

KRISHNA DEFENCE AND ALLIED INDUSTRIES LIMITED



VALUATION REPORT OF EQUITY SHARES

SUBMISSION TOWARDS VALUATION OF EQUITY SHARES OF THE
COMPANY FOR THE PURPOSE OF FURTHER ISSUE

JANUARY
2023



Securities & Financial Assets • Plant & Machinery • Land & Building

New Delhi | Mumbai | Jaipur | Gurugram | Chandigarh | Ahmedabad | Indore | Bengaluru | Chennai | Kolkata



Batgach
& Affiliates
A Network Approved by ICAI

VALUATION REPORT

OF

EQUITY SHARES

For the purpose of issue of shares



KRISHNA DEFENCE AND ALLIED INDUSTRIES LIMITED

Submitted to Management of the Company

JANUARY 2023

PREPARED BY



Securities & Financial Assets • Plant & Machinery • Land & Building

New Delhi | Mumbai | Jaipur | Gurugram | Chandigarh | Ahmedabad | Indore | Bengaluru | Chennai | Kolkata

ABHINAV RAJVANSHI (IBBI Regd. Valuer)

Regn. Number: IBBI/RV/06/2019/11765

Contact: +91 9509777241, E-mail: -valuation@rajvanshica.com

<http://www.rajvanshica.in/ibbi-registered-valuers.html>

COVERING NOTE

To,
Board of Directors
Krishna Defence and Allied Industries Limited
344, Floor-3, Plot-267, A TO Z Industrial Estate,
Ganapatrao Kadam Marg, Lower Parel, Delisle Road,
Mumbai MH 400013 IN

23rd January 2023

Re: Valuation Appraisal of Equity Shares of Krishna Defence and Allied Industries Limited based on the Fair Value Approach by using the best/most appropriate method(s).

Dear Sir,

We have been engaged to estimate the fair market value of the Equity Shares of Krishna Defence and Allied Industries Limited (referred hereinafter as “the Company” or “KDAAIL”) as on relevant date 30.12.2022. This valuation was performed on fair value base solely for the purpose of preferential allotment of convertible equity warrants (equity warrants) in terms of SEBI (ICDR) Regulation, 2018. The resulting estimate of value should not be used for any purpose or by any other party for any purpose other than the one identified above.

We have estimated the fair value per equity share of the Company to be INR 137.78 per share.

Equity Warrants are convertible into equity shares at a conversion ratio of 1:1. (As per the representation received from the management of the company) Therefore, the fair market value of the Equity Warrants of the company would be determined considering the value of underlying instrument i.e. equity shares of KDAAIL, which is INR 137.78 per equity warrant as arrived by us.

This conclusion is subject to the Statement of Assumptions and Limiting Conditions found in the later part of this report. A detailed working of the valuation can be found in later part of this report. We have no obligation to update this report or my conclusion of value for information that comes to my attention after the date of this report.

For the purpose of valuation, I was provided with the Projected Financial Statements, duly certified by the management as on 30th December 2022 and half yearly Balance Sheet reviewed by Chartered Accountant as on 30th September 2022 and had received an explanation that there is no exceptional transactions entered by company which may affect the financial statements significantly from the period 30th September 2022 till the date of the valuation report.

Rather than preparing as self-contained comprehensive report, I have provided a restricted use limited appraisal report, which is advisory in nature and intended to be used for valuation of shares & filing necessary documents with the Registrar of Companies. Please refer to the statement of limiting conditions contained in the report. For the purpose of valuation of shares for issue of Equity Shares, fair market value is defined as the expected price at which the subject business would change hands between

a willing buyer and a willing seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.

I have appraised a fully marketable, controlling ownership interest in the assets of the subject business. The appraisal was performed under the premise of value in continued use as a going concern business enterprise.

The valuation is subject to the information provided to me as well as the assumptions and financial data which appear in the report. This report does not constitute offer or invitation to any section of the public to subscribe for or purchase any securities in or assets or liabilities of Krishna Defence and Allied Industries Limited, as it's a merely valuation purpose report for internal compliance purpose.

The reference date of valuation is 30th December 2022. I have no obligation to update this report or revise this valuation because of events or transactions occurring subsequent to the date of this report.

Sincerely Yours,
For R&A Valuation LLP



Abhinav Rajvanshi
Registered Valuer
Regn. Number: IBBI/RV/06/2019/11765
UDIN: 23426357BGUHZT5369

Place: Mumbai

Date: 23rd January 2023

space has been intentionally left blank

TABLE OF CONTEXT (INDEX)

Sr. No.	Particulars	Page No.
I	Company Background & Other Information	5 – 6
II	Purpose of Valuation, Identity of the valuer	6
III	Sources of Information	7
IV	Valuation Approach	8
V	Net Asset Value: Method of Valuation	8 – 9
VI	Discounted Cash Flow Method: Method of Valuation	10 – 12
VII	Market Approach using VWAP Method	13
VIII	Conclusion of Valuation	14
IX	Limitations / Exclusion / Warrants & Caveats	15 – 18
X	<u>Annexure A:</u> Brief Details of the NAV Calculation.	19
XI	<u>Annexure B:</u> Brief Details of the DCF Calculation.	20
XII	<u>Annexure C:</u> Details of Average of the volume weighted average price (VWAP) of the equity shares quoted on the NSE, Recognized Stock Exchange during the 90 trading days or 10 trading days preceding the relevant date (considering relevant date as 29 th December, 2022) of the Cost of Capital Employed	21 – 23

****space has been intentionally left blank****

I. COMPANY BACKGROUND

INTRODUCTION

Krishna Defence And Allied Industries Limited is a Public Company incorporated on 10 September 2013. It is classified as Non-govt Company and is registered at Registrar of Companies, Mumbai. Its authorized share capital is Rs. 120,000,000 and its paid-up capital was Rs. 84,000,000 as on 31.03.2022 and is currently Rs. 11,44,80,000. The said company is securities listed in SME IPO with NSE EMERGE.



Krishna Defence & Allied Industries Limited is among India's very few manufacturing houses with comprehensive in-house capabilities of designing, developing, and manufacturing a wide range of equipment for Defence, Security, Dairy, and Mega Kitchen verticals for defense segment of customers.

The company's manufacturing capability includes a wide range of critical assemblies and precision components with close tolerances made possible through in-depth know-how on metallurgy, precision machining, assembly, specialized fabrication facilities with a series of multi-level inspections during the production process. (The information above has been provided by the management of the company).

CORPORATE INFORMATION

CIN	U74900MH2013PLC248021
Registration Number	248021
Company Category	Company limited by Shares
Company Sub Category	Non-govt Company
Whether Listed or not	The company is listed on NSE EMERGE which is SME IPO Platform.
Class of Company	Public
Registered Address	344, Floor-3, Plot-267, A TO Z Industrial Estate, Ganapatrao Kadam Marg, Lower Parel, Delisle Road, Mumbai MH 400013 IN
Company Status (for e-filing)	Active

DIRECTORS/KEY MANAGERIAL PERSONNEL OF KRISHNA DEFENCE AND ALLIED INDUSTRIES LIMITED

DIN/PAN	Full Name	Designation	Appointment Date
00609542	JAYKUMAR TOSHNIWAL	Independent Director	23-08-2021
01166537	ANKUR ASHWIN SHAH	Managing Director	10-09-2013
01382184	DIVYAKANT RAMNIKLAL ZAVERI	Independent Director	23-08-2021
06841164	SANDEEP RAMRAO KADAM	Whole time Director	11-03-2014
06966962	PREYAL ANKUR SHAH	Chairperson & Non –Executive Director	11-01-2022
HSRPS4169G	CHARMY SHAH	Company Secretary (KMP)	22-10-2021
AODPP9949J	PIYUSH HARJIBHAI PATEL	Chief Financial Officer (KMP)	23-08-2021

(Source: As per information received from the management of the company)

SHAREHOLDING PATTERN AS ON 30th December 2022: -

(Source: As provided by the management of the company to us).

S. No.	Name of Shareholder	No of Shares held	Face Value	% Holding
1	Promoter & Promoter Group	84,00,000	10	73.38%
2	Public	30,48,000	10	26.62%
Total		114,48,000		100.00%

II. PURPOSE OF VALUATION

To compute fair value of equity shares as on 30th December 2022 for the proposed preferential issue, it is informed to us that the company wishes to further issue of convertible equity warrants under preferential issue within the relevant provisions of the Companies Act, 2013 and rules there under and SEBI (Issue of Capital and Disclosure Requirements). As per the provisions of the Companies (Share capital and Debentures) Rules 2014, in case of further issue of share capital the valuation of such share is required to be obtained from a Registered Valuer.

As per the Companies (Registered Valuers and Valuation) Rules, 2017, as amended, require that only a person registered with the IBBI as a registered Valuer can conduct valuations required under the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016 with effect from 1st February, 2019. Considering the compliance from the Companies Act the valuation has been taken from a registered Valuer.

IDENTITY OF THE INDEPENDENT REGISTERED VALUER

Name of the Valuer : Abhinav Rajvanshi (R&A Valuation LLP)

IBBI Registration Number-IBBI/RV/06/2019/11765

ICAI RVO Reg. No. - ICAIRVO/06/RV-P00125/2019-2020

Address –H-15 Chitranjan Marg, C-Scheme, Jaipur 302001

Contact Email of RV – valuation@rajvanshica.com

DISCLOSURE OF VALUER’S INTEREST OR CONFLICT, IF ANY

I hereby confirm and explicitly declare that | am Independent Registered Valuer and do not have any interest, direct or indirect, in the underlying securities being valued.

space has been intentionally left blank

ABOUT THE ASSIGNMENT

I have been appointed by Krishna Defence and Allied Industries Limited to estimate the fair market value of equity share (for the purpose of further issue of shares) on a marketable, controlling & ownership basis as of 30th December 2022.

The purpose of this appraisal is solely to provide an independent valuation opinion in order to assist the company in calculating the fair value for issue of equity shares using the most appropriate method and also in filing necessary documents with the Registrar of Companies. As such, this appraisal report is intended for use by the company only for the aforesaid purpose.

III. SCOPE OF THE REPORT & SOURCES OF INFORMATION

For the purposes of our valuation, we have not carried out a due diligence exercise or any other validation procedures.

The following sources of information were used in preparing the appraisal:

The Valuation Conducted of the Equity Share is based upon the following: -

- 1) CA Reviewed Balance Sheet as on 30th September 2022.
- 2) 5 Year Projections for Profit & Loss and Balance Sheet Details as Provided by the Management of the Company.
- 3) Audited Financial Statements for the F.Y. 2020-21 and 2021-22.
- 4) Details of the Current Shareholders as on 30th December 2022.
- 5) Information / explanation obtained from the employees / management of the company
- 6) Other relevant information
- 7) Prices and other information of other comparable companies
- 8) Trading Prices and Volume of the Company on NSE Emerge.
- 9) Information as Available on the Public Domain of the Company at <https://krishnaallied.com/>

All financial values incorporated in this Report are in INR (Indian Rupees). This report has been provided by us and has been prepared solely for providing selected information on a confidential basis to which it is issued. We do not take any responsibility if the report is used by person other than to whom it is issued and for the purpose other than mentioned hereinabove.

space has been intentionally left blank

IV. VALUATION APPROACH

The company has engaged us to arrive at the value of equity shares of the company by way of fair value, Cost/Asset Approach, Market Approach, Income Approach (Combination of all the Methods). The objective of the valuation process is to make a reasonable judgment of the valuation of the equity share price of Krishna Defence And Allied Industries Limited.

The standard valuation approaches and methodologies are as below:

- i. Cost/Asset Approach
 - a. Net Asset Method
- ii. Market Approach
 - a. Market Price Method
- iii. Income Approach
 - a. Discounted Cash Flow (DCF) Method

V. VALUATION OF EQUITY SHARES

A. COST/ASSET APPROACH: NET ASSET METHOD (BOOK VALUE)

ABOUT THE METHOD:

Asset based method are normally based on the Net Asset Value (NAV) of the unit as on the valuation date and could be on current replacement cost basis or on the basis of book values. On a going concern basis, normally the book value of the assets is considered.

NAV VALUATION:

The calculation of the Net Asset Value of the Company for valuation of Equity Shares of the company, the net asset value is to be calculated as per half yearly Financial Statements reviewed by Chartered Accountant of the company for the period ending as on 30th September 2022. *(Refer Annexure A for More Details)*

space has been intentionally left blank

KRISHNA DEFENCE & ALLIED INDUSTRIES LIMITED

Valuation Based on Financials Statements as on 30th September, 2022

Net Asset Value Method (Asset Approach)

S. No.	Particulars	Amount (In Lakhs)
ASSET SIDE		
A	ASSETS (Refer Notes Below)	6,108.70
B	LIABILITIES	
	Non-Current liabilities	712.86
	Current liabilities	2,094.80
C	Total Net Worth (Net Assets of the Company) (A-B)	3,301.04
D	Number of Equity Shares as on Date of Valuation	
	1. Existing Shares	1,14,48,000
	2. Potential Equity Shares to be Issued in Future for convertible securities	-
	Total (1 + 2)	1,14,48,000
E	Net Assets Value (D/E)	28.83

Notes to the above calculations:

- 1) We have taken the figures as per reviewed Half yearly balance sheet figures for the half year ended 30th September 2022. The last reviewed balance available and provided by the management is 30th September 2022, accordingly the same has been relied for the reference date as 30th December 2022.
- 2) For the purpose of valuation, the management of the company has provided an explanation that there is no exceptional transaction entered by company which may affect the financial statements significantly from the period 30th September 2022 till date of report.
- 3) For more details refer Annexure A of the Report.

space has been intentionally left blank

B. INCOME APPROACH: DISCOUNTED CASHFLOWS METHOD

ABOUT THE METHOD:

DCF method uses future free cash flow projection and discounts them to arrive at a present value. It is widely used in investment finance, real estate development, corporate financial management and patent valuation.

Under DCF, free cash flow to firm or free cash flow to Equity approach is used to arrive at a valuation of company.

- Free cash flow to firm (FCFF): This indicates the fair value of the firm based on the value of the cash flows the business is expected to generate in the future. All future cash flows are estimated and discounted using cost of capital to give their present values. This is a measurement of the company's profitability after all expenses and reinvestment. It's the one of the benchmarks used to compare and analyses financial health.
- Free cash flow to equity (FCFE): This indicates the fair value of the equity based on the value of the cash flows the business is expected to generate in the future. The method involves the estimation of post-tax cash flow to equity for a projection period after consideration of reinvestment in the terms of capital expenditure, incremental working capital and debt repayment. These cash flows are then discounted at cost of equity that reflects the risk of business.

Since, we are calculating the value of equity hence valuation will be conducted based on the FCFE (Free CashFlows to Equity).

DCF VALUATION OF EQUITY SHARES

A widely accepted definition of DCF is discounting of net cash flows.

Net Cash Flow

Net cash flow is defined as follows:

- After-tax business net-profit
- Plus depreciation and amortization expense
- Plus decreases in working capital
- Plus tax-affected interest expense
- Plus preferred dividend payouts
- Less annual capital expenditures

****space has been intentionally left blank****

TIME FRAME OF CASH FLOWS:

A problem faced in valuing a business is its indefinite life, especially where the valuation is on a going concern basis. This problem could be tackled by separating the value of the business into two time periods viz. explicit forecast period (Primary period) and post explicit forecast period (terminal period). In such a case, the value of business will be value of free cash flows generated during the explicit forecast period and value of free cash flows generated during the post explicit forecast period. While projected free cash flows of the explicit forecast period can be prepared meticulously based on the business plan, the free cash flows of the post explicit forecast period could be estimated using an appropriate method.

In the present case, I have been provided with the projected working results for the next 5 years starting from 31st December, 2022 and ending 31st March 2027.

APPROPRIATE DISCOUNTING RATE:

Under the DCF method the time value of money is recognized by applying a discount rate to the future free cash flows to arrive at their present value. This discount rate which is applied to the free cash flows should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company / business. This is commonly referred to as the weighted average cost of capital (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

In the present case since, I have considered the WACC as discounting factor in DCF Valuation as the company in the future will be utilizing both debt and equity.

As regards the cost of equity, due regard must be given to the risk-free rate of return (Yield) available to investors, which is as on the date of valuation i.e. 30th December 2022 is around 7.33% of 10-year GOI Bonds, apart from these factors it is also important to consider the following industry and company specific risk factors.

Keeping in view the various factors, the cost of equity has been computed and the total expected return or cost of equity as on the date of valuation is 17.01%. Refer Annexure B for the computation of Cost of Equity.

space has been intentionally left blank

CALCULATIONS BASED ON DISCOUNTING CASH FLOW METHOD
AS ON 30th December 2022:

Particulars	Amount (INR in Lakhs)
Present Value of Cash Flows for period of projections (after discounting with rate 17.01% p.a.) (A)	4,239.67
Present Value of Cash Flows for perpetuity i.e. beyond the period of projections (B)	16,757.53
Operating Enterprise / Equity Value (B) + (A)	20,997.20
Adjustments*	8.75
Equity Value	21,005.95
No. of Equity shares	114,48,000
Value per equity share (INR)	183.49

*Adjustments relating to addition of balance with bank/cash as on 30th December 2022.

Notes to the above calculations: -

- 1) For the purpose of valuation, we have considered discounting on month basis and thus have considered the discounting of 3.03 months for the remaining months for the F.Y. 2022 -23.
- 2) The projections for the 5 Financial Years i.e. F.Y. 2022-23 to 2026-27 has been provided by the management of the company.
- 3) For the purposes of valuation and as per the discussion of with the management of the company, the projections have been considered uniform throughout the Financial Years.
- 4) The provisional Figures as to Cash & Bank Balance have been considered.
- 5) The user of the report may contact the valuer for the assumptions and the detailed calculations.

space has been intentionally left blank

C. VALUATION APPROACH: MARKET PRICE METHOD

The equity shares of the Company are listed on NSE Emerge. Based on the trading volumes obtained from NSE website, we observed that the equity shares are traded frequently. For below calculation refer Annexure C of the report. Calculation of minimum issue price as per prescribed under Chapter V of SEBI (ICDR) Regulations, 2018

Relevant Date for the purpose of calculating the floor Price of the Convertible Equity Warrants is considered as Friday, 30th December, 2022, being the working day preceding the date that is 30 (thirty) days prior to the date of the EGM (since the date that is 30 (thirty) days prior to the date of the Extraordinary General Meeting is a holiday i.e. Saturday, 31st December 2022. Reference Date for Valuation 30th December 2022.

- A. Average of the volume weighted average price (VWAP) of the equity shares of Krishna Defence and Allied Industries Limited quoted on the NSE Emerge , Recognized Stock Exchange during the 90 trading days preceding the relevant date (considering relevant date as 30th December, 2022)

Average price for the 90 days (Working is attached to the annexure as per the Annexure C)	Rs. 120.30
---	------------

- B. Average of the volume weighted average price (VWAP) of the equity shares of Krishna Defence and Allied Industries Limited quoted on the NSE Emerge, Recognized Stock Exchange during the 10 trading days preceding the relevant date (considering relevant date as 30TH December, 2022)

Average price for the 10 days (Working is attached to the annexure as per the Annexure C)	Rs. 138.48
---	------------

Hence, based on the above	
i. Average of 90 days VWAP	Rs. 120.30
ii. Average of 10 days VWAP	Rs. 138.48
Applicable Minimum Price Per Warrant (Higher of the A or B)	Rs. 138.48

space has been intentionally left blank

VI. CONCLUSION OF BUSINESS VALUE

The Fair Value of the shares of the Company has been arrived at by averaging the values arrived as per the different methods adopted.

The computation of the same is given by table below.

KRISHNA DEFENCE AND ALLIED INDUSTRIES LIMITED				
<i>Calculation of Fair Value of Equity Shares</i>				
Average of Methods				
Based on Assumptions & Calculations				
Method Applied	Applied/ Not Applied	Weightage	Average Value per Equity Share	Average Value per Equity Share
Cost/Asset Approach				
Net Asset Value (NAV)	Applied	15%	28.83	4.32
Market Value Approach				
VWAP of 10 Days (As per NSE Emerge KRISHNADEF-SM)	Applied	50%	138.48	69.24
Income Approach*				
Discounted Cash Flow (DCF) Method	Applied	35%	183.49	64.22
Value per share		100.00%		137.78

* The user of the report may obtain the assumptions relied upon and detailed calculations if required.

Based on the above, in our opinion the fair value of one equity share of face value of Rs. 10/- Per share of the company as per fair value works out to be **Rs. 137.78** each. The valuations were conducted according to the generally accepted principles and assumptions made by us in reference to taking comparable companies, methods and approaches.

Therefore, we hereby based on the above calculations state that the price of **Rs. 137.78/-** per equity share of the Company, as derived. Please refer to the assumptions made by us, information documents made available to us while conducting the valuation and limitations and disclaimers in the report for the valuation arrived as above.

Valuer's Notes:

While we have calculated the values of the shares of the Companies under the Asset Approach, we have considered it appropriate to give the minimum weightage to the same i.e. 15% since, the same ignores future projects and does not consider the market trends in valuation. For the present valuation analysis, having regard to the nature of the businesses of the Companies and the fact that we have been provided by the Companies with their projected financials, we have considered it appropriate to apply the DCF Method under the Income Approach to arrive at the relative fair value of the shares of the Company, accordingly we have assigned 35% weightage to DCF Method considering the same as reasonable. Since, the equity shares of the Company, are listed on NSE Emerge, we have given the maximum weightage i.e. 50% to the market value method.

space has been intentionally left blank

VII. LIMITATIONS / EXCLUSIONS / WARRANTIES & CAVEATS

1. Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting & tax due diligence, consulting or tax related services that may otherwise be provided by my affiliates or me.
2. This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of my engagement; (ii) the date of this Report and (iii) the financial statements as at 30th December 2022, and other information provided by the Management on key events after 30th December 2022 the date of the Report.
3. An analysis of this 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 and transactions occurring after the date hereof may affect this Report and the assumptions used in preparing it, and I do not assume any obligation to update, revise or reaffirm this Report.
4. The ultimate analysis will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into account all the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which are not evident from the face of the balance sheet but which will strongly influence the worth of a share/business. This is conceptual so recognized in judicial decisions.
5. Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore no single undisputed value. While I have provided our recommendation of the Valuation based on the information available to me and within the scope of our engagement, others may have a different opinion. The final responsibility for value at which the Proposed Transaction shall take place will be with the users of the report, who should take into account other factors such as their own assessment of the proposed Transaction and input of other advisors.
6. Valuation is based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates, and the variations may be material. 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 the results projected.
7. In the course of the valuation, I was provided with both written and verbal information, including market, financial and operating data. In accordance with the terms of my engagement, I have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and was considered as part of our analysis for this Report and (ii) the accuracy of information made available to us by company KDAAIL.
8. While my work has involved an analysis of financial information and accounting records, my engagement does not include an audit in accordance with generally accepted auditing standards of the client existing business records. Accordingly, we assume no responsibility and make no

representations with respect to the accuracy or completeness of any information provided by and on behalf of you and the client. Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.

9. I have not independently investigated or otherwise verified the data provided by Krishna Defence And Allied Industries Limited (KDAAIL). Accordingly, I do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from KDAAIL, I have been given to understand by the Management of KDAAIL that they have not omitted any relevant and material factors about the Specified Projects. My conclusions are based on the assumptions and information given by/on behalf of KDAAIL and reliance on public information.
10. The Management of KDAAIL has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by KDAAIL and their impact on the Report. Nothing has come to our attention to indicate that the information provided was materially incorrect or would not afford reasonable grounds upon which to base the Report.
11. The Report assumes that KDAAIL complies fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the company will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited carved out balance sheet of KDAAIL. My conclusion of value assumes that the assets and liabilities of the company, reflected in its latest balance sheet remain intact as of the Report date. My scope of work did not include checking the adequacy of the carved out financial statements of KDAAIL and the Specified Projects and this is the responsibility of the Management and I have assumed these to be correct.
12. I am not an advisor with respect to accounting, legal, tax and regulatory matters for the proposed transaction. This Report does not look into the business / commercial reasons behind the proposed transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the proposed transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. No investigation of KDAAIL's claim to title of assets has been made for the purpose of this Report and KDAAIL's claim to such rights 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.
13. The fee for the engagement is not contingent upon the results report.
14. I owe responsibility to only to KDAAIL in pursuance of an agreement who appointed us under the terms of our work order and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other advisor or this report to KDAAIL or the appointee bank. In no event shall I or my team members be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on the part of KDAAIL, its directors, employees or agents. Unless specifically agreed, in no circumstances shall the liability of the Valuer, its partners, its directors or employees, relating to the

- services provided in connection with the engagement set out in this Report exceed the amount paid to the Valuer in respect of the fees charged by it for these services.
15. I do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion on the Valuation. This Report is not a substitute for the third party's own due diligence / appraisal / enquiries / independent advice that the third party should undertake for his purpose.
 16. This Valuation Report is subject to the laws of India.
 17. Neither the Valuation Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme, without our prior written consent except for disclosures to be made to relevant regulatory authorities including Registrar of Companies and National Company Law Tribunal and other judicial, regulatory or government authorities, in connection with the Transaction. In addition, this Report does not in any manner address the prices at which equity shares of KDAAIL may trade.
 18. This confidential report is prepared by Abhinav Rajvanshi solely for the purpose set out in the report. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued, and the purpose mentioned herein. For the purpose of clarity, KDAAIL may share this report with its auditors, advisors and investment bankers in the normal course of its business. I will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, without our written permission in each instance. The material is true only as of the date of this letter. I assume no responsibility to update or revise the opinion based upon events or circumstances that occur later on.
 19. I have prepared this report based on the information provided, explanation given, and representation made by management of company. I have neither checked nor independently verified such information and representations. I have also not factored any tax implications or any financial or tax planning which the KDAAIL take in future. I have solely relied on explanations, information paper, reports, documents & statements provided by the management of the KDAAIL only and accepted all that information provided to us as consistent and accurate on an "as is" basis and taken in good faith and in the belief that such information is neither false nor misleading.
 20. I have prepared this report with assumption that financial statement of KDAAIL captures all the contingent liabilities and there are no other contingent liabilities of the company.
 21. This report issued on the understanding the management of KDAAIL has drawn our attention to all matters of which they are aware concerning the financial position of the business of the KDAAIL, which may have an impact on our report up to the date of issue. My views are necessarily based on the economic market and other conditions currently in effect. I have no responsibility to update this report for this event and circumstances occurring after the date of this report. I do not hold ourselves responsible or liable, for any losses, damages, costs, expenses or outgoing whatsoever and howsoever caused incurred, sustained and arising out of error due to false, misleading or incomplete information or documentation being provided to us or due to any acts, or omissions of any other person.
 22. Provision of valuation recommendation and considerations of the issues described herein are areas of our regular corporate advisory practice.

23. The scope of my work has been limited in terms of the purpose of valuation mentioned in this report. There may be matters, other than those noted in this report, which might be relevant in the context of any other purpose and which a wider scope might uncover. It may be noted that valuation, is not an exact science and ultimately depends upon what the business is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. The valuation exercise is carried out using generally accepted valuation methodology, principles, and the relative emphasis factors. The result of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the Valuer. In respect of going concern, certain valuation techniques have evolved over time and are commonly in use, which I have applied in.
24. I have no present or planned future interest in KDAAIL and the fees for this report is not contingent upon the value reported herein. My valuation Analysis should not be construed as investment advice, specifically I do not express any opinion on the suitability or otherwise of entering into any transaction with KDAAIL. Neither further, me nor the members of the team working on the independent valuation have directly or indirectly, through the client or otherwise shared any advisory perspective or have been influenced or undertaken advocating a management position in determining the value.
25. I have not considered any law, regulation and taxation or accounting principle as related or applicable to target company's country. I have prepared this report as per Indian law, regulation, or accounting principle in India on the data provided to us.
26. I do not accept any liability to any third party in relation to the issue this valuation report. Neither the valuation report nor its contents may be 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. I retain the right to deny permission for the same.

Report Submitted

Sincerely Yours,



Abhinav Rajvanshi
Registered Valuer
Reg. Number: IBBI/RV/06/2019/11765
UDIN: 23426357BGUHZT5369

Place: Mumbai

Date: 23rd January 2023

ANNEXURE A

BRIEF DETAILS OF THE FINANCIALS USED IN THE NAV CALCULATION

KRISHNA DEFENCE & ALLIED INDUSTRIES LIMITED

Valuation Based on Financials Statements as on 30th September, 2022*

Net Asset Value Method (Asset Approach)

(Amount in Lakhs)

LIABILITIES SIDE

VERIFICATION

A	Shareholder's Funds	
	(i) Equity Share Capital	1,144.80
	(ii) Reserves & Surplus	2,156.24
	Total [(i) + (ii)]	3,301.04
B	Total Net Worth (Net Assets of the Company)	3,301.04
C	Number of Equity Shares as on Date of Valuation	1,14,48,000
D	Net Assets Value/Share (B/C)	28.83

^In absence of any balance sheet as on reference date we have relied on the signed reviewed half yearly balance sheet of Krishna Defence & Allied Industries Limited as on 30th September 2022 as provided to us by the management of the company.

space has been intentionally left blank

ANNEXURE B

Calculations in reference of the valuation using DCF (Discounted Cash Flow) Model

Particulars	Amount (INR in Lakhs)
Present Value of Cash Flows for period of projections (after discounting with rate 17.01% p.a) (A)	4239.67
Present Value of Cash Flows for perpetuity i.e. beyond the period of projections (B)	16757.53
Operating Enterprise / Equity Value (B) + (A)	20997.20
Adjustments*	8.75
Equity Value	21005.95
No. of Equity shares	114,48,000
Value per equity share (INR)	183.49

*Adjustments relating to addition of balance with bank/cash as on 30th December 2022.

Calculations in respect to the discounting rate used in the calculation

Particulars	Rate	Reference
Risk Free Rate Rf	7.33%	https://countryeconomy.com/bonds/india?dr=2022-12
Average Return from Market Portfolio Rm	13.87%	CAGR of BSE 500 (Index of Last 20 Years)
Market Risk Premium Rm-Rf	6.54%	
Beta of the Industry Beta		http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html
Unlevered Beta of the Industry Beta	1.48	Aerospace/Defence
Company Specific Risk Premium	0.00%	
Cost of Equity	17.01%	
Average Cost of debt	0.00%	
Tax Rate (Excluding Cess)	25.00%	
Cost of debt-Post Tax	0.00%	
Target Debt-Equity Ratio	Amount	Cost of Capital
Equity	-	17.01%
Loan	-	0.00%
WACC	-	17.01%

space has been intentionally left blank

ANNEXURE-C

Average of the volume weighted average price (VWAP) of the equity shares quoted on the NSE Limited, Recognized Stock Exchange during the 90 trading days preceding the relevant date (considering relevant date as 29th December, 2022)

Days	Date of (trading days)	Total Traded Quantity	Turnover	VWAP
1	17-Aug-22	36,000.00	30,93,300.00	85.93
2	18-Aug-22	9,000.00	7,57,800.00	84.20
3	19-Aug-22	33,000.00	27,59,700.00	83.63
4	22-Aug-22	3,000.00	2,50,650.00	83.55
5	23-Aug-22	9,000.00	7,55,400.00	83.93
6	24-Aug-22	18,000.00	15,14,550.00	84.14
7	25-Aug-22	9,000.00	7,64,250.00	84.92
8	26-Aug-22	87,000.00	77,36,550.00	88.93
9	29-Aug-22	1,44,000.00	1,33,35,150.00	92.61
10	30-Aug-22	1,08,000.00	1,05,53,400.00	97.72
11	01-Sep-22	2,31,000.00	2,37,46,800.00	102.80
12	02-Sep-22	75,000.00	81,11,250.00	108.15
13	05-Sep-22	90,000.00	1,02,19,500.00	113.55
14	06-Sep-22	2,91,000.00	3,24,45,750.00	111.50
15	07-Sep-22	69,000.00	76,33,050.00	110.62
16	08-Sep-22	54,000.00	59,06,700.00	109.38
17	09-Sep-22	81,000.00	83,25,000.00	102.78
18	12-Sep-22	66,000.00	64,72,050.00	98.06
19	13-Sep-22	21,000.00	20,34,000.00	96.86
20	14-Sep-22	33,000.00	33,10,350.00	100.31
21	15-Sep-22	12,000.00	12,30,600.00	102.55
22	16-Sep-22	36,000.00	35,11,650.00	97.55
23	19-Sep-22	15,000.00	15,02,700.00	100.18
24	20-Sep-22	9,000.00	9,16,800.00	101.87
25	21-Sep-22	24,000.00	23,38,500.00	97.44
26	22-Sep-22	24,000.00	23,10,750.00	96.28
27	23-Sep-22	30,000.00	27,30,000.00	91.00
28	26-Sep-22	12,000.00	10,38,150.00	86.51
29	27-Sep-22	69,000.00	56,69,700.00	82.17
30	28-Sep-22	21,000.00	17,02,200.00	81.06
31	29-Sep-22	9,000.00	7,33,500.00	81.50
32	30-Sep-22	33,000.00	27,70,950.00	83.97
33	03-Oct-22	27,000.00	23,81,250.00	88.19
34	04-Oct-22	18,000.00	15,70,350.00	87.24
35	06-Oct-22	15,000.00	13,43,250.00	89.55
36	07-Oct-22	3,000.00	2,72,700.00	90.90
37	11-Oct-22	21,000.00	19,18,350.00	91.35
38	12-Oct-22	3,000.00	2,70,000.00	90.00
39	14-Oct-22	1,44,000.00	1,36,83,450.00	95.02

40	17-Oct-22	96,000.00	99,03,600.00	103.16
41	18-Oct-22	30,000.00	30,66,450.00	102.22
42	19-Oct-22	9,000.00	9,32,850.00	103.65
43	20-Oct-22	18,000.00	18,07,650.00	100.43
44	21-Oct-22	12,000.00	12,23,400.00	101.95
45	24-Oct-22	9,000.00	9,12,000.00	101.33
46	25-Oct-22	3,000.00	2,80,800.00	93.60
47	27-Oct-22	6,000.00	5,91,000.00	98.50
48	28-Oct-22	6,000.00	5,58,900.00	93.15
49	31-Oct-22	21,000.00	20,08,350.00	95.64
50	01-Nov-22	3,000.00	2,89,500.00	96.50
51	02-Nov-22	3,000.00	2,76,750.00	92.25
52	04-Nov-22	66,000.00	66,02,250.00	100.03
53	07-Nov-22	1,47,000.00	1,63,97,850.00	111.55
54	09-Nov-22	1,17,000.00	1,43,55,900.00	122.70
55	10-Nov-22	4,35,000.00	5,41,89,900.00	124.57
56	11-Nov-22	3,30,000.00	4,00,81,800.00	121.46
57	14-Nov-22	27,000.00	30,19,950.00	111.85
58	15-Nov-22	21,000.00	22,32,300.00	106.30
59	16-Nov-22	1,83,000.00	1,99,11,750.00	108.81
60	17-Nov-22	1,56,000.00	1,76,71,050.00	113.28
61	18-Nov-22	1,02,000.00	1,10,18,100.00	108.02
62	21-Nov-22	1,17,000.00	1,31,94,600.00	112.77
63	22-Nov-22	72,000.00	84,40,050.00	117.22
64	23-Nov-22	78,000.00	86,47,200.00	110.86
65	24-Nov-22	90,000.00	1,03,04,700.00	114.50
66	25-Nov-22	42,000.00	48,08,100.00	114.48
67	28-Nov-22	1,89,000.00	2,19,14,250.00	115.95
68	29-Nov-22	39,000.00	44,89,500.00	115.12
69	30-Nov-22	60,000.00	69,08,100.00	115.14
70	01-Dec-22	39,000.00	44,62,350.00	114.42
71	02-Dec-22	2,28,000.00	2,69,16,150.00	118.05
72	05-Dec-22	1,38,000.00	1,72,02,750.00	124.66
73	06-Dec-22	1,65,000.00	2,16,75,750.00	131.37
74	07-Dec-22	2,22,000.00	3,12,17,400.00	140.62
75	08-Dec-22	66,000.00	88,83,450.00	134.60
76	09-Dec-22	1,50,000.00	2,07,71,700.00	138.48
77	12-Dec-22	3,09,000.00	4,46,76,000.00	144.58
78	13-Dec-22	4,68,000.00	7,13,39,100.00	152.43
79	14-Dec-22	1,65,000.00	2,33,56,500.00	141.55
80	15-Dec-22	2,31,000.00	3,46,17,300.00	149.86
81	16-Dec-22	81,000.00	1,15,74,000.00	142.89
82	19-Dec-22	66,000.00	95,89,500.00	145.30
83	20-Dec-22	42,000.00	61,28,100.00	145.91
84	21-Dec-22	1,62,000.00	2,21,73,300.00	136.87
85	22-Dec-22	1,08,000.00	1,43,05,350.00	132.46

86	23-Dec-22	75,000.00	98,71,500.00	131.62
87	26-Dec-22	36,000.00	49,72,350.00	138.12
88	27-Dec-22	54,000.00	77,01,600.00	142.62
89	28-Dec-22	15,000.00	21,30,450.00	142.03
90	29-Dec-22	45,000.00	62,71,500.00	139.37
Average Price		73,44,000.00	88,34,94,750.00	120.30

Average of the volume weighted average price (VWAP) of the equity shares quoted on the NSE Limited, Recognized Stock Exchange during the 90 trading days preceding the relevant date (considering relevant date as 29th December, 2022)

Days	Date of (trading days)	Total Traded Quantity	Turnover	VWAP
1	16-Dec-22	81,000.00	1,15,74,000.00	142.89
2	19-Dec-22	66,000.00	95,89,500.00	145.30
3	20-Dec-22	42,000.00	61,28,100.00	145.91
4	21-Dec-22	1,62,000.00	2,21,73,300.00	136.87
5	22-Dec-22	1,08,000.00	1,43,05,350.00	132.46
6	23-Dec-22	75,000.00	98,71,500.00	131.62
7	26-Dec-22	36,000.00	49,72,350.00	138.12
8	27-Dec-22	54,000.00	77,01,600.00	142.62
9	28-Dec-22	15,000.00	21,30,450.00	142.03
10	29-Dec-22	45,000.00	62,71,500.00	139.37
Average Price		6,84,000.00	9,47,17,650.00	138.48

---END OF THE DOCUMENT---