

CS ABHISHEK CHHAJED

(IBBI Registered Valuer)

134-1-2 Nilkanthnagar, Gordhanwadi Tekra , Kankaria,

Ahmedabad City , Ahmadabad , Gujarat - 380001

E-mail – csabhishekchhajed1@gmail.com Contact number - +91 94088 12129

To,
Board of Directors
Kotyark Industries Limited
A-3, 2nd Floor, Shree Ganesh Nagar Housing
Society Ramakaka Temple Road,
Chhani Vadodara Guajrat 391740 India

To,
Board of Directors
Yamuna Bio Energy Private Limited
A – 3 Shree Ganesh Nagar Chhani
Vadodara Guajrat 390002 India

Dear Sir,

Sub: Confirmation Letter on Recommendation of Fair Exchange Ratio for Proposed Amalgamation of Yamuna Bio Energy Private Limited (YBEPL) with Kotyark Industries Limited (KIL) in connection with Scheme of Amalgamation under Sections 230-232 Of the Company Act, 2013 and Other Applicable Provisions.

This has reference to our Valuation Report dated 10.08.2022 ("**Report**").

In terms of SEBI Master Circular dated 23.11.2021, we have calculated the allotment price of the equity shares of Kotyark Industries Limited (KIL) in terms of Chapter V of Securities and Exchange Board of India (Issue of Capital of Disclosures) Regulations, 2018 ("SEBI ICDR Regulations") considering 10.08.2022, the date of proposed board meeting in which the scheme is to be approved as the relevant date.

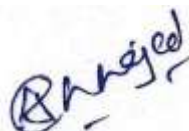
As per the said calculation the price of equity shares of KIL is determined to be INR 399.71 per share (Please Refer the **Annexure-I, II and III**), which is not less than the following;

- i) the 90 trading days volume weighted average price of the related equity shares quoted on the recognized stock exchange preceding the relevant date; or
- ii) the 10 trading days volume weighted average prices of the related equity shares quoted on a recognized 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.

The certificate is addressed to and provided to the Board of Directors of KIL solely for the purpose to enable comply with requirement of Regulation 37 of the SEBI (LODR) Regulations, 2015, and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

Yours faithfully,



CS ABHISHEK CHHAJED
RV Registration No – IBBI/RV/03/2020/13674
Registered Valuer (IBBI)

Date: August 10, 2022

Place: Ahmedabad

Encl: Annexure I, II and III



CS ABHISHEK CHHAJED**(IBBI Registered Valuer)****134-1-2 Nilkanthnagar, Gordhanwadi Tekra , Kankaria,****Ahmedabad City , Ahmadabad , Gujarat - 380001****E-mail – csabhishekchhajed1@gmail.com Contact number - +91 94088 12129****ANNEXURE - I****STATEMENT OF COMPUTATION OF PRICE OF EQUITY SHARE OF KIL AS ON AUGUST 10, 2022**

The equity shares of KIL are frequently traded in terms of the definition of 'Frequently Traded Shares' provided in Sub-Regulation 5 of Regulation 164 of SEBI ICDR Regulations and hence, the pricing of shares in terms of Regulation 164 of SEBI ICDR Regulations is applicable in the instant case. Accordingly, we have determined the issue price of the equity shares of KIL as prescribed under Regulation 164 of SEBI ICDR Regulations, 2018 as below:

Date of Board Meeting /Relevant Date: August 10, 2022**➤ Market Price Method [90 Trading Days (TD) -10 Trading Days (TD)] Preceding the Relevant Date;**

Particulars	Details
Total value of the Shareholders trading of 90 TD (A)	537,329,100
Total No of Shares traded in 90 TD (B)	1594000
90 TD VWAP (C=A/B)	337.09
Total value of the Shareholders trading of 10 TD (D)	204,015,880
Total No of Shares traded in 10 TD (E)	572,400
10 TD VWAP (F=D/E)	356.42
Maximum of C or F	356.42

VWAP= Volume weighted Average Price

90 TD Working

Sr. No.	Date	Value	No of Shares Traded
1	08-Aug-22	111536640	227200
2	05-Aug-22	13482440	32800
3	04-Aug-22	2740400	8000
4	03-Aug-22	1993280	6400
5	02-Aug-22	62287060	253200
6	01-Aug-22	8671120	33200
7	29-Jul-22	560860	2000
8	28-Jul-22	909240	3200
9	27-Jul-22	570600	2000
10	26-Jul-22	1264240	4400
11	25-Jul-22	1136100	4000
12	22-Jul-22	704560	2400
13	21-Jul-22	1414880	4800
14	20-Jul-22	17956000	61200
15	19-Jul-22	4283180	14400
16	18-Jul-22	1958440	7200
17	15-Jul-22	1619960	6400
18	14-Jul-22	1424660	5600
19	13-Jul-22	1488220	5600
20	12-Jul-22	1050080	4000
21	11-Jul-22	1809520	6800



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Sr. No.	Date	Value	No of Shares Traded
22	08-Jul-22	437600	1600
23	07-Jul-22	1405740	5200
24	06-Jul-22	1958200	7200
25	05-Jul-22	445640	1600
26	04-Jul-22	444800	1600
27	01-Jul-22	1430260	5200
28	30-Jun-22	1237620	4400
29	29-Jun-22	928000	3200
30	28-Jun-22	1245980	4400
31	27-Jun-22	1406760	4800
32	24-Jun-22	1894560	6400
33	23-Jun-22	1671660	5600
34	22-Jun-22	1441180	4800
35	21-Jun-22	2778340	9600
36	20-Jun-22	4202560	14800
37	17-Jun-22	1130500	3600
38	16-Jun-22	6620180	20000
39	15-Jun-22	21173040	65600
40	14-Jun-22	5487400	18800
41	13-Jun-22	6624160	24400
42	10-Jun-22	3240580	11200
43	09-Jun-22	3906480	14000
44	08-Jun-22	471960	1600
45	07-Jun-22	4274740	14400
46	06-Jun-22	834580	2800
47	03-Jun-22	3908440	12800
48	02-Jun-22	2714320	8800
49	01-Jun-22	1023260	3200
50	31-May-22	1281420	4000
51	30-May-22	1688420	5200
52	27-May-22	1756420	5200
53	26-May-22	1060820	3200
54	25-May-22	7410160	22000
55	24-May-22	7547720	21600
56	23-May-22	5296720	14800
57	20-May-22	6678260	18000
58	19-May-22	20840240	58800



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Sr. No.	Date	Value	No of Shares Traded
59	18-May-22	2975720	8800
60	17-May-22	386460	1200
61	16-May-22	368100	1200
62	13-May-22	467440	1600
63	12-May-22	556500	2000
64	11-May-22	10812760	41600
65	10-May-22	6699640	25200
66	09-May-22	1454340	5200
67	06-May-22	1614160	5600
68	05-May-22	1743640	6000
69	04-May-22	1806520	6000
70	02-May-22	1768840	5600
71	29-Apr-22	642800	2000
72	28-Apr-22	2391480	7200
73	27-Apr-22	4030480	12400
74	26-Apr-22	2480380	7600
75	25-Apr-22	2939920	8800
76	22-Apr-22	2031960	6000
77	21-Apr-22	3961060	11600
78	20-Apr-22	5449660	16000
79	19-Apr-22	8222020	23600
80	18-Apr-22	4774040	12800
81	13-Apr-22	3106600	8000
82	12-Apr-22	8352460	21200
83	11-Apr-22	3313500	8400
84	08-Apr-22	11603920	29200
85	07-Apr-22	14482420	39600
86	06-Apr-22	7145200	19200
87	05-Apr-22	23374420	61200
88	04-Apr-22	6925700	18400
89	01-Apr-22	5560900	15600
90	31-Mar-22	9125860	26000
Total		537,329,100	1594000

10 TD Working

Sr. No.	Date	Value	No of Shares Traded
1	08-Aug-22	111536640	227200
2	05-Aug-22	13482440	32800



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Sr. No.	Date	Value	No of Shares Traded
3	04-Aug-22	2740400	8000
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6	01-Aug-22	8671120	33200
7	29-Jul-22	560860	2000
8	28-Jul-22	909240	3200
9	27-Jul-22	570600	2000
10	26-Jul-22	1264240	4400
Total		204015880	572400



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The fair value of shares of the Transferee Company under this method has been arrived as follows:

In the present case, valuation under DCF method is based on Audited Financial Statement for the years ended March 31, 2022, 2021 and 2020 and management certified projections for FY 2022-23 to FY 2025-26. The projection certified from FY 2022-23 to FY 2025-26 are considered as explicit period in this valuation analysis.

For the explicit period, free cash flows from the business have been arrived at as follows:

- Profits after tax as per the projections have been considered.
- Depreciation & amortization on fixed assets and Finance cost net of taxes have been added to the Net profits after tax.
- Capital expenditure, change in working capital requirement is adjusted from above cash flow to arrive at free cash flow to shareholders.
- The cash flows of each year are then discounted at WACC. WACC is considered as one of the most appropriate discount rate in the DCF Method.
- Cost of Equity is worked out using the following formula:
 - Risk Free Return in India + (Beta x Equity Risk Premium) + Company Specific Risk
 - The risk free rate of return is taken at 6.84% *being 10 years Government of India bond yield from as at March 31, 2022 (<https://countryeconomy.com/bonds/india>).*
 - Industry Beta is taken at 0.26 (based on trading data of KIL and Nifty 50)
 - Market Risk Premium (Rp) i.e. $R_p = (R_m - R_f)$. The equity risk premium is considered at 9.12% (*Source: Excess of BSE Sensex CAGR since April 1, 1979 till March 31, 2022 over risk free rate of return*).
 - Company Specific Risk is taken at 5.00% based following matrix.

Particulars	Figures
Compounded Annual Growth Rate (CAGR) of last 3 years revenue	82%
Estimated revenue growth for horizon period	31%
Historical average profit of last 3 years	2.92%
Projected average profitability of horizon period	7.09%
Fixed cost to Sale ratio	4.92%
Return on assets of Firm	24%
GDP Growth rate of country	7.50%
Top 10 Customer's % revenue of total revenue	87.66%

Factor	Calculation	Indicative Weight	Risk Factor Rating (Based on Matrix)	Company Specific Risk premium
Revenue Growth (Deviation of historic and expected revenue)	-52%	10%	1	0.10
Operational Risks (Fixed Cost to Sales ratio)	5%	10%	1	0.10



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Factor	Calculation	Indicative Weight	Risk Factor Rating (Based on Matrix)	Company Specific Risk premium
Profitability (Deviation of historic and expected profit)	4%	10%	1	0.10
Economic Risk (Firm ROA/GDP growth)	3.18	30%	3	0.90
Customer Concentration	88%	40%	9	3.60
Company Risk Premium (Rounded Off)		100%		5.00

Based on above workings and information obtained from management of the company, COE is calculated at 14.21%.

Post tax Cost of Debt: 7.48% (Considering Pre-tax cost of Debt of 10.00% p.a. as provided by management of KIL).

Debt Equity 0.06:0.94 (average during FY 2021-22 and explicit period) is used to calculate WACC.

Based on above working WACC is calculated at 13.78%.

- Mid-Year Discounting Convention is used to discount cash flows for the explicit period assuming all the cash flows are accrued and realised by company in the middle of year (**Annexure IB**).
- Based on dynamics of the sector and discussions with the Management, I have assumed a terminal growth rate of 3% beyond the projection period. The cash flows of FY 2025-26 have been used to determine the terminal value. Based on these assumptions and as per Gordon constant growth formula mentioned in point 9-B of this report, the terminal value has been calculated at Rs. 47,468.24 Lakhs at the end of explicit period. Terminal Value discounting factor is calculated based on discounting factor of FY 2025-26.
- The discounted perpetuity value is added to the discounted free cash flows for the explicit period to arrive at the enterprise value/ value to firm post money.
- Cash and Cash equivalent balance as at March 31, 2022 is added, Long Term Debt/loan liability and contingent liability as at March 31, 2022, if any, are reduced from Enterprise value to calculate Value available to Shareholders post money.
- Since equity shares of KIL are listed and traded on emerge plat form of NSE, DLOM is not applied in calculation of income Approach.
- Value available to Shareholders post money after DOLM is reduced by expected amount of investment to be received to arrive at Pre money valuation.
- The value so arrived is divided by the Total number of Equity Shares on fully diluted basis as at March 31, 2022.



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(Amount in Rs. Lakhs)**

Years	Cash Flow	WACC	Present Value Factor	Discounted Cash Flow
2022-23	335.38	13.78%	0.9375	314.42
2023-24	1,523.96	13.78%	0.8237	1,255.26
2024-25	2,742.12	13.78%	0.7239	1,985.13
2025-26	5,116.09	13.78%	0.6363	3,255.23
Terminal Value of Cash Flow	47,468.24	13.78%	0.6363	30,202.76
Total Value of Firm				37,012.79
Contingent Liability as at March 31, 2022				12.50
Long Term Debt as at March 31, 2022				365.33
Cash and Cash Equivalent Balance as at March 31, 2022				57.26
Total Value of Equity shareholders before DLOM/ Post Money Valuation				36,692.22
DLOM				0.00
Total Value of Equity shareholders after DLOM/ Post Money Valuation				36,692.22
Expected amount of investment				0.00
Pre Money-Valuation				36,692.22
Outstanding number of Equity Shares (in Lakhs)				82.75
Fair Value per equity share in Rs. (Rounded Off)				443.00

Assumptions

Tax Rate	As per Income tax
Discount Rate	13.78%
Perpetual growth rate	3.00%

WACC

Particulars	%	Weights	WACC
Risk Free Return (Rf)	6.84%	0.94	13.29%
Market Risk Premium (Rp)	9.12%		
Beta (β)	0.26		
Company Specific Risk	5.00%		
Cost of Equity= (Rf+(Rp* β))+ Company Specific Risk	14.21%	0.06	0.48%
Post tax Cost of Debt	7.48%		
WACC			13.78%

FREE CASH FLOW TO FIRM (AMOUNT IN RS. LAKHS)

Year	2022-23	2023-24	2024-25	2025-26
Profit after Tax	1,616.70	2,454.50	3,203.40	5,255.86
Depreciation	65.70	56.48	48.63	41.92
Finance Cost (Net of Taxes)	34.84	29.71	25.42	22.25



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Year	2022-23	2023-24	2024-25	2025-26
Capex	0.00	0.00	0.00	0.00
Changes in working Capital requirement	-1,381.86	-1,016.74	-535.33	-203.94
Free cash flow to Firm	335.38	1,523.96	2,742.12	5,116.09
Terminal Value of Cash Flow				47,468.24



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ANNEXURE III

COMPUTATION OF FAIR VALUE OF EQUITY SHARES OF KIL

(Value in Rs. except for equity share exchange ratio)

Valuation Approach	Kotyark Industries Limited	
	Value	Weights
Market Approach	356.42	1
Cost Approach	NA	NA
Income Approach	443.00	1
Weighted Total	799.42	2
Weighted Average Total	399.71	

