

Annexure-5

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October 31, 2020

MCAPL: MUM: 2020-21: 0036

To,
Board of Directors
Kothari Industrial Corporation Limited
Kothari Bldgs, 20,
Nungabakkam High Road,
Chennai-600 035

Sub : Fairness Opinion Certificate on the Valuation of shares in the matter Reduction of Share Capital of Kothari Industrial Corporation Limited ("KICL")

Dear Sir,

This has reference to the request made by the management of Kothari Industrial Corporation Limited ("KICL"). The Board of Directors of KICL has appointed us on October 29, 2020 and has requested us to issue Fairness Opinion Certificate in connection with the valuation exercise being carried out by Mr. L. K. Sivaramakrishnan, Chartered Accountant/Registered Valuer (hereinafter referred to as "the Valuer") for recommending the Fair Value for the Reduction of Share Capital of Kothari Industrial Corporation Limited.

1. PURPOSE OF VALUATION

- 1.1 The Board of Directors of have considered Reduction of Share Capital of Kothari Industrial Corporation Limited to the tune of 66,27,000 Equity Shares of the Company which were allotted to the Promoter Group on March 31, 2016 and not yet listed on BSE Limited.
- 1.2 In this regard, Mr. L. K. Sivaramakrishnan, Chartered Accountant/Registered Valuer were appointed to carry out the valuation of Equity Shares to arrive at the fair value of Equity Shares of KICL in the matter of Reduction of Share Capital.
- 1.3 The information contained herein and our certificate is confidential. It is intended only for the sole use of captioned purpose including for the purpose of obtaining requisite approvals as per SEBI (LODR) Regulations, 2015.

2. SOURCE OF INFORMATION

For the purpose of the valuation, we have relied upon the following source of information provided by the management of the Companies:

- i) Memorandum and Articles of Association;
- ii) Audited Consolidated and Standalone Financial Statements of the Company for the years ended March 31, 2020 and March 31, 2019;
- iii) Provisional Financial Statements of the Company ended October 15, 2020;
- iv) Shareholding pattern of the Company as on 15th October 2020;
- v) Copy of Valuation Report issued by Mr. L. K. Sivaramakrishnan dated October 28, 2020;



MARK CORPORATE ADVISORS PVT. LTD.

CIN No : U97190MH2008PTC181996
GSTIN/UIN : 27AAF0M5379J1ZY

404, The Summit Business Bay, Sant Janabai Road, (Service Lane), Off. W. E. Highway, Vile Parle (E), Mumbai - 400 057
Tele : +91 22 2612 3207 Fax : +91 22 2612 3208 Web : www.markcorporateadvisors.com E-mail : info@markcorporateadvisors.com

- vi) Draft Scheme of Capital Reduction of Kothari Industrial Corporation Ltd and its Shareholders and Creditors.
- vii) Joint Memo of Compromise filed by the Kothari Industrial Corporation Ltd (Corporate Debtor) and Beakae Properties P Ltd (Financial Creditor) filed before National Company Law Tribunal (NCLT), Chennai Bench, Chennai.
- viii) Discussions with the Management and other quantitative and qualitative data

3. EXCLUSIONS AND LIMITATIONS

- 3.1 Conclusions reached by us are dependent on the information provided to us being complete & accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. We have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our certificate.
- 3.2 This certificate is prepared with a limited purpose/scope as identified/stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.

4. VALUATION METHODOLOGY ADOPTED BY THE VALUER

In arriving at the Fair Value of Equity Shares of KICL, we have determined the values independently but on a relative basis. We have considered the methods relevant and applicable, which included:

- 1) Asset Approach – Book Value Method
- 2) Income Approach
 - (a) Discounted Cash Flow Method
 - (b) Capitalization of Free Cash Flow Method
- 3) Market Approach
 - (a) Comparable Companies Multiple Method
 - (b) Comparable Companies Transaction Method

1) Asset Approach – Book Value Method:

The asset based (net underlying assets) approach is a form of cost approach. The sum of individual asset values represents the total asset value of the enterprise. The enterprise's liabilities related to working capital are deducted to arrive at an indication of value for the invested capital of the business. Because the cost approach does not always reflect the full value of intangible assets, it is often not appropriate to value an operating business. An asset's book value is equal to its carrying value on the balance sheet, and companies calculate it netting the asset against its accumulated depreciation.

2) Income Approach:

- (a) Discounted Cash Flow Method:

The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also the perpetuity value (or terminal value) in case of assets with an indefinite life. The DCF method is one of the most common methods for valuing



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various assets such as shares, businesses, real estate projects, debt instruments, etc. The method involves discounting of future cash flows expected to be generated by an asset over its life using an appropriate discount rate to arrive at the present value.

(b) Capitalization of Free Cashflow Method:

The capitalization of free cash flow is an income based approach which is used to value a business based on future estimated free cash flows to equity or free cash flows to the firm generated by the company. The projected free cash flow is capitalized using an appropriate capitalization rate. This method assumes that all the assets, tangible or intangible are indistinguishable parts of the business and does not attempt to separate the values of the two. The capitalization of free cash flow method is a single period method that assumes a stable level of cashflow. The method is not appropriate for valuing companies in which the projected stream of cashflows is expected to vary. In the case of Kothari Industrial Corporation Ltd the free cashflows in last few quarters have varied. Further considering Company's growth plan, there may be variability in free cashflows in coming periods. Therefore, it is considered appropriate not to use capitalization of free cashflows method for aforesaid valuation.

3) Comparable Companies Multiple Method:

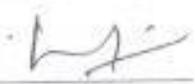
Under this method, value of equity shares of a company is arrived at by using multiples derived from the valuations of comparable companies, as manifest through their stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to the valuation.

5. CONCLUSION

- 5.1. We have reviewed the methodology as mentioned above adopted by the Valuer for arriving at the fair valuation of the equity shares of KICL and also reviewed the working and underlining assumptions adopted to arrive at the values under each of the above approaches, for the purposes of recommending fair value of Equity shares of KICL. The Book value as on Valuation Date i.e. October 15, 2020 has been calculated at ₹(2.52) per Equity Share. The value of the share of a company cannot be less than Zero. In view of the same the value of share is considered as 'Zero'.
- 5.2. On the basis of the foregoing points, we are of the opinion that fair value of Equity Shares of KICL of Nil made by L K Sivaramakrishnan, Chartered Accountant/Registered Valuer is fair & reasonable for the purpose of Reduction in Share Capital of Kothari Industrial Corporation Limited.

Thanking you,

For Mark Corporate Advisors Private Limited


Rajendra Kanoongo
Jt. Managing Director

Place: Mumbai