

Date: 5th March 2025

To,
The board of directors
Nivetti Systems Private Limited
No.: 166 & 167 5th Floor, PID No.: 178-M-0021, 21st Main Road, 100 Feet Ring Road
JP Nagar - Phase 2
Bangalore - 560078
Karnataka
India

Valuation of the equity shares of Nivetti Systems Private Limited as on 31st December 2024 on going concern basis for the purpose of issue of equity instruments under section 42 and section 62(1)(c) of the Companies Act, 2013 read with rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and rule 13 of the Companies (Share Capital and Debentures) Rules, 2014.

On your request vide appointment letter dated 15th February 2025, we have undertaken the valuation assignment of the equity shares of Nivetti Systems Private Limited (hereinafter referred to as "the Company") as on 31st December 2024 (hereinafter referred to as "the Valuation Date") on going concern basis for the purpose specified in paragraph 1 below.

1. Valuation assignment

- 1.1 We were requested to determine the fair market value of the equity shares of the Company as on the Valuation Date on going concern basis for the purpose of issue of equity instruments under section 42 and section 62(1)(c) of the Companies Act, 2013 read with rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and rule 13 of the Companies (Share Capital and Debentures) Rules, 2014.
- 1.2 We have carried out the valuation of the equity shares of the Company for the above purpose.
- 1.3 The information contained herein is intended only for the sole use and information of the Company and only in connection with the above purpose. Any person intending to provide finance/ invest in the business/ shares of the Company or otherwise deal with the Company shall do so after carrying out its own due diligence procedures and after seeking its own professional advice to ensure that it is making an informed decision. It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof can be done only with our prior permission in writing.

2. Sources of information

We have relied upon the following information, details, representations and explanations relating to the Company, provided to us by the management of the Company for carrying out this valuation assignment:

- The Company is engaged in the business of designing, procurement and execution of IT - Networking & security infrastructure.
- Audited financial statements of the Company for FY23 and FY24.
- Management approved interim financial statements (comprising income statement and balance sheet) of the Company for the period of 9 months from 1st April 2024 to the Valuation Date.
- Management approved forecasted financial statements (comprising periodic income statements, periodic balance sheets and periodic cash flow statements) of the Company for the period of 5 years and 3 months from 1st January 2025 to 31st March 2030.

- Discussions with the management of the Company on various issues relating to the operations and finances (current and planned) of the Company, including but not limited to the industry, business plan, taxes, CAPEX plan, working capital management, capital structure, cost of equity, expected long-term sustainable growth rate, expected long-term sustainable return on equity, long-term reinvestment rate and other relevant issues.
- The details of abnormal, non-recurring, extraordinary, non-operating items of income, expenditure, assets & liabilities, contingent liabilities, pending cases & other related developments and such other information & explanations relating to the Company, as provided by the management of the Company.

3. Limitations

- 3.1 Our report is subject to the limitations in our scope detailed hereinafter. As such it should be read in totality, and not in parts, and in conjunction with the relevant documents referred to herein.
- 3.2 Our report is specific to the purpose and date of valuation mentioned in this report. It may not be valid for any other purpose and/ or on any other date.
- 3.3 Our work is neither, nor it should be construed as, our opinion on/ or certification of compliance by the Company with the provisions of any law including corporate [specifically section 42 and section 62(1)(c) of the Companies Act, 2013 read with rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and rule 13 of the Companies (Share Capital and Debentures) Rules, 2014], foreign exchange, taxation and capital market related laws or as regards to any legal implications or issues arising thereon.
- 3.4 Our work does not constitute any confirmation of the Company's claim to the title of any asset (tangible and/ or intangible) and any liens & encumbrances thereon.
- 3.5 This report is issued on the clear and specific understanding that the management of the Company has drawn our attention to all material information concerning the operations and financial position of the Company and any other matter, which may, in our opinion, have any impact on our opinion on the fair value of the equity shares of the Company, including any significant changes that have taken place or are likely to take place in the operations and/ or the financial position of the Company.
- 3.6 In the course of this valuation assignment, the management of the Company provided us written and verbal information, details, representations and explanations on several relevant matters, including market, financial and operating data relating to the Company. We have evaluated such information, details, representations and explanations through broad inquiry, analysis and review but have not carried out any audit, due diligence, investigation or verification.
- 3.7 Our work does not constitute any audit or certification of any financial statements of the Company. Accordingly, we do not express any opinion on the accuracy or completeness of any financial information referred to in this report.
- 3.8 We have considered the forecasted financial statements (comprising periodic income statements, periodic balance sheets and periodic cash flow statements) of the Company for the period of 5 years and 3 months from 1st January 2025 to 31st March 2030, provided to us by the management of the Company, for deriving the fair value of the equity shares of the Company. Though, we have evaluated these financial statements through broad inquiry, analysis and review, we do not take any responsibility for the accuracy or achievability of these financial statements and/ or the methods used for forecasting these financial statements and have relied on the information, details, representations and explanations, provided to us by the management of the Company, in this regard.

3.9 We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

3.10 A valuation of this nature involves application of globally accepted valuation method, exercise of professional judgment and consideration of various factors including those related to, and arising from, the prevailing capital market trends in general and industry trends in particular and is based on subjective individual interpretation.

4. Valuation methodology

4.1 We have adopted the Discounted Cash Flow (DCF) valuation method - Free Cash Flow to Equity (FCFE) valuation approach for the valuation of the equity shares of the Company, which, in our opinion, best estimates the fair value of the equity shares of the Company on going concern basis (vis-à-vis other valuation methods like cost price method, book value method, relative valuation method, etc.).

4.2 The DCF valuation method involves determination of the fair value of an asset/ liability/ business/ enterprise based on its expected cash flows and appropriate discounting rate. The FCFE valuation approach involves discounting the expected free cash flows to equity at appropriate cost of equity. The free cash flows to equity are derived by adjusting the net profit for depreciation & amortisation, CAPEX, working capital investments and differential borrowings. The value so arrived is adjusted for the value of cash & cash equivalents, investments (excluded in forecasting free cash flows to equity) and all other non-operating assets and liabilities.

4.3 The DCF valuation method - FCFE valuation approach takes into consideration and encompasses:

- 4.3.1 the probable future business environment affecting the economy, industry and the entity.
- 4.3.2 detailed forecasts of revenues, costs, taxes on income, CAPEX, working capital investments and capital structure for the forecasted period.
- 4.3.3 cost of equity.
- 4.3.4 long-term sustainable growth rate.
- 4.3.5 long-term sustainable return on equity.
- 4.3.6 long-term reinvestment rate.
- 4.3.7 the value of all operating & non-operating assets (tangible and/ or intangible) and liabilities.

5. Fair market value

5.1 The fair value of the equity shares of the Company is derived as per the DCF valuation method - FCFE valuation approach.

5.2 The Company being unlisted, we have applied an ill-liquidity discount of 10.00%, which, in our opinion, is adequate and reasonable, for arriving at the fair market value of its equity shares.

5.3 On the basis of the above, and on the basis of information and explanations provided to us and assumptions made (refer Annexure II: Inputs and assumptions used in the valuation assignment), in our opinion, the fair market value of the equity shares of the Company, as per the DCF valuation method - FCFE valuation approach, as on the Valuation Date on going concern basis is INR 2,176.36 per equity share (face value: INR 1.00 per equity share; fully paid up; diluted; refer Annexure I: Valuation of equity shares on going concern basis).

Kunal L. Kalantri
Registered valuer - Securities or financial assets
Registration no.: IBBI/RV/05/2018/10209

Annexure I: Valuation of equity shares on going concern basis

Nivetti Systems Private Limited

Valuation of equity shares as on the Valuation Date on going concern basis

DCF valuation method - FCFE valuation approach

(INR crore except equity share data)

Particulars	Q4FY25 (F)	FY26 (F)	FY27 (F)	FY28 (F)	FY29 (F)	FY30 (F)	Perpetuity period (F)
Net profit	4.96	32.39	46.64	62.49	79.79	98.39	
Add: Depreciation & amortisation	2.27	11.49	14.54	18.41	23.30	29.50	
Less: CAPEX	2.38	12.06	15.27	19.33	24.47	30.97	
Less: Working capital investments	2.74	(22.69)	(5.06)	3.33	8.05	9.02	
Add/ (less): Differential borrowings	(28.79)	-	-	-	-	-	
FCFE	(26.69)	54.51	50.97	58.23	70.57	87.89	513.44
Discounted FCFE	(25.51)	43.38	33.76	32.11	32.40	33.59	196.24
Total discounted FCFE							345.98
Add: Cash & cash equivalents (book value)							4.61
Add: Non-operating assets (net; book value)							0.17
Add: Proceeds from exercise of stock options (committed & o/s)							0.01
Add: Current tax assets (present value)							0.11
Fair value of equity							350.87
No. of equity shares (diluted)							14,50,987
Fair value per equity share (diluted)							2,418.17
Il-liquidity discount							10.00%
Fair market value per equity share (diluted)							2,176.36

Annexure II: Inputs and assumptions used in the valuation assignment

1. Management approved interim financial statements (comprising income statement and balance sheet) of the Company for the period of 9 months from 1st April 2024 to the Valuation Date, management approved forecasted financial statements (comprising periodic income statements, periodic balance sheets and periodic cash flow statements) of the Company for the period of 5 years and 3 months from 1st January 2025 to 31st March 2030 and information, details, representations & explanations (written and verbal) relating to the Company, provided to us by the management of the Company during the course of the valuation assignment have been relied upon as the basis for our workings.
2. The Company's periodic free cash flows to equity for the forecasted periods and the perpetuity period have been arrived at after considering the expected periodic tax liability (derived by using the effective periodic tax rate for the forecasted periods and the maximum marginal tax rate for the perpetuity period).
3. The Company's periodic free cash flows to equity are discounted at its cost of equity derived at 20.12% by applying the Capital Asset Pricing Model, considering beta factor of 1.67x (cash adjusted unlevered beta of publicly traded Indian IT - Networking companies), India risk free rate of 6.76% and India equity risk premium of 8.00%.
4. We have considered the Company's long-term sustainable growth rate at 5.00% for the perpetuity period.
5. We have considered the Company's long-term reinvestment rate at 24.85%, derived by dividing its long-term sustainable growth rate for the perpetuity period by its long-term sustainable return on equity for the perpetuity period (considered at 20.12%, equal to its forecasted cost of equity for the perpetuity period).
6. The Company has cash & cash equivalents outstanding on the Valuation Date, which are added at book value to its total discounted FCFE to arrive at the fair value of its equity.
7. The Company has non-operating assets (net) outstanding on the Valuation Date, which are added at book value to its total discounted FCFE to arrive at the fair value of its equity.
8. The Company has stock options, committed and outstanding on the Valuation Date. The notional proceeds from the exercise of such stock options are added to its total discounted FCFE to arrive at the fair value of its equity and the equity shares issuable against such stock options are added to the number of equity shares outstanding on the Valuation Date.
9. The Company has current tax assets outstanding on the Valuation Date, which are added at present value (based on the expected period of realisation) to its total discounted FCFE to arrive at the fair value of its equity.