

VALUATION REPORT

OF

ENERGY II LIMITED

VALUATION OF EQUITY SHARES

Prepared By

SHRENI SHARES LTD.

Office No. 217, Hive 67 Icon, Poisar Gymkhana Road
Lokmanya Tilak Nagar Poisar, Near Raghuleela Mall,
Kandivali West, Mumbai, Maharashtra, India, 400067.

SEBI Reg. No: INM000012759

Valuation Date: 31st December 2023

Report Date: 09th March 2024



To
The Board of Directors
Essar Shipping Limited
EBTSL Premises, ER-2 Building (Admn. Building)
Salaya 44 KM, P.B. No 7 Taluka, Khambhalia,
Devbhumi Dwarka Khambhalia Jamnagar
GJ 361305 IN

Sub.: Valuation Report

We refer to our engagement letter dated 16th February 2024 for carrying out the valuation of equity shares issued by Energy II Limited

In accordance with the terms of the engagement, I am enclosing our report along with this letter.

This Valuation Analysis is confidential and has been prepared exclusively for the Management of Company for Transfer of equity shares. It should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of Shreni Shares Limited. Such consent will only be given after full consideration of the circumstance at that time.

Trust the above meets your requirements.

Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully,

For Shreni Shares Limited



Place: Mumbai

1. COMPANY PROFILE

Energy II Limited (hereinafter referred as “EIIIL” or “the Company”) was incorporated on 13th September 2004, under Section 14 of the Bermuda Companies Act, 1981. The principal activities of the Company are ship owning, operating and chartering. The Company is in the business of providing crude oil, dry bulk transportation and crude oil transportation management services.

Shareholding Pattern:

The Share Capital and holding structure of the Company, as on 31st December, 2023 is as under:

	Amount in USD
<u>Issued, subscribed and paid-up Capital</u>	
53,416,361 Equity Shares of USD 1/- each fully paid up	53,416,361.00

Details of Equity shareholders Holding of the company.

Name of Shareholder	No. of Equity Shares	Percentage
Essar Shipping Limited	39,037,276	73.08%
Abhinand Ventures Private Limited	14,379,085	26.92%
Total	53,416,361	100.00%

2. OBJECTIVE OF THE VALUATION REPORT

Essar Shipping Limited has approached Shreni Shares Limited, (“Valuer” or “Shreni”) to determine the fair valuation of equity shares of the company for transfer of equity shares under FEMA Rules as on 31st December 2023.

3. VALUATION DATE

The Value of Equity shares of the company has been calculated as on 31st December 2023.



4. INFORMATION RELIED UPON BY US

- 4.1. We have prepared our Valuation Report on the basis of the following information provided to us by Management of Essar Shipping Limited:
- Audited financial statement of Energy II Limited for the year ended 31st March 2023.
 - Audited financial statement of Energy II Limited for the period ended 31st December 2023.
 - Projected Profit and Loss Statement and Balance Sheet for the period starting from 01st January 2024 to 31st March 2024 year ending from March 31, 2025 till March 31, 2027.
 - Discussions with the Management on various issues relevant for the valuation including the prospects and outlook of the Company / industry, expected growth rate and other relevant information relating to future expected profitability of the business, etc.
 - Such other information and explanations as we have required and which have been provided by the Management.

5. VALUATION TECHNIQUES ADOPTED

There are various methods adopted for valuation of the Company. Certain methods are based on asset value of an entity while certain other methods are based on the earnings potential of the company. Each method proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the methods to be adopted for a particular valuation exercise must be judiciously chosen.

5.1 ASSET BASED APPROACH

Net Assets Value ('NAV') Method

The Net Assets Method represents the value with reference to historical cost of assets owned by the company and the attached liabilities on the valuation date. Such value generally represents the support value in case of profit-making business and thus, has limited relevance in the valuation of the business of a going concern.

In the present case, the business of Company is intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Net Assets Method is not adopted for the present valuation exercise.



5.2 MARKET BASED APPROACH

A. Comparable Companies Multiple Method

The Comparable Companies Multiple Method arrives at the value of the company by using 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, such as growth potential, past track record, size, company dynamics, etc. The Enterprise Value (EV) to Earnings before Interest Tax Depreciation and Amortization (EBITDA) multiple of comparable listed companies are not used for the present valuation exercise.

B. Market Price ('MP') Approach

The market price of a share as quoted on a stock exchange is normally considered as the fair value of the 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.

In the present case, the Market Price Method is not applicable, as the shares of the Company are not listed on any recognized stock exchanges as on date.

5.3 INCOME BASED APPROACH

Discounted Cash Flow (DCF) Method

The Discounted Cash Flow (DCF) Method values the Company by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both the owners and the creditors of the company. The free cash flows are discounted by Weighted Average Cost of Capital (WACC). The WACC represents the returns expected by the investors from equity, weighted for their relative funding in the entity. The present value of the free cash flows during the explicit period and the perpetuity value indicates the value of the company.

5.4 VALUATION METHOD USED

For the purpose of the present valuation exercise, we have considered fit to use Discounted Cash Flow (DCF) Method for determining the fair value of shares of the Company.



6. VALUATION ASSUMPTIONS

The value of shares of the Company under DCF Approach has been arrived at as follows:

Valuation under DCF method is based on provisional financial statements for the period ended 31st December 2023 and projection for the period starting from 01st January 2024 to 31st March 2024 and for the year ending from March 31, 2025 till March 31, 2027 (“explicit period”) as provided to us by the Management.

For the explicit period, free cash flows from the business have been arrived at as follows:

- Profits after tax as per the projections have been considered.
- Depreciation & amortization on fixed assets have been added.
- Fund requirements for incremental working capital and capital expenditure have been reduced and changes in borrowings have been added from the cash earnings of the respective years.
- The cash flows of each year are then discounted at the Weighted Average Cost of Capital (WACC). WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the Company. In other words, WACC is the weighted average of the firm's cost of equity. The WACC is worked out using the following parameters:
 - Cost of Equity is worked out using the following formula:
 - Risk Free Return + (Beta x Equity Risk Premium) + Company Specific Risk Premium
 - The risk-free rate of return is taken at **3.54%** based on United Kingdom – 10 years Government Bond
 - Equity Risk Premium is taken as **5.84%** - (Aswath Damodaran-ERP of United Kingdom).
 - Industry Beta is assumed as **1.00** (No Comparable Peers)
 - Company Specific Risk Premium is considered as **2.00%**
 - Based on the above, the Cost of Equity is determined to be **11.38%**.
- After the explicit period, the business will continue to generate cash. In DCF Method, therefore, perpetuity value is also considered to arrive at the enterprise value. For arriving at the perpetuity value, we have considered a growth rate of **3.00%** based on management estimate.
- Cash flows for perpetuity have been arrived at after considering the corporate taxes, estimated capital expenditure, incremental working capital requirements and change in borrowings.
- The discounted perpetuity value is added to the discounted cash flows for the explicit period to arrive at the enterprise value.



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- We have added Cash and Cash Equivalents to arrive at the equity value.

The value so arrived is divided by the outstanding number of equity shares as on 31st December 2023 to arrive at the value of USD **1.56** /- per share.

The detailed working for the same is enclosed in Annexure I.



Annexure I

Valuation of Equity Shares of the Company as per Discounted Cash Flow Method

Calculation of Discounted Cash Flow for Energy II Limited

<i>Year's (In USD)</i>	01st Jan-24 to Mar-24	Mar-25	Mar-26	Mar-27
PAT	804,280.65	2,461,098.78	2,510,320.76	2,560,527.18
Depreciation	-	-	-	-
Change in WC	61,071,090.21	(4,091,180.16)	(121,543.80)	(123,974.67)
Capex	-	-	-	-
Change in Borrowings	-	-	-	-
FCFE	61,875,370.86	(1,630,081.37)	2,388,776.96	2,436,552.50
PV Factor	0.9734	0.8740	0.7847	0.7045
PV of FCFE	60,230,571.83	(1,424,640.03)	1,874,425.33	1,716,583.77



Calculation of Value of Equity Share for Energy II Limited

Particulars	(Amount in USD)
Sum of Present Values	62,396,940.91
Terminal Value (l)	21,101,340.06
Enterprise Value (l)	83,498,280.96
Add: Cash and Cash Equivalents as on 31.12.2023	54,111.00
Equity value (l)	83,552,391.96
No. of shares	53,416,361
Share Price (USD)	1.56



7. VALUATION

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.

Though different values might have been arrived at under each of the methods explained in section 5, for the purposes of recommending a fair value, it is necessary to arrive at a single value of the Company. For this purpose, considering the fact that the business of the Company is intended to be continued on a "going concern" basis and that there is no intention to dispose-off the assets, we have considered it appropriate to choose DCF Method to arrive at fair value of equity shares of the company.

Sr. No.	Method	Value per Share	Weight	Product
1	Discounted Cash Flow	1.56	1	1.56
Total			1	1.56
Fair Value per Share				1.56

In the light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined in this report, we have estimated the fair value per share of the Company as on 31st December 2023 to be USD. **1.56/- per share.**

For **Shreni Shares Limited,**



Authorized Signatory

8. LIMITATION / DISCLAIMERS:

- 8.1. Essar Shipping Limited has appointed Shreni Shares Ltd (the “Valuer”) Category I Merchant Banker to carry out a valuation of the equity shares of the Company for transfer of equity shares under FEMA Rules as on 31st December 2023. In preparing this Valuation Report (“the report”), the Valuer have relied upon such data, information, etc. as was deemed necessary for the purpose of this assignment and assumed, without independent verification, the accuracy and completeness of all information provided by Management of Essar Shipping Limited.
- 8.2. Our report is subject to the scope, limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. This report should not be reproduced (in part or otherwise) in any other document whatsoever without Shreni’s specific written consent.
- 8.3. Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While Shreni Shares Limited has provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of our engagement, others may place a different value to the same.
- 8.4. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review, due diligence or examination of any of the historical or prospective information used and therefore, does not express any opinion with regards to the same.
- 8.5. While the information provided to us is believed to be accurate and reliable, the Valuers do not make any representation or warranties, express or implied, as to the accuracy or completeness of such, information. The information provided has not been verified by the Valuer, though the Valuer is not aware nor has reason to believe that the information is otherwise unreliable in any material aspect. No representations expressed or implied are made in that behalf.



- 8.6. Shreni's work does not constitute certification or due diligence of the past working results of companies and Shreni has relied upon the information provided to it by the company as set out in their audited and working results.
- 8.7. The draft of the present report was circulated to the Management for confirming the facts stated in the report and to confirm that information or facts stated are not erroneous and the assumptions used are reasonable.
- 8.8. No investigation on the Company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the liabilities in the books. Therefore, no responsibility is assumed for matters of a legal nature.
- 8.9. Our work does not constitute an audit or certification of the historical financial statements/prospective results including the working results of the Company referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation mentioned in the report is as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 8.10. In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company. We assume no responsibility for any errors in the above information furnished by the Company and consequential impact on the present exercise.
- 8.11. Our recommendation is based on the estimates of future financial performance as projected by the management, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement



and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

8.12. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on our opinion, on the fair value of the shares of the Company including any significant changes that have taken place or are likely to take place in the financial position of the Company. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

8.13. In furnishing the Report, the Valuer reserves the right to amend or replace the Report at any time. Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the Report. Nothing contained within the Report is or should be relied upon as a promise or representation as to the future.

8.14. Any person/party intending to provide finance/invest in the shares/business of the Company 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.

8.15. The decision to carry out the transaction (including consideration thereof) on the basis of this valuation lies entirely with the Management/ the Company and our work and our finding shall not constitute a recommendation as to whether or not the Management/ the Company should carry out the transaction.

8.16. This report is prepared by Shreni Shares Limited solely for the purpose of estimating the fair valuation of Equity Shares of Energy II Limited. This report should not be used, copied, circulated, reproduced or quoted without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. This report is subject to scope of limitations detailed here after.



- 8.17. Neither Shreni Shares Limited, nor its partners/directors, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.
- 8.18. Our Valuation Analysis should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise, of entering into any transaction with the Company.
- 8.19. Shreni Shares Limited shall not be liable for any losses whether financial or otherwise or expenses arising directly or indirectly out of the use of or reliance on the information set out herein in this report.
- 8.20. For the purpose of this assignment, Shreni has relied on the statements; information and explanation provided by the Management and has not tried to evaluate the accuracy thereof.
- 8.21. We have, however, used conceptually sound generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, prior arrangements have been made with the analyst regarding such additional engagement.
- 8.22. Shreni has not carried out any physical verification of the assets and liabilities of the company and takes no responsibility on the identification, availability and valuation of such assets and liabilities. The valuation of this company has been carried out for the express purpose as mentioned in scope of assignment and may not be applicable or referred to or quoted in any other context.

