VALUATION REPORT 2024

Prepared By :
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CHARTERED ACCOUNTANT
REGISTERED VALUER

Presented To :
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PRELIMINARY

About

ARC INSULATION & INSULATORS LIMITED is an unlisted company limited by shares with it registered address at Village – Ramdevpur, PO – Bawali Bishnupur, 24 Parganas South, Bishnupur, West Bengal, India, 743384 . ARC Insulation and Insulators Pvt. Ltd. is a leading manufacturer of high-performance glass fiber reinforced polymer (GFRP) composite products. The Company's was incorporated on 10th September 2008. The authorized capital of the company is Rs 15,00,00,000. The date of last AGM of the company is 30th September 2023.

Background

- The management of the Company are proposing to issue fresh equity shares of the company.

In this regard, I have been mandated by the Transferee Company vide Engagement letter dated 12th September, 2024 to derive the fair value

- of each equity share of the company for the proposed issue of fresh equity shares.

- Accordingly, I have undertaken the valuation exercise in terms of the engagement letter.

SCOPE OF REPORT

The management of the Company are proposing to to issue bonus shares of the company to the existing shareholders of the company.

In this context, Company has approached us to assist in arriving at the fair value of per equity shares of the company for the purpose of issue of shares.

I have not been asked to carry out due diligence review, independent audit or other test or validation of such financial statements. I have therefore, not carried out due diligence review, independent audit or other test or validation of such financial and other information to establish the accuracy or sufficiency of the financial statements referred to above or of the information, explanations and representation provide to me. I therefore, do not express an opinion or any other form of assurance thereon.

Accordingly, I have carried out my assignment of assessment of fair value of equity shares for the proposed issue of bonus shares and is pleased to provide my assessment. The scope of my services is to conduct a relative (andnot absolute) valuation of fair value of each equity shares of the Company.

The valuation report is formed on a limited scope basis as mentioned in the engagement letter referred above.

Our comments on the operations and the assumptions thereon does not constitute an advice or recommendation regarding any commercial decision associated with the Company.

INFORMATION SOURCES

In connection with preparing this Report, I have received the following information from the management of the Companies: -

- **Unaudited Financial Statements of the Company for the Financial Year ended 31 March, 2024**
- **Provisional Financial Statements of the Company till 16th September 2024.**
- **MOAs & AOAs along with the Certificate of Incorporation of the Companies**
- **Note on the Business Activities of the Companies**
- **Projections for next 5 years starting from year 16th September**

I held various discussions with the representative of the management of the Companies. In finalization of this Report, I have further relied on various secondary and other analysis, reviews and enquiries, as I considered relevant.

For the purpose of my assignment, I have relied on the statements, information and explanations provided to me and have not verified the accuracy thereof. It may be mentioned that the management of the Company has been provided with an opportunity to review factual information in my draft report as part of my standard practice to make sure that factual inaccuracies are avoided in my final report.

PURPOSE OF VALUATION

The management of the Company are proposing to issue bonus shares to their existing shareholders

COMPANY - OVERVIEW

ARC INSULATION & INSULATORS LIMITED

Company

DATE OF INCORPORATION	**10th DAY OF SEPTEMBER, 2008**
CIN	**U18109WB2008PLC129263**
Address	**VILLAGE – RAMDEVPUR, PO – BAWALI BISHNUPUR, 24 PARGANAS SOUTH, WEST BENGAL 743384**
Email	**arciipl203@gmail.com**

The present authorized share capital of the Company is Rs 15,00,00,000 divided into 15,00,000 equity shares of Rs. 10 each

VALUATION STANDARDS

There are a number of techniques/methods for Valuation of Shares. According to various judicial precedents the valuation of shares is a technical matter, which requires considerable skill and expertise. There are bound to be differences of opinion as to the correct value of the shares of the Company Simply because it is possible to value the shares in a manner different from the one adopted in a given case, it cannot be said that the valuation agreed upon has been unfair.

Approach and methodology as per Valuation Standards:

The **International Valuation Standards (TVS)** provides that consideration must be given to the relevant and appropriate valuation approaches. One or more valuation approaches may be used in order to arrive at the value inaccordance with the basis of value. The three approaches described anddefined below are the main approaches used in valuation. They are all based on the economic principles of price equilibrium, anticipation of benefits or substitution.

The principal valuation approaches are:

- **Market approach**
- **Income approach, and**
- **Cost approach.**

Each of these valuation approaches includes different, detailed methods of application.

The goal in selecting valuation approaches and methods for an asset/enterprise is to find the most appropriate method under the particular circumstances and inter-alia, considering the objectives and the intended use of the valuation report.

I. Market approach

(a) Comparable Transactions Method: The comparable transactions method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

When the comparable transactions considered involve the subject asset, this method is sometimes referred to as the prior transaction's method.

If few recent transactions have occurred, the valuer may consider the prices of identical or similar assets that are listed or offered for sale, provided the relevance of this information is clearly established, critically analysed and documented. This is sometimes referred to as the comparable listing's method.

(b) Guideline publicly-traded comparable method: The guideline publicly-traded method utilises information on publicly-traded comparable that are the same or similar to the subject asset to arrive at an indication of value.

This method is similar to the comparable transaction method However, there are several differences due to the comparable being publicly traded, as follows: (a) the valuation metrics/comparable evidence are available as of the valuation date, (b) detailed information on the comparable are readily available in public filings, and (c) the information contained in public filings is prepared under well understood accounting standards.

The method should be used only when the subject asset is sufficiently similar to the publicly-traded comparable to allowfor meaningful comparison.

(c) Value based on market quotes as available from recognized stock exchange: In case of valuation of shares of a company which is listed and traded on the stock exchanges, the market price of such shares is also considered to arrive at the fair value of the shares. Generally, an average market price of the listed shares for a reasonably past period is taken.

II. Income Approach

(a) Discounted Cash Flow (DCF) Method: Under the DCF method the forecasted cash flow is discounted back to the valuation date, resulting in a present value of the asset. In some circumstances for long-lived or indefinite-lived assets, DCF may include a terminal value which represents the value of the asset at the end of the explicit projection period. In other circumstances, the value of an asset may be calculated solely using a terminal value with no explicit projection period. This is sometimes referred to as an income capitalisation method.

(b) Other Income Approach methods: In certain transactions and circumstances, other income approach methods like Profit Earning Capacity (PECV) Method can also be applied. PECV method focuses on the future earning capability of the business enterprise, based on the past income generated by the Company. The PECV Method requires the determination of parameters like, future maintainable profit, appropriate income tax rate, expected rate of returns etc. the value is determined by capitalizing the future maintainable profits.

III. Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

The cost approach should be applied and afforded significant weight under the following circumstances:

(a) Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately.

(b) the asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or.

(c) the basis of value being used is fundamentally based on replacement cost, such as replacement value.

Broadly, there are three cost approach methods: (a) replacement cost method: a method that indicates value by calculating the cost of a similar asset offering equivalent utility, (b) reproduction cost method, a method under the cost that indicates value by calculating the cost to recreating a replica of an asset, and (c) summation method: a method that calculates the value of an asset by the addition of the separate values of its component parts.

No one method is suitable in every possible situation. The selection process should, inter-alia, consider

i. The appropriate basis(es) of value and premise(s) of value, determined by the terms and purpose of the valuation assignment,

ii. The respective strengths and weaknesses of the possible valuation approaches and methods,

iii. The appropriateness of each method in view of the nature of the asset, and the approaches or methods used by participants in the relevant market, and

iv. The availability of reliable information

(d). Valuers are not required to use more than one method for the valuation, particularly when the valuer has a high degree of confidence in the accuracy and reliability of a single method, given the facts and circumstances of the valuation engagement However, valuers should consider the use of multiple approaches and methods and more than one valuation approach or method should be considered and may be used to arrive at an indication of value, particularly when there are insufficient factual or observable inputs for a single method to produce a reliable conclusion. Where more than one approach and method are used, or even multiple methods within a single approach, the conclusion of value based on those multiple approaches and/or methods should be reasonable and

the process of analysing and reconciling the differing values into a single conclusion, without averaging should be described by the valuer in the report.

In our analysis of the Company, we have taken into consideration the income and cash generating capability of the company. Typically, an investor contemplating an investment in a company with income and cash generating capabilities similar to the company will evaluate the risks and returns of the investment on a going-concern basis.

After considering all approaches to value, we have utilized the discounted cash flow (Income based methodology).

The Net Asset approach was not utilized in our analysis because this approach does not capture the economic value of a going concern. We believe an investor would evaluate the Company based primarily upon the aggregate earnings and cash flow generating capabilities of the Company's combined assets, rather than on the basis of individual asset values.

The Market Approach was also not considered in our analysis as the company's business is very new and unique and there was not a comparable public company to ARC INSULATION & INSULATORS LIMITED

Since the Company in the valuation exercise is an un-listed company determination of value of share at market price is not applicable. Further, due to unavailability of consistent and reliable comparable projected financial statements and considering the balance sheet and the assets & liabilities of the Company; valuation through income approach be quite relevant in the present case

Considering all facts and circumstances the valuation of the Company has been carried on the basis of net income approach. The latest Financial Statements of the Company have been prepared for the period ended 31 March, 2023.

Accordingly, share value of each equity shares has been calculated based onthe Net Income Approach on the basis of the unaudited Financial Statements for theperiod ended 31 March, 2024 and the provisionals and projections provided for 5 years by the management.

SHARE VALUE

We appreciate having been given the opportunity to provide valuation services to you. We have conducted an equity share valuation analysis of Market Based Method ("Discounted Cash Flow Method"). The valuation analysis and result rely upon the information contained herein and which inter alia has been provided by ARC INSULATION & INSULATORS LIMITED, which we assume has been duly approved by the concerned authority of ARC INSULATION & INSULATORS LIMITED, within to which the information pertains. We have not sought to verify the accuracy of the data, information and explanations provided by ARC INSULATION & INSULATORS LIMITED.

The report is prepared detailing our recommendation of value, the methodologies employed and the assumptions used in our analysis. As per our valuation, each share of Face Value INR 10.0 is estimated at **INR 105.00** as on **21/09/2024(Valuation Date)**. The Statement of Limiting Conditions and Key Factors form an integral part of the valuation analysis, and this report should be read in full and especially in conjunction with these sections.

Separate workings of Valuation of Shares are enclosed herewith.

Thanking You,

ANITA TOSNIWAL

Digitally signed by ANITA TOSNIWAL
DN: c=IN, st=West Bengal, 2.5.4.20=be9b212cb5ee2426e3cb02f7dec2d6d7f76e8b233dd008370d565e4f825fac4e, postalCode=700053, street=Kolkata, pseudonym=094bb3cd-fc9e-44a9-93ae-d31ad42f1654, serialNumber=0e7fa333bd749f6afc312e04b4fe64685bd206f69c2c72237e8c10904902fbf35, o=Personal, cn=ANITA TOSNIWAL
Date: 2024.09.24 20:25:27 +05'30'

CA Anita Tosniwal
Registered Valuer under IBBI
Registration No.IBBI/RV/06/2020/13669
UDIN: 24142018BKDZRZ7954
Date: 21St September,2024
Place: Kolkata

STATEMENT OF LIMITING CONDITIONS

a. Valuation analysis and result are specific to the purpose of valuation and are based on unaudited financials for the year ended 31st March 2024 of ARC INSULATION & INSULATORS LIMITED as agreed per terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity. The valuation analysis and result are substantively based only on information contained in this report and are governed by concept of materiality.

b. The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Management of ARC INSULATION & INSULATORS LIMITED and other sources and the said recommendation(s) shall be considered advisory in nature.

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

d. We have, however, evaluated the information provided to us by the Management of ARC INSULATION & INSULATORS LIMITED through broad inquiry and comparative analysis vis-à-vis past information available (but have not carried out a due diligence or audit of ARC INSULATION & INSULATORS LIMITED for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided).

e. Through the above evaluation, nothing has come to our attention to indicate that the information provided was materially miss-stated/incorrect or would not afford reasonable grounds upon which to base the report.

f. We have neither checked nor are we responsible for arithmetical accuracy / logical consistency of any financial model or business plan provided by the Management of ARC INSULATION & INSULATORS LIMITED and used in our valuation analysis.

g. The terms of our engagement were such that we were entitled to rely upon the information provided by the Management of ARC INSULATION & INSULATORS LIMITED without detailed inquiry. Also, we have been given to understand by the Management that it has made sure that no relevant and material factors have been omitted or concealed or given inaccurately by people assigned to provide information and clarifications to us for this exercise and that it has checked out relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

h. Our conclusions are based on these assumptions, forecasts and other information given by/on behalf of the Management of ARC INSULATION & INSULATORS LIMITED. The Management of ARC INSULATION & INSULATORS LIMITED has indicated to us that it has understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the above information furnished by the Management of ARC INSULATION & INSULATORS LIMITED and their impact on the present exercise. Also, we assume no responsibility for technical information furnished by the Management of ARC INSULATION & INSULATORS LIMITED and believed to be reliable.

i. No enquiry into ARC INSULATION & INSULATORS LIMITED's claim to title of assets or property has been made for the purpose of this valuation. With regard to the business of ARC INSULATION & INSULATORS LIMITED's claim to title of assets or property, we have relied solely on representations, whether verbal or otherwise, made by the Management of ARC INSULATION & INSULATORS LIMITED to us for the purpose of this report. We have not verified such representations against any title documents or any agreements evidencing right or interest in or over such assets or property and have assumed ARC INSULATION & INSULATORS LIMITED's claim to such rights, title or interest as valid for the purpose of this report. No information has been given to us about liens or encumbrances against the assets, if any, beyond the loans disclosed in the accounts. Accordingly, no due diligence into any right, title or interest in property or assets was undertaken and no responsibility is assumed in this respect or in relation to legal validity of any such claims.

j. The fee for the report is not contingent upon the results reported.

k. We owe responsibility to only the directors of ARC INSULATION & INSULATORS LIMITED that has retained us and nobody else. We do not accept any liability to any third party in relation to the issue of this valuation report and our liability in any case would not exceed the amount of the fees agreed for the engagement.

l. Neither the valuation report nor its contents may be disclosed to any third party or referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties without our prior written consent. We retain the right to deny permission for the same.

KEY FACTORS

We utilized a projection model provided by Management as the basis of our analysis. The Discounted Cash Flow Method was applied in the following steps:

a. Estimate annual cash flow, for a discrete period, available to all capital holders in the business. Net Free Cash Flow is defined as cash flow (i.e., after interest expense), after-tax operating income adjusted for non-cash expenses, and investments in new capital assets;

b. Estimate the normalized Net Debt-Free Cash Flows expected to occur after the discrete projection period into perpetuity ("Residual Cash Flow");

c. Calculate the Residual Value, which equates to the value, as of the end of the discrete projection period, of the Residual Cash Flow grown into perpetuity at an estimated long-term growth rate;

d. Discount annual Net Debt-Free Cash Flows and the Residual Value to present value as of the Valuation Date using a required rate of return that considers the relative risk of achieving the cash flows and the time value of money;

e. Combine the present value of annual Net Debt-Free Cash Flows, the Residual Value, and the present value of any non-operating assets, to estimate the Indicated Value of the Total Enterprise Value; and

f. Subtract debt to estimate the Indicated Fair Value of Equity.

Application of Discounted Cash Flow Method

We estimated annual Net Debt-Free Cash Flows over a discrete projection period for the FY ending March 2024 through FY ending March 2029. Management provided an estimate of revenues and expenses for the FY 2024 through FY 2029, which formed the foundation of our projected cash flows.

ARC INSULATION & INSULATORS LIMITED is a company involved in FRP productions that's why we have taken growth rate of the company as 6.02% for years after 2023, being more conservative.

Projections for the annual Net Debt-Free Cash Flows were developed using a variety of inputs and assumptions gathered from Management's projections.

Estimation of Terminal Cash Flow

The operation of the ARC INSULATION & INSULATORS LIMITED is expected to continue beyond the discrete period forecast. Therefore, a terminal cash flow was estimated(refer Appendix 1).To calculate the residual cash flow, total available cash flow after FY 2029 was grown at 6.02 %, the estimated long-term growth rate. To estimate the residual value, we then divided the residual cash flow by the discounting rate.

Conclusion

The present values of the terminal value and the present value of the available cash flows from the discrete projection period were summed to arrive at an Enterprise value for by ARC INSULATION & INSULATORS LIMITED (refer Appendix 1).The concluded Enterprise Value of ARC INSULATION & INSULATORS LIMITED was estimated to be approximately INR **73,33,95,843.51** as of the Valuation Date i.e 21st September 2024.

SUMMARY OF DISCOUNTED CASH FLOWS VALUATION

YEAR	REVENUE	EBITDA	NOPAT	FREE CASH FLOW	DISCOUNTED FREE CASH FLOW
2025	₹ 40,00,00,000.00	₹ 14,43,31,267.86	₹ 9,81,29,567.38	₹ 82,76,884.51	₹ 70,40,220.81
2026	₹ 1,00,00,00,000.00	₹ 32,25,89,884.52	₹ 22,39,23,808.76	₹ 52,99,77,142.89	₹ 28,57,15,912.79
2027	₹ 1,20,00,00,000.00	₹ 37,21,07,861.42	₹ 26,33,55,379.26	₹ 34,09,65,116.21	₹ 13,49,66,468.07
2028	₹ 1,26,00,00,000.00	₹ 36,47,23,375.02	₹ 25,51,59,492.85	-₹ 4,43,13,389.07	-₹ 1,28,79,219.49
2029	₹ 1,32,30,00,000.00	₹ 37,02,93,774.67	₹ 25,39,08,780.28	₹ 33,47,18,551.20	₹ 7,14,28,742.81

ENTERPRISE VALUE

PRESENT VALUE OF TERMINAL NET CASH FLOW	AMOUNT
SUM OF PRESENT VALUE OF FREE CASH FLOW (A)	₹ 48,24,39,814.07
TERMINAL VALUE	₹ 1,17,59,92,118.73
CAPITALIZATION RATE	36.20%
GROWTH RATE OF INDUSTRY	6.02%
CASH FLOW AT THE END OF 5TH YEAR	₹ 33,47,18,551.20
PRESENT VALUE of TERMINAL VALUE (B)	₹ 25,09,56,029.44
TOTAL ENTERPRISE VALUE (A+B)	₹ 73,33,95,843.51

SUMMARY OF VALUES

PARTICULARS	AMOUNT
INCOME APPROACH - DISCOUNTED CASH FLOW	
ENTERPRISE VALUE	₹ 73,33,95,843.51
Less : Borrowings as on Valuation Date	₹ 1,76,34,556.26
Add : Cash & Cash Equivalents as on Valuation Date	₹ 37,08,920.48
EQUITY VALUE	₹ 71,94,70,207.73
Number of Equity Shares Outstanding as on Valuation Date	68,52,080.00
FAIR VALUE PER EQUITY SHARE	₹ 105.00