

Valuation Report  
of  
Equity shares of  
AV AC DC Renew Private Limited

## Table of Contents

<u>1.</u> Context and Purpose .....	3
<u>2.</u> Scope of Valuation Report.....	3
<u>3.</u> Conditions and major assumptions .....	4
<u>4.</u> Background of the Company .....	5
<u>5.</u> Valuation Date .....	5
<u>6.</u> Valuation Standards.....	5
<u>7.</u> Valuation Methodology and approach.....	5
<u>8.</u> Source of Information .....	8
<u>9.</u> Caveats.....	9
<u>10.</u> Distribution of Report.....	10
<u>11.</u> Opinion of value of .....	10

## Valuation Analysis

I refer to my Engagement Letter dated August 03, 2022, confirming my appointment as independent valuer of **AV AC DC Renew Private Limited** (AMPVOLT or the "Company"). In the following paragraphs, I have summarized my valuation analysis (the "Analysis") of the business of the Company as informed by the management and detailed herein, together with the description of the methodologies used and limitation on my scope of work.

### 1 Context and Purpose

Based on discussion with the management, I understand that the Company's promoters want to issue shares to the potential investors at fair value of the Company as on June 30, 2022 and file required documents with government authorities. In this context, the management require my assistance in determining the fair value of equity of the Company.

### 2 Scope of Valuation Report

I, Hemal Parikh, Chartered Accountant and Registered Valuer, hereby confirm my appointment as an independent valuer to the Company for the purpose of valuation of its equity shares before issuance of fresh equity shares through private placement, based on the projected financials of AMPVOLT for the nine months ended March 31, 2023, to year ended March 31, 2027, of the Company as required pursuant to the relevant provisions of the Companies Act, 2013.

While conducting the valuation of the Company, I have relied on the projected financial statements of the Company through FY 2027. My valuation analysis is dependent upon all the information given to me being complete and accurate in all material aspects. My scope of work does not enable me to accept responsibility for the accuracy and completeness of the information provided to me.

A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Company has drawn my attention to all the matters, which they are aware of, concerning the financial position of the Company and entities associated with it and any other matter, which may have an impact on my opinion, on the relative value of the Company and the entities associated with it, including any significant changes that have taken place or are likely to take place in the financial position of the Company and the shares to be issued in lieu of private placement. I have no responsibility to update this report for events and circumstances occurring after the date of this report.

The report has been prepared solely for the Company. In no event, regardless of whether consent has been provided, I shall assume any responsibility to any third party to which the work is disclosed or otherwise made available. I will not be liable or responsible if the work is used for any other purpose or shown to any third party in whose hands it may come.



### **3 Conditions and major assumptions**

#### **Conditions**

The historical financial information about the Company presented in this report is included solely for the purpose to arrive at value conclusion presented in this report and it should not be used by anyone to obtain credit or for any other unintended purpose. Because of the limited purpose as mentioned in the report, it may be incomplete and may contain departures from generally accepted accounting principles prevailing in the country. I have not audited, reviewed or compiled the financial statements and express no assurance on them.

The financial information about the Company presented in this report includes normalization adjustments made solely for the purpose to arrive at value conclusions presented in this report. Normalisation adjustments as reported are hypothetical in nature and are not intended to present restated historical financial results or forecasts of the future.

Readers of this report should be aware that a business valuation is based on future earnings potential that may or may not be materialised. Any financial projection e.g. projected balance sheet, projected statement of profit & loss, projected cash flow statements used to arrive at the financial data presented in this report are included solely to assist in the development of the value conclusion. The actual results may vary from the projections given, and the variations may be material, which may change the overall value.

This report is only to be used in its entirety, and for the purpose stated in the report. No third parties should rely on the information or data contained in this report without the advice of their lawyer, attorney or accountant.

I acknowledge that I have no present or contemplated financial interest in the Company. My fees for this valuation are based upon my normal billing rates, and not contingent upon the results or the value of the business or in any other manner.

I have, however, used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. I, by reason of performing this valuation and preparing this report, am neither required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the analyst regarding such additional engagement.

#### **Assumptions**

The opinion of value given in this report is based on information provided in part by the management of the Company and other sources as listed in the report. This information is assumed to be accurate and complete.

I have relied upon the representations contained in the public and other documents in my possession concerning the value and useful condition of all investments in securities or partnership interests, and any other assets or liabilities except as specifically stated to the contrary in this report.





I have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances, or that the owner has good title to all the assets.

I have also assumed that the business will be operated prudently and that there are no unforeseen adverse changes in the economic conditions affecting the business, the market, or the industry. This report presumes that the management of the Company will maintain the character and integrity of the Company through sale, reorganization or reduction of any owner's/manager's participation in the existing activities of the Company.

I have been informed by the management that there are no significant lawsuits or any other undisclosed contingent liabilities which may potentially affect the business, except as may be disclosed elsewhere in this report. I have assumed that no costs or expenses will be incurred in connection with such liabilities, except as explicitly stated in this report.

#### **4 Background of the Company**

AV AC DC Renew Private Limited was incorporated on October 25, 2021, with the Registrar of Companies, Ahmedabad vide Registration No. 126727 and Company Identification number U31905GJ2021PTC126727 as a private limited company having its registered office situated at 4<sup>th</sup> Floor, 404 Kanha Capital, behind B.N. Chambers, R.C. Dutt Road, Vadodara – 390 007 Gujarat, India.

AMPVOLT is engaged in business of pre sales, sales, installation and after sales services of electric vehicle charging stations.

#### **5 Valuation Date**

The Analysis of the Fair Value of the equity of the Company has been carried out as on June 30, 2022.

#### **6 Valuation Standards**

The Report has been prepared in compliance with the internationally accepted valuation standards and valuation standard adopted by ICAI Registered Valuers Organisation.

#### **7 Valuation Methodology and approach**

The standard of value used in the Analysis is "Fair Value", which is often defined as the price, in terms of cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the business were exposed for sale on the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.

Valuation of a business is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. This exercise may be carried out using various methodologies, the relative emphasis of each often varying with:

- whether the entity is listed on a stock exchange
- industry to which the Company belongs
- past track record of the business and the ease with which the growth rate in cash flows to perpetuity can be estimated





- Extent to which industry and comparable Company information is available.

The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of Valuation methodologies, certain valuation techniques have evolved over time and are commonly in vogue. These can be broadly categorised as follows:

## 1. Asset Approach

### *Net Asset Value Method ("NAV")*

The value arrived at under this approach is based on the audited financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The balance sheet values are adjusted for any contingent liabilities that are likely to materialise.

The Net Asset Value is generally used as the minimum break-up value for the transaction since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy it as a going concern.

I understand that the business of the Company is service oriented business and in initial stage of business. Accordingly, the current NAV would not be reflective of its growth potential going forward and thus would not reveal the true business value of the Company. Hence, keeping the context and purpose of the report in mind, I have not used this method in the analysis.

## 2. Market Approach

### *Comparable Company Market Multiple Method*

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

Whereas no publicly traded company provides an identical match to the operations of a given company, important information can be drawn from the way comparable enterprises are valued by public markets.

I have not used this methodology in the analysis as I understand that it is very difficult to find a listed company with similar strength, weaknesses and financial structure which the Company is having.

### *Comparable Transactions Multiple Method*

This approach is somewhat similar to the market multiples approach except that the sales and EBITDA multiples of reported transactions in the same industry in the recent past are applied to the sales and EBITDA of the business being valued.

I have not considered this methodology in the Analysis as I understand that there are no comparable Indian transactions in the sector to which the Company belongs.





### 3. Income Approach

#### *Maintainable Profit Method (Discounted Cash Flows - "DCF")*

DCF uses the future free cash flows of the Company discounted by the Company's weighted average cost of capital (the average cost of all the capital used in the business, including debt and equity), plus a risk factor measured by beta and other company specific risk premiums, including but not limited to liquidity and size discounts, to arrive at the present value.

Beta is an adjustment that uses historic stock market data to measure the sensitivity of the Company's stock returns to market indices, for example, through business cycles.

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

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

Keeping in mind the context and purpose of the report, I have used the DCF method as it captures the growth potential of the business going forward. I have used this method to calculate the fair value of equity of the Company based on the financial projections prepared by the Management of the Company.

#### *Free Cash Flows*

I have been provided with the projected financial statements of the Company for 4 years nine months ending March 31, 2027, by the Management, which I have considered for my analysis. These include projected income statement and projected balance sheet. Accordingly, the projected free cash flows to firm ("FCFF") based on these financial statements is set out below:

Amount in Rs. Lacs

Particulars	Nine months ended March 31, 2023	F.Y. 2023-24	F.Y. 2024-25	F.Y. 2025-26	F.Y. 2026-27
Profit before tax (A)	(155.19)	777.24	1,324.61	2,998.01	5,038.79
Adjustment for:					
Depreciation (B)	24.25	94.40	169.45	217.29	271.28
Taxes paid (C)	-	-	195.63	333.40	754.60
NOPLAT (A+B-C)	(130.94)	871.65	1,298.43	2,881.90	4,555.47
Add/(Less): Working capital changes	(1,853.54)	20.63	146.53	35.30	(256.20)
Capital Expenditure	(319.91)	(1,468.18)	(903.06)	(992.10)	(1,089.37)
Free Cashflow to company	(2,304.38)	(575.90)	541.90	1,925.10	3,209.90





### Terminal Value

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated by taking into account expected growth rates of the business in future, sustainable capital investments required for the business as well as the estimates growth rate of the industry and economy. Based on dynamics of the sector and discussions with the Management I have assumed a growth rate of **1.0%** from financial year ending March 31, 2027, for the Company beyond the projections periods. The free cash flows to equity have been used to determine the terminal value.

Using these cash flows and a discount rate of **18%** as weighted average cost of capital, I estimate the equity value of the Company as on June 30, 2022, of **Rs. 7,029 Lacs**. The per share value is **Rs. 6,560**.

### Discount Factor

Discount Factor considered for arriving at the present value of the free cash flows to equity of the Company is the weighted average cost of capital that includes cost of equity and cost of debt. The cost of equity is computed using the capital asset pricing model (CAPM) using the formula shown below.

$$R_e = R_f + B (R_m - R_f) + R_c$$

Where,

$R_f$  = Risk free rate;

$R_m$  = Market return;

$B$  = sensitivity of the index to the market / measure of market risk

$R_c$  = Company Specific risk premium

- Risk free return ( $R_f$ ) - yield on the 10-year G-sec par yield - 7.42%
- Market rate of return ( $R_m$ ) - 5 year average annual return on the BSE Sensex till June 30, 2022 is 13%
- Company specific risk premium ( $R_c$ ) has been assumed at 5%
- Measure of market risk( $B$ )-Beta is assumed 1
- Based on the above parameters, the cost of equity has been calculated at 18%
- As all debt is interest free unsecured loans from directors, debt is not considered for cost of capital
- Based on the above parameters, the weighted average cost of capital comes to 18%

### 8 Source of Information

The Analysis is based on a review of the business plan of the Company provided by the Management and information relating to the Electric vehicle charging sector as available in the public domain. Specifically, the sources of information include:

- Discussions with the Management
- Financial projections of the Company for four years nine months ending March 31, 2027, as provided by the Management
- Audited financial statements for the year ended March 31, 2022
- Provisional financial statements of three months ended June 30, 2022





- Yield on 10-year G-Sec from Reserve bank of India Site.
- Exchange website (www.bseindia.com)

In addition to the above, I have also obtained such other information and explanations which were considered relevant for the purpose of the analysis.

## 9 Caveats

Provision of valuation recommendations and considerations of the issues described herein are areas of my regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by me.

My review of the affairs of the Company and their books and account does not constitute an audit in accordance with Auditing Standards. I have relied on explanations and information provided by the Management of the Company and accepted the information provided to me as accurate and complete in all respects. Although, I have reviewed such data for consistency and reasonableness, I have not independently investigated or otherwise verified the data provided. Nothing has come to my attention to indicate that the information provided had material mis-statements or would not afford reasonable grounds upon which to base the report.

The report is based on the financial projections provided to me by the management of the Company and thus the responsibility for forecasts and the assumptions on which they are based is solely that of the management of the Company and I do not provide any confirmation or assurance on the achievability of these projections. It must be emphasized that profit forecasts necessarily depend upon subjective judgement. Similarly, I have relied on data from external sources. These sources are considered to be reliable and therefore, I assume no liability for the accuracy of the data. I have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.

The valuation worksheets prepared for the exercise are proprietary to me and cannot be shared. Any clarifications on the workings will be provided on request, prior to finalizing the report, as per the terms of my engagement.

The scope of my work has been limited both in terms of the areas of the business and operations which I have reviewed and the extent to which I have reviewed them.

The Valuation Analysis contained herein represents the value only on the date that is specifically stated in this report. This report is issued on the understanding that the management of the Company has drawn my attention to all matters of which they are aware, which have an impact on my Report up to the date of signature. I have no responsibility to update this report for events and circumstances occurring after the date of this report.

I have no present or planned future interest in the Company and the fee for this report is not contingent upon the values reported herein.

My valuation analysis should not be construed as investment advice; specifically, I do not express any opinion on the suitability or otherwise of entering into any transaction with the Company.



## 10 Distribution of Report

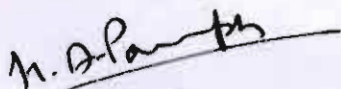
The Analysis is confidential and has been prepared exclusively for the Company. It should not be used, reproduced or circulated to any other person or for any purpose other than as mentioned above, in whole or in part, without the prior written consent of valuer. Such consent will only be given after full consideration of the circumstances at the time. However, I do understand that report will be shared with the investors/buyers of shares of the Company.

## 11 Opinion of value of Fair Value of Equity Shares

Based on the Analysis of the Business of the Company, in my assessment, the fair value of equity as at June 30, 2022 is **Rs. 7,029 lacs**. The Company has issued subscribed and paid-up capital of Rs. 10,71,700 (1,07,170 share of Rs. 10 each). **The fair value of equity share of Face Value Rs. 10 is Rs. 6,560 per share.**

I trust the above meets your requirements. Please feel free to contact me in case you require any additional information or clarifications.

Yours faithfully



(Hemal Parikh)

Registered Valuer

IBBI registration number: IBBI/RV/06/2019/11651

ICAI Membership number: 115796

UDIN: 22115796APOAWJ6237

Date: August 10, 2022