CA Santanu Brahma

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Kolkata, the 03rd March 2021

To,
The Board of Directors
Kilburn Engineering Limited
4, Mangoe Lane Kolkata 700001
West Bengal

Sub : Valuation of Financial Instruments as on 25th February 2021
Ref : Engagement Letter dated 1st March 2021

Dear Sirs,

In terms of the abovementioned engagement letter, I understand that **M/s. Kilburn Engineering Limited ("the Company")** is contemplating a proposal for restructuring the credit facility with RBL Bank in terms of the Master Circular on Prudential Framework for Resolution of Stressed Asset bearing no. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019 issued by the Reserve Bank of India (RBI). As per the said restructuring proposal, the Company intends to convert the outstanding loan amount payable to RBL Bank, partly, by issue of the following '**Financial Instruments**'-

(a) Equity Shares of INR 10/- each; and
(b) 0.01% Cumulative Redeemable Preference Shares of INR 10/- each.

For this purpose, the undersigned has been engaged to express an opinion on the recommended value of the above financial instruments as on **25th February 2021 (hereinafter referred to as "Valuation Date").**

In the background of the above, I have performed the valuation engagement and present the valuation report, as enclosed herewith, in conformity with the provisions of the Companies Act, 2013, regulations issued by Securities and Exchange Board of India (SEBI), guidelines issued by Reserve Bank of India (RBI) and the Indian Valuation Standards 2018 issued by The Institute of Chartered Accountants of India (ICAI).

The valuation report, expressing an opinion on the recommended fair value of the financial instruments, is based on the events and circumstances prevailing as on the 'Valuation Date.' My analysis and recommendation should be understood in the context of my assumptions

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Brahma & Associates
Chartered Accountants
Insolvency Professional
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and the statements made in the annexed report, read along with the applicable legal provisions. A detailed description of the quantitative and qualitative analyses and valuation conclusion is presented in the attached narrative valuation report.

The valuation report is intended solely for the internal reference and use of the management. Based on the assumptions and limiting conditions as described in the report and most **importantly considering the purpose of the valuation**, I conclude that –

Financial Instrument	Valuation Approach and Method [Note 1]	Fair Value (INR)
Fair Value of 1 (One) no. Equity Shares of INR 10/- each	Market Value	**INR 18.15** (Indian Rupees Eighteen and Fifteen paisa Only)
Fair Value of 1 (One) no. 0.01% Cumulative Preference Shares of INR 10/- each	Yield-to-Maturity (YTM)	**INR 10/-** (Indian Rupees Ten Only)

Note 1: Valuation Approach and Method have been considered as per the direction laid down in the Master Circular on Prudential Framework for Resolution of Stressed Asset bearing no. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019 issued by the Reserve Bank of India (RBI) read along with the relevant provision of the Companies Act, 2013; Companies (Shares and Debentures) Rules, 2014 and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018.

The 'PURPOSE OF THE VALUATION' have a significant bearing on the recommended Fair Value. Use of the recommended Fair Value mentioned in this valuation report for a purpose other than that specified in the report shall be construed as 'out of context' and in such circumstances the undersigned shall hold no responsibility.

A detailed valuation report is appended herewith.

Thanking you

Yours faithfully,

Santanu Brahma

CA Santanu Brahma
Registered Valuer – Securities or Financial Assets
Regn. No. IBBI/RV/06/2019/11686
UDIN: 21062249AAAAAG6767

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Enclosed, as above

VALUATION REPORT

Fair Value of Financial Instruments

as on 25th February 2021 of

M/s. Kilburn Engineering Limited

CIN: L24232WB1987PLC042956

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Registered Valuer – Securities or Financial Assets
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Contents

1. Executive Summary

i) **Corporate Identity** : **M/s Kilburn Engineering Limited** is a Public Limited company incorporated on 07th September, 1987 bearing CIN: L24232WB1987PLC042956 having its registered office at 4, Mangoe Lane Kolkata 700001 West Bengal, India. The equity shares of the Company are listed in BSE Ltd. (Stock Exchange). (Hereinafter referred to as 'KEL' or 'the Company')

ii) **Business Activity** : KEL is engaged primarily engaged in designing, manufacture, installation, and commissioning of Process Equipment's (especially Drying systems) for a wide range of industries including Chemical, Petro-Chemical, Process Offshore, Oil & Gas, Fertilizer, Cement, etc. It also provides Engineering, Procurement, and Construction (EPC) services and process know-how for a wide range of equipment and systems (especially Dryers) across various industries. The scope of activities of the Company, in such turnkey contracts, spans from concept to commissioning (i.e., total project management) and includes detailed engineering, resource planning, procurement, site construction & installation, project commissioning, and plant operation & training.

iii) **Purpose of Valuation** : The management of KEL is contemplating a proposal for restructuring the credit facility with RBL Bank in terms of the Master Circular on Prudential Framework for Resolution of Stressed Asset bearing no. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019 issued by the Reserve Bank of India (RBI). Accordingly, the Company intends to covert the outstanding loan with RBL Bank, partly, by issue of the following '**Financial Instruments**'-

(a) Equity Shares of INR 10/- each; and

(b) 0.01% Cumulative Redeemable Preference Shares of INR 10/-.

For the above purpose, the Company needs a Valuation Report from a Registered Valuer – Financial Assets.

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iv)	Valuation Base	:	Not applicable in terms of paragraph 5 and 6 of the ICAI Valuation Standard 102
v)	Premises of Value	:	Not applicable in terms of paragraph 5 and 6 of the ICAI Valuation Standard 102
vi)	Valuation Approach	:	As per guidelines issued by Reserve Bank of India in its Master Circular on Prudential Framework for Resolution of Stressed Assets dated 07.06.2019
vii)	Valuation Method	:	
viii)	Valuation Date	:	25th February 2021
ix)	Conclusion	:	Based on the assumptions and limiting conditions as described in this report, as well as the facts and circumstances as on the valuation date, I conclude that the Fair Value of – i) 1 (One) number Equity Shares of INR 10/- each, fully paid up is **INR 18.15/- (Indian Rupees Eighteen and Fifteen Paisa Only);** ii) 1 (One) number Cumulative Preference Shares of INR 10/- each, fully paid up is **INR 10/- (Indian Rupees Ten Only);**

2. Important Information

2.1 Purpose of Valuation

As represented by the management, I understand that M/s. Kilburn Engineering Limited ("the Company") is contemplating a proposal for restructuring the credit facility with RBL Bank in terms of the Master Circular on Prudential Framework for Resolution of Stressed Asset bearing no. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019 issued by the Reserve Bank of India (RBI). As per the said restructuring proposal, the Company intends to convert the outstanding loan amount payable to RBL Bank, partly, by issue of the following 'Financial Instruments'-

(a) Equity Shares of INR 10/- each; and
(b) 0.01% Cumulative Redeemable Preference Shares of INR 10/- each.

The terms of the issue have been stated in details in the latter part of this valuation report.

For this purpose, the undersigned has been engaged to express an opinion on the recommended value of the above financial instruments as on 25th February 2021 (hereinafter referred to as "Valuation Date").

2.2 Identity of the Valuer and Details of Appointment

In the background of the above, this assignment has been carried out by me, CA Santanu Brahma, Registered Valuer – Financial Assets or Securities bearing registration no. with IBBI as IBBI/RV/06/2019/11686 on the strength of my engagement letter dated 01.03.2021 dully accepted by Mr. Subir Chaki, Director (DIN: 05174555) on behalf of the Board of Director.

2.3 Valuation Date

The fair value of the financial instruments has been determined as on 25.02.2021.

2.4 Disclosure of Valuer Independence

I am independent of the Company and the professional charges for this report is not contingent in anyway upon the opinion of fair value of the equity shares to be developed. I am not aware of any conflicts of interest, in whatsoever manner, in relation to this assignment.

My engagement does not, in any way preclude the Company from seeking other independent opinions of the fair value of the Company's shares from other sources.

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Further, in this context, I disclose that I am also engaged by the Company (i.e. KEL) for determining the fair value of equity shares of INR 10/- each for the intended purpose of issuing the equity shares to the prospective investors, for cash, in terms of the provision of Section 62(1)(c) of the Companies Act, 2013 read along with the provision of Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014 and other applicable provision of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. Considering the variation in '**purpose of the valuation**', the engaged Registered Valuer – Securities or Financial Assets found it prudent to conduct a separate valuation exercise, for better clarity, as the applicable legal provision differs when the 'purpose of valuation' varies.

2.5 Source of Information

The following information and documents have been actively considered during the appraisal process of this assignment.

1. Memorandum and Article of Association of the Company;
2. Management Representation Letter dated 01.03.2021;
3. Engagement Letter dated 01.03.2021;
4. Audited Financial Statement for the year ended 31.03.2020;
5. Unaudited financial results for the period ended 30.09.2020 which has been submitted with BSE Ltd. (Stock Exchange) in terms of Regulation 33 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015;
6. Discussions with the Management of the Company and verbal information provided in course of such discussion;
7. Related information available in the public domain from various websites and open sources.

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3. Background Information of the Company

3.1 Corporate Information

M/s. Kilburn Engineering Limited ("KEL" or "the Company") is a Public Limited company incorporated on 07th September, 1987 bearing CIN: L24232WB1987PLC042956 having its registered office at 4, Mangoe Lane Kolkata 700001 West Bengal, India. The equity shares of the Company are listed in BSE Ltd. (Stock Exchange).

3.2 Nature of Business

KEL is engaged primarily engaged in designing, manufacture, installation, and commissioning of Process Equipment's (especially Drying systems) for a wide range of industries including Chemical, Petro-Chemical, Process Offshore, Oil & Gas, Fertilizer, Cement, etc. It also provides Engineering, Procurement, and Construction (EPC) services and process know-how for a wide range of equipment and systems (especially Dryers) across various industries. The scope of activities of the Company, in such turnkey contracts, spans from concept to commissioning (i.e., total project management) and includes detailed engineering, resource planning, procurement, site construction & installation, project commissioning, and plant operation & training.

3.3 Capital Structure

As represented by the management, that there has been no change in the Capital Structure of the Company as on the valuation date, since the 31.03.2020. Hence I have relied on the Audited Financial Statement for the year ended 31.03.2020, for this purpose. The capital structure as on the valuation date is as follows -

Particulars	Numbers	Amt in INR Lacs
Authorized Share Capital:		
- Equity Shares of face value INR 10/- each	2,17,47,900	21,74.79
- Redeemable Preference Shares of face value INR 10/- each	82,52,100	8,25.21
Total :		**30,00.00**
Issued, Subscribed and Paid up Capital:		
- Equity Shares of face value INR 10/- each	1,32,55,768	13,25.58
- Redeemable Preference Shares of face value INR 10/- each	-	-
Total :		**13,25.58**

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3.4 Ownership

The major equity shareholders representing more than 5% holding in the Company, as on the valuation date, are as follows –

Sl. No.	Name of the Shareholder	Number of Shares	% of Holding
1.	Williamson Magor & Co. Limited	43,19,043	32.58
2.	Bishnauth Investments Limited	14,54,200	10.97
3.	United Machine Co. Limited	9,29,126	7.01
4.	McLeod Russel India Limited	8,48,168	6.40
	Total :	**75,50,537**	**56.96**
5.	Other Shareholders having <5% holding	57,05,231	43.04
Total		**1,32,55,768**	**100.00**

The above information has been retrieved from the audited financial statement for the year ended 31.03.2020. In this regard, it has been represented by the management, that there was no change in the shareholding pattern of the majority shareholders of the Company, represented more than 5% shareholding, as on the valuation date, since the 31.03.2020. Hence I have relied on the Audited Financial Statement for the year ended 31.03.2020, for this purpose.

The equity shares of the Company are also listed with BSE Ltd. (Stock Exchange). The shareholding pattern retrieved from the BSE (www.bseindia.com) for the quarter ended 31.12.2020 is as follows –

Category of shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	No. of Voting Rights	Total as a % of Total Voting right	No. of equity shares held in dematerialized form
(A) Promoter & Promoter Group	12	80,05,038	80,05,038	60.39	80,05,038	60.39	80,05,038
(B) Public	7,425	52,50,730	52,50,730	39.61	52,50,730	39.61	50,06,791
(C1) Shares underlying DRs	-	-	-	0	-	0	-
(C2) Shares held by Employee Trust	-	-	-	0	-	0	-
(C) Non Promoter-Non Public	-	-	-	0	-	0	-
Grand Total	**7,437**	**1,32,55,768**	**1,32,55,768**	**100**	**1,32,55,768**	**100**	**1,30,11,829**

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3.5 Board of Directors

The Board of Directors of the Company comprises of the following persons –

Sl. No.	Name	Designation
1.	Mr. Aditya Khaitan (DIN: 00023788)	Director
2.	Mr. Amritanshu Khaitan (DIN: 00213413)	Director
3.	Mr. Mahesh Shah (DIN: 00405556)	Director
4.	Mr. Arundhuti Dhar (DIN: 03197285)	Director
5.	Ms. Subir Chaki (DIN: 05174555)	Director
6.	Ms. Amitav Roychoudhury (DIN: 08501895)	Director
7.	Mr. Arvind Kumar Bajoria (PAN: AKAPB2327H)	Key Management Personnel
8.	Mr. Sachin Jaibal Vijayakar (PAN: AABPV7157Q)	Key Management Personnel

3.6 Prevailing Circumstances

The following prevailing circumstances have significant influence over the assessment and value determination of this valuation exercise.

(a) KEL is a public company limited by shares and is listed with BSE Ltd. (Stock Exchange).

(b) The Company has defaulted in repayment of loans with Bank and according have made the following disclosures, in terms of Circular No. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated 21.11.2019 issued by SEBI, with BSE Ltd. on 09.04.2020 and subsequently on 06.01.2021.

Screenshot extract of disclosure made and available under ‘Corporate Announcement’ section of BSE website (www.bseindia.com) under security name: KLBRENG-B bearing code - 522101 and ISIN - INE338F01015.

522101 | Quarterly Disclosures By Listed Entities Of Defaults On Payment Of Interest/ Repayment Of Principal Amount On Loans From Banks / Financial Institutions And Unlisted Debt Securities

Exchange Received Time 06-01-2021 17:05:28 Exchange Disseminated Time 06-01-2021 17:05:30 Time Taken 00:00:02

522101 | Disclosures By Listed Entities Of Defaults On Payment Of Interest/ Repayment Of Principal Amount For Loans Including Revolving Facilities Like Cash Credit From Banks / Financial Institutions

Exchange Received Time 09-04-2020 18:08:55 Exchange Disseminated Time 09-04-2020 18:09:22 Time Taken 00:00:27

(c) I further observe that, as per the report dated 30.04.2020 issued by Care Ratings Ltd., the rating of the ‘Long-Term Bank Facilities - Term Loan’ availed by the Company have been downgraded to ‘Care D.’

(d) As represented by the management, that the Company is contemplating a proposal of restructuring the defaulted credit facility with RBL Bank in terms of the Master Circular on Prudential Framework for Resolution of Stressed Asset bearing no. RBI/2018-19/203

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DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019 issued by the Reserve Bank of India (RBI).

(e) As represented by the management, the Company proposes to restructure the defaulted term loan outstanding, partly, by issuing the following 'financial instruments' in terms of the direction laid down in the Master Circular on Prudential Framework for Resolution of Stressed Asset bearing no. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019 issued by the Reserve Bank of India (RBI). The proposal is under active consideration of RBL Bank Ltd. i.e. the lender.

The 'financial instruments' proposed to be issued by way of conversion of the defaulted term loan outstanding amount are as follows –

i) Equity Shares of the Company having face value of INR 10/- each;

ii) 0.01% Cumulative Redeemable Preference Shares (CRPS) having face value of INR 10/- each. The terms of the proposed issue of CRPS are as follows –

- Coupon Rate of 0.01% payable at the end of every quarter from the date of subscription;
- CRPS equivalent to around INR 10 Cr shall be repaid to bank within 3 (three) months of implementation of the proposed restructuring plan;
- CRPS equivalent to around INR 7.75 Cr shall be repaid to bank within 168th month (~ 14 years) of implementation of the proposed restructuring plan;
- CRPS equivalent to balance amount of around INR 7.75 Cr shall be repaid to bank within 180th month (~15 years) of implementation of the proposed restructuring plan.

(f) It has also been represented that as per the propose restructuring scheme, the existing term loan shall be restructured to a new Term Loan (i.e. the residual debt) which shall carry interest @ 9% p.a. being linked to 6 months MCLR of RBL Bank Ltd.

(g) As on the valuation date, no Preference Shares have been issued by the Company. The Company is looking forward for issuing the Preference Shares for partly converting its overdue loan liability.

(h) As per management representation, I rely on the fact that the lenders i.e. RBL Bank Ltd. have classified the accounts of the Company as 'Non-Performing Assets' (NPA) in accordance with the directives issued by Reserve Bank of India (RBI) in the matter.

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3.7 Applicable Legal Provisions, Guidelines and Directives

Considering the purpose of valuation (as detailed in clause 2.1 above) and the prevailing circumstances (as detailed in clause 3.7 above), I understand that the following legal provisions, guidelines and directives shall apply for the purpose of this valuation exercise –

(a) Section 62(1)(c) of the Companies Act, 2013

Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered—

(a) … (specifies matters relating to Rights issue) …

(b) … (specifies matters relating to ESOPs) …

(c) to any persons, if it is authorized by a special resolution, whether or not those persons include the persons referred to in clause (a) or clause (b), either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed.

(b) Rule 13(1) of the Companies (Share Capital and Debentures) Rules, 2014

For the purposes of clause (c) of sub-section (1) of section 62, If authorized by a special resolution passed in a general meeting, shares may be issued by any company in any manner whatsoever including by way of a preferential offer, to any persons whether or not those persons include the persons referred to in clause (a) or clause (b) of sub-section (1) of section 62 and such issue on preferential basis should also comply with conditions laid down in section 42 of the Act:

Provided that the price of shares to be issued on a preferential basis by a listed company shall not be required to be determined by the valuation report of a registered valuer.

Explanation - For the purposes of this rule, (i) the expression 'Preferential Offer' means an issue of shares or other securities, by a company to any select person or group of persons on a preferential basis and does not include shares or other securities offered through a public issue, rights issue, employee stock option scheme, employee stock purchase scheme or an issue of sweat equity shares or bonus shares or depository receipts issued in a country outside India or foreign securities;

(c) Regulation 158(6) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018

- For sake of brevity, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 hereinafter referred to as "SEBI (ICDR) Regulations, 2018."
- Chapter V of the SEBI (ICDR) Regulations, 2018 deals with Preferential Issue

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- However, in the prevailing circumstances and considering the purpose of the valuation, the provision of Chapter V of SEBI (ICDR) Regulations, 2018 shall not apply in light of Regulation 158(6) of SEBI (ICDR) Regulations, 2018 which is as follows –

  The provisions of this Chapter shall not apply where the preferential issue of specified securities is made to the lenders pursuant to conversion of their debt, as part of a debt restructuring implemented in accordance with the guidelines specified by the Reserve Bank of India, subject to the following conditions:

  a) guidelines for determining the conversion price have been specified by the Reserve Bank of India in accordance with which the conversion price shall be determined and which shall be in compliance with the applicable provisions of the Companies Act, 2013;

  b) conversion price shall be certified by two independent valuers;

  c) specified securities so allotted shall be locked-in for a period of one year from the date of their allotment

  Provided that for the purpose of transferring the control, the lenders may transfer the specified securities allotted to them before completion of the lock-in period subject to continuation of the lock-in on such securities for the remaining period, with the transferee;

  d) the lock-in of equity shares allotted pursuant to conversion of convertible securities issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in;

  e) the applicable provisions of the Companies Act, 2013 are complied with, including the requirement of a special resolution.

  Explanation. – For the purpose of this sub-regulation, “lenders” shall mean all scheduled commercial banks (excluding Regional Rural Banks) and All India Financial Institutions.

(d) Relevant directives laid down in the Master Circular issued by Reserve Bank of India (RBI) on Prudential Framework for Resolution of Stressed Assets bearing reference no. RBI/2018-19/ 203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019

(i) Clause 19(d) of Annexure 1 of the mentioned Circular states that –

Equity instruments, where classified as NPA shall be valued at market value, if quoted, or else, shall be collectively valued at Re.1.

(ii) Clause 19(e) of Annexure 1 of the mentioned Circular states that –

Preference Shares shall be valued on discounted cash flow (DCF) basis as per the instructions compiled at paragraph 3.7.4 of the Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 (as amended from time to time), subject to the following modifications:

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i. The discount rate shall be subject to a floor of weighted average actual interest rate charged to the borrower on the residual debt after restructuring plus a mark-up of 1.5 percent.

ii. Where preference dividends/coupons are in arrears, no credit should be taken for accrued dividends/coupons and the value determined as above on DCF basis should be discounted further by at least 15 per cent if arrears are for one year, 25 per cent if arrears are for two years, so on and so forth (i.e., with 10 percent increments).

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4. Valuation Bases and Premises of Value

ICAI Valuation Standard 102 (paragraph 14 – 36) deals in 'Valuation Bases.' Valuation Bases means the indication of the type of value being used in an engagement. Different valuation bases may lead to different conclusions of value.

ICAI Valuation Standard 102 (paragraph 37 – 51) deals in 'Premises of Value.' Premise of Value refers to the conditions and circumstances how an asset is deployed.

In the background of the purpose of valuation, I understand that the provision of the ICAI Valuation Standard (VS) 102 shall not apply to this valuation assignment. Paragraph 5 and 6 of ICAI VS 102 deals with the 'Scope' of applicability of the standard which specifies that VS is not applicable where adoption of valuation bases that are prescribed by a Statute, or Regulations.

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5. Valuation Approaches and Methods

ICAI Valuation Standard 103 deals in ‘Valuation Approaches and Methods.’

In the background of the purpose of valuation, I understand that the provision of the ICAI Valuation Standard (VS) 103 shall not apply to this valuation assignment. Paragraph 4 to 7 of ICAI VS 102 enumerates the ‘Scope’ of applicability of the standard which specifies that VS is not applicable where adoption of valuation bases that are prescribed by a Statute, or Regulations.

5.1 Determination of the Valuation Approach and Method

Considering the prevailing circumstances and purpose of valuation, the Valuation Approach and Method have been adopted on the basis of the following rationale –

a) As per Section 62(1)(c) of the Companies Act, 2013 (refer clause 3.7(a), above) read along with Rule 13(1) of the Companies (Share Capital and Debentures) Rules, 2014 (refer clause 3.7(b), above), I understand that the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 (hereinafter referred to as SEBI (ICDR) Regulations, 2018) shall apply.

b) As per Regulation 158(6) of the SEBI (ICDR) Regulations 2018 (refer clause 3.7(c), above), I understand that the valuation needs to be conducted in accordance with the guidelines specified by the Reserve Bank of India provided the conditions relating to the procedural compliance, as laid down in the said regulation, is satisfied.

c) In view of the above, I have relied on the valuation methodology as laid down in the Master Circular issued by Reserve Bank of India (RBI) on Prudential Framework for Resolution of Stressed Assets bearing reference no. RBI/2018-19/ 203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019. Considering the prevailing circumstances (as detailed in clause 3.6 above), I rely on the management representation that the account of the Company is a ‘Non Performing Asset’ (NPA) within the meaning of RBI guidelines. In background of these information, the relevant directives which has been considered / selected in this report, for the purpose of this valuation engagement are as follows –

   (i) Clause 19(d) of Annexure 1 of the mentioned Circular for the purpose of determining the value of the Equity Shares of INR 10/- each.

   (ii) Clause 19(e) of Annexure 1 of the mentioned Circular for the purpose of determining the value of the proposed Preference Shares of INR 10/- each.

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6. Determination of the Value

6.1 Value of Equity Shares of INR 10/- each

In the context of clause 5.1(c) above, clause 19(d) of the Master Circular issued by Reserve Bank of India (RBI) on Prudential Framework for Resolution of Stressed Assets bearing reference no. RBI/2018-19/ 203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019 specifies that –

> *Equity instruments, where classified as NPA shall be valued at market value, if quoted, or else, shall be collectively valued at Re.1.*

Thus the value of Equity Shares of INR 10/- each proposed to be issued by the Company in pursuance to the scheme of restructuring of the credit facilities with RBL Bank is **INR 18.15 (Indian Rupees Eighteen and Fifteen Paisa Only).**

The said value of INR 18.15 corresponds to the market value i.e. the closing trade price of the equity shares of the Company as on 25.02.2021 (valuation date) as retrieved from the BSE Ltd. (Stock Exchange).

Company : KILBURN ENGINEERING LTD. **522101**

Period: 24-Feb-2021 to 26-Feb-2021

Date	Open	High	Low	Close
24/02/21	19.05	19.35	19.05	19.10
25/02/21	19.05	20.20	18.00	✓ 18.15
26/02/21	18.80	19.20	17.95	18.00

Source:
https://www.bseindia.com/markets/equity/EQReports/StockPrcHistori.aspx?expandable=7&scripcode=522101&flag=sp&Submit=G

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6.2 Value of Preference Shares of INR 10/- each

In the context of clause 5.1(c) above, clause 19(e) of the Master Circular issued by Reserve Bank of India (RBI) on Prudential Framework for Resolution of Stressed Assets bearing reference no. RBI/2018-19/ 203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07.06.2019 specifies that –

> *Preference Shares shall be valued on discounted cash flow (DCF) basis as per the instructions compiled at paragraph 3.7.4 of the Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 (as amended from time to time), subject to the following modifications:*
>
> *i. The discount rate shall be subject to a floor of weighted average actual interest rate charged to the borrower on the residual debt after restructuring plus a mark-up of 1.5 percent.*
>
> *ii. Where preference dividends/coupons are in arrears, no credit should be taken for accrued dividends/coupons and the value determined as above on DCF basis should be discounted further by at least 15 per cent if arrears are for one year, 25 per cent if arrears are for two years, so on and so forth (i.e., with 10 percent increments).*

With reference to the above, the instructions compiled at paragraph 3.7.4 of the Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 states that –

> *The valuation of preference shares should be on **YTM basis**. The preference shares will be issued by companies with different ratings. These will be valued with appropriate mark-up over the YTM rates for Central Government Securities put out by the PDAI/FIMMDA periodically. The mark-up will be graded according to the ratings assigned to the preference shares by the rating agencies subject to the following:*
>
> *a) The YTM rate should not be lower than the coupon rate/ YTM for a GoI loan of equivalent maturity.*
>
> *b) The rate used for the YTM for unrated preference shares should not be less than the rate applicable to rated preference shares of equivalent maturity. The mark-up for the unrated preference shares should appropriately reflect the credit risk borne by the bank.*

SANTANU BRAHMA ★ Registered Valuer Securities or Financial Assets ★ IBBI / RV / 06 / 2019 / 11686 *c) Investments in preference shares as part of the project finance may be valued at par for a period of two years after commencement of production or five years after subscription whichever is earlier.*

d) Where investment in preference shares is as part of rehabilitation, the YTM rate should not be lower than 1.5% above the coupon rate/ YTM for GoI loan of equivalent maturity.

e) Where preference dividends are in arrears, no credit should be taken for accrued dividends and the value determined on YTM should be discounted by at least 15 per cent if arrears are for one year, and more if arrears are for more than one year. The depreciation/provision requirement arrived at in the above manner in respect of non-performing shares where dividends are in arrears shall not be allowed to be set-off against appreciation on other performing preference shares.

f) The preference share should not be valued above its redemption value.

g) When a preference share has been traded on stock exchange within 15 days prior to the valuation date, the value should not be higher than the price at which the share was traded.

In view of the above, I have value the proposed Preference Shares on **Yield-to-Maturity (YTM) Method** upon such parameters as directed by the RBI in the abovementioned circulars.

The mathematical formulae used in the YTM Method is as follows –

$$\mathbf{YTM} = \frac{\mathbf{C} + \frac{\mathbf{FV-PV}}{\mathbf{t}}}{\frac{\mathbf{FV+PV}}{\mathbf{2}}}$$

where

- C – Interest/coupon payment
- FV – Face value of the security
- PV – Present value/price of the security
- t – Years to reach maturity

In view of the above, the proposed terms of the issue (restricted to the application of the above arithmetic formulae) have been provided by the management which are as follows –

Parameters	Value
C – Interest / Coupon payment	Calculated @0.01% p.a. (as given by Management) i.e. 0.01% of INR 10/- each

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FV – Face value of the security (i.e. CPRS)	INR 10/- each (as given by Management)
PV – Present value/price of the security	To be determined by Registered Valuer
t – Years to reach maturity	As per management representation, there are 3 (three) maturity period of the intended issue of CRPS which corresponds to the proposal for restructuring – a) INR 10 Crores within 3 months; b) INR 7.75 Cr within 168th Month (i.e. 14 years); c) INR 7.75 Cr within 180th Month (i.e. 15 years). (As given by Management)
YTM – Yield to Maturity (%)	YTM (%) has been determined on the basis of the clause 19(e) of the Master Circular dated 07.06.2019 issued by the RBI in the following manner – *Mark-up of 1.5% over the weighted average actual interest rate charged to the borrower (i.e. the Company) on the residual debt (i.e. restructured Term Loan) which is 9%. Therefore, the minimum YTM% works out to be 10.5%*

Determining the Value of the Cumulative Redeemable Preference Shares (CRPS) based on the varies tenure of maturity:

	Tenure to Maturity		
	Within 3 Months	**Within 164 Months**	**Within 180 Months**
Amount involved	INR 10 Cr	INR 7.75 Cr	INR 7.75 Cr
Face Value of each CRPS	INR 10/- each	INR 10/- each	INR 10/- each
Arithmetic Equation of YTM (for each CRPS)	$10.5\% = \frac{\mathbf{0.001} + \frac{\mathbf{10-PV}}{(\frac{3}{12})}}{\frac{\mathbf{10+PV}}{\mathbf{2}}}$	$10.5\% = \frac{\mathbf{0.001} + \frac{\mathbf{10-PV}}{(\frac{168}{12})}}{\frac{\mathbf{10+PV}}{\mathbf{2}}}$	$10.5\% = \frac{\mathbf{0.001} + \frac{\mathbf{10-PV}}{(\frac{180}{12})}}{\frac{\mathbf{10+PV}}{\mathbf{2}}}$
PV (Present Value / Price of CRPS)	INR 9.74 each	INR 1.53 each	INR 1.20 each
VALUE OF EACH 0.01% CRPS (Refer Note below)	**INR 10/-**	**INR 10/-**	**INR 10/-**

Note:

Regulation 158(6)(e) of the SEBI (ICDR) Regulations 2018, the value determined in accordance with the RBI guidelines shall be subject to the provision of the Companies Act, 2013. In this context, attention is drawn in respect of the provision of Section 53 of the

Companies Act, 2013 which prohibits a company to issue shares at a discount and the shares issued at a discounted price shall be void. Thus the value determined as per the RBI guidelines is overshadowed by the restriction imposed by the Companies Act. Hence, the Value of each CRPS have been considered at INR 10/- each.

6.3 Conclusion: Recommended Value

Financial Instrument	Fair Value (INR)
Fair Value of 1 (One) no. Equity Shares of INR 10/- each	**INR 18.15** (Indian Rupees Eighteen and Fifteen paisa Only)
Fair Value of 1 (One) no. 0.01% Cumulative Preference Shares of INR 10/- each	**INR 10/-** (Indian Rupees Ten Only)

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7. Major Factors influencing Valuation

The major factors having significant bearing on the Valuation process are as follows -

(a) The valuation of the financial instruments is being made on the basis of a proposed scheme of restructuring as per representation of the management to the extent explicitly mentioned hereinabove. Any change in the terms of the restructure from that mentioned shall have material impact on the valuation recommended hereinabove and in such circumstances the value stated in this report shall not hold good.

(b) Application of the valuation approach and methodology made hereinabove is made on the assurance from the management that the procedural formalities and other non-valuation related conditions essential for applicability of the relevant statutory provision or directives shall be complied with during the course of issue of the financial instrument for the purpose specified in this valuation report. Any non-compliance of the condition specified by the relevant authority shall invalidate the valuation approach and methods adopted hereinabove and in such circumstances the value recommended in this report shall no longer be valid.

(c) Any change in the facts represented by the management and relied upon by the Registered Valuer, which is explicitly mentioned hereinabove, shall have material bearing on this valuation engagement. In such circumstances the value recommended in this report shall no longer be valid.

(d) The Cumulative Redeemable Preference Shares (CRPS) have been valued on the basis of the terms and specification represented by the management which are explicitly mentioned hereinabove. Any change in such terms shall invalidate the value recommended hereinabove.

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8. Contingent and Limiting Conditions

This valuation / appraisal is made subject to the following general contingent and limiting conditions:

1. The analyses, opinions, and conclusions presented in this report apply to this engagement only and may not be used out of the context presented herein. This report is valid only for the effective date specified herein and only for the purpose specified herein.
2. Public information, estimates, industry and statistical information contained in this report have been obtained from sources considered to be reliable. However, I have not independently verified such information and make no representation as to the accuracy or completeness of such information obtained from or provided by such sources.
3. The company and its representatives have assured me that the information supplied to me is complete and accurate to the best of their knowledge and that the financial information properly reflects the business conditions and operating results for the respective periods in accordance with the generally accepted accounting principles. Information supplied to me has been accepted as correct without any further verification.
4. Financial information of the subject company is included solely to assist in the development of a value conclusion presented in this report and should not be used to obtain credit or for any other purpose. Because of the limited purpose of the information presented, it may be incomplete and contain departures from the generally accepted accounting principles. I have not audited or reviewed the financial statement and express no assurance on the same. This report is only to be used for the purpose stated in this report.
5. I do not provide assurance on the achievability of the results forecast by the client because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
6. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange or diminution of the owner's participation would not materially or significantly changed.

Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it nor may it be used for any purpose by anyone other

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than those enumerated in this report without my written consent. This report and the conclusion of the value arrived at herein are for the exclusive use of the client for the sole and specific purposes as noted herein.

8. The report and the conclusion of the value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents my considered opinion, based on information furnished to them by the client and other sources.
9. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without my prior consent and approval.
10. This valuation reflects the facts and conditions existing or reasonably foreseeable at the valuation date. Subsequent events have not been considered, and I have no obligation to update my report for such events and conditions.
11. The analyst, by reason of this valuation, is not required to give further consultation, testimony or be in attendance in court with reference to the property in question unless arrangements have been previously made.
12. My engagement for this valuation consulting work does not include any procedures designed to discover any defalcations or other irregularities, should any exist.
13. No change in any item in this valuation/conclusion report shall be made by anyone other than me and I shall have no responsibility for any such unauthorized change.
14. It is assumed that there is full compliance with all applicable central, state, and local environmental regulations and laws unless non- compliance is stated, defined, and considered in the report.
15. I assume no responsibility concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this respect.
16. Prospective financial information approved by management has been used in my work, I have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions.
17. I have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business and any other assets or liabilities, except as specifically stated to the contrary in this report.

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18. I have made no investigation of title to property and assume that the owner's claim to the property is valid. I have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.

19. I understand no materials event has occurred between the Valuation date and the report signing date which is likely to materially affect the value of the assets. The management did not disclose the existence of any such material event, to me before signing this valuation report.

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