                           |
| <b>WACC Adopted</b>                  | <b>16.0%</b> | <b>After rounding off</b>                                                                                                                 |



4 SK