Fair Share Entitlement Ratio Report

Gabriel India Limited

and

Asia Investments Private Limited

June 2025

Tel: +91 22 6974 0300 The Ruby, Level 9, North West Wing, Senapati Bapat Marg, Dadar (W), Mumbai 400028, INDIA

Ref: SD/June30-67/2025 June 30, 2025

To,

The Board of Directors
Gabriel India Limited
29th Milestone, Pune-Nashik Highway,
Kuruli, Khed, Pune 410501,
Maharashtra, India.

The Board of Directors
Asia Investments Private Limited
Anand Business Centre, 10 Prasad Chambers,
Opera House, Mumbai 400004,
Maharashtra, India.

Dear Sir(s) / Madam(s),

Sub: Recommendation of Fair Share Entitlement Ratio for the proposed demerger of the Automotive Undertaking (as defined hereinafter) of Asia Investments Private Limited ("AIPL" or "Demerged Company" or "Transferee Company") into Gabriel India Limited ("GIL" or "Resulting Company") on a going concern basis pursuant to the Proposed Composite Scheme of Arrangement ("Proposed Scheme") between GIL, AIPL, other relevant parties and their respective shareholders and creditors under sections 230 to 232 and other relevant / applicable provisions of the Companies Act, 2013.

We, BDO Valuation Advisory LLP ("**BDO Val**" or "**We**" or "**Us**" or "**Our**"), registered with IOV Registered Valuers Foundation having Registration Number IBBI/RV-E/02/2019/103, with LLP Identity No. AAN9463, have been appointed vide Engagement Letter dated June 17, 2025 bearing reference number SD/June171/2025 to recommend the Fair Share Entitlement Ratio for the proposed demerger of the Automotive Undertaking ("**Demerged Undertaking**") of Asia Investments Private Limited ("**AIPL**" or "**Demerged Company**" or "**Transferee Company**") into Gabriel India Limited ("**GIL**" or "**Resulting Company**") on going concern basis pursuant to the Proposed Composite Scheme of Amalgamation and Arrangement ("**Proposed Scheme**") between GIL, AIPL, other relevant parties and their respective shareholders and creditors under sections 230 to 232 and other relevant / applicable provisions of the Companies Act, 2013 ("**the Act**").

GIL and AIPL shall hereinafter collectively be referred to as "**You**" or "**the Companies**" or "**Client**".

We are pleased to present herewith our report ("**Report**") on the same.

We have determined the Fair Share Entitlement Ratio for the proposed demerger as on the Report Date ("**Valuation Date**" or "**Report Date**"). The cut off for the financial statements considered is March 31, 2025, and the market factors have been considered till June 27, 2025. A summary of the analysis is presented in the Report, as well as a description of the methodology and procedure we used, and the factors we considered in formulating our opinion.

We hereby confirm that we have no present or planned future interest in the Companies except to the extent of our appointment as a registered valuer for this Report.

BDO VALUATION ADVISORY LLP

We have considered the valuation base as '*Fair Value*' on going concern basis. We hereby confirm that the valuation is carried out as per International Valuation Standards ("**IVS**"). Any change in the valuation base or the premise could have a significant impact on the outcome of the valuation exercise, and therefore, this Report.

A summary of the analysis is presented in the accompanying Report, as well as a description of the methodology and procedure we used, and the factors we considered in formulating our opinion.

We believe that our analysis must be considered as a whole. Selecting a portion of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. This letter should be read in conjunction with the attached Report.

Regards,
For BDO Valuation Advisory LLP
IBBI No.: IBBI/RV-E/02/2019/103

BDO VALUATION ADVISORY LLP

Swanand Kishor Deshpande
Partner
Asset Class: Securities or Financial Assets
IBBI No.: IBBI/RV/05/2019/11148

VRN No.: IOVRVF/BDO/2025-2026/5358

(This space is intentionally left blank)

TABLE OF CONTENTS

(This space is intentionally left blank)

1. Brief Background of the Companies and the Demerged Undertaking

Gabriel India Limited

1.1. Gabriel India Limited ("**GIL**" or "**Resulting Company**"), a public listed company, was incorporated on February 24, 1961, under the provisions of the Companies Act, 1956. The Corporate Identification Number ("**CIN**") of GIL as per Ministry of Corporate Affairs ("**MCA**") records is L34101PN1961PLC015735, and its registered office is located at 29th Milestone, Pune-Nashik Highway, Kuruli, Khed, Pune 410501, Maharashtra, India.

1.2. The equity shares of GIL are listed on BSE Limited (*BSE*) and National Stock Exchange of India Limited (*NSE*).

1.3. GIL is primarily engaged in the business of manufacturing and distribution of ride control products catering to all segments in the automotive industry.

1.4. The shareholding pattern of GIL as on May 31, 2025, is as follows:

Shareholder Category	Number of Shares	Percentage Holding
Promoter & Promoter Group	79,004,167	55.0%
Public	64,639,773	45.0%
Total	**143,643,940**	**100.0%**

Source: BSE's website and Draft Composite Scheme of Arrangement

1.5. We have been informed by the management and representatives of the Client that there has been no change in the above shareholding pattern of GIL till the date of issuance of this Report.

Asia Investments Private Limited

1.6. Asia Investments Private Limited ("**AIPL**" or "**Demerged Company**" or "**Transferee Company**"), an unlisted private limited company, was incorporated on January 25, 1966, under the provisions of the Companies Act, 1956. The CIN of AIPL as per MCA records is U70200MH1966PTC206200, and its registered office is located at Anand Business Centre, 10 Prasad Chambers, Opera House, Mumbai 400004, Maharashtra, India.

1.7. AIPL is primarily engaged in making investments in subsidiaries / joint ventures within the group and providing management advisory services to the group companies.

(This space is intentionally left blank)

BDO VALUATION ADVISORY LLP

1.8. The shareholding pattern of AIPL as on May 31, 2025, is as follows:

Shareholders' Name	Number of Shares	Percentage Holding
Anand Automobiles (Partnership Firm Through its Partners)	28,430,192	98.02%
Anfilco Limited	5,73,333	1.98%
Total	**29,003,525**	**100.0%**

Source: Financial statement of AIPL as provided by the Management and Draft Composite Scheme of Arrangement

1.9. We have been informed by the management and representatives of the Client that there has been no change in the above shareholding pattern of AIPL till the date of issuance of this Report.

1.10. GIL and AIPL shall hereinafter collectively be referred to as "**You**" or "**the Companies**" or "**Client**".

Anchemco India Private Limited

1.11. Anchemco India Private Limited ("**Transferor Company**"), formerly known as Andasia Private Limited, an unlisted private limited company, was incorporated on December 17, 2022, under the provisions of the Companies Act, 1956. The CIN as per MCA records is U34103DL2022PTC408512, and its registered office is located at 1 Aurobindo Marg, Hauz Khas, New Delhi 110016, India.

1.12. Transferor Company is primarily engaged in manufacturing and supply of brake fluids, radiator coolants, diesel exhaust fluids / ad-blue, and products include Polyurethane (PU) and Polyvinyl Chloride (PVC) adhesives primarily for filtration products and sound insulation applications.

1.13. The Transferor Company is fully held by the Transferee Company and its wholly owned subsidiary.

Automotive Undertaking of AIPL

1.14. The Automotive Undertaking ("**Demerged Undertaking**") of AIPL which is to be demerged from AIPL and subsequently merged into GIL, would include the entire business undertaking, on a going concern basis, in relation to the Demerged Company, engaged in the business of automobile products, including the business of the Transferor Company vested in the Transferee Company / Demerged Company pursuant to the Amalgamation in accordance with Part C of the Scheme, along with all the related assets, identified investments, liabilities and obligations, of whatsoever nature and kind, of the Demerged Company belonging to, or forming part of, or relating or appertaining to, or attributable to the Demerged Undertaking of Demerged Company, including specifically the following:

- Investments of the Demerged Company in the following entities :

BDO VALUATION ADVISORY LLP

a. Dana India Private Limited (25.1% equity stake)

b. Henkel Anand India Private Limited (49% equity stake)

c. Anand CY Myutec Automotive Private Limited (76.13% equity stake)

- but shall exclude investment of the Demerged Company in the Resulting Company and any other investments of the Demerged Company not specified herein, and shall also exclude any immoveable properties of the Demerged Company apart from leasehold land.

2. Purpose of Valuation

2.1. We understand that following is the Proposed Scheme:

- GIL, AIPL, Anchemco India Private Limited, other relevant parties and their respective shareholders and creditors are contemplating the demerger of the Demerged Undertaking of AIPL and subsequently merge the same into GIL.
- Pursuant to the above, as consideration for the proposed demerger of the Demerged Undertaking of AIPL into GIL, the shareholders of the Demerged Company will be issued equity shares of GIL of face value INR 1.0 each (“**Proposed Demerger**”).

2.2. GIL, AIPL, Anchemco India Private Limited, other relevant parties and their respective shareholders and creditors will comply with the provisions of sections 230 to 232 and other relevant / applicable provisions of the Companies Act, 2013 (“**the Act**”).

2.3. In this regard, we have been appointed to determine the Fair Share Entitlement Ratio, for the Proposed Demerger.

2.4. We understand that the appointed date for the Proposed Demerger as per the draft Proposed Composite Scheme of Arrangement shall be as follows:

i. Merger of Anchemco India Private Limited into AIPL - April 1, 2025

ii. Demerger of Automotive Undertaking of AIPL into GIL - April 1, 2026.

3. Terms of Engagement

Context and Purpose

3.1. BDO Val has been appointed to determine the Fair Share Entitlement Ratio for the Proposed Demerger as mentioned in para 2.1 of this Report. This valuation exercise and Report are solely for the Purpose mentioned in the Report.

Restricted Audience

3.2. This Report and the information contained herein are absolutely confidential and are intended for the use of the Companies only for submitting to the statutory and regulatory authorities for compliance under sections 230 to 232 and other relevant / applicable

BDO VALUATION ADVISORY LLP

provisions of the Act, and other applicable provisions and circular issued by Securities and Exchange Board of India **("SEBI")** applicable to a scheme of arrangement. The results of our valuation analysis and our Report cannot be used or relied by the Companies for any other purpose or by any other party for any purpose whatsoever.

3.3. This Report will be placed before the Board of Directors of the Companies and intended only for their sole use and information. To the extent mandatorily required under applicable laws of India, this Report may be produced before judicial, regulatory or government authorities, in connection with the Proposed Demerger. We are not responsible to any other person or party, for any decision of such person or party based on this Report. Any person or party intending to provide finance / invest in the shares / business of the Companies, subsidiaries 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 Companies*) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to BDO Val.

3.4. It is hereby notified that usage, reproduction, distribution, circulation, copying or otherwise quoting of this Report or any part thereof, except for the purpose as set out earlier in this Report, without our prior written consent, is not permitted, unless there is a statutory or a regulatory requirement to do so.

3.5. Without limiting the foregoing, we understand that the Companies may be required to share this Report with regulatory or judicial authorities including stock exchanges, SEBI, Regional Director, Registrar of Companies, National Company Law Tribunal, professional advisors of the Companies including merchant bankers providing fairness opinion on the Fair Share Entitlement Ratio, in connection with the Proposed Demerger (**"Permitted Recipients"**) and host this report on the website of the Companies. We hereby give consent to such disclosure of this Report, on the basis that we owe responsibility only to Companies that have engaged us, under the terms of the engagement, and no other person; and that, to the fullest extent permitted by law, we accept no responsibility or liability to any other party, in connection with this Report. It is clarified that reference to this Report in any document and / or filing with Permitted Recipients, in connection with the Proposed Demerger, shall not be deemed to be an acceptance by us of any responsibility or liability to any person / party other than Companies.

4. Caveats, Limitations and Disclaimers

4.1. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

4.2. This Report, its contents, and the analysis herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement, (ii) the Valuation Date and (iii) based on the data detailed in the section - *Sources of Information*. The management of the Companies have represented that the business activities of the Companies have been carried out in the normal and ordinary course till the Report Date and that no material changes are expected in their respective operations and financial position to occur up to the Report date.

4.3. We were provided with sufficient information and time to form our opinion for this valuation exercise. However, our opinion may change if any information is not disclosed / hidden from us during our valuation exercise.

4.4. The scope of the assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Accordingly, we express no audit opinion or any other form of assurance on this information on behalf of the Companies. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any due diligence or legal title search of the assets or liabilities of the Companies. Further, we have not undertaken review of the enforceability / validity of the title / ownership documents, in favour of the Companies, and have relied on the legal title reports shared by the Companies.

4.5. Further, this Report is based on the extant regulatory environment and the financial, economic, monetary and business/market conditions, and the information made available to us or used by us up to the date hereof, which are dynamic in nature and may change in future, thereby impacting the valuation of the Companies. Subsequent developments in the aforementioned conditions may affect this Report and the assumptions made in preparing this Report and we shall not be obliged to update, review or reaffirm this Report if the information provided to us changes. Further, events occurring after the 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.

4.6. We have no present or planned future interest in the Companies or any of their group entities.

4.7. The recommendation contained herein is not intended to represent value at any time other than the Valuation Date.

4.8. This Report is subject to the laws of India.

4.9. The fee for this engagement is not contingent upon the outcome of the Report.

4.10. In rendering this Report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

4.11. This Report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our Report.

4.12. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are

BDO VALUATION ADVISORY LLP

not misleading and do not assume or accept any liability or responsibility for any independent verification of such information. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not provide reasonable grounds upon which to base our Report.

4.13. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.

4.14. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.

4.15. We have arrived at a relative value based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.

4.16. Our scope is limited to the recommendation of Fair Share Entitlement Ratio. The Report should not be construed as our opinion or certifying the compliance of the Proposed Scheme with the provisions of any law including the Companies Act 2013, Foreign Exchange Management Act, 1999, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from the Proposed Scheme.

4.17. The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operation unless otherwise stated and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of legal nature, including issues of legal title and compliance with local laws, litigation and other contingent liabilities that are not recorded in the financial statements of the Companies.

4.18. This Report does not look into the business / commercial reasons behind the Proposed Scheme nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Scheme as compared with any other alternative business transaction or any other alternatives, whether or not such alternatives could be achieved or are available. The assessment of commercial and investment merits in the Companies is sole responsibility of the investors of the Companies and we do not express opinion on the suitability or otherwise of entering into any financial or other transactions with the Companies.

4.19. Valuation and determination of a Fair Share Entitlement Ratio is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different opinion.

BDO VALUATION ADVISORY LLP

4.20. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations taking into consideration the economic, social and market patterns existing at that point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material. Although we have read, analysed and discussed the company(s) management business plan for the purpose of undertaking a valuation analysis, we have not recommended on the achievability and reasonableness of the assumptions provided to us save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of the assignment.

4.21. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither of us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities which may arise based upon the information used in this Report.

4.22. We owe responsibility to only the Board of Directors of the Client and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other party to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Companies, their directors, employees or agents. In the particular circumstances of this case, our liability, if any (*in contract or under statute or otherwise*) for any economic loss or damage arising out of or in connection with this engagement, howsoever the loss or damage caused, shall be limited to the amount of fees actually received by us from the Client as laid out in the engagement letter, for such valuation work.

4.23. We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion. This Report is not a substitute for the third party's own due diligence / appraisal / enquiries / independent advice that the third party should undertake for his purpose.

4.24. This Report does not in any manner address the price at which the equity shares of GIL will trade following the announcement and / or implementation of the Proposed Scheme and we express no opinion or recommendation as to how the shareholders of the Companies should vote at the shareholders' meeting(*s*) to be held in connection with the Proposed Scheme.

4.25. No investigation / inspection of the Companies claim to title of assets has been made for the purpose of this Report and the Companies claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond

BDO VALUATION ADVISORY LLP

the loans disclosed in the accounts and details of pending payable shared by the Companies. Therefore, no responsibility has been assumed for matters of a legal nature.

4.26. This valuation of the underlying assets is inter alia based on the potential development shared by the Client and verbal market survey of the real estate market provided by intermediaries operating in each real estate micro market(s).

4.27. The recommendation(*s*) rendered in this report only represent our recommendation(*s*) based upon information furnished by the Companies (*or its representatives*) and other sources and the said recommendation(*s*) shall be considered to be in the nature of non-binding advice (*our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors*).

4.28. We have also obtained the explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise from the management of the Companies **("the Management")**. The Companies have been provided with the opportunity to review the draft Report (*excluding the recommended Fair Share Entitlement Ratio*) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final Report.

5. Sources of Information

5.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management / representatives of the Companies:

- Draft Composite Scheme of Arrangement for the Proposed Demerger;
- Audited consolidated financial statements for last 5 years ending March 31, 2025 for the following:
  - Gabriel India Limited
  - Anchemco India Private Limited and Ansysco Anand LLP merged*
  - Dana Anand India Private Limited
  - Henkel Anand India Private Limited
  - Anand CY Myutec Automotive Private Limited

  **Ansysco Anand LLP merged with Anchemco India Private Limited on April 1, 2025. Accordingly, we have relied on provisional consolidated financials prepared on the basis of audited financials of both the entities for the financial year March 31, 2025.*
- Financial projections (on a consolidated basis) including key underlying assumptions for the following:
  - Gabriel India Limited
  - Anchemco India Private Limited

BDO VALUATION ADVISORY LLP

- Dana Anand India Private Limited
- Henkel Anand India Private Limited
- Anand CY Myutec Automotive Private Limited

- Number of equity shares of the Transferor Company, Demerged Company / Transferee Company and Resulting Company as on the Valuation Date and the number of shares on a fully diluted basis as at the date of this Report; and
- Management Representation Letter addressed to BDO Val; and
- Other relevant data and information provided to us by the representatives of the Companies either in written or oral form or in form of soft copy of the Companies.

5.2. The Management has informed us that there would be no significant variation between the draft scheme and the final scheme approved and submitted with the relevant authorities.

6. Procedures Adopted

6.1. Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including but not limited to the following:

- Discussion with the Management to:
    - Request and receive financial and qualitative information, and clarifications regarding past financials performance of the Transferor Company, Demerged Undertaking and Resulting Company, as stated in the Sources of Information section of this Report and as applicable;
    - Understand the business, key value drivers, historical financial performance and projected financial performance of the Transferor Company, Demerged Undertaking and Resulting Company;
- Analysis of the above information shared by the Management;
- Undertook market study / inquiries such as researching publicly available market data that may impact the valuation;
- Analysed key trends and valuation multiples of comparable companies using proprietary databases subscribed by us;
- Sought various clarifications from the Management based on our review of information shared and our analysis;
- Obtained data available in the public domain;
- Determined the Fair Share Entitlement Ratio for issue of equity shares of GIL to the shareholders of the Demerged Company, as consideration for the Proposed Demerger.

BDO VALUATION ADVISORY LLP

6.2. As confirmed to us by the Management, valuation of Demerged Undertaking is the sum of investment of Transferee Company / Demerged Company in the following entities:

- Anchemco India Private Limited
- Dana Anand Private Limited
- Anand CY Myutec Private Limited
- Henkel Anand India Private Limited

6.3. Client has informed us that ICICI Securities Ltd, a SEBI registered merchant banker, has been appointed to provide fairness opinion on the recommended Fair Share Entitlement Ratio for the purpose of aforementioned Proposed Scheme. Further, at the request of the Companies, we have had discussions with the Fairness Opinion provider on the valuation approach adopted and assumptions made by us.

7. Major factors that were considered during the valuation

7.1. Nature of operations of the Transferor Company, Demerged Undertaking and Resulting Company;

7.2. Current, historical and projected financial information;

7.3. The equity shares of GIL are listed on the stock exchanges.

8. Valuation Approaches

8.1. It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to regulatory environment / local laws, industry performance and general business and economic conditions, many of which are beyond the control of the companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the companies / businesses, and other factors which generally influence the valuation of the companies, its businesses and assets.

8.2. The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, analysis of businesses, in an independent and bona fide manner based on our previous experience of assignments of similar nature.

8.3. It may be noted that BDO Val is enrolled with IOV Registered Valuers Foundation, which has recommended to follow International Valuation Standards (“**IVS**”) 2025 for undertaking

BDO VALUATION ADVISORY LLP

valuation and accordingly we have considered the International Valuation Standards issued by International Valuation Standards Council (“**IVSC**”) in carrying out the valuation exercise.

8.4. The Valuation Date is the Report Date. The cut off for the financial statements considered is March 31, 2025, and the market factors have been considered till June 27, 2025.

8.5. There are three generally accepted approaches to valuation:

(a) "**Cost**" Approach

(b) "**Income**" Approach

(c) "**Market**" Approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

Cost Approach

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.

This valuation approach is mainly used in case where the assets base dominates earnings capability.

Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow Method

Under the Discounted Cash Flow (‘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.

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.

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.

BDO VALUATION ADVISORY LLP

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.

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.

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. The surplus assets / non-operating assets are also adjusted.

In case of free cash flows to equity, the cash available for distribution to owners of the business is discounted at the Cost of Equity and the value so arrived is the Equity Value before surplus / non-operating assets. The surplus assets / non-operating assets are further added to arrive at the Equity Value.

Market Approach

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

i. <u>Market Price Method</u>

Under this method, the market price of an equity shares of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the trading. The market value reflects the investors' perception about the true worth of the company.

ii. <u>Guideline publicly traded comparable method / Comparable Companies Multiple Method</u>

Under the Guideline publicly traded comparable method / Comparable Companies Multiple ('CCM') method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. 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.

To the value of the business so arrived, adjustments need to be made for the value of contingent assets / liabilities, surplus asset and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

BDO VALUATION ADVISORY LLP *

iii. Comparable Transactions Multiple Method

Under the Comparable Transactions Multiple ('CTM') method, the value of a company can be estimated by analysing the prices paid by purchasers of similar companies under similar circumstances. This is a valuation method where one will be comparing recent market transactions in order to gauge the current valuation of target company. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

9. Conclusion on Valuation Approach

In order to consider reasonable methods for the valuation exercise, we have referred to the IVS and the specific information / explanations available. We have considered the following respective methods for the valuation:

Cost Approach

9.1. This valuation approach is mainly used in case where the asset base dominates the earnings capability. In a going concern scenario, the earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of Proposed Demerger, than the values arrived at on the net asset basis being of limited relevance. Therefore, we have not assigned any weightage to the Cost Approach for valuation of the Demerged Undertaking and Resulting Company since the Cost Approach does not reflect the intrinsic value of the business in a 'going concern scenario'.

Market Approach

9.2. In the present case the equity shares of GIL are listed on the National Stock Exchange and there are regular transactions with reasonable volume during the twelve calendar months preceding the relevant date. Hence, we have considered Market Price Method under the Market Approach for valuation of GIL.

9.3. We have considered the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, which provide guidelines to estimate the market price. The Pricing Formula provided in Regulations 164 (1) has been considered for arriving at the minimum value per equity share of Gabriel India Limited under the Market Price Method. The market price is considered as higher of the following:

- the volume weighted average price for 90 trading days preceding the valuation report date,
- the volume weighted average price for 10 trading days preceding the valuation report date.

BDO VALUATION ADVISORY LLP

9.4. We have considered the CCM Method for the valuation of the Demerged Undertaking and Resulting Company, whereby we have considered the appropriate multiples of the listed comparable companies operating in similar business/industry.

9.5. In the absence of adequate recent comparable transactions, we were unable to apply the CTM method in the current case for valuation of the Demerged Undertaking and Resulting Company.

Income Approach

9.6. We have considered the Discounted Cash Flow Method under Income Approach to value the Demerged Undertaking and Resulting Company as the true worth of their businesses would be reflected in their future earnings potential.

10. Approach for Determination of Fair Share Entitlement Ratio

10.1. The basis of the Fair Share Entitlement Ratio would have to be determined after taking into consideration all the factors and methods mentioned hereinabove and to arrive at a final value for the Demerged Undertaking and GIL.

10.2. We have independently applied methods discussed above, as considered appropriate, and arrived at value per share of the Demerged Undertaking and GIL's equity value per share.

10.3. To arrive at the Fair Share Entitlement Ratio, rounding off have been done in the value / ratio.

10.4. The Fair Share Entitlement Ratio for the equity shareholders of the Demerged Company has been arrived basis the various valuation approaches / methods explained herein earlier and various qualitative factors, the business dynamics of the Transferor Company, Demerged Company / Transferee Company and Resulting Company, having regard to information base, key underlying assumptions and limitations.

11. Recommendation of Fair Share Entitlement Ratio for the Proposed Demerger

11.1. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion 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 sentiments etc. which are not evident from the face of the balance sheets, but which will 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 Honourable 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

BDO VALUATION ADVISORY LLP

allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. 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".

11.2. On the basis of the foregoing, on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, the Fair Share Entitlement Ratio for the Equity Shareholders of the Demerged Company in the event of the Proposed Demerger would be as follows:

Valuation Approach	Valuation Method	Demerged Undertaking		GIL	
		Value Per Share (INR)	Weight (%)	Value Per Share (INR)	Weight (%)
Cost Approach	Summation Method	165.1	0%	81.4	0%
Income Approach	DCF Method	737.5	50%	636.7	50%
Market Approach	MP Method	N/A	N/A	641.2	25%
	CCM Method	748.6	50%	651.7	25%
Relative Value Per Share (Rounded Off)		**743.0**		**641.6**	
Fair Share Entitlement Ratio (Rounded Off)		**1.158**			

NA= Not Adopted/Not Applicable

Recommendation:

"1,158 (One Thousand and One Hundred Fifty Eight) fully paid equity shares of face value INR 1.0 each in GIL for every 1,000 (One Thousand) fully paid equity shares of INR 10.0 each held in AIPL".

11.3. Our Report and fair share entitlement ratio is based on the current capital structure of GIL and the proposed issue as mentioned above. Any variation in the capital structure apart from the above mentioned may have an impact on the Fair Share Entitlement Ratio.

11.4. While we have provided our recommendation on the Fair Share Entitlement Ratio, the final responsibility for adoption of the same for the Proposed Scheme shall be with the Board of Directors of the Companies who should take into account other factors including their own assessment of the Proposed Scheme and inputs of other advisors.

(This space is intentionally left blank)