Jha Prabhakar Pramod

BMS, MBA, MSC, MFA, LLB, CFA, CHARTERED VALUER, IBBI REGISTERED VALUER, INDEPENDENT DIRECTOR

DISCLAIMER:

This valuation exercise of Technocrats Plasma Systems Private Limited is being undertaken by me. My report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality and not in parts.

This report has been based on the information provided by Technocrats Plasma Systems Private Limited and from other sources believed to be reliable.

While the information contained herein is believed to be accurate, no representation or warranty, expressed or implied, is or will be made and no responsibility or liability will be accepted by me, as to, or in relation to the accuracy or adequacy of information contained in this report. The opinions and recommendations in this report are provided in good faith.

Technocrats Plasma Systems Private Limited accepts full responsibility for all the data and information pertaining to the valuation report and confirms that no material information that is vital for arriving at a decision for valuation has been suppressed or misstated while providing data / information to me.

This report has been prepared for with a limited purpose / scope, as identified / stated in the report and will be confidential and for use only to whom it is issued. It must not be copied, disclosed, or circulated in any correspondence of discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.

JHA PRABHAKAR PRAMOD IBBI/RV/16/2021/14342 SFA Regd. Valuer

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1. INTRODUCTION AND SCOPE OF ASSIGNMENT

I refer to our engagement letter issued by the Company which has appointed me to derive Fair Value of Equity Shares as on 31st March 2024 ("Valuation Date") for the purpose of Preferential Allotment of Shares under the Companies Act 1956 and in accordance with Foreign Exchange Management (Non-debt Instruments) Rules, 2019 as amended from time to time ('FEMA regulations').

The Company was incorporated on 01/11/1994 under the Companies Act 1956 having registered office at G.NO.6,7,8,106,107,108, NIRAV NO-2, GAON DEVI INDUSTRIALCOMPLEX, SATIVALI, VASAI (EAST), Thane, THANE, Maharashtra, India, 401208.

2. PURPOSE OF VALUATION

2.1. The Purpose of Preferential Allotment of shares in the Company and the purpose of Valuation to ascertain the Fair Market Value of Equity Share as on 31st March 2024 under the Companies Act 1956 in accordance with Foreign Exchange Management (Non-debt Instruments) Rules, 2019 as amended from time to time ('FEMA regulations') from me, Jha Prabhakar Pramod, (Registered valuer) IBBl Regn- IBBl/RV/16/2021/14342101 to undertake the valuation exercise and to determine the fair value of equity shares.

2.2. This report has been prepared for the management of Technocrats Plasma Systems Private Limited Solely for the purpose as mentioned in above para and should not be used for any other purpose. The valuation mentioned herein reflects my independent opinion which is arrived at based on past financials and future projections of Technocrats Plasma Systems Private Limited for the Financial Year from 1st April 2024 to 31st March 2028, as provided by the Management of Technocrats Plasma Systems Private Limited.

3. SOURCES OF INFORMATIONS

All information related to Technocrats Plasma Systems Private Limited, including but not limited to past and future profit and loss accounts and balance sheet of and qualitative information's were sourced from management of Technocrats Plasma Systems Private Limited either in the written hard copy or digital form. All information, explanation, data has been provided which includes:

- Management Certified Financial Statements for the year ended 31st March 2024
- Projected Financial Statements of the company for the period 1st April 2024 to 31st March 2028.
- Information, documents, data, reports, explanations, Discussion etc. provided by Technocrats Plasma Systems Private Limited
- Management Representation regarding unaccounted liabilities, contingent liabilities, and realization of assets

4. ABOUT THE COMPANY

The Company was incorporated on 01/11/1994 (CIN U74999MH1994PTC082603) under the Companies Act 1956 having registered office at G.NO.6,7,8,106,107,108, NIRAV NO-2, GAON DEVI INDUSTRIALCOMPLEX, SATIVALI, VASAI (EAST), Thane, THANE, Maharashtra, India, 401208.

The Company is engaged in to Manufacture, Develop, buy, sell, deal, import & export Equipments & systems based on plasma technology such as plasma metal cutting, plasma ceramic spraying, coating, plasma welding & plasma furnaces & other high-tech products for all types of industries.

VALUATION: METHODOLOGY AND FAIR MARKET VALUE

4.1 Methods of Valuation

There are number of methodologies to value the companies/business using historical and forecast financials of the company.

i) <u>Discounted Cash Flow ("DCF"):</u>

DCF method uses future free cash flow projections and discounts them to arrive at a present value. It is widely used in investment finance, real estate development, corporate financial management and patent valuation.

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Under DCF, Free Cash Flow to Firm or Free Cash Flow to Equity approach is used to arrive at a Valuation of Company:

- **Free cash flow to firm:**
  This indicates the Fair value of the firm based on the value of the cash flows that the business is expected to generate in the future. All future cash flows are estimated and discounted using cost of capital to give their present values. This is a measurement of a company's profitability after all expenses and reinvestments. It's one of the benchmarks used to compare and analyse financial health.

- **Free Cash flow to equity:**
  This indicates the Fair value of the Equity Shares based on the value of the cash flows that the business is expected to generate in the future. The method involves the estimation of post-tax cash flows to equity for a projection period, after consideration of reinvestment in terms of capital expenditure, incremental working capital, and debt repayment. These cash flows are then discounted at a cost of equity that reflects the risks of business.

ii) Asset based methods.
Asset-based methods are normally based on the Net Asset Value (NAV) of the unit as on the valuation date and could be on current replacement cost basis or on the basis of book values. On a going concern basis, normally the book value of the assets is considered.

iii) For Relative Valuation Method
In relative valuation, the value of an asset is compared to the values assessed by the market for similar or comparable assets. Comparable assets values are derived either using trading multiples of comparable companies or transaction (Merger, Acquisition, Private Equity Investments etc.) based multiples. Steps involved in Relative valuation:

- Identify comparable assets and obtain market values for these assets.
- Convert these market values into standardized values, as the absolute prices cannot be compared.
- The standardizing process creates price multiples.
- Compare the standardized value or multiple for the asset being analyzed to the standardized values for comparable asset, controlling for any differences between the firms that might affect the multiple, to judge whether the asset is under or overvalued.
- Standardized price multiples are arrived at by using below mentioned variables such as Earning, Cashflow, Book Value and Revenues. Below are various multiples:
- Revenues
- Earnings Multiples
- Book Value Multiples

4.2 Valuation methodology used:

The valuation exercise was carried out using Discounted Cash Flow (DCF) and methodology.

My estimated valuation of the company was on the basic assumption of going concern entity and is based on the following methodologies.

Discounted Cash Flow
To derive Equity Shares valuation of the company I have adopted Free Cash Flow to Firm valuation approach. I have mentioned the brief process below:

DCF Methodology Using FCFF Approach

- I have considered cash flows for the financial year 2024-25. FCFF are calculated for the period from 1st April 2024 to 31st March 2028 as:
- Profit after tax of the business
- Plus, non-cash charges
- Less incremental investments in working capital and fixed assets.
- Plus, Net Debt (New Debt raised – Debt repayment)
- Less, Net Disbursement.

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5.3. FAIR VALUATION

To get a Fair Valuation of Technocrats Plasma Systems Private Limited I have done the Valuation of the Company based on DCF approach calculated as per Annexure 1.

6. EXCLUSIONS/DISCLAIMER/LIMITATION/WARRANTIES & CAVEATS

6.1. This confidential report is prepared by me solely for the purposes set out in the report. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued, and the purpose mentioned herein. For the purpose of clarity, Technocrats Plasma Systems Private Limited may share this report with its auditors, advisors and investment bankers in the normal course of its business. I will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, without my written permission in each instance. The material is true only as of the date of this letter. I assume no responsibility to update or revise the opinion based upon events or circumstances that occur later.

6.2. I have prepared this report based on the information provided, the explanation given, and representations made by management of Technocrats Plasma Systems Private Limited. I have neither checked nor independently verified such information and representations. I have also not factored any tax implications or any financial or tax planning which Technocrats Plasma Systems Private Limited take in future. I have solely relied on explanations, information, paper, reports, documents & Statements provided by the Management of Technocrats Plasma Systems Private Limited only and accepted all that information provided to me as consistent and accurate on an "as is" basis and taken in good faith and in the belief that such information is neither false nor misleading.

6.3. My work did not include either an audit of the financial statements of Technocrats Plasma Systems Private Limited or validating the financial performance of the company.

6.4. I have prepared this report with the assumption that financial statement of Technocrats Plasma Systems Private Limited captures all the contingent liabilities and there are no other contingent liabilities of the Company.

6.5. This Report is issued on the understanding that Management of Technocrats Plasma Systems Private Limited has drawn my attention to all matters of which they are aware concerning the financial position of the business of the Technocrats Plasma Systems Private Limited, which may have an impact on my report up to the date of issue. my views are necessarily based on the economic market and other conditions currently in effect. I have no responsibility to update this report for events and circumstances occurring after the date of this Report. I do not hold myself responsible or liable, for any losses, damage, costs, expenses or outgoings whatsoever and howsoever caused, incurred, sustained or arising out of errors due to false, misleading or incomplete information or documentation being provided to me or due to any acts, or omissions of any other person.

6.6. The provision of valuation recommendations and considerations of the issues described herein are areas of my regular corporate advisory practice.

6.7. The scope of my work has been limited in terms of the purpose of valuation mentioned in Article 1 and 2 of this report. There may be matters, other than those noted in this report, which might be relevant in the context of any other purpose and which a wider scope might uncover. It may be noted that Valuation is not an exact science and ultimately depends upon what the business is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. The valuation exercise is carried out using generally accepted valuation methodology, principles and the relative emphasis of each often varying, based on several specific factors. The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of going concern, certain valuation techniques have evolved over time and are commonly in use, which I have applied in.

6.8. I have no present or planned future interest in Technocrats Plasma Systems Private Limited and the fees for this report is not contingent upon the value reported herein. My Valuation Analysis should not be construed as investment advice, specifically I do not express any opinion on the suitability or otherwise of entering into any transaction with Technocrats Plasma Systems Private Limited. Further neither I nor the members of the team working on the independent valuation have directly or indirectly, through the client or otherwise shared any advisory perspective or have been influenced or undertaken advocating a management position in determining the value.

JHA PRABHAKAR PRAMOD ★ Regd. Valuer ★
IBBI/RV/16/2021/14342 SFA

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6.9. I have not considered any law, regulation, and taxation or accounting principle as related or applicable to Target Company's country. I have prepared this report as per Indian law, regulation, or accounting principle in India on the data provided to me.

6.10. I do not accept any liability to any third party in relation to the issue of this valuation report. Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties without my prior written consent. I retain the right to deny permission for the same.

7. CONCLUSION

- Weighted Average Cost of Capital 17.52%, is taken as a Discounting Factor based on,
- Cost of Equity 15.21%
- Risk Free Rate of 7.20% based on RBI bond yield
- Equity Risk Premium 8.61%
- Cost of Debt 2.32%
- Company Specific Risk 9.00%
- Growth rate 4.00%
- Beta 1.00
- Valuation of Equity Shares based as per DCF approach is **₹ 2,400 /-** per share (rounded off), as shown in Annexure 1.

For

JHA PRABHAKAR PRAMOD IBBI/RV/16/2021/14342 SFA Regd. Valuer

Jha Prabhakar Pramod,
(Registered valuer)
IBBI Regn- IBBI/RV/16/2021/14342101
Date: 20th December 2024
Place: Mumbai

Jha Prabhakar Pramod

BMS, MBA, MSC, MFA, LLB, CFA, CHARTERED VALUER, IBBI REGISTERED VALUER, INDEPENDENT DIRECTOR

Annexure 1

Fair Value of The Shares of Company Using the Discounted Cash Flow Methodology

(Amount in Thousand)

Calculation of Free Cash Flow to Firm and Terminal Value of Cash Flow					
Year	**2024**	**2025**	**2026**	**2027**	**2028**
PAT	15,597.12	30,012.79	98,100.72	1,60,244.75	2,09,752.18
Dividend	0.00	0.00	0.00	0.00	0.00
Depreciation and Amortisation	1,208.10	1,193.35	1,180.50	1,416.60	1,841.58
Finance Cost (Net of Taxes)	7,040.62	15,034.81	37,587.03	60,139.24	78,181.01
Capex	0.00	0.00	(2,800.73)	(8,402.20)	(12,603.30)
Changes in working Capital	0.00	(18,963.61)	(89,193.46)	(1,49,216.72)	(1,93,612.79)
Free cash flow to Firm	**23,845.84**	**27,277.34**	**44,874.05**	**64,181.67**	**83,558.68**
					7,75,540.78

Estimated Future Cash Flow and Share Valuation Calculations				
Years	**Cash Flow**	**COE**	**Present Value Factor**	**Discounted Cash Flow**
2024	23,845.84	17.52%	1.000	23,845.84
2025	27,277.34	17.52%	0.851	23,210.50
2026	44,874.05	17.52%	0.724	32,490.77
2027	64,181.67	17.52%	0.616	39,541.96
2028	83,558.68	17.52%	0.524	43,804.74
Terminal Value of Cash Flow	7,75,540.78	17.52%	0.524	4,06,568.91
Total Value of Firm				5,69,462.72
Total Debt				66,609.27
Cash and Cash Equivalent Balance *(including liquid investments)*				4,592.17
Total Value of Equity shareholders before DLOM				5,07,445.62
DLOM @ 27%				1,38,431.17
Total Value of Equity shareholders after DLOM				**3,69,014.45**
Outstanding number of Equity Shares (Face Value Rs.100)				153.77
Fair Market Value per Equity share in Rs				**2,399.78**
Fair Market Value per Equity share in Rs (Rounded Off)				**2,400**

WACC			
Particulars		**Weights**	
Cost of Equity	24.80%	0.61	15.21%
Risk free Return (10 years GOI Bond Yield as of March 31, 2024)	7.20%		
Excess over RF from BSE Sensex return since April 1, 1979	8.61%		
Beta (Assumed)	1.00		
Company Specific Risk	9.00%		
Cost of Equity			15.21%
Cost Of Debt	**5.99%**	**0.39**	2.32%
Weighted Average Cost of Capital (WACC)			**17.52%**
Growth Rate(ASSUMED)			**4.00%**

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