# VALUATION REPORT

on

# Fair Value of Equity Shares

## GK Energy Private Limited

**Valuation Date: 30th September 2024**

**Report Date: 27th November 2024**


Bhavesh M Rathod
Chartered Accountants, Registered Valuer – SFA
Office Add: Office No. 515, 5th Floor, Dimple Arcade, Behind Sai Dham Temple,
Thakur Complex, Kandivali East, Mumbai, Maharashtra - 400101
Registered Add: 12D, White Spring, A wing, Rivali Park Complex,
Western Express Highway, Borivali East, Mumbai 400066
Email: bhavesh@cabr.in
Mobile: +91 9769 11 34 90

# Table of Contents

## Valuation Analysis

We refer to our Engagement Letter of GK Energy Private Limited (the "Company"). In the following paragraphs, we have summarized our 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 our scope of work.

# 1 Context and Purpose

Based on discussion with the management, we understand that the Company's promoters are evaluating the possibility of **Fair Value of Equity Shares**. In the context of the proposed transaction, the management requires our assistance in determining the **Fair Value of Equity Shares** of the Company.

**Proposed Transaction:**

During the financial year 2024-25, Company is evaluating the possibility of issuing further equity shares to prospective investors. In this context, the management of **GK Energy Private Limited** (the "Management") has requested us to estimate the fair value of the Equity Shares. – "Proposed Transaction".

# 2 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. We have not audited, reviewed or compiled the financial statements and express no assurance on them.

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.

We acknowledge that we have no present or contemplated financial interest in the Company. Our fees for this valuation are based upon our normal billing rates, and not contingent upon the results or the value of the business or in any other manner. We have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.

We have, however, used conceptually sound and generally accepted methods, principles 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 require 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 by the management of the Company and other sources as listed in the report. This information is assumed to be accurate and complete.

We have relied upon the representations contained in the public and other documents in our possession and any other assets or liabilities except as specifically stated to the contrary in this report.

We 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.

We 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.

We 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. We have assumed that no costs or expenses will be incurred in connection with such liabilities, except as explicitly stated in this report.

We have been provided with, in place of details provisional financial statement, a key financials numbers as on valuation date for our analysis.

# 3 Background of the Company

The Company is engaged in the business of Design, Manufacture, Supply, Transport, Installation, Testing and Commissioning of decentralized solar systems primarily focused on Solar Photovoltaic Water Pumping Systems (SPWPS) popularly known as Solar Agricultural Pumps and other ancillary EPC Services.

**Company URL: -** https://gkenergy.in/

**Further data of the Company:**

| CIN | U74900PN2008PTC132926 |
|---|---|
| **Company Name** | GK ENERGY PRIVATE LIMITED |
| **Listed on Stock Exchange** | Unlisted |
| **Company Status** | Active |
| **ROC** | ROC Pune |
| **Registration Number** | 132926 |
| **Date of Incorporation** | 14 October 2008 |
| **Authorised Capital (Rs)** | ₹750,000,000 |
| **Paid up Capital (Rs)** | ₹12,999,900 |
| **Company Category** | Company limited by shares |
| **Company Subcategory** | Non-government company |
| **Class of Company** | Private |

**Shareholding pattern as on Valuation date is given below:**

| Particulars | No. of Shares | % Holding |
|---|---|---|
| Gopal Rajaram Kabra | 12,49,958 | 96.15% |
| **Mehul Ajit Shah** | 50,000 | 3.85% |
| Others | 32 | 0.00% |
| **Total** | **12,99,990** | **100.00%** |

*Face Value Per Share is Rs. 10/-.*

# 4 Valuation Premise

The premise of value for our analyses is going concern value as there is neither a planned or contemplated discontinuance of any line of business nor any liquidation of the Company.

# 5 Valuation Date

The Analysis of the Fair Value of Equity Shares of the **GK Energy Private Limited** has been carried out as on **30th September 2024.**

# 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 going concerns, 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 Managements' 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.

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 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. In case of early stage company and different business model the problem aggravates further.

**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.

3. Income Approach

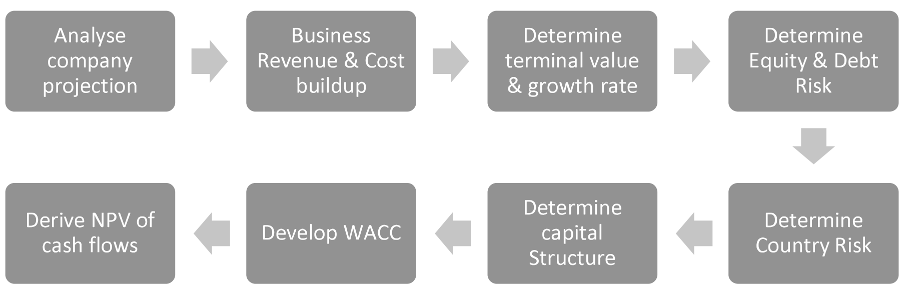
**Discounted Cash Flows - “DCF"**

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 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




Valuation Methodology

The application of any 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.

| Approach | Method | Selection | Rationale for selection |
|---|---|---|---|
| **Asset Approach** | **NAV Method** | - | The usage of the cost method is of more predominance in valuation of non-financial assets, hence not applied for the valuation of financial instrument like the one being valued. It serves as a valuation floor since most companies have a greater value as a going concern than they would if they were liquidated. Hence, cost approach has not been adopted. |
| **Income Approach** | **DCF Method** | - | The Income approach is the 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. It is not feasible for the management to estimate financial projections. Hence, income approach has not been adopted. |

| | | | |
|---|---|---|---|
| **Market Approach** | **CCM Method** | **Selected** | The CCM model typically provides a range of values for a company, derived from the valuations of its comparable peers. As this method offers a spectrum of values rather than a single point estimate, we have adopted the CCM method for a comprehensive assessment of a company's market position and its potential valuation. |

Our choice of methodology and valuation has been arrived using usual and conventional methodologies adopted for purposes of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of similar nature.

Comparable Company Method *(Refer Annexure 1).*

# 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 sector as available in the public domain. Specifically, the sources of information include:

- Provisional Financial Statements for the period ended 30th September 2024.
- Audited Financials as of FY23, FY24.
- Details of Shareholding and number of Equity Shares as on valuation date.
- Discussions with the management / representative of the Company.
- All Company specific information were sourced from the management of the Company, either in the written hard copy or digital form.
- Other information / data available in public domain.
- As informed to us, the Company is actively considering sub-division of its Equity Shares from face value of ₹10/- per share to ₹2/- per share. The sub-division shall be considered by the board of directors prior to considering the agenda for issue of equity shares.
- Further, the Company is also considering issue of Bonus Shares in the ratio of 25:1 which proposal shall also be considered by the Board prior to considering the agenda for issue of Equity Shares.
- We have been requested to give our price per share before and after the above proposals.

In addition to the above, we have also obtained such other information and explanations from the Company as were considered relevant for the purpose of the valuation. It may be mentioned that the management has been provided the opportunity to review our draft report as part of our standard practice to make sure that factual inaccuracies are avoided in our final report.

# 9 Caveats

Provision of valuation recommendations and considerations of the issues described herein are areas of our 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 us.

Our review of the affairs of the Company and their books and account does not constitute an audit in accordance with Auditing Standards. We have relied on explanations and information provided by the management of the Company and accepted the information provided to us as accurate and complete in all respects. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided. Nothing has come to our attention to indicate that the information provided had material misstatements or would not afford reasonable grounds upon which to base the Report.

The valuation worksheets prepared for the exercise are proprietary to the 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 our engagement.

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we 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 our attention to all matters of which they are aware, which have an impact on our Report up to the date of signature. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.

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

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

A draft of the report was shared with the Company, prior to finalisation of report, for confirmation of facts, key assumptions and other Company representations.

Our Report is not nor should it be construed as our opining or certifying the compliance with the provisions of any law / standards including company, foreign exchange regulatory, accounting and taxation (including transfer pricing) laws / standards or as regards any legal, accounting or taxation implications or issues.

Our Report and the opinion / valuation analysis contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities. This report does not in any manner address, opine on or recommend the prices at which the securities of the Company could or should transact.

# 10 Distribution of Report

The Analysis is confidential and has been prepared exclusively for **GK Energy Private Limited**. 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 the valuer. Such consent will only be given after full consideration of the circumstances at the time. However, we do understand that the report will be shared with the investor / buyers of the Company / submission to government authorities and regulators towards statutory compliances.

# 11 Opinion on Fair Value of Equity Shares

Based on our valuation exercise Fair Value of the Equity Shares as on 30th September 2024 is as under:

**(INR Lakhs)**

| Method | Value | Weight | Product |
|---|---|---|---|
| **CCM Method - EV / Sales** | 2,96,664.48 | 50% | 1,48,332.24 |
| | | | |
| **CCM Method - EV / EBITDA** | 2,90,111.81 | 50% | 1,45,055.91 |
| | | | |
| | **Weighted Average Value** | | **2,93,388.14** |
| | | | |
| | No. of shares | | 12,99,990 |
| | | | |
| | **Value Per Share (in INR) at current paid up capital of 12,99,990 equity shares having face value of INR 10 each, fully paid up** | | **22,568.49** |
| | **Value Per Share (in INR) after considering sub-division of shares from INR 10 face value to INR 2 face value** | | **4,513.70** |
| | **Value Per Share (in INR) after considering sub-division as well as issue of bonus shares in the ratio of 25:1** | | **173.60** |

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

Yours faithfully

Bhavesh M Rathod
Chartered Accountants
M No: 119158
Registered Valuer - Securities or Financial Assets
(Reg No: IBBI/RV/06/2019/10708)

Date: 27th November 2024
Place: Mumbai

UDIN: 24119158BKAFYA7049

# 12 Annexure 1

**Comparable Companies Method (CCM)**

**(INR Lakhs)**

| Particulars | EV / Sales | EV / EBITDA |
|---|---|---|
| **Ratios as per Listed Peers (Note 1 & Note 2)** | 5.05 | 28.89 |
| | | |
| Sales of Company (In INR Lakhs) (Sep-24 TTM) | 62,740.59 | - |
| EBITDA of Company (In INR Lakhs) (Sep-24 TTM) | - | 10,746.38 |
| | | |
| **Enterprise Value (INR Lakhs)** | **3,17,046.93** | **3,10,494.26** |
| Less: Debt (INR Lakhs) | -20,485.64 | -20,485.64 |
| Add: Cash (in INR Lakhs) | 103.19 | 103.19 |
| **Equity Value (INR Lakhs)** | **2,96,664.48** | **2,90,111.81** |
| | | |
| No. of Shares | 12,99,990 | 12,99,990 |
| | | |
| **Value per share (In INR)** | **22,820.52** | **22,316.46** |

**Note 1: -**

**EV/Sales Multiple of Listed Peer Companies**

**(INR Lakhs)**

| Company Name | EV / Sales |
|---|---|
| Australian Premium Solar (India) Ltd | 4.34 |
| Suzlon Energy Ltd | 11.24 |
| Bharat Heavy Electricals Ltd | 3.55 |
| Ahasolar Technologies Ltd | 1.36 |
| Waaree Renewables Technologies Ltd | 11.10 |
| Shakti Pumps (India) Ltd | 4.08 |
| **Average** | **5.95** |
| Listing Discount @15% | -0.89 |
| **Adjusted Average Ratio** | **5.05** |

**Note 2:**

**EV/EBITDA Multiple of Listed Peer Companies**

**(INR Lakhs)**

| Company Name | EV / EBITDA |
|---|---|
| Australian Premium Solar (India) Ltd | 40.22 |
| Waaree Energies Ltd | 42.15 |
| Bharat Heavy Electricals Ltd | 58.15 |
| ACME Solar Holdings Ltd | 20.48 |
| Sahaj Solar | 24.03 |

| | |
|---|---|
| Shakti Pumps (India) Ltd | 18.92 |
| **Average** | **33.99** |
| Listing Discount @15% | -5.10 |
| **Adjusted Average Ratio** | **28.89** |

***(This space is left blank intentionally)***