

**VALUATION OPINION REPORT
ON
EQUITY SHARES
OF
MODTECH MACHINES PRIVATE LIMITED**

PREPARED BY



Tip Sons

TIPSONS CONSULTANCY SERVICES PVT. LTD.

(MERCHANT BANKER, SEBI REGN. NO. INM000011849)-(CIN:U74140GJ2010PTC062799)
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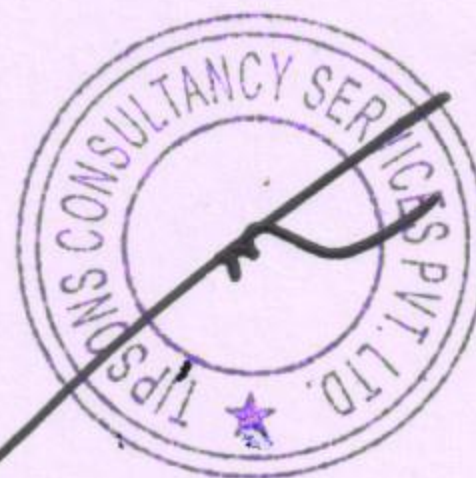


1. INTRODUCTION

This Report is prepared by Tipsons Consultancy Services Private Limited (hereinafter referred as "Tipsons" or "TCSPL") for Modtech Machines Private Limited (hereinafter referred as the "Company" or "MMPL") on the basis of audited accounts, provisional accounts, financials, reports, documents, papers, information and explanations given by the officers of the Company. TCSPL has relied on information provided to it by the Company and do not take any responsibility for its correctness, accuracy and its adequacy. It is clearly informed that Company is primarily responsible for correctness, accuracy, and adequacy of the information contained herein.

This report is to facilitate Company to arrive at the Fair Market Value of Equity Shares as on 31st December, 2020 for the purpose of issue of equity shares of the Company as required Section 56(2)(viib) of Income Tax Act, 1961, read with rule 11UA of the Income Tax Rules, 1962 as amended from time to time.

The use of this report shall be limited to the purpose intended in the report only and shall not be utilized for any other purpose.



2.EXECUTIVE SUMMARY

I. ASSIGNMENT:

Company has approached "TCSPL" for carrying out the Valuation of its equity shares as on **31st December, 2020** for the purpose of issue of equity shares of the Company as required under Section 56(2)(viib) of Income Tax Act, 1961, read with rule 11UA of the Income Tax Rules, 1962 as amended from time to time.

TCSPL is a Category-I Merchant Banker registered with SEBI having Permanent Registration No. INM000011849.

While carrying out the assignment, Tipsons has considered the present and future financials, operations and business activities of Company. Further, Company has provided to the Tipsons the past and present financials, future financial projections, business, operational & corporate information & other relevant documents, papers etc. and Tipsons has studied & considered such financials, information, documents etc. to prepare this Report.

II. VALUATION METHOD - RATIONALE:

Future Earning Method (DCF Method)

Under this method, the value of equity share of the Company is arrived at by analyzing the historical trends and future financial projections. The Discounted Free Cash Flow (DCF) method is one of the most common & prevalent method for valuation of business. Under this method, the value per Equity Shares comes to **Rs. 334.21/-** (rounded off to **Rs. 334/-**).

Valuation Conclusion

We have estimated the Fair Market Value of the equity shares of Company as on **31st December, 2020** to be **Rs. 334.21/-** (rounded off to **Rs. 334/-**) per equity share (*face value Rs. 100/- per share*) on the basis of Discounted Free Cash Flow (DCF) method.



3. OBJECTIVE OF THE VALUATION OF EQUITY SHARES:

The objective of the valuation of equity shares of Company is to arrive at the Fair Market Value of Equity Shares as on 31st December, 2020 for the purpose of issue of equity shares of the Company as required under Section 56(2)(viib) of Income Tax Act, 1961, read with rule 11UA of the Income Tax Rules, 1962 as amended from time to time.



4. SOURCE OF INFORMATION:

I. SOURCE OF INFORMATION:

We have relied on the information/data/documents/reports etc. made available to us by Company for the preparation of this report, as briefed hereunder:

1. Audited Annual Accounts of Company for the Financial Year ended for 31st March 2020.
2. Relevant provisional financials details as on 31st December, 2020
3. Brief History, Present Activities, Profile etc. of Company.
4. Future financial projections of the Company for the period from FY ended 2021 to FY ended 2026, provided by Company.



5. ABOUT THE COMPANY

Modtech Machines Private Limited is a Private limited company incorporated on 14th November, 1990. It is classified as Non-govt Company and is registered at Registrar of Companies, Ahmedabad. Its registered office is situated at Survey No. 396. Plot No, 73 P, New Ahmedabad Industrial Estate, Sarkhej-Bavla Highway, TA: Sanand Moraiya Ahmedabad GJ 382213.

Modtech Machines Private Limited is promoted by a technocrat entrepreneur Mr. Kishansinh Gohil; and is engaged in the business of manufacturing, designing and assembling a unique range of machines and equipments which include certain special type of Investment Castings (IC) machines and End of the Line (EOL) Robotic Industrial Automation Machines and Components thereof.

The IC machines manufactured by the company are utilised by the manufacturers of investment cast components which are high precision components used predominantly in industries like Aerospace, Automobiles, Medical device and implants, etc. As the name suggests investment casting process is basically a foundry process only but is utilised for extremely small/high precision oriented components where the equipments and facilities have to be very precise and precision oriented and hence the word "Investment Casting".

Similarly the End of the Line (EOL) Robotic equipments are used for automation of packaging lines of a wide variety of FMCG/food/consumer products which are produced in bulk and therefore whose packaging requirements, if automated, can also significantly help such production lines in increasing their efficiencies and capacities. Modtech is thus operating in a very niche area.



PROMOTERS & MANAGEMENT TEAM

Modtech Machines Private Limited is led by a strong and highly experienced management team, supported by a team of professionals with a strong technical and marketing capabilities supplemented by core industrial experience in each of its product lines which drives the Company to a steep growth chart. The present Board of Directors of the company comprises of the following individuals:

Sr. No.	Name	Designation
1.	Kishansinh Hardevsinh Gohil	Director
2.	Rupaba Kishankumar Gohil	Director

As on the valuation date, the Authorised share capital of MMPL was Rs. 1,50,00,000 /- comprising of 1,50,000 equity shares each of Rs.100/- fully paid up and the Paid Share capital of MMPL was Rs 14,983,200 /- comprising of 149,832 equity shares each of Rs.100/- fully paid.



6. VALUATION OF EQUITY SHARES OF COMPANY

I. Valuation Approach:

There are different methods for valuation which can be applied for arriving at the fair market value of the equity shares of the company. However, the application of methods depends upon various factors which directly or indirectly may affect such valuation. Some of such factors are as under;

1. Objective for which the valuation is carried out including the regulatory requirements as to the approach and methods of valuation.
2. Industry segment where the Company is operating.
3. Nature of the business and the history from its inception.
4. Future projections as to business operations and financials of the Company.

Based on the given objective of this valuation and considering various factors, we have applied the following methodology for arriving at the fair market value of Equity Shares of the Company.



II. Valuation Method:

Future Earning Method:

The value of equity share of the Company under this method is arrived at by analyzing the historical trends and the future financial projections. This method takes into account the future potential earnings and profitability of the Company. One of the commonly used Future Earning Method is Discounted Cash Flow Method.

Discounted Cash Flow (DCF) Method:

The DCF method is one of the most rigorous & commonly used approaches for valuation of business. In this method, the future (projected) free cash flows from business operations are discounted at the cost of capital and sum of such discounted free cash flows determines the value of the business. We have considered the past performance and expecting the future growth of the company in the business operations & Profitability for the future 6 financial years. For Discounting of free cash flow, we have taken weighted average cost of capital at 16.50%.

(Rs.in Lakhs)

Particulars	2021(E)	2022(E)	2023(E)	2024(E)	2025(E)	2026(E)
Profit Before Tax	(135)	85	422	555	725	813
Add: Interest	96	88	87	86	-	-
Add: Depreciation	110	120	125	113	113	113
Less: Taxes	-	21	106	139	181	203
Adjusted Net Profit Less Taxes	72	272	529	616	657	723
Working Capital - (Increase)/Decrease	615	420	95	67	136	148
Incremental Capex	50	75	100	100	100	50
Gross Cash Flows	(593)	(223)	334	448	421	525
Year for Discounting Factor	0.75	1.75	2.75	3.75	4.75	5.75
Discounting Factor	0.89	0.77	0.66	0.56	0.48	0.42
Net Present Value	(529)	(171)	219	253	204	218
Present Value for Explicit Period	194.40					

(Source: Financial Projections Provided by the Company)



MODTECH MACHINES PRIVATE LIMITED
Share Valuation Report

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Cost of Equity Financing

Particulars	Details
Risk Free Rate (GOI Security Bond Yield)	5.89%
Market Return	15.92%
Market equity risk premium	10.03%
Additional Business & Projection Risk	5.00%
Beta Coefficient	1.00
Cost of Equity	20.92%

Weighted Average Cost of Capital

Particulars	Details
Target Average Debt (Rs. Lakhs)	817.55
Target Average Equity (Rs. Lakhs)	1,605.64
Tax Rate	25.00%
Cost of Debt	10.42%
Cost of Debt (post tax)	7.82%
Cost of Equity	20.92%
Weighted Average Cost of Capital(WACC)	16.50%

Calculation of Terminal Value

	Rs in Lakhs
Terminal	524.59
Terminal Year Gross Cash Flow	16.50%
WACC	4.00%
Terminal Growth rate	0.42
Discounting Factor	1,813.52
Present Value of Terminal Period	

Calculation of Value of Business

Particulars	Rs in Lakhs
Present Value of Explicit Period	194.40
Add: Terminal Value	1,813.52
Enterprise Value	2,007.92
Add: Cash Balance (as on 31.12.2020)	3.24
Add: Investments (as on 31.12.2020)	56.93
Less: Total Debt (as on 31.12.2020)	1,048.47
Equity Value (Post Money)	1,019.62
Less: Equity Infusion	518.86
Equity Value (Pre Money)	500.75
Adjusted Equity Value	500.75
No. of Equity Shares	1,49,832
Value per Share (in ₹)	334.21
Value per Share (in ₹) (rounded off)	334/-



III. VALUATION CONCLUSION:

Based on the valuation methodology applied hereinabove, we have arrived the Fair Market Value of Equity Shares of the Company as on 31st December, 2020 at Rs. 334.21/- (rounded off to Rs. 334/-) per equity share (face value Rs. 100/- per share).



7. CAVEATS, LIMITATIONS & DISCLAIMERS:

The Report issued by TCSPL is specifically and only for the purpose of the arriving at the fair value of equity shares of MMPL for the purpose of issue of equity shares of the Company as required under Section 56(2)(viib) of Income Tax Act, 1961, read with rule 11UA of the Income Tax Rules, 1962 as amended from time to time. The report shall not be used for any purpose other than mentioned above.

Our report is subject to certain caveats, limitations & disclaimers detailed hereinafter;

1. The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
2. No investigation of the company's claim to title of assets has been made for the purpose of this valuation and their claim to such right 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.
3. Our work does not constitute certification of the historical financial statements including the working results of the company referred to in this report. Accordingly, we were unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report.
4. This Report is based on the audited financials, projected financials and other relevant information & explanations provided to us. TCSPL has relied on information provided to it and do not take any responsibility for its correctness, accuracy and its adequacy. It is clearly informed that MMPL is primarily responsible for correctness, accuracy, and adequacy of the information contained herein. Neither TCSPL nor any of its Directors, Employees or associates undertake responsibility in any way whatsoever to any person in respect of any errors, if any, in this report.
5. Budgets, projections and forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as



that derived from audited accounts for completed accounting periods. We express no opinion as to how closely the actual results will correspond to those projected or forecasted by the Company.

6. The valuation conclusions arrived is by their nature, subjective and dependent on the exercise of individual perception. There can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in ascertaining reasonableness. Our valuation analysis should not be construed as Investment Advice and specifically, we do not express any opinion on the suitability or otherwise of objective for which the valuation report is being issued.
7. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as intimated to us. It may not be valid or used for any other purpose or as at any other date.
8. This report is issued on the understanding that MMPL has drawn our attention to all material information, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of shares of the Companies. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
9. In the course of the valuation, we were provided with information, financials, which we have considered through broad inquiry and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information furnished to us and consequential impact on the present exercise.
10. Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed objective for which report is being issued, with the provisions of any applicable laws or as regards any legal implications or issues arising from such proposed transaction.
11. Our Report and the information contained therein are confidential. Any person/party intending to provide finance/invest in the shares/businesses of any of the Companies, shall do so, after seeking their own professional advice



MODTECH MACHINES PRIVATE LIMITED
Share Valuation Report

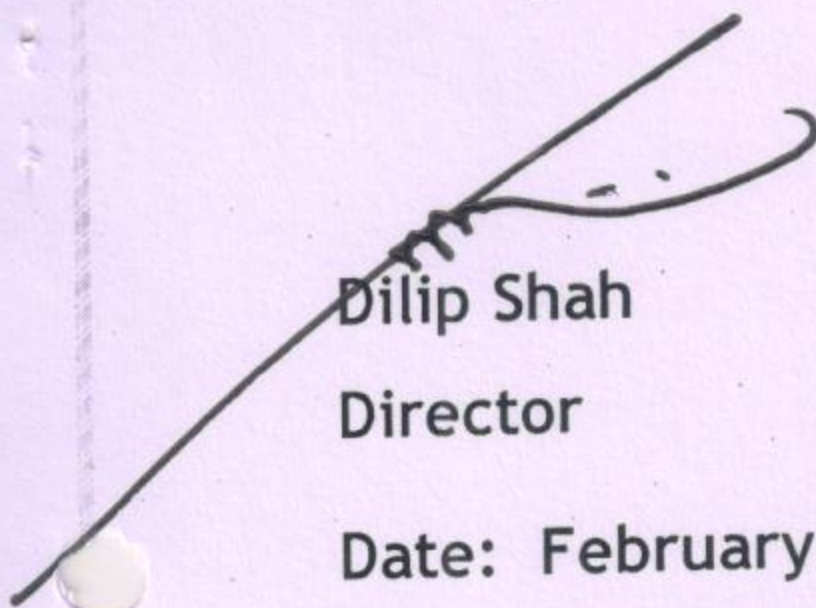
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and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than as mentioned in the objective, can be done only with our prior permission in writing.

12. This report is prepared only in connection with estimating the Fair Value of shares for the use of the company and for submission to the Income tax department only.

13. Neither the Valuer firm nor its, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

For, Tipsons Consultancy Services Private Limited


Dilip Shah
Director



Date: February 16, 2021

Place: Ahmedabad