



REPORT ON VALUATION OF EQUITY SHARES

Icon Hospitality Private Limited

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I. INTRODUCTION OF THE ENTITY

Name of the Entity	Icon Hospitality Private Limited (herein after referred to as "IHPL" or "Company")
Registered Address	The Central Park, No. 47/1, Dickenson Road, Bangalore - 560042
Date of Incorporation	January 28, 2003
CIN	U55101KA2003PTC031516
Listing Status	Unlisted
Directors of the Company	<ul style="list-style-type: none"> - Panemanalore Dayananda Pai - Panemangalore Satish Pai - Keshav Baljee - Haripal Singh Uberoi - Leena S Pirgal
Nature of Operations	The Company owns a hotel which features 130 comfortable suites and rooms. The hotel offers 4 banquet halls for celebrations and corporate events. Further, it also operates a coffee shop, a Chinese restaurant and an in-house spa.

II. PURPOSE

We have been appointed as independent valuers by the management of the Company to determine the Fair Market Value of Equity Shares of the Company as on March 31, 2023 ("Valuation Date") as per Rule 11UA of the Income Tax Rules, 1962, for compliance with the provisions of section 56(2)(x) and section 50CA of Income Tax Act, 1961, for the purpose of transfer of such shares among the existing shareholders.

The report is meant for the said purpose only. This report should neither be placed before any third party nor be made available for circulation except to the management, shareholders of the Company and Income Tax Authorities, as may be required for the said purpose.

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III. INFORMATION RELIED UPON AND INSPECTIONS

- Information and explanations given by the management with regard to nature of operations of the Company;
- Unaudited and Management Certified Balance Sheet of the Company as on March 31, 2023;
- Other information and explanations given by management of the Company (*Refer Annexure – A for detailed representations*);

In the course of the study, we have used financial and other information provided by the Company. However, we have not validated such information and our conclusions are dependent on such information being complete and accurate in all material respects.

IV. RESTRICTIONS ON USAGE OF REPORT

This valuation report has been prepared for the internal and exclusive use of the Management of the Company and shall not be disclosed or transmitted, in whole or in part, to any third party or used for any purpose whatsoever other than those indicated in the Engagement Letter or in this report, provided that the report may be transmitted to the experts appointed for compliance with any law or statute applicable to the Company or to any of the statutory or regulatory authorities.

Content of this report may be disclosed to public where required by regulations of any relevant statute. Any other use, in whole or in part, of the report will have to be previously agreed and authorised in writing by us.

The conclusion contained in this report is based on valuation assumptions and methodology stated herein and therefore no part of this report may be used apart from the document in its entirety.

The Fair Market Value of Equity Shares arrived at in this report is exclusively for the purpose mentioned herein and has no relevance for any other purpose.

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V. STATEMENT OF LIMITATIONS AND DISCLAIMERS

For the preparation of this report, we have relied upon the accuracy and completeness of the financial and other information provided by the Company. We have relied upon all specific information as received and decline any responsibility should the results presented be affected by the lack of completeness or truthfulness.

For the purpose of determination of Fair Market Value of Equity Shares of the Company, we have performed our analyses based on the information provided by the Management and methodologies illustrated herein, reaching the conclusion contained in this Report. The conclusion arrived at is subjective and dependent on exercise of individual judgement.

This report and the conclusion are necessarily based on economic and other conditions as of the date hereof, and the written and oral information made available to us until **July 17, 2023**. It is to be understood that subsequent developments may affect the conclusion of the report and we have no obligation to update, revise, or reaffirm our opinion for the same. Further, we are expressing no opinion as to the price at which any securities of the Company may trade.

Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of us or any of our employees unless previous arrangements have been made in writing.

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VI. METHODOLOGY FOR DETERMINATION OF FAIR MARKET VALUE

As per the sub rule 1(c)(b) of the Rule 11 UA of the Income Tax Rules the Fair Market Value of unquoted Equity Shares shall be determined in the following manner:

Fair Market Value of unquoted Equity Shares = $(A+B+C+D - L) \times (PV)/(PE)$, where,

A= Book value of all the assets (other than jewellery, artistic work, shares, securities and immovable property) in the Balance Sheet as reduced by,

- i. Any amount of income-tax paid, if any, less the amount of income-tax refund claimed, if any; and
- ii. Any amount shown as asset including the unamortised amount of deferred expenditure which does not represent the value of any asset;

B = The price which the jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer;

C = Fair Market Value of Shares and Securities as determined in the manner provided in this rule;

D = The value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property;

L= Book value of liabilities shown in the balance sheet, but not including the following amounts, namely:

- i. The paid-up capital in respect of Equity Shares;
- ii. The amount set apart for payment of dividends on preference shares and equity shares where such dividends have not been declared before the date of transfer at a general body meeting of the company;
- iii. Reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation;
- iv. Any amount representing provision for taxation, other than amount of income-tax paid, if any, less the amount of income-tax claimed as refund, if any, to the extent of the excess over the tax payable with reference to the book profits in accordance with the law applicable thereto;
- v. Any amount representing provisions made for meeting liabilities, other than ascertained liabilities;

- vi. Any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative Preference Shares;

PV = The paid-up value of such Equity Shares;

PE = Total amount of paid-up Equity Share Capital as shown in the Balance Sheet;

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VII. VALUATION CALCULATIONS

FAIR MARKET VALUE PER EQUITY SHARE:

Particulars	Amount in INR
Book value of all the assets (other than jewellery, artistic work, shares, securities, and immovable property) in the balance-sheet:	9,79,50,000
Less:	
(i) Any amount of income-tax paid, if any, less the amount of income-tax refund claimed, if any	-
(ii) Any amount shown as asset including the unamortized amount of deferred expenditure which does not represent the value of any asset	-
(A) Book value of all the assets (other than jewellery, artistic work, shares, securities, and immovable property) in the balance-sheet - Adjusted	9,79,50,000
(B) The price which the jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer	-
(C) Fair market value of shares and securities as determined in the manner provided in subject rule	-
(D) The value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property	94,85,10,000
Book value of liabilities shown in the balance sheet	44,49,94,000
Less:	
(i) The paid-up capital in respect of equity shares	19,00,41,000
(ii) The amount set apart for payment of dividends on preference shares and equity shares where such dividends have not been declared before the date of transfer at a general body meeting of the Company	-
(iii) Reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation	-6,81,78,000
(iv) Any amount representing provision for taxation, other than amount of income-tax paid, if any, less the amount of income-tax claimed as refund, if any, to the extent of the excess over the tax payable with reference to the book profits in accordance with the law applicable thereto;	-
(v) Any amount representing provisions made for meeting liabilities, other than ascertained liabilities	-
(vi) Any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares	-
(L) Book value of liabilities shown in the balance sheet - Adjusted	32,31,31,000
(PV) Paid-up value of Equity Shares (Amount in INR)	100
(PE) Total amount of Paid-up Equity Share Capital as shown in the Balance-Sheet	19,00,41,000
Fair Market Value per Equity Share $[A+B+C+D - L] \times [PV]/[PE]$ (Amount in INR)	381

Note:

1. As per Rule 11U Income Tax Rules, 1962, Fair Market Value of Equity Share as on the date of Valuation should be determined based on Audited Financial Statements drawn for period ending on Valuation Date. However, for the purpose of this report, we have used the Unaudited and Management Certified Balance Sheet as on March 31, 2023, due to non-availability of Audited Financial Statements as on Valuation Date. Management is of the opinion that such Unaudited and Management Certified Financial Statements appropriately reflect the net asset position of the Company as on the Valuation Date and there will be no further material adjustments which may affect the net asset position of the Company.

2. *We have been given to understand by the management that all Tax Assets/Liabilities of the Company, as presented in Balance Sheet are expected to be recovered/settled by the Company at book value.*
3. *Value of Immovable Property held by the Company comprising both Land and Building as assessable by any authority of the Government for the purpose of payment of stamp duty (as prescribed under Rule 11UA), based on a Registered Valuer valuation report obtained by the Company for determination of Assessable Value as on March 31, 2023, and reviewed by Management is as follows:*

Particulars	Amount in INR
Land	90,16,10,000
Building	4,69,00,000
Total	94,85,10,000

4. *We understand from the management that, during prior years, the Company had received an Order from Office of the Commissioner of Customs (Export) imposing differential duties and penalties amounting to ₹ 3.78 crores plus applicable interests for certain alleged violations of the Export Promotion Capital Goods Scheme. In response to this, the Company has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai and an unconditional stay in the matter is granted till the disposal of the appeal. Based on a detailed evaluation and independent advice obtained, the management believes that the case will be settled in the company's favour. Therefore, the management has only disclosed this as a footnote to financial statements and has not recorded any provisions with respect to such contingencies in Unaudited and Management Certified Balance Sheet as on March 31, 2023. Accordingly, we have not taken the impact of such contingencies in the valuation workings.*

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VIII. CONCLUSION

We have determined Fair Market Value of Equity Share of the Company according to the method prescribed under Rule 11UA of the Income Tax Rules, 1962. No difficulties or obstacles have arisen in subject valuation.

Based on the said methodology presented herein, the Fair Market Value per Equity Share of Icon Hospitality Private Limited as on March 31, 2023, is INR 381/- (*Indian Rupees Three Hundred and Eighty-One Only*).

We have no obligation to update this report or our conclusion for information that comes to our attention after the date of report.

For Guru & Jana
Chartered Accountants

Vijay Raja
Partner
Membership No: 206600
Firm Registration No: 006826S

Date: July 17, 2023
UDIN: 23206600BGSVSA6071
Place: Bengaluru

Annexure – A

We have relied upon following management representations/assumptions in subject valuation:

- a) Icon Hospitality Private Limited was incorporated on January 28, 2003 and owns a hotel which features 130 comfortable suites and rooms. The hotel offers 4 banquet halls for celebrations and corporate events. Further, it also operates a coffee shop, a Chinese restaurant and an in-house spa.
- b) Total number of Equity Shares of the Company as on the Valuation Date is as follows:

Particulars	Number of Shares
Equity Shares of INR 100 each	19,00,409

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- c) Unaudited and management certified Balance Sheet of the Company as on March 31, 2023:

(Amount in INR)	
Particulars	As on March 31, 2023
Non-Operational Assets	3,20,93,000
Loans extended by the Company	37,40,000
Accrued Interest Receivable	12,18,000
Income Tax Advance	19,35,000
Balances with banks held as lien	2,52,00,000
Property, Plant and Equipment	36,90,48,000
Land	25,35,18,000
Building	9,35,26,000
Other Tangible Assets	2,20,04,000
Operational Assets	4,38,53,000
Security Deposits	14,73,000
Inventories	31,62,000
Trade Receivables	2,47,24,000
Employee Advances	6,11,000
Prepaid Expenses	12,74,000
Supplier Advances	11,31,000
Other Current Assets	15,40,000
Cash & Cash Equivalents	99,38,000
Total Assets	44,49,94,000
Shareholders Funds	12,18,63,000
Equity Share Capital	19,00,41,000
Share Capital Premium	35,77,34,000
Reserves & Surplus	-42,59,12,000
Borrowings	26,96,55,990
Convertible Loan/CCD's	3,01,49,000
Term Loan	19,55,56,000
Accrued Interest on Borrowings	4,39,50,990
Operational Liabilities	5,34,75,010
Gratuity Provision	34,92,000
EL Provision	3,51,000
Dues to employees	77,95,000
Trade Payable	3,53,77,000
Other Current Liabilities	64,60,010
Total Liabilities	44,49,94,000

- d) Unaudited Balance Sheet, as presented above, appropriately reflect the net asset position of the Company as on the Valuation Date and there will be no further material adjustments which may affect the net asset position of the Company.
- e) All Tax Assets/Liabilities of the Company, as presented in Balance Sheet are expected to be recovered/settled by the Company at book value.

- f) Value of Immovable Property held by the Company comprising both Land and Building as assessable by any authority of the Government for the purpose of payment of stamp duty (as prescribed under Rule 11UA), based on a Registered Valuer valuation report obtained by the Company for determination of Assessable Value as on March 31, 2023, and reviewed by Management is as follows:

Particulars	Amount in INR
Land	90,16,10,000
Building	4,69,00,000
Total	94,85,10,000

- g) During prior years, the Company had received an Order from Office of the Commissioner of Customs (Export) imposing differential duties and penalties amounting to ₹ 3.78 crores plus applicable interests for certain alleged violations of the Export Promotion Capital Goods Scheme. In response to this, the Company has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai and an unconditional stay in the matter is granted till the disposal of the appeal. Based on a detailed evaluation and independent advice obtained, the management believes that the case will be settled in the company's favour. Therefore, the management has only disclosed this as a footnote to financial statements and has not recorded any provisions with respect to such contingencies in Unaudited and Management Certified Balance Sheet as on March 31, 2023.
- h) All documents, records and information relevant for review of the financial outlook have been disclosed and are complete and accurate in relation to the Valuation of Equity Shares as at Valuation Date.
- i) The commercial decision is independent of valuation report.
