

Date: March 02, 2024

To,

The Board of Directors  
**TRANSLINE TECHNOLOGIES LIMITED**  
CIN: U72900DL2001PLC109496  
R.O.: 23-A, Shivaji Marg, Third Floor  
New Delhi -110015

**Subject: Valuation report on fair market value of equity shares of Transline Technologies Limited.**

Dear Sir/ Madam,

In reference to the terms of engagement, wherein **Transline Technologies Limited**, a Company registered under the provisions of the Companies Act, 1956 (hereinafter referred to as "**TTL**" or the "**Company**") has engaged Fintellectual Corporate Advisors Private Limited, a SEBI registered Category I Merchant Banker having registration number MB/INM000012944 (hereinafter referred to as "**Fintellectual Corporate Advisors**" or "**Valuer**"), for evaluation of fair market value of equity shares of the company as on February 29, 2024 ("**Valuation Date**") as required for the purpose of issue of equity shares. The valuation report is required for necessary regulatory compliances under the applicable provisions of section 56(2)(viib) of Income Tax Act, 1961 read with Rule 11UA(2)(b) of Income Tax Rules, 1962 ("**Transaction**").

In reference to the fair market valuation of the Company, we **Fintellectual Corporate Advisors**, a SEBI Registered Category-I, Merchant Banker have been appointed by the management of the Company to perform a valuation analysis and arrive at the fair market value of equity shares of the company as on the valuation date.

This cover letter provides an overview of the purpose and scope of our analysis and our conclusions. Please refer to the attached report for a detailed discussion and presentation of the analysis performed in connection with this engagement.

#### **Purpose and Scope**

Based on our discussions with the management of the Company, we understand that the management of the Company requires the valuation analysis of the equity shares of the Company for the purpose of issue of equity shares. In this regard, the management of the Company requires a valuation report of a SEBI registered Category I Merchant Banker as required for compliance of applicable provisions of section 56(2)(viib) of Income Tax Act, 1961 read with Rule 11UA(2)(b) of Income Tax Rules, 1962.

The report has been prepared exclusively for above specified purpose and should not be used for any other purpose without obtaining the prior written consent from Fintellectual Corporate Advisors. This opinion should not be considered, in whole or in part, as investment advice by anyone.

### Summary of Findings

Based on our valuation analysis, in our assessment, the fair market value of each equity shares of the Company as on February 29, 2024, is **INR 269.85/-**. For detailed work kindly refer **Exhibit A**.

Fintellectual Corporate Advisors has based this opinion on the information provided and represented by the management of the Company and did not independently verify the information provided to us and in that regard, the validity of the valuation depends on the completeness and accuracy of the information provided to us by the management of the Company.

Fintellectual Corporate Advisors has evaluated the fair market value of equity shares of the Company in compliance with the provisions of Rule 11UA(2)(b) of Income Tax Rules, 1962.

### For Fintellectual Corporate Advisors Private Limited

SEBI Registered Category – I Merchant Banker  
SEBI Registration No. MB/INM000012944



**Amit Puri**  
Director

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## 1. ENGAGEMENT OVERVIEW

### 1.1 Purpose and Scope

Based on our discussions with the management, we understand that the management of **Transline Technologies Limited** (hereinafter referred to as “**TTL**” or the “**Company**”) requires the valuation analysis of the equity shares of the Company as on the valuation date, for the purpose of issue of equity shares of the Company. In this regard, the management of the Company requires a valuation report on fair market value of equity shares of the Company carried out by a SEBI registered Category I Merchant Banker for compliances under applicable provisions of Section 56(2)(viib) of Income Tax Act, 1961 read with Rule 11UA(2)(b) of Income Tax Rules, 1962.

In this context, the management of the Company has appointed Fintellectual Corporate Advisors Private Limited, a SEBI registered category I Merchant Banker (“**Fintellectual Corporate Advisors**” or “**Valuer**”) to carry out valuation analysis of the Company and submit a valuation report to the Company.

We have performed a valuation analysis of the equity shares of the Company as on valuation date as specified in this report. We understand that our analysis will be used by the management of the Company for the above-mentioned purpose. This exercise has been carried out in accordance with the Caveats and Limitations set out in Section 5 of this report.

### 1.2 About Fintellectual Corporate Advisors

Fintellectual Corporate Advisors Private Limited is a Private Limited Company incorporated under the provisions of the Companies Act, 2013 with the Registrar of Companies, Delhi. Fintellectual Corporate Advisors is registered with the Securities and Exchange Board of India (SEBI) as Category I Merchant Banker and having Registration No.: MB/INM000012944. We are engaged in providing services related to Capital Market Advisory, Valuation, M&A, Fairness Opinion, ESOP Advisory and other Corporate Compliance Services.

### 1.3 Bases of value (Standard of value)

Business valuation can be undertaken in a variety of contexts and for a variety of purposes. To begin with any valuation process, it is most pertinent to identify the type of value relevant to the transaction/case as different standards of value would yield different valuation figure for same business interest. In the given context, fair value is the appropriate standard of value.

Fair value is defined as:

“The fair value of an asset (or liability) is the amount at which that asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.”



#### 1.4 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 present valuation of the Company is undertaken on a **Going Concern Premise** i.e. on the premise that the Company will continue to operate in future and earn cash flows.

#### 1.5 Scope of Analysis

Fintellectual Corporate Advisors' scope of valuation includes fair valuation of equity shares of the Company for the above-mentioned necessary regulatory compliances in relation to Income Tax Act, 1961.

#### 1.6 Information Relied Upon

We were provided the following information by the management of the Company for the evaluation of fair market value of equity shares as aforesaid:

- Management certified provisional financial statements of the Company for the period ended as on February 29, 2024;
- Audited financial statements of the company for the financial year ended March 31, 2023 & 2022;
- Projected Financial Statements of the company from FY24-FY29;
- A copy of Memorandum and Articles of Association of the Company;
- Brief write up of business model of the Company;
- Shareholding pattern of the company;
- Management representation letter issued by the management of the Company.

From the public domain, we have used the following website for the purpose of our value analysis:

- Website of Aswath Damodaran: <http://pages.stern.nyu.edu/~adamodar/>
- Website of BSE Limited: <https://www.bseindia.com/index.html>
- Website of CCIL: <https://www.ccilindia.com>
- Website of Ministry of Corporate Affairs: <https://www.mca.gov.in>

#### 1.7 Valuation Date

At the request of the management, the valuation analysis has been performed as of February 29, 2024.

#### 1.8 Conflict of Interest

There is no conflict of interest in our opinion on valuation analysis of the businesses of the Company. Our fee is not contingent upon the opinion expressed herein. This report is subject to the terms and conditions as discussed with the management of the Company.

## 2. COMPANY OVERVIEW<sup>1</sup>

### Background of the Company

Transline Technologies Limited was incorporated on February 02, 2001, under the jurisdiction of RoC- Delhi. The registered office of the Company is situated at 23-A, Shivaji Marg, Third Floor, New Delhi -110015.

### Business Overview of the Company:

Transline Technologies Limited is a leading company engaged in IT & system integration business. The Company specializes in providing global engineering programs and expert domain services in various industries and Institutions. The Company's product line includes cutting-edge technologies such as IoT, AI/ML, Biometrics, Surveillance, software, and IT Hardware. With a focus on autonomous digital transformation solutions, the Company is driving sustainable growth and delivering profitable results for its clients.

It has a recognized ability to deliver services and solutions, tailored to fit the unique needs of each organization according to its size and area of activity.

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<sup>1</sup> Source: Company profile and Management Representation letter



### 3. VALUATION APPROACH AND METHODOLOGY

#### 3.1. Valuation Approaches

Valuation of a business is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. This exercise may be carried out using various methodologies, the relative emphasis of each often varying with:

- whether the entity is listed on a stock exchange
- industry to which the Company belongs
- past track record of the business and the ease with which the growth rate in cash flows to perpetuity can be estimated
- Extent to which industry and comparable company information is available.

The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue. These approaches can be broadly categorized as follows:

1. Asset Approach
2. Income Approach
3. Market Approach

##### 3.1.1. Asset Approach

This method determines the worth of a business by the assets it possesses. It involves examining every asset held by the company, both tangible and intangible. The value of intangibles is referred to as the company's goodwill, the difference in value between the company's hard assets and its true value.

The value arrived at under this approach is based on the financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The Net Asset Value (NAV) is generally used as the minimum break-up value for the transaction since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy it as a going concern. Pursuant to accounting convention, most assets are reported on the books of the subject company at their acquisition value, net of depreciation where applicable. These values must be adjusted to fair market value wherever possible. Further, the balance sheet values are to be adjusted for any contingent liabilities that are likely to materialize.

Intrinsic value is at the core of fundamental analysis since it is used in an attempt to calculate the value of the total assets of the business and then compare it with the fair value.





### **3.1.2. Income Approach**

The income approaches determine fair market value by dividing the benefit stream generated by the subject or target company by a discount or capitalization rate. The discount or capitalization rate converts the stream of benefits into present value. There are several different income approaches, including Capitalization of Earnings or cash flows, Discounted Future Cash Flows ("DCF"), and the Excess Earnings Method (which is a hybrid of asset and income approach of benefit stream to which it is applied). The result of a value calculation under the income approach is generally the fair market value of a controlling, marketable interest in the subject company, since the entire benefit stream of the subject company is most often valued, and the capitalization and discount rates are derived from statistics concerning public companies.

### **3.1.3. Market Approach**

The value of a business is determined by comparing the company's accounting ratios with other companies of the same nature and size. This approach is used, where the value of a stock is estimated based upon its current price relative to variables considered to be significant to valuation, such as earnings, cash flow, book value, or sales of various business of the same nature. Business appraisal includes comparative transaction method and publicly traded company method. Through this, it derives a relationship between performance, revenues and selling price.

### **3.2. Valuation Methodology Used for Fair Value of the Company**

Considering the nature, stage and size of the business and keeping in view the regulatory provisions of Rule 11UA(2)(b) of Income Tax Rules, 1962, in the current analysis, Discounted Cash Flow (DCF) Method has been applied under Income approach for determination of fair market value of equity shares of the Company.

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#### 4. VALUATION FRAMEWORK

This study is undertaken to compute the fair market value of equity shares of the Company as on valuation date as specified for the purpose of issuance of shares.

The broad framework used in arriving at value is as follows:

##### 4.1 Income Approach Method

We have applied Discounted Cash Flow Method under Income Approach which converts future anticipated economic benefits (e.g., cash flow) into a single present value amount.

The following steps were applied for calculation of value by DCF method:

- Calculate Free Cash Flows from the projected financial statements provided by the management of the Company;
- Calculate Terminal Year Cash Flows;
- Calculate present value of terminal period cash flow and explicit period cash flow by discounting with discount rate;
- Calculation of Enterprise Value by sum of present value of cash flows of explicit period and terminal period.

##### 4.2 Discount for Lack of Marketability

Since private holdings are not traded publicly, the holdings in these entities are generally not as liquid or marketable as those of a listed company. This lack of marketability increases the cost of transactions involving share in these entities and reduces the fair value of such shares.

Hence, a DLOM is applied to the enterprise value of privately held entities to derive their Fair Value (FV).

Accordingly, and based on the above a discount of **15.00%** has been applied on the enterprise value of the Company to factor in the lack of marketability for the entity's equity value.

##### 4.3 Determination of Equity Value

Determine equity value allocable to equity shareholders by providing adjustments for cash & cash equivalents, other surplus assets and debt & debt equivalents as of the valuation date.

##### 4.4 Determination of Equity Value Per Share

Determine equity value per share by dividing the equity value arise in above step by total number of shares outstanding as on valuation date.

##### 4.5 Valuation Opinion

Based on our valuation analysis, in our assessment, the fair market value per equity shares of the Company as on February 29, 2024, is **INR 269.85/-**.

For detailed working kindly refer **Exhibit A**.



## 5. CAVEATS AND LIMITATIONS

### 5.1. Purpose and Distribution of Report

The report prepared by Fintellectual Corporate Advisors is prepared solely for the purpose stated above to this report and should not be used for any other purpose. Except as specifically stated in the report prepared by Fintellectual Corporate Advisors, this report and its contents may not be quoted or referred to, in whole or in part, in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without the prior written approval of Fintellectual Corporate Advisors. Except as set forth in this report, Fintellectual Corporate Advisors' report is prepared for Client use only and may not be reproduced or distributed to any third parties without Fintellectual Corporate Advisors' prior written consent.

### 5.2. Scope of Analysis

The appraisal of any financial instrument or business is a matter of informed judgment. The accompanying appraisal has been prepared based on information and assumptions set forth in the attached report, its appendices, our underlying work papers, and these limiting conditions and assumptions.

### 5.3. Nature of Opinion

Neither the opinion nor the report provided or prepared by Fintellectual Corporate Advisors are to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency opinion, or an investment recommendation, but, instead, are the expression of Fintellectual Corporate Advisors' determination of the fair market value of assets between a hypothetical willing buyer and a hypothetical willing seller in an assumed transaction on an assumed valuation date. For various reasons, the price at which the assets might be sold in a specific transaction between specific parties on a specific date might be significantly different from the fair market value as expressed in our report.

### 5.4. Basis of analysis and Assumptions considered

Fintellectual Corporate Advisors' analysis:

- a) is based on the present financial condition and significant future business plans of the subject company and its assets as on the valuation date;
- b) assumes that as of the valuation date the subject company and its assets will continue to operate as configured as a going concern;
- c) assumes that the current level of management expertise and effectiveness would continue to be maintained and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed; and
- d) assumes that the subject company had no undisclosed real or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business, nor had any litigation pending or threatened that would have a material effect on our analysis other than those considered for valuation calculation.



- e) is based on the management certified provisional financial statements of the Company for the period ended as on February 29, 2023, and projected financial statements.
- f) is based upon the future projections of the Company provided to us, which are based upon various assumptions made by the Company relating to the operations of its business and any change in these assumptions may have impact in the conclusion of this report.
- g) is based on various representations given by the management in relation to the fair value of certain assets & liabilities and future business plans.

#### **5.5. Lack of Verification of Information Provided**

Except for any audited financial statements provided to us, we have relied on information supplied by the management of the Company without audit or verification. We have assumed that all information furnished is complete, accurate and reflects Client's management's good faith efforts to describe the status and prospects of the Client at the valuation date from an operating and a financial point of view. As part of this engagement, Fintellectual Corporate Advisors has relied upon publicly available data from recognized sources of financial, industry, or statistical information, which have not been verified.

#### **5.6. Subsequent Events**

The terms of Fintellectual Corporate Advisors engagements are such that Fintellectual Corporate Advisors has no obligation to update this report or to revise the valuation because of events and transactions occurring after the date of the valuation unless Fintellectual Corporate Advisors is engaged to provide valuations in the future.

#### **5.7. Legal Matters**

Fintellectual Corporate Advisors assumes no responsibility for legal matters including interpretations of either the law or contracts. Fintellectual Corporate Advisors has made no investigation of legal title and has assumed that all owners' claims to property are valid. Fintellectual Corporate Advisors has given no consideration to liens or encumbrances except as specifically stated in financial statements provided to Fintellectual Corporate Advisors. We have assumed that all required licenses, permits, etc. are in full force and effect. Fintellectual Corporate Advisors assumes that all applicable federal, state, local zoning, environmental and similar laws and regulations have and continue to be complied with by the subject company. Fintellectual Corporate Advisors assumes no responsibility for the acceptability of the valuation approaches used in our report as legal evidence in any court or jurisdiction. The suitability of Fintellectual Corporate Advisors' report and opinion for any legal forum is a matter for Client and Client's legal advisor to determine.

#### **5.8. Testimony**

Fintellectual Corporate Advisors and its employees, consultants and agents shall not provide any testimony or appear in any legal proceeding unless Fintellectual Corporate Advisors coordinates such testimony.



## Annexure-A

### FAIR MARKET VALUE OF EQUITY SHARES OF TRANSLINE TECHNOLOGIES LIMITED

#### Income Approach - Discounted Cash Flow Method

| Underlying Factors   |           |
|----------------------|-----------|
| Tax Rate             | 25.17%    |
| Discount Rate        | 23.38%    |
| Terminal growth rate | 4.00%     |
| Valuation Date       | 29-Feb-24 |

*Figures in INR Lakh*

| Particulars                       | 31-Mar-24       | 31-Mar-25       | 31-Mar-26        | 31-Mar-27        | 31-Mar-28        | 31-Mar-29        | Terminal         |
|-----------------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                   | 1M              | 12M             | 12M              | 12M              | 12M              | 12M              |                  |
| Total Revenue From Operations     | 11,706.26       | 45,336.55       | 72,538.48        | 90,673.10        | 108,807.72       | 119,688.49       | 124,476.03       |
| Less: Total Operating Expenses    | 7,740.32        | 36,808.74       | 59,020.93        | 74,341.06        | 89,222.15        | 97,605.42        | 101,509.64       |
| <b>EBITDA</b>                     | <b>3,965.95</b> | <b>8,527.81</b> | <b>13,517.55</b> | <b>16,332.04</b> | <b>19,585.57</b> | <b>22,083.07</b> | <b>22,966.39</b> |
| Less: Depreciation & Amortization | 97.53           | 256.12          | 283.80           | 268.53           | 255.63           | 262.00           | 262.00           |
| <b>EBIT</b>                       | <b>3,868.42</b> | <b>8,271.69</b> | <b>13,233.75</b> | <b>16,063.51</b> | <b>19,329.94</b> | <b>21,821.07</b> | <b>22,704.39</b> |
| Less: Tax                         | 973.68          | 2,081.98        | 3,330.93         | 4,043.19         | 4,865.35         | 5,492.36         | 5,714.70         |
| <b>NOPAT</b>                      | <b>2,894.74</b> | <b>6,189.71</b> | <b>9,902.81</b>  | <b>12,020.32</b> | <b>14,464.59</b> | <b>16,328.71</b> | <b>16,989.70</b> |
| Add: Depreciation & Amortization  | 97.53           | 256.12          | 283.80           | 268.53           | 255.63           | 262.00           | 262.00           |
| Less: Capex                       | 86.97           | 415.00          | 424.00           | 225.00           | 216.57           | 257.54           | 262.00           |
| Less: Change in Working Capital   | 970.87          | 5,049.86        | 6,291.13         | 4,373.16         | 3,588.66         | 2,572.21         | 1,090.60         |
| <b>FCFF</b>                       | <b>1,934.42</b> | <b>980.96</b>   | <b>3,471.48</b>  | <b>7,690.69</b>  | <b>10,914.99</b> | <b>13,760.95</b> | <b>15,899.09</b> |
| Year Fraction                     | 0.08            | 1.00            | 1.00             | 1.00             | 1.00             | 1.00             |                  |
| Mid-Year Adjustments              | 0.04            | 0.58            | 1.58             | 2.58             | 3.58             | 4.58             |                  |
| Present Value Factor              | 0.99            | 0.88            | 0.72             | 0.58             | 0.47             | 0.38             | 0.38             |
| <b>PV of FCFF</b>                 | <b>1,917.29</b> | <b>867.56</b>   | <b>2,488.39</b>  | <b>4,468.10</b>  | <b>5,139.67</b>  | <b>5,251.88</b>  | <b>6,067.90</b>  |

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## CALCULATION OF FAIR MARKET VALUE OF EQUITY SHARES

*Figures in INR Lakhs except stated otherwise*

|                                   |                  |
|-----------------------------------|------------------|
| Total Value of Explicit Period    | 20,132.89        |
| Terminal Value                    | 31,309.75        |
| <b>Enterprise Value</b>           | <b>51,442.63</b> |
| DLOM @15%                         | 7,716.40         |
| <b>Enterprise Value Post DLOM</b> | <b>43,726.24</b> |
| Add: Cash & Cash Equivalents      | 378.58           |
| Add: Other Surplus Assets         | 785.80           |
| Less: Debt & Debt Equivalents     | 1,889.34         |
| <b>Equity Value</b>               | <b>43,001.28</b> |
| Total Number of Equity Shares     | 15,935,516       |
| <b>Equity Value Per Share</b>     | <b>269.85</b>    |

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## NOTES TO EXHIBIT -A

### 1. Free Cash Flows

We have discussed the financial projections till FY29 approved by the management of the company, which we have considered for our analysis. Projected financials include projected income statement and projected balance sheet. We have relied on the projections provided by the management of the company and has not carried out any separate analysis for accuracy of same. Accordingly, the projected Free Cash Flows to Firm ("FCFF") have been arrived for the purpose of valuation.

### 2. Terminal Value

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated by taking into account expected growth rates of the equity in future, sustainable capital investments required for the business as well as the estimated growth rate of the industry and economy. Based on the sector and discussion with the management in the current valuation analysis a growth of four percent has been considered beyond the projected periods.

### 3. Discount Factor

The Discount Factor considered for arriving at the present value of the cash-flows of the Company is the Weighted Average Cost of Capital "**WACC**".

#### A. Cost of Equity

Total Cost of Equity of **23.65%** has been arrived by applying Modified Capital Asset Pricing Model (**M-CAPM**) approach, which is shown below:

$$\text{Cost of Equity (Ke)} = R_f + \beta \cdot R_p + S_p + \text{CSRP}$$

Where,

- $R_f$  = Risk Free Return
- $R_p$  = Market Risk Premium
- $\beta$  = Beta
- $S_p$  = Size Premium
- CSRP = Company Specific Risk Premium

|                               |               |
|-------------------------------|---------------|
| Risk free rate                | 7.00%         |
| Equity Risk Premium           | 7.82%         |
| Beta                          | 1.22          |
| Size Premium                  | 2.11%         |
| Company Specific Risk Premium | 5.00%         |
| <b>Cost of Equity (Ke)</b>    | <b>23.65%</b> |

- a) **Risk Free Rate** of return of **7.00%** has been assumed based on Yield of 10 years zero coupon bond yield. It has been taken for  $K_e$  computation.  
(Source: <https://www.ccilindia.com/>)
- b) **Market Risk Premium** is the return expected over and above the risk-free rate of return. The compounded annual growth on BSE Sensex is 14.82%. The equity risk Premium is **7.82%**.
- c) **Beta** measures the volatility in the stock. Beta of 1.20 of software (System & Application) industry has been taken from the database of Damodaran and re-levered the same. A beta of **1.22** has been considered for valuation analysis.
- d) **Size Premium** The size premium is calculated as the difference between large cap stocks return and small cap stocks return on BSE. The size premium has been considered **2.11%**.
- e) **Company Specific Risk Premium** Considering the Company's business and size, current financial statements, management and the competition in the Company's business, Company specific risk has been taken as **5.00%** to cover additional risk associated with the business of the Company.

#### Computation of Cost of Debt:

|                    |              |
|--------------------|--------------|
| Cost of Debt*      | 10.00%       |
| Tax Rate           | 25.17%       |
| <b>Kd Post Tax</b> | <b>7.48%</b> |

\*As per management average cost of debt on total borrowings of the Company to be 10.00% and Marginal tax rate would be 25.17%.

#### Computation of WACC:

|                                      |               |
|--------------------------------------|---------------|
| Cost of Equity                       | 23.65%        |
| Cost of Debt                         | 7.48%         |
| Targeted Equity Capitalization Ratio | 98.32%        |
| Targeted Debt Capitalization ratio   | 1.68%         |
| <b>WACC</b>                          | <b>23.38%</b> |

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