

Strictly Private & Confidential

Shivam Autotech Limited

**Fair Valuation Report of Equity Shares
in compliance with
Regulation 166A(1) of SEBI (Issue of
Capital and Disclosures Requirement)
Regulations, 2018**

To,
Mr. Devendra Kumar Goyal
The Chief Finance Officer
SHIVAM AUTOTECH LIMITED
10, 1st Floor, Tower A, Emaar Digital Greens,
Sector - 61, Golf Course Extension Road,
Gurugram, Haryana - 122102

Subject: Addendum to Valuation Report Dated 11th July 2023 for Determination of fair value of equity shares of **Shivam Autotech Limited** in compliance with SEBI (Issue of Capital and Disclosures Requirement) Regulations, 2018 and subsequent amendments thereto

Dear Sir/ Madam,

In terms of the engagement letter dated **02nd July 2023** of **Shivam Autotech Limited** and NSE requirement letter dated 13th July, 2023 to express an opinion on fair value of equity shares of **Shivam Autotech Limited** in compliance with Regulation 166A(1) of SEBI (Issue of Capital and Disclosures Requirement) Regulations, 2018.

The earlier Valuation Report dated 11th July 2023 was issued, however, few discrepancies was observed in the report by the NSE. Hence, the Company has requested us to issue an addendum to the above report to remove the discrepancy noticed.

Accordingly, I have recalculated the fair value of equity shares as per regulation 166A(1) of SEBI (ICDR) Regulations, 2018 and subsequent amendments thereto of **Shivam Autotech Limited**. A detailed updated valuation report is appended herewith.

Regards,

Registered Valuer: Chandan Bhatia
Address: H. No. 1321, Sector 29, Faridabad, Haryana 121008
IBBI Registration No.: IBBI/RV/06/2019/11431
ICAI RVO Registration No.: ICAIRVO/06/RV-P00026/2019-20
UDIN: 23517097BGRZNL9019

Date: 25th July 2023

Place: Faridabad

To,
Mr. Devendra Kumar Goyal
The Chief Finance Officer
SHIVAM AUTOTECH LIMITED
10, 1st Floor, Tower A, Emaar Digital Greens,
Sector - 61, Golf Course Extension Road,
Gurugram, Haryana - 122102

Subject: Determination of fair value of equity shares Shivam Autotech Limited in compliance with SEBI (Issue of Capital and Disclosures Requirement) Regulations, 2018 and subsequent amendments thereto

Dear Sir,

We have been appointed by **Shivam Autotech Limited (SAL)** to determine the fair value of the equity shares in compliance with the provisions of Regulation 166A(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended.

Further in compliance with Regulation 166A(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended, we confirm that we are Independent Registered Valuer. We conducted our valuation exercise on the basis of information/documents and explanations given to us by the management. Based on the same, our report on valuation is being submitted herewith for your kind reference.

The Fair Value of the equity shares of **Shivam Autotech Limited (SAL)** as per regulation 166A(1) estimated as on "Relevant Date" i.e. **10th July 2023** is **INR 26.96 per share.**

Regards,

Registered Valuer: Chandan Bhatia

Address: H.No.1321, Sector29, Faridabad, Haryana-121008

IBBI Registration No.: IBBI/RV/06/2019/11431

ICAI RVO Registration No.: ICAIRVO/06/RV-P00026/2019-20

UDIN: 23517097BGRZNL9019

Date: 25th July 2023

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A. ENGAGEMENT OUTLINE

Our current scope of work for this exercise is to determine the fair value of equity share of **Shivam Autotech Limited (SAL)** in compliance with provisions of Regulation 166A(1) of SEBI (ICDR) Regulations, 2018 for the purpose of allotting equity shares through preferential allotment in terms of Chapter V of SEBI (ICDR) Regulations, 2018 and also as informed by the management that there shall be change in control pursuant to said preferential issue of shares.

As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to in this report. While utmost care has been taken, however, our report is subject to the limitations detailed hereinafter:

- a) **Relevant Date for the purpose of Price Calculation** – Valuation analysis and results are specific to the **Relevant Date i.e., 10th July 2023 contemplated on the basis of information and estimations provided by the management.** The valuation has been conducted with reference to the latest financial statement available as on reference date.
- b) **Independent Valuer** - I am an Independent Registered Valuer registered with competent authority vide registration no. IBBI/RV/06/2019/11431.
- c) **Engagement Date and Management Representation Date** - We were engaged by **Shivam Autotech Limited (SAL)** for the valuation of equity shares of SAL vide Engagement Letter dated **02nd July 2023.**
- d) **Reliance on the Information provided** – We have been provided with certain written and verbal information and assumptions from the management of “SAL”. We have relied on the information provided by the management and experts and have not conducted any detailed enquiry. **Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.**
- e) **Valuation Analysis** – Valuation of business is not a precise art and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment.
- f) **Caution to users of the Report** – This report and the information contained herein are confidential. It is intended only for the sole use of the purpose mentioned in this report.

B. COMPANY INFORMATION

Shivam Autotech Limited (SAL) is a Listed Company and one of the largest manufacturers of transmission gears and shafts in India. The company has been serving a large number of automobile manufacturers as their principal component partner for the past 18 years.

The brief particulars of the company are as follows:

Particulars	Particulars
Company Name	SHIVAM AUTOTECH LIMITED
CIN	L34300HR2005PLC081531
Company Category	Company Limited by Shares
Class of Company	Public
Authorized Capital (INR)	25,00,00,000
Present Paid up Capital (INR)	24,44,44,444
Date of Incorporation	29/07/2005
Registered Address	10, 1 st Floor, Tower A, Emaar Digital Greens, Sector - 61, Golf Course Extension Road, Gurugram, Haryana - 122102

C. VALUATION APPROACH

The company is listed on both Stock exchanges i.e. National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). For the purpose of valuation, we have considered the data from NSE, being higher trading volume recorded as compared to BSE.

We estimated the frequency of trading during 240 Trading Days preceding the Relevant Date, i.e., 10th July 2023 at NSE and have determined the shares to be frequently traded in terms of **Regulation 164(5)** of SEBI (ICDR) Regulations, 2018. **As per Regulation 164(4) of SEBI's ICDR Regulation**, where the shares are frequently traded, the price of the equity shares to be allotted pursuant to the preferential issue of specified securities to qualified institutional buyers shall be made at a price not less than 10 trading days' volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date."

Further as per regulation 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:"

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. The basis of valuation would depend on the purpose of valuation, nature of business, future prospects of the company & industry and other attendant circumstances.

There are three generally accepted approaches to valuation:

- COST APPROACH
- INCOME APPROACH
- MARKET APPROACH

ASSET APPROACH:

The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

'Book value' is considered in case where there is no significant movement either side, in the actual value of assets. Since it represents only the historic cost, it is generally not prudent to value a company based on its book value.

'Realizable value' is considered in case where the valuation exercise is being carried out on an ordinary sale/distress sale basis. In other words, when the company is likely to be sold or liquidated.

'Replacement value' and Present values are considered for estimating the Fair Value of assets of a company on a going concern basis.

In the **Net Asset Value (NAV) method**, the net asset value is computed based on the latest available audited/unaudited Balance Sheet of the Company. The starting point of this method is the valuation of the total assets that the Company owns. The loan funds are deducted. Contingent liabilities, to the extent that in the opinion of management can be fairly expected to impair the net asset value of the business, are also deducted. The resultant figure represents the net worth of the business on the given day.

We have applied this method in this case. However, we have given only 10% weight to this method, as asset doesn't represent the earning potential of the company.

INCOME APPROACH:

The Income Approach derives an estimation of value based on the sum of the present value of expected economic benefits associated with the asset or business (Economic benefits have two components: cash flow (or dividends) and capital appreciation).

Discounted Free Cash Flow Method (DCF)

- The Discounted Cash Flow (DCF) methodology expresses the present value of a business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. It recognizes that money has a time value by discounting future cash flows at an appropriate discount factor.
- This method is used to determine the present value of a business on a going concern assumption. The DCF methodology depends on the projection of the future cash flows and the selection of an appropriate discount factor.
- When valuing a business on a DCF basis, the objective is to determine a net present value of the cash flows ("CF") arising from the business over a future select period of time (say 5 years), which period is called the explicit forecast period. Free cash flows are defined to include all inflows and outflows associated with the project prior to debt service, such as taxes, amount invested in working capital and capital expenditure. Under the DCF methodology, value must be placed both on the explicit cash flows as stated above, and the ongoing cash flows a company will generate after the explicit forecast period. The latter value, also known as terminal value, is also to be estimated.
- The further the cash flows can be projected, the less sensitive the valuation is to inaccuracies in the assumed terminal value. Therefore, the longer the period covered by the projection, the less reliable the projections are likely to be. For this reason, the approach is used to value businesses, where the future cash flows can be projected with a reasonable degree of reliability. For example, in a fast-changing market like telecom or even automobile, the explicit period typically cannot be more than at least 5 year. Any projection beyond that would be mostly speculation.
- The discount rate applied to estimate the present value of explicit forecast period free cash flows as also continuing value, is taken at the "Weighted Average Cost of

Capital” (WACC). One of the advantages of the DCF approach is that it permits the various elements that make up the discount factor to be considered separately, and thus, the effect of the variations in the assumptions can be modelled more easily. The principal elements of WACC are cost of equity (which is the desired rate of return for an equity investor given the risk profile of the company and associated cash flows), the post-tax cost of debt and the target capital structure of the company (a function of debt-to-equity ratio). In turn, cost of equity is derived, on the basis of capital asset pricing model (CAPM), as a function of risk-free rate, Beta (an estimate of risk profile of the company relative to equity market) and equity risk premium assigned to the subject equity market.

- Value obtained by using DCF method gives us the Enterprise Value; and adjustment for the non-operating assets and liabilities (current and non-current) of the company as on the valuation date gives us the Equity Value. The above assets and liabilities have been considered at Book Value.

We have applied this method in our case and assigned a weightage of 40% to this method.

MARKET APPROACH:

The Market Approach derives an estimation of value based on price of the company based listed on the stock exchange or estimating the value of the Company from a peer company/ group of companies listed in stock exchange or estimating the price of the Company from similar transactions.

Market Multiple Method

Another method of valuation of shares of the company is by Market Multiple Method. This method involves the comparison of the various operational metrics (ROE, ROCE etc.) and valuation multiples (EV/EBIDTA, EV/Sales etc.) of the listed peer companies to the subject company for valuing the business.

Recent Transaction Multiple

Another method of valuation is valuing the company based on the recent transactions within Companies in similar business.

Since the company currently running into losses, we are not able to apply multiple methods for the valuation of SAL.

Market Price Method

Another method of valuation is valuing the company based on the company market price on the stock exchange. The company is listed on both Stock exchanges i.e. National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). For the purpose of valuation, we have considered the data from NSE, being higher trading volume recorded as compared to BSE.

We have valued the company using the Market Price Method under Market Approach by taking Weighted average price over period of Six months prior to relevant date.

D. VALUATION OF SHIVAM AUTOTECH LIMITED

The summary of the value per share derived from different valuation approaches is provided hereunder for reference:

Shivam Autotech Limited			
Value as per the different valuation approaches			
<i>as on July 10, 2023</i>			
Method	Value Per Share	Weights	Amount
Market Approach	25.67	50%	12.83
Cost Approach	8.56	10%	0.86
Income Approach	20.37	40%	8.15
Concluded Value			21.84

As per first proviso of Regulation 166A(1) the floor price for preferential allotment shall be higher of share value concluded above or price calculated in term of regulation 164(4).

Calculation of price as per regulation 164(4)

Shivam Autotech Limited					
Value in term of regulation 164(4)					
<i>as on July 10, 2023</i>					
Sr No.	Symbol	Series	Date	Total Volume Traded	Total Turnover traded
1	SHIVAMAUTO	EQ	07-Jul-23	211970	59,19,714.05
2	SHIVAMAUTO	EQ	06-Jul-23	560607	1,56,13,589.35
3	SHIVAMAUTO	EQ	05-Jul-23	689144	1,86,52,891.20
4	SHIVAMAUTO	EQ	04-Jul-23	80690	20,92,002.15
5	SHIVAMAUTO	EQ	03-Jul-23	102289	25,97,884.30
6	SHIVAMAUTO	EQ	30-Jun-23	62756	15,82,139.25
7	SHIVAMAUTO	EQ	28-Jun-23	25915	6,47,526.15
8	SHIVAMAUTO	EQ	27-Jun-23	28652	7,22,420.30
9	SHIVAMAUTO	EQ	26-Jun-23	151787	38,25,638.75
10	SHIVAMAUTO	EQ	23-Jun-23	45103	11,60,163.85
Total				1958913	5,28,13,969.35
Volume Weighted Average Price in (INR)					26.96

Hence the concluded floor value as per proviso one to regulation 166A(1) is:

Shivam Autotech Limited	
Floor Price as per first proviso	
<i>as on July 10, 2023</i>	
Particular	Amount
Concluded Value as per different valuation approaches	21.84
Value as per 164(4)	26.96
Concluded Value - higher of above	26.96

Therefore, the floor price of equity shares as per regulation 166A(1) of SEBI (Issue of Capital and Disclosures Requirement) Regulations, 2018 and subsequent amendments thereto of SAL is estimated ₹26.96 per share.

E. LIMITATION AND DISCLAIMERS

Our report is subject to the limitations detailed hereinafter. This report is to be read in totality and not in parts, in conjunction with the relevant document referred to therein.

Valuation work, by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinion may differ due to number of separate judgement decisions, which have to be made. While we have provided our recommendation based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion.

Further, this valuation report is based on the extant regulatory environment and the business/ market conditions, which are dynamic in nature & may change in future, thereby impacting the valuation of the company.

For the present valuation exercise, we have also relied upon information available in the public domain, however the accuracy and timeline of the same has not been independently verified by us.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, we

express no audit opinion or any other form of assurance on this information.

The client/owner and its management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the owners/clients, their management and other third parties concerning the financial data, operational data and maintenance schedule of all plant machinery-equipment-tools-vehicles, real estate investments and any other investments in tangible assets except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the companies, their directors, employee or agents. We do not make any representations or warranty, express or implied, regarding the achievability of forecasts and completeness of such other information as provided by the Management. We also do not vouch for the efficacy of the forecast as provided to us by the management.

The information contained herein is based on the analysis of information available at the time when this report was prepared.

We do not make any representations or warranty, express or implied, regarding the achievability of forecasts and completeness of such other information as provided by the Management. We also do not vouch for the efficacy of the forecast as provided to us by the management.

The information presented on the valuation report does not reflect the outcome of any due diligence procedure, which may impact the valuation report materially.

We have no present or contemplated financial interest in the Company. The fee for this engagement is not contingent upon the results of this report. We have no responsibility to update this report for events and circumstances occurring subsequent to the date of this report.

In the course of valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

The actual market price achieved may be higher or lower than our estimate of value (or range of value) depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability and

motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place.

An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. 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.

We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.

We have acted as an independent third party and, as such, shall not be considered an advocate for any concerned party for any dispute. The valuation has been carried out independently to assess the valuation services. We have no present or planned future interest in SAL or any of its group companies and the fee for this report is not contingent upon outcome of the transaction. Our valuation should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with SAL

F. Annexures

Annexure 1

Valuation as per Market Value Method as on 10th July, 2023

Shivam Autotech Limited		
Market Value Method		
<i>as on July 10, 2023</i>		
Data from January 07, 2023 to July 07, 2023		
Total Volume Traded	Total Turnover Traded (INR)	Volume Weighted Average Price in (INR)
1,06,20,395	27,26,16,974	25.67
Concluded Value		25.67

Annexure 2

Valuation as per Net Assets Value Method as on March 31, 2023, being the Latest audited balance sheet available date

Shivam Autotech Limited	
Net Asset Value Method	
<i>as on March 31, 2023</i>	
Particulars	Total Turnover Traded (INR)
Total Net book value (A)	1,04,57,41,000.00
Total No. of Shares(B)	12,22,22,222.00
Concluded Value(A/B)	8.56

Annexure 3

Valuation as per Discounted Cash Flow Method

Major Assumptions

Risk Free Rate - Govt of India Government Bond 10Y	7.32%
Equity Risk Premium*	9.73%
Beta (β)*	1.18
Cost of Equity	18.76%
Add: Company Specific Risk premium	2.00%
Adjusted Cost of Equity	20.76%
Growth Rate**	2%

* Equity Risk Premium and Beta as per study from Ashwath Damodaran

** Growth rate as per management assumption

Particulars	Amount (in Crores)					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Period (in Years)	1	1	1	1	1	1
Total Revenue (except other Income)	581.23	613.26	632.83	653.12	674.13	695.91
Revenue Growth	0%	6%	3%	3%	3%	3%
EBIDTA (Operating)	74.52	104.29	102.46	108.12	114.09	117.54
EBIDTA Margin (%)	12.82%	17.01%	16.19%	16.55%	16.92%	16.89%
Less: Depreciation	-39.45	-39.86	-39.83	-39.48	-39.19	-39.23
EBIT	35.07	64.43	62.63	68.63	74.91	78.31
Less : Interest	-37.59	-33.86	-24.53	-18.00	-11.65	-
Less: Taxes	-	-	-	-	-	-
NOPAT	-2.52	30.57	38.10	50.63	63.25	78.31
Add: Depreciation	39.45	39.86	39.83	39.48	39.19	39.23
Less /Add: (Inc.) / Dec. in Working Capital	3.77	-22.52	-6.75	-19.44	-29.40	-11.18
Less: Addition in Capex	-15.00	-1.00	-1.00	-1.00	-1.00	-1.00
Net debt Taken / (Repaid)	-45.21	-89.51	-49.22	-37.41	-49.56	-
Free Cash Flow to Equity	-19.51	-42.61	20.96	32.26	22.48	105.36
Annual factor	1.00	1.00	1.00	1.00	1.00	1.00
Cummulative Annual factor (Year end)	1.00	2.00	3.00	4.00	5.00	6.00
PV factor	0.83	0.69	0.57	0.47	0.39	0.32
PV of Free Cash Flow to Equity	-16.15	-29.22	11.90	15.17	8.75	33.97

Particulars	Amount (in Cr.)
Terminal value	572.88
Present Value in Terminal Period	184.73
Sum of Present Value in Explicit Period	24.43
Sum of Present Value of Future Cash Flows	209.16
Add: Cash and cash equivalents	58.18
Equity Value	267.34
Less: DLOC & DLOM	-
Adjusted Equity Value After DLOM	267.34
No of Shares on Fully Diluted basis	13.12
Value per share in INR	20.37