

**UDIN: 23213948BGVHNE9831**

**Date: 02<sup>nd</sup> November, 2023.**

## **Valuation Report**

[Valuation as on 30<sup>th</sup> September, 2023]

**To,**

**The Board of Directors  
M/s. TOLINS TYRES LLC,  
Ras AI Khaimah.  
United Arab Emirates.**

### **VALUATION ANALYSIS**

We refer to our Engagement Letter dated 10<sup>th</sup> October 2023 confirming our appointment as independent valuers of **M/s. TOLINS TYRES LLC** (the “Company”). In the following paragraphs, we have summarized our Valuation Analysis (the “Analysis”) of the business of the Company as informed by the Management and detailed herein, together with the description of the methodologies used and limitations on our scope of work.

#### **(I) CONTEXT AND PURPOSE**

Based on discussion with the Management, we understand that the management is contemplating some structural changes in the shareholding structure and needs to ascertain its present fair values for further swap of shares among the associated enterprises to effect their reorganization of the holdings.

Further, the company has made the strategic decision to transition from a standard Limited Liability Company (LLC) to a One-Person Company LLC, facilitating the consolidation of shareholding into a singular entity and relinquishing management control. As a result, comprehensive reviews of agreements have been conducted, culminating in the assignment of 100% shareholding to Jose

Thomas. Subsequently, this ownership is proposed to be acquired by the Indian entity TTPL and hence, this valuation is being taken.

### **(III) CONDITIONS AND MAJOR ASSUMPTIONS**

#### **Conditions**

- ✓ The company management has provided us with the Provisional financials [Unaudited] as on 30<sup>th</sup> September, 2023. The available financial information about the company presented in this report is included solely for the purpose to arrive at value conclusion presented in this report and it should not be used by anyone to obtain creditor for any other unintended purpose.

Because of the limited purpose as mentioned in the report, it may be incomplete and may contain departures from generally accepted accounting principles prevailing in the country. We have not audited, reviewed, or compiled the Financial Statements and express no assurance on them. The financial information about the company presented in this report includes normalization adjustments made solely for the purpose to arrive at value conclusions presented in this report. Normalization adjustments as reported are hypothetical in nature and are not intended to present restated historical financial results or forecasts of the future.

- ✓ Readers of this report should be aware that business valuation is based on future earnings potential that may or may not be materialized. Any financial projections e.g. projected balance sheet, projected profit and loss account, Projected Cash flow Statement as presented in this report are included solely to assist in the development of the value conclusion. The actual results may vary from the projections given, and the variations may be material, which may change the overall value.
- ✓ This report is only to be used in its entirety, and for the purpose stated in the report. No third parties should rely on the information or data contained in this report without the advice of their lawyer, attorney or accountant.

- ✓ We acknowledge that we have no present or contemplated financial interest in the Company. Our fees for this valuation are based upon our normal billing rates, and not contingent upon the results or the value of the business or in any other manner. We have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.
- ✓ We have, however, used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the analyst regarding such additional engagement.

### **Assumptions**

- ✓ The opinion of value given in this report is based on information provided in part by the management of the Company and other sources as listed in the report. This information is assumed to be accurate and complete.
- ✓ We have relied upon the representations contained in the public and other documents in our possession concerning the value and useful condition of all investments in securities or partnership interests, and any other assets or liabilities except as specifically stated to the contrary in this report.
- ✓ We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances, or that the owner has good title to all the assets.
- ✓ We have also assumed that the business will be operated prudently and that there are no unforeseen adverse changes in the economic conditions affecting the business, the market, or the industry. This report presumes that the management of the Company will maintain the character and integrity of the Company through any sale, reorganization or reduction of any owner's/manager's participation in the existing activities of the Company.

- ✓ We have been informed by management that there are no environmental or toxic contamination problems, any significant lawsuits, or any other undisclosed contingent liabilities which may potentially affect the business, except as may be disclosed elsewhere in this report. We have assumed that no costs or expenses will be incurred in connection with such liabilities, except as explicitly stated in this report.
- ✓ While considering weights between debt and equity, wherever there are loan from promoters group, we have factored it under equity weights calculation as a part of quasi equity.

### **Background of the company**

M/S TOLINS TYRES LLC, RAK Economic Zone - Ras Al Khaimah - United Arab Emirates (the Company) is a Free Zone Limited Liability Company FZ-LLC and it is fanned and operated under the Ras Al Khaimah Economic Zone Authority with Industrial License No. RAKIA25WIZ07091965 issued on July 05, 2009. The main object of the company is to carry on the business of Manufacturing rubber tyres, retreading and rebuilding of rubber tyres, rubber products manufacturing, auto accessories manufacturing & trading and tyres & rims trading. The company is headquartered at PL2148, Al Hamra Industrial Zone-NFZ, RAK, United Arab Emirates.

### **B. VALUATION DATE**

The Analysis of the Fair Value of the equity of the Company has been carried out as on 30<sup>th</sup> Sept, 2023

### **C. VALUATION STANDARDS**

The Report has been prepared in compliance with the Valuation Standards issued by the Institute of Chartered Accountants of India and adopted by ICAI Registered Valuers Organization.

### **D. VALUATION METHODOLOGY AND APPROACH**

The standard of value used in the Analysis is “Fair Value”, which is often defined as the price, in terms of cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the business were exposed for sale on the open market for a

reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.

Valuation of a business is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be prepared to pay substantial goodwill. This exercise may be carried out using various methodologies, the relative emphasis of each often varying with:

- Whether the entity is listed on a stock exchange
- Industry to which the Company belongs
- Past track record of the business and the ease with which the growth rate in cash flows to perpetuity can be estimated
- Extent to which industry and comparable company information are available.

The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue. These can be broadly categorized as follows:

#### **1. Market Approach:**

##### ***Comparable Company Transaction Multiple Method***

Under this methodology, transaction multiples (Sales, EBITDA etc.,) of comparable companies are computed and applied to the business being valued in order to arrive at a multiple based valuation. The difficulty here is in the selection of a comparable company since it is rare to find two or more companies with the same product portfolio, size, capital structure, business strategy and profitability and accounting practices.

In this case, the company is engaged in Trading / manufacturing of Tyres and rubber products, where there are huge number of competitors in the specified industry. Comparing it with the multiples of already established companies, won't be appropriate given the size and nature of the

current business, which need to be adjusted with various number of factors. Further, the purpose of the valuation is for swap of shares between the associated enterprises, wherein the market impact will get nullified in the overall scheme of the arrangement. Hence the Market Approach is ignored in this valuation.

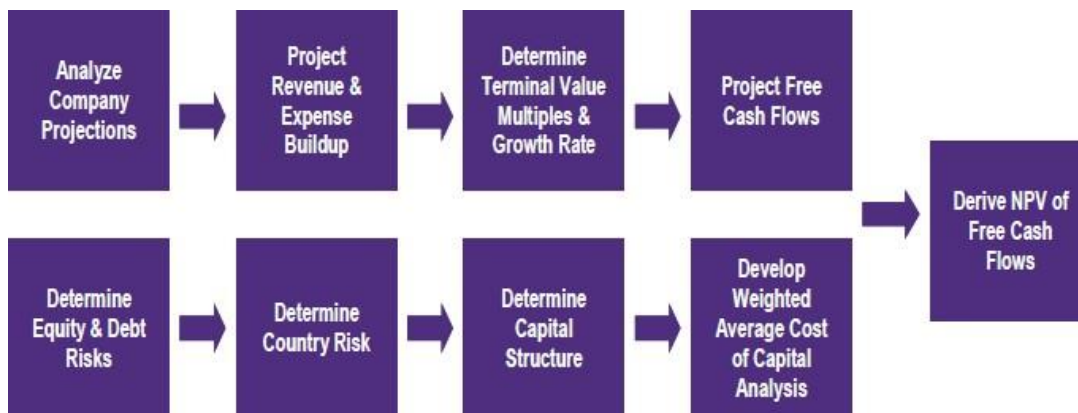
## 2. Income Approach:

*Maintainable Profit Method (Discounted Free Cash Flows – “DCF”)* DCF uses the future free cash flows of the company discounted by the firm's weighted average cost of capital (the average cost of all the capital used in the business, including debt and equity), plus a risk factor measured by beta, to arrive at the present value.

Beta is an adjustment that uses historic stock market data to measure the sensitivity of the company's cash flow to market indices, for example, through business cycles.

The DCF method is a strong valuation tool, as it concentrates on cash generation potential of a business. This valuation method is based on the capability of a company to generate cash flows in the future. The free cash flows are projected for a certain number of years and then discounted at a discount rate that reflects a company's cost of capital and the risk associated with the cash flows it generates. DCF analysis is based mainly on the following elements:

- Projection of financial statements (key value driving factors)
- The cost of capital to discount the projected cash flows



The company has a huge potential of earning cash flows in its forthcoming future. Thus, the company has been valued under DCF approach based on the estimate of the future cash flows given by the management after considering appropriate discounts. The detailed workings of which is given in Annexure A to our report.

Based on our working under DCF approach, we have arrived at a **Fair value of AED 13,121.009/-** per Equity share of face value AED 1,000/- of the company under valuation. **[Refer Annexure – A]**

### **3. Cost Approach:**

The value arrived at under this approach is based on the unaudited financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The balance sheet values are adjusted for any contingent liabilities that are likely to materialize.

The Net Asset Value is generally used as the minimum break-up value for the transaction since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy it as a going concern.

For internal reorganization within the associate enterprises, the best suited method will be Net Asset Valuation under cost approach. The true value as on current date can be arrived through cost method even though other method also can be calculated if the required details are received from the management of the company.

Thus, the company under valuation being a company with a huge future earnings potential and return on assets which has also managed to attract Investors, valuation under NAV method will not reflect the true potential of the company and hence this method is not considered for our valuation.

### **SOURCES OF INFORMATION**

The Analysis is based on a review of the unaudited financial statements and the future business plan of the Company (which is contingent on the proposed investment) provided by the Management and information as available in the public domain. Specifically, the sources of information include:

- Discussions with the Management
- Company Profile and Business plan.
- Unaudited Financial statements as on 30<sup>th</sup> September, 2023.

In addition to the above, we have also obtained such other information and explanations which were considered relevant for the purpose of the Analysis.

#### **E. CAVEATS**

- ✓ Provision of valuation recommendations and considerations of the issues described herein are areas of our regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by us.
- ✓ Our review of the affairs of the Company and their books and account does not constitute an audit in accordance with Auditing Standards. We have relied on explanations and information provided by the Management of the Company and accepted the information provided to us as accurate and complete in all respects. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.
- ✓ Nothing has come to our attention to indicate that the information provided had material mis-statements or would not afford reasonable grounds upon which to base the Report.
- ✓ The report is based on the unaudited financials provided to us by the management of the company along with the future forecasts including the investments. The responsibility for forecasts and the assumptions on which they are based is solely that of the Management of the Company and we do not provide any confirmation or assurance on the achievability of these projections. We have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.

- ✓ The valuation worksheets prepared for the exercise are proprietary to Valuer and cannot be shared. Any clarifications on the workings will be provided on request, prior to finalizing the Report, as per the terms of our engagement.
- ✓ The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them.
- ✓ The Valuation Analysis contained herein represents the value only on the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the Company has drawn our attention to all matters of which they are aware, which may have an impact on our Report up to the date of signature. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.
- ✓ We have no present or planned future interest in the Company and the fee for this Report is not contingent upon the values reported herein.
- ✓ Our Valuation Analysis 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 the Company.

#### **F. DISTRIBUTION OF REPORT**

The Analysis is confidential and has been prepared exclusively for M/s. **TOLINS TYRES LLC**. It should not be used, reproduced or circulated to any other person or for any purpose other than as mentioned above, in whole or in part, without the prior written consent of Valuer. Such consent will only be given after full consideration of the circumstances at the time. However, we do understand that the Report will be shared with the Investors of the Company and the regulatory authorities.

**G. OPINION ON VALUE OF THE BUSINESS**

Based on the Analysis of the business of the Company, in our assessment, we are of the opinion that the fair value as arrived under Internationally accepted pricing methodology as at 30<sup>th</sup> September, 2023 is as follows:

**Equity Share: AED 13,121.009/- per Equity Share of Face Value AED. 1000/- each**  
**[UAE Dirhams Thirty Thousand One Hundred and Twenty One and Nine Fils Only]**

**[Equivalent INR value - In INR 2,95,327.67/-- (in words Rupees Two Lakhs Ninety Five Thousand Three Hundred and Twenty Seven and Sixty Seven Paisa)]**

We trust the above meets your requirements. Please feel free to contact us in case you require any additional information or clarifications.

**Yours faithfully**



**(CA MAHALINGAM SURESH KUMAR)**

**Registered Valuer – Securities & Financial Assets**

**IBBI Reg.No. IBBI/RV/06/2019/10919 & CA Memb.No. 213948**

**Date: 02.11.2023**

**ANNEXURE A**

<b>Currency - AED</b>	<b>Dec-24</b>	<b>Dec-25</b>	<b>Dec-26</b>	<b>Dec-27</b>	<b>Dec-28</b>
<b>Forecast Period Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>No.of Months</b>	<b>3</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
Profit After Tax	3,46,646.30	16,49,388.30	18,69,684.07	20,58,405.12	21,13,423.75
Add: Depreciation	31,867.86	1,18,832.79	1,11,362.09	1,04,778.70	98,882.75
Less: Debt Repayment	1,76,267.35	-	-	-	-
Less: Capital Expenditure	12,18,892.14	-	-	-	-
Less: Working Capital Increase	48,87,652.05	7,60,404.81	8,74,465.53	10,05,635.36	11,56,480.67
<b>Free Cash Flow to Equity</b>	<b>34,66,513.11</b>	<b>10,07,816.28</b>	<b>11,06,580.62</b>	<b>11,57,548.45</b>	<b>10,55,825.83</b>
Discount Factor	11.73%	11.73%	11.73%	11.73%	11.73%
Present Value Factor - Year end Discounting	0.97	0.87	0.78	0.70	0.62
<b>Present Value of Free Cash Flow to Equity</b>	<b>-33,71,729</b>	<b>8,77,365</b>	<b>8,62,226</b>	<b>8,07,266</b>	<b>6,59,035</b>
<b>Terminal Value</b>					
Present value factor for terminal year	0.62				
Present value for explicit period	-1,65,836				
Present value of terminal period	1,29,71,445				
Enterprise Value	1,28,05,610				
Add: Cash and Cash Equivalent	3,15,400				
Fair Value of Equity	1,31,21,009				
Number of Shares	1,000				
<b>Fair Value of per Equity Share</b>	<b>13,121.009</b>				



**Shareholding Pattern**

S.No.	Share Holders Name & Address	Number of Shares	Face Value Per Share [in AED]	Fair Value Per Share [in AED]	Total Fair Value [in AED]
1	Jose Thomas Thekkekara [Refer Note below]	1,000	1,000	13,121.009	1,31,21,009
	<b>TOTAL</b>	<b>1,000</b>			<b>1,31,21,009</b>

Note: 510 Shares of the company are held in the name of Citizen of Ms. Mariam Yousef Mohamood Mohamed Al Marzooqi [An UAE Citizen] as a registered owner for compliance purpose and the beneficial ownership is held by Jose Thomas Thekkekara.

