

Recommendation of fair share exchange ratio for the proposed merger of Kingmaker Developers Private Limited (“Transferor Company” or “KDPL”) with Real Gem Buildtech Private Limited (“Transferee Company” or “RGBPL”)

30th January 2024

Rashmi Shah FCA | Registered Valuer

IBBI Registration No.: IBBI/RV/06/2018/10240

For R V SHAH & ASSOCIATES

Chartered Accountants

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To,
The Board of Directors
Kingmaker Developers Private Limited
702, Natraj, MV Road Junction,
Western Express Highway, Andheri (East), Mumbai – 400 069, Maharashtra.

To,
The Board of Directors
Real Gem Buildtech Private Limited
702 - Natraj, M. V. Road Junction, Western Express Highway, Andheri East, Mumbai -
400069, Maharashtra.

Dear Sir / Madam,

Fair share exchange ratio for the proposed merger of Kingmaker Developers Private Limited with Real Gem Buildtech Private Limited

The Scheme of Amalgamation (“**the Scheme**”) is presented under Sections 230 to 232 of the Companies Act, 2013 and all other applicable provisions of the Companies Act, 2013 (to the extent notified and applicable), for the proposed merger of Kingmaker Developers Private Limited (“**Transferor Company**” or “**KDPL**”) with Real Gem Buildtech Private Limited (“**Transferee Company**” or “**RGBPL**”) on a going concern basis in the manner provided for in the Scheme and in compliance with the conditions relating to “Amalgamation” as specified u/s 2(1B) of the Income Tax Act, 1961. (“**Valuation Purpose**”). The Appointed date as proposed by the Management of the companies is 01st April 2024.

Based on our valuation analysis, we recommend share exchange ratio as below:

“1 (One) equity share of INR 10/- (Ten) each of Real Gem Buildtech Private Limited, credited as fully paid up, for every 1 (One) equity share of INR 10/- (Ten) each of Kingmaker Developers Private Limited.”



All information contained herein with respect to the valuation subject is provided to us by you / your authorized personnel only. The contents of our report have been reviewed in detail by the Management, who have also confirmed to us the factual accuracy. We understand that you agree with the contents of this report (especially fact based) and nothing has been concealed from us that could have had a bearing on the valuation. If you have any questions or require additional information, please do feel free to contact us. This report on recommendation of share exchange ratio is our deliverable for this engagement. If you have any concerns, or require any clarifications, please do feel free to contact us.

Respectfully submitted,



Rashmi Shah FCA

Registered Valuer (SFA)

IBBI Registration No.: IBBI/RV/06/2018/10240

For R V Shah & Associates

Chartered Accountants

Membership No.: 123478

FRN: 133958W

Date: 30th January 2024

ICAI UDIN: 24123478BKAKSX8792

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Engagement Background

The Scheme is presented under Sections 230 to 232 and all other applicable provisions of the Companies Act, 2013 (to the extent notified and applicable), for the proposed merger of Kingmaker Developers Private Limited (“Transferor Company” or “KDPL”), with Real Gem Buildtech Private Limited (“Transferee Company” or “RGBPL”) on a going concern basis in the manner provided for in the Scheme and in compliance with the conditions relating to “Amalgamation” as specified u/s 2(1B) of the Income Tax Act, 1961. (“Valuation Purpose”). The Appointed date as proposed by the Management of the companies is 01st April 2024.

Jurisdictional National Company Law Tribunal’s (‘NCLT’) permission has to be obtained for sanction of the merger. Consequently, this report is prepared for submission to the NCLT, using a fair basis for arriving at the share exchange ratio.

The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of Transferor Company and Transferee Company as of 30th September 2023 (‘Valuation Analysis Date’) and recommending share exchange ratio for the proposed amalgamation of Transferor Company with Transferee Company. For the purpose of this valuation, the basis of value is ‘Relative Value’ and the valuation is based on ‘Going Concern’ premise.

Our report on recommendation of fair equity share exchange ratio for the proposed amalgamation of the Transferor Company with the Transferee Company is in accordance with ICAI VS 2018 issued by ‘The Institute of Chartered Accountants of India’.



Corporate Overview – Kingmaker Developers Private Limited

- Kingmaker Developers Private Limited was incorporated on 31st March 2008 corporate identification number U45203MH2008PTC180638 having registered office address at 702, Natraj, MV Road Junction, Western Express Highway, Andheri (East), Mumbai, MH-400069.
- The Company is engaged in the business of real estate constructions, development and other related activities.
- The shareholding pattern of the company is as below:

Name of shareholders	No. of Equity Shares	%
Keystone Realtors Limited (and its nominees)	10,000	100.00%
Total Equity shares	10,000	100.00%

Corporate Overview – Real Gem Buildtech Private Limited

- Real Gem Buildtech Private Limited was incorporated on 03rd July 2009 with corporate identification number U45202MH2009PTC193816 and having its Registered Office at 702 - Natraj, M. V. Road Junction, Western Express Highway, Andheri East, Mumbai - 400069, Maharashtra.
- The Company is engaged in the business of real estate and construction.
- The shareholding pattern of the company is as below:

Name of shareholders	No. of Equity Shares	%
Kingmaker Developers Private Limited (and its nominees)*	10,000	100.00%
Total Equity shares	10,000	100.00%
Name of shareholders	No. of Preference Shares	%
Kingmaker Developers Private Limited*	135,00,000	100.00%
Total Preference shares	135,00,000	100.00%

* Kingmaker Developers Private Limited acquired 100% equity and preference shares of Real Gem Buildtech Private Limited in November 2023 (as informed to us by the Management)

Valuation approach

For the purpose of valuation for the amalgamation, generally the following approaches are adopted:

- (a) the 'Cost' approach
- (b) the 'Income' approach
- (c) the 'Market' approach

The proposed transaction contemplates amalgamation of Transferor Company with the Transferee Company.

Arriving at the fair share exchange ratio for the purpose of amalgamation would require determining the relative value of equity shares of the Transferor Company and Transferee Company. These values are to be determined independently but on a relative basis, and without considering the proposed transaction.

The three main valuation approaches are the cost approach, income approach and market approach. There are several commonly used and accepted methods within the cost approach, income approach and market approach, for determining the relative fair value of equity shares, which can be considered in the present case, to the extent relevant and applicable, to arrive at the Share Exchange Ratio for the purpose of amalgamation.

An explanation to the various methodologies is as below:

Income Approach

Under the 'Income' approach, shares of a company are valued using "Discounted Cash Flow" (DCF) method. The Discounted Cash Flows method determines the value of a business based on the cash flows expected to be generated over a period of time by a prudent investor. This method assumes the going concern concept and discounts the free cash flows during the forecast period and perpetuity value using an appropriate discount rate.

Market Approach

Under the 'Market' approach, the equity shares of the company are valued using market price method or comparable companies' transaction multiple ('CTM') method or comparable companies' multiple ('CCM') method.

The market price 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, subject to the element of speculative support that may be inbuilt in the value of the shares.

If the company is not listed, appropriate multiple of listed comparable companies or appropriate transaction multiple of comparable companies are adopted and applied to the financial parameters of the subject companies to arrive at the fair value of equity shares under CCM method and CTM method respectively.



Cost Approach

Cost approach determines the value of the company by considering the fair value of assets and liabilities as of the valuation date. Net Asset Value (NAV) method, the most commonly adopted valuation method under the cost approach is computed as the difference between the value of underlying assets less the value of liabilities.

We have however not considered any specific valuation methodology to determine the fair value of equity shares of the Transferor Company as the Transferee Company is the wholly-owned subsidiary of the Transferor Company and thus any swap ratio should be reasonable for the said Valuation Purpose.



Rationale for Valuation and Share Exchange Ratio Recommendation

- The fair basis of the amalgamation is determined after taking into consideration all the factors and methodologies mentioned hereinabove as appropriate and as applicable to the circumstances.
- Valuation is tempered by exercising judicious discretion and judgment considering all the relevant factors. Various factors like quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. are not evident from the face of the balance sheets but strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

“If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, etc. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.”

- We have however not considered any specific valuation methodology to determine the fair value of equity shares of the Transferor Company as the Transferee Company is the wholly-owned subsidiary of the Transferor Company and thus any swap ratio should be reasonable for the said Valuation Purpose.
- In light of the above, we recommend share exchange ratio as below:

“1 (One) equity share of INR 10/- (Ten) each of Real Gem Buildtech Private Limited, credited as fully paid up, for every 1 (One) equity share of INR 10/- (Ten) each of Kingmaker Developers Private Limited.”



Limiting Conditions

- Valuation analysis and results are specific to the purpose of valuation mentioned in this report as per agreed terms of our engagement. It may not be valid for any other purpose or after material time-lag from the valuation date. Also, it may not be valid if done on behalf of any other entity.
- We do not accept any liability to any third party in relation to the issue of this valuation report. Our valuation report cannot be used for any other purpose.
- We have relied on estimates and other financial data as provided by the Management and have undertaken review of the same in line with professional requirements for the current valuation exercise. We assume no responsibility for the accuracy and completeness of information and will not be held liable for it under any circumstances. We have not conducted an audit, or due diligence, on financial data provided by the Management.
- Our analysis is based on the market conditions and the regulatory environment that currently exists. However, changes to the same in the future could impact the company and the industry it operates in, which may impact our valuation analysis.
- Neither we nor any of our affiliates are responsible for updating this report because of events or transactions occurring subsequent to the date of this report.
- We have not assessed the commercial reasons behind the transaction and have only determined the fair share exchange ratio.



Sources of Information

The following sources of information have been utilized in conducting the valuation as provided to us by the Management of Kingmaker Developers Private Limited and Real Gem Buildtech Private Limited.

Real Gem Buildtech Private Limited.

- Audited Financials for the year ended 31st March 2023
- Unaudited Financials for the period ended 30th September 2023
- Shareholding pattern

Kingmaker Developers Private Limited

- Audited Financials for the year ended 31st March 2023
- Unaudited Financials for the period ended 30th September 2023
- Shareholding pattern

We have also obtained and considered the following:

- Business and Corporate Profile
- Other background information provided through emails, word documents or during discussions
- Discussions with the Management

In addition to the above, we have also obtained such other information and explanations from the Management as considered relevant for the purpose of the valuation. We have obtained a general representation from the Management confirming that they have provided us with all the relevant information, knowledge, supporting documents and confirmations completely and correctly and that no material information has been concealed or withheld or misrepresented to us.

