

Fair Share Swap Ratio  
in relation to the  
'Proposed Scheme of Arrangement'

August 2022

Ref. No.: SD/Aug19-46/2022

August 19, 2022

To,

The Board of Directors  
Gorani Industries Limited  
Plot No. 32-33, Sector F,  
Sanwer Road, Industrial Area,  
Indore - 452 015.

The Board of Directors  
Blow Hot Kitchen Appliances Private Limited  
Industrial Estate Pologround,  
Indore - 452 015.

Dear Sir(s)/ Madam(s),

**Sub: Fair Share Swap Ratio in relation to the Proposed Scheme of Arrangement**

We, BDO Valuation Advisory LLP ('BDO Val' or 'We' or 'Us'), have been appointed vide letter dated June 10, 2022 to recommend the fair share swap ratio for proposed merger of Blow Hot Kitchen Appliances Private Limited ("BHKAPL" or "Transferor Company") into Gorani Industries Limited ("GIL" or "Transferee Company" or "the Client"), on a going concern basis, as per the Proposed Scheme of Arrangement pursuant to provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ('Proposed Scheme').

We are pleased to present herewith our report on the same.

The cut-off date for the present valuation exercise has been considered as at June 30, 2022 and the market factors have been considered till August 18, 2022. The attached report details the valuation methodologies, calculations and conclusions with respect to this valuation.

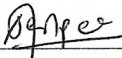
We believe that our analysis must be considered as a whole. Selected portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

This letter should be read in conjunction with the attached report.

Regards,

For BDO Valuation Advisory LLP

IBBI No.: IBBI/RV-E/02/2019/103



Swanand Kishor Deshpande  
Partner

IBBI No.: IBBI/RV/05/2019/11148





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## 1. Brief Background of the Companies

### Gorani Industries Limited (“GIL” or “Transferee Company” or “the Client”)

- 1.1. Gorani Industries Limited (CIN: L28121MP1995PLC009170) is a public limited company domiciled in India. It was incorporated on March 14, 1995, under the provisions of the Companies Act, 1956 and is primarily engaged in business of production and sales of kitchen and home appliances.
- 1.2. GIL’s main products are LPG stoves, steel frames, gas geyser, rangehood chimney, etc.
- 1.3. The equity shares of GIL are listed on the Bombay Stock Exchange.
- 1.4. The issued, subscribed and fully paid-up share capital of GIL as on July 31, 2022 is INR 53.6 Mn comprising 5,362,600 fully paid-up equity shares of face value of INR 10 each.
- 1.5. The shareholding pattern of GIL as July 31, 2022 is as below:

Shareholder Category	No. of Shares	% holding
Promoter & Promoter Group	3,338,562	62.3%
Public	2,024,038	37.7%
<b>Total</b>	<b>5,362,600</b>	<b>100.0%</b>

Source: [www.bseindia.com](http://www.bseindia.com)

- 1.6. We have been informed by the management and representatives of the Client that there has been no change in the above shareholding pattern of GIL till the date of issuance of this report.

### Blow Hot Kitchen Appliances Private Limited (“BHKAPL” or “Transferor Company”)

- 1.7. BHKAPL was incorporated on March 2, 1963, under the provisions of the Companies Act, 1956. BHKAPL is engaged in the business of sale and trading of chimney, gas stove, hobs, OTG, electric geyser, gas geyser, range hood, gas stove, gas water heater, electric water heater, food guard & components, etc., and manufacturing of induction cooker and infrared cooker.
- 1.8. The products of BHKAPL are sold under their owned brand name ‘Blowhot’. BHKAPL carries out its business through a network of dealers, distributors and showrooms all over central, south and north India.
- 1.9. The issued, subscribed and fully paid-up share capital of BHKAPL as on July 31, 2022 is INR 2.5 Mn comprising 25,000 fully paid-up equity shares of face value of INR 100 each.
- 1.10. The shareholding pattern of BHKAPL as July 31, 2022 is as below:

Shareholder’s Name	No. of Shares	% holding
Promoter Group	25,000	100.0%
<b>Total</b>	<b>25,000</b>	<b>100.0%</b>

- 1.11. We have been informed by the management and representatives of the Client that there has been no change in the above shareholding pattern of BHKAPL till the date of issuance of this report.
- 1.12. Hereinafter, BHKAPL and GIL are collectively referred to as “the Companies”.



## 2. Purpose of Valuation

2.1. We understand that following is the Proposed Scheme:

- BHKAPL and GIL along with their respective shareholders are contemplating the proposed amalgamation/merger of BHKAPL into GIL, on a going concern basis.
- Under Proposed Scheme, as consideration for the proposed merger of BHKAPL to GIL, the shareholders of BHKAPL will be issued equity shares of face value INR 10.0 each and 0.001% Optionally Convertible Redeemable Preference Shares (“OCRPS”) with face value INR 10.0 each of GIL. We have been informed by the Client that each OCRPS is convertible into equity shares of GIL in the ratio of 1:1 at the option of the OCRPS holders.

2.2. Companies under the Proposed Scheme and their respective shareholders will comply with the provisions of section 230 to 232 and other relevant provisions of the Companies Act, 2013, along with the applicable provisions of Securities and Exchange Board of India (“SEBI”).

2.3. In this regard, we have been appointed to undertake the valuation to recommend the fair share swap ratio for the proposed merger of BHKAPL into GIL.



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### 3. Terms of Engagement

#### Context and Purpose

- 3.1. BDO Val has been appointed to determine the fair share swap ratio for the Proposed Scheme as mentioned in para 2 of this report ("Report"). This valuation exercise and this valuation report are solely for the purpose mentioned in the Report.

#### Restricted Audience

- 3.2. This Report and the information contained herein are absolutely confidential and are intended for the use of the Client only for submitting to the statutory authorities for compliance under section sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and applicable provisions and circular issued by Securities and Exchange Board of India ('SEBI') applicable to the Proposed Scheme. The results of our valuation analysis and our Report cannot be used or relied by the Companies for any other purpose or by any other party for any purpose whatsoever.
- 3.3. This Report will be placed before the Board of Directors of the Companies and intended only for their sole use and information only. To the extent mandatorily required under applicable laws of India, this Report maybe produced before judicial, regulatory or government authorities, in connection with the Proposed Scheme. We are not responsible to any other person or party, for any decision of such person or party based on this Report. Any person or party intending to provide finance/ invest in the shares/ business of the Companies or their holding companies, subsidiaries, associates, joint ventures 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 the Client) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to BDO Val.
- 3.4. It is hereby notified that usage, reproduction, distribution, circulation, copying or otherwise quoting of this Report or any part thereof, except for the purpose as set out earlier in this Report, without our prior written consent, is not permitted, unless there is a statutory or a regulatory requirement to do so.
- 3.5. Without limiting the foregoing, we understand that the Client may be required to share this Report with regulatory or judicial authorities including stock exchanges, SEBI, Regional Director, Registrar of Companies, National Company Law Tribunal, professional advisors of the Client including merchant banker providing fairness opinion on the fair share swap ratio, in connection with the Proposed Scheme ('Permitted Recipients'). We hereby give consent to such disclosure of this Report, on the basis that we owe responsibility only to the Client that has engaged us, under the terms of the engagement, and no other person; and that, to the fullest extent permitted by law, we accept 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 Permitted Recipients, in connection with the Proposed Scheme, shall not be deemed to be an acceptance by us of any responsibility or liability to any person/ party other than the Client.



#### 4. Caveats, Limitations and Disclaimers

- 4.1. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 4.2. This Report, its contents, and the analysis herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement, (ii) the Report date and (iii) based on the data detailed in the section - Sources of Information. The management of the Companies have represented that the business activities of the Companies have been carried out in the normal and ordinary course till the Report date and that no material changes are expected in their respective operations and financial position to occur upto the Report date.
- 4.3. We were provided with relevant information and time to make our opinion for this valuation exercise. However, our opinion may change if any material information is not disclosed / hidden from us during our valuation exercise.
- 4.4. The scope of the assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Accordingly, we express no audit opinion or any other form of assurance on this information on behalf of the Companies. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence or legal title search of the assets or liabilities of the Companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.
- 4.5. Further, this valuation Report is based on the extant regulatory environment and the financial, economic, monetary and business/market conditions, and the information made available to us or used by us up to the date hereof, which are dynamic in nature and may change in future, thereby impacting the valuation of the Companies. Subsequent developments in the aforementioned conditions may affect this Report and the assumptions made in preparing this Report and we shall not be obliged to update, review or reaffirm this Report if the information provided to us changes. Further 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.
- 4.6. We have no present or planned future interest in the Companies or any of their group entities.
- 4.7. The recommendation contained herein is not intended to represent value at any time other than the Valuation Date.
- 4.8. This Report is subject to the laws of India.
- 4.9. The fee for this engagement is not contingent upon the outcome of the Report.
- 4.10. In rendering this Report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.



- 4.11. This Report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our Report.
- 4.12. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our Report.
- 4.13. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- 4.14. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 4.15. We have arrived at a relative value based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.
- 4.16. Our scope is limited to recommendation of fair share swap ratio. The Report should not be construed as, our opinion or certifying the compliance of the Proposed Scheme with the provisions of any law including the Companies Act 2013, Foreign Exchange Management Act, 1999, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from Proposed Scheme.
- 4.17. The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operation unless otherwise stated and that the Companies will be managed in competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of legal nature, including issues of legal title and compliance with local laws, litigation and other contingent liabilities that are not recorded in the financial statements of the Companies.
- 4.18. This Report does not look into the business/commercial reasons behind the Proposed Scheme nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Scheme as compared with any other alternative business transaction or any other alternatives, whether or not such alternatives could be achieved or are available. The assessment of commercial and investment merits in the Companies is sole responsibility of the investors of the Companies and we don't express opinion on the suitability or otherwise of entering into any financial or other transactions with the Companies.





- 4.19. Valuation and determination of a fair share swap ratio is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different opinion.
- 4.20. In light of the emergence and spread of the Covid-19, there is uncertainty which could persist for some time. As a result, our work may not have identified, or reliably quantified the impact of all such uncertainties and implications. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations taking into consideration the economic, social and market patterns existing at that point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material. Although we have read, analyzed and discussed the Companies' management business plan for the purpose of undertaking a valuation analysis, we have not recommended on the achievability and reasonableness of the assumptions provided to us save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of the assignment. We have assessed and evaluated the reasonableness of the projections based on procedures such as analyzing industry data, historical performance of comparable companies, etc.
- 4.21. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report.
- 4.22. We owe responsibility to only the Board of Directors of the Client and nobody else. 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 party to the 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 Companies, their directors, employees or agents. In the particular circumstances of this case, our liability, if any (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, howsoever the loss or damage caused, shall be limited to the amount of fees actually received by us from the Client as laid out in the engagement letter, for such valuation work.
- 4.23. 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. 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.

- 4.24. This Report does not in any manner address the prices at which equity shares of GIL will trade following the announcement and/or implementation of the Proposed Scheme and we express no opinion or recommendation as to how the shareholders of the Companies should vote at the shareholders' meeting(s) to be held in connection with the Proposed Scheme.
- 4.25. The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Companies (or its representatives) and other sources and the said recommendation(s) 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).
- 4.26. The Companies have been provided with the opportunity to review the draft Report (excluding the recommended fair share swap ratio) as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final Report.

## 5. Sources of Information

- 5.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management representatives of the Companies:
- Audited financial statements of the Companies for FY18 to FY22;
  - Unaudited limited reviewed financials of GIL for three months period ended June 30, 2022;
  - Provisional Profit and Loss account statement of BHKAPL for three months period ended June 30, 2022;
  - Provisional Balance Sheet of BHKAPL as at June 30, 2022;
  - Projected financial statements of the Companies for the period from July 1, 2022 to March 31, 2027;
  - Income Tax Return (ITR) of the Companies for Assessment Year 2021-22;
  - Draft Proposed Scheme of Arrangement; and
  - Management Representation Letter addressed to BDO Val;
  - Relevant data and information provided to us by the management and representatives of the Companies / the Client either in written or oral form or in form of soft copy and information available in public domain.

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## 6. Procedures Adopted

- 6.1. In connection with this exercise, we have adopted the following procedures to carry out the valuation:
- Requested and received financial information;
  - Obtained data available in public domain;
  - Undertook high level industry analysis and research based on publicly available market data;
  - Discussions (over call/emails/conferences) with the management to understand the business and fundamental factors that could affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance;
  - Selection of valuation methodology(ies) as per internationally accepted valuation methodologies;
  - Determined the fair share swap ratio based on the selected methodology.
- 6.2. For the purpose of arriving at the valuation of the Companies we have considered the valuation base as 'Fair Value' and the premise of value is 'Going Concern Value'. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this report.

## 7. Major factors that were considered during the valuation

- 7.1. The equity shares of GIL are listed;
- 7.2. Key operating / financial parameters of the Companies;
- 7.3. Financial Projections of the Companies provided to us;
- 7.4. Discussion with the management of the Companies on future business aspects.

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## 8. Valuation Approaches & Methodologies

- 8.1. It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the companies/businesses, and other factors which generally influence the valuation of the companies, its businesses and assets.
- 8.2. The application of any particular 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. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, analysis of businesses, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.
- 8.3. It may be noted that BDO Valuation Advisory LLP is enrolled with IOV Registered Valuers Foundation, which has recommended to follow International Valuation Standards ("IVS") for undertaking valuation and accordingly we have considered the International Valuation Standards issued by International Valuation Standards Council ('IVSC') in carrying out the valuation exercise.
- 8.4. The Report Date is the valuation date ('Valuation Date'). For valuation exercise, market parameters have been considered up to and including August 18, 2022.
- 8.5. There are three generally accepted approaches to valuation:
  - (a) "Cost" Approach
  - (b) "Income" Approach
  - (c) "Market" Approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

### Cost Approach

#### Summation Method

The summation method, also referred to as the underlying asset method, is typically used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings.



### Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

### Discounted Cash Flow Method

Under the Discounted Cash Flow ('DCF') method, the value of the undertaking is based on expected 'cash flows for future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of the undertaking is determined as the present value of its future free cash flows.

Free cash flows are discounted for the explicit forecast period and the perpetuity value thereafter. Free cash flows represent the cash available for distribution to both, the owners and creditors of the business.

Discount rate is the Weighted Average Cost of Capital ('WACC'), based on an optimal vis-à-vis actual capital structure. It is appropriate rate of discount to calculate the present value of future cash flows as it considers equity-debt risk and also debt-equity ratio of the firm.

The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth (for perpetuity) in the cash flows over the last year of the forecast period.

The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations.

The Business/Enterprise Value so derived, is further reduced by value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of business. The surplus assets / non-operating assets are also adjusted.

In case of free cash flows to equity, the cash available for distribution to owners of the business is discounted at the Cost of Equity and the value so arrived is the Equity Value before surplus/ non-operating assets. The surplus assets / non-operating assets are further added to arrive at the Equity Value.

### Market Approach

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted



companies. The Market approach generally reflects the investors' perception about the true worth of the company.

i. Market Price Method

Under this method, the market price of an equity shares of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the trading. The market value reflects the investors' perception about the true worth of the company.

ii. Comparable Companies Multiple Method

Under the Comparable Companies Multiple ('CCM') method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. 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.

To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus Asset and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

iii. Comparable Transactions Multiple Method

Under the Comparable Transactions Multiple ('CTM') method, the value of a company can be estimated by analyzing the prices paid by purchasers of similar companies under similar circumstances. This is a valuation method where one will be comparing recent market transactions in order to gauge current valuation of target company. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

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## 9. Conclusion on Valuation Approach

- 9.1. In order to consider reasonable methods for the valuation exercise, we have referred to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2018 as amended from time to time ('ICDR Regulations') and the specific information/explanations available of the Companies. We have considered the following respective methods for the valuation:

### Gorani Industries Limited:

#### Cost Approach:

- This valuation approach is mainly used in case where the asset base dominates the earnings capability. In a going concern scenario, the earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of proposed merger, than the values arrived at on the net asset basis being of limited relevance. Therefore, we have not considered Cost approach for valuation since the cost approach does not reflect the intrinsic value of the business in a "going concern scenario".

#### Market Approach:

- The equity shares of GIL are listed on BSE and there are regular transactions with reasonable volume. Hence, we have considered Market Price Method under the Market Approach for valuation of GIL.

We have considered ICDR Regulations which provide guidelines to estimate the market price. The Pricing Formula provided in Regulations 164 (1) has been considered for arriving at the minimum value per equity share of GIL under the Market Price Method. The market price is considered as higher of following:

- a. the volume weighted average price for 90 trading days of preceding the relevant date; or
- b. the volume weighted average price for 10 trading days of preceding the relevant date.

On comparison of prices mentioned above, the higher price as per the pricing formula is 90 trading days.

- We have considered the CCM Method for the valuation of GIL, whereby we have considered the appropriate multiples of the listed comparable companies.
- In the absence of adequate recent comparable transactions, we were unable to apply the CTM method in the current case.

#### Income Approach:

- We have considered the Discounted Cash Flow Method under Income Approach to value the GIL as the true worth of the business would be reflected in its future earnings potential.

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Blow Hot Kitchen Appliances Private Limited:

**Cost Approach:**

This valuation approach is mainly used in case where the asset base dominates the earnings capability. In a going concern scenario, the earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of proposed merger, than the values arrived at on the net asset basis being of limited relevance. Therefore, we have not considered Cost approach for valuation since the cost approach does not reflect the intrinsic value of the business in a “going concern scenario”.

**Market Approach:**

Since the equity shares of BHKAPL are not listed on any recognized stock exchange, the market price method cannot be applied in the current case.

We have used the CCM Method for the valuation of BHKAPL, whereby we have considered the appropriate multiples of the listed comparable companies.

In the absence of adequate recent comparable transactions, we were unable to apply the CTM method in the current case.

**Income Approach:**

We have considered the Discounted Cash Flow Method under Income Approach to value the BHKAPL as the true worth of the business would be reflected in its future earnings potential.

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## 10. Basis of Fair Share Swap Ratio

- 10.1. The basis of the fair share swap ratio for the Proposed Scheme would have to be determined after taking into consideration all the factors and methods mentioned hereinabove and to arrive at a final value for the shares of each company. It is, however, important to note that in doing so, we are not attempting to arrive at the absolute values of the Companies, but at their relative values to facilitate the determination of the fair share swap ratio.
- 10.2. We have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of the Companies. To arrive at the consensus on the fair share swap ratio for the Proposed Scheme, rounding off have been done in the values.
- 10.3. The fair share swap ratio has been arrived at on the basis of a relative valuation (not absolute valuation) based on the various approaches/methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses, having regard to information base, key underlying assumptions and limitations. For this purpose, we have assigned appropriate weights to the values arrived at under each approach/method.

## 11. Conclusion

- 11.1. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets, but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Honorable Supreme Court of India in the case reported in 176 ITR 417 as under:

*"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible".*

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11.2. In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion the fair share swap ratio for the proposed merger of BHKAPL into GIL would be as follows (recommendation):

a) In the event of proposed merger of BHKAPL into GIL:

Valuation Approach	Valuation Method	GIL		BHKAPL	
		Value Per Share (INR)	Value Per Share (INR)	Value Per Share (INR)	Weights
Income Approach <sup>1</sup>	DCF Method	175.3	33.3%	38,709.2	50%
Market Approach <sup>2</sup>	MP Method	162.4	33.3%	NA	NA
	CCM Method	182.3	33.3%	38,316.3	50%
Cost Approach <sup>3</sup>	Summation Method	NA	NA	NA	NA
Value Per Share (Rounded off)		173.0		38,513.0	
Swap Ratio (Rounded Off)		222.6			

NA= Not Adopted/Not Applicable

1. Discounted Cash Flow Method (DCF) under the Income Approach has been considered for valuation of the Companies as the true worth of their businesses would be reflected in their future earnings potential.
2. Comparable Companies Multiple ('CCM') Method for the valuation of the Companies, whereby we have considered the appropriate multiples of the listed comparable companies for the valuation exercise. Comparable Transactions Multiple ('CTM') method under the Market Approach have not been considered for the valuation of Companies due non-availability of adequate recent comparable transactions operating in similar business.  
BHKAPL is not listed on any Indian stock exchange, hence, Market Price Method under Market Approach is not considered. The equity shares of GIL are listed on BSE. Hence, we have considered Market Price method for valuing GIL.
3. Since Summation Method under 'Cost Approach' does not reflect the intrinsic value of the business of the Companies in a "going concern scenario", we have not considered Cost Approach for this valuation exercise.

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**11.3. Recommendation:**

Therefore, the following is the recommended Fair share swap ratio:

*1,093 (One Thousand and Ninety-Three) fully paid equity shares of face value INR 10.0 each of GIL for every 10 (Ten) fully paid-up equity shares of face value INR 100.0 each held in BHKAPL.*

*1,133 (One Thousand One Hundred and Thirty-Three) fully paid OCRPS of face value INR 10.0 each (at premium of INR 163.0 each) of GIL for every 10 (Ten) fully paid-up equity shares of face value INR 100.0 each held in BHKAPL which shall be convertible into equity shares of GIL.*

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