

Subodh Kumar

Registered Valuer (Securities or Financial assets)

Reg No: IBBI/RV/05/2019/11705

Dated: October 14, 2023

To
The Board of Directors
AKM Creation Limited
C-110 G/F Bhola Nath Nagar,
Shahdara, Delhi - 110032

Subject: Recommendation of price of Equity Shares in terms of Rule 13(2) (g) and 13(2)(h) of the Companies (Share Capital and Debentures) Rules, 2014 read with Section 62(1)(c) of the Companies Act, 2013.

Dear Sir,

We refer to the engagement letter dated October 03, 2023 wherein AKM Creation Limited ("Company") has requested Subodh Kumar, Registered Valuer (hereinafter referred as "Valuer") to recommend fair value in connection with Proposed Transaction" under ICDS Regulations.

We hereby enclose the report on valuation of Equity Shares. The valuation is prepared in compliance with **International Valuation Standards**. The sole purpose of this report is to assist the company to determine the **fair value of Equity Shares** of the Company - "Proposed Transaction" under ICDR Regulations.

As per your request, rather than preparing a self- contained comprehensive report, we have provided a restricted appraisal report which is advisory in nature and indented to be used for offering subject business as referred above.

Please refer to the statement of limiting conditions contained in the report. For the purposes of business appraisal, 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.

We 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.

We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report. We have appraised the subject business in accordance with the International Valuation Standards.

Based on the Scope and limitations of work, Sources of information and Valuation methodology of the report and the explanations therein, the fair value of the equity shares of the Company amounts to **INR 12.06 per share as on September 30, 2023.**



**210, Wadhwa Complex, Street No. 10, Laxmi Nagar, Delhi-110092
(Near Metro Station Gate No. 1)**

Phone: +91-9560108675, 9354214767, E-mail: rvkumarsubodh@gmail.com

Please feel free to contact us in case you require any additional information or clarifications.

Yours Sincerely,



Subodh Kumar
IBBI Registered Valuer
Securities and Financial Assets
Reg No: - IBBI/RV/05/2019/11705

UDIN: 2339657ZZ4LQ4SFOH8

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VALUATION ANALYSIS

We refer to our Engagement Letter dated October 03, 2023 confirming our appointment as independent valuers of AKM Creation Limited (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 as mentioned in herein below in this report.

1. Context and Purpose

Based on discussion with the management, we understand that the Company's Board of Directors are evaluating the possibility of issuing further securities by way of Preferential Allotment of Fully Convertible Share Warrants and Takeover through Open Offer. The management of AKM Creation Limited (the "Management") wishes to estimate Fair Value of Equity Shares as per the provisions of SEBI ICDR Regulations and under the Companies Act, 2013 and applicable rules thereunder. In the context of the proposed transaction, the Board of Directors requires our assistance in determining the fair value of Equity Shares of the Company - "Proposed Transaction.

2. Conditions and major Assumptions

Conditions

The historical 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 credit or 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.

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.

3. Background of the company and Industry

Founded in the year 2009, AKM Creation Limited headquartered in Delhi started its journey in Garment Industry.

From Humble Beginning to become the largest

The Company since then over the last 14 years company has grown to become a leader in textile industry.



4. Background information of the asset being valued

AKM Creation Limited is a company limited by shares. It was incorporated on November 26, 2009 under the provisions of the Companies Act, 1956. Its Corporate Identification Number is L74110DL2009PLC196375. Its registered office is situated at C-110 G/F Bhola Nath Nagar, Shahdara, Delhi - 110032

Directors and Key Managerial Persons

<u>DIN/PAN</u>	<u>Full Name</u>	<u>Designation</u>
08869050	Shalvi Sagar Patwa	Managing Director & CFO
09486626	Shatrudhan	Director
09505852	Farmeen Salim Lala	Director
06818710	Sagar Amar Patwa	Director
AKFPJ7710H	Sonia Jain	Company Secretary

Shareholding pattern of AKM Creation Limited as on September 30, 2022 was as follows:

<u>Equity shareholder</u>	<u>No of shares</u>	<u>% holding</u>
Promoter & Promoter Group	1170185	38.85
Public	1842000	61.15
Total	3012175	100.00

5. Purpose of valuation and appointing authority

To derive the fair value of its equity shares as per the provisions of SEBI ICDR Regulations and under the Companies Act, 2013 and applicable rules thereunder. The Board of Directors requires our assistance in determining the fair value of Equity Shares of the Company - "Proposed Transaction.

6. Identity of the valuer and any other experts involved in the valuation

Subodh Kumar, Registered Valuer- Securities or Financial Assets having Registration No. IBBI/RV/06/2019/11705.

7. Disclosure of valuer interest/conflict, if any

Nil.



8. Date of appointment, valuation date and date of report

Date of appointment	03-10-2023
Valuation date	30-09-2023
Date of report	14-10-2023

9. Basis/ bases of value used

Bases of value (sometimes called standards of value) are statements of the fundamental measurement assumptions of a valuation. They describe the fundamental assumptions on which the reported values will be based (e.g., the nature of the hypothetical transaction, the relationship and motivation of the parties, the extent to which the asset is exposed to the market, and the unit of account for the valuation). It is critical for any valuation to be performed using the basis (or bases) of value that is appropriate to the terms and purpose of the valuation assignment, as a basis of value may influence or dictate a valuer's selection of methods, inputs and assumptions, and the ultimate opinion of value. We have used "**Fair Value**", as basis of Valuation.

Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

10. Valuation Standards

The Report has been prepared in compliance with the International Valuation Standards.

11. Valuation Methodology, Approach and Procedures adopted in carrying out the valuation.

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:

- Cost Approach/ Net Asset Value
- Income Approach
- Market Approach

i. Asset Approach

The value arrived at under this approach is based on the audited 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.

Net Asset Value represents a fair and accurate picture of a company's worth. The figure is determined using historical company data and isn't typically a subjective figure. It means that investors and market analysts get a reasonable idea of the company's worth. For the purpose of valuation, this method is considered.

ii. Market Based - Approach Market Price Method

The value of an equity share, as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in.

AKM Creation Limited is a listed on the BSE. The shares of AKM Creation are not frequently traded in terms of regulation 164(5) of the ICDR Regulations.



Regulation 164(5) of Chapter IV of SEBI ICDR Regulations reads as under-

For the purpose of this Chapter, “Frequently traded shares” means shares of the issuer, in which the traded turnover on any recognized stock exchange during the 240 trading days preceding the relevant date, is at least ten per cent of the total number of shares of such class of the shares of the issuer.

Explanation: For the purpose of this regulation, ‘stock exchange’ means any of the recognized stock exchange(s) in which the equity shares of the issuer are listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding 90 trading days prior to the relevant date.”

The equity shares of the Company are traded on the BSE.

We have not used the Market Price Method as though the Company is already a listed Company but its shares are not frequently traded.

Comparable Company Market Multiple Method

Under this methodology, market multiples of comparable listed companies are computed and applied to the business being valued in order to arrive at a multiple based valuation. The difficulty here 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, profitability and accounting practices.

Whereas no publicly traded company provides an identical match to the operations of a given company, important information can be drawn from the way comparable enterprises are valued by public markets. In case of early stage company and different business model the problem aggravates further.

We have used the Market Multiple Approach as there are many other comparable listed companies.

Comparable Transactions Multiple Method

This approach is somewhat similar to the market multiples approach except that the sales and EBITDA multiples of reported transactions in the same industry in the recent past are applied to the sales and EBITDA of the business being valued. We have also used this method.



iii. **Income Approach**

Discounted 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
 - Analyse Company Projection
 - Business Revenue & Cost Building
 - Determine Terminal Value & growth Rate
 - Determine Equity & Debt Risk
 - Derive NPV of Cash Flows
 - Develop WACC
 - Determine Capital Structure
 - Determine Country Risk

Valuation Methodology

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose.

Our choice of methodology and valuation has been arrived using usual and conventional methodologies adopted for purposes of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of similar nature.

Keeping in mind the context and purpose of the Report, we have used Asset Approach Market Multiple Method and Comparable Transaction Method.



12. Equity Valuation of the company

The equity valuation of the Company has been done on the basis Market Price Method, PE Ratio method and Market Multiple Variable method. We have taken the average of all the three method to arrive at the price per share. Detail of Calculation is attached herewith as Annexure –I to III

13. Major factors that influenced the valuation:

Not Identified.

14. Sources of Information

The Analysis is based on a review of the business plan of the Company provided by the Management and information relating to the services sector in which the Company is operating as available in the public domain. Specifically, the sources of information include:

- Details of Shareholding and numbers of Equity Shares as on September 30, 2023;
- Financial Results of the Company for half year ending September 30, 2023, March 31, 2023, September 30, 2022 and March 31, 2022.
- Details of shares are traded on BSE up to October 14, 2023;
- Discussions with the Management of the Company;
- All Company specific information were sourced from the management of the Company, either in the written hard copy or digital form;
- Management representation letter dated October 14, 2023;
- Other information / data available in public domain and stock exchanges.

15. Caveats, limitations and disclaimers

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 valuation worksheets prepared for the exercise are proprietary to Subodh Kumar, 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.

16. Distribution of report

The Analysis is confidential and has been prepared exclusively for the purpose of allotment of equity shares. 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 Subodh Kumar. 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 shareholders of the company.

17. Opinion of value of the business and valuation summary: The equity value of the company is summarized in the following table:

<u>Summary of Various methods used to determine fair value as on 28-11-2022</u>			
<u>Valuation Approach</u>	<u>Value/ Equity Shares (INR)</u>	<u>Weights</u>	<u>Weight Value</u>
Asset Approach	32.93	1	32.93
PE Ratio Method	3.60	2	7.19
Market Multiple Variable method	10.74	3	32.23
		Weighted Average Price	12.06



As per the calculation the value per share of the company as on September 30, 2023 is
INR 12.06/- per share.

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

You're faithfully



Subodh Kumar
IBBI Registered Valuer
Securities and Financial Assets
Reg No: - IBBI/RV/05/2019/11705

UDIN: 2339657ZZ4LQ4SFOH8

Annexure - I

Rule 11 UA - Book Value as on 30.09.2023		(Amount in Rs.)
Particulars	Amount (Rs.)	
<u>Non-Current Assets</u>		
- Tangible Assets	13,72,359.50	
- WIP	-	
- Other Intangible Assets	-	
Financial Assets		
- Investments	-	
- Loans & Advances	9,31,42,418.00	
- Other Financial Assets	-	
Other Tax Assets	-	
Other Non Current Assets	75,000.00	
Total Non -Current Assets	9,45,89,777.50	
<u>Current Assets</u>		
Inventories	33,70,848.81	
Trade Receivables	4,76,656.00	
Cash and Cash Equivalents	36,14,981.45	
Short Term Loans & Advances	-	
Current Investments	-	
Other Financial Assets	-	
Other Current Assets	5,40,802.07	
Total Current Assets	80,03,288.33	
Total Assets	10,25,93,065.83	
Less		
Share Application Money	-	
<u>Non Current Liabilities</u>		
Long Term Borrowings	7,99,500.00	
Other Financial Liabilities	-	
Provisions	-	
Other Non Current Liabilities	-	
Total Non -Current Liabilities	7,99,500.00	
<u>Current Liabilities</u>		
Short Term Borrowings	23,625.00	
Trade Payables	64,350.00	
Deffered Tax Liability	-	
Other Financial Liabilities	-	
Other Current Liabilities	66,038.20	
Short Term Provisions	11,95,000.00	
Total Current Liabilities	13,49,013.20	
Total Liabilities	21,48,513.20	
Net Asset Value	10,04,44,552.63	
Less: Advance Tax, MAT and Other Tax Asset	12,53,629.00	
Net Asset Value	9,91,90,923.63	
No of shares	30,12,175	
Price Per Share (In Rs.)	32.93	



Annexure – II - Calculation of price of Shares of AKM Creation Limited based upon the PE ratio Value Multiple Method

PE Ratio Value Multiple (PER)			
Period Ended:	Weights	EPS	Weighted EPS
31st March 2023	3	0.67	2.01
30th September 2022	2	0.21	0.42
31st March 2022	1	-1.65	-1.65
Total	6		0.78
			0.13
PE Ratio for the Industry			27.67
PE Based Equity Value per Share			3.60

Source:- https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/pedata.html



Annexure – III - Calculation of price of Shares of AKM Creation Limited based upon the Profit Capitalisation Method

Profit Capitalisation Method			
For the Priod Ended	Weight	PAT	Weighted PAT
31st March 2023	3	20.19	60.57
30th September 2022	2	6.21	12.42
31st March 2022	1	49.69	-49.69
Total	6.00		23.30
Weighted Average PAT (In Lakhs)			3.88
Number of Share Outstanding			3012175.00
Average EPS			0.13
Capitalisation Rate			1.20%
PECV Based Equity value Per Share			10.74

