

**Valuation report for determination of Fair Value of Compulsory  
Convertible Preference Shares (CCPS) and value of equity shares for  
Preferential Issue of Inox Wind Limited**

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Date of Valuation of Inox Wind Limited ("IWL"):

Date of Valuation Report:



Prepared by:

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IBBI Registration No.: IBBI/RV/06/2019/12433

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## *Disclaimer*

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This 'Valuation Report' ("report") is being furnished for determination of the fair value of CCPS and value of equity shares for allotment pursuant to preferential issue of Inox Wind Limited ("IWL"), on a going concern basis. I have not considered the impact of any changes on the business / economic environment of the Company or general industry post the valuation date.

The report has been prepared by Registered Valuer from information extracted from desk research, published reports and other data supplied by the management of the company and other sources believed to be reliable and true. Our scope of work does not include verification of data submitted by management and has been relied upon by us. The report may not be distributed, published, reproduced or used, without the prior express written consent of Registered Valuer, for any purpose other than the objectives of this report.

The factual data, business details and financial statements have been provided by the management of IWL, which has been relied upon by Registered Valuer, without verifying the accuracy thereof. While the information provided herein is believed to be true and reliable to the best of our knowledge, I do not make any representations or warranties, express or implied, as to the accuracy or completeness of such information. The report highlights the alternative approaches to valuation, identifies various factors affecting the valuation, summarizes the methodology keeping in view the circumstances of the company and arrives at the value of the company.



## Chapter 1: Background

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### 1.1 Purpose of Valuation Exercise

- The Company has appointed Registered Valuer to issue the Valuation Report ("the report") for determination of the fair valuation of CCPS and value of equity shares for allotment pursuant to preferential issue as on April 13, 2022 (Relevant Date).
- This report has been issued in accordance with section 247 of Companies Act 2013, which provides statutory backing to the Valuation, which requires that in respect of valuation of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provision of this Act, it should be valued by a person having such qualification and experience and registered as valuer in such manner as may be prescribed.
- This report has also considers the pricing guidelines laid down in Regulation 164(1) of Issue Of Capital And Disclosure Requirements) Regulations, 2018 as amended in January 2022 which deals with equity shares to be allotted pursuant to preferential issue.

### 1.2 Brief about the transaction

- IWL is a listed company which is proposing to convert its Non Convertible Non Cumulative Participating Redeemable Preference Shares of Rs. 10/- each of the Company allotted to Inox Wind Energy Limited and Devansh Trademart LLP into Compulsorily Convertible Preference Shares which shall be further converted into equity shares.
- We have been appointed by the management to calculate the fair value of Compulsorily Convertible Preference Shares and value of equity shares for allotment pursuant to preferential issue.



## Chapter 2: Scope of Work & Limitation

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### Scope of Work

- Registered Valuer has been appointed by the management to issue a report on the fair valuation of CCPS.
- Registered Valuer to value the preference shares as per Valuation rules under the Companies Act 2013.
- Registered Valuer has also been appointed to calculate the fair value of equity shares for allotment pursuant to preferential issue of the company .
- The value of equity shares if calculated in accordance with the pricing guidelines laid down in Regulation 164(1) of Issue Of Capital And Disclosure Requirements) Regulations, 2018 as amended in January 2022 which deals with equity share to be allotted pursuant to preferential issue by listed companies

### Appointment date, Valuation date and Report date

- The management appointed Sparsh Singla on February 11, 2022. The valuation report is issued on April 13, 2022.

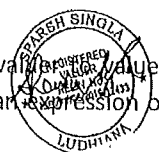


### Disclosure of Valuer Interest

- I have no present or prospective contemplated financial interest in IWL nor any personal interest with respect to the Promoters & Board of Directors of IWL. I have no bias/prejudice with respect to any matter that is the subject of the valuation report or to the parties involved with this engagement.
- My professional fee for this valuation is based upon my normal billing rates, and not contingent upon the results or the value of the business or in any other manner.

### Scope Limitations

- i. Valuation analysis and result are specific to the purpose of valuation and are based on the financial information provided to us. It may not be valid for any other purpose or as at any other date.
- ii. Valuation analysis and result are specific to the date of this report. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. As such, valuation results are, to a significant extent, subject to continuance of current trends beyond the date of the report. Registered Valuer, however, has no obligation to update this report for events, trends or transactions relating to the company or the market/economy in general and occurring subsequent to the date of this report.
- iii. Registered Valuer provides no assurance that the issue of shares can be completed successfully at or close to our recommended valuation within a particular timeframe. Our valuation only aims to represent the likely price that is the minimum price for issue of shares.
- iv. Registered Valuer has relied upon the information furnished by the management of the Company and other sources believed to be reliable and true.
- v. In the course of the valuation, Registered Valuer has been provided with both written and verbal information, including market, technical, financial and operating data. However, Registered Valuer has not carried out a due diligence or audit of the company for the purpose of this engagement, nor have independently investigated or otherwise verified the data provided.
- vi. Further, Registered Valuer has made various assumptions in relation to valuation of IWL. Registered Valuer has made such assumptions, post discussions with management of the Company.
- vii. It may be noted that valuation is a highly subjective exercise and may differ from value depending on the individual perception of the attendant circumstances. At best, it is an expression of opinion or a recommendation based on certain assumptions.



### Restrictions on use of the report

- This Valuation Report is confidential and has been prepared exclusively for of IWL. It is to be considered only for the purpose of determining the fair value of fair value of Compulsorily Convertible Preference Shares and fair value at which these CCPS and warrants will be converted to equity shares IWL as per Companies Act, 2013 and as per of Issue Of Capital And Disclosure Requirements) Regulations, 2018 as amended in January 2022 . It should not be circulated or reproduced to any other person for any purpose other than as mentioned above, without the prior consent of the valuer. This Valuation report should not be construed as investment advice, specifically I do not express any opinion on the suitability or otherwise of entering into the proposed transaction.

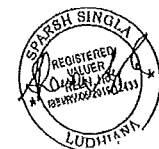
### Chapter 3: Information Sources

For the purpose of this report, the documents and/or information published or provided by management have been relied upon. Registered Valuer have fully relied on the information provided by the company and do not vouch for the accuracy of the information as is provided to us by the management of IWL.

Registered Valuer has relied upon the following information:

- i. Terms for issuing CCPS as informed by the Management,
- ii. Discussions with Client regarding preference share issue price, dividend rate, required rate of return & terms of issue;
- iii. Information available in public domain and databases such as Moneycontrol, Capitaline, National Stock Exchange, Bombay Stock Exchange, Value Research etc.; and
- iv. Registered Valuer has also relied upon written and verbal explanations and information given to us by the management of the company during the course of our exercise.
- v. Terms of conversion of CCPS into equity shares.

I have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Client or other public available sources.



## Chapter 4: Selection of Valuation Methodology for CCPS

There is no single definition of the term 'Value' that is suitable for all purposes or at all times. The value of a particular asset may vary according to different valuation methodologies that are adopted to ascertain the value for a specific purpose. Valuation of securities is an inexact science. It may sometimes involve a set of judgments and assumptions that may be subject to certain uncertainties. In the section below, Registered Valuer have discussed some of the commonly used valuation methodologies. The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. There are a number of methodologies to value companies / businesses using historical and forecast financials of the company.

A typical valuation analysis involves review and analysis of historical financials of the company and broad comparison of the company's forecast financial projections as regards all the significant macro and micro variables like economy and industry growth rate assumptions, inflation, interest and foreign exchange rates and tax rate forecasts. Company's profitability factors (industry competitive factors and company's operating strategies and its competitive position in the industry), economies of scale and optimal capital structure also affects the business valuation of the company.

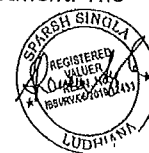
However, the value is specific to the point in time and may change with the passage of time. In the present case, the objective of the valuation exercise is to value proposed issue of preference shares of IWL.

### **Valuation Approaches**

There are several commonly used and accepted methods for determining the value of business/shares of the company, which would be applied to the present case , to the extent relevant and applicable. A brief explanation of each valuation approach is provided below.

#### **Income Approach**

The income approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires the projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business is the sum of the discounted cash flows.





### Income Approach - Discounted Free Cash Flow Method (DCF)

Under the DCF method, intrinsic value of an asset is equivalent to the present value of its expected future cash flows. In case of preference share valuations, the value of a redeemable preference share is the present value of all the future expected dividend payments and the maturity value, discounted at the required return on preference shares.

### Market Approach

The market approach considers actual arm's-length transactions for which the market value of investments alternative to the subject company can be observed. The value of a company or an ownership interest in the company can be estimated by developing relevant multiples for the comparative companies that relate value to underlying revenue, earnings, or cash flow variable, and then applying these multiples to the comparable underlying revenue, earnings, or cash flow variable for the subject company. The value multiples can be derived from guideline public company and guideline transactions of the publicly traded company or private companies.

### Market Approach - Comparable Company Multiples Method (CCM)

Under the CCM Method, the value of shares/ business of a company is determined based on market multiples of publicly traded comparable companies, that is, valuation based on multiples benchmarked to the multiples of similar assets in the industry. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

However the following practical difficulties may be faced in employing the CCM approach:

- No or very few listed comparable companies
- No or very few listed/recent transactions history in comparable companies resembling with IWL proposed transactions
- Lack of availability of the credible data about recent transaction in sufficiently comparable companies

### Cost (Asset-Based) Approach

The asset-based (net underlying assets) approach is a form of the cost approach. The values of the individual assets (i.e., current, fixed, and intangible) of the business are estimated. The sum of the 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 completely on the basis of this approach without giving weights to other valuation methods. Cost approach may be relevant to the value of an operating business that is not sufficiently profitable and whose "breakup" values may be greater than its going concern value.

Asset Approach - Net Asset Value Method (NAV)

The Net Asset Value method attempts to measure the value of the net assets of the company against each share. It is computed by taking the net value of the company's assets, subtracting from them the amount of liabilities and preferred shareholders claims, and dividing the remainder amongst the number of equity shares. For an investment company valuation, NAV valuation, based on the asset backing is generally given more importance. Net Asset Value Method is also considered appropriate, where the future cash flows / commercial operations of the valued company cannot be reasonably ascertained. This method is not suitable for preference shares valuation

Preferred approach to value IWL shares

The above three approaches are the internationally accepted valuation approaches and are used globally for valuations. RV has decided to use Income approach for the purposes of valuation of preference shares which is considered as the most rationale method for valuation of IWL preference shares.



## Chapter 5: Valuation

Generally, the preference shares are valued using dividend discount model (DDM) where the shares are in perpetuity. The dividend discount model (DDM) is a quantitative method used for predicting the price of a Company's stock based on the theory that its present day price is worth the sum of all of its future dividend payments when discounted back to their present value. It attempts to calculate the fair value of a stock irrespective of the prevailing market conditions and takes into consideration the dividend payout factors and the market expected returns.

### Proposed terms of issue

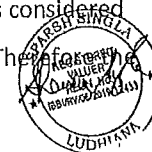
The Board of IWL is considering to convert 0.01% Non Convertible Non Cumulative Redeemable Preference Shares of Rs. 10/- each of the Company allotted to Inox Wind Energy Limited and Devansh Trademart LLP into 0.0001% Compulsorily Convertible Preference Shares of Rs.10/- each with key terms summarised as follows:

Face Value:	Rs. 10
Issue Price:	Rs. 10
Dividend	0.0001%
Value	Rs. 918,35,11,370
Tenure	Convertible to equity anytime within 18 months
Cumulative/Non-Cumulative	Non-Cumulative
Listed/Unlisted	Unlisted
Participation rights	The CCPS shall be non-participating in the surplus funds and in surplus assets and profits, on winding-up which may remain after the entire capital has been repaid

The fair value of CCPS can be arrived by adding present value of cash flows of dividends receivable in 18 months and present value of cash flow of principal amount at time of redemption at the end of 18 months.

As per the proposed terms of issue the preference shares carry a dividend rate of 0.0001% on a non cumulative basis. There is a conversion right attached to preference share that is they will be converted to equity shares anytime within a period of 18 (Eighteen) months from the date of allotment of CCPS.

To arrive at the present value, the required rate of return (discount rate) is arrived considering the similar instruments listed in stock exchanges. Based on the similar listed instruments the dividend rate is considered 7%. Considering the CCPS are unlisted, I have added 3% premium in the required rate of return. The required rate of return is considered as 10%.



To arrive at the present value, we have assumed that these share will be converted to equity when issued. Shares of Inox Wind Limited have given a return of 59% in the past one year. Discounting this to 20% as the last year was exceptional due to covid circumstances. So considering the 20% growth in investment value and discounting them over the period of 18 months gives a fair value of Rs. 10/- per CCPS.

**Fair value of equity shares for private placement**

As represented to us by the management the company wants to convert the above valued CCPS into equity shares anytime within a period of 18 (Eighteen) months from the date of allotment of CCPS.

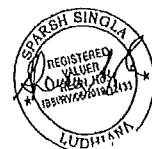
The valuation of equity shares of a listed company is governed by pricing guidelines laid down in Section 164(1) of Issue Of Capital And Disclosure Requirements) Regulations, 2018 as amended in January 2022.

**These guidelines state that :**

If the equity shares of the issuer have been listed on a recognised stock exchange for a period of [90 trading days] or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- a. the [90 trading days'] volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or
- b. the [10 trading days'] volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.

[Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue.]



**Relevant Date as per the guidelines**

In case of preferential issue of equity shares, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue .

As informed to us by the management the proposed EGM Date is May 13, 2022, so the date 30 days prior to the date of passing of resolution at the proposed date of holding Extra Ordinary General Meeting is April 13, 2022, has been considered as the Relevant Date.

**Valuation as per pricing guidelines**

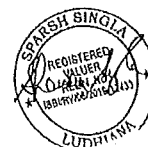
a. the [90 trading days'] volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date – Rs. 124.59 \*

b. the [10 trading days'] volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date – Rs. 112.74\*

Higher of a & b – Rs. 124.59

Based on the pricing guidelines the valuation has been considered as Rs. 124.59

\*This data has been derived from NSE website further calculations have been performed to derive the valuation as stated in the pricing guidelines.



### Valuation as per DCF

In order to justify the valuation calculated by the pricing model above we have also calculated the fair value through DCF which is as follows:

(Rs in Cr.)

<b>VALUATION WORKING</b>			
	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>
PAT	410.26	316.79	386.11
DEPRECIATION	29.00	30.00	32.00
CAPEX	-	-	-
INC IN WC	179.15	42.24	21.73
FCFF	<b>260.11</b>	<b>304.55</b>	<b>396.39</b>
	1.1492	1.1492	1.1492
Discounting factor	0.87	0.76	0.66
PRESENT VALUES	<b>226.33</b>	<b>230.59</b>	<b>261.16</b>
TOTAL PRESENT VALUES	718.08		
TERMINAL VALUES	<b>3,128.65</b>		
ENTERPRISE VALUE	<b>3,846.73</b>		
Net debt	-763.00		
Equity Value	<b>3,083.73</b>		
Equity Value net off survival discount	<b>2,775.36</b>		
Number of equity Shares	22,19,18,226.00		
Value per share	125.06		

### Conclusion on value of equity for preferential allotment

Value as per pricing guidelines – Rs.124.59

Value as per DCF – Rs. 125.06

**Final Value – Rs. 125.06**

The values so arrived at are subject to the matters enumerated in 'Disclaimer statement', 'Scope of Work & Limitation' and information provided to us and should be viewed in the light thereof.

**Registered Valuer: Sparsh Singla**

**IBBI Registration No.: IBBI/RV/06/2019/12433**

Date: 13.04.2022

UDIN: 22536320AHJFMI.5165

Place: Ludhiana



Trading days	Date	Total Traded Quantity	Turnover
1	3-Dec-21	6090552	863377466.30
2	6-Dec-21	5165513	758089678.90
3	7-Dec-21	1315920	179834094.80
4	8-Dec-21	1644243	219280533.80
5	9-Dec-21	673127	89569409.55
6	10-Dec-21	1016428	135243149.95
7	13-Dec-21	791568	107677381.35
8	14-Dec-21	877056	116760382.55
9	15-Dec-21	828386	108222358.25
10	16-Dec-21	924576	120446072.85
11	17-Dec-21	810314	104733692.20
12	20-Dec-21	805802	97056745.35
13	21-Dec-21	1109035	131823285.10
14	22-Dec-21	834694	96425072.00
15	23-Dec-21	567381	65940490.55
16	24-Dec-21	652173	76241227.15
17	27-Dec-21	591501	70330786.30
18	28-Dec-21	638039	78115960.05
19	29-Dec-21	1649130	194414012.55
20	30-Dec-21	1521136	180275068.65
21	31-Dec-21	824696	96700527.10
22	3-Jan-22	923723	107370885.00
23	4-Jan-22	1741514	203460707.00
24	5-Jan-22	948790	109059028.65
25	6-Jan-22	536418	61697879.55
26	7-Jan-22	1059907	123409707.00
27	10-Jan-22	1716088	215322201.30
28	11-Jan-22	1526068	199086144.55
29	12-Jan-22	1037525	132618343.70
30	13-Jan-22	374962	47198871.15
31	14-Jan-22	471248	60520067.75
32	17-Jan-22	902963	116433389.30
33	18-Jan-22	1028947	131412034.95
34	19-Jan-22	662400	83483610.85
35	20-Jan-22	1254366	163877278.00
36	21-Jan-22	1197068	158281179.10
37	24-Jan-22	959593	114237791.85
38	25-Jan-22	484729	57943179.30
39	27-Jan-22	378607	45201903.85
40	28-Jan-22	377692	46413165.15
41	31-Jan-22	437759	54113186.60
42	1-Feb-22	464405	58135633.10
43	2-Feb-22	649684	83738685.15
44	3-Feb-22	318512	40611419.25
45	4-Feb-22	740047	95415032.25
46	7-Feb-22	1920800	257782624.35
47	8-Feb-22	1374077	184606838.90
48	9-Feb-22	410565	54248111.25



49	10-Feb-22	692966	92650342.25
50	11-Feb-22	692131	88972390.05
51	14-Feb-22	733997	87920660.05
52	15-Feb-22	925750	113039345.25
53	16-Feb-22	270300	33673014.75
54	17-Feb-22	203505	24773659.70
55	18-Feb-22	146136	17635206.70
56	21-Feb-22	319456	37718772.65
57	22-Feb-22	547185	62921949.65
58	23-Feb-22	287566	33133242.25
59	24-Feb-22	1069977	111894812.65
60	25-Feb-22	646719	71893103.90
61	28-Feb-22	540073	59434257.45
62	2-Mar-22	299613	32995708.00
63	3-Mar-22	298993	32924690.00
64	4-Mar-22	290214	31549012.35
65	7-Mar-22	371061	38965647.05
66	8-Mar-22	436321	45139164.10
67	9-Mar-22	729035	78025939.90
68	10-Mar-22	643114	70535707.75
69	11-Mar-22	471177	50653507.50
70	14-Mar-22	698302	73009906.15
71	15-Mar-22	636692	67884453.05
72	16-Mar-22	313438	33762354.70
73	17-Mar-22	326609	36019742.80
74	21-Mar-22	495645	54800708.70
75	22-Mar-22	467709	51624178.10
76	23-Mar-22	765740	86679902.75
77	24-Mar-22	877100	100415630.05
78	25-Mar-22	424126	48160078.25
79	28-Mar-22	357853	40345126.30
80	29-Mar-22	465216	52621618.10
81	30-Mar-22	736392	83826488.75
82	31-Mar-22	569035	63309734.35
83	1-Apr-22	358802	40507438.75
84	4-Apr-22	631601	71748302.20
85	5-Apr-22	838845	95391868.20
86	6-Apr-22	493376	56285605.25
87	7-Apr-22	387454	43723161.80
88	8-Apr-22	743869	81586482.55
89	11-Apr-22	316723	34835959.00
90	12-Apr-22	1487226	168759879.60

Trading days	Date	Total Traded Quantity	Turnover
1	30-Mar-22	736392	83826488.75
2	31-Mar-22	569035	63309734.35
3	1-Apr-22	358802	40507438.75
4	4-Apr-22	631601	71748302.20





5	5-Apr-22	838845	95391868.20
6	6-Apr-22	493376	56285605.25
7	7-Apr-22	387454	43723161.80
8	8-Apr-22	743869	81586482.55
9	11-Apr-22	316723	34835959.00
10	12-Apr-22	1487226	168759879.60

VWAP OF 90 TRADING DAYS= 124.59

VWAP OF 10 TRADING DAYS= 112.74

Applicable minimum price  
HIGHER OF TWO PRICES  
CALCULATED ABOVE

124.59

