

Valuation Report

Millworks Technologies Private Limited

As on 30th September, 2024

CA. DARMESH KUMAR. V

Chartered Accountant and
Registered Valuer (Securities and Financial Assets)

1st Floor, No. 7, Rosy Towers, Nungambakkam, Chennai - 600034

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CA. DARMESH KUMAR .V

Registered Valuers - Securities and Financial Assets
IBBI No. IBBI/RV/02/2019/11324

Date: 8th October 2024

To
The Board of Directors
Millworks Technologies Private Limited
B 402, Salarpuria Melody Mysore Road,
Kengeri Hobli, Bangalore - 560092

Dear Sir/Madam,

Sub: Valuation of Equity Shares of Millworks Technologies Private Limited

We refer to our discussion undertaken with the Management of Millworks Technologies Private Limited (hereinafter referred to as "BPL", "the Company", "you", or "your"), wherein the Management of BPL (hereinafter referred to as "the Management") has appointed Darmesh Kumar, Chartered Accountant (Membership Number – 160433) and Registered Valuer with IBBI (Membership Number – IBBI/RV/02/2019/11324) (hereinafter referred to as "Valuer", "We", "Us" or "Our") vide engagement letter dated September 30, 2024 to arrive at the fair market value of equity shares of the Company in accordance with section 42 & 62 of the Companies Act, 2013 as on 30th September 2024 ("Valuation Date").

We have estimated the fair value per equity share of BPL to be INR 19,010/- as on September 30, 2024.

For, DARMESH KUMAR
Chartered Accountant & Registered Valuer
(Securities & Financial Assets)

V. Darmesh Kumar

Darmesh Kumar V
Proprietor



IBBI M. No. : IBBI/RV/02/2019/11324

ICAI M. No. : 160433

ICAI FRN No. : 015528S

Place : Chennai

Date : 08.10.2024

UDIN : 24160433BKBGKJ8906

1. Background and Objective of the Valuation

1.1 Introduction

We have been informed by the Management that they are providing valuation update to their investors, hence they want to arrive at the fair market value of equity shares of the Company as on September 30, 2024 in accordance with the provisions of Section 42 & 62 of the Companies Act, 2013.

In this regard, Darmesh Kumar, Chartered Accountant (Membership Number – 160433) and Registered Valuer with IBBI (Membership Number – IBBI/RV/02/2019/11324), has been appointed to report on the Fair market value of equity share of the Company as on September 30, 2024.

While carrying out the assignment, the Valuer has made various rounds of discussions with the Management of the Company regarding the present and future financial performance, operations and business activities. Further, the Company has provided us the financial, business, operational & corporate information etc. and we have studied and considered such financials, information, etc. to prepare this report.

1.2 Premise of Value

This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this valuation, fair market value is defined as the expected price at which the subject business would attract investment from a willing unrelated investor at arm's length, and as acceptable to the current shareholders and directors of the company, neither being under a compulsion to conclude the transaction, and both parties having full knowledge of all the relevant facts and risks of the business.

The Company has been valued on a "Going Concern" basis by adopting suitable methods in accordance with the extant instructions issued by the Institute of Chartered Accountants of India (ICAI). We have considered the methods of valuation based on the nature of business and the value of its assets.

All assumptions made and method for valuation have been described in detail in the report below, and forms just one of the many ways of valuing the business by an independent entity.



2. Business Description

Name	Millworks Technologies Private Limited
Registered Office	B 402, Salarpuria Melody Mysore Road, Kengeri Hobli, Bangalore - 560092
CIN	U29200KA2021PTC153863
Business	It is engaged in manufacturing precision machined components for Aerospace, Rail Transport & Instrumentation industry.
Directors	Madhu Hulisandra Krishnamurthy Sridhar Acharya Rashmi Sridhar Acharya Sowmya Madhu

3. Valuation Approaches & Methods

3.1 Methods of Valuation

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.

There are three fundamental ways to measure the value of a business:

- Asset approach
- Market approach
- Income approach

Under each approach, a number of methods are available which can be used to determine the value of a business enterprise. Each business valuation method uses a specific procedure to calculate the business value.

No one business valuation approach or method is definitive. Hence, it is common practice to use a number of business valuation methods under each approach. The business value then is determined by reconciling the results obtained from the selected methods.

3.2 Asset 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.

3.3 Market Approach: 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. This method is not suitable for this entity.

3.4 Income 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 of both debt and 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.

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.

4. Basis of Valuation

4.1 Basic Premise

Our valuation exercise is based on the following information received from the Management:

- a) Projected financial and operating MIS for the period for FY 2024-25 to FY 2028-29
- b) Provisional accounts for the period ending 31.03.2024 and 30.09.2024
- c) Audited financials for the year ending 31.03.2023
- d) 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.
- e) Such other information and explanations as we have required and which have been provided by the Management.



4.2 Assumptions for Discounted Cash Flows

Free cash flows from the business have been arrived at as follows:

- a) PAT as per the projections have been considered
- b) Depreciation has been added
- c) Fund requirements for incremental working capital and capital expenditure have been reduced from the cash earnings of the respective years
- d) 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 and debt. Cost of Equity is worked out using the following formula:
 - Risk Free Return + (Beta x Equity Risk Premium) + Company specific premium
 - The risk free rate of return is taken at **7.07%** based on Average of Last 12 months (October, 2023 – September, 2024) Indian government bond rate for 10 years – source: <https://in.investing.com/rates-bonds/india-10-year-bond-yield-historical-data>
 - Industry Beta is considered as **1.08**, based on Aswath Damodaran model.
 - Based on qualitative analysis of long-term market returns, equity returns are arrived at **15.95%** – source, CAGR of BSE Sensex for last 45.53 years i.e. from April 01, 1979 to September 30, 2024. Hence equity risk premium is arrived **8.88%**.
 - Company specific premium of **10.00%** has been considered;
 - Limited liquidity premium is considered at **5.00%** considering shares of the Company are not freely transferable
 - Based on the above, the Cost of Equity is determined to be **31.67%**.
- e) Based on the above and since, WACC works out to **31.67%** as per calculation given below.
- f) 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 gradually moderated the growth rate after the explicit period to 5%.
- g) Cash flows for perpetuity have been arrived at after considering the corporate taxes, estimated capital expenditure and incremental working capital requirements.
- h) The discounted perpetuity value is added to the discounted cash flows for the explicit period to arrive at the enterprise value. Appropriate adjustments have been made for cash and cash equivalents, value of investments and loan funds to arrive at the Equity Value. The value so arrived is divided by the outstanding number of equity shares as on the date of this report to arrive at the value per share.



4.3 Financial Projections & Business Valuation as per DCF

(E) Estimated, Figures in INR Lakhs, except no. of shares

Particulars	FY 2024-25 (6m) (E)	FY 2025-26 (E)	FY 2026-27 (E)	FY 2027-28 (E)	FY 2028-29 (E)	TV
Profit After Tax (PAT)	978.32	3,177.24	5,013.63	6,843.81	4,025.83	4,227.12
Add: Depreciation	29.10	60.00	85.00	110.00	150.00	157.50
Less / Add: (Increase) / Decrease in Non-cash Working Capital	(1,205.33)	(1,216.35)	(1,341.44)	(1,183.87)	(1,750.97)	(343.53)
Less / Add: Increase / (Decrease) in Long Term Debt	21.59	25.00	(375.00)	-	-	-
Less / Add: (Increase) / Decrease in Fixed Assets	(312.31)	(150.00)	(255.00)	(500.00)	(550.00)	(157.50)
Free cash flow to the Equity (FCF)	(488.64)	1,895.89	3,127.19	5,269.94	1,874.85	3,883.59
Discounting factor	0.934	0.709	0.538	0.409	0.311	0.311
Discounting Period (Mid-year factor)	0.25	1.25	2.25	3.25	4.25	4.25
Present value of FCF	(456.15)	1,344.15	1,683.83	2,155.05	582.27	1,206.13
Sum of Present Values						5,309.15
Terminal value with growth rate of 5.00% (Discounted)						4,522.17
Enterprise Value						9,831.32
Less: Debt Funds as on 30.09.2024						328.41
Add: Cash and Cash Equivalents as on 30.09.2024						2.09
Equity value for Shareholders as on September 30, 2024						9,505.00
No. of equity shares outstanding as on valuation date						50,000/-
Fair Market Value per Equity Share as on September 30, 2024 (Rounded off)						19,010/-

(i) Calculation of cost of equity			
Risk free rate (Rf)	7.07%		
Beta	1.08		
Market risk premium (Rm-Rf)	8.88%		
Company specific risk premium (α)	10.00%		
Limited liquidity premium (l)	5.00%		
Cost of equity	31.67%		
$Cost\ of\ equity = Rf + Beta\ (Rm - Rf) + \alpha + l$			



5. Fair Value Conclusion

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 this report, 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 shares of the Company.

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 of the Company to be INR 95.05 Crore and the per Equity Shares is determined at INR 19,010/- (Face value of 10/-).



6. Statement of Limiting Conditions

- a) Our report is subject to the scope and 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.
- b) Our report is meant for the purpose mentioned above and it is hereby clarified that this report may be relied on by the company, its shareholders & investors and may submit the report to any regulatory / statutory / tax authority as may be required under any law. Our report should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. We are independent of the company and have no current or expected interest in the Company or its assets except as mentioned above. The fee paid for our services in no way has influenced the results of our analysis.
- c) While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the client existing business records. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of you and the client. 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. This report is issued on the understanding that company has drawn our attention to all the matters relevant for the purpose of the proposed transaction as on date of this report which would have an impact on our valuation. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company.
- d) The client / owner and its management / representatives warranted to us that the information they supplied is complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the owners/clients, their management and other third parties concerning the financial data, operational data and maintenance schedule of all plant-machinery-equipment-tools-vehicles, real estate investments and any other investments in tangible assets except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the companies, their directors, employee or agents.



- e) We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context. The report assumes that the company has complied fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the company/business/assets will be managed in a competent and responsible manner. However, changes to the same in the future could impact the Company and the industry they operate in, which may impact our valuation.
- f) Unless specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet/fixed assets register provided to me. Further, we have also not carried out any physical verification of the assets and liabilities. Details about market value of the assets wherever required, have been furnished to us by the Company. We have not undertaken any verification/assessment of such values.
- g) The valuation report should be tempered by the exercise of judicious discretion and judgment taking into account the relevant factors. There will always be several factors, e.g., management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the Balance Sheet but could strongly influence the value. We are fully aware that based on the opinion of value expressed in this report, we may be required to give testimony or attend court / judicial proceedings with regard to the subject assets, although it is out of scope of the assignment, unless specific arrangements to do so have been made in advance, or as otherwise required by law. In such event, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and tendering evidence before such authority shall be under the applicable laws.
- h) We do not provide assurance on the achievability of the results forecast by the management/owners as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecast as the achievement of the forecast results is dependent on actions, plans and assumptions of management. The execution and operations of the project is yet to be achieved. Change in any of the key assumptions like commercial operations date, capital structure, amount/timing/terms of the financial closure etc. may have major impact on valuation of the company.



- i) The actual fair value achieved may be higher or lower than our estimate of value depending upon the circumstances of the proposed transaction, the nature of the business. The knowledge, negotiating ability and motivation of the parties to the proposed transaction and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place.
- j) An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.
- k) The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date. Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the valuation date.
- l) Except the valuation part, our report is not, nor should it be construed as our Opinion or Certifying the compliance with the proposed transaction with the provisions of the law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed transaction.

8. Appraiser Credentials & Certification

For, DARMESH KUMAR
Chartered Accountant & Registered Valuer
(Securities & Financial Assets)

V. Darmesh Kumar

Darmesh Kumar V
Proprietor



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