Assessment of Fair Value of Equity Shares of

Golkonda Aluminium Extrusions Limited

IBBI RV-Amandeep Kaur
Contact No-9899724769 ,8076916946

Fair Valuation Report of Golkonda Aluminium Extrusions Limited

Ms. Amandeep Kaur(IBBI Registered Valuer) has been engaged by 'Golkonda Aluminium Extrusions Limited' (Hereinafter referred to as "GAEL" or "Company") to determine the fair value of Equity shares of the Company. The sole purpose of the exercise is to arrive at a fair value of the equity shares of GAEL for the Preferential allotment, under the provision Sec 62(1)(C) of Companies Act, 2013.

This valuation of the GAEL is solely based on the financials as given to IBBI Registered Valuer, and it should be clearly understood that IBBI Registered Valuer has not carried out any due diligence whatsoever on GAEL. It is assumed that the information provided, and representations made are accurate and reliable, and fairly represent the financial position and prospects of the Company as of the Valuation Date. The validity and accuracy of this recommendation report depend upon the reliability and accuracy of basic data of GAEL provided by the management, which has been relied on without being subjected to audit or tests of verification by IBBI Registered Valuer.

It is pertinent to note that valuation, being a highly subjective exercise dependent on assumptions, is a matter of individual perception, and hence may vary from valuer to valuer. This concept is also recognized in judicial decisions.

On the basis of the Information and Financials of GAEL, at Projected level, as provided to us, the Fair value of Equity Shares/Preference share of GAEL, having registered address at House No. A-2/78-B, Keshav Puram, New Delhi - 110035 as on 31st December 2020 is Valued at INR **7.83/-** Per Share and **8/-** Round off.

IBBI Registered Valuer

Ms. Amandeep Kaur
CMA, PGDFM,PGDBM,RV(SFA),LIII,ID(IICA)
(IBBI Registration No. IBBI/RV/05/2019/12662)
UDIN: 2145069ZZWRPPT00GT

Date: 13th April 2021
Place: New Delhi

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Introduction

IBBI Registered Valuer has been engaged by 'Golkonda Aluminium Extrusions Limited' (Hereinafter referred to as "GAEL" or "Company") to determine the fair value of Equity of the Company. The sole purpose of the exercise is to arrive at a fair value of the equity shares of GAEL for the Preferential allotment, under the provision Sec 62(1)(C) of Companies Act, 2013

About the Company

Golkonda Aluminium Extrusions Limited ("*the Company*")

- GOLKONDA ALUMINIUM EXTRUSIONS LIMITED originally incorporated on 22nd August, 1988 under the name of Progressive Aluminium Limited, with an annual capacity to produce 3125 m.t. of extrusions and went into production in 1991. During the year 1993 the company was taken over by Pennar Group of Hyderabad and its name changed to Pennar Profiles Limited. Under the new management, a second extrusion press of 2875 m.t. capacity per annum was added in 1995.
- During the Year 2005, German company namely O&S Metallimport GmbH (OSM) (of Alumeco Group, Denmark) along with an industrial fund for Developing cuntries (IFU), Denmark took over the company and the Management. With its help, the Company started and went into export of extrusions in a big way and achieved two star export house status. The name of the company was changed to Alumeco India Extrusion Limited (AIEL). Thereafter, in 2015, the name of the company was further changed to GOLKONDA ALUMINIUM EXTRUSIONS LIMITED.
- In the year 2007, the capacity of the two presses was raised to 8500 m.t. per annum through debottlenecking and technology up-gradation.
- The Company was incurring operating losses for the last several years and was declared as a sick industrial company by the Board for Industrial and Financial Reconstruction (BIFR) during the year 2009-10. Further, the Company was facing various problems like liquidity crunch, labour problems, power cuts, poor order book position due to economic slowdown, credit crunch etc. and M/s Alumeco A/s (Denmark) had also taken a commercial decision to stop further supplying material on credit to the Company. Under the said situation, the production at the Company was stopped in July 2013.
- The Company entered into an Asset Purchase Agreement with Sagar Asia Private Limited for the sale of substantially the whole of assets of the Company on 26th May, 2016.

Scope Limitation

This valuation is subject to the following assumptions and limiting conditions:

- All reported facts, comments, estimates, opinions and statistical information set forth in this report have been obtained
- from sources believed to be accurate, reliable and knowledgeable. No liability is assumed for the content or accuracy of the data furnished by others, including information and representations provided by management.
- We have made no attempt to verify the accuracy, veracity, conformity and topical nature of the data gathered from such sources.
- We are not required to give testimony in court or be in attendance during any hearings or depositions, with reference to the Company being valued, unless previous arrangements have been made. However, if there are any comments from RBI, we will address it.
- We have relied on historical financial data provided by the management, as well as verbal representations made by the management regarding this data and subsequent adjustments made to this data.
- All financial statements and other data pertaining to the Company have been provided by management and accepted by us without verification, including conformity or non-conformity with generally accepted accounting principles and/or other guidelines established by recognized regulatory and other governing bodies.
- The conclusions of value assume that the current level of management expertise and effectiveness would continue to be maintained and that the character and the integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
- Because of the limited purpose of this presentation, the information may be incomplete and contain departures from generally accepted accounting principles and/or other guidelines established by recognized regulatory and other governing bodies.
- We express no opinion or other assurances on the information presented and it should not be used for any other purpose other than to assist in this valuation.
- The contents of this valuation are an opinion of value for the purposes stated. In no way should this be construed as a recommendation to buy or sell the underlying company.

Management Team

- **MR. PRADEEP KUMAR JAIN:** Director

  Qualifications: Chartered Accountant

  Expertise in specific functional areas: Providing professional services to various Indian and Foreign clients in the fields of taxation, audit and corporate law matters.

- **Mr. Hari Prakash Agrawal** -Director

  Qualifications: Chartered Accountant

  Expertise in specific functional areas: Practicing Chartered Accountant Having more than 40 Years of Experience.

- **Mr. Anand Bharti -** Director

  Qualifications: Under-Graduate

  Expertise in specific functional areas: More than 30 years of experience in Taxation and Legal Matters

- **Mrs. Shilpa Agarwal-** Independent Director

  Qualifications: MBA

  Expertise in specific functional areas: Expert in Business Management

Economic Overview

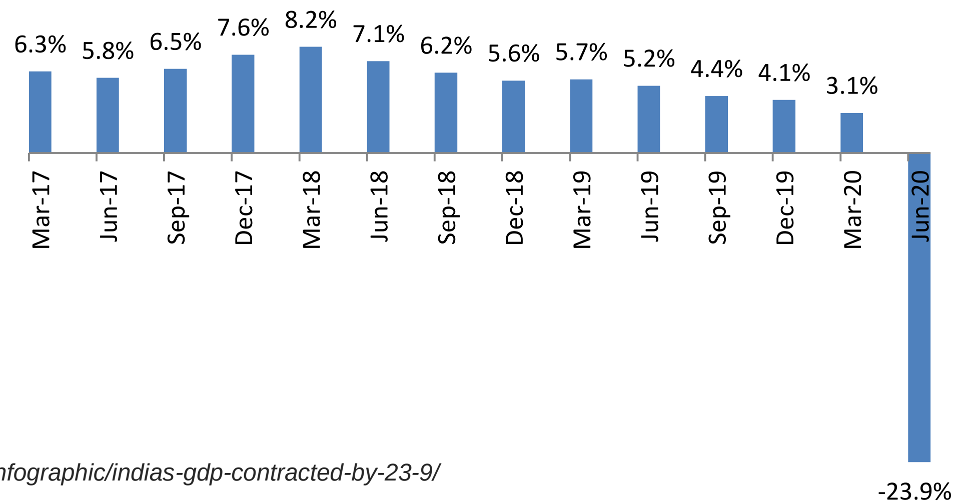
- The Indian economy is expected to contract for a second time this year due to the impact of the Covid-19 led nation-wide shutdown. GDP is expected to contract by 8.6% YoY in Q2 FY20 (July-September 2020 quarter) as per the Reserve Bank of India. This estimate is based on financial results from publicly listed non-financial companies.

- If the GDP does contract in Q2 FY20, it will mean the economy will enter a technical recession (defined as two consecutive quarter of economic contraction) for the first time in its history. The economy shrank 23.9% YoY in Q1 FY20, the first quarter when the full impact of the shutdown was observed.

- The RBI noted a resumption of economic activity with gradual normalization. It therefore expects the contraction to be short-lived. Many consumer-oriented sectors such as household electronics and two-wheeler sales are growing briskly thanks to pent-up demand. Further, GST collection and manufacturing activity have picked-up pace.

- The RBI flagged-off rising inflation and a second wave of Covid cases, as risk factors for the nascent growth sparked by various fiscal and monetary interventions by the central government and RBI.

- During September 2020, retail inflation rose to 7.34%. This was the highest level since January and above the RBI's mandate range of 2-6%.



Source: https://finshots.in/infographic/indias-gdp-contracted-by-23-9/

Fair Value

The objective of the valuation process is to make a reasonable judgment of the value of the company. The best reasonable judgment of the value can be referred as the "Fair Value".

Fair Value is defined in paragraph 5 of SFAS No. 157, Fair Value Measurements as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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There are number of methods & techniques used generally for valuation, however these methodologies fall under three basic approaches to valuation:

- **The Cost Approach**
- **The Income Approach**
- **The Market Approach**

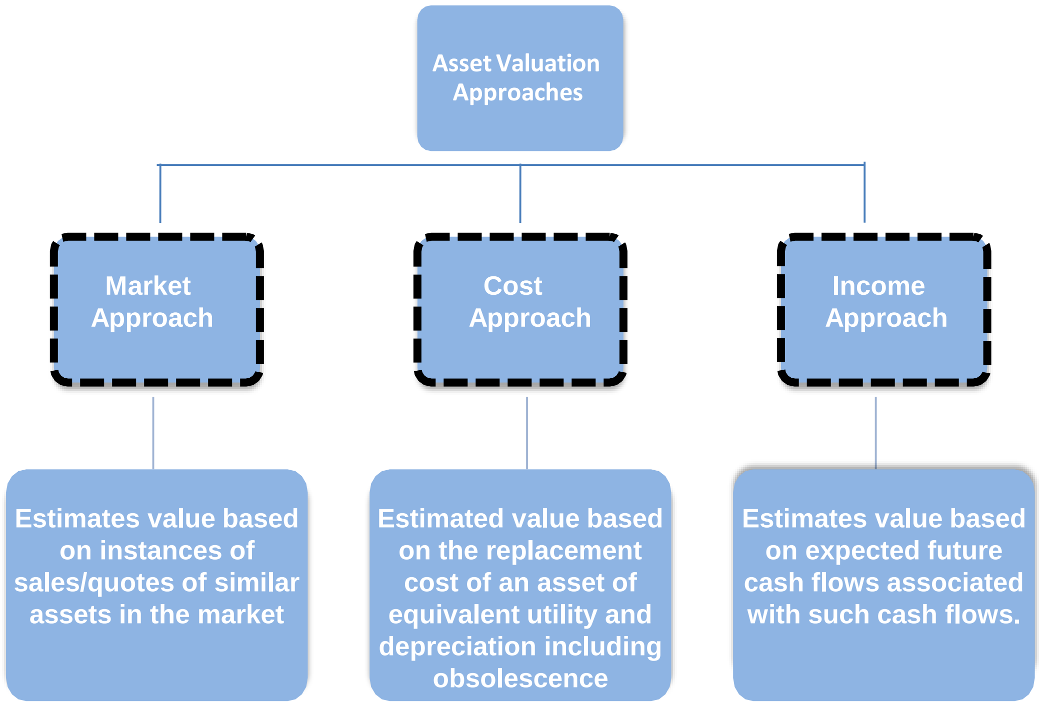
Generally used Valuation Methodologies

COST APPROACH	Replacement Value	Realizable Value	Book Value Method
INCOME APPROACH	Discounted Cash Flow Method	Profit Earnings Capacity Value	
MARKET APPROACH	Backsolve Method	Comparable Companies Multiple	Transaction Multiple

Valuation Methodology

Approach and Methodology of Valuation:

We have adopted internationally accepted valuation standards & approaches in deriving our valuation conclusions on an arm's length basis. The principal valuation approaches under International Valuation Standard-IVS 105 based on the economic principles of price equilibrium, anticipation of benefits or substitution, are as follows -



Adopted Approach and Methodology

Cost Approach

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

Book value is considered in case where there is no significant movement either side, in the actual value of assets. Since it represents only the historic cost, it is generally not prudent to value a company based on its book value. However if the assets are being capitalised recently and reserves are being created year on year, then one can not negate altogether this methodology also.

In the Net Asset Value (NAV) method, the net asset value is computed based on the latest available audited/unaudited Balance Sheet of the Company. The starting point of this method is the valuation of the total assets that the Company owns. The loan funds are deducted. Contingent liabilities, to the extent that in the opinion of management can be fairly expected to impair the net asset value of the business, are also deducted. The resultant figure represents the net worth of the business on the given day.

As confirmed by the management GAEL is currently having no revenue from operations, but having other income from interest from debt & Mutual funds.It is highly uncertain to comment on the achievability of expected milestones as of the valuation date. In our understanding, a prospective investor would evaluate investment in a company such as subject company, based on the progress made thus far in its business, and based on the amount required to replace the existing company. Accordingly, we estimated the Company’s Equity Value using the Cost Approach assigned 100% weight to this method in our analysis.

Cost Approach: NAV Method

Valuation date 31st December 2020

Particulars	Total Amt(INR)	Grand Total Amt(INR)
Property, Plants & Equipments	-	
Intangible Assets	-	
Non-Current Investments	-	
Other Non Current Assets	155,136	
Total Non Current Assets		**155,136**
Current assets, loans and advances		
Trade Receivables	-	
Current Investment	46,153,827	
Cash and bank balances	446,455	
Short Term Loans & Advances	12,000,000	
Other current assets	1,153,952	
Total Current Assets		**59,754,234**
TOTAL ASSETS------(A)		**59,909,370**
Current liabilities and provisions	250,000	
Trade Payables	114,909	
Other current Liabilities	89,604	
Total Current Assets		**454,513**
Non-Current Liabilities		
Borrowings	-	
Other Non Current Liabilities	-	-
TOTAL LIABILITIES----(B)		**454,513**
Net Asset Value----(A-B)		**59,454,857**
Add: Increase in the value of Investment in VO		**-**
Less: Redemption of Preference shares		**15,408,000**
Less: Possible Contingent Liabilities		**14,912,486**
Net Equity Value - Adjusted		**29134371**
Total Equity value		**29,134,371**
Number of Shares (Fully Diliuted Basis)		**3,719,509**
Value Per Share in Rs.		**7.83**
Value Per Share in Rs. (Round off)		**8**

Source: Management input

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Income Approach

The DCF method is considered to arrive at the fair value per share of the company. Under this method the projected free cash flows from business operations are discounted at the "Weighted Average Cost of Capital" or "WACC" which is opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company.

To derive the weighted average cost of capital (WACC) from the Cost of equity calculated using the Capital Asset Pricing Model (CAPM). CAPM Model is based on a combination of risk factors including a Risk-Free Rate, a Market Equity Risk Premium. This Discount Rate represents the total return, in terms of cash flows and appreciation in value that an investor would require in order to make an equity investment in the subject company.

As of the valuation date, it is difficult to forecast revenue from operations by the management and considering considering the risks associated with the Company. Given the speculative nature of the forecasts, we did not assign any weight to this method in our analysis.

Market Approach

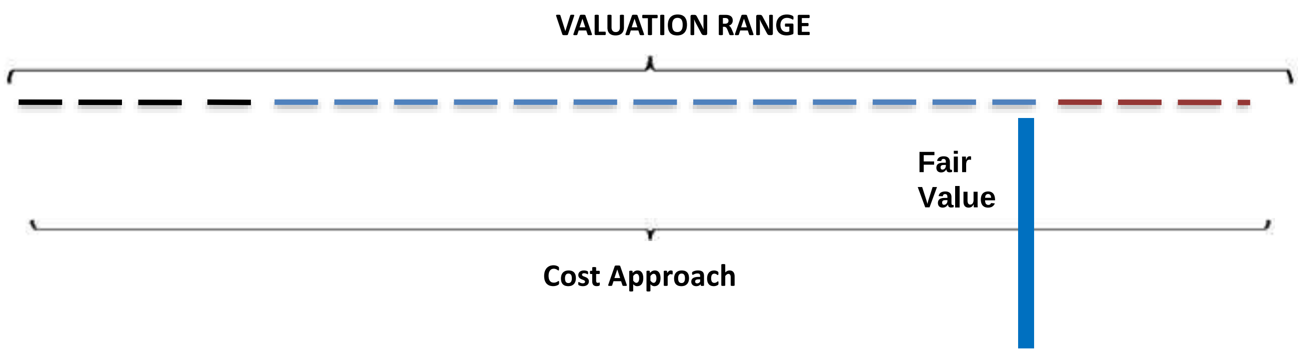
The market approach is used where the Company being valued is listed on a stock exchange or the information about the comparable companies is available which can be benchmarked to estimate the value of the Company or there are transactions of similar nature and size available which can also be benchmarked for estimating the value of the Company.

The market approach is based on the economic principle of competition (i.e., in a free market, forces of demand and supply will direct the values of businesses to a particular balance). Valuation under the market approach entails the application of appropriate market-based multiples selected from guideline public companies to parameters such as level of earnings, cash flow, revenues, invested capital or other financial factors (financial metrics) that represent the future financial performance of the subject company. This method is based on idea of determination of the price at which the company will be exchanged in the public market, and is particularly useful for valuing companies that are currently profitable and expected to continue making profits in the foreseeable future.

As of the valuation date, the risk reward profiles of the comparable companies are not comparable to the Company at this point. Therefore, we did not assign any weight to this method in our analysis.

Conclusion of Fair Value

The range if value of the Company using different methodologies was determined, the Conclusion for Fair Value is arrived as hereunder



In the ultimate analysis, valuation will have to be finalized/arrived at by the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition, yield or securities and market sentiment etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share.

It would be in the light of the aforesaid, and after taking into consideration the principles of valuation as propounded by various authorities, one would have to consider the business value of the company. The valuation cannot proceed solely on the basis of what is known as historical profits or profits of past years. The present valuation exercise would have to proceed on a going concern basis and hence has to lay emphasis on earning capacity i.e. what the company/business division is capable of earning in the future with asset value being of limited relevance and being relegated to the background.

For the valuation of Golkonda Aluminium Extrusions Limited we have considered Cost Approach,given Weights 100%

Summary

- ***Hence the above valuations are summarized in the following table:***

Particular	Amount
Total Fair Value of Equity	29,134,371
Total No of Share Outstanding	3,719,509
Value Per Share (INR per equity share)	7.83
Value Per Share (Round off)	**8**

- ***Fair Value of Equity & Pref. shares of GAEL as on 31st December 2020, assessed by the above method, comes to INR 8/- per share.***
- ***With reference to the Audited Balance sheet of 31.3.20 & discussion with the management the Amt. 1,49,12,486/- has deduct as the possible contingent Liabilities payable by the company.***
- ***As per the discussion & confirmation by the management Amt 1,54,08,000/- deducted against the redemption of Preference shares***

Sources Of Information

During the course of our analysis, we were supplied with written & verbal information which we have relied upon. The set of information/document etc, which has been furnished to us, are as under:

- *Company website*
- *Information as provided by the company.*
- *Google Finance, other online research and content*
- *We have also received necessary explanations and information, which we believed were relevant to the present valuation exercise from the executives and management of the Company.*

Disclaimer

This report has been prepared by ***Amandeep Kaur*** *(**IBBI Registered Valuer)** for arriving at the fair market value of the Equity shares of Golkonda Aluminium Extrusions Limited The sole purpose of the exercise is to arrive at a* fair value of the equity shares of GAEL for the Preferential allotment, under the provision Sec 62(1)(C) of Companies Act, 2013*. The report should not be copied or distributed to the third parties except as may be required for the prescribed legal purposes and the mandate under which the exercise has been carried out. While IBBI Registered Valuer have taken all reasonable steps to ensure that the contents of the report are accurate and in accordance with existing valuation practices, they cannot be held liable for the accuracy, suitability, completeness, currency or otherwise of the information within the report. The fair market value of equity & Preference shares of Golkonda Aluminium Extrusions Limited has been worked out on the basis of the provisional financials as on 31st December 2020 provided by the management.*

End Of the Report