**Akhil Bhalla**
Registered Valuer
(Asset Class - Securities or Financial Assets)
Reg. No. IBBI/RV/14/2019/11684

**B-17, Maharani Bagh**
**New Delhi – 110 065**

**Dated: 30 December 2024**

**Attention: – The Board of Directors,**
Dhani Services Limited
5th Floor, Plot No. 108, IT Park,
Udyog Park, Phase I,
Industrial Complex Dundahera,
Gurgaon, Haryana – 122 016, India

**Sub: Estimation of Fair Value of Equity Shares of Dhani Services Limited**

**Ladies and Gentlemen,**

I, Akhil Bhalla, Registered Valuer with Insolvency & Bankruptcy Board of India vide registration no. IBBI/RV/14/2019/11684 (hereinafter referred to as the "**Valuer**" or "**I**" or "**me**" or "**RV**") refer to the engagement letter dated 26 December 2024 wherein I have been retained as Valuer by **Dhani Services Limited** (hereinafter referred to as "DSL" or the "Client") for estimation of fair value of its equity shares as of 26 December 2024 for the proposed fund raising through an issuance of equity shares / convertible share warrants on preferential placement basis.

Accordingly, I have prepared the Report for estimation of the fair value of equity shares as at 26 December 2024 ("**Valuation Date**") for the proposed issuance of shares.

This report ("Report") is my deliverable for the above engagement. The Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts.

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

## BACKGROUND, PURPOSE, SCOPE AND DESCRIPTION OF THE REPORT

**Company Background:**

(i) DSL is a public limited company incorporated under the Companies Act, 1956 on 09th June 1995. Registered office of DSL is situated at 5th Floor, Plot No. 108, IT Park, Udyog Park, Phase I, Industrial Complex Dundahera, Gurgaon, Haryana – 122 016, India. The Corporate Identity Number ("**CIN**") of DSL is L74110HR1995PLC121209 and its Permanent Account Number ("**PAN**") is AAACO0870B.

(ii) The equity shares of DSL are listed on the National Stock Exchange of India Limited ("**NSE**") and the BSE Limited ("**BSE**").

(iii) Dhani Services Limited is engaged in diversified business activities. It operates as a real estate developer and also functions as a data driven technology company providing services to Indian consumers functioning as NBFCs, e-commerce entities, Digital Wallet providers with UPI, Stock Brokers, Commodities Brokers, Depository Services, ARC, etc.

(iv) **SHAREHOLDING PATTERN**

The shareholding pattern of DSL as at 30 September 2024 was as follows:

| Shareholding pattern | Number of shares | Stake (%) |
|---|---|---|
| Promoter and Promoter Group | 17,83,28,203 | 29.13 |
| Public -Institutional & Non Institutional | 40,41,19,707 | 66.02 |
| Employee benefit trust | 2,97,00,000 | 04.85 |
| **Total** | **61,21,47,910** | **100.00** |

*Source: Management*

**Purpose, Scope and Description of the Assignment**

I understand that the management of DSL ("Management") is contemplating the raise fund through an issuance of equity shares / convertible share warrants on preferential placement basis. The valuation of equity shares of DSL is required for compliance with Regulation 164(1) & 166A of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**ICDR Regulations**) and Section 62 of Companies Act, 2013 and along with rules made thereunder ("**Purpose**").

For the aforementioned Purpose, the Board of Directors of DSL has appointed me to estimate the fair value of its equity shares, to be placed before the Board of Directors.

I have been provided with the limited reviewed financials of DSL for the six months ended 30 September 2024 for the valuation. I have been informed that there are no unusual/abnormal events in the Company after 30 September 2023 till the Report date, which materially impact its operating/financial performance. Further, I have been informed that all material information impacting the Valuation Subject has been disclosed to me.

The scope of my services is to carry out valuation of equity shares of DSL and preparation of report for the proposed issuance in accordance with internationally accepted valuation standards/methods in compliance with ICDR Regulations and provisions of the Companies Act.

**Valuation Bases**

Value has no meaning until it is defined. In the valuation nomenclature different definitions of value are called bases of value (or standard of value). In terms of IVS, 'bases of value' describe the fundamental premises on which the estimate of values is based. In any valuation it is important that the basis (or bases) of value be appropriate to the terms and purpose of the valuation assignment, as a basis of

AKHIL BHALLA IBBI/RV/14/2019/11684 REGISTERED VALUER

value may influence or dictate a valuer's selection of methods, inputs and assumptions, and the ultimate opinion of value. The different value conclusion can be attributed to the differences in the definition of value.
In terms of IVS, a valuer is required to select the basis of value and this is typically done based on the definition given in statute, regulation, private contract or another document.

For this valuation, I have considered the International Valuation Standards ("IVS") and have adopted a definition of Market Value as given in IVS 104: "Market Value is the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". The Fair Value referred elsewhere in the Report is same as Market Value as defined above.

**Premise of Value**
Premise of Value refers to the conditions and circumstances how an asset is deployed. Determining the business value depends upon the situation in which the business or a business interest is valued, i.e. the events likely to happen to the business as contemplated at the valuation date. In a given set of circumstances, a single premise of value may be adopted while in some situations multiple premises of value may be adopted.
The valuation was performed under the premise of value is Value in Use or existing/current use.

**Valuation Currency**

The currency used for valuation is Indian Rupees (INR Million).

**Intended Use of Report**

The intended use of this valuation report is to estimate Market Value of the equity shares of DSL for compliance with ICDR Regulations.

**Intended User**

The use of the report should be restricted to the recipient of the Report and for the Purpose defined elsewhere in this report. The analysis is confidential and has been prepared exclusively for the intended user described above. It should not be used, reproduced or circulated to any other person or for any purpose other than as mentioned above, in whole or in part, without my prior written consent.

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

## SOURCES OF INFORMATION

In connection with this exercise, I have relied upon the following information provided by the Management of the Companies (the "**Management**")/from public domain. I have been given to understand that the information provided are accurate and that the Management was duly authorised to provide the same.

1. Historical financial and Market Price information:

   - Unaudited management approved provisional financials for the half year ended on 30 September 2024.
   - Position of Cash & Cash equivalents and borrowings as at 30 November 2024 approved by the Management
   - Historical audited financials from Financial Year (FY) 2018 to FY 2024.
   - Shareholding pattern as at 30 Septemebr 2024.
   - Projected Financial information of standalone DSL for the period from 01 October 2024 to 31 March 2029.
   - Unaudited management approved provisional financials for the half year ended on 30 September 2024 and historical audited financials from FY 2018 to FY 2024 for all subsidiaries. Following are the subsidiaries/step down subsidiaries

     1. Dhani Loans & Services Limited
     2. Transerv Limited
     3. Indiabulls Asset Reconstruction Company Limited
     4. Indiabulls Urbanresidency Limited (formerly known as Indiabulls Investment Advisors Limited)
     5. Indiabulls Securities Limited (formerly known as Dhani Stocks Limited)
     6. Indiabulls Nests Limited (formerly known as Indiabulls Distribution Services Limited)
     7. Indiabulls Cityheights Limited (formerly known as Dhani Healthcare Limited)
     8. Indiabulls Alternate Investments Limited
     9. Indiabulls Urbanheights Limited (formerly known as Evinos Buildwell Limited)
     10. Pushpanjali Finsolutions Limited
     11. Devata Tradelink Limited
     12. Auxesia Soft Solutions Limited
     13. Evinos Developers Limited
     14. Gyansagar Buildtech Limited
     15. Savren Medicare Limited
     16. Indiabulls Residency Limited (formerly known as Krathis Buildcon Limited)
     17. Indiabulls Township Limited (formerly known as Krathis Developers Limited)
     18. Indiabulls Consumer Products Limited
     19. Indiabulls Infta Resources Limited
     20. Eluer Systems INC-USA
     21. Jwala Technology Systems Private Limited
     22. Dhani Limited-Jersey
     23. Dhani Limited-UK
     24. Mabon Properties Limited
     25. Juventus Estate Limited
     26. Milky Way Buildcon Limited,

AKHIL BHALLA IBBI/RV/14/ 2019/11684 REGISTERED VALUER

- Projected Financial information of following subsidiaries/step down subsidiaries for the period from 01 October 2024 to 31 March 2029 (Dhani Healthcare Limited and Juventus Estate Limited projections till 31 March 2031)
    1. Indiabulls Cityheights Limited (formerly known as Dhani Healthcare Limited)
    2. Dhani Loans & Services Limited
    3. Indiabulls Securities Limited (formerly known as Dhani Stocks Limited)
    4. Transerv Limited
    5. Juventus Estate Limited
    6. Indiabulls Urbanresidency Limited (formerly known as Indiabulls Investment Advisors Limited)
    7. Indiabulls Asset Reconstruction Company Limited,
- Third party valuation report of following real estate assets in the following entities
    1. Indiabulls Residency Limited (formerly known as Krathis Buildcon Limited)
    2. Indiabulls Township Limited (formerly known as Krathis Developers Limited)
- Memorandum of understanding ('MoU') dated 20 March 2023 between Juventus Estate Limited and Dhani Healthcare Limited,
- Memorandum of understanding ('MoU') dated 21 August 2024 between Eternal Projects Private Limited and Dhani Healthcare Limited,
- Memorandum of understanding ('MoU') dated 24 August 2024 between IIAL ('Developer") and Sh. Narender Gehlaut ("Land Owner)
- Historical and current trading price and volume of equity shares on stock exchanges,
- Details of Contingent liabilities as of 31 March 2024.

2. Other information and explanations as required by me which have been provided by Management.

Besides the above listing, there may be other information provided by the Companies which may not have been perused by me in any detail, if not considered relevant for my defined scope.

The Management have been provided with the opportunity to review the draft Report as part of my standard practice to make sure that factual inaccuracy/omissions are avoided in my Report.

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

**SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS**

The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services.

The Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of my engagement; (ii) the Report Date, (iii) trading price and volume near the Report Date, and (iv) the information mentioned in this report as at 30 September 2024 and 26 December 2024.

The valuation has been performed on the limited reviewed balance sheet of the Company and its subsidiaries provided by Management for the period ended 30 September 2024. The Management has also confirmed that there has not been any material change in the operations of the Company since the last available financial statements.

I do not provide assurance on the achievability of the results forecast by the Management as events and circumstances do not occur as expected; differences between actual and expected results may be material. I 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 land area of the land parcels has been taken based on the information provided by the Management and has not been independently verified by physical measurement or by any other method.

Further, the valuation exercise assumes that the land parcels have clear, legal and marketable title other than any legal issues about them highlighted in the financial statements.

I have been informed that the business activities of the Companies (including their subsidiaries) have been carried out in the normal and ordinary course between 30 September 2024 and the Valuation Date and that no material changes have occurred in their respective operations and financial position during this period. Similarly, I have also been informed that there are no material changes in the position of assets and liabilities of the Companies (including their subsidiaries) between the 30 September 2024 and the Report Date.

The value opinion estimated in this report is not intended to represent the Market Value at any time other than the Valuation Date. A valuation of this nature is necessarily based on financial, economic and other conditions in general and industry trends in particular and the information made available to me as of, the date hereof. Events occurring after the date hereof may affect the Report and the assumptions used in preparing it, and I do not assume any obligation to update, revise or reaffirm the Report.

The Market value estimate in this report only represent my opinion based upon information furnished by the management and gathered from public domain (and analysis thereon). My opinion should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

The estimation of value 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 judgement. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the valuer and judgment taking into accounts all the relevant factors. There is, therefore, no indisputable single value. While I have provided my estimation of market valuer based on the information available to me and within the scope and constraints of my engagement, others may have a different opinion as to the market value of the equity shares of the Company. The final responsibility for the determination of the market value at which the proposed issuance shall take place will be with the Board of Directors of the Company who should take into account other factors such as their own assessment of the Proposed issuance and input of other advisors.

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

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 Report can only be regarded as relevant as at the Valuation Date.

This Report has been prepared for the purpose stated herein and should not be relied upon for any other purpose. Our Client is the only authorized user of this Report and is restricted for the purpose indicated in the Engagement Letter. This restriction does not preclude the Client from providing a copy of the Report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for the unauthorized use of this Report. Further, this Report and any summary of valuation hereof can be included or referenced in any notice or communication to the shareholders of the Company and submitted to the stock exchanges and any other regulatory authority as required under applicable law.

I have not independently audited or otherwise verified the financial information provided to me. Accordingly, I do not express any opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. My conclusion is based on the information given by/on behalf of the Company. The Management has indicated to me that they have understood that any omissions, inaccuracies or misstatements may materially affect my valuation analysis/results.

The Report assumes that the Company comply fully with relevant laws and regulations applicable in all their areas of operations, and that the Companies will be managed in a competent and responsible manner. Further, the Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited/unaudited balance sheet of the Companies. My conclusion of value assumes that the assets and liabilities of the Company, reflected in their respective latest balance sheets remain intact as of the Report Date.

The Report does not address the relative merits of the Proposed allotment with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

The fee for the engagement is not contingent upon the results reported.

The valuation analysis and result are governed by concept of materiality.

I will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other party to the Company. In no event shall I be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Company, their directors, employees or agents.

It is understood that this analysis does not represent a fairness opinion. The Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for its purpose.

The Report is subject to the laws of India.

Neither the 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, other than in connection with the Proposed allotment, without my prior written consent. I express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Proposed allotment.

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

## VALUATION APPROACH

There are several commonly used and accepted methods under the market, income and asset approaches of valuation for determining value of equity shares which have been considered in the present case, to the extent relevant and applicable, and subject to availability of information, including:

1. Market Approach: Market Price method
2. Income Approach: Discounted Cash Flow (DCF) method
3. Cost Approach: Adjusted Net Asset Value ('Adjusted NAV') method

Further, where the value of a Company is derived from various components, a Summation method *i.e.* Sum of the Parts (SOTP) method is used, where individual components are valued as per the above approaches.

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond my control. In performing my analysis, I made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of the Company.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. My choice of methodology of valuation has been arrived at by using usual and conventional methodologies adopted for mergers of a similar nature and my reasonable judgment, in an independent and bona fide manner based on previous experiences of assignments of a similar nature.

### Market Price method

The market price of an equity shares as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

The Pricing formula provided in Regulations 164 (1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') in pricing of preferential issue, in case of frequently traded shares, has been considered for arriving at the value per equity share of the Companies under the market price method.

The market price is considered as higher of following:

(a) the 90 trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date, or

(b) the 10 trading days volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.

In the present case the Relevant Date is 26 December 2024.

In the present case, the equity shares of the Companies are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) and the shares are being regularly and freely traded on both the stock exchanges, market price method is an appropriate method to value the equity shares.

AKHIL BHALLA IBBI/RV/14/ 2019/11684 REGISTERED VALUER

**Comparable Companies' Multiples ("CCM") method**

Under this method, value of equity shares of a company is arrived at 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 between the circumstances.

Since the business of DSL is diversified and mostly derived through various subsidiaries, I could not find any cohort comparable company for application of CCM method hence, I have not considered CCM method for my valuation exercise.

**Discounted Cash Flows ("DCF") method**

Under the DCF method the projected free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flows is the value of the firm for equity shareholders.

Using the DCF analysis involves determining the following:

*Estimating future free cash flows:*

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's equity capital, factoring in the minimum solvency required as per law.

*Appropriate discount rate to be applied to cash flows i.e. the cost of equity:*

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers (namely equity shareholders). The opportunity cost to the equity capital provider equals the rate of return the equity capital provider expects to earn on other investments of equivalent risk.

I have used this for valuation of business of DSL and its operating subsidiaries/ investments.

**Adjusted Net Asset Value ("NAV") method or SOTP**

In case of adjusted Net Assets Method, the value is determined by dividing the adjusted Net Assets of the Company by the number of shares. The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable/market value basis or replacement cost basis. When the value of assets are based on combination of realizable/market value basis or replacement cost basis, the value arrived at are referred as adjusted net asset value method or sum of the part method (SOTP).

**MAJOR FACTORS THAT WERE TAKEN INTO ACCOUNT DURING VALUATION**

- Latest shareholding pattern of the Companies,
- Trading volume and market price of the shares of the Companies,
- Fair Value of the subsidiaries/investment of the Companies arrived at using DCF or SOTP method,
- Report on Fair value of real estate properties carried out by third parties,
- Discount for lack of marketability ('DLOM') in case of unlisted shares of subsidiary companies,
- Adjustment for contingent liabilities appearing in the financial statement as of 31 March 2024.

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

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**COMPUTATION OF MARKET VALUE FOR THE PROPOSED ALLOTMENT**

For the purpose of current valuation exercise, I have based my analysis as per the valuation guidelines prescribed under Regulation 161 to 166A of SEBI (Issue of Capital and Disclosure Requirements ("ICDR")) Regulations, 2018 read with SEBI (SAST) Regulations, 2011 and Section 62 of Companies Act, 2013.

**As per Regulation 161 of SEBI (ICDR) Regulations, 2018:**

*For the purpose of this Chapter, "relevant date" means:*

a. *in case of preferential issue of equity shares, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue,*

b. *in case of preferential issue of convertible securities, either the relevant date referred to in clause (a) of this regulation or a date thirty days prior to the date on which the holders of the convertible securities become entitled to apply for the equity shares.*

We understand that the relevant date for the purpose of determination of floor price is be 26 December 2024.

***As per Regulation 164(1) of SEBI (ICDR) Regulations, 2018:***

*If the equity shares of the issuer have been listed on a recognized stock exchange for a period of 90 trading days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:*

1. *the 90 trading days' volume weighted average price of the related equity shares quoted on the recognized stock exchange preceding the relevant date; or*

2. *the 10 trading days' volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date.*

*Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue.*

I understand that the Articles of Association of the Issuer does not provide for any method for determination of the floor price or issue price for issuance of Equity Shares or any other convertible securities.

***As per Regulation 166A of SEBI (ICDR) Regulations, 2018:***

*(1) Any preferential issue, which may result in a change in control or allotment of more than five percent of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price.*

*Provided that the floor price, in such cases, shall be higher of the floor price determined under sub-regulation (1), (2) or (4) of regulation 164, as the case may be, or the price determined under the valuation report from the independent registered valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable*

*Provided further that if any proposed preferential issue is likely to result in a change in control of the issuer, the valuation report from the registered valuer shall also cover guidance on control premium, which shall be computed over and above the price determined in terms of the first proviso.*

I understand that the proposed preferential issue will lead to allotment of more than 5% of the post issue fully diluted share capital of the Company. I have been informed by the Management that the proposed

AKHIL BHALLA IBBI/RV/14/2019/11684 REGISTERED VALUER

preferential issue shall not result in a change in control of the Company and accordingly no control premium is considered for the purpose of arriving at the floor price.

The market value has been arrived at after considering suitability of various approaches / methods explained herein earlier and based on the weighted average value derived from market approach (Market Price method), asset approach (SOTP/Adjusted NAV method) and Income approach (DCF method) along with various qualitative factors relevant to each company and the business dynamics having regard to information base, key underlying assumptions and limitations.

I have independently applied methods discussed above, as considered appropriate and arrived at value per share.

The value of equity shares of DSL based on the different approaches is calculated as follows:

| Valuation Methodology | Value Per Share (INR) | Weights | Value per Share (INR) |
|---|---|---|---|
| Asset Approach: Adjusted NAV Method* | 53.34 | 20% | 10.67 |
| Market Approach: Market Price Method** | 90.26 | 60% | 54.16 |
| Income Approach: DCF Method*** | 54.12 | 20% | 10.82 |
| Fair Value per Share | | | **75.65** |

* I have used Adjusted NAV method of asset approach as there are operating and asset holding subsidiaries in DSL and given 20% weight to it.

**I have used Market Price method of market approach as the shares are frequently traded on stock exchanges. I have given 60% weight to market price as the market price are most observable inputs.

*** I have applied DCF method as there is operating income in Dhani on standalone basis. The value under income approach has been arrived by summing value of operating business arrived at using DCF method and value of subsidiaries and non-operating assets not covered in operating income of DSL. I have given 20% weight to Income approach value.

Detailed workings are given in Annexure A.

**Value as per 164(1): The equity value per share of DSL basis the price calculated as per regulation 164(1) (Refer Table A1)**

| No. of Trading Days | Total Volume Traded (INR Mn) | Total Turnover Traded (INR Mn) | Volume Weighted Average Price (INR) |
|---|---|---|---|
| 90 Days | 58,89,34,236 | 40,72,45,91,963 | 69.15 |
| 10 Days | 3,83,27,642.00 | 3,45,94,15,286.62 | 90.26 |
| Concluded Value – Higher of the above | | | 90.26 |

**Hence, the concluded floor value as per proviso one to regulation 166A(1) is:**

| Particulars | Value per share (INR) |
|---|---|
| Fair Value | 75.65 |
| Value as per 164 (1) | 90.26 |
| **Concluded Floor Value - Higher of the above** | **90.26** |

AKHIL BHALLA IBBI/RV/14/2019/11684 REGISTERED VALUER

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, I recommend a floor price per equity share of INR 90.26 as at 26 December 2024.

Respectfully submitted,

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

**Akhil Bhalla,**
Registered Valuer – Securities and Financial Assets
(REG. NO. IBBI/RV/14/2019/11684)
UDIN:25505002BMIKTX5715

Place : Abu Dhabi
Date : 30 December 2024

# Annexure A

## A1. Computation of Fair Value of equity shares

i) **Market Price method: Market Approach**

| Period | Average of Maximum and Minimum price | Source |
|---|---|---|
| 90 Days | 69.15 | Table A.1 |
| 10 Days | 90.26 | |

As per the pricing formula provided in Regulations 164(1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') to arrive at the value per equity share of the Companies under the market price method, higher of the above two has been considered. Hence, I have considered INR 90.26 per share.

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

Table A.1

As mentioned elsewhere in the report, in the present case the Relevant Date is 26 December 2024. Therefore the 90 days/10 days has been taken a day preceding working day to 26 December 2024 i.e. 24 December 2024.

**Volume Weighted Average Price of 90 Trading days prior to relevant date:**

| Day | Date | VOLUME | Turnover |
|---|---|---|---|
| 1 | 16-Aug-24 | 1569238 | 79441471.84 |
| 2 | 19-Aug-24 | 2984435 | 155571097.7 |
| 3 | 20-Aug-24 | 7675317 | 418018661.8 |
| 4 | 21-Aug-24 | 5188679 | 293267344.8 |
| 5 | 22-Aug-24 | 4485385 | 255978616.3 |
| 6 | 23-Aug-24 | 3650380 | 208626488.4 |
| 7 | 26-Aug-24 | 17996169 | 1061614170 |
| 8 | 27-Aug-24 | 12397385 | 760252465.1 |
| 9 | 28-Aug-24 | 7293855 | 444361616.6 |
| 10 | 29-Aug-24 | 3990123 | 232127695 |
| 11 | 30-Aug-24 | 3260620 | 189542138.1 |
| 12 | 02-Sep-24 | 2810471 | 158165392.1 |
| 13 | 03-Sep-24 | 1641686 | 92031189.42 |
| 14 | 04-Sep-24 | 2631673 | 147286779.6 |
| 15 | 05-Sep-24 | 2598180 | 146011149.2 |
| 16 | 06-Sep-24 | 3757371 | 204375729.9 |
| 17 | 09-Sep-24 | 2696728 | 143265974.7 |
| 18 | 10-Sep-24 | 2146861 | 114414537.9 |
| 19 | 11-Sep-24 | 2266183 | 118708872.2 |
| 20 | 12-Sep-24 | 2282188 | 118637251.7 |
| 21 | 13-Sep-24 | 3216877 | 171605038 |
| 22 | 16-Sep-24 | 2207010 | 115288044.6 |
| 23 | 17-Sep-24 | 3116119 | 159095101.8 |
| 24 | 18-Sep-24 | 2331125 | 118201424.7 |
| 25 | 19-Sep-24 | 2947593 | 146654618.8 |
| 26 | 20-Sep-24 | 2645132 | 133570106.7 |
| 27 | 23-Sep-24 | 5701594 | 300619303.6 |
| 28 | 24-Sep-24 | 1600667 | 84228976.53 |
| 29 | 25-Sep-24 | 1681913 | 87671341.55 |
| 30 | 26-Sep-24 | 1685300 | 87275401.3 |
| 31 | 27-Sep-24 | 1883833 | 97176287.62 |
| 32 | 30-Sep-24 | 4352535 | 229893311.7 |
| 33 | 01-Oct-24 | 2712062 | 144846966 |
| 34 | 03-Oct-24 | 3740087 | 194409946 |
| 35 | 04-Oct-24 | 2402361 | 123025027.1 |
| 36 | 07-Oct-24 | 3764436 | 182183317.8 |
| 37 | 08-Oct-24 | 17074189 | 893377491.3 |
| 38 | 09-Oct-24 | 28096082 | 1703649740 |
| 39 | 10-Oct-24 | 42242744 | 2753184062 |
| 40 | 11-Oct-24 | 13359592 | 874073143.5 |
| 41 | 14-Oct-24 | 7994842 | 530380873 |
| 42 | 15-Oct-24 | 5953705 | 386693162.4 |
| 43 | 16-Oct-24 | 2789637 | 177468922.3 |
| 44 | 17-Oct-24 | 17038864 | 1144287955 |
| 45 | 18-Oct-24 | 5002642 | 325943932 |
| 46 | 21-Oct-24 | 4023416 | 253022923.4 |
| 47 | 22-Oct-24 | 6137605 | 373273504.9 |

AKHIL BHALLA IBBI/RV/14/2019/11684 REGISTERED VALUER

| | | | |
|---|---|---|---|
| 48 | 23-Oct-24 | 4793508 | 293841471.7 |
| 49 | 24-Oct-24 | 2562362 | 154834898.8 |
| 50 | 25-Oct-24 | 5179143 | 292454590.1 |
| 51 | 28-Oct-24 | 2616504 | 148894719.6 |
| 52 | 29-Oct-24 | 1897786 | 107779067.3 |
| 53 | 30-Oct-24 | 2951097 | 171410096.5 |
| 54 | 31-Oct-24 | 1710565 | 98334978.53 |
| 55 | 01-Nov-24 | 872406 | 51447333.26 |
| 56 | 04-Nov-24 | 5453381 | 324532422.4 |
| 57 | 05-Nov-24 | 3787607 | 228283265.8 |
| 58 | 06-Nov-24 | 11228141 | 726340904 |
| 59 | 07-Nov-24 | 12031372 | 820034479.7 |
| 60 | 08-Nov-24 | 6877015 | 464097258.5 |
| 61 | 11-Nov-24 | 9935750 | 697952937 |
| 62 | 12-Nov-24 | 5192074 | 354451945.1 |
| 63 | 13-Nov-24 | 5117764 | 333243009.7 |
| 64 | 14-Nov-24 | 2558144 | 164813950.2 |
| 65 | 18-Nov-24 | 4924432 | 314591886.8 |
| 66 | 19-Nov-24 | 11635046 | 801631630 |
| 67 | 21-Nov-24 | 16251540 | 1149363895 |
| 68 | 22-Nov-24 | 9211969 | 671546219.8 |
| 69 | 25-Nov-24 | 6438618 | 478335993.3 |

| | | | |
|---|---|---|---|
| 70 | 26-Nov-24 | 8957147 | 675339077 |
| 71 | 27-Nov-24 | 9153350 | 719856315.7 |
| 72 | 28-Nov-24 | 8201936 | 639062730.9 |
| 73 | 29-Nov-24 | 3760724 | 290173127.8 |
| 74 | 02-Dec-24 | 3910727 | 306833518.7 |
| 75 | 03-Dec-24 | 3270830 | 259622639.5 |
| 76 | 04-Dec-24 | 14472976 | 1205028261 |
| 77 | 05-Dec-24 | 8510428 | 722467233.9 |
| 78 | 06-Dec-24 | 39502285 | 3697655365 |
| 79 | 09-Dec-24 | 21419092 | 2078748206 |
| 80 | 10-Dec-24 | 7195986 | 689374680.9 |
| 81 | 11-Dec-24 | 4023939 | 372795656.5 |
| 82 | 12-Dec-24 | 3375411 | 307141068.8 |
| 83 | 13-Dec-24 | 5317846 | 473924300.2 |
| 84 | 16-Dec-24 | 6950440 | 648817038.3 |
| 85 | 17-Dec-24 | 2560617 | 233560285.8 |
| 86 | 18-Dec-24 | 2793243 | 246405028.1 |
| 87 | 19-Dec-24 | 2626340 | 228901244.2 |
| 88 | 20-Dec-24 | 4343692 | 384249815.9 |
| 89 | 23-Dec-24 | 2924434 | 256278388 |
| 90 | 24-Dec-24 | 3411680 | 307342460.9 |
| **Total** | | **58,89,34,236** | **40,72,45,91,963** |
| **90 Days VWAP** | | | **69.15** |

AKHIL BHALLA
IBBI/RV/14/2019/11684
REGISTERED VALUER

**Volume Weighted average Price of 10 Trading days prior to relevant date:**

| Day | Date | VOLUME | Turnover (INR) |
|---|---|---|---|
| 1 | 11-Dec-24 | 40,23,939.00 | 37,27,95,656.47 |
| 2 | 12-Dec-24 | 33,75,411.00 | 30,71,41,068.78 |
| 3 | 13-Dec-24 | 53,17,846.00 | 47,39,24,300.15 |
| 4 | 16-Dec-24 | 69,50,440.00 | 64,88,17,038.34 |
| 5 | 17-Dec-24 | 25,60,617.00 | 23,35,60,285.81 |
| 6 | 18-Dec-24 | 27,93,243.00 | 24,64,05,028.10 |
| 7 | 19-Dec-24 | 26,26,340.00 | 22,89,01,244.20 |
| 8 | 20-Dec-24 | 43,43,692.00 | 38,42,49,815.88 |
| 9 | 23-Dec-24 | 29,24,434.00 | 25,62,78,388.01 |
| 10 | 24-Dec-24 | 34,11,680.00 | 30,73,42,460.88 |
| **Total** | | 3,83,27,642.00 | 3,45,94,15,286.62 |
| **10 Days VWAP** | | | **90.26** |

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

## ii) DCF: Income Approach

As mentioned elsewhere in the report, I have applied discounted cashflow (DCF) method of income approach to estimate the value of equity shares of DSL. The DCF looks at cash flows of a number of years and hence is more of a moving picture over a pre- determined period. It is ideal if future earnings do not measure the current earnings and when future earnings are subject to variances. Simply stated where 'phased- growth' can be identified, DCF is more suitable. This method determines the value of a business by taking future expected cash flows to their present value by applying an appropriate discount rate. The two key components in DCF model are "future expected cash flows" and "discount rate". The process of estimation of discount rate has been explained in detail in Annexure C.

Based on the description given in Annexure C, the Discount rate for DSL has been computed as under

| Particulars | | Remarks |
|---|---|---|
| **Risk-free rate (%)** | 8.80% | Zero Coupon Yield Curve as of 26 December 2024 of Government Securities having maturity period of 10 years sourced from ccilindia.com |
| **Beta (b)** | 0.60 | Based on Market beta derived from comparable companies |
| **Market risk premium (MRP)** | 6.80% | Market risk premium is a slope of security market line developed by William Sharpe. This generally remains the same over a longer period of time unless there is change in the risk perception of the investors. The market risk premium required for estimating required return should be on forward basis (ex-ante). However, in emerging economy like India any estimation based solely on ex –ante basis is fraught with risk due to high volatility. Past data over a long period of time can be a good indicator of the expectation in future also. We have taken market risk premium equal to 6.80% that is based MRP estimated by Aswath Damodaran for India for July 2024 available on www.damodaranonline.com. |
| **Equity Risk Premium** | 4.07% | (b) x (MRP) |
| **Additional risk premium (%)** | 5.00% | Company Specific Risk. |
| **Cost of equity capital (%) (Round off)** | **15.87%** | Modified CAPM for estimation of Ke. The formula for computation of Ke as: Risk free rate+ beta*Equity Risk Premium+ Company Specific Risk Premium |
| **Cost of Debt (Post Tax)** | **7.48** | Cost of Pre-tax debt 10% |
| **D/E Ratio** | 0:01 | Based on Market Average |
| **WACC** | **15.00%** | Rounded off |

**INR Mn**

AKHIL BHALLA IBBI/RV/14/2019/11684 REGISTERED VALUER

| Particulars | 26-Dec-25 | 26-Dec-26 | 26-Dec-27 | 26-Dec-28 | 26-Dec-29 | TY |
|---|---|---|---|---|---|---|
| Period in Months | 3 | 12 | 12 | 12 | 12 | |
| Revenues | 62.7 | 236.6 | 208.1 | 177.5 | 144.5 | 151.8 |
| EBIT | 39.2 | 145.6 | 110.7 | 73.1 | 32.7 | 34.3 |
| Less Tax | -9.9 | -36.6 | -27.9 | -18.4 | -8.2 | -8.6 |
| EBIT after Tax | 29.3 | 108.9 | 82.8 | 54.7 | 24.5 | 25.7 |
| Add: Depreciation | -0.2 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 |
| Less: Capital Expenditure | 0.7 | -0.7 | 0.5 | 0.4 | 0.3 | 0.3 |
| Add/Less: Changes in Working Capital | -3.1 | 2.2 | 1.8 | 1.4 | 1.1 | 0.1 |
| Free Cash flows | 26.7 | 110.7 | 85.3 | 56.7 | 26.0 | 26.2 |
| Time to Midpoint | 0.50 | 1.50 | 2.50 | 3.50 | 4.50 | 4.50 |
| Discount Rate | 0.93 | 0.81 | 0.71 | 0.61 | 0.53 | 0.53 |
| **Discounted Cash Flow** | **24.9** | **89.8** | **60.1** | **34.7** | **13.9** | **14.0** |

| Particulars | INR Mn |
|---|---|
| Present Value of Explicit Period | 223.4 |
| Add: Present value of Perpetuity | 139.6 |
| **Enterprise Value** | **363.0** |
| Add: Cash & Bank Balance | 255.2 |
| Add: Investments (Net of DLOM) | 33,951.5 |
| Add: Loans & advances | 2,841.8 |
| Less: Borrowing | (4,335.0) |
| Less: Contingent Liabilities | (162.6) |
| **Equity Value** | **32,913.8** |
| No. of Equity Shares | 608.1 |
| **Value per share (INR)** | **54.12** |

#I have adjusted the above value by 50% of the contingent liabilities reported in the financials as on valuation date

**Note 1:** Tax rate applicable to DSL has been considered in this valuation exercise. As per management approved financials, the applicable tax rate is 25.17%.

AKHIL BHALLA IBBI/RV/14/ 2019/11684 REGISTERED VALUER

**Note 2:** Capex has been considered as per the projections provided by the Management.

**Note 3:** DCF approach assumes that the cash flows occur evenly during each of the measurement periods (and not at the end of the year); therefore, the discounting rate is adjusted to value the cash flows at the mid-point of the measurement period.

**Note 4**: The perpetual/ terminal growth has been considered based on the future prospects of the company as discussed with Management.

**Note 5**. The equivalent fully paid shares have been considered for computation of value per equity shares.

**Note 6**. The management has provided me the provisional management approved financials of the Company as of 30 September 2024 and have been given to understand that there is no significant change in the position of assets and liabilities between 30 September 2024 and valuation date except Cash & Cash equivalent and Borrowings. Management has provided the Cash & Cash equivalent and Borrowings as of 30 November 2024.

**Note 7**. The fair value of loan assets has been assessed on the basis of recoverability of the same. The valuation of investment has been estimated on the basis of valuation of operating companies using DCF method whare as non-operating companies using Adjusted NAV as per list given in para iv).

**Based on the information provided by the management and other information gathered by us, the fair value of the equity shares of DSL, as of 26 December 2024, is worked out at INR 54.12 per share as per DCF method.**

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

### iii) Adjusted NAV/ SOTP method: Asset Approach

| Particulars | Fair Value as on 26 December 2024 (INR Mn) |
|---|---|
| **Assets:** | |
| Loans | 2,753.65 |
| Other Bank Balances | 238.64 |
| Cash and cash equivalents | 16.53 |
| Investments | 33,951.50 |
| Other financials assets | 31.31 |
| Current tax assets (net) | 13.87 |
| Deferred tax assets (net) | 5.83 |
| Property, plant and equipment | 1.62 |
| Other intangible assets | - |
| Other non-financial assets | 13.56 |
| **Total** | **37,026.51** |
| **Liabilities** | |
| Provisions | 11.85 |
| Current tax liabilities | 50.55 |
| Borrowings | 4,335.00 |
| Other financial liabilities | 7.19 |
| Other non financial liabilities | 9.06 |
| Trade payables | 8.98 |
| **Total** | **4,422.64** |
| **Adjusted Net Asset Value** | **32,603.87** |
| Less: Impact of Contingent Liabilities | 162.58 |
| NAV after impact of Contingent | **32,441.89** |
| **No of shares** | 608.15 |
| NAV per share | **53.34** |

#I have adjusted the above value by 50% of the contingent liabilities reported in the financials as on valuation date.

**Note 1**. The equivalent fully paid shares have been considered for computation of value per equity shares.

**Note 2**. The management has provided me the provisional management approved financials of the Company as of 30 September 2024 and have been given to understand that there is no significant change in the position of assets and liabilities between 30 September 2024 and valuation date except Cash & Cash equivalent and Borrowings. Management has provided the Cash & Cash equivalent and Borrowings as of 30 November 2024.

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

**Note 3.** The fair value of loan assets has been assessed on the basis of recoverability of the same. The valuation of investment has been estimated on the basis of valuation of operating companies using DCF method whare as non-operating companies using Adjusted NAV as per list given in para iv) below.

**iv) Methods adopted for valuation of investments in subsidiaries**

| Companies | Basis |
|---|---|
| Indiabulls Securities Limited | DCF |
| Indiabulls Nests Limited | Adjusted NAV |
| Indiabulls AARCL | DCF |
| Indiabulls Infra Resources Limited | Adjusted NAV |
| Dhani Loans and Services Limited | DCF |
| Pushpanjli Finsolutions Limited | Adjusted NAV |
| Indiabulls Cityheights Limited | DCF |
| Gyansagar Buildtech Limited | Adjusted NAV |
| Auxesia Soft Solutions Limited | Adjusted NAV |
| Evinos Developers Limited | Adjusted NAV |
| Indiabulls Residency Limited | Adjusted NAV |
| Indiabulls Township Limited | Adjusted NAV |
| Indiabulls Urbanheights Limited | Adjusted NAV |
| Jwala Technology | Adjusted NAV |
| Devata Tradelink Limited | Adjusted NAV |
| Juventus Estate Limited | DCF |
| Mabon Properties Limited | Adjusted NAV |
| Euler Systems Inc. | NAV |
| Dhani Limited Jersey | NAV |

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

### v) Fair Value of DSL's Loan Assets

INR

| Name of Entity | Book Value of loan from DSL | Recoverable Value of loan from DSL | Remark |
|---|---|---|---|
| Indiabulls Consumer Products Limited | 1,76,229 | 46,127 | Recoverable amount on the basis of Adjusted NAV |
| Dhani Healthcare Limited | 25,89,63,759 | 25,89,63,759 | Carrying amount |
| Dhani Stocks Limited | 14,65,00,000 | 14,65,00,000 | Carrying amount |
| Juventus Estate Limited | 2,21,91,98,393 | 2,21,91,98,393 | Carrying amount |
| Devata Tradelink Limited | 1,81,65,55,960 | 78,23,313 | Recoverable amount on the basis of Adjusted NAV |
| Savren Medicare Limited | 2,66,63,188 | 21,50,777 | Recoverable amount on the basis of Adjusted NAV |
| Gyansagar Buildtech Limited | 8,19,52,218 | 84,224 | Recoverable amount on the basis of Adjusted NAV |
| Krathis Buildcon Limited | 5,37,43,146 | 4,60,48,167 | Recoverable amount on the basis of Adjusted NAV |
| Krathis Developer Limited | 5,02,35,018 | 5,02,35,018 | Recoverable amount on the basis of Adjusted NAV |
| Jwala Technology Systems Private Limited | 2,02,02,442 | 76,010 | Recoverable amount on the basis of Adjusted NAV |
| Eluer Systems INC (USA) | 5,13,83,801 | 22,80,995 | Recoverable amount on the basis of Adjusted NAV |
| Milky Way Buildcon Limited | 5,20,682 | 5,20,682 | Recoverable amount on the basis of Adjusted NAV |
| Mabon Properties Limited | 2,83,50,328 | 1,97,26,591 | Recoverable amount on the basis of Adjusted NAV |
| Total | | 2,75,36,54,056 | |

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER

## Annexure C

## Discounted Cashflow Method

In case DSL and its operating subsidiaries, I have applied discounted cashflow (DCF) method of income approach to estimate the fair value of equity shares as of 26 December 2024. The DCF looks at cash flows of a number of years and hence is more of a moving picture over a pre- determined period. It is ideal if future earnings do not measure the current earnings and when future earnings are subject to variances. Simply stated where 'phased- growth' can be identified, DCF is more suitable. This method determines the value of a business by taking future expected cash flows to their present value by applying an appropriate discount rate. The two key components in DCF model are "future expected cash flows" and "discount rate". The change in value is positively related to the cash flows and negatively related to the discount rate.

For estimation of future expected cash flows, either FCFF (Free cash flows to Firm) of FCFE (Free cash flows to Equity) model can be adopted. I have used FCFF model for all the entities considering the nature of businesses. FCFF/E requires the following processes.

i. Estimation of FCFF/E– this involves identification of growth phases, estimation of projected earnings for each phase and conversion of projected earnings to expected cash flow to firm/Equity
ii. Development of a required rate of return
iii. Discounting of the discrete period cash flows
iv. Estimation of the terminal value
v. Summing up the present value of the discrete cash flows and the terminal value

### Step 1: Estimation of Revenue

The first important step for estimation of FCFF/E is the revenue projection. The projection is based on management's future plans and initiatives. The management has provided me the projected income statement of all the operating companies ( DSL, subsidiaries/step down subsidiaries of the Companies). I have reviewed and validated the projection with historical performance of the Company along with industry and economic outlook near the valuation date and management's various initiatives.

### Step 2: Estimation of Discount Rate

In valuation, estimate of the required rate of return is just as important as the estimate of the expected amounts of cash flows to be discounted. The required rate of return or the discount rate is a reflection of the rate of return an investor would require for taking the risk associated with that investment. It, therefore,

AKHIL BHALLA IBBI/RV/14/ 2019/11684 REGISTERED VALUER

is a measure of compensation for the risks associated with the particular cash flow and is used to convert projected cash flows into a present value. Simply stated it is the expected rate of return that the market participants require in order to attract funds to a particular investment.

The biggest challenge in implementing DCF method of valuation is to address the risks associated with the investment. Some risks can be addressed by taking reduced expected cash flows and the others can be incorporated by raising discount rate. While compensating for risks, it is necessary to avoid 'double counting' or 'over-discounting' situations. Within a standard risk adjusted DCF valuation method risk affects investors in two ways which are given below:

- **Two sided or Symmetrical or Systematic risk -** those risks having both upside and down-side impacts. They change expected cash flow and hence the value of investment, only to the extent that they contribute to volatility of the value of diversified portfolio of the investor.
- **One sided or Asymmetric or Unsystematic risk -** those risks having potential downside impacts significantly greater than potential upside. They significantly change expected cash flow relative to the most likely scenario and hence the value, whether or not they contribute to the volatility of the value of diversified portfolio of the investor.

The projected cash flows estimation is often based on substantial realisation of expectations with little or no allowance for the potential for the unexpected or unlikely. For example, cash flow projections may be based on a target or budget reflecting what 'should' happen, rather than a realistic balance of probable and improbable outcomes. This approach not only creates problems in terms of potentially biasing financial cash flow projections but may also suggest insufficient risk analysis.

Cash flows required for CAPM (Capital Asset Pricing Model) is unconditional expectation of cash flows that are expected under future scenarios weighted by the probability of that scenario. If the structure of downside risks is simple and if their impact is expected to grow at a compounded rate, they can be factored either as adjustment to cash flows or as an addition to cost of capital.

In such a scenario the appropriate discount rate can be based on CAPM only as it tries to capture risk premium for the investor for the volatility in their return. These necessitate a careful examination of all types of risks associated with the investment and then incorporate them either by reducing expected cash flows or by raising the discount rate. When we say that risk is adjusted to cash flows then it means the cash flows are being adjusted to expected values and when we say that risk is being adjusted to discount rate then it means addition of a risk premium to arrive at cost of capital.

Typically, all two-sided risks are addressed through the cash flows whereas one sided risks are addressed through the discount rate. However, before rolling downside risks into the discount rate it is carefully evaluated to avoid any scope of double counting. When we adjust two sided risks through cash flows and then discount it using required rate of return based on CAPM then it is not double counting of risk. Because the cash flows account for risk in the sense of

AKHIL BHALLA IBBI/RV/14/ 2019/11684 REGISTERED VALUER

considering all possibilities and deriving a mean or expected value but do not account for risk in the sense of providing specific compensation for the potential for returns to depart from those expected values due to systematic or two-sided risk.

For example, an investment with a certain cash flow return of INR 100 per annum would have the same expected cash flow as a project with a 50% probability of INR 0 return and 50% probability of INR 200 return per annum. The expected value of the cash flows therefore does not reflect the variance of the cash flows due to systematic risk or the co-variance of those cash flows with the cash flows of a portfolio of investments. To the extent that the potential variance is sensitive to systematic risk this is taken account through the discount rate under CAPM. The product of a particular beta and a generic market risk premium determines this premium. In addition to this, the cost of equity has been adjusted to incorporate premium for company specific risk or downside risk, as discussed below.

Based on the analysis of economic, operational conditions and location, we have identified the following components of required rate of return/risks which are required to be addressed under DCF valuation.

a) Demand risk
b) Price risk
c) Risks associated with legislative change (e.g., changes in fiscal policy etc.)
d) Operating risk (volatility of revenue and earnings)
e) Financing risk (significant amount of debt)
f) Technology risk
g) Customer's risk

Factors (a)–(c) are generally regarded as the risks that may affect the market as a whole, particular subsectors or groups of assets. As such, these risks could be called market or systematic risks or two-sided risk. These risks have been addressed through cash flow, by reducing expected cash flows and to compensate for volatility a variant of CAPM is used.

Factors (d)–(f) are, broadly speaking, risks associated with individual companies. These risks could be described as non-market or unsystematic risks or downside or one-sided risks. Since they are not incorporated while projecting cash flows, we have addressed these risks while estimating cost of equity under the head of Company Specific Risk Premium (CSRP).

It is important to note that the classification of systematic and unsystematic is relatively broad as none of factors are entirely separable or mutually exclusive. Quite clearly then, the degree of separation of the various risk factors and their incorporation into a DCF are of key importance in the validity of the valuation

AKHIL BHALLA IBBI/RV/14/ 2019/11684 REGISTERED VALUER

process. Based on my research and understanding including inputs from management of the Companies, I believe that the classification is fair and have been addressed appropriately.

I give below a methodology for using the cost of capital (COC) to estimate the required rate of return as it provides a reliable basis for the derivation of an appropriate discount rate for the valuation of a company.

**Estimation of Cost of Capital**

We give below a methodology for using the cost of capital (COC) to estimate the required rate of return as it provides a reliable basis for the derivation of an appropriate discount rate for the valuation of a company.

WACC has been computed using the following formula,

$$\mathrm{WACC} = \left(\frac{E}{V} \times Re\right) + \left(\frac{D}{V} \times Rd \times (1 - Tc)\right)$$

**where:**

$E =$ Market value of the firm's equity

$D =$ Market value of the firm's debt

$V = E + D$

$Re =$ Cost of equity

$Rd =$ Cost of debt

$Tc =$ Corporate tax rate

**Estimation of Cost of Equity (Ke)**

I have estimated the Ke using Modified CAPM (MCAPM) method. Under this method the basic CAPM is adjusted for 'company specific risk premium'. The formula for calculation of cost of equity as per MCAPM method is given below:

**Ke = RF + Beta (RM – RF) + CSRP**

Where,

RF = Risk Free rate

RM = Market Return

(RM – RF) = Market Risk Premium

AKHIL BHALLA IBBI/RV/14/ 2019/11684 REGISTERED VALUER

Beta = Sensitivity of the Index to the Market

CSRP = Company Specific Risk Premium

**Estimation of Cost of Debt (Kd)**

The cost of debt is the effective interest rate a company pays on its debts. It's the cost of debt, such as bonds and loans, among others. The cost of debt often refers to after-tax cost of debt, which is the company's cost of debt before taking taxes into account.

The post tax cost of Debt has been computed using following formula,

$$\left(\frac{D}{V} \times Rd \times (1 - Tc)\right)$$

**Step 3:** Computation of value from operations by Discounting of the discrete period cash flows estimated as explained in step 1

**Step 4:** Summing up the present value of the discrete cash flows and the terminal value,

**Step 5:** Computation of Equity value after adjustment for non operating assets, liabilities, excess cash, investment etc.

**Step 6:** Dividing the above equity value by number of total issued, subscribed and fully paid equity shares to arrive at per share value,

**Step 7:** Adjustment for DLOM. The DLOM has been defined as an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability. DLOM is the difference in value between an illiquid (unlisted) stock and an all-else-equal liquid (listed) security

AKHIL BHALLA
IBBI/RV/14/
2019/11684
REGISTERED VALUER