

To,  
**ION Exchange (India) Limited**  
Registered Office Address:  
Ion House, Dr. E. Moses Road,  
Mahalaxmi, Mumbai,  
Maharashtra, 400011,  
India

**Subject: FAIRNESS OPINION CERTIFICATE ON THE VALUATION REPORT ISSUED GT VALUATION ADVISORS PRIVATE LIMITED ("GTVAPL" OR "VALUER") FOR THE AMALGAMATION OF ION EXCHANGE PROJECTS AND ENGINEERING LIMITED INTO ION EXCHANGE (INDIA) LIMITED ALONG WITH SWAP RATIO**

Dear Sir/Madam,

We understand that the board of director (the "BOD") of ION Exchange (India) Limited ("IEIL" or the "Company") is considering the Amalgamation of 'ION Exchange Projects and Engineering Limited' ("IEPEL" or the "Transferor Company") into IEIL, under section 230 to 232 and other applicable provisions of Companies Act, 2013.

The BOD has appointed Choice Capital Advisors Private Limited ("CCAPL" or "we" or "us") pursuant to an Engagement Letter 1<sup>st</sup> June, 2023 to furnish a 'Fairness Opinion' on the valuation report issued by GTVAPL.

The opinion is subject to the scope, assumptions, limitations and disclaimer detailed herein.

**Scope of our review**

1. Reviewed the valuation report (attached as **Annexure 1**) issued by GTVAPL dated 14<sup>th</sup> June, 2023 and discussed the Valuation Report with the Valuer.
2. Reviewed the draft Scheme of Amalgamation document;
3. Reviewed certain publicly available business information on the Company and the transferor company;
4. Reviewed the annual report of IEPEL & IEIL for financial year ending 31<sup>st</sup> March, 2023;
5. Used certain valuation methods commonly used for the types of analysis taken into account such other matters as we deemed appropriate including our assessment of current conditions and prospects for the industry and general economic and market conditions;

**Assumption and limitation**

1. We have relied on the assessment of IEIL's management on the commercial merits of the Amalgamation, including that the Amalgamation is in the best Interests of IEIL and its shareholders as a whole;
2. We have relied without independent verification, upon the accuracy and completeness of all of the information (including, without limitation, the



Valuation Report) that was made available to us or publicly available or was discussed with or reviewed by us (Including the information set out above) and have assumed such accuracy and completeness for the purpose of providing this opinion;

3. We have not been provided with any financial forecasts, business plans or other internal financial analysis relating to IEIL or IEPEL;
4. We have had limited access to the management of IEIL and IEPEL. We have therefore not discussed with management the past and current business operations or the financial condition of IEIL or IEPEL;
5. While we have used various assumptions, judgements and estimates in our inquiry, which we consider reasonable and appropriate under the circumstances, no assurances can be given as to the accuracy of any such assumptions, judgements and estimates;
6. We have assumed that all governmental, regulatory, shareholder and other consents and approvals necessary for the Amalgamation will be obtained in a timely manner without any adverse effect on IEIL;
7. We have not made any independent evaluation or appraisal of the assets and liabilities of IEIL and IEPEL and we have not been furnished with any such evaluation or appraisal, nor have we evaluated the solvency or fair value of IEIL and IEPEL under any laws relating to the bankruptcy, insolvency or similar matters;
8. We have not undertaken independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims, or other contingent liabilities to which IEIL or IEPEL is or may be a party or is or may be subject, or of any government investigation of any possible unasserted claims or other contingent liabilities to which IEIL or IEPEL is or may be a party or is or may be subject to;
9. We have also assumed that there has been no material change in IEPEL's assets and financial condition, results of operations, business or prospects since the date of the most recent financial statements published;
10. We have not conducted any physical inspection of the properties or facilities of IEIL or IEPEL;
11. We have assumed that the Amalgamation will take place on the terms set forth in the draft scheme of Amalgamation document and that the final version of the scheme document will not change in any material respect from the final version we have reviewed for the purpose of this opinion;
12. We have assumed that management of IEIL are not aware of any facts or circumstances that would make any information necessary for us to provide this opinion inaccurate or misleading and that the management have not omitted to provide us with any information which may be relevant to the delivery of this opinion.





Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information, made available to us of, the date hereof. It should be understood that subsequent developments may affect the opinion and that we do not have any obligation to update, revise or reaffirm his opinion.

### **Other Limitations**

This opinion is addressed to and provided solely for the benefit of Board of Directors of IEIL exclusively in connection with and for the purposes of its evaluation of the fairness of the valuation method. This letter shall not confer rights or remedies upon, and may not be used or relied on for any other purpose by, any holder of securities of IEIL, any creditor of IEIL or by any person other than the Board of Directors of IEIL.

CCAPL is acting for the Board of Directors of IEIL and no one else in connection with the Amalgamation and will not be responsible to any person other than the Board of Directors of IEIL for providing this opinion. Subject to the terms of the Engagement Letter, this opinion shall not be relied upon by anyone other than the Board of Directors of IEIL without our prior written consent. Neither the existence of this opinion nor its contents may be copied in whole or in part, or discussed with any other parties, or published or made public or referred to in any way, without our prior written consent in each instance, except that this opinion may be described in and included in its entirety in the draft Scheme of Amalgamation Document. Any disclosure so made by IEIL shall be made only after consultation with the CCAPL, and CCAPL have had a reasonable opportunity to review and comment on the final draft and CCAPL's comments (If any) have been fully addressed, We take no responsibility or liability for any claims arising out of any such disclosure and we specifically disclaim any responsibility to any third party to whom this opinion may be shown or who may acquire a copy of this opinion.

This opinion shall be governed by the laws of India.

Specifically, this opinion does not address the commercial merits of the Amalgamation nor the underlying decision by IEIL to proceed with the Amalgamation nor does it constitute a recommendation to any shareholder or creditor of IEIL as to how such shareholder or creditor should vote with respect to the Amalgamation or any other matter.

The ultimate responsibility for the decision to recommend the Amalgamation rests solely with the Board of Directors of IEIL.

### **Conclusion**

Based upon, and subject to, the foregoing we are of the opinion that, as of the date hereof, the Valuation of shares of IEPEL & IEIL are fair, from a financial point of view, to the Shareholders of IEIL.



And the Swap Ratio suggested by GTVAPL under the scheme of Amalgamation is fair, i.e. 214 (Two Hundred and Fourteen) Equity Shares of IEIL of INR 1 each fully paid up for every 6,360 (Six Thousand Three Hundred and Sixty) Equity Shares of IEPEL of INR 10 each fully paid up.

Yours faithfully,  
For Choice Capital Advisors Private Limited  
(SEBI Registration No: - INM000011872)



Digitally  
signed by  
Vivek Singhi

Mr. Vivek Singhi  
Assistant Vice President  
Date: - 14<sup>th</sup> June, 2023

#### Annexure 1:

Choice Capital Advisors Private Limited  
Sunil Patodia Tower, J.B Nagar, Andheri East, Mumbai – 99  
T +91 22 67079999 F regulator\_advisors@choiceindia.com  
CIN No. U65990MH2010PTC198262  
SEBI Regn No. INM000011872  
www.choiceindia.com

Letterheads, Keeping words official.

Strictly Private and Confidential

To,

The Audit Committee/ Board of Directors  
Ion Exchange (India) Limited  
ION House,  
Dr. E. Moses Road, Mahalaxmi,  
Mumbai, Maharashtra 400 011,  
India.

GT Valuation Advisors  
Private Limited  
11th Floor, Tower II  
One International Centre,  
S B Marg Prabhadevi (W)  
Mumbai - 400013

T +91 22 6626 2600  
F +91 22 6626 2601

The Audit Committee/ Board of Directors  
Ion Exchange Projects and Engineering Limited  
ION House,  
Dr. E. Moses Road, Mahalaxmi,  
Mumbai, Maharashtra 400 011,  
India.

Date: 14 June 2023

Sub: Recommendation of Share Exchange Ratio for the amalgamation of Ion Exchange Projects and Engineering Limited into Ion Exchange (India) Limited

Dear Sir / Madam,

We refer to our engagement letter dated 6 March 2023 and the addendum letter dated 22 March 2023 whereby the Board of Directors of Ion Exchange (India) Limited ("IEIL") and Ion Exchange Projects and Engineering Limited ("IEPEL") (collectively referred to as the "Management" or "Board"), have requested GT Valuation Advisors Private Limited ("GTVAPL" or the "Firm") for a valuation report recommending the Share Exchange Ratio for the proposed amalgamation of IEPEL into IEIL (hereinafter referred to as the "Proposed Transaction"), consideration for which may be discharged by share exchange.

Pursuant to the above, GTVAPL had issued a Share Exchange Ratio report ("Report") dated 23 March 2023, recommending the equity share exchange ratio for the Proposed Transaction, considering the financial information up to 31 December 2022.

IEIL and IEPEL are together referred to as the "Specified Companies". We have been informed by the management of the Specified Companies ("Management") that the Stock Exchanges of India have advised them to arrive at the Share Exchange Ratio, based on the revised valuation after considering the Income Approach for IEIL and considering audited financials for FY23 of the Specified Companies.

Accordingly, by way of addendum to the above engagement letter dated 7 June 2023, the Management has requested GTVAPL to issue a revised Report recommending the Share Exchange Ratio for the Proposed Transaction, considering the financial information up to 31 March 2023 based on the audited financials for FY23 and other incremental information that may have impact on the valuation up to the current date.

GTVAPL has been hereafter referred to as 'Valuer' or 'we' in this Share Exchange Ratio report ('Report').

In the following paragraphs, we have summarized our valuation analysis together with the description of the methodologies used and limitations on our scope of work.





## 1. CONTEXT AND PURPOSE OF THIS REPORT

### 1.1 Background of the Companies

#### 1.1.1 Ion Exchange (India) Limited

Ion Exchange (India) Limited was incorporated in 1964 and has been focusing its operations on water treatment in India. It is one of the leading companies in water and environment management with global presence. It offers a range of solutions for Water, Wastewater Treatment, Solid Waste Management and Waste to Energy. The Company provides water treatment and environment management products under the following segments:

- Engineering segment
- Chemicals segment
- Consumer Products segment.

The equity shares of IEIL are listed on BSE and NSE.

#### 1.1.2 Ion Exchange Projects and Engineering Limited

Ion Exchange Projects and Engineering Limited was incorporated in 2011 as is a subsidiary of IEIL. It mainly provides Project Management services and design services to the parent company i.e., IEIL for its ongoing contracts.

### 1.2 Proposed Transaction

1.2.1 We understand that the Management of Specified Companies are contemplating an amalgamation of IEPEL into IEIL through a scheme of arrangement. Pursuant to the Proposed Transaction, the undertaking of IEPEL (comprising of various tangible and intangible assets) will get transferred and vested into IEIL.

1.2.2 For the aforesaid purpose, the Management of IEIL and IEPEL have appointed GTVAPL, Registered Valuer – Securities and Financial Assets, to submit a report recommending Share Exchange Ratio for issue of IEIL's equity shares to the equity shareholders of IEPEL for the Proposed Transaction as required under the relevant provisions of the Companies Act, 2013 and SEBI guidelines.

1.2.3 We would like to emphasize that certain terms of the Proposed Transaction are stated in our Report, however, the detailed terms of the Proposed Transaction would be more fully described and explained in the scheme document between the Specified Companies in relation to the Proposed Transaction. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the relevant scheme documents.

### 1.3 Scope of Work

1.3.1 We are given to understand that the Management of Specified Companies are contemplating amalgamation of IEPEL into IEIL pursuant to a Scheme of Arrangement under the provisions of Sections 230 to 232 and other applicable clauses of the Companies Act, 2013.

1.3.2 For the aforesaid purpose, the Management of Specified Companies have requested GTVAPL to submit an independent report recommending the Share Exchange Ratio for the proposed amalgamation for the consideration of the Audit Committee and/ or Board of Directors of IEIL and IEPEL. This report will be placed before the Audit Committee and the Board of IEIL and IEPEL, and to the extent mandatorily required under applicable laws of India, maybe produced before judicial, regulatory or government authorities, in connection with the Proposed Transaction.

1.3.3 The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of the Specified Companies and report on the Share Exchange Ratio for the Proposed Transaction in accordance with generally accepted professional standards.

1.3.4 For the aforesaid purpose, the valuation analysis is carried out by giving cognizance to the International Valuation Standards ("IVS") and as part of valuation process by assigning appropriate weights to the applicable internationally accepted methodologies.

1.3.5 This Report is our deliverable for the above engagement.



- 1.3.6 This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

## 2. SOURCE of INFORMATION

- 2.1. In connection with this exercise, we have used the following information received from the Management and/or gathered from public domain:
- 2.1.1. With respect to IEIL
- a) Shareholding Pattern as on 31 March 2023.
  - b) Audited Consolidated Financial Statements of IEIL for the year ended 31 March 2023
  - c) Quoted share prices and the traded volumes of the shares of IEIL.
  - d) Financial Projections from 1 April 2023 to 31 March 2028.
- 2.1.2. With respect to IEPEL
- a) Shareholding Pattern as on 31 March 2023.
  - b) Audited Financial Statements of IEPEL for the year ended 31 March 2023.
  - c) Financial Projections from 1 April 2023 to 31 March 2028.
- 2.1.3. Other Information
- a) Draft Scheme of Arrangement
  - b) International Databases such as Capital IQ, World Wide Web
  - c) Correspondence with the Management of Specified Companies including Management Representation Letter.
- 2.2. During the discussions with the Management, we have also obtained the explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise. The Management of IEIL and IEPEL has been provided with the opportunity to review the draft Report (excluding the recommended Share Exchange Ratio) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final Report.
- 2.3. The management has informed us over telephonic calls, representation letter or otherwise that:
- a) There would not be any capital variation in the Specified Companies (except changes in the capital structure outlined in the Scheme) till the proposed amalgamation becomes effective, without the approval of the shareholders and other relevant authorities.
  - b) Till the proposed amalgamation becomes effective, neither of the Specified Companies would declare any dividend which are materially different than those declared in the past few years.
  - c) There are no unusual / abnormal events in the Specified Companies other than those represented to us by the Management of respective companies till the Report Date materially impacting their operating / financial performance. Further, the Management has informed us that all material information impacting the Specified Companies has been disclosed to us.
  - d) The Management of Specified Companies has confirmed that the valuation of all the surplus or non-operating assets in the Specified Companies can be considered as per the Audited Balance Sheets as on 31 March 2023 for IEIL and IEPEL.
- 2.4. We have taken into consideration market parameters preceding the date of this Report ("Valuation Date" or "Report Date"), in our analysis and made adjustments for information made known to us by the Management till the date of this Report, which will have a bearing on the valuation analysis.
- 2.5. IEIL has declared a stock split in the ratio of 1:10 effective from 12 June 2023. We have adjusted our valuation analysis for the same while arriving at the Share Exchange Ratio as stated in this report.
- 2.6. We have relied on the above while arriving at the Share Exchange Ratio for the Proposed Transaction.



### 3. Disclosure of the Registered Valuer's Interest or Conflict, if any and other affirmative statements

- 3.1. We do not have any financial interest in the Specified Companies, nor do we have any conflict of interest in carrying out this valuation, as of the date of the engagement letter till the Report Date. We further state that we are not related to the Specified Companies / their promoters, if any or their director or their relatives.

### 4. VALUATION PROCEDURES ADOPTED

- 4.1. Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not limited to the following:

#### 4.1.1. Discussion with the Management to:

- Understand the business and various business segments of the Specified Companies.
- Enquire about the historical financial performance, current state of affairs of the Specified Companies.
- Enquire about business plans and future performance estimates.

#### 4.1.2. Undertook Industry Analysis:

- Research publicly available market data on Engineering, Chemical and Consumer Product companies engaged in the water management industry and also other project management service companies that may impact the valuation.
- Analysis of key trends and valuation multiples of comparable companies using:
  - Valuer internal transactions database
  - Proprietary databases subscribed by the Valuer
- Other publicly available information.

#### 4.1.3. Analysis of information

#### 4.1.4. Selection of appropriate internationally accepted valuation methodology / (ies) after deliberations

#### 4.1.5. Determination of relative values of the Specified Companies

#### 4.1.6. Arriving at the Share Exchange Ratio for the Proposed Transaction.

### 5. SHAREHOLDING PATTERN OF SPECIFIED COMPANIES

#### 5.1. IEIL

- 5.1.1. The issued and subscribed equity share capital of IEIL as on 31 March 2023 (net of elimination of paid-up shares held by subsidiaries) was INR 142.3 million consisting of equity shares of face value of INR 10 each. The diluted number of equity shares, including shares held by subsidiaries, considered as on the date of this Report is 1,46,666,590 (Face Value INR 1/-) (adjusted for stock-split in the ratio of 1:10), as confirmed by the Management.

- 5.1.2. The summary of equity shares outstanding on a fully diluted basis for IEIL as on the report date is presented in the table below:

Sr. No.	Shareholders	Number of Shares*
1.	Promoter & Promoter Group Companies	39,525,130
2.	Public	83,405,320
3.	Non-Promoter - Non-public (Employee Benefit Trust)	23,736,140
	<b>Total</b>	<b>1,46,666,590</b>

Source: BSE and Management

\*Adjusted for stock split in the ratio of 1:10





## 5.2. IEPEL

5.2.1. The issued and subscribed equity share capital of IEPEL as on 31 March 2023 was INR 152.2 million consisting of 15,215,200 equity shares of face value of INR 10 each.

5.2.2. The summary of equity shares outstanding on a fully diluted basis for IEPEL as on the Report Date is presented in the table below:

Sr. No.	Shareholders	Number of Shares
1.	Ion Exchange (India) Limited	15,151,594
2.	M/s. Neer Infrastructure Projects Pvt. Ltd	63,600
3.	Nominee Shareholders (6 members)	6
	<b>Total</b>	<b>15,215,200</b>

Source: Management

## 6. VALUATION APPROACH & METHODOLOGY

### 6.1. Valuation Procedure

Arriving at the Share Exchange Ratio for the Proposed Transaction would require determining the value of equity shares of IEPEL relative to the value of equity shares of IEIL. These values are to be determined independently without considering the effect of the Proposed Transaction.

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

#### 6.1.1. Data Collection and Planning:

- o Collected operational data for the historical period.
- o Held discussions with the Management pertaining to the business and the expected performance indicators during the projected period.
- o Any details needed for industry data, market share, surplus assets, assets and liabilities classified as held for sale, contingent liabilities and other data required based on further understanding.

#### 6.1.2. Data Analysis and Management Discussions:

- o Sought discussions with the Management to understand the business and fundamental factors that affect the earning-generating capability including its strengths, weaknesses, opportunity and threats analysis and historical financial performance.
- o Where needed, analyzed publicly available information whether or not provided by Management.

#### 6.1.3. Undertook Industry Analysis:

- o Research publicly available market data including economic factors and industry trends that may impact the valuation.
- o Analysis of the market to identify comparable companies.
- o Other publicly available information.



**6.1.4. Performing Valuation Analysis:**

- Selected appropriate Internationally acceptable valuation methodologies to be used based on the information received, understanding gathered through interviews with the Management, publicly available information and prior experience.
- Understood key drivers of valuation and supporting assumptions.
- Identified key assumptions and arrived at equity value of the Specified Companies in order to determine the Share Exchange Ratio for the Proposed Transaction.

**6.2. Valuation Parameters**

- **Valuation Base:** Valuation base means the indication of the type of value being used in an engagement. Different valuation bases may lead to different conclusions of value. The standard of value used in our analysis is "Fair Value" which is often understood 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 in 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.
- **Premise of Value:** A premise of value or assumed use describes the circumstances of how an asset or liability is used. We have considered the "going concern value" as Premise of Value.
- **Intended Users:** This Report is intended for consumption of the Management of the Specified Companies, its advisors supporting the Proposed Transaction as well as relevant regulatory and statutory authorities.
- **Valuation Date:** The Valuation Date considered for this engagement is 31 March 2023.
- **Valuation Standards:** The report is being prepared in accordance with the relevant International Valuation Standards, 2022 such as General Standards (IVS 101 – 105) and Asset Standard – Businesses and Business Interests (IVS 200).

**6.3. Valuation Approach & Methodology****6.3.1.** 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:

- Specific nature of the business
- 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.

**6.3.2.** The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. Certain valuation techniques have evolved over time and are commonly in vogue.**6.3.3.** It should be understood that the valuation of any business/ company or its assets/ equity shares is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. Valuation results could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions, financial and otherwise, and other factors which generally influence the valuation of companies.

- 6.3.4. 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. The choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature, regulatory guidelines, and our reasonable judgement, in an independent and bona fide manner based on our previous experience of assignments of similar nature.
- 6.3.5. The Management is contemplating amalgamation of IEPEL into IEIL in accordance with the provisions of section 230 to 232 of the Companies Act 2013.
- 6.3.6. In compliance with the Companies Act 2013, we have evaluated the following valuation methodologies as per any internationally accepted pricing methodology on arm's length basis. The valuation techniques can be broadly categorized as follows:
- Market Approach.
    - Market Price method.
    - Guideline Publicly Traded Comparable method.
  - Income Approach – Discounted Cash Flow Method.
  - Cost Approach – Net Asset Value Method.

#### 6.4. Valuation Methods

##### 6.4.1. Market Price Method

The market price of an equity share as quoted on stock exchanges is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

In the present case, IEIL is listed on the NSE and BSE in India and there are regular transactions in its equity shares with adequate volumes. For determining the value of IEIL under the market price Method, higher of; (i) the volume weighted average price observed on NSE over 10 trading days preceding the relevant date and (ii) the volume weighted average price observed on NSE over 90 trading days preceding the relevant date, has been considered. The traded turnover of the shares of IEIL on NSE is higher than that on BSE. For arriving at the value under Market Price method, we have considered the relevant date as 13 June 2023 and adjusted the same for the stock- split in the ratio of 1:10.

##### 6.4.2. Guideline Publicly Traded Comparable Method

Under this method, value of the equity shares of a company/ business undertaking is arrived at by using multiples derived from valuations of comparable companies traded on active market. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. The value arrived using the relevant multiples under this method is adjusted for cash and cash equivalents, investments, debt & debt-like items and other matters as considered appropriate.

In the present valuation analysis, we carried out research on comparable companies for IEIL, listed on Stock exchanges of India and having similar operations. The appropriately selected multiples have been applied for determining the value of IEIL under this method.

Considering that IEPEL majorly operates as a captive unit for the parent company i.e. IEIL, there are no closely comparable companies for IEPEL, hence we have not used the guideline publicly traded comparable method for valuation of IEPEL.





#### **6.4.3. Discounted Cash Flow ("DCF") Method**

Under the DCF method the projected free cash flows to the firm/ equity are discounted at the weighted average cost of capital/ equity. In general, the DCF method is a strong and widely accepted valuation tool, as it concentrates on cash generation potential of a business. 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.

Considering the above, we have used this method to estimate the value of IEPEL and IEIL, since it captures the Company's growth and cash generating potential.

We have used the DCF method to estimate the equity value of IEPEL and IEIL based on the financial projections (including profit & loss statement and the balance sheet) as provided to us by the Management of IEPEL and IEIL.

Please note that we have relied on explanations, financial projections and information provided by the Management of IEPEL and IEIL. Projections and assumptions for the projected period are only the best estimates of the management for the company's growth and sustainability of profitability margins. Although, we have reviewed the data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.

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

The value arrived at under this approach is based on the latest available audited/ unaudited/ provisional financial statements of the business and may be defined as the Shareholder's Funds or Net Asset Value of the company.

Under this method, the net assets as per the financial statements are adjusted for market value of surplus/ non-operating assets, potential and contingent liabilities, if any. The NAV is generally used as the minimum break-up value for any business 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 or invest in the business as a going concern.

Based on our discussions with the Management of Specified Companies, and analysis of the historical financial statements of the Specified Companies and projected profit and loss statements in case of IEPEL, we understand that the current NAV only reflects the historical costs and accumulated profits of the Specified Companies which do not reflect the fair value of the assets and liabilities as of the Valuation Date.

Since, the current NAV is not reflective of the Specified Companies future cash generation and performance, therefore, keeping in mind the context and purpose of the Report, we have not used this method to estimate the equity value of the Specified Companies.

### **7. BASIS OF SHARE EXCHANGE RATIO**

- 7.1. The equity share exchange ratio has been arrived at on the basis of a relative equity valuation of Specified Companies based on the various approaches / methods explained in this Report and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Specified Companies, having regard to information base, key underlying assumptions and limitations.
- 7.2. While we have provided our recommendation of the Share Exchange Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Share Exchange Ratio. The final responsibility for the determination of the exchange ratio at which the Proposed Amalgamation shall take place will be with the Board of Directors of the respective companies who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.



**8. COPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS**

- 8.1. Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. These services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.
- 8.2. The recommendation contained herein is not intended to represent value at any time other than the date of the Report.
- 8.3. This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the Valuation Date and (iii) are based on the data detailed in the section – Sources of Information. An analysis of this nature is necessarily based on the information made available to us, the prevailing stock market, financial, economic and other conditions in general and industry trends in particular, as of the Valuation Date. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.
- 8.4. The recommendation rendered in this Report only represents our recommendation based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).
- 8.5. It should be understood that the valuation of any entity or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we have relied on explanations provided by the Management and have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Specified Companies. This valuation could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions, financial and otherwise, of the companies, and other factors which generally influence the valuation of companies and their assets.
- 8.6. The recommendation of a Share Exchange Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no single undisputed Share Exchange Ratio. While we have provided our recommendation of the Share Exchange Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the recommendation of the Share Exchange Ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the Specified Companies who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.
- 8.7. In the course of the valuation, we were provided with both written and verbal information, including information as detailed in the section - Sources of Information. In accordance with the terms of our engagement, we have assumed and relied upon, (i) the accuracy of the information that was publicly available and formed a basis for this Report and (ii) the accuracy of information made available to us by the Management. As per our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited or otherwise investigated the historical/projected financial information provided to us. Although, we have made the necessary enquiries regarding key assumptions considered in the business model in the context of the Specified companies, their industry or their economy and reviewed such data for consistency and reasonableness, we have not independently investigated the data provided by the Management. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Management, we have been given to understand by Management that they have not omitted any relevant and material factors. Our conclusions are based on the assumptions and information given by/on behalf of the Specified Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Also, we assume no responsibility for financial/technical information furnished by Management.





- 8.8. Accordingly, we assume no responsibility for any errors in the information furnished by the Management or obtained from public domain and their impact on the Report. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report.
- 8.9. We have relied on data from external sources. These sources, although considered to be reliable, are external and hence, we assume no liability for the accuracy of the data. We have assumed that the business continues normally without any disruptions due to statutory or other external/ internal occurrences.
- 8.10. The Management has represented that the business activities have been carried out in the normal and ordinary course between 31 March 2023 and the Report Date for the Specified Companies and that no material adverse change has occurred in their respective operations and financial position between the respective aforementioned dates.
- 8.11. The Report assumes that the Specified Companies, their subsidiaries, associates and JVs comply fully with relevant laws and regulations applicable in all their areas of operations unless otherwise stated, and that all the companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of regulatory nature, tax nature (including domestic and international tax etc.) and 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/unaudited balance sheet of the Specified Companies, their subsidiaries and JVs. Our conclusion of value assumes that the assets and liabilities of the Specified Companies, their subsidiaries, associates and JVs, reflected in their respective latest balance sheets remain intact as of the Report Date.
- 8.12. This Report does not look into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Transaction as compared with any other alternative business transaction or other alternatives or whether such alternatives could be achieved or are available.
- 8.13. No investigation / inspection of the Specified Companies' claim to title of assets has been made for the purpose of this Report and the Specified Companies' claim to such rights has been assumed to be valid. No consideration 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.
- 8.14. The fee for the engagement is not contingent upon the results reported.
- 8.15. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other advisor to the Specified Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Specified Companies, their directors, employees or agents.
- 8.16. We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion on the Share Exchange Ratio. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.
- 8.17. This Report is subject to the laws of India.
- 8.18. Our appointment was formalized via engagement letter dated 6 March 2023, however, the work had started earlier based on verbal confirmation. Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation. Sufficient time and information were provided to us to carry out the valuation.
- 8.19. Neither this Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, without our prior written consent except for disclosures to be made to relevant regulatory authorities including stock exchanges, SEBI and National Company Law Tribunal or as required under applicable law.





- 8.20. This Report does not in any manner address the prices at which equity shares of IEIL will trade following announcement / approval of the Proposed Transaction and we express no opinion or recommendation as to how the shareholders of IEIL should vote at the shareholders' meeting(s) to be held in connection with the Proposed Transaction.
- 8.21. This Report and the information contained in it is absolutely confidential and intended only for the sole use and information of the Board of IEIL and IEPEL and only in connection with the Proposed Transaction. Without limiting the foregoing, we understand that IEIL and IEPEL may be required to share this Report with regulatory or judicial authorities in connection with the Proposed Transaction. We hereby give consent to such disclosure of this Report, on the basis that the Valuer owes responsibility only to IEIL and IEPEL that has engaged us, under the terms of the engagement, and no other person; and that, to the fullest extent permitted by law, the Valuer accepts no responsibility or liability to any other party, in connection with this Report. It is clarified that reference to this Report in any document and / or filing with any recipient, in connection with the Proposed Transaction, shall not be deemed to be an acceptance by the Valuer of any responsibility or liability to any person / party other than IEIL and IEPEL.
- 8.22. Our report can be used by IEIL and IEPEL only for the purpose, as indicated in this report, for which we have been appointed. The results of our valuation analysis and our report cannot be used or relied by IEIL or IEPEL for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person / party for any decision of such person / party based on this report. Any person / party intending to provide finance / invest in the shares / business of the Specified Companies / their holding companies / subsidiaries / associates / investee companies / other group companies, if any, 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. If any person / party (other than IEIL and IEPEL) chooses to place reliance upon any matters included in the report, they shall do so at their own risk and without recourse to the Valuer.
- 8.23. Any discrepancies in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.


## 9. CONCLUSION

- 9.1. Based on the foregoing, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, for the amalgamation of IEPEL into IEIL, we recommend the following Share Exchange Ratio:

214 (Two Hundred and Fourteen) Equity Shares of IEIL of INR 1 each fully paid up for every 6,360 (Six Thousand Three Hundred and Sixty) Equity Shares of IEPEL of INR 10 each fully paid up.

Respectfully submitted,

For GT Valuation Advisors Private Limited  
Registered Valuer Entity – Securities and Financial Assets  
IBBI Registration Number: IBBI/RV-E/05/2020/134

  
Director  
Darshana Kadakia



Register Valuer – Securities and Financial Assets  
IBBI Registration Number: IBBI/RV/05/2022/14711

Date: 14 June 2023

**Annexure 1**

The Computation of Share Exchange Ratio for the proposed amalgamation of IEPEL into IEIL as derived by us, is given below:

Valuation Approach	IEPEL (A)		IEIL (B)	
	Weights	Value per Share (INR)	Weights	Value per Share (INR)
Market Approach				
Market Price Method	NA	NA	25%	416.7
Comparable Companies Multiple Method	NA	NA	25%	366.9
Income Approach- DCF Method	100%	14.0	50%	442.1
<b>Concluded Value Per share</b>		<b>14.0</b>		<b>417.0</b>
<b>Equity Share Exchange Ratio (A/B)</b>	<b>0.034</b>			

\*NA= Not Applicable/Not Adopted

1. The Cost approach is not used as in the present case, both the Companies' i.e., IEIL and IEPEL, are going concerns and hence an actual realization of their operating assets is not contemplated.
2. Market Price Method is applicable for IEIL since the equity shares of IEIL are listed on the stock exchanges.
3. Comparable Companies Multiple Method is adopted for IEIL based on comparable Indian listed companies.
4. Income approach is adopted as we have been provided with financial forecast for the business of IEPEL and IEIL from the Management, and this methodology captures the future cash flows.

Share Exchange Ratio
214 (Two Hundred and Fourteen) Equity Shares of IEIL of INR 1 each fully paid up for every 6,360 (Six Thousand Three Hundred and Sixty) Equity Shares of IEPEL of INR 10 each fully paid up.

