

Subodh Kumar

Registered Valuer (Securities or Financial assets)

Reg No: IBBI/RV/05/2019/11705

To,

The Board of Directors,

Syschem (India) Limited

Vill-Bargodamtehsil-Kalka, Dist Panchkula, Haryana, Haryana, India, 133302

Subject: Determination of fair value of equity shares of Syschem (India) Limited in compliance with Regulation 166A(1) of SEBI (Issue of Capital and Disclosures Requirement) Regulations, 2018 and subsequent amendments thereto.

Dear Sir/ Madam,

We have been appointed by Syschem (India) Limited (SIL) to determine the fair value of the equity shares in compliance with the provisions of Regulation 166A(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended. We understand that SIL is issuing equity share warrant which is convertible into equity shares in the ratio of 1:1.

Further in compliance with Regulation 166A of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended, we confirm that we are Independent Registered Valuer.

We conducted our valuation exercise on the basis of information/documents and explanations given to us by the management. Based on the same, our report on valuation is being submitted herewith for your kind reference.

The Fair Value of the equity shares of Syschem (India) Limited estimated as on “**Relevant Date**” i.e **20 December 2024** is estimated at **₹ 41.47 per share.**

Yours Faithfully,



Subodh Kumar

(Registered Valuer)

Reg. No: IBBI/RV/05/2019/11705

UDIN: 2439657A1CNQY69IK6

Place: New Delhi

Date: 24 December, 2024

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LIMITATIONS AND EXCLUSIONS

Our report is subject to the limitations detailed hereinafter. This report is to be read in totality and not in parts, in conjunction with the relevant document referred to therein.

Valuation work, by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinion may differ due to number of separate judgement decisions, which have to be made. While we have provided our recommendation based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion.

Further, this valuation report is based on the extant regulatory environment and the business/ market conditions, which are dynamic in nature & may change in future, thereby impacting the valuation of the company.

For the present valuation exercise, we have also relied upon information available in the public domain, however the accuracy and timeline of the same has not been independently verified by us.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

The client/owner and its management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the owners/clients, their management and other third parties concerning the financial data, operational data and maintenance schedule of all plant machinery-equipment-tools-vehicles, real estate investments and any other investments in tangible assets except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee or agents. We do not make any representations or warranty, express or implied, regarding the achievability of forecasts and completeness of such other information as provided by the Management. We also do not vouch for the efficacy of the forecast as provided to us by the management.

The information contained herein is based on the analysis of information available at the time when this report was prepared.



We do not make any representations or warranty, express or implied, regarding the achievability of forecasts and completeness of such other information as provided by the Management. We also do not vouch for the efficacy of the forecast as provided to us by the management.

The information presented on the valuation report does not reflect the outcome of any due diligence procedure, which may impact the valuation report materially.

We have no present or contemplated financial interest in the Company. The fee for this engagement is not contingent upon the results of this report. We have no responsibility to update this report for events and circumstances occurring subsequent to the date of this report.

In the course of valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

The actual market price achieved may be higher or lower than our estimate of value (or range of value) depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place.

An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.

We have acted as an independent third party and, as such, shall not be considered an advocate for any concerned party for any dispute. The valuation has been carried out independently to assess the valuation services. We have no present or planned future interest in SIL or any of its group companies and the fee for this report is not contingent upon outcome of the transaction. Our valuation should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with SIL.



EXECUTIVE SUMMARY

Our current scope of work for this exercise includes:

To determine the fair value of equity, share of in compliance with Regulation 166A(1) of SEBI (Issue of Capital and Disclosures Requirement) Regulations, 2018 for the purpose of allotting equity shares through preferential allotment in terms of Chapter V of SEBI (ICDR) Regulations, 2018.

- **As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to in this report. While utmost care has been taken, however, our report is subject to the limitations detailed hereinafter:**
 - a) **Relevant Date for the purpose of Price Calculation** – Valuation analysis and results are specific to the **Relevant Date** i.e., **20 December, 2024 contemplated on the basis of information and estimations provided by the management.** The valuation has been conducted with reference to the latest financial statement available as on reference date.
 - b) **Independent Valuer** - I am an Independent Registered Valuer in terms of the provisions of Regulation 166A(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and subsequent amendments thereto.
 - c) **Engagement Date** - We were engaged by Syschem (India) Limited for the valuation of equity shares of SIL vide Engagement Letter dated 20 December, 2024
 - d) **Reliance on the Information provided** – We have been provided with certain written and verbal information and assumptions from the management of “SIL”. We have relied on the information provided by the management and experts and have not conducted any detailed enquiry. **Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.**
 - e) **Valuation Analysis** – Valuation of business is not a precise art and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment.
 - f) **Caution to users of the Report** – This report and the information contained herein are confidential. It is intended only for the sole use of the purpose mentioned in this report.



DATA RELIED UPON

For the purpose of the report, documents and information, as provided by the management of SIL have been relied upon. We have completely relied on the information provided by the management of SIL and have not verified the same.

We have relied upon the following information:

1. Audited Financials of SIL for the FY-2021-22, FY-2022-23, FY-2023-24.
2. Provisional financial statement for the period ending 30th September, 2024.
3. Projected financial statement for the period 21 December, 2024 to 31 March 2030.
4. Brief note on the business of the company.
5. Other information considered useful during the course of assignment.

Wherever required, all the information including accounts, schedules, etc have been certified by the management of SIL.

We have also relied upon verbal explanation and information given to us by the management of the company during the course of our exercise.



COMPANY OVERVIEW

Syschem (India) Limited

Syschem (india) Limited is a Public company incorporated on 31 December 1993. It is classified as Non-government company and is registered at Registrar of Companies, Delhi.

Syschem (India)'s Corporate Identification Number (CIN) is L24219HR1993PLC032195

(Source: Management Information)



VALUATION METHODOLOGY

Estimation of fair value of shares for the purpose of allotment of shares under preferential allotment is governed by **Chapter V of SEBI's Issue of Capital and Disclosure Regulations, 2018**. The guidelines prescribe the rules for determining if the shares are frequently traded or otherwise, and pricing of equity shares in either of the scenario.

We estimated the frequency of trading during 240 Trading Days preceding the Relevant Date, i.e., 20 December, 2024 and have determined the shares to be frequently traded in terms of Regulation 164(5) of SEBI (ICDR) Regulations, 2018.

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. The basis of valuation would depend on the purpose of valuation, nature of business, future prospects of the company & industry and other attendant circumstances.

There are three generally accepted approaches to valuation:

- **COST APPROACH**
- **INCOME APPROACH**
- **MARKET APPROACH**

ASSET APPROACH:

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 value basis or replacement cost basis.

'Book value' is considered in case where there is no significant movement either side, in the actual value of assets. Since it represents only the historic cost, it is generally not prudent to value a company based on its book value.

'Realizable value' is considered in case where the valuation exercise is being carried out on an ordinary sale/distress sale basis. In other words, when the company is likely to be sold or liquidated.

'Replacement value' and Present values are considered for estimating the Fair Value of assets of a company on a going concern basis.



In the Net Asset Value (NAV) method, the net asset value is computed based on the latest available audited/unaudited Balance Sheet of the Company. The starting point of this method is the valuation of the total assets that the Company owns. The loan funds are deducted. Contingent liabilities, to the extent that in the opinion of management can be fairly expected to impair the net asset value of the business, are also deducted. The resultant figure represents the net worth of the business on the given day.

It is a growing company, and its substantial value lies in the future earnings. Therefore, in the present case, we have not used NAV Method for the valuation.

INCOME APPROACH:

The Income Approach derives an estimation of value based on the sum of the present value of expected economic benefits associated with the asset or business (Economic benefits have two components: cash flow (or dividends) and capital appreciation). Under the Income Approach, the appraiser may select a single period capitalization method (Profit earning capacity value method) or a multi-period discounted future income method.

Discounted Cash Flow Methodology:

The DCF Method is a good tool for valuation since it focuses on the company's ability to generate cash, which is actually what is important in the long run, both for the investors and for the existence of the company itself. Another reason is that the Discounted Cash Flow model is widely used in practice in different adjusted forms. This model allows one to adjust it to the characteristics that are applicable to the company one is analyzing. The model is applied for analysing a company on the basis of its historical performances and the performance forecasted on which one applies the continuing (perpetuity) formulae.

This valuation method based on free cash flow is considered a strong tool because it concentrates on cash generation potential of a business. This valuation method uses the future free cash flow of the company (after meeting all the liabilities) discounted by the firm's weighted average cost of capital (the average cost of all the capital used in the business, including debt and equity), plus a risk factor measured by Beta.

The objective of the organization is to create wealth using existing and future resources. To create wealth, present value of future cash inflows must exceed the present value of future cash outflows. The present value of net inflows over the period gives valuation of the organization and after deducting liabilities if any, the valuation attributable to the shareholders can be obtained.

In this method, the following factors are used:

- Determination of total inflow and outflow of funds i.e. future maintainable free cash flows, capital expenditure to be incurred and change in net working capital
- Ascertaining the discount factor and taking into account the beta of the company
- Determining the enterprise value by summation of present value of cash flows and perpetuity value and making necessary adjustments



- Determining the corresponding value of equity share by dividing the enterprise value from out-standing number of equity shares

Under this method cost of operations and returns from the project for a considerable period in future should be estimated. This method requires data regarding cash flow from the business. This implies that cost of operations and returns from the project for a considerable period in future should be estimated.

MARKET APPROACH:

Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities, or a group of assets and liabilities, such as a business.

Market Price Method

Under this approach, the market price of an Equity Shares quoted on a recognized stock exchange is normally considered as the fair value of the Equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investors' perception about the true worth of the company.

We have considered the higher of 10/90 trading days' volume weighted average price of the equity shares quoted on the recognised stock exchange preceding the relevant date.

METHODOLOGY ADOPTED FOR VALUATION OF SIL

Fair Value:

A combination of any one or more of the above methods is used depending on the purpose of valuation, nature of business, future prospects of the company and the industry or any other attendant circumstances that have a bearing on the value of the company. More importantly it is governed by the nature of business of the entity, which is being valued and the purpose of valuation.

For the valuation of SIL, we have considered unaudited financials as of 30 September, 2024.

For arriving at the Fair value of SIL, we have derived value based on Market Price Method under Market Approach, and Discounted Cash Flow Methodology under Income Approach. The summary of Equity Value per share is provided hereunder for reference.. The summary of Equity Value and Value per share is provided hereunder for reference.



VALUATION OF SIL

Syschem (India) Limited Summary

20-Dec-24

Valuation Methodology	Value INR per share	Weight	Weight Value INR per share
Net Asset Value Method	14.16	0%	₹ 0.00
Market Method	48.62	75%	₹ 36.47
Discounted Cash Flow Methodology	20.00	25%	₹ 5.00
Weighted Average Value			₹ 41.47

Therefore, the fair value of equity shares of SIL is estimated ₹ 41.47 per share.

Annexure – 1

Net Asset Value Method

In order to arrive at Net Assets Value, we have considered book value of all assets and liabilities.

Syschem (India) Limited

(₹ in Lakhs)

PARTICULARS	30.09.2024 (Unaudited)
ASSETS	
Non-Current Assets	
(a) Property, Plant & Equipment	2,980.40
(b) Capital Work-in-Progress	1,937.27
(c) Investment Property	-
(d) Intangible Assets	-
(e) Intangible Assets under Development	-
(f) Other Non Current Assets	300.51
Total - Non-Current Assets	5,218.18
Current Assets	
(a) Inventories	3,172.13
(b) Financial Assets	
i) Investments	-
ii) Trade Receivables	3,253.31
iii) Cash and Cash Equivalents	9.26
iv) Other Balances with Banks	0.87
v) Other Financial Assets	-



(c) Other Current Assets	64.49
Total - Current Assets	6,500.06
TOTAL - ASSETS	11,718.24
Liabilities	
Non-Current Liabilities	
(a) Borrowings	12.50
(b) Long Term Provisions	0.00
(c) Deferred Tax Liabilities (Net)	0.00
(d) Other Non-Current Liabilities	2,085.00
Total - Non-Current Liabilities	2,097.50
Current Liabilities	
(a) Financial Liabilities	
i) Trade Payables	3,818.26
ii) Other Financial Liabilities	-
(b) Short Term Provisions	118.73
(c) Other Current Liabilities	38.45
Total - Current Liabilities	3,975.44
TOTAL LIABILITIES	6,072.94
Net Asset Value (INR in Lakhs)	5,645.30
No of the equity shares on the fully diluted basis	39,863,000.00
Equity share price (INR)	14.16

Annexure – 2

Fair Value as per Market Approach: -

No of Trading Days	Total Traded Quantity	Turnover	volume weighted average price
90	4,420,338	201,303,218	45.54
10	818,431	39,792,269	48.62
Concluded Price (Higher of above)			48.62



Annexure – 3

Fair Value as per Discounted Cash Flow Methodology: -

Syschem (India) Limited

Discounted Cash Flow Statement - Free Cash Flow to Equity

Valuation Date

20-Dec-24

INR in Lakhs

Particulars Months	Rate	Projected						Terminal Year
		FY 24-25 0.3	FY 25-26 12	FY 26-27 12	FY 27-28 12	FY 28-29 12	FY 29-30 12	
Total Operating Revenue		14,885.50	58,587.84	59,553.48	60,282.12	63,639.12	67,813.62	70,865.23
Y-o-Y		-	32%	2%	1%	6%	7%	4.5%
EBITDA		1,255.51	2,492.40	2,784.56	2,794.79	2,967.72	3,165.34	3,307.78
EBITDA Margin		8.43%	4.25%	4.68%	4.64%	4.66%	4.67%	4.67%
Less: Depreciation and Amortization		253.94	389.72	389.72	389.72	389.72	389.72	389.72
Less: Finance Cost		-	1.72	0.73	0.51	0.29	0.06	-
EBT		1,001.57	2,100.96	2,394.12	2,404.56	2,577.71	2,775.56	2,918.06
EBT Margin		6.73%	3.59%	4.02%	3.99%	4.05%	4.08%	4.12%
Less: Marginal Tax	34.32%	252.58	550.94	627.21	629.97	675.04	726.53	1,001.48
PAT		748.99	1,550.02	1,766.91	1,774.59	1,902.68	2,049.03	1,916.58
Adjustments:								
Add: Depreciation and Amortization		253.94	389.72	389.72	389.72	389.72	389.72	389.72
Less/Add: (Increase) / Decrease in Working Capital		(2,195.01)	(4,599.53)	(5,330.09)	(2,179.10)	(2,133.00)	(2,357.89)	(878.61)
Less: Capex		(163.47)	-	-	-	-	-	(389.72)
Add/Less: Changes in Debt		-	-	-	-	-	-	-
Free Cash Flow to Equity		(1,355.55)	(2,659.79)	(3,173.46)	(14.79)	159.39	80.86	1,037.97
Terminal Value								21,517.63
Mid Year Convention Period		0.01	0.52	1.52	2.52	3.52	4.52	
Discount Factor	9.32%	1.00	0.95	0.87	0.80	0.73	0.67	
Present Value of FCFE		(1,354.14)	(2,538.55)	(2,770.50)	(11.81)	116.43	54.03	

Terminal Growth Rate	4.50%
Tax Rate	34.32%

INR in Lakhs

Sum of Present Value - Explicit Period	-6,504.54
PV of Terminal Value	14,377.20
Enterprise Value	7,872.66
Add: Cash & Cash Equivalent	10.14
Less: Borrowings	-12.500
Add: Surplus Assets	-
Equity Value	7,870.29
Concluded Equity Value	7,870.29
Divide by: Total Number of Equity Shares on Fully Diluted Basis	39,863,000
Concluded Value Per Share (INR) (Rounded off)	20.00



Computation of Cost of Equity		
Risk Free Rate of Return (1)		6.79%
Add: Beta Adjusted Risk Premium:		1.53%
Market Equity Risk Premium (2)	4.60%	
Multiply by: Beta (3)	0.33	
Add: Company Specific Risk Premium (4)		1.00%
Cost of Equity (Ke)		<u>9.32%</u>
Concluded Cost of Equity		9.32%
1. This rate is based on 10-Year Indian Government Bond Yield of 6.791% as of December 20, 2024.		
2. Market Equity Risk Premium has been taken from Prof. Aswath Damodaran's database updated on July 01, 2024.		
3. Beta - For our analysis, we have computed the beta of Syschem (India) Ltd based on changes in the stock price over the past 5 years with respect to Nifty 50.		
4. Company Specific Risk premium (CSRP) is based on a qualitative analysis of the inherent risk factors in the subject company' cash flow projections. We have assumed CSRP as 1% to account for risk associated with operations , projection. The CSRP considers factors such as geographic scope, diversity of product lines, customer concentration, depth of management, financial strength, perceived risk in achieving projections, risk associated with size of operations (size risk) and other company-specific factors.		

