

VALUATION REPORT

GAMMA ROTORS PRIVATE LIMITED

AS ON OCTOBER 31, 2024

SAUROBH KUMAR BARICK

REGISTERED VALUER

REG. No. IBBI/RV/11/2019/12454

To,
The Board of Directors,
Gamma Rotors Private Limited,
Ground Floor and First Floor, C-249,
Defence Colony, Delhi-110024, India

Subject: Valuation report on fair value of equity shares of Gamma Rotors Private Limited as at October 31, 2024

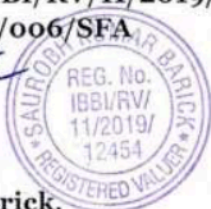
I have been engaged by Gamma Rotors Private Limited for the purpose of assessing fair value of equity shares as of October 31, 2024 of Gamma Rotors Private Limited (hereinafter referred to as "**the Company**"), having its registered office Ground Floor and First Floor, C-249, Defence Colony, Delhi-110024, India, for the purpose of allotment equity shares; ("**Transaction**") in accordance with Section 62(1)(c) of the Companies Act, 2013 using latest available financials as on October 31, 2024 ("**Valuation Date**") and management certified projected financials for the period starting from financial year 2024-25 (5 Months) to financial year 2029-30.

Based on the information provided by the management, I, Saurobh Kumar Barick Registered Valuer (REG. No. IBBI/RV/11/2019/12454), hereby confirm that I have arrived at the "Fair Value" ("Valuation" or "Value") of the equity shares of the Company as on October 31, 2024. Based on the assessment, the value of the equity shares of the Company is worked out to be **INR 137.42/- (Rupees One Hundred Thirty-Seven and Paise Four Two Only)** per share.

The detailed valuation report including computation of fair value of the equity shares of the Company has been attached.

For Saurobh Kumar Barick,
Registered Valuer
Securities or Financial Assets
Registration No. IBBI/RV/11/2019/12454
COP NO- DJE/RVO/006/SFA

Saurobh Kumar Barick,
Date: December 6, 2024



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About the Valuer

Saurobh Kumar Barick (the "Valuer"), is an MBA-Finance and Registered Valuer having Registration No. IBBI/RV/11/2019/12454, Membership No. DJVFRVO-10002/2018-19(SFA) & COP NO- DJF/RVO/006/SFA. The Valuer is registered with the Insolvency and Bankruptcy Board of India to undertake the Valuation of Securities and Financial Assets.

Disclosure of valuer interest or conflict

I hereby certify that the valuer(s) is/are suitably qualified and authorized to practice as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the Company (including the parties with whom the Company is dealing, including the lender or selling agent, if any). The valuer(s) accept instructions to value the Company only from the appointing authority or eligible instructing party.

I have no present or planned future interest in the Company or its group companies, if any and the fee payable for this valuation is not contingent upon the value of shares reported herein

Key dates

Appointment Date	December 03, 2024
Valuation Date	October 31, 2024
Report Date	December 06, 2024



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Background Information about the Company

Name	Gamma Rotors Private Limited
CIN	U35999DL2018PTC332296
Date of Incorporation	10/04/2018
Registered Address	Ground Floor and First Floor, C-249, Defence Colony, Delhi-110024, India.
Listing status	Unlisted
Directors	Arpan Ghosh, Sushmita Ghosh

(Source: MCA)

Gamma Rotors Private Limited is primarily engaged in business of assembling and developing all kinds of unmanned aerial vehicles systems (UAVS)/drones and to sell unmanned aerial vehicles (UAVS)/ drones majorly to government agencies/entities, etc. And to provide the maintenance and servicing of same.

Shareholding as of October 31, 2024

Particulars	Number of Shares	Face Value	Paid-up Capital
Equity Share	21,615	10	2,16,150

Note: Material events post the valuation date:

- The Company, vide its board resolution dated November 22nd, 2024, has decided to sub divide each equity shares held in the Company having a face value of Rs. 10/- into Five (5) Equity Shares having a face value of Rs. 2/- each fully paid.
- The Company, vide its board resolution dated December 2nd, 2024, has offered 1,08,07,500 equity shares via Bonus shares issue with a face value of INR 2/- per share to existing shareholders.
- The diluted number of shares after considering both the above events as on the valuation date are 1,09,15,575 shares.

Shareholding after considering above mentioned events:

Particulars	Number of Shares	Face Value	Paid-up Capital
Equity Share	1,09,15,575	2	2,18,31,150

(Source: Company)

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Purpose of Valuation

I have been represented by the management that the Company is in process of issuance and allotment equity shares to certain investors thus, the company propose to arrive at the fair valuation of each equity as of October 31, 2024. I further understand that this fair valuation certificate shall be used for statutory disclosure in accordance with Section 62 (1)(C) of the Companies Act, 2013, as amended from time to time.

The relevant extract of Section 62 (1)(c) of the Companies Act, 2013 is as under:

*62. Further issue of share capital. — (1) Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered—
to any persons, if it is authorized by a special resolution, whether or not those persons include the persons referred to in clause (a) or clause (b), either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a valuer subject to such conditions as may be prescribed.*

Sources of Information

I have been provided with the following information by the management of Gamma Rotors Private Limited for the purpose of my Value analysis:

- a) Management certified provisional financial statement for the period ended October 31, 2024, of the Company.
- b) Management certified projected financial statement for the period starting from financial year 2024-25 (5 Months) to financial year 2029-30.
- c) Audited financial statement of the Company for the period ended March 31, 2024.
- d) Cap Table of the Company on fully diluted basis.
- e) Discussion with the KMPs to understand the business model of the Company, Revenue Model, Key expenses ingredients, historical and expected future performance and key value drivers affecting performance of the Company.
- f) Such other analysis, review, and inquiries, as have been considered necessary Long-term business plan of the Company.
- g) Other relevant details relating to the Company such as list of shareholders and other data.
- h) Such other information and explanations as were required by me and were furnished by the management.



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Valuation Methodology

There are several internationally accepted and commonly used pricing methodologies for determining the fair value of the equity shares of a company, whose shares are not listed on a stock exchange such as:

1. Net Asset value ("NAV") Methodology
2. Comparable Transaction Multiples ("CTM") Methodology.
3. Comparable Companies Multiples ("CCM") Methodology.
4. Discounted Cash Flow ("DCF") Methodology.

NAV Methodology

The asset-based valuation method is based on the value per share of the underlying net assets and liabilities of the Company, either on a book value basis or replacement cost basis. This valuation approach is used in cases where the firm is to be liquidated i.e., it does not meet the going concern" criterion or is used in case where the asset base dominates earnings capacity.

In the circumstances and keeping in mind that the present valuation of the Company is on a going concern basis, and the value of the Company is driven more by the potential to generate cash flows in the future than its underlying assets, therefore, the value arrived at under this method is of little relevance as compared to the value under the other methods discussed below.

CTM Methodology

The CTM Methodology involves applying derived transaction multiples of comparable transactions to the company's future maintainable revenues/ profits (based on past and/ or projected working results adjusted to reflect the future earnings potential) after making adjustments to the derived multiples on account of dissimilarities with the comparable transactions and the strengths, weaknesses and other factors peculiar to the proposed transaction for which the company is being valued.

I have performed a search for suitable comparable transactions for valuing the equity shares of the Company under the CTM method. However, my research did not indicate comparable transaction in respect of which complete details of the deal structure, profitability, etc. are available in public domain.

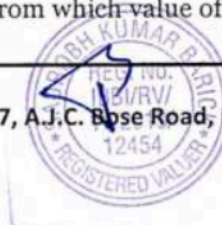
CCM Methodology

Under this method, one attempts to measure the value of the shares/ business by applying an appropriate capitalization rate/ multiple (the EV/Revenue multiple, the EV/EBITDA multiple, etc.) - for which one may also consider the market quotations of comparable public/ listed companies possessing attributes similar to the business - to the future maintainable profits of the business (based on past and / or projected working results adjusted to reflect the future earnings potential) after making adjustments to the capitalization rate/ multiple on account of dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued. Consequently, identifying comparable listed companies to the company being valued, both in business and financial terms, is highly important.

DCF Methodology

Under this technique, either

1. the projected free cash flows from business operations available to all providers of capital are discounted at the weighted average cost of capital to such capital providers, from a market participant basis, and the sum of such discounted cash flows is the value of the business, from which value of debt and other capital is deducted,



and other relevant adjustments made to arrive at the value of the equity - Free Cash Flows to Firm ("FCFF") technique;

Or

2. The projected free cash flows from business operations available to equity shareholders (after deducting cash flows attributable to the debt and other capital providers) are discounted at the cost of equity, from a market participant basis, and the sum of such discounted free cash flows, after making other relevant adjustments, is the value of the equity - Free Cash Flows to Equity ("FCFE") technique.

Rationale for Valuation Approaches & Methodologies

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

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 using usual and conventional methodologies adopted for transactions of a similar nature and my reasonable judgment, in an independent and bona fide manner based on my previous experience of assignments of a similar nature.

Cost Approach: The cost approach considers the assets and liabilities and contingent liabilities. Since the current valuation analysis is on a going concern basis, I have not used the cost approach for the valuation of this Company.

Income Approach: In the current case, Company's true worth of its business would be reflected in the future earnings of the Company. Based on the current stage of the Company, discussion with the Management and the facts and explanations mentioned herein in this report, the DCF method under the income approach has been considered as an appropriate method for the present valuation exercise.

Market Approach:

- As any of the shares of the Company are not listed on any recognized stock exchange, the market price method of valuation was not considered. There are no direct listed comparable companies in India which are engaged in the business similar to that of the Company. Hence, I have not considered the CCM method.
- In the absence of adequate details about comparable transactions, the CTM method is not considered for present valuation analysis exercise.



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Valuation of Gamma Rotors Private Limited

Considering the above analysis of each method, nature of the industry in which the Company operates I have considered the Discounted Cash Flow (DCF) Method Free Cash Flows to Firm ("FCFF"). The discounted cash flow is considered appropriate as it serves as an indicator of the prospective return that the business is able to generate in the future. The discounted cash flow method is very effective because it allows values to be determined even when cash flows are fluctuating. The DCF method uses the future free cash flows of the Company / equity holders discounted by the cost of capital to arrive at the present value. In general, the DCF method is a strong and widely accepted valuation tool, as it concentrates on the cash generation potential of a business. This method is based on future potential and is widely accepted.

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Valuation Computation of Gamma Rotors Private Limited as per Discounted Free Cash Flow Methodology as on October 31, 2024.

Amount In INR

Discounted Free Cash Flow Methodology							
Particulars	FY 2025 (5 Months)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Terminal
PAT	13,94,78,451	21,99,41,804	42,75,54,377	54,89,30,497	64,72,08,679	75,53,53,056	
Add: Depreciation	60,77,158	3,48,99,281	8,58,99,281	14,36,49,281	19,83,99,281	23,85,99,281	
Less: Capex	6,17,73,340	35,00,00,000	40,00,00,000	45,00,00,000	35,00,00,000	24,00,00,000	
Add: Interest Post tax	29,71,486	29,71,486	14,85,743	-	-	-	
Less: NWC	11,27,27,502	6,32,33,088	26,99,90,261	20,24,92,696	17,96,39,949	17,79,21,208	
Free Cash Flow	(2,59,73,748)	(15,54,20,518)	(15,50,50,860)	4,00,87,082	31,59,68,012	57,60,31,129	3,96,34,02,855
Discount Factor	0.96	0.83	0.68	0.55	0.45	0.37	0.37
Present Value of Cash Flows	(2,48,91,956)	(12,88,88,950)	-10,48,33,142	2,20,97,644	14,20,04,375	21,10,67,639	1,45,22,58,465
Cumulative Present Value of Cash Flows	1,56,88,14,075						
Enterprise Value	1,56,88,14,075						
Add: Cash & Cash Equivalents as on October 31, 2024	6,23,934						
Less: Debt as on October 31, 2024	6,94,38,009						
Equity Values	1,50,00,00,000						
No. of Shares	1,09,15,575						
Value Per Share	137.42						

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Valuation Methodology

Basis the analysis undertaken in previous paragraph; I have used Discounted Cash Flow approach in my analysis for computing the fair value of share of the Company.

Application of the DCF methodology for valuation of the Company entailed the following stages:

- Estimation of the net cash flows of the Company to be generated from Financial Year 2024-25 (5 Months) to Financial Year 2029-30 based on financial projections. This estimate has been produced from financial projections provided and approved by management.
- The future free cash flows are derived considering, inter alia, the changes in the working capital, addition or repayment of Debt and any capital expenditure. They are an aggregation of free cash flows of the Company during the explicit forecast period – prepared based on the business plan – and during the post explicit forecast period, estimated using an appropriate method, and are available to Company's equity shareholders.
- Calculation of the discount rate of the Company based on Cost of equity. The discount rate on the capital that the provider expects to earn on other investments of equivalent risk.
- Application of the discount rate to the Free Cash Flows attributable to Equity Shareholders of the Company from Financial Year 2024-25 (5 Months) to Financial Year 2029-30 to arrive at the Net Present Value ("NPV") of those free cash flows.
- Estimation of the terminal value of the Company.
- Estimation of equity value calculated as the summation of terminal value and present value of free cash flows to equity shareholders of the Company till March 31, 2030, and adjusted by all surplus assets.

Estimate of Discount Rate

The discount rate applied to calculate current values on October 31, 2024, has been determined based on Cost of Equity (Ke).

WACC calculation

$$WACC = K_d \times (1 - T_c) \times (D / (D + E)) + K_e \times (E / (D + E))$$

Note:

K_d = Estimated pre-tax cost of debt

T_c = Company tax rate

D = Debt

E = Equity

K_e = Cost of equity



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Cost of Equity (Ke)

Cost of equity has been estimated based on the CAPM. This model calculates the cost of equity of a Company as the sum of the risk-free rate and a Company specific equity risk premium, the latter of which represents the risk of company in question as compared to the market risk premium:

Calculation of cost of equity

$$COE = R_f + \beta(R_m - R_f) + R_a$$

Note:

R_f = Risk-free rate

R_m = Expected market equity risk premium

R_a = Additional risk premium to account for higher risk

β = Measure of observed volatility compared to the market

The attached table summarizes the main assumptions used to calculate cost of equity of the Company.

COE assumptions	Values	Source
Risk free rate, R _f	6.77%	Risk Free Rate based on 10-year Government Bond Rate) *
Expected Return, R _m	14.16%	Based on historic rolling returns of Sensex
Market equity risk premium over risk free rate	7.39%	R _m -R _f
Beta	1.48	As reported by Prof. Aswath Damodaran recently published data based for Aerospace/Defense Industry- Relevered
Additional risk premium	5.00%	To account for higher risk as the Company is in high growth phase.
Adjusted Cost of equity, Ke	22.72%	Computation

*Source: <https://www.ccilindia.com/RiskManagement/SecuritiesSegment/Pages/ZCYC.aspx>

Cost of debt

Cost of debt is the rate of interest for existing debts outstanding. K_d of the Company is arrived by reducing the Corporate Tax Rate on the Interest-bearing Borrowings of the Company. In the Current Structure the Company is company's K_d is as given below

Particulars	interest rate
Rate of interest*	20.00%
Tax rate	25.168%
Cost of Debt (K_d)	14.97%

*As per Management input



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Weighted Average Cost of Capital (WACC) In Situations where the business is run on borrowed funds, the cost of capital becomes an important parameter in assessing a firm's potential for net profitability. WACC measures a company's cost to borrow money, where the WACC formula uses both the company's debt and equity in its calculation.

Source of finance	Cost (K)	Weight(W)*	K*W
Equity	22.66%	99.22%	22.53%
Debt (Post Tax)	14.97%	0.78%	0.12%
WACC			22.65%

*As per Management input

Terminal value calculation

The Company's free cash flow during the last year of forecast period is in line with growth rate as compared to long term expected industry growth rate, thus Terminal Value is calculated based on the Gordon Model and extrapolating the adjusted free cash flows of the last year at an annual growth rate of 4%.



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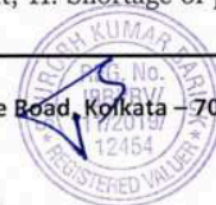
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Caveats, limitations, and disclaimers

- **Specific Purpose:** Valuation analysis and its results are specific to the purpose of valuation as mentioned in the section "Purpose". It may not be relevant for any other purpose or entity. This Report is prepared exclusively for the above stated purpose. I understand that the Company is contemplating to issue securities to identified investors / shareholders / Person Resident Outside India ("Investors"). Accordingly, this valuation report has been issued as per the requirement of Section 42 and Section 62 (1)(C) of the Companies Act, 2013 and Rule 13 of the Companies (Share Capital and Debentures) Rules 2014 on the specific request of Company. In this reference, I provide consent to the Company and the Investors to place reliance on the report for ascertaining compliance with the requirements of the stated Act as above and disclose it to their advisors. However, my Valuation report should not be construed as investment advice; specifically, I do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- **Valuation date:** The valuation of the Company contained herein is not intended to represent at any time other than the date that is specifically stated in this report. I have no responsibility to update this report for events and circumstances occurring after the valuation date.
- **Reliance on information provided:** I have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to me or used by me; I 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. In the course of the valuation exercise, I have obtained both oral and written data, including market, technical, operational and financial information. I have evaluated such information through a broad comparative analysis and enquiry.
- **Actual results may differ:** The assumptions used in the preparation of this report, as I have been explained, are based on the management's present expectation of both – the most likely set of future business events and the management's course of action related to them. Wherever I have not received detailed information from the management, I have used my assessment of value based on experiences and circumstances of the case. It is usually the case that some events and circumstances do not occur as expected or are not anticipated.
- **Force Majeure:** "Event of Force Majeure" means events beyond the control of Saurobh Kumar Barick and GRPL, which prevents either or both the parties from complying with any of its obligations under this report, including but not limited to: 1. Act of God (such as, but not limited to, fires, explosions, earthquakes, drought, tidal waves and floods); 2. War, hostilities (whether war be declared or not), invasion, act of foreign enemies, mobilization, requisition, civil unrest or embargo; 3. Rebellion, revolution, insurrection, or military or usurped power, or civil war; 4. Contamination by radio-activity from any nuclear fuel, or from any nuclear waste from the combustion of nuclear fuel, radio-active toxic explosive, or other hazardous properties of any explosive nuclear assembly or nuclear component of such assembly; 5. riot, commotion, strikes, go slows, lock outs or disorder; 6. acts or threats of terrorism 7. Government assessment and final resolutions to act upon; 8. Epidemic, pandemic or similar influenza or bacterial infection; 9. Emergency state; 10. Shortage of adequate medical supplies and equipment; 11. Shortage of power or transportation

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facilities; 12. Obtainability of raw materials as per desired specifications; or other similar events beyond the reasonable control of the Saurobh Kumar Barick and GRPL.

- **Complete report:** This report shall at all times be read and interpreted in full, no part of it shall be read independently for any reason whatsoever.
- My Valuation report should not be construed as investment advice; specifically, I do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- This Report does not look into the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, I express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion.
- In the particular circumstances of this case, I shall be liable only to the Management. I shall have no liability (in contract or under statute or otherwise) to any other party for any economic loss or damage arising out of or in connection with this engagement, however the loss or damage is caused other than in cases of fraud, gross negligence or willful misconduct, or on account of any natural calamities, shall be limited to the amount of fees actually received by me as laid out in the engagement letter, for such valuation work.
- Whilst, all reasonable care has been taken to ensure that facts stated in the Report are accurate and opinions given are fair and reasonable, I, in any way, shall not be responsible for the contents stated herein. Accordingly, I make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such statements. I expressly disclaim any and all liabilities, which may arise based upon the information used in this Report.
- I am not an advisor with respect to accounting, legal, tax and regulatory matters. Therefore, no responsibility is assumed for matters of a legal nature.
- I assume that the Company complies fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated and will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, I have 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 recorded in the financial statements.
- A draft of this report was shared with the Company, prior to finalization of report, as part of my standard practice to make sure that factual inaccuracy/omission are avoided.

CONCLUSION

On the basis of verification and information and explanations as provided by the Management of the Company and as per Financials of the Company as at, October 31, 2024 and Projected Financial Statements, the fair value per equity share of the Company as on October 31, 2024 is hereby certified at be **INR 137.42/- (Rupees One Hundred Thirty-Seven and Paise Four Two Only).**

This valuation is subject to the scope of services and the standards of limitation as mentioned to this report.

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