MANISH MANWANI

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Date: August 26, 2023

To

Alliance Integrated Metaliks Limited
CIN: L65993DL1989PLC035409
R.O.: DSC-327, Second Floor, DLF South Court,
Saket, New Delhi-110017

Subject: Reply to observations on fair valuation report for preferential allotment of Compulsory Convertible Preference shares of Alliance Integrated Metaliks Limited.

Dear Sir/Madam,

In respect to the observation raised by BSE Limited ("**BSE**" or "**Stock Exchange**") on fair valuation report for preferential allotment of Compulsory Convertible Preference shares of Alliance Integrated Metaliks Limited ("**AIML**") or the "**Company**") prepared by Manish Manwani ("**I**" or "**Me**" or "**Registered Valuer**"), I would like to bring stock exchange's consideration for not adopting Income Approach for price computation of AIML:

Brief about Income Approach:

The income approaches determine fair value by dividing the benefit stream generated by the subject or target company by a discount or capitalization rate. Usually, under the Income Based Approach, the methods that may be applied are Discounted Cash Flow (DCF) Method or the Price Earning Capacity (PECV) Method.

DCF Method: Under DCF approach, the future free cash flows of the business are discounted to the valuation date to arrive at the present value of the cash flows of the business or capitalized using a discount rate depending on the capital structure of the Company. This approach also takes into account the value of the business in perpetuity by the calculation of terminal value using the exit multiple method or the perpetuity growth method, whichever is appropriate.

PECV Method: Under PECV method, the average earning on the basis of the past 3-5 years is first determined, adjustments are then made for any exceptional transactions or items of non- recurring nature. The adjusted average earnings are then capitalized at an appropriate rate to arrive at the value of business. The capitalization rate so factored has to be decided depending upon various factors such as the earnings trends in the industries. P/E prevailing in the industries etc. After this, the normalized earnings are then capitalized at an appropriate discount rate.

The Rationale for not adopting Discounted Cash Flow Method and Profit Earning Capitalization Method under Income Approach is as follows:

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- As the projected financial statements of a Company which are price sensitive and is based on future Revenue of the Company which itself is very volatile and difficult to project. considering the continuous losses and in the absence of the estimated financial Projections, Discounted Free Cash Flow Method has not been applied.

- As previously explained in the PECV method, the average earning on the basis of the past 3-5 years is first determined, adjustments are then made for any exceptional transactions or items of non- recurring nature. Upon reviewing the Company's financial statements, it's important to note that after incorporating adjustments for exceptional and non-recurring items, the Profit Before Exceptional Item and Tax for the Company over the preceding 3 financial years is as follows:

Particulars	**Amount (in INR Lakh)**
Profit Before Exceptional Items and Tax	
FY 2022-23	(9,642.11)
FY 2021-22	(7,572.44)
FY 2020-21	(9,906.03)

  Given that the above figures are in negative territory, therefore, it is not feasible to apply the PECV method under the Income Approach in this scenario.

I trust that this information addresses stock exchange's observation. If there are any further queries or requirements from stock exchange, you may contact me, and I will be glad to provide any additional information or clarification.

Thank you for your attention to this matter.

Yours faithfully,

Manish Manwani
Digitally signed by Manish Manwani
Date: 2023.08.26 16:44:12 +05'30'

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