To, Date 03-08-2022

The Board of Directors
SKN Industries Limited
CIN: U74999DL1992PLC050472
Registered office: 368/369, 3rd Floor, Basant Building Chaudhary Market, Sultanpur New Delhi South Delhi DL 110030 IN.

Dear Sir,

Sub: Recommendation of price of Equity shares in terms of Regulation 165, 166 and 166(A)(1) of SEBI (ICDR) Regulations, 2018.

We refer to our engagement vide resolution dated 30-06-2022 wherein SKN Industries Limited ("**Company**") have requested undersigned i.e **Ajay Kumar Siwach**, ("Valuer") to recommend fair value in connection with the proposed allotment of equity shares.

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 price in terms of Regulation 165, 166 and 166(A)(1) of SEBI (ICDR) Regulations, 2018 for the purpose of issue of further shares.

At your request, rather than preparing a self-contained comprehensive report, we have provided a restricted appraisal report, which is advisory in nature and intended to be used for offering the subject business for issue of shares 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.

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AJAY KUMAR SIWACH IBBI/RV/05/2019/11412 FARIDABAD Regd. Valuer-Securities or Financial Assets

Ajay Kumar Siwach
FCS, LL.B, IP, RV, MBA

Registered Valuer – SFA
Insolvency Professional
Certified Independent Director

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 **Rs 10/-**Per share.

Ajay Kumar Siwach
Registered Valuer- Securities or Financial Assets
Registration No. IBBI/RV/05/2019/11412

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VALUATION ANALYSIS

We refer to our Engagement vide resolution dated 30-06-2022 confirming our appointment as independent valuers of SKN Industries 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 promoters are evaluating the possibility of ***issue of shares.*** In this context, the Management requires our assistance in determining the fair value of equity shares of the Company.

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.

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.

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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.

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

SKN Industries Limited having registered office at 368/369, 3rd Floor, Basant Building Chaudhary Market, Sultanpur New Delhi South Delhi DL 110030 IN incorporated on 28-09-1992.

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The Company is managed by Directors namely:

DIN/PAN	Name
0001171175	SATISH CHOPRA
0001851188	RAJESH KHANNA
0005198748	SONIA CHOPRA
0005308409	GAUTAM KAPUR

4. Background information of the asset being valued

Fair value of Equity Shares of SKN Industries Limited having registered office at 368/369, 3rd Floor, Basant Building Chaudhary Market, Sultanpur New Delhi South Delhi DL 110030 IN.

5. Purpose of valuation and appointing authority:

To arrive at a price in terms of Regulation 165, 166 and 166(A)(1) of SEBI (ICDR) Regulations, 2018.

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

Ajay Kumar Siwach, Registered Valuer- Securities or Financial Assets having Registration No. IBBI/RV/05/2019/11412.

7. Disclosure of valuer interest/conflict, if any:

Not Applicable.

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

Date of appointment	**30-06-2022**
Valuation date	**31-03-2022**
Date of report	**03-08-2022**

9. Basis/ bases of value used

Bases of value (sometimes called standards of value) are statements of the fundamental measurement

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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

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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 categorised as follows:

- **i. Cost Approach**
- **ii. Income Approach**
- **iii. Market Approach**

i) Cost Approach

The Cost approach focuses on the net worth or net assets of a company. The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence. Broadly, there are three cost approach methods:

a. Replacement Cost Method:

Generally, replacement cost is the cost that is relevant to determining the price that a participant would pay as it is based on replicating the utility of the asset, not the exact physical properties of the asset. Usually replacement cost is adjusted for physical deterioration and all relevant forms of obsolescence. After such adjustments, this can be referred to as depreciated replacement cost.

The key steps in the replacement cost method are:

- Calculate all of the costs that would be incurred by a typical participant seeking to create or obtain an asset providing equivalent utility,
- Determine whether there is any deprecation related to physical, functional and external obsolescence associated with the subject asset, and
- Deduct total deprecation from the total costs to arrive at a value for the subject asset.

The replacement cost is generally that of a modern equivalent asset, which is one that provides similar function and equivalent utility to the asset being valued, but which is of a current design and constructed or made using current cost-effective materials and techniques.

b. Reproduction Cost Method

Reproduction cost is appropriate in circumstances such as the following:

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a. The cost of a modern equivalent asset is greater than the cost of recreating a replica of the subject asset, or
b. The utility offered by the subject asset could only be provided by a replica rather than a modern equivalent.

The key steps in the reproduction cost method are:

c. Calculate all of the costs that would be incurred by a typical participant seeking to create an exact replica of the subject asset,
d. Determine whether there is any deprecation related to physical, functional and external obsolescence associated with the subject asset, and
e. Deduct total deprecation from the total costs to arrive at a value for the subject asset.

c. Summation Method

The summation method, also referred to as the underlying asset method, is typically used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings. The key steps in the summation method are:

a. Value each of the component assets that are part of the subject asset using the appropriate valuation approaches and methods, and
b. Add the value of the component assets together to reach the value of the subject asset.

ii Income Approach

The Income approach focuses on the income prospects of a company.

a. Profit earning capacity value method (“PEVC method”)

- The PECV method focuses on the past income generated as well as the future earning capability of the business enterprise.
  - PECV method requires determination of three parameters:
- □ Future maintainable profits (“FMP”)
- □ Appropriate income tax rate
- □ Expected rate of return

b. Discounted cash flow method (“DCF”)

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a. Under the DCF method, the value of the undertaking is based on expected cash flows for future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of the undertaking is determined as the present value of its future free cash flows.

b. Free cash flows are discounted for the explicit forecast period and the perpetuity value thereafter. Free cash flows represent the cash available for distribution to both, the owners and creditors of the business.

c. Discount rate is the Weighted Average Cost of Capital ("WACC"), based on an optimal vis-à-vis actual capital structure. It is appropriate rate of discount to calculate the present value of future cash flows as it considers equity–debt risk and also debt–equity ratio of the firm.

d. The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth (for perpetuity) in the cash flows over the last year of the forecast period.

e. The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations.

f. The Business/Enterprise Value so derived, is further reduced by value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of business.

C. Market approach

Comparable transactions method

The comparable transactions method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

Guideline publicly-traded comparable method

The guideline publicly-traded method utilises information on publicly-traded comparables that are the same or similar to the subject asset to arrive at an indication of value.

Value of the business so arrived at needs to be adjusted by the value of contingent assets/liabilities, surplus assets, and dues payable to Preference Shareholders, if any, to arrive at the value for equity shareholders. However, this adjustment shall depend on the multiple being used for valuation.

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IN SUMMARY:

The application of any method of valuation depends on the purpose for which the valuation exercise is performed; relevance of each method under the circumstances of the case and other factors as determined appropriate.

- ***Cost approach: the Valuation of subject Company can be determined with breakup method under the asset approach, hence this approach is used and given weight-age of 50% in the analysis.***

- **Income Approach: We have used this methodology (Profit earning capacity value method) in the Analysis *and given weight-age of 50% in the analysis.*;**

- Market Approach: The Company is listed on BSE however not frequently traded and there is no peer group is listed and hence market approach is not considered.

12. Equity Valuation of the company

The equity valuation for the Company is arrived at as a function of the following of the Asset base approach or cost approach and Income Approach.

Detail of the **Calculation is attached herewith as** Annexure-A**.**

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:

- Provisional Financial Statement as on **31-03-2022**;
- Audited Financial Statements for the year ended date as 31-03-2020 & 31-03-2021;
- Discussions with the Management;

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

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 **Ajay Kumar Siwach, Registered 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

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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 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 Ajay Kumar Siwach**, Registered 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 proposed allottees of the Company.

17. Opinion of value of the business and valuation summary:

Accordingly, based on the information available, the equity value per share of the company as at 31-03-2022 is estimated at **INR 10/-Per Share.**

Yours faithfully,

AJAY KUMAR SIWACH
IBBI/RV/05/2019/11412
FARIDABAD
Regd. Valuer-Securities or Financial Assets

Ajay Kumar Siwach
Registered Valuer- IBBI/RV/05/2019/11412
Date: 03-08-2022
Place: Faridabad

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Annexure – A

Calculation of fair value of Equity Shares

VALUATION – PROCEDURE ADOPTED

Calculation of Price of SKN Industries as per Regulation 165, 166 and 166(A)(1) of SEBI ICDR Regulations 2018	
NAV Method - March 31, 2022	**Amount**
Equity Share Capital	10,73,91,000.00
Reserve & Surplus	(4,83,62,365.00)
Contingent Liabilities	-
Net Worth	**5,90,28,635.00**
No. of shares	1,07,39,100.00
Book Value /share (Rs.)	5.50

Profit Earning Capacity Value (PECV) Method	
The profits after tax of the company for the last three financial years ending 31st March 2022 are as under:	
Particulars	**Amount**
F.Y. - 2019-20	21,18,411
F.Y. - 2020-21	20,88,640
F.Y. - 2021-22	76,10,076
Total	1,18,17,127
Average Profit after tax	**39,39,042**
Capitalization Rate	15.00%
Equity Value	**2,62,60,282**
No. of Equity Shares	1,07,39,100
Per Share Value	**2.45**

Particulars	**Weight**	**Price / share**	**Weighted value / share**
NAV	0.5	5.50	2.75
MV*	0	0.00	0.00
PECV (Avg PAT / No of shares)	0.5	2.45	1.22
Total	1	-	3.97
Weighted Avg Price			**3.97**
Fair Market Value			**3.97**

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Determination of Value for the purpose of Issue of Shares

As per Companies Act, 2013 a Company cannot issue shares at Discount, In the present case the value per share is less than its Face Value, so we determine the fair value of the share at its Face value.

Accordingly, the Fair value for issue of shares is Rs.10/- (Rupees Ten only) per share.

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