

**PROMAX POWER  
LIMITED**

**VALUATION**

# PROMAX POWER LIMITED

## Valuation

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# KALPESH MAHENDRA ABHANI

Registered Valuer (Securities or Financial Assets)

The Directors,

**Promax Power Limited**

House no. 1575, Ground Floor,

Sector 38-B,

Chandigarh – 160014

14th February 2023

Dear Sirs,

**Re: Report on valuation of equity shares of Promax Power Limited**

I am pleased to inform you that I have completed the valuation assignment for Promax Power Limited, in accordance with our engagement letter dated 10th February 2023. My report on the valuation assignment is enclosed herewith.

I sincerely thank you for the opportunity to work on this assignment and for the faith and confidence reposed in me.

If you need any further clarifications, do not hesitate to contact me.

With compliments,

Yours faithfully,



**Kalpesh Mahendra Abhani**

Registered Valuer – Securities or Financial Assets

IBBI Registration no.: IBB/RV/07/2022/14544

UDIN: 23150738BGYAFI3587

Place: Mumbai

Date: 14.02.2023

Encl.: As stated above.

## A. BACKGROUND TO THE ASSIGNMENT

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### A-1 INTRODUCTION

- Promax Power Limited ("PPL" or "Company") is a limited company incorporated on 21st August 2017 under the provisions of the Companies Act, 2013. The company is engaged in providing engineering, procurement, construction, project management and commissioning services on a turnkey basis to the Power Sector.
- The directors of Promax Power Limited desire to assess the value of the equity shares of the company for the purpose of making a preferential issue of equity shares of the company in accordance with the provisions of the Companies Act, 2013 and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. In this regard, they wish to appoint a Registered Valuer to undertake the valuation of the equity shares of the company as at 6th February 2023.

### A-2 APPROACH

I was appointed by PPL directors vide engagement letter dated 10th February 2023 to value the equity shares of PPL as at 6th February 2023 ("valuation date" or "relevant date") on a going concern basis.

The valuation would attempt to simulate the interaction of a willing buyer and a willing seller entering into an arm's length transaction after having taken account of all the pertinent facts as at 6th February 2023.

The approach, work done, limitations, confidentiality and methodology for the valuation exercise is in accordance with our engagement letter dated 10th February 2023.

### A-3 SOURCES OF INFORMATION

For the purpose of this valuation, I have referred to and relied on the following sources:

- Audited financial statements for the year ended 31st March 2022
- Memorandum of Association and Articles of Association of the company
- Price, volume and value information pertaining to the company, available on BSE website (<https://www.bseindia.com/>)

Also, I have held discussions with the company's management.



## B. CONCEPT OF VALUE AND VALUATION METHODOLOGY

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### B-1 CONCEPT OF VALUE

- Value is a measure of performance and hence a subjective concept, dependent upon the circumstances in which the valuation is required. The value of a share is the price at which an exchange between a willing buyer and willing seller can take place, on arm's length basis, each having access to all pertinent information, as at the valuation date, and neither being forced to buy or to sell.

### B-2 VALUATION APPROACHES

The three main approaches generally adopted for business valuation are:

- Asset approach
- Market approach
- Income approach

#### Asset approach

Under this approach, the value is derived by arriving at the net assets (assets (–) liabilities) of the company. The book value of the assets and liabilities is adjusted to reflect their fair market values.

This method is used in case of:

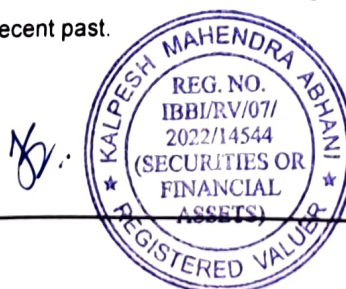
- companies that are being liquidated
- companies holding majorly financial assets like banks, holding companies etc.

This method also sets a floor value of the business based on the amount that would be realized upon sale of a company's assets and satisfaction of its liabilities.

#### Market approach

This method uses prices and other relevant information generated by market transactions involving the asset under consideration or a comparable asset. If the asset under consideration has been traded in the recent past, then that traded price forms the basis of valuation. If not, then the value is computed using multiples derived from the value of similar assets that were traded in the recent past. The multiples could be derived by dividing the price of the comparable assets by any factor such as their book value, earnings, revenues etc., to derive the price to book value, price to earnings or price to revenue of the comparable assets. This multiple is then adjusted considering the characteristics of the asset being valued and then it is used to derive its value.

This method is used when either the asset under consideration has exchanged hands in the recent past, or where comparable business with similar business model, geography, size etc. is available and has exchanged hands in the recent past.



### Income approach

Under this approach, cash flows expected to be derived from an asset in the future are discounted to arrive at the present value of the asset. The discount rate used is commensurate with the risk of the asset being valued. The relevant cash flows for an equity investor can be either dividends or free cash flows.

This method is used in case of:

- companies for which comparable price multiples are difficult to obtain
- new companies with no historical financial results or companies with historical results that do not capture the anticipated growth of the business
- companies with significant intangible assets (such as innovative business proposition, brand value, customer base etc.) whose value is not reflected in the company's balance sheet and can be captured only based on future cash flows

The most commonly used methods under the income approach are discounted cash flow method, dividend discount method, and capitalized earnings method.

## **B-3 RELEVANT EXTRACTS OF COMPANIES ACT, 2013 AND SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018**

Relevant extracts of the Companies Act, 2013:

### **62. Further issue of share capital**

(1) Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered—

(c) to any persons, if it is authorised by a special resolution, whether or not those persons include the persons referred to in clause (a) or clause (b), either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed.

Relevant extracts of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 pertaining to preferential issue:

### **Pricing of frequently traded shares**

**164. (1)** If the equity shares of the issuer have been listed on a recognised stock exchange for a period of 90 trading days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- a. the 90 trading days' volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or
- b. the 10 trading days' volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.





Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue.

**164. (5)** For the purpose of this Chapter, “frequently traded shares” means the shares of the issuer, in which the traded turnover on any recognised stock exchange during the 240 trading days preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer.

Provided that where the share capital of a particular class of shares of the issuer is not identical throughout such period, the weighted average number of total shares of such class of the issuer shall represent the total number of shares.

**166A. (1)** Any preferential issue, which may result in a change in control or allotment of more than five per cent of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price.

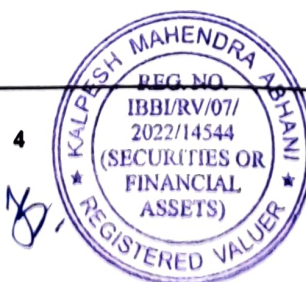
Provided that the floor price, in such cases, shall be higher of the floor price determined under sub-regulation (1), (2) or (4) of regulation 164, as the case may be, or the price determined under the valuation report from the independent registered valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable.

Provided further that if any proposed preferential issue is likely to result in a change in control of the issuer, the valuation report from the registered valuer shall also cover guidance on control premium, which shall be computed over and above the price determined in terms of the first proviso.

## **B-4 VALUATION METHODOLOGY USED**

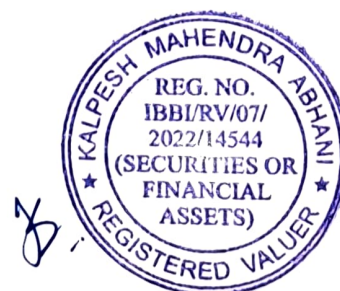
Based on the review of the company's Articles of Association (“AOA”) and discussions with the company's management, the AOA does not contain any provision for determination of price in case of preferential issue of shares. Also, as per the management, the proposed preferential issue will not result in a change in control or allotment of more than five per cent of the post issue fully diluted share capital of the company.

Further, the company's shares are frequently traded in accordance with Regulation 164(5) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. Hence, in the present case, the value of the company's shares has been derived using the methodology prescribed in Regulation 164(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.



## C. VALUATION

Date	90 trading days		10 trading days	
	No. of shares traded	Total turnover (Rs.)	No. of shares traded	Total turnover (Rs.)
01-Feb-23	5,000	1,35,000	5,000	1,35,000
23-Jan-23	15,000	4,85,250	15,000	4,85,250
19-Jan-23	15,000	5,14,500	15,000	5,14,500
16-Jan-23	5,000	1,97,500	5,000	1,97,500
06-Jan-23	5,000	1,65,000	5,000	1,65,000
30-Dec-22	10,000	3,52,750	10,000	3,52,750
29-Dec-22	5,000	1,82,500	5,000	1,82,500
28-Dec-22	25,000	9,69,000	25,000	9,69,000
26-Dec-22	5,000	1,97,500	5,000	1,97,500
23-Dec-22	20,000	6,54,000	20,000	6,54,000
22-Dec-22	5,000	1,89,250		
21-Dec-22	5,000	1,88,750		
19-Dec-22	30,000	10,15,750		
16-Dec-22	15,000	5,64,000		
13-Dec-22	5,000	2,35,000		
09-Dec-22	20,000	8,46,500		
08-Dec-22	5,000	2,24,000		
07-Dec-22	40,000	14,89,250		
29-Nov-22	5,000	1,75,000		
28-Nov-22	15,000	4,78,500		
24-Nov-22	5,000	1,45,000		
23-Nov-22	25,000	7,73,250		
22-Nov-22	5,000	1,70,000		
21-Nov-22	5,000	1,60,750		
15-Nov-22	35,000	12,34,000		
11-Nov-22	15,000	5,11,750		
09-Nov-22	30,000	11,56,500		
07-Nov-22	15,000	6,46,250		
04-Nov-22	75,000	29,81,500		
03-Nov-22	55,000	18,14,250		
02-Nov-22	30,000	8,96,750		
01-Nov-22	15,000	3,94,750		
31-Oct-22	25,000	6,76,000		
28-Oct-22	15,000	4,21,250		
20-Oct-22	35,000	9,38,000		
18-Oct-22	5,000	1,38,000		
17-Oct-22	5,000	1,26,500		
14-Oct-22	45,000	10,28,500		
13-Oct-22	5,000	1,19,750		
07-Oct-22	10,000	2,35,500		
06-Oct-22	10,000	2,33,750		
30-Sep-22	35,000	8,45,500		
29-Sep-22	90,000	20,37,500		
28-Sep-22	25,000	6,34,500		
27-Sep-22	10,000	2,66,250		
23-Sep-22	20,000	5,18,500		
22-Sep-22	5,000	1,33,000		
21-Sep-22	35,000	8,91,750		
20-Sep-22	5,000	1,37,250		
16-Sep-22	5,000	1,30,000		
15-Sep-22	20,000	5,36,250		





<u>Date</u>	<u>90 trading days</u>		<u>10 trading days</u>	
	<u>No. of shares traded</u>	<u>Total turnover (Rs.)</u>	<u>No. of shares traded</u>	<u>Total turnover (Rs.)</u>
14-Sep-22	15,000	4,03,750		
13-Sep-22	10,000	2,79,000		
12-Sep-22	20,000	5,30,000		
09-Sep-22	15,000	4,23,000		
08-Sep-22	5,000	1,40,000		
07-Sep-22	45,000	12,21,000		
02-Sep-22	10,000	2,50,000		
01-Sep-22	10,000	2,50,000		
30-Aug-22	5,000	1,21,500		
26-Aug-22	40,000	9,67,500		
25-Aug-22	35,000	8,07,000		
24-Aug-22	15,000	3,70,250		
23-Aug-22	40,000	9,31,000		
22-Aug-22	40,000	9,23,500		
19-Aug-22	30,000	7,34,500		
18-Aug-22	15,000	3,16,500		
17-Aug-22	5,000	88,250		
12-Aug-22	15,000	3,27,000		
11-Aug-22	10,000	1,81,250		
10-Aug-22	5,000	87,500		
08-Aug-22	10,000	1,95,000		
05-Aug-22	5,000	81,250		
04-Aug-22	10,000	1,93,500		
28-Jul-22	15,000	3,09,750		
27-Jul-22	10,000	2,08,000		
14-Jul-22	5,000	1,15,500		
11-Jul-22	5,000	1,05,250		
01-Jul-22	15,000	3,36,250		
27-Jun-22	20,000	4,88,500		
24-Jun-22	5,000	1,17,000		
21-Jun-22	5,000	1,13,000		
20-Jun-22	5,000	1,03,000		
17-Jun-22	15,000	3,36,250		
15-Jun-22	15,000	3,39,500		
14-Jun-22	5,000	1,05,000		
13-Jun-22	15,000	3,27,000		
10-Jun-22	20,000	4,09,000		
08-Jun-22	10,000	2,19,500		
07-Jun-22	5,000	1,04,750		
	15,50,000	4,37,51,000	1,10,000	38,53,000
	(A)	(B)	(C)	(D)

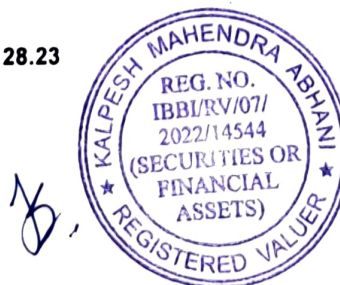
Volume weighted average price (VWAP):

90 trading days' VWAP (B/A)

28.23

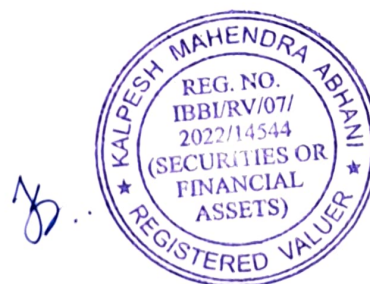
10 trading days' VWAP (D/C)

35.03

Source: <https://www.bseindia.com/>

**Based on the methodology prescribed in Regulation 164(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as mentioned in para B-3 above, the fair value of the shares for the purpose of making preferential allotment is Rs.35.03, which is the higher of the 2 values derived in the above table.**

Note: Since the company's shares were not traded on certain days during the immediate 90 and 10 days period preceding the relevant date, I have considered the volume and turnover of the 90 and 10 days immediately preceding the relevant date on which the shares were traded.



## **D. LIMITATION AND CONFIDENTIALITY**

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Valuation 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 indisputable single value. While I have provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of my engagement, others may place a different value to the same.

This assignment does not constitute an audit or due diligence, and therefore, I have not expressed any opinion on the financial statements of PPL or its internal controls, or existence of frauds/misappropriations, or on any of the financial information contained in my report. My report on the valuation covers only the matters that come to my attention during the course of my work and does not necessarily cover all risks, problems, and compliance with local laws.

I have not established the reliability and completeness of the information provided to me. It is the responsibility of the company's management to ensure the integrity of such information. The fact that I rely on such information in arriving at my assessment of value cannot be taken as an expression of opinion on that information, and I cannot be responsible for the impact on my valuation of any inaccuracies arising therefrom. A financial/accounting due diligence is required to validate the financial information considered for valuation, which is not within the scope of my assignment.

I and my staff assume no liability under contract or tort or statute or otherwise in any event on account of any direct, indirect or consequential loss or damage or liability (including consequential, special, incidental, punitive loss, damage or expense, and lost profits, opportunity costs, etc.) suffered by shareholders/directors/management of Promax Power Limited, or any of their subsidiaries, associated and related companies or any other party, arising from or relating to services rendered under this engagement (regardless of form of action). This provision shall survive the completion or termination of this engagement for any reason.

My report shall be for the use of the addressee and for the above stated specific purpose and for submission to the regulatory authorities. The report should be kept strictly confidential and should not be used in any proposal or in connection with the sale of securities or interest to the general public, without my prior written consent. Potential investors/third parties should carry out their own assessment/due diligence/valuation of the company and obtain their own financial advice, and I shall not have any liability/responsibility whatsoever to such potential investors/third parties.

I hereby declare that I have no past, present or planned pecuniary interest in the company, and the opinion expressed in this report is free from any bias or conflict of interest. Further, I assume no responsibility to update this report for events or circumstances occurring after the date of this report.

