



Valuation Services Pvt. Ltd.
An IBBI Registered Valuer - Entity

Continuation sheet

VALUATION REPORT OF

S3V Vascular Technologies Limited

AS ON October 31, 2023

BY:
TREU VALUATION SERVICES PRIVATE LIMITED
REGISTERED VALUERS' ENTITY (IBBI/RV-E/02/2023/181)

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1. Background of the Client:

S3V Vascular Technologies Limited ("Company" or "SVTL") is a private company limited by shares, incorporated on August 09, 2011 under the Companies Act, 1956 bearing CIN: U33112KA2011PLC059915 having its registered office at Plot No. 65/D4, Hootagalli Industrial Area Hootagalli, Mysore, Mysuru, Karnataka, India, 570018.

The Board of the Company comprises of the following:

Sr. No.	DIN/PAN	Name
1.	00569510	BADARI NARAYAN NAGARADA GADDE
2.	03484025	NARAYAN KALINDHI
3.	03490341	VIJAYA GOPALNAGARADA GADDE
4.	01868425	NARENDRA KUMAR SRISRIMAL
5.	07628039	VENKATESWARA GOWTAMA MANNAVA
6.	06949149	NAGARADA GADDE VISHNU SHREYAS
7.	09630830	VEERESHAM CIDDI
8.	09632648	PRITHI SUREKA MUMMIDI
9.	ATMPV5860C	NAGARADA GADDE VISHNU SHREYAS
10.	BTBPA6002R	ANUJ MEHTA

Share Capital of the Company as on October 30, 2023 is as under;

Particulars	Amount (in INR)
Authorized Share Capital	
1,90,00,000 Equity Shares of INR 10 each	19,00,00,000
Issued, subscribed and paid-up Capital	
1,35,89,284 Equity Shares of INR 10 each	13,58,92,840

2. Purpose of the Valuation and appointing authority

SVTL intends to issue equity shares/ CCPS of the company. In this regard, the Company has appointed Treu Valuation Services Private Limited to provide a report on the fair valuation of the Equity Shares/ CCPS of the Company, as required under Section 62 of the Companies Act, 2013 and rules made there under.

3. The identity of the Valuer and other Experts involved in the valuation

Treu Valuation Services Private Limited a Registered Valuers Entity under IBBI bearing registration number IBBI/RV-E/02/2023/181.

4. Disclosure of the Valuer's interest or conflict

We understand that we do not have any interest in the business of the Company. We are neither associated nor carrying out any relationship with the client and accordingly, we understand that there is no conflict of interest for carrying out work independently.



5. Nature and sources of the information used or relied upon

- Financial forecasts for the period November 1, 2023 to March 31, 2028.
- Unaudited financials for the period ending October 31, 2023.
- Audited financials for the last year.
- Shareholding pattern as on the valuation date.
- Profile of the Company.
- Information provided by leading database sources and other publicly available information.
- We have also received necessary explanations and information related to risk and growth prospects, which we believed are relevant to the present valuation exercise from the Management of the Company.
- We have also relied on the various representations, information and explanations given by the Management.

6. Procedures adopted in carrying out valuation and valuation standards followed

- For preparation of Valuation report, we have followed International Valuation standards.
- According to International Valuation Standard 104 and according to scope present in engagement letter, we have valued Business at Fair Value basis.
- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

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7. Valuation Methodology

- International Valuation Standards 105 shall be applied in selecting the appropriate valuation approaches and methodologies in determining the Value of the shares of the Company.
- International Valuation Standards 105 provide the below mentioned three main valuation approaches:-
 - Market approach
 - Income approach
 - Cost/Asset approach

<p>Market Approach: Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business</p>	<p>Income Approach: Income approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted or capitalized) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.</p>	<p>Cost / Asset Approach: Cost approach is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).</p>
<ul style="list-style-type: none"> • Market Price Method • Comparable Companies Multiple (CCM) Method • Comparable Transaction Multiple (CTM) Method 	<ul style="list-style-type: none"> • Discounted Free Cash Flow • Excess Earnings Method • Earnings after Reinvestment in Regulatory Capital Method • Relief from Royalty • Multi-Period Excess Earnings Method (MEEM) • With & without Method (WWM) • Option pricing models such as Black-Scholes-Merton formula or binomial (lattice) model 	<ul style="list-style-type: none"> • Replacement Cost Method • Reproduction Cost Method • Net Asset Value Method

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8. Selection of Method

As we understand the detailed approaches prescribed above, we understand that we broadly have 3 methods to choose from the above prescribed approaches, viz. Market Approach, Income Approach or Cost/Asset Approach.

- Under Market method, we have two key methods: -
 - Company Comparable
 - Transaction Comparable

In Company comparable method, we need to value the shares based on ratios or multiples of a listed comparable Company. However, it is extremely difficult to identify the similar listed Company with same benchmark and difficult to get a valuation through the same.

The final approach is a comparable transaction method. It is also not possible to use this method since we do not have any observation present in this professional consultancy sector to check and verify, if any such similar transaction has happened. Hence, we cannot consider the same as independent transaction nor the same can be used for benchmarking.

- We can select Income Method since the Company shall continue to get regular flow of income in incremental basis. This will therefore result into a constant regular flow of income in foreseeable future. The Company will have stable revenue streams & regular flow of income in the business which represents its future potential. Therefore, it is feasible to use Income Approach for arriving at the value per share to represent the true value per share.
- Asset or Cost approach is feasible for companies which have asset base (i.e. immovable property) or for companies with less or no operations to represent the true value per share. Considering that Company does have visibility for stable flow of income in the future, it is not feasible to use Asset approach for calculation of the fair market of Equity Shares of the Company. Hence, we are not using Asset Value Approach.
- Accordingly, we select to calculate the fair value of shares through Income Approach method under Discounted Free Cash Flows ("DFCF") to the Equity method. The DFCF to the Equity method expresses the present value of the business attributable to the equity shareholders of the firm as a function of its future cash earnings capacity.
- The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also the perpetuity value (or terminal value) in case of assets with indefinite life.
- The derivation of the methodology used is explained in length in next paragraph.



- Free Cash Flow to the Firm ("FCFF") is arrived as follows:
 - Operating profit after tax as per the projections have been considered.
 - Finance Costs have been added.
 - Depreciation & amortization on fixed assets have been added.
 - Fund requirements for incremental working capital and capital expenditure have been reduced from the cash earnings of the respective years.
 - The forecasted cash flows are discounted back to the present date, generating a net present value for the cash flow stream of the business. These cash flows of each year are discounted to at the Weighted Average Cost of Capital ("WACC"). WACC is equal to weighted cost of equity plus weighted cost of debt. Cost of Equity is worked out as per Modified Capital Asset Pricing Model ("CAPM") and net tax effective rate of Cost of Debt based on expected capital structure that the Company intends to keep in future. Modified CAPM Model is based on a combination of risk factors including a Risk-Free Rate, a Market Equity Risk Premium, a Company Specific Risk Premium ("CSRP") and other identifiable risk factors specific to the subject Company.
 - After the explicit period, the business will continue to generate cash. A terminal value at the end of the explicit forecast period i.e., from 2028 onwards is then determined and that value is also discounted back to the valuation date to give an overall value for the business. In DFCF Method, therefore, perpetuity value is also considered to arrive at the equity value. The discounted perpetuity value is added to the discounted cash flows for the explicit period to arrive at the equity value.
 - Borrowings have been deducted.
 - Appropriate adjustments have been made for cash & cash equivalents and current & non-current investments and Tax shield to arrive at the Equity Value.

For the purpose of valuation of shares in this transaction through DCF methodology, we have relied upon the projections provided by the Management for the period ending March 31, 2028 duly supplemented by its Terminal Value based on the Gordon Model along with the discussions held with the Management and extrapolating the free cash flows at an annual growth rate to arrive at terminal value.

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9. Restrictions on use of the Valuation Report

This report and the information contained herein are for the sole use of the Company for providing select information and only in connection with the purpose as set out above, including for the purpose of statutory compliances with respect to Company Law matters. 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 to comply with regulatory requirements. We 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 our written consent.

10. Conclusion

Value of the Equity of S3V Vascular Technologies Limited INR 2,391,548,957/- and per share value is arrived at **INR 176/-** per share/ CCPS (Refer Appendix 1) as on valuation date October 31, 2023.

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11. Limitations and Disclosures

- Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- Although every effort has been made by us to verify and corroborate each document and to ensure that no inaccurate or misleading data, information, statement or opinion appears in this document, we wish to make it clear that the information and data appearing herein are the responsibility of the contributors. Accordingly, we do not accept any responsibility whatsoever for the consequences of any such inaccurate or misleading information or data, opinion or statement.
- This valuation report has been prepared on the basis of the Projected Financials of the Company for the period ended March 31, 2028 duly supplemented by its Terminal Value at end of explicit period, along with discussion held with the Management and other publicly available information. The Valuation analysis of equity shares is based upon the future projections of Company provided to us, which is based upon various assumptions made by Company relating to the operations of its business and any change in these assumptions may have an impact on the conclusion of this report. We have assumed that the Company has taken into account the impact of all such events and circumstances which may have a bearing on the financial statements in accordance with the applicable accounting standards.
- The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the Company and have considered them at the value as disclosed by the Company in their regulatory filings or in submissions, oral or written, made to us.
- We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Company or any of its subsidiaries or associated companies. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our report.
- We have not made an appraisal or independent valuation of any of the assets or liabilities of the Company and have not conducted an audit or due diligence or reviewed/validated the financial data including interim and forecasted financial statements provided by the Company. The scope of

our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them.

- Valuation is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on this business.
- We have no present or planned future interest in the company and the fee for this Valuation analysis is not contingent upon the values reported herein. The Valuation Analysis contained herein is not intended to represent the value at any time other than the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the company has drawn our attention to all matters of which they are aware, which may have an impact on our report up to the date of signature. Moreover, we are not owned or controlled by any employees or directors of the company.
- Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material.
- In the course of the present exercise, we were provided with both written and verbal information, including financial data. Our report is based on the information furnished to us being complete and accurate in all material respects. We have relied upon the historical financials and the information and representations furnished to us without carrying out any audit or other tests to verify its accuracy with limited independent appraisal. Also, we have been given to understand by the Management of the Company that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility whatsoever for any errors in the above information furnished by the Company and their impact on the present exercise.
- No investigation of the Company's claim to the title of assets or property owned by the Company has been made for the purpose of this fairness opinion. With regard to the Company's claim, we have relied solely on representation, whether verbal or otherwise made, by the Management to us for purpose of this report. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Report, which might be relevant in the context of the transaction and which a wider scope might uncover.

- We express no opinion whatsoever and make no recommendation at all to the Company's underlying decision to affect the proposed issue of equity shares or as to how the holders of equity shares should vote at their respective meetings held in connection with the proposal. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed issue with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- In furnishing the report, we reserve the right to amend or replace the report at any time. Our views are necessarily based on economics, the market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the report. Nothing contained within the report is or should be relied upon as a promise or representation as to the future. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- Our analysis is based on the market conditions and the regulatory environment that currently exists. However, changes to the same in the future could impact the Company and the industry it operates in, which may impact our valuation analysis.

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Appendix 1

Valuation Working (as per DCF Method)

(Amount in INR)

Particulars	01.11.2023 to 31.03.2023	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Net Profit after Tax	40,428,430	227,988,343	380,764,468	638,446,559	890,434,813
Add: Finance Cost (1-t)	38,499,763	45,123,373	44,188,847	41,320,984	38,888,134
Add: Depreciation & Amortization	12,591,231	98,886,110	84,053,194	71,445,215	60,728,433
Cash Operating Profit	91,519,423	371,997,827	509,006,509	751,212,758	990,051,380
Less: Change in Non-cash Working Capital	(59,092,727)	196,840,685	277,666,375	296,297,605	453,389,188
Less: Capital Expenditure - As per FAR	488,000,000	-	-	-	-
Free Cash Flow to Firm	(337,387,850)	175,157,143	231,340,134	454,915,152	536,662,191
Period Factor	0.42	1	2	3	4
Mid-Year Discounting factor	0.97	0.87	0.75	0.64	0.55
Present Value	(326,840,614)	152,312,941	172,723,535	291,623,504	295,382,461
NPV for Explicit Period (A)					585,201,827

Calculation of NPV for Terminal Value

Particulars	Amount (In INR)
Normalised FCFF for FY 2027-28	536,662,191
Normalised FCFF for Terminal Value (T+1)	563,495,301
Capitalisation factor for Continuity Value (WACC-g)	11.47%
Continuity value	4,913,425,272
Mid-year Discounting factor	0.55
Total NPV for Terminal Value (B)	2,704,382,148

Calculation of Equity Value

Particulars	Amount (In INR)
Total NPV for Explicit Period (A)	585,201,827
Total NPV for Terminal Value (B)	2,704,382,148
Cash & Bank Balances as on October 31, 2023 (C)	6,398,763
Enterprise Value (A+B+C)	3,295,982,738
Less: Debt as on October 31, 2023 (D)	306,546,542
Equity Value (A+B+C-D) (Before DLOM)	2,989,436,196
Less: DLOM @20%	597,887,239
Net Equity Value (After DLOM)	2,391,548,957
Number of Shares	13,589,284
DFCF Value per share (INR)	175.99/-
DFCF Value per share (INR) Rounded off	176.00/-



Appendix 2:

Assumptions

Some of the basic variables and assumptions used in the Discounted Cash Flows method are:

- The Projected Cash flows from November 1, 2023 to March 31, 2028 have been considered. For the purpose of valuation, we have considered projections from November 1, 2023 to March 31, 2023 and hence free cash flows for the 1st period of projection are discounted for the 5 months. All the free cash flows are discounted based on mid-year discounting. Valuation date is considered as October 31, 2023 and date of valuation report is December 01, 2023.
- We have considered Management certified consolidated unaudited financials for the period ended October 31, 2023 for the calculation of changes in non-cash working capital, cash & bank balances, short term & long-term borrowings, non-current investments and number of shares.
- As the perpetuity growth rate assumes that the Company will continue its historic business and generate Free Cash Flows at a steady state forever. Since terminal value constitutes a major proportion of the entire value of the business, we while deciding the terminal growth rate have given emphasis to economic factors & financial factors like Inflation of the Country, GDP growth of the Country, Projected Financials, Historical Financial Position, Organic & Inorganic growth strategies of the Company, etc. Accordingly, for perpetuity, we have considered 5.00% growth rate from the year 2028 onwards for the calculation of Terminal Value.
- The risk-free rate of 7.35% being considered for the calculation is the bond rate historical data.
(Source: <https://in.investing.com/rates-bonds/india-10-year-bond-yield-historical-data>)
- For the purpose of our valuation, we have considered mean reversion beta of 0.74 pertaining Healthcare Industry based on data published by Prof. Aswath Damodaran for Indian markets. Mean reversion beta is re-levered with the target debt of 29% and target equity of 71%, hence re-levered beta will be 0.97.
(Source: http://people.stern.nyu.edu/adamodar/New_Home_Page/datacurrent.html)
- The market rate of return has been considered as 15.59% being CAGR of BSE Sensex since inception.
- Cost of equity is 15.30%.
- Since, Cost of Equity (COE) is arrived at using CAPM, which is based on statistics of the overall market and fails to capture company specific risks and the investment risks associated with small sized companies i.e., company specific risk premium is considered at 4.6% which is 30% of COE.
- Adjusted COE comes to 19.89%.

- Cost of Debt after tax is considered at 8.14%.
- Weights of target equity and target debt are considered at 71% and 29% respectively.
- WACC is considered at 16.47%.
- Tax is considered at 26% (Including Income Tax rate, Surcharge and Cess).
- The Discount for Lack of Marketability ("DLOM") associated with an interest in a privately held entity reflects the difficulty or inability of the investor to sell their interest owing to the fact that there is no active market for interests in privately held companies and therefore DLOM is considered at @ 20% of the Equity Value.
- The Equity value so arrived is divided by the number of outstanding Shares on fully dilutive basis as on the date of this report to arrive at the value per Share. The fully dilutive number of outstanding shares as on valuation date is 1,35,89,284.
- For the purpose of arriving at the Free Cash Flow to Firm, we have reduced Other Income (Considering after tax impact) which is expected on the surplus funds available over the years. This income is not operational and therefore the same has been deducted.

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