

**Valuation Report for determination of Exchange Ratio for
Fair Value of Equity Shares of
Mangal Electrical Industries Private Limited & Dynamic Powertech Private
Limited**

Date of Valuation: March 31, 2023

Date of Valuation Report: June 12, 2023

Prepared by:

Registered Valuer: Neha Bhandari

IBBI Reg. No.: IBBI/RV/16/2021/14449

Office: 2, Daulat Villa, Museum Road, Jaipur

June 12, 2023

To,

**The Board of Directors,
Mangal Electrical Industries Private Limited**
C-61 (A), Road No. 1-C
V.K.I Area,
Jaipur, Rajasthan

**The Board of Directors
Dynamic Powertech Private Limited**
Plot No. PA-011-008B, Mahindra World City Jaipur Ltd
(Engineering Zone) SEZ, Ajmer Road, Kalawada
Jaipur, Rajasthan

Dear Sir,

Re: Report on Valuation of Dynamic Powertech Private Limited (Transferor Company) with Mangal Electrical Industries Private Limited ("Transferee Company")

This is with reference to the engagement letter and discussions held wherein I, Neha Bhandari- IBBI Registered Valuer (SFA) have been appointed as Independent Valuer for determining Fair Exchange Ratio of Shares for the purpose of proposed Merger/Amalgamation of the abovementioned Transferor Company with the Transferee Company. In the following paragraphs, I have summarized my Valuation Analysis (the "Analysis") of the Company and detailed herein, together with description of the methodologies used and the limitations on my scope of work.

VALUATION ANALYSIS

1. CONTEXT AND PURPOSE

Based on discussion with the Management of both the companies, I understand that the Promoters of the Companies are evaluating the proposal of Merger/Amalgamation of the Transferor Company with the Transferee Company. In this context, the Management requires Registered Valuer assistance in determining Fair Exchange Ratio of Shares. The transferor company is Dynamic Powertech Private Limited and the transferee company is Mangal Electrical Industries Private Limited.

There is a proposal before the Board of Directors of the aforesaid Companies to consider, on a going concern basis, the merger of the Transferor Company u/s 230 to 232 of the Companies Act 2013 with the Transferee Company. I understand that the appointed date for the proposed amalgamation is March 31, 2023 or such other date as approved by the Regional Director, Ministry of Corporate Affairs.

The proposed Scheme of Amalgamation provides that the Transferor Company shall stand merged with and be vested in the Transferee Company, as going concern, without any further act or instrument and pursuant to the applicable provisions of the Act, together with all the properties, assets, rights, liabilities, benefits and interest therein, as more specifically described in the Scheme. As a consideration for the proposed amalgamation, the shareholders of the Transferor Company shall be allotted equity shares of Transferee Company.

I, have been approached by the "Transferor Company" and the "Transferee Company" to carry out a relative (not absolute) valuation of the shares of the Companies and to recommend a fair and equitable ratio of exchange of Shares, that is to say the number of shares to be allotted by the "Transferee Company" to the shareholders of the "Transferor Company" on such Arrangement.

The scope of my service is to conduct a relative (not absolute) valuation of the shares of the Companies and recommending a Fair Share Exchange Ratio for the proposed amalgamation in accordance with the the ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountants of India. This report sets out the findings of my exercise. For the purpose of this report the valuation date is March 31, 2023.

For the purpose of arriving at valuation of the Companies, I have considered base as "Fair value". My 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 my valuation exercise, and consequently on this report.

Appointing Authority

As per Section 247 of The Companies Act, 2013 in absence of the Audit Committee, the Board of Directors of the respective Companies appointed Neha Bhandari (IBBI Registered Valuer-SFA) for valuation of Equity Shares on June 01, 2023.

Identity of the Valuer

Neha Bhandari is a Registered Valuer ('RV') as required under The Companies (Registered Valuers & Valuation) Rules, 2017. Neha Bhandari is registered with Insolvency & Bankruptcy Board of India vide registration number IBBI/RV/16/2021/14449.

2. CONDITIONS AND MAJOR ASSUMPTIONS

2.1 Conditions

This report is only to be used in 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 result or the value of the business or in any other manner. I have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.

I have, however, used conceptually sound and generally accepted methods, principle and procedures of valuation in determining the value estimate included in this report. The valuation analyst, by reason of performing this valuation and preparing this report, is not to be 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.

2.2 Assumptions

The opinion of value given in this report is based on information provided 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, information contained in the public domain and other document in my possession concerning the value and useful condition of all investments in securities 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 condition affecting the business, the market or the Industry.

I have been informed by 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.

3. BACKGROUND OF THE COMPANIES

- A. **Mangal Electrical Industries Private Limited (hereinafter referred to as 'MEIPL') is Transferee Company.** The company was incorporated on 01 April 2008. It is classified as Non-govt. Company and is registered at Registrar of Companies, Jaipur. The Corporate Identification Number (CIN) of the company is U31909RJ2008PTC026255. Its authorized share capital is INR 175,000,000 and its paid up capital is INR 145,000,000.

The company is a certified Power and Transmission Company offering first-rate services to clients across the globe. The company is India's Largest Magnetic Core Manufacturer and Exporter. The Company has provided exclusive transformer accessories, helping industries with an uninterrupted power supply industry and annual production capacity of 40,000 Metric tons. MEIPL is world class Cold Rolled Grain Oriented ('CRGO')/Amorphous Distribution & Power Transformer portfolio that includes transformer laminations, build core and core assembly, wound core, toroidal core, and CRGO slit coils. They have pioneered the manufacturing of Amorphous for distribution transformers and produce the finest quality Internal Circuit Breakers. The company offers services like EPC-Engineering, Procurement and Construction. We deliver complete solutions in Power, Transmission and Distribution which includes designing, manufacturing, supplying material, testing and commissioning of electric projects on a turnkey basis.

- B. **Dynamic Powertech Private Limited (hereinafter referred to as 'DPPL') is Transferor Company.** The company was incorporated on 09 April, 2009. It is classified as Non-govt Company and is registered at Registrar of Companies, Jaipur. The Corporate Identification Number (CIN) of the company is U31102RJ2009PTC028629. Its authorized share capital is Rs. 5,000,000 and its paid up capital is Rs. 5,000,000. The company is engaged in the manufacturing of electric motors, generators, transformers and CRGO lamination sheets. The company provides products and services like Transformer Laminations, Electrical Laminations, Wood Laminates, Transformer Cores, EI Lamination Core, Laminated Core etc.

4. VALUATION DATE

The Analysis of the Fair Value of the shares of the Companies has been carried out as on March 31, 2023. The valuation report is issued on June 12, 2023.

5. VALUATION STANDARDS

The Report has been prepared in accordance with the ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountants of India adopted by ICAI Registered Valuers Organization.



6. VALUATION METHODOLOGY AND APPROACH

It is universally recognised that valuation is not an exact science and that estimating values necessarily involves selecting a method and approach that is suitable for the purpose. It may be noted that The Institute of Chartered Accountants of India (ICAI) on June 10th 2018, has issued the ICAI Valuation Standards "IVS" effective for all the valuation reports issued on or after July 1, 2018. The IVS shall be mandatorily for the all the valuations done under the Companies Act 2013, and recommendatory for the valuation carried out under other statutes. I have given due cognizance to the same in carrying out the valuation exercise.

The Standard of value used in 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.

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 the exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgement of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue.

ICAI VS 103 & 301 specifies that generally, following three approaches are used for valuation of business/ business ownership interest.

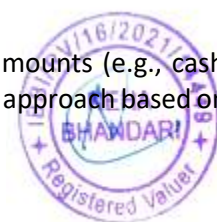
- Market Approach
- Income Approach
- Cost Approach

Each of the above approaches is discussed in the following paragraphs:

1. Income Approach:

Income Approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current (i.e. discounted or capitalized) amount. An approach based on earnings is relevant in case of companies generating a steady stream of income.

Maintainable Profit Method (Discounted Cash Flows – "DCF")



DCF uses the future free cash flows of the company discounted by the firm'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, to arrive at the present value. Beta is an adjustment that uses historic stock market data to measure the sensitivity of the company's cash flow to market indices, for example, through business cycles.

The DCF method 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.

As the shareholders of both the companies belong to closely held family group, the use of DCF method is not considered the most apt method considering the elements of subjectivity involved in it.

2. Market Approach:

Market Price Method:

This method involves determining the market price of the entity based on its traded price on the stock exchange over a reasonable period of time. In the present case, the equity shares of Companies are not listed, and, therefore this method cannot be used to arrive at the value under this 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 and profitability.

However the following practical difficulties may be faced in employing this approach:

- No or very few sufficiently comparable companies
- No or very few listed/recent transactions history in sufficiently comparable companies
- Lack of availability of the credible data about recent transaction in sufficiently comparable companies

Therefore, this approach is difficult in current valuation of equity shares of the companies since it is difficult to find credible data in public domain for companies with same product portfolio, size, capital structure and strategy. I have therefore not used this approach in valuing the Company shares.

3. Cost Approach or Asset Approach

It is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). The common methodologies for the cost approach are the Replacement Cost Method and Reproduction Cost Method. These methods involves determining the value of the asset based on the cost that would have to be incurred to recreate/ replicate the asset with substantially the same utility as that of the asset under valuation.

Net Asset Value Method ("NAV")

The value arrived at under this approach is based on the audited/provisional financial statement 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 materialize. 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.

This approach involves determining the value per share based on the adjusted value of assets and liabilities of a company as on valuation date. I have used the Cost Approach to determine the value of the Transferor & Transferee Company. For this approach, the value of the underlying assets & liabilities has been considered at their realizable/ fair values. Considering the nature of transaction, I have decided to adopt Net Asset value method in arriving at fair value of equity shares of the respective companies.

BASIS OF FAIR EXCHANGE RATIO

In order to arrive at the fair exchange ratio of the proposed amalgamation, it is required to arrive at the relative value of the equity share of the Transferor Company and the equity share of Transferee Company.

- 6.1 The basis of the fair share exchange ratio for the proposed amalgamation would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. For the purpose of recommending the fair share exchange ratio it is necessary to arrive at a final value for the equity shares of each Company. It is, however, important to note that in doing so, I am not attempting to arrive at the absolute values of the Companies, but at the relative values to facilitate the determination of the fair share exchange ratio.
- 6.2 Since the Transferor Company and the transferee company are unlisted, there is no market data available on the basis of which relative valuation of the companies can be worked out.
- 6.3 I have not carried out any investigation into the affairs of the Company, its assets and liabilities.
- 6.4 To arrive at Fair Valuation working of Swap Ratio for allotment of Equity Shares of Transferee Company to the shareholders of Transferor Company, I have applied Assets approach (Net Assets Value Method). This method indicates the value of the business by adjusting the assets against liabilities appearing in the Balance Sheet of the Companies at Fair Value.
- 6.5 I have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of the Companies. To arrive at the consensus on the fair value exchange ratio for the proposed Amalgamation, suitable minor adjustments/ rounding off have been done in the values.
- 6.6 The assets and liabilities were considered based on the audited financials as at 31 March 2023 of MEIPL and DPPL. The fair value of the companies has been considered on the basis of adjusted net asset value method. The land have been considered at DLC rates or actual cost whichever is higher. The Intangible Assets, Building , Cash, Bank balance Inventories, Long & Short term loans & advances & Debtors are considered at book value. The liabilities, provisions are considered at book value for the purpose of computing adjusted net worth of the respective companies.



7. SOURCES OF INFORMATION

7.1 I have called for and obtained such data, information, explanations, as deemed necessary for the purpose of my analysis, which have been made available to me by the Management of the respective Companies.

- Audited Financial Statements for the year ended 31 March, 2023 for the respective companies
- MCA website for details of the respective Companies.
- Draft Scheme of Amalgamation between transferor and transferee companies and their respective shareholders.
- Circle rate of immovable property
- Management Representation Letter.
- Other relevant available information.

7.2 During the discussions with the managements of the Companies, I have also obtained explanations and information considered reasonably necessary for my exercise in respect of each of the Companies. The Companies have been provided with the opportunity to review the Draft report as part of my standard practice to make sure that factual inaccuracies/ omissions are avoided in my report.

7.3 For the purpose of my assignment, I have relied on the statements, information and explanations provided to me by the management and have not verified the accuracy thereof.

7.4 Further the Management of each of the Companies has informed me that all the material information impacting the respective companies have been disclosed to me.

8. CAVEATS

8.1 My report is subject to the scope of limitations detailed hereunder. As such the report is to be read in totality and not in parts. My valuation is based on the assumption that the information furnished to me being complete and accurate in all material respects.

8.2 The information presented in my report does not reflect the outcome of any financial due diligence procedure, accounting assurance and consultancy. The reader is cautioned that the outcome of that process could change the information herein and therefore the information materially.

8.3 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.

- 8.4 No investigation of the Company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No conversation has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. My report is not, nor should it be construed, as my opinion or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implications or issues.
- 8.5 The process of valuation of shares cannot possibly be reduced to a uniform and inflexible arithmetical exercise as valuation is an art and not an exact science. Mathematical certainty is not demanded nor indeed is possible. In the ultimate analysis valuation depends on exercise of judicious discretion and judgment taking into account all relevant factors. Since there is no standard formulae separate result can be obtained by different experts for the same set of data, facts and assumption.
- 8.6 Any person intending to provide finance or purchase the business of the Company(ies) shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 8.7 I have relied on the documents, information and explanations provided to me by the Management of Companies and they are solely responsible for the same. My assessment and analysis are subject to this limitation and I do not accept any responsibility or liability for the impact of any inaccurate information, explanation and documents given to me by the management of the Companies. Similarly, I have relied on data from external sources. These sources are considered to be reliable and therefore, I assume no liability for accuracy of the data. I have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.
- 8.8 The Valuation worksheets prepared for the exercise are proprietary to the undersigned Registered Valuer 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.
- 8.9 The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation Report has 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 audited balance sheet of the Companies. My Analysis of value assumes that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain substantially intact as of the Report date.
- 8.10 I have relied on the judgement of the Management as regards contingent and other liabilities. Accordingly, my valuation does not consider the assumptions of contingent liabilities other than those given to us as likely to crystallize. If there were any omissions, inaccuracies or misrepresentations of the information provided to us, it may have the effect on my valuation computations.



- 8.11 My report is meant for the purpose mentioned herein above and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining my prior written approval for any purpose other than the purpose for which it is prepared. I will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, without my written permission in each instance. The material is true only as of the date of this report.
- 8.12 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 may 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.
- 8.13 I have no present or planned future interest in the Transferor Company and the Transferee Company and the fees for this report is not contingent upon the value 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 Transferor Company and the Transferee Company.
- 8.14 While I have provided my recommendation of the fair exchange ratio based on the information available to me and within the scope and the constraints of my engagement, others may have a different opinion as to the fair exchange ratio of the companies. The final responsibility for the determination of the fair share exchange ratio at which the Proposed Amalgamation shall take place will be with the Board of Directors with the Companies who should take into account other factors such as their own assessment of the Proposed Amalgamation and input of other advisors.
- 8.15 I owe responsibility only to the Companies in relation to the Proposed Amalgamation as per my terms of the engagement letter and nobody else. I will not be liable for any losses, claims, damages' or liabilities arising out of the actions taken, omissions of or advice or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents.

9. DISTRIBUTION OF REPORT

The Analysis is confidential and has been prepared exclusively for the Companies. 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 undersigned Registered Valuer. Such consent will only be given after full consideration of the circumstances at the time.



10. CONCLUSION

Based on the foregoing and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend following Fair Share Exchange ratio for the proposed amalgamation.

For Amalgamation of Dynamic Powertech Private Limited (Transferor Company) with Mangal Electrical Industries Private Limited ("Transferee Company")

(Refer Annexure - A)

12 (Twelve) Equity Shares of Rs 10/- each fully paid up of **Mangal Electrical Industries Private Limited (Transferee Company)** for every **1 (One)** Equity Share of Rs 10/- each fully paid up of **Dynamic Powertech Private Limited (Transferor Company)**

11. ACKNOWLEDGEMENT

I am thankful to the management and staff of the companies for their kind co-operation extended to me during the course of this assignment. I trust that the above meets your requirements. Please feel free to contact me in case you require any additional information or clarifications.

Thanking You,

Yours faithfully

Neha Bhandari



Registered Valuer: Neha Bhandari
IBBI Reg. No.: IBBI/RV/16/2021/14449
UDIN: 23407560BGVMID3604
Place: Jaipur
Date: June 12, 2023

ANNEXURE-A

Recommendation of Fair Share Exchange Ratio for the equity shares for the Proposed Amalgamation of the Transferor Company with the transferee company:

VALUATION METHOD	Dynamic Powertech Private Limited (Transferor Company)		Mangal Electrical Industries Private Limited (Transferee Company)	
	Value per Equity Share	Weight	Value per Equity Share	Weight
Asset Approach	591	100%	49	100%
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Relative Value per Share for the purpose of exchange	591		49	

Exchange Ratio for Transferor Company

12 (Twelve) Equity Shares of Rs 10/- each fully paid up of **Mangal Electrical Industries Private Limited** (Transferee Company) for every 1 (One) Equity Share of Rs 10/- each fully paid up of **Dynamic Powertech Private Limited** (Transferor Company)

