

**Practitioner's Report in respect of Rule based determination of fair market value of equity shares of Indo GSP Chemicals Private Limited**

To

The Board of Directors,

Indo GSP Chemicals Private Limited (CIN: U24299GJ2021PTC122426),

Office No. 6, Basement, Lalita Complex, Rasala Marg, Navrangpura, Ahmedabad, Gujarat 380 009.

1. This report is issued in accordance with the request dated March 12, 2024 from Indo GSP Chemicals Private Limited (the "Company").
2. We are required to carry out the computation of the fair market value, as per the provisions of Section 56(2)(x) of the Income-tax Act, 1961, read with Rule 11UA of the Income-tax Rules, 1961, to determine the fair market value of equity shares of the Company, being unquoted equity shares (hereinafter, the "fair market value"). The management of the Company has represented that the authorised capital of the Company is INR 10,00,000 divided into 1,00,000 equity shares of INR 10 each. The paid-up share capital of the Company, as on March 15, 2024 is INR 10,00,000 divided into 1,00,000 shares of INR 10 each, fully paid-up.
3. We are appointed to provide the computation of value of the equity shares of the Company under the authority of the Board of Directors of the Company, and our report is addressed accordingly, with a clear mandate as to the premise and standard of value, being the determination of 'fair market value' as per the reporting criteria mentioned in clause 2 of this Report. We have been given to understand that the Company is engaged in the business of supplying of plasticizers.
4. We have been appointed to provide our computation of the fair market value of the equity shares of the Company, being unquoted equity shares, as per the provisions of Rule 11UA(1)(c)(b). For the said purpose, we have received and relied upon the following information provided by the management:
  - 4.1. Management certified unaudited financial statements for the financial period ended March 15, 2024;
  - 4.2. Discussions with the management in connection with the business operations of the Company, the key operating areas, past trends, purpose of valuation, etc.
  - 4.3. Other information, explanations and representations that were required and provided by the management of the Company;
  - 4.4. Such other analysis, reviews and inquiries as we considered necessary.
5. The accompanying Statement of computation of the fair market value of the equity shares of the Company (hereinafter the "Statement") contains the computation of the fair market value of the equity shares of the Company.



**Management's Responsibility for the Statement**

6. The preparation of the Statement is the responsibility of the Management of the Company including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
7. The Management is also responsible for ensuring that the Company complies with the requirements of the applicable laws.

**Practitioner's Responsibility**

8. Pursuant to the scope of reporting, it is our responsibility to provide a computation of the fair market value of the equity shares of the Company, which involves the following approach:
  - 8.1. the fair market value of unquoted equity shares =  $(A+B+C+D-L)/(PV/PE)^1$
9. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
10. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
11. We have relied on the representation provided by the Management of the Company for the measurement of the size of the immovable properties held by the Company, and have not independently verified it.
12. We have computed the fair market value of the equity shares of the Company based on the management certified unaudited financial statements for the financial period ended March 15, 2024, and the computation of the fair market value is done accordingly.



<sup>1</sup> A = book value of all the assets (other than jewellery, artistic work, shares, securities and immovable property) in the balance-sheet as reduced by, —

(i) any amount of income-tax paid, if any, less the amount of income-tax refund claimed, if any; and

(ii) any amount shown as asset including the unamortised amount of deferred expenditure which does not represent the value of any asset;

B = the price which the jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer;

C = fair market value of shares and securities as determined in the manner provided in this rule;

D = the value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property;

L = book value of liabilities shown in the balance sheet, but not including the following amounts, namely —

(i) the paid-up capital in respect of equity shares;

(ii) the amount set apart for payment of dividends on preference shares and equity shares where such dividends have not been declared before the date of transfer at a general body meeting of the company;

(iii) reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation;

(iv) any amount representing provision for taxation, other than amount of income-tax paid, if any, less the amount of income-tax claimed as refund, if any, to the extent of the excess over the tax payable with reference to the book profits in accordance with the law applicable thereto;

(v) any amount representing provisions made for meeting liabilities, other than ascertained liabilities;

(vi) any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares;

PV = the paid-up value of such equity shares;

PE = total amount of paid up equity share capital as shown in the balance-sheet;

12.1. We have examined the management certified unaudited financial statements of the Company for the financial period ended March 15, 2024, and computed the fair market value of the equity shares of the Company as per the method described in paragraph 8, and is mentioned in the Statement.

## Opinion

13. Based on our examination as above, and the information and explanations given to us, we are of the opinion that:

13.1. The computation, as shown in the Statement is the fair market value of the equity shares of the Company, which translates to INR 507 (Indian Rupees Five Hundred and Seven) per equity share of face value of INR 10 each.

13.2. Considering the age of the Company as well as the nature of operations of the Company, we understand that there shall be no material change in the above value between the valuation date and the date of this report.

## Restriction on Use

14. The report is addressed to and provided to the Board of Directors of the Company solely for the purpose of their internal requirement, and should not be used by any other person or for any other purpose, except for in accordance with our engagement dated March 12, 2024. 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 report is shown or into whose hands it may come without our prior consent in writing.

For **Kantilal Patel & Co.**,

Chartered Accountants

ICAI Firm registration number: 104744W



Dipam Patel

Partner

Membership No.: 160483

Place: Ahmedabad

**Date:** March 21, 2024

ICAI UDIN: 24160483BKADJF3121



**Statement of computation of fair market value of equity shares of INR 10 each of the Company  
Indo GSP Chemicals Private Limited (CIN: U24299GJ2021PTC122426)**

(Amount in INR)

<b>Fair Market Value = (A+B+C+D-L) *(PV)/(PE)</b>	<b>507</b>
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A	Book value of all the assets (other than jewellery, artistic work, shares, securities and immovable property) in the balance-sheet, adjusted	56,71,91,038
B	The price which the jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer	-
C	Fair market value of shares and securities as determined in the manner provided in Rule 11UA	-
D	The value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property	-
L	Book value of liabilities shown in the balance sheet, adjusted <sup>2</sup>	51,64,57,786
PV	The paid-up value of such equity shares	10
PE	Total amount of paid-up equity share capital shown in the balance-sheet	10,00,000

To be read with our report of even date bearing UDIN: 24160483BKADJF3121



2	Book Value of all Liabilities	Rs. 56,71,91,038
	Less: Paid-up share capital in respect of equity shares	Rs. (10,00,000)
	Less: Reserves and Surplus	Rs. (4,97,33,252)
	<b>Total Liabilities</b>	<b>Rs. 51,64,57,786</b>

Date: July 2, 2024

The Board of Directors,  
Indo GSP Chemicals Private Limited (CIN: U24299GJ2021PTC122426),  
6, Lalita Complex, Rasala Road,  
Navrangpura,  
Ahmedabad - 380009.

**Sub.: Additional Letter explaining our Valuation Findings of Indo GSP Chemicals Private Limited Using Discounted Cash Flow Method and Rule 11UA of Income-Tax Rules, 1962**

Dear Sir/Madam,

This has reference to our report dated March 21, 2024 bearing UDIN: 24160483BKADJF3121 calculating the value of the equity shares of Indo GSP Chemicals Private Limited (the "Company") as per Rule 11UA of the Income-tax Rules, 1962. This letter has to be read in conjunction to our afore-referred report and not in isolation.

Based on the discussions held, we are herewith explaining the findings of our valuation exercise for the forthe Company, specifically communicating our findings pursuant to the discounted cash flow method analysed for the Company. As part of our analysis, we initially considered the Discounted Cash Flow ("DCF") Method to determine the Fair Market Value of the Company. Pursuant to the said working, the value arrived at was determined at INR 368.25 per share. Detailed working is annexed to this letter as **Annexure 1**.

While concluding on the value of the shares, it was observed that the value derived from the DCF Method was lower than the value that would be determined in accordance with Rule 11UA of the Income-tax Rules, 1962. As the transaction needs to be compliant with the applicable law and that the provisions of Section 56(2)(x) of the Income-tax Act, 1961, read with Rule 11UA of the Income-tax Rules, 1962 provide for the minimum value of the equity shares of an unlisted company to be determined in accordance with the formula-based approach provided in Income-tax Rules, 1962, our valuation analysis considered the valuation formula prescribed in Rule 11UA of the Income-tax Rules, 1962 as an appropriate measure of the fair value of the equity shares of the Company.

The value arrived at using the prescribed formula driven approach was INR 507 per share (as per the valuation report dated March 21, 2024) as on March 15, 2024.

In view of the above it is recommended to consider the valuation carried out as per the provisions of the Rule 11UA of the Income tax Rules, 1962.

Yours sincerely,

For, **Kantilal Patel & Co.,**  
Chartered Accountants



[Dipam Patel]  
Partner



**Annexure - 1 Detailed working under DCF Method for valuation as on March 15, 2024**

(Amount In INR lakhs)

Particulars	FY 24[1M]	FY 25	FY 26	FY 27	FY 28	Terminal
Cash Accrual Timing Factor - Mid Year	0.02	0.54	1.54	2.54	3.54	
<b>Profit Before Tax (PBT)</b>	35.20	237.46	266.92	328.09	369.02	
Less: Tax @ 25.168%	8.86	59.77	67.18	82.57	92.88	
<b>Profit After Tax (PAT)</b>	<b>26.34</b>	<b>177.70</b>	<b>199.74</b>	<b>245.51</b>	<b>276.15</b>	
Book Depreciation	0.49	3.99	4.00	4.01	4.02	
(Inc)/Dec in Working Capital	647.45	376.27	(256.51)	66.08	91.79	
<b>Operating Cash Flows</b>	<b>674.28</b>	<b>557.96</b>	<b>(52.77)</b>	<b>315.61</b>	<b>371.96</b>	
(Inc)/Dec in Fixed Assets	0.07	-5.00	-5.00	-5.00	-5.00	
Change in Debt						
<b>Free Cash Flows to equity</b>	<b>674.35</b>	<b>552.96</b>	<b>(57.77)</b>	<b>310.61</b>	<b>366.96</b>	<b>2,705.85</b>
Discounting Factor	1.00	0.92	0.79	0.68	0.59	0.59
<b>Present Value of Free Cash Flows</b>	<b>672.14</b>	<b>509.75</b>	<b>(45.83)</b>	<b>212.02</b>	<b>215.55</b>	<b>1,589.40</b>

Summary	Amount (in INR lakhs)
Present Value of Total Discrete Period Cash Flows	1,563.64
Present Value of Terminal Cash Flows	1,547.22
<b>Enterprise value</b>	<b>3,110.86</b>
Add: Cash & Cash Equivalent as on March 15, 2024	257.39
Less: Borrowings as on March 15, 2024	-3000.00
<b>Equity Value</b>	<b>368.25</b>
Total No. of Shares Outstanding as on Valuation Date	1,00,000.00
<b>Value per share (INR)</b>	<b>368.25</b>

