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Report Ref No: RVA2324BOMREP133

Date: 13/02/2024

The Audit Committee and The Board of Directors,
HLE Glascoat Limited
Primary. H-106, Phase-IV GIDC,
Vitthal Udyog Nagar, Anand,
Gujarat - 388121

The Board of Directors,
Kinam Enterprise Private Limited
746-3, Parikrama Apartment,
Luncikui, Navsari,
Gujarat - 396445

Sub: Recommendation of Share Exchange Ratio for the proposed amalgamation of Kinam Enterprise Private Limited into HLE Glascoat Limited

Dear Sir / Madam,

We refer to our engagement letter dated September 8, 2023, read with addendum letter dated February 2, 2024, whereby HLE Glascoat Limited ("HLE") and Kinam Enterprise Private Limited ("KEPL") have jointly appointed RBSA Valuation Advisors LLP ("RBSA"/ "Valuer") for recommendation of fair equity share exchange ratio ("Share Exchange Ratio") for the proposed amalgamation of KEPL into HLE ("Proposed Amalgamation"), on a 'going concern' basis pursuant to Scheme of Arrangement under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (the "Scheme").

HLE and KEPL are hereinafter jointly referred to as the "Clients".

The Share Exchange Ratio for the purpose of this report refers to the number of equity shares which would be issued by HLE to the equity shareholders of KEPL as a consideration for the Proposed Amalgamation pursuant to the Scheme.

For the purpose of this report, we have considered the valuation date as February 12, 2024 ("Valuation Date"). We have carried out the valuation of the Companies (as defined below) on a 'Going-Concern Value' premise.

BACKGROUND OF COMPANIES

HLE Glascoat Limited

HLE is a public limited company incorporated in 1991 and is primarily engaged in the business of design, manufacture, development, dealing, selling and market of standard as well as customized glass lined equipment, reactors, receivers/ storage tanks, dryers, filters, heat exchangers, condensers, columns, agitators, valves, pipes, and fittings and spares thereof. The equity shares of HLE are listed on the BSE Limited ("BSE") and The National Stock Exchange of India Limited ("NSE"). HLE holds 0.5% equity of KEPL. The consolidated revenue of HLE for the year ended March 31, 2023, was INR 9,397.76 Mn and profit after tax of INR 698.07 Mn. For the nine months ended December 31, 2023, HLE had consolidated revenue of INR 6,679.41 Mn and profit after tax of INR 260.87 Mn.

Kinam Enterprise Private Limited

KEPL is a private limited company incorporated in the year 2023 and holds 100% equity of Kinam Process Equipments Private Limited ("KPEPL"). KEPL does not have any material business operations apart from holding investment in KPEPL.

Kinam Process Equipments Private Limited

KPEPL is a private limited company incorporated in the year 2023 and holds 34.44% of the equity of Kinam Engineering Industries Private Limited ("KEIPL"). KPEPL does not have any material business operations apart from holding investment in KEIPL.

Kinam Engineering Industries Private Limited

KEIPL is a private limited company and was incorporated in October 2023 with the sole purpose of effecting succession of the business of M/s Kinam Engineering Industries ("KEI") into itself. After succession of business of KEI, effective January 1, 2024, KEIPL carries out business of providing efficient and reliable heat exchanger solutions to customers across various industries.

M/s Kinam Engineering Industries

KEI, a partnership firm based out of Mumbai, is primarily engaged in the business of manufacturing and sale of heat exchangers and other related products for the chemical, petrochemical, fertilizers, refineries, pharmaceutical, biotech, oil, paper, steel, cosmetics, and textile industries. The business of the firm has been succeeded into KEIPL effective January 1, 2024.

HLE, KEPL, KPEPL and KEIPL are hereinafter jointly referred to as the "Companies".

HLE Transaction

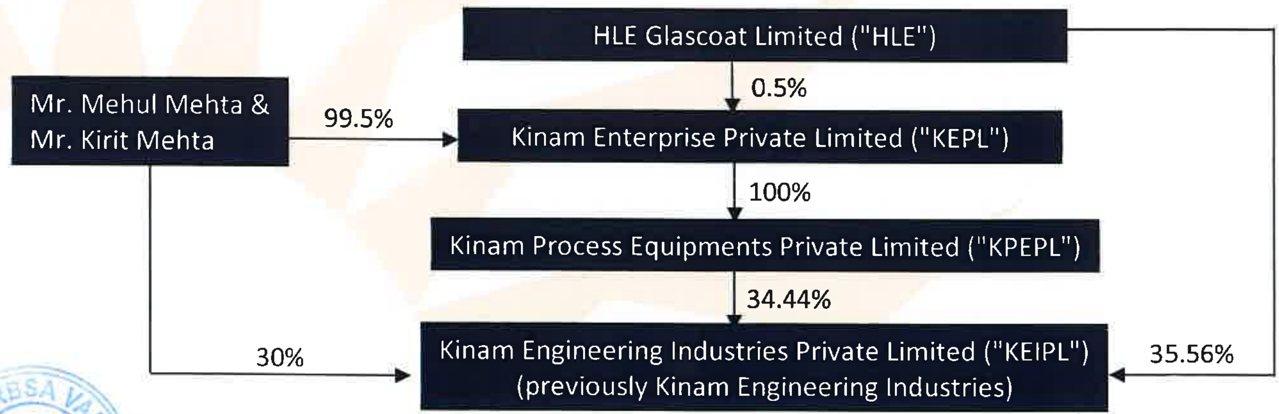
On August 7, 2023, HLE announced that it would acquire 70% equity of KEI in two phases (together referred to as the "HLE Transaction"). In the first phase, HLE acquired a 35.56% profit share and ownership interest in KEI in an all-cash deal. In second phase, balance 34.44% stake is to be acquired through the Scheme whereby KEPL would amalgamate into HLE.

Phase 1 of the acquisition was completed on September 26, 2023, for a consideration of ~ INR 800 Mn. The implied value of KEI based on the HLE Transaction was ~ INR 2,250 Mn for 100% of equity stake (INR 800 Mn/35.56% equity stake).

We understand from the management of the Clients (the "Management") that:

- the key terms of the HLE Transaction were negotiated between the parties on an arm's length basis and the transaction was in nature of orderly transaction;
- the business activities of KEIPL (erstwhile KEI) have been carried out in the normal and ordinary course of business between August 2023 and the Valuation Date.

The following is the present holding structure of the Companies forming part of the valuation exercise,



SCOPE AND PURPOSE OF THIS REPORT

We understand that the Management is envisaging amalgamation of KEPL into HLE pursuant to the Scheme in accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013 or any statutory modifications, re-enactment, or amendments thereof for the time being in force and in the manner provided in the Scheme. We understand that the Scheme shall be in accordance with Section 2(1B) of the Income Tax Act, 1961.

As a consideration for the Proposed Amalgamation, equity shares of HLE would be issued to equity shareholders of KEPL. On the Scheme becoming effective, investment in equity shares of KEPL held by HLE shall stand extinguished.

In this connection, the Management have appointed RBSA, a Registered Valuer Entity, to submit a report recommending the Share Exchange Ratio to Audit Committee / Board of Directors of HLE and KEPL for the Proposed Amalgamation (hereinafter referred to as "Report") pursuant to the Scheme.

We understand that the appointed date for the Proposed Amalgamation as per the Scheme shall be August 7, 2023, or such other date as may be agreed by the Board of Directors of the Companies.

We would like to emphasize that certain terms of the Proposed Amalgamation are stated in our Report, however the detailed terms of the Proposed Amalgamation are explained in the Scheme document to be submitted with relevant authorities in relation to the Proposed Amalgamation. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

We have been provided with the financial statements of the Companies for the period ended December 31, 2023. The Management has informed us that there are no other unusual/abnormal events in the Companies materially impacting their operating/ financial performance after financial statement date until the Report Date. Further, we have been informed by the Management that to the best of their knowledge, material information regarding the business of each of the Companies has been disclosed to us.

We have been informed by the Management that:

i. there would not be any capital variation in the Companies till the Proposed Amalgamation becomes effective, without approval of the shareholders and other relevant authorities.
ii. till the Proposed Amalgamation becomes effective, neither of the Companies will declare any substantial dividend.
iii. there would be no significant variation between the draft Scheme and final Scheme approved and submitted with the relevant authorities.

We have relied on the above while arriving at the Share Exchange Ratio for the Proposed Amalgamation.

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SOURCES OF INFORMATION

In connection with this exercise, we have received/ obtained the following information about the Companies from the Management:

- Limited reviewed consolidated financial statements of HLE for the nine months period ended December 31, 2023;
- Special purpose audited financial statements of the KEPL and KEIPL for the period ended December 31, 2023;
- Limited reviewed financial statements of KEI and KPEPL for the period ended December 31, 2023;
- Audited financial statements of HLE and KEI for the year ended March 31, 2022, and March 31, 2023;
- Projected financial statements of KEIPL (erstwhile KEI), which the Management believes to be their best estimate of the expected performance of the KEPL ("Management Projections");
- Draft Scheme;
- Other relevant information, documents, and explanations to inter-alia understand the historical and expected future performance of the Companies;

In addition, we have also relied on information available in public domain and subscribed databases.

Besides above information and documents, there may be other information provided by/ on behalf of the Management which may not have been perused by us in detail, if not considered relevant for the defined scope. The Clients have been provided with the opportunity to review the draft Report (excluding the recommended Share Exchange Ratio) as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Report.

The Management of HLE has informed us that Navigant Corporate Advisors Limited has been appointed to provide fairness opinion on the Share Exchange Ratio for the purpose of the Proposed Amalgamation. At the request of HLE, we have had discussions with them in respect of our valuation analysis.

PROCEDURES ADOPTED

In connection with this exercise, we have adopted the following procedures to carry out the valuation. Procedures adopted for our analysis included such substantive steps as we considered necessary under the circumstance, including, but not limited to the following:

- Discussion with the Management to *inter-alia*:
  - Understand the business and fundamental factors that affect the business of the Companies;
  - Understand historical financial performance, current state of affairs and expected future financial performance of the Companies;
- Analysis of information shared by the Management including the following:
  - Financial statements of the Companies;
  - Management Projections;
  - Considered data available in public domain related to the Companies;
- Undertook Industry Analysis:
  - researched publicly available market data including economic factors and industry trends that may impact the valuation.
  - analyzed industry trends and valuation multiples of comparable companies using proprietary databases subscribed by us.
- Selected valuation methodology/(ies) as considered appropriate by us, in accordance with the applicable Valuation Standards.
- Obtained and analyzed market prices, volume data and other relevant information for HLE;

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- Considered the draft Scheme;
- Arrived at the relative equity value per share of HLE and KEPL to determine Share Exchange Ratio for the Proposed Amalgamation.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This Report is subject to the limitations detailed in our engagement letter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the Valuation Date. Due to possible changes in market forces and circumstances, this Report can only be regarded as relevant as at the Valuation Date.

This Report has been prepared for the purpose stated herein and should not be relied upon for any other purpose. Clients are the only authorized users of this Report and are restricted for the purposes indicated in the engagement letter. This restriction does not preclude the Clients from providing a copy of the Report to third party advisors whose review would be consistent with the intended use. We do not take any responsibility for the unauthorized use of this Report. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Clients or Companies, their directors, employees or agents.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the Client's existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the Report Date and (iii) are based on the data detailed in the section - Sources of Information. We have been informed by the Management that the business activities of the Companies have been carried out in the normal and ordinary course between December 31, 2023, and the Report date and that no material changes have occurred in their respective operations and financial position between December 31, 2023, and the Report date.

A valuation of this nature is necessarily based on the prevailing stock market, financial, economic, and other conditions in general and industry trends in particular as in effect on and the information made available to us as of, the date hereof. Events occurring after the Valuation Date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

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During the course of the valuation, we were provided with both written and verbal information including market, financial and operating data. We have evaluated the information provided to us by/ on behalf of the Management through inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Accordingly, such information, estimates or opinions are not offered as our predictions or our assurance that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Because events and circumstances frequently do not occur as expected, there will usually be differences between predicted and actual results, and those differences may be material. We take no responsibility for the achievement of the predicted results as it is dependent on actions, plans and assumptions of the Management.

Valuation may be based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time. However, we do not provide assurance on the achievability of the results projected by the Management as events and circumstances do not occur as expected and differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected as the achievement of the projected results is inter-alia dependent on actions, plans and assumptions of the Management and macro-economic and other external factors which are beyond the control of the Management.

The Management has warranted us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the Management concerning the financial data, operational data, and other information, except as specifically stated to the contrary in the Report. In no event we shall not be liable for any loss, damages, cost, or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the Clients, the Companies, their directors, employee, or agents.

We are not aware of any contingency, commitment or material issue which could materially affect the Companies' economic environment and future performance and therefore, the equity value of the Companies.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. This Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited / unaudited balance sheets of the Companies, if any. No responsibility is assumed for matters of a legal nature. We have not carried out any physical verification of the assets and liabilities of the Companies and take no responsibility for the identification of such assets and liabilities.

This Report does not look into the business/commercial reasons behind the Proposed Amalgamation nor the likely benefits arising out of it. Similarly, it does not address the relative merits of the Proposed Amalgamation as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

We have also relied on data from external sources to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and/or reproduced in its proper form and context.

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Any person/ party intending to provide finance/ invest in the shares/ businesses of the Companies/ their holding companies/ subsidiaries/ group companies, if any, shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. If any person/ party (other than the Clients) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to us.

It should be understood that the valuation of any entity or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we have relied on explanations provided by the Management and have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. This valuation could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions, financial and otherwise, of the companies, and other factors which generally influence the valuation of the Companies and their assets.

It should be noted that we have not examined any other matter including economic rationale for the proposed Scheme per se or accounting, legal or tax matters involved in the proposed Scheme.

The valuation analysis and result are governed by concept of materiality.

The fee for the engagement is not contingent upon the results reported.

This Report is subject to the laws of India.

Neither the Report nor its contents may be referred to or quoted in any document other than in connection with the Proposed Amalgamation, without our prior written consent. In addition, this Report does not in any manner address the prices at which equity shares of HLE will trade following announcement of the Proposed Amalgamation and we express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Amalgamation.

DISCLOSURE OF RV INTEREST OR CONFLICT, IF ANY AND OTHER AFFIRMATIVE STATEMENTS

We do not have any financial interest in the Clients, nor do we have any conflict of interest in carrying out this valuation. Further, the information provided by the Management has been appropriately reviewed in carrying out the valuation.

SHAREHOLDING PATTERN

HLE

The issued and subscribed equity share capital of HLE as of December 31, 2023, is INR 136.5 Mn consisting of 6,82,65,480 equity shares of face value of INR 2/- each. The shareholding pattern is as follows:

Particulars	No. of Equity Shares	Shareholding %
Promoters and Promoter Group	4,55,28,472	66.69%
Public	2,27,37,008	33.31%
Total	**6,82,65,480**	**100.00%**

Source: www.bseindia.com

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KEPL

The issued and subscribed equity share capital of KEPL as of December 31, 2023, is INR 66.8 Mn consisting of 66,81,360 equity shares of face value of INR 10/- each. The shareholding pattern is as follows:

Particulars	No. of Equity Shares	Shareholding %
Mr. Mehul Mehta	33,23,977	49.75%
Mr. Kirit Mehta	33,23,976	49.75%
HLE Glascoat Limited	33,407	0.50%
Total	**66,81,360**	**100.00%**

Source: Management Information

VALUATION APPROACH & METHODOLOGY

The Scheme contemplates amalgamation of KEPL into HLE. Arriving at the Share Exchange Ratio for the Proposed Amalgamation would require determining the value of equity shares of HLE and KEPL on a relative basis. These values are to be determined independently, but on a relative basis for the Companies, without considering the effect of the Proposed Amalgamation.

For the purpose of arriving at valuation of the Companies, we have considered the valuation base as 'Fair Value'. Our valuation, and this Report, is based on the premise of 'going concern value'. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this Report.

It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018, has issued the ICAI Valuation Standards ("ICAI VS") effective for all the valuation reports issued on or after July 1, 2018. ICAI VS are mandatory for a valuation done under the Companies Act, 2013. We have given due cognizance to the same in carrying out the valuation exercise.

Intended Users: This Report is intended for consumption of the Board of Directors of HLE and KEPL and may be submitted to their shareholders and relevant regulatory and judicial authorities as may be mandatorily required under the laws of India, in connection with the Proposed Amalgamation.

It should be understood that the valuation of any entity or business is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we have relied on explanations provided by the Management and have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Management/ Companies. This valuation could fluctuate with the passage of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financial and otherwise, of the Companies, and other factors which generally influence the valuation of Companies and their assets.

ICAI VS 301 specifies that generally, the following three approaches can be used for valuation of business to determine the value of the equity shares of a company/ business,

- Income Approach
- Market Approach
- Asset Approach

There are several commonly used and accepted methods, within the market approach, income approach and asset approach, for determining the Share Exchange Ratio, which have been considered in the present case, to the extent relevant and applicable, and subject to the availability of the relevant information.

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Income Approach - Discounted Cash Flow ("DCF") Method

Income approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted or capitalized) amount.

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. The terminal value represents the total value of the available cash flow for all periods subsequent to the horizon period. The terminal value of the business at the end of the horizon period is estimated, discounted to its present value equivalent, and added to the present value of the available cash flow to estimate the value of the business.

Such DCF analysis involves determining the following:

a. Estimating future free cash flows: Free cash flows to firm are the cash flows expected to be generated by the company/ business that are available to the providers of the company's capital – both debt and equity.
b. Appropriate discount rate to be applied to cash flows i.e., the cost of capital: This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

Market Approach

Under this approach, value of a company is assessed on the basis of its market price (i.e. if its shares are quoted on a stock exchange) or basis multiples derived using comparable (i.e., similar) listed companies or transactions in similar companies. Following are the methods under Market Approach:

Market Price Method:
Under this method, the value of shares of a company is determined by taking the average of the market capitalization of the equity shares of such company as quoted on a recognized stock exchange over reasonable period of time where such quotations are arising from the shares being regularly and freely traded in an active market, subject to the element of speculative support that may be inbuilt in the market price.

Comparable Companies Multiple ("CCM") Method:
Under this method, value of a business / company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. The market price, as a ratio of the comparable company's attributes such as book net worth, earnings, capital employed, etc. is used to derive an appropriate multiple. This multiple is then applied to the attribute of the asset being valued to indicate the value of the subject asset. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

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Comparable Companies' Transaction Multiple ("CTM") Method
Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable transactions. This valuation is based on the principle that transactions taking place between informed buyers and informed sellers incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Price of Recent Investment ("PORI") Method
Under this valuation method, the price of recent investment in the business by an independent party can be considered as fair value for valuation, if no material changes have taken place since the date of such investment.

Asset Approach

The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is generally used in cases where the firm is to be liquidated i.e., it does not meet the 'going concern' criteria or in cases where the assets base dominates earnings capability and not in the ongoing operations of the business. A scheme of amalgamation would normally be proceeded with, on the assumption that the Companies would continue as going concerns and an actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power is of importance to the basis of merger, with the values arrived at on the net asset basis being of limited relevance.

Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bonafide manner. The valuation approaches/methods used, and the values arrived at using such approaches / methods by us have been discussed below.

Valuation Methodology adopted for HLE:

- In the present case, since the shares of HLE are listed on stock exchanges, information relating to its future financial performance is price sensitive. Further, we understand from the Management, having regard to the business in which HLE operates, projecting medium to long term financials on a reliable basis, is difficult and involves considerable subjectivity and hence projections of HLE have not been made available for the present exercise. In absence of availability of projections and business plans, we have not applied income approach for valuation of HLE.

- As per Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR"), as amended, the issuance of shares under schemes in case of allotment of shares by listed companies only to a select group of shareholders or shareholders of unlisted companies, pursuant to such schemes, shall follow the pricing provisions of the said regulations and the relevant date for the purpose of computing pricing shall be the date of the Board meeting in which the scheme is approved.

- The SEBI ICDR regulations provide that if the equity shares of the issuer company have been listed on a 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:

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a. the 90 trading days' volume weighted average price of the equity shares quoted on the stock exchange preceding the relevant date, or
b. the 10 trading days' volume weighted average prices of the equity shares quoted on the stock exchange preceding the relevant date.

Accordingly, we have considered higher of 90 trading days / 10 trading days volume weighted average price as on the relevant date for valuation of HLE.

- The equity shares of HLE are listed on NSE and BSE and are traded frequently on NSE. In this circumstance, for arriving at the market price, we have considered prices over appropriate period up to February 12, 2024. We have also considered the market price considering the relevant date as August 4, 2023, being the day prior to the date of announcement of the HLE Transaction.
- Considering the stage of operations of HLE, industry within which it operates and the present profitability, we have considered the Enterprise Value/Earnings before interest depreciation, tax, and amortization ('EV/EBITDA') multiple of listed comparable companies, after appropriate adjustment for HLE specific factors. We have relied on publicly available information and subscribed databases to arrive at the comparable company multiple.
- CTM method has not been used for valuation of HLE due to lack of information in the public domain on comparable transactions of similar scale. Further, the transaction multiples may include acquirer specific considerations, synergy benefits, control premium and minority adjustments.

Valuation Methodology adopted for KEPL:

- Since equity shares of KEPL are not listed, Market Price method is not applicable.
- Considering that KEPL is an investment holding company with no material business operations, its adjusted net asset value has been adopted for valuation of its equity shares considering *inter-alia* the fair value of investment in KPEPL and KEIPL.

Valuation Methodology adopted for KEIPL:

- The management of KEPL has provided Management Projections, which represents their best estimate of the expected performance of KEIPL. Considering the aforementioned, Income Approach – DCF method has been adopted for the valuation of KEIPL.
- Considering the stage of operations of KEIPL, industry within which it operates and the present profitability, we have considered the Enterprise Value/Earnings before interest depreciation, tax, and amortization ('EV/EBITDA') multiple of listed comparable companies, after appropriate adjustment for KEIPL specific factors, to arrive at its value. We have relied on publicly available information and subscribed databases to arrive at the comparable company multiple.
- We have also considered the value of KEIPL arrived under the HLE Transaction based on PORI method for valuation.
- The valuation of KEIPL, considering DCF Method and EV/EBITDA Multiple method is marginally higher than the HLE Transaction value for acquisition of 35.56% equity stake of KEI at an implied value of INR 2,250 Mn for 100% equity stake in KEI. Considering *inter-alia*, the aforementioned for the purpose of this Report, the fair value of equity of KEIPL has been estimated to be INR 2,250 Mn based on PORI Method.

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For the present valuation analysis, the amalgamation of the Companies is proceeded with on the assumption that the Companies would merge as going concern and an actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power, as reflected under the Income and/or Market approach, is of greater importance to the basis of amalgamation, with the values arrived at on the net assets being of limited relevance. Hence, while we have calculated and presented for information purposes, the value of the shares of HLE under the Asset Approach based on the book values of the net assets appearing in the consolidated balance sheet as of December 31, 2023, we have considered it appropriate not to give any weightage to the same in arriving at the Share Exchange Ratio.

Attention may be drawn to Regulation 158 of the SEBI ICDR which specifies that preferential issue of equity shares to shareholders of an unlisted entity pursuant to a National Company Law Tribunal approved scheme shall conform with the pricing provisions of preferential issue specified under Regulation 164 of the said regulations. Further, it may be noted that Regulation 164 specifies the base price for issue of shares on a preferential basis. In the Proposed Amalgamation, KEPL, (being an unlisted entity) is merging into HLE, a listed entity. We have therefore given due cognizance to the base price derived using the formula prescribed under SEBI ICDR for determining the price used for the swap ratio for the Proposed Amalgamation.

BASIS OF SHARE EXCHANGE RATIO

The transaction contemplates amalgamation of KEPL into HLE on a going concern value premise, pursuant to the Scheme. Arriving at the Share Exchange Ratio for the Proposed Amalgamation would require determining the value of the equity shares of the Companies, independently but on a relative basis, and without considering the Proposed Amalgamation. The Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of the Companies based on the various approaches/ methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses, having regard to information base, key underlying assumptions, and limitations.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into account all the relevant factors. There will always be several factors, e.g., present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets, but which will strongly influence the worth of a share.

The determination of a Share Exchange Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. This concept is also recognized in judicial decisions. There is, therefore, no indisputable single Share Exchange Ratio. The Share Exchange Ratio rendered in this Report only represents our recommendation based upon information received till the date of this Report, furnished by the Management (or its representatives) and other sources, others may place a different value. The final responsibility for the determination of the Share Exchange Ratio at which the Proposed Amalgamation shall take place will be with the Board of Directors who should take into account other factors such as their own assessment of the proposed transaction and input of other advisors.

We have independently applied the methodologies, as considered appropriate, and arrived at the relative value per share of the Companies to determine the Share Exchange Ratio for the Proposed Amalgamation.

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The computation of the Share Exchange Ratio is as under:

Valuation Approach	HLE INR per share	Weight	KEPL INR per share	Weight
Income Approach				
DCF Method	NA	0%	NA	0%
Market Approach:				
Market Price Method				
- Preferential Issue Price (ended Feb 12, 2024)	540.36	0%	NA	0%
- Preferential Issue Price (ended Aug 4, 2023)	643.03	100%[1]	NA	0%
Comparable Companies Multiple Method	547.36	0%[2]	NA	0%
Asset Approach:				
Adjusted Net Assets Value Method	50.84	0%	115.08	100%
Relative Value per share	643.03	100%	115.08	100%
Share Exchange Ratio (Rounded Off)		5.59		

NA – Not Applicable

[1] *HLE Transaction was approved in the board meeting held on August 7, 2023. As of the Valuation Date, market price of HLE is lower than the preferential issue price considering the relevant date as August 4, 2023. Considering the aforementioned and that the present transaction is part of the HLE Transaction, we have considered it appropriate to provide 100% weight to preferential issue price worked out as of August 4, 2023.*

[2] *Considering that the value per share of HLE under Comparable Companies Method is lower than the concluded value per share under the Market Price Method, no weight has been assigned to the CCM Method.*

On the basis of the foregoing and on consideration of the relevant factors and circumstances as discussed and outlined herein above, we recommend the following Share Exchange Ratio for the amalgamation of KEPL into HLE:

100 (One Hundred) fully paid-up equity shares of face Value of INR 2 each of HLE Glascoat Limited for every 559 (Five Hundred and Fifty-Nine) fully paid-up Equity Shares of face Value INR 10 each of Kinam Enterprise Private Limited.

Respectfully submitted,

RBSA Valuation Advisors LLP
Registered Valuer
Registration No.: IBBI/RV-E/05/2019/110

S.D. Shah

RBSA VALUATION ADVISORS LLP

Samir D. Shah
Partner
IBBI Membership No.: IBBI/RV/06/2019/12263
Date: 13/02/2024
Place: Mumbai