

Valuation Report

Aequs Private Limited

October 2021

Ref: SD/Oct22-78/2021

October 22, 2021

To,
The Board of Directors
Aequus Private Limited
No. 55, Whitefield Main Road,
Mahadevapura Post,
Bangalore KA 560048 IN.

Dear Sir's/Madam's,

Sub: Valuation of Equity Shares of Aequus Private Limited

We refer to the engagement letter dated October 21, 2021 bearing its reference number SD/Oct213/2021 appointing BDO Valuation Advisory LLP (hereinafter referred to as “**BDO Val**”, “**we**,” “**our**,” or “**us**”) with Registered Valuer Registration Number IBBI/RV-E/02/2019/103, to provide valuation services to Aequus Private Limited (“**APL**” or “**the Company**” or “**the Client**”) to undertake valuation of its equity shares for the proposed fresh issue of equity shares to an identified investor/ shareholder (“**Proposed Transaction**”).

This valuation report (“**Report**”) has been prepared solely for compliance under Section 62 of the Companies Act, 2013 (“**the Act**”), read with Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014 (“**the Rules**”).

We hereby confirm that we have no present or planned future interest in the Company, except to the extent of our appointment as a registered valuer for this Report.

We hereby confirm that the valuation of equity shares of the Company is carried out as per International Valuation Standards (“**IVS**”).

Please find enclosed the Report providing the opinion on the fair value of the equity shares of the Company as on August 31, 2021 (“**Valuation Date**”). A summary of the analysis is presented in the accompanying report, as well as description of the methodology and procedure used, and the factors considered in formulating the opinion. In addition, listed the sources of information used in this Report and the scope of work in the course of the assignment, noting any limitations on the assignment. This Report is subject to the attached exclusions & limitations and to all terms and conditions in the engagement letter for this assignment.



We believe that our analysis must be considered as a whole. Selecting portions of our analysis or the factors we 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.

Regards,

For BDO Valuation Advisory LLP

IBBI Regn No.: IBBI/RV-E/02/2019/103

A handwritten signature in blue ink, appearing to read 'Swanand', written over a horizontal line.

Swanand Kishor Deshpande

Partner

Regn No.: IBBI/RV/05/2019/11148



Encl: As above

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1. Brief Background of the Company

- 1.1. Aequs Private Limited (“APL” or “the Company” or “the Client”) is a private company incorporated on March 27, 2000 under Companies Act 1956 with its registered address at No. 55, Whitefield Main Road, Mahadevapura Post, Bengaluru, KA - 560048. Corporate Identification Number of the Company is U80302KA2000PTC026760.
- 1.2. The Company was engaged in rendering training services in engineering design software till March 31, 2006. Effective April 01, 2006, the Company has ceased rendering training services and started the business of machining and manufacturing of precision engineering products in aerospace.
- 1.3. In August 2008, the Company obtained approval from Office of the Cochin Special Economic Zone Assistant Commissioner of Customs, Government of India to carry on the operations relating to manufacture and export of aerospace and other machined parts under SEZ unit (‘Unit I’), commercial operation commenced on April 14, 2010.
- 1.4. Till March 2013, the Company was carrying on its business through ‘Unit I’ located at Special Economic Zone (‘SEZ’) Belgaum, Karnataka. On June 30, 2013, the Company had started two additional units registered separately as ‘Unit II’ and ‘Unit III’ with SEZ authorities. Further, on July 31, 2013, pursuant to a business transfer agreement ‘Unit I’ was transferred as a going concern along with all its assets and liabilities to a step-down subsidiary of the Company, AeroStructures Manufacturing India Private Limited.
- 1.5. The authorized share capital of the Company is INR 2,862.5 Mn and issued, subscribed and paid-up share capital of the Company is INR 2,857.8 Mn comprising of 28,57,84,489 equity shares of INR 10.0 each.
- 1.6. APL has investment in the following Subsidiaries, Associate and Joint Ventures:
 - Aequs Aerospace Private Limited (“AAPL”), Aerostructures Manufacturing Private Limited (“ASMIPL”), Aequs Aerospace BV (“AABV”), Aequs Oil and Gas LLC (“AOGLLC”), Aerostructures Assemblies India Private Limited (“AAI”), which are collectively referred to as “the Subsidiaries”;
 - Aequs Foundation (“AF”) and Aequs Engineered Plastics Private Limited (“AEPPL”) which are collectively referred to as “the Associates”;
 - Aerospace Processing India Private Limited (“API”), Aequs Force Consumer Products Private Limited (“AFCPPL”) and SQuAD Forging India Private Limited (“SQuAD”), which are collectively referred to as “the Joint Ventures”.
- 1.7. We understand that the Company is contemplating to issue equity shares to an identified investor/ shareholder (“Proposed Transaction”).
- 1.8. Further, we understand from the client that APL intends to undertake valuation of Equity Shares of APL as on August 31, 2021 for compliance under section 62 of the Companies Act, 2013 read with Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014.



1.9. As per Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014:

“the price of the shares or other securities to be issued on a preferential basis, either for cash or for consideration other than cash, shall be determined on the basis of valuation report of a registered valuer”.

1.10. In this regard, we have been appointed to determine the fair value of the equity shares of the Company on a going concern basis as on August 31, 2021, for compliance under section 62 of the Act in relation to the Proposed Transaction (“Purpose”).

2. Terms of Engagement

2.1. Context and Purpose

2.1.1 APL has appointed us to determine the fair equity value of the Company for the purpose of the Proposed Transaction as mentioned in Section 1.7 to 1.10 of this Report.

2.1.2 This valuation analysis exercise and valuation report are solely for the purpose mentioned herein in the Report. As per the discussion held with the management and representatives of the Client (“the Management”), the cut-off date for present valuation analysis exercise is August 31, 2021.

2.2 Restricted Audience

2.2.1 This report and the information contained herein are absolutely confidential and are intended for the use of the Management only for submitting to the Statutory Authorities for compliance under section 62 of the Companies Act, 2013.

2.2.2 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 our written consent. It can however be relied upon and disclosed in connection with any statutory and regulatory filing in connection with the Proposed Transaction in accordance with the provision of the Act. In the event the Management extend the use of the report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party (including but not limited to the Investors, Merchant Bankers and Placement agent, if any) to whom this Report may be shown or who may acquire a copy of the Report.

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3. Exclusions and Limitations

- 3.1. The Report is subject to the limitations detailed hereinafter. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 3.2. The scope of the assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Further, conducting a financial or technical feasibility study was also not covered.
- 3.3. During the course of this work, we have relied upon the data related to the Company provided to us by the Management. The assumptions, if any, require exercise of judgment and are subject to uncertainties. Also, we have relied on the sources of information referred in Section 4 of the Report.
- 3.4. The provisional financials prepared by the Client are considered to be in line with prevailing standards.
- 3.5. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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 these estimates and the variations may be material.
- 3.6. The realization of these projections is dependent on the continuing validity of the assumptions on which they are based. Since the projections relate to the future, actual results are likely to be different from the projected results in case of events and circumstances not occurring as projected and the differences may be material. Our work did not constitute a validation of the financial projections of the Target Business under consideration and accordingly, we do not express any opinion on the same. We have not commented on the appropriateness of or independently verified the assumptions or information provided to us, for arriving at the financial projections. Further, while we have discussed the assumptions and projections with the management, our reliance on them for the purpose of valuation should not be construed as an assurance about the accuracy of the assumptions or the achievability of the financial projections.
- 3.7. Further, this valuation Report is based on the extant regulatory environment and the financial, economic, monetary and business/market conditions, and the information made available to us or used by us up to, the date hereof, which are dynamic in nature and may change in future, thereby impacting the valuation of the Company. Subsequent developments in the aforementioned conditions may affect this Report and the assumptions made in preparing this report and we shall not be obliged to update, review or reaffirm this report if the information provided to us changes. The information presented in this Valuation Report does not reflect



the outcome of any due diligence procedures, which may change the information contained herein and, therefore, the valuation report materially.

- 3.8. Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on the businesses.
- 3.9. This Report is based on information received from sources mentioned herein and discussions with the Management. We have assumed that the Management and/ or the Company has furnished to us all information, which it is aware of concerning the financial statements and respective liabilities, which may have an impact on our report.
- 3.10. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the Company and has considered them at the value as disclosed by the Company in their regulatory filings or in submissions, oral or written, made to us. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our Report.
- 3.11. For the present valuation analysis exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified.
- 3.12. In the particular circumstances of this case, we shall be liable only to the Management. We shall have no liability (in contract or under statute or otherwise) to any other party for any economic loss or damage arising out of or in connection with this engagement, however the loss or damage is caused other than in cases of fraud, gross negligence or willful misconduct, or on account of any natural calamities, shall be limited to the amount of fees actually received by us as laid out in the engagement letter, for such valuation work.
- 3.13. Whilst all reasonable care has been taken to ensure that facts stated in the Report are accurate and opinions given are fair and reasonable, we, in any way, shall not be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report.
- 3.14. This Report does not look into the business / commercial reasons behind the Purpose of Valuation nor the likely benefits arising out of the same. The assessment of commercial and investment merits of the Company are sole responsibility of the investors of the Company and we don't express opinion on the suitability or otherwise of entering into any financial or other transactions with the Company.
- 3.15. We are not advisors with respect to accounting, legal, tax and regulatory matters. Therefore, no responsibility is assumed for matters of a legal nature.



- 3.16. We assume that the Company complies fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated and will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, we have given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the financial statements.
- 3.17. The valuation analysis in this Report should not be construed as investment advice; and we do not express any opinion on the suitability or otherwise of entering into any financial or other transactions with the Company.
- 3.18. The value arrived herein represents the value of the Company based on actual financial information as on the Valuation Date and key events impacting capital structure and investments as informed by the management after the Valuation Date upto the date of this report for the purpose of Proposed Transaction.
- 3.19. This valuation exercise and our conclusion/opinion is subject to uncertainty related to the unknown future impact of the global outbreak of Novel Coronavirus (COVID-19). As at the date of issuance of this report, the impact of such uncertainty is difficult to estimate. There could be an impact of the same on the valuation of the Company. Further, we have been represented by the Management that the impact of COVID-19 has been considered in the financial projections/budgeted estimates.
- 3.20. 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.



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4. Sources of Information

4.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the Management and representatives of the Client:

- Audited balance sheet of APL as on March 31, 2019, March 31, 2020 and March 31, 2021;
- Management certified provisional financial statements of APL as on August 31, 2021;
- Standalone Projected Financial Statement of APL for the period starting from September 01, 2021 to March 31, 2026;
- Income Tax Return for AY 2020-21;
- Valuation Report of ASMIPL as on August 31, 2021 issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a reference number SD/Oct22-75/2021;
- Valuation Report of AAI as on August 31, 2021 issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a reference number SD/Oct22-74/2021;
- Valuation Report of API as on August 31, 2021 issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a reference number SD/Oct22-73/2021;
- Valuation Report of SQuAD as on August 31, 2021 issued by BDO Valuation Advisory LLP dated, October 21, 2021 with a reference number SD/Oct21-70/2021;
- Valuation Report of AEPPL as on August 31, 2021 issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a reference number SD/Oct22-72/2021;
- Valuation Report of AFCPPL as on August 31, 2021 issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a reference number SD/Oct22-77/2021;
- Discussions with APL regarding the business operations of the Company;
- Management Representation Letter;
- Industry related information from various publicly available sources; and
- Other relevant data and information provided to us, whether in oral or physical form or in soft copy, and discussions with the representatives of the Client.

5. Procedures Adopted for the purpose of Valuation

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

- Requested and received financial and qualitative information relating to the Company;
- Discussions with the Management to:
 - Understand the business and fundamental factors that affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance.
 - Enquire about business plans, future performance estimates, or budgets.
- Analyzed the information received;
- Selection of valuation methodology/(ies) as prescribed by International Valuation Standards (“IVS”). For the purpose of arriving at the valuation of the companies we have considered the valuation base as ‘Fair Value’. Our valuation, and this report, is based on the premise



of going concern value. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this Report.

- Determination of Fair Value of the Equity Shares of APL as on the Valuation Date.

6. Major factors that were considered during the valuation

- Risk associated with the businesses;
- Growth in Revenue, EBITDA Margins during the projected period and the risk of achieving the companies; and
- Representation by the Management on the current status of operation of the Companies.

7. Valuation Approach

7.1. As per rule 8 ("Conduct of Valuation") prescribed under Companies (Registered Valuers and Valuation) Rules, 2017:

The Registered Valuer shall, while conducting a valuation, comply with the valuation standards as notified or modified under Rule 18;

Provided that until the valuation standards are notified or modified by the Central Government, a valuer shall make valuations as per -

- (a) internationally accepted valuation standards;
- (b) valuation standards adopted by any registered valuers' organization.

7.2. The Central Government of India is in the process of issuing the valuation standards. Therefore BDO Val, being a member of IOV Registered Valuers' Foundation ("IOVRVF") has considered International Valuation Standards prescribed by IOV Registered Valuers' Foundation.

7.3. The present valuation analysis exercise is being undertaken to arrive at the fair value of APL or the Proposed Transaction as mentioned above in the Report.

Approaches & Methodologies

7.4. There are the following three valuation approaches as per the internationally accepted valuation standards:

- i. "Cost" approach;
- ii. "Income" approach; and
- iii. "Market" approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

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.

Replacement Cost Method



- Generally, replacement cost is the cost that is relevant to determining the price that a participant would pay as it is based on replicating the utility of the asset, not the exact physical properties of the asset. Replacement cost is adjusted for physical deterioration and all relevant forms of obsolescence. After such adjustments, this can be referred to as depreciated replacement cost.

Reproduction Cost Method

- Reproduction cost is appropriate if the cost of a modern equivalent asset is greater than the cost of recreating a replica of the subject asset, or the utility offered by the subject asset could only be provided by a replica rather than a modern equivalent.

Summation Method

- The summation method, also referred to as the underlying asset method, is typically used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings.

Income Approach

- The income approach provides an indication of value by converting future cash flows 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.

Discounted Cash Flow Method

- Under the DCF method the forecast cash flows are discounted back to the valuation date, resulting in a present value of the asset. When selecting the appropriate type of cash flow for the nature of asset or assignment. In addition, the discount rate and other inputs must be consistent with the type of cash flow chosen.
- The intended holding period for one investor should not be the only consideration in selecting an explicit forecast period and should not impact the value of an asset. However, the period over which an asset is intended to be held may be considered in determining the explicit forecast period if the objective of the valuation is to determine its investment value.
- Where the asset is expected to continue beyond the explicit forecast period, valuers must estimate the value of the asset at the end of that period. The terminal value is then discounted back to the valuation date, normally using the same discount rate as applied to the forecast cash flow.
- The market approach/exit value method can be performed in a number of ways, but the ultimate goal is to calculate the value of the asset at the end of the explicit cash flow forecast. Common ways to calculate the terminal value under this method include application of a market-evidence based capitalization factor or a market multiple.
- The rate at which the forecast cash flow is discounted should reflect not only the time value of money, but also the risks associated with the type of cash flow and the future operations of the asset.

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 often uses market multiples derived from a set of comparable assets, each with



different multiples. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors.

Guideline Publicly Traded Comparable or Comparable Companies Multiple (“CCM”) Method

- The guideline publicly traded method utilizes information on publicly traded comparable companies that are similar to the subject asset to arrive at an indication of value. The method should be used only when the subject asset is sufficiently similar to the publicly traded comparable companies to allow for a meaningful comparison.

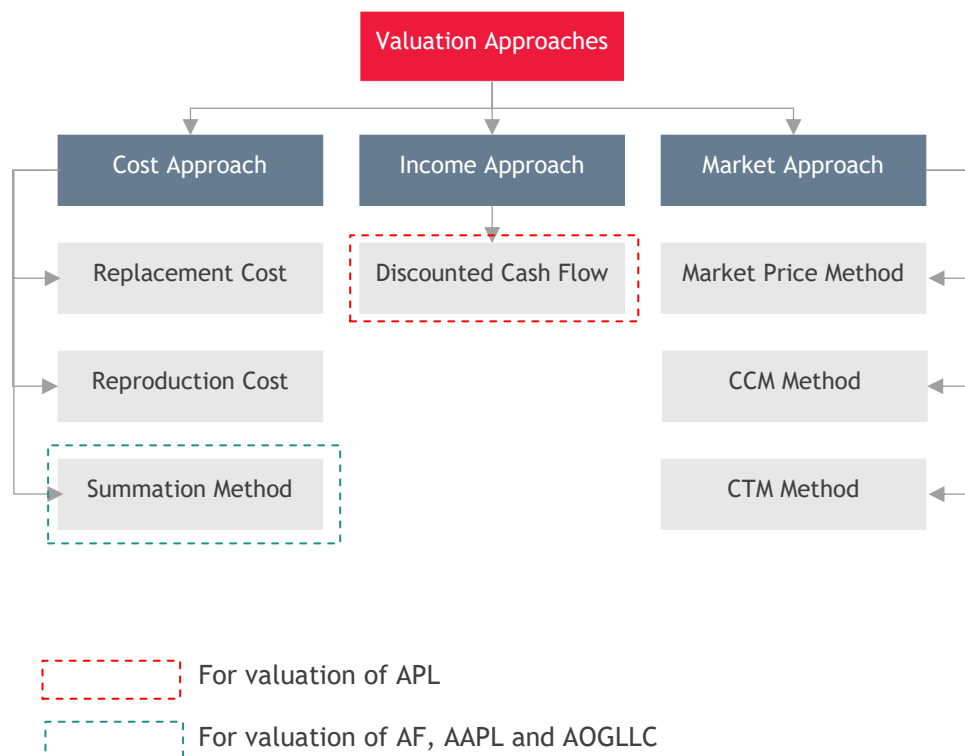
Comparable Transactions Multiples (“CTM”) Method

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

Market Price Method

- Under this method, the market price of an equity shares of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investors’ perception about the true worth of the company.

Conclusion on Valuation Approaches & Methodologies



Rationale for Valuation Approaches & Methodologies

- It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, numerous assumptions have been made with respect to industry performance and general business and economic conditions, many of



which are beyond the control of the Company. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the Company, and other factors which generally influence the valuation of companies and their assets.

- The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Cost Approach: The cost approach considers the assets and liabilities and contingent liabilities. Cost approach would not appropriately capture the going concern value of the Company. Since the current valuation analysis is on a going concern basis, we have not used the cost approach for the valuation of APL.

We understand from the management that AF, AOG LLC and AAPL have no significant operations of their own and hence we have used Summation method for our valuation exercise.

Income Approach: In the current case, APL's true worth of its business would be reflected in the future earnings of the Company. Based on the current stage of the Company, discussion with the Management and the facts and explanations mentioned herein in this report, the DCF method under the income approach has been considered as an appropriate method for the present valuation exercise.

Market Approach:

- As any of the shares of the Company are not listed on any recognized stock exchange, the market price method of valuation was not considered.
- There are no direct listed comparable companies in India which are engaged in the business similar to that of the Company. Hence, we have not considered the CCM method.
- In the absence of adequate details about comparable Transactions, the CTM method is not considered for present valuation analysis exercise.



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8. Valuation of Aequus Private Limited

DCF Method

- 8.1. We have relied on the standalone projected financial statements of APL as provided by the Management for the period September 01, 2021 to March 31, 2026 and provisional financial statements for the period ended August 31, 2021. The going concern projections as provided by the Management for the period September 01, 2021 to March 31, 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.
- 8.2. 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 APL as on the Valuation Date based on the financial projections provided by the Management.
- 8.3. FCFF refers to cash flows that are available to all the providers of capital, i.e. equity shareholders, preference shareholders and lenders.
- 8.4. 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.
- 8.5. Accordingly, for the current valuation exercise WACC of 12.0% is considered (Refer Annexure I).
- 8.6. 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.
- 8.7. Working Capital for terminal year is assumed to grow by 5.0% based on FY26 levels.
- 8.8. Capital Expenditure for terminal year is assumed to be INR 62.7 Mn based on book depreciation of FY26 levels which is increased by growth rate of 5.0%.
- 8.9. We have considered 17.47% Minimum Alternate Tax (“MAT”) rates as applicable for explicit period and tax rate of 29.12% for terminal year, being the corporate tax rate prevailing in India as on the Valuation Date.
- 8.10. Based on above, the Enterprise Value (“EV”) of APL, determined as an aggregate of the present value of explicit period and terminal period cash flows, is arrived at INR 472.3 Mn.
- 8.11. In order to arrive at the Equity Value of APL, the above EV is adjusted for the following assets/liabilities as on the Valuation Date:
- Fair value of Non-current Investment of INR 8,100.5 Mn (Refer Annexure III and IV);
 - Debt outstanding of INR 514.0 Mn;
 - Cash & cash equivalent of INR 5.3 Mn;
 - Loans and advances to related party (recoverable) of INR 555.0 Mn;
 - Other net surplus assets of INR 62.2 Mn; and
 - Amount recoverable from ESOP trust of INR 78.4 Mn.



- 8.12. Based on above, the Equity Value of the Company as at August 31, 2021, is arrived at INR 8,759.6 Mn (Refer Annexure II).
- 8.13. 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%. We have considered an illiquidity discount of 15.0%.
- 8.14. Based on the above, the equity value of APL, as on August 31, 2021, is arrived at INR 7,445.7 Mn and the value per equity share is arrived at INR 26.1 each (for 28,57,84,489 equity shares of face value INR 10 each on fully diluted basis) (Refer Annexure II).

9. Valuation Summary

- 9.1. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets, but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Honorable Supreme Court of India in the case reported in 176 ITR 417 as under:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

- 9.2. In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, the equity value of APL, as on August 31, 2021, is arrived at INR 7,445.7 Mn and the value per equity share is arrived at INR 26.1 each (for 28,57,84,489 equity shares of face value INR 10 each on fully diluted basis).

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10. Annexures

Annexure I - Calculation of 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)	15.0%	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)	8.3%	Equity Risk Premium = Market Return - Risk Free Rate of Return
Levered Beta (B)	1.0	Nominal Beta is considered
Cost of Equity (Ke)	15.00%	$Ke = Rf + B \times (Rm - Rf)$.
Company Specific Risk Premium	7.0%	Company Specific Risk Premium has been based on factors such as Business and Operational Risk etc;
Effective Cost of Equity (A)	22.00%	
Cost Debt	6.4%	As informed by the Management
Cost of Debt (Net of Tax) (B)	5.3%	
Debt to Total Capital (C)	60.0%	Based on the target debt-equity ratio of the Company.
WACC	11.99%	$B \times C + (1 - C) \times A$
WACC Adopted	12.0%	After rounding off

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Annexure II - Valuation of APL

Valuation as per Discounted Cash Flow Method as on 31-Aug-21 (INR Mn)						
WACC	12.0%					
Terminal Growth Rate (TVG)	5.0%					
Year Ending	FY22*	FY23	FY24	FY25	FY26	TV
Reveune	308.7	856.3	1,119.6	1,415.0	1,485.8	1,560.0
EBITDA	4.2	8.6	92.8	170.2	183.4	192.5
Less : Outflows						
Capital Expenditure	(34.9)	(45.9)	(41.2)	(50.6)	(44.1)	(62.7)
Incremental Working Capital	(140.8)	(73.5)	(28.6)	(33.4)	(0.1)	(22.4)
Taxation	-	-	(2.7)	(17.8)	(21.6)	(41.0)
Free Cash Flows (FCF)	(171.5)	(110.8)	20.3	68.4	117.5	66.5
Terminal Value						949.8
Present Value Factor	0.97	0.88	0.79	0.71	0.63	0.63
Present Value of Cash Flows	(165.9)	(98.0)	16.0	48.3	74.0	597.9
NPV of Explicit Period	(125.7)					
Present Value of TV	597.9					
Enterprise Value (EV)	472.3					
Other Adjustments as on Valuation Date						
Fair value of non-current Investements	8,100.5					
Debt outstanding	(514.0)					
Cash & cash equivalent	5.3					
Loans and advances to related party	555.0					
Other Net Surplus assets	62.2					
Recoverable from ESOP trust	78.4					
Equity Value	8,759.6					
Less: Illiquidity Discount @ 15%	(1,313.9)					
Adjusted Equity Value	7,445.7					
Nos. of Equity shares (in Mn)	285.8					
Value per equity share (INR)	26.1					

* For 7 months period ended March 31, 2022

Note: As represented by the management, 7,838,562 shares are outstanding towards ESOP pool and the amount to be received against the same is INR 78.4 Mn. Thus, to arrive at the valuation on fully diluted basis we have considered the same for our valuation purpose.



Annexure III - Summary of Fair Value of Investments

Name of the Entity	Nature of relationship	Method	% Holding	Currency	Equity value (in Mn)	Exchange rate	Fair Value of Holding (INR Mn)	Reference
Aequs Aerospace Private Limited (AAPL)	Subsidiary	Cost Approach - Summation method	99.9998%	INR	341.7	NA	341.7	Refer Annexure IV
AeroStructures Manufacturing India Private Limited	Subsidiary	Income Approach - DCF method	100.0%	INR	6,761.5	NA	6,761.5	Valuation Report issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a reference number SD/Oct22-75/2021
Aequs Aerospace BV	Subsidiary	Income Approach - DCF method	78.8%	EUR	5.4	86.5	370.3	
Aequs Oil & Gas LLC	Subsidiary	Cost Approach - Summation method	95.0%	USD	(0.8)	73.2	(55.8)	Refer Annexure V
Aequs Foundation	Associate	Cost Approach - Summation method	50.0%	INR	2.9	NA	1.47	Refer Annexure VI
Aequs Engineered Plastics Private Limited	Associate	Income Approach - DCF method	2.8%	INR	1,271.1	NA	35.10	Valuation report issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a reference number SD/Oct22-72/2021
Aequs Force Consumer Products Private Limited	Joint Venture	Income Approach - DCF method	7.6%	INR	1,093.0	NA	82.85	Valuation report issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a reference number SD/Oct22-77/2021
Aerostructures Assemblies India Private Limited	Subsidiary	Income Approach - DCF method	61.7%	INR	295.7	NA	182.5	Valuation report issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a Reference number SD/Oct22-74/2021
Aerospace Processing India Private Limited	Joint Venture	Income Approach - DCF method	2.0%	INR	315.9	NA	6.3	Valuation report issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a Reference number SD/Oct22-73/2021
SQuAD Forging India Private Limited	Joint Venture	Income Approach - DCF method	35.3%	INR	1,059.6	NA	374.4	Valuation report issued by BDO Valuation Advisory LLP dated, October 21, 2021 with Reference number SD/Oct21-70/2021
Total fair value of investments							8,100.5	

* Exchange rate as on February 26, 2021 (source: fbil.org.in)



Annexure IV

Valuation of Aequs Aerospace Private Limited (AAPL)

Summation Method

- We have relied on provisional financial statements of AAPL as on August 31, 2021 provided to us for purpose of current valuation exercise.
- All the assets and liabilities, except for Non-current investments, have been considered at their book values.

Based on the above, the valuation of AAPL is arrived at INR 341.7 Mn as on August 31, 2021 under Summation method.

(INR Mn)		
Particulars		Aug-21
Investments (Refer Annexure IV-A)	i	420.2
Current/Non-current Assets		
Cash		0.3
Total Current/Non-Current Assets	a	0.3
Current/Non-Current Liabilities		
Sundry Creditors		2.1
Other Liabilities - Current		4.7
Other Liabilities - Non-Current		6.8
Total Current/Non-current Liabilities	b	13.5
Net Current/Non-current Assets	ii=a-b	(13.3)
Debt		
Short Term Borrowings		65.2
Total Debt	iii	65.2
Equity Value	iv = i to iii	341.7

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Annexure IV - A - Fair value of Non-current investments in AAPL

Name of the Entity	Nature of relationship	Method	% Holding	Equity value (INR Mn)	Fair Value of Holding (INR Mn)	Reference
Aerostructures Assemblies India Private Limited	Subsidiary	Income Approach - DCF method	38.3%	295.7	113.2	Valuation report issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a Reference number SD/Oct22-74/2021
Aerospace Processing India Private Limited	Joint Venture	Income Approach - DCF method	48.0%	315.9	151.6	Valuation report issued by BDO Valuation Advisory LLP dated, October 22, 2021 with a Reference number SD/Oct22-73/2021
SQuAD Forging India Private Limited	Joint Venture	Income Approach - DCF method	14.7%	1,059.6	155.4	Valuation report issued by BDO Valuation Advisory LLP dated, October 21, 2021 with a Reference number SD/Oct21-70/2021
Total value of investments					420.2	



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Annexure V

Valuation of Aequs Oil and Gas LLC

Summation Method

- We have relied on provisional financial statements of Aequs Oil and Gas LLC as on August 31, 2021 provided to us for purpose of current valuation exercise.
- All the assets and liabilities have been considered at their book values.
- We understand that the Management plans to close the business in the near future and plans to settle all the liabilities. Hence negative value has been considered for the analysis.

Based on the above, the valuation of Aequs Oil and Gas LLC is arrived at negative USD (0.8) Mn as on August 31, 2021 under Summation method.

(USD Mn)		
Particulars		Aug-21
Current/Non-current Assets		
Debtors/Trade Receivables		0.04
Cash		0.01
Other Assets - Current		(0.10)
Total Current/Non-Current Assets	a	(0.05)
Current/Non-Current Liabilities		
Sundry Creditors		0.00
Other Liabilities - Current		(0.03)
Total Current/Non-current Liabilities	b	(0.03)
Net Current/Non-current Assets	i=a-b	(0.02)
Debt		
Long Term borrowings		0.8
Total Debt	ii	0.8
Equity Value	iii = i to ii	(0.8)
USD to INR conversion rate		73.2
Equity Value (INR Mn)		(58.7)

* Exchange rate as on August 31, 2021 (source: fbil.org.in)



Annexure VI

Valuation of Aequs Foundation

Summation Method

- We have relied on provisional financial statements of Aequs Foundation as on August 31, 2021 provided to us for purpose of current valuation exercise.
- All the assets and liabilities have been considered at their book values.

Based on the above, the valuation of Aequs Foundation is arrived at INR 0.1 Mn as on August 31, 2021 under Summation method.

(INR Mn)		
Particulars		Aug-21
Assets		
Net Fixed Assets		0.03
Total Fixed Assets	i	0.03
Current/Non-current Assets		
Cash		3.5
Other Assets - Current		0.02
Total Current/Non-Current Assets	a	3.5
Current/Non-Current Liabilities		
Other Liabilities - Current		0.6
Total Current/Non-current Liabilities	b	0.6
Net Current/Non-current Assets	ii=a-b	2.9
Equity Value	iii = i to ii	2.9

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