

**VALUATION REPORT**

**OF**

**JSR DYNAMICS PRIVATE LIMITED**

**VALUATION OF COMPULSORILY CONVERTIBLE PREFERENCE SHARES**

Prepared By

**REGISTERED VALUER  
BINAL B. DARJI**

**IBBI/RV/02/2021/14321**

B/17, Kailash Nagar, Shankar Lane  
Kandivali (West), Mumbai – 400067.

**Date: November 15, 2024**



**BINAL B. DARJI**

B. Com., F.C.A., Registered Valuer (SFA)

**B B DARJI & ASSOCIATES**

**CHARTERED ACCOUNTANTS**

B/17, Kailash Nagar, Shankar Lane,

Kandivali (West), Mumbai - 400 067, India.

Tel.: 022 2881 41 68 • Cell : +91 9819656259

E-mail : bbdarjiassociates@yahoo.com

**To**

**The Board of Directors**

JSR DYNAMICS PRIVATE LIMITED

C/o : Shri Shailesh Sudhir Joglekar,

H.No.293, Sita Ram Smruti Bajaj Road,

Dharampeth,

Nagpur – 440010, Maharashtra.

Sub.: Valuation Report (the 'Report')

We refer to your appointment letter dated November 6, 2024 for carrying out the valuation of Compulsorily Convertible Preference Shares to be issued by JSR Dynamics Private Limited.

In accordance with the terms of the engagement, we are enclosing our Report along with this letter.

Trust the above meets your requirements.

Yours Faithfully,

For Binal B. Darji

Place: Mumbai

Date: November 15, 2024





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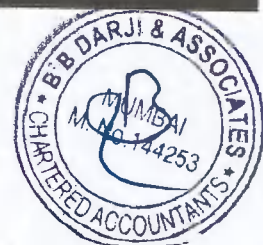
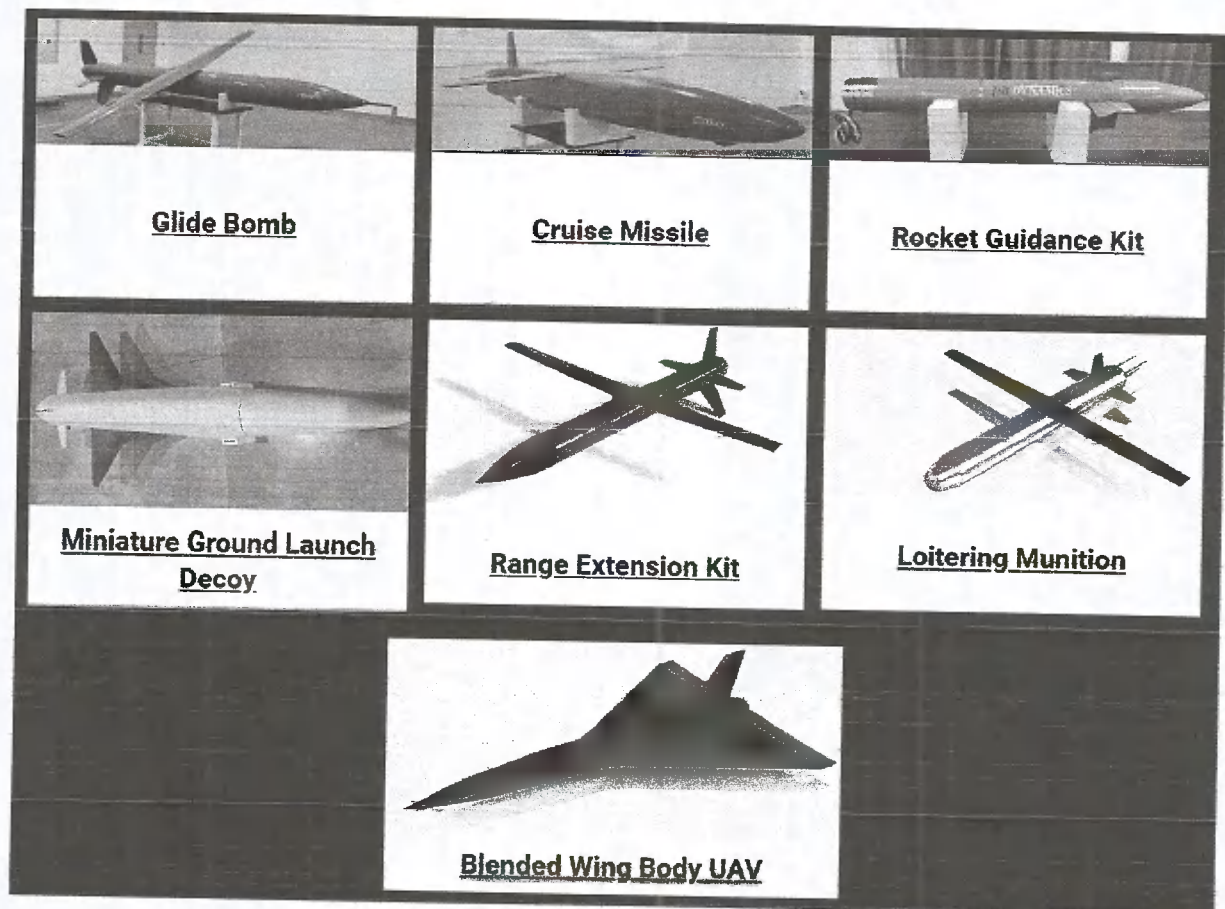
**1. COMPANY PROFILE**

JSR Dynamics Private Limited ('JSR' or the 'Company') is registered under the provisions of Companies Act, 2013 (CIN: U29113MH2018PTC318834) having its registered office at C/o : Shri Shailēsh Sudhīr Jōglēkār, H.Nō.293, Sītā Rām Smṛutī Bājāj Rōād, Dhārāmpēth, Nāgpur – 440010, Maharashtra.

The brief nature of business of the Company, as per the Management, is as below:

JSR Dynamics Pvt. Ltd. has been established as an Indian Defence company specializing in the niche area of airborne guided weapons with a business potential in the domestic as well as international markets. The company was established in 2018 with a determined plan to contribute in a big way towards achieving 'atmanirbharata' (self-reliance) in the defence sector through indigenous Design, Development and Manufacture. Products of the Company are futuristically designed to seamlessly absorb technology of the times, enhancing useful shelf life and remaining a step ahead.

The product range is as below:



The manufacturing facilities include the below:

#### **Machines**

- CMM
- CNC = 4 axis & 5 axis machines
- Turning Mill

#### **Composite**

- Oven
- Cold-room
- 6000 Sq ft Class 9 Clean room
- 3000 Sq ft Class 7 Clean room

#### **CAE Simulation**

- Pre-processing: SpaceClaim, Fluent meshing, ICEM, CFD, Workbench Meshing
- Solvers: HiFUN, Ansys Fluent, SU2, APDL-Static and Transient Structure Modal analysis, Autodyn- Explicit dynamics, Rigid Body Dynamics
- Post-processing: Ansys Fluent, CFD-Post, Ensign, Paraview, Python

#### **Software**

- 6 DOF Modeling & Analysis
- Flight Trajectories Simulations
- Flight Control System Design
- Hardware & Software Integration
- RTOS Programming for Controller
- Base Metal Programming
- Development of Mission Planning System
- Target Tracking using Image Processing
- Object detection using Artificial Intelligence

#### **HPC**

- HPC clusters helps engineers to solve multiple simulations simultaneously.
- To test and compare a range of operating conditions, configurations and parameters.
- Quickly determine a product's optimal setup.



The directors as on the Valuation Date as per MCA master data are as below:

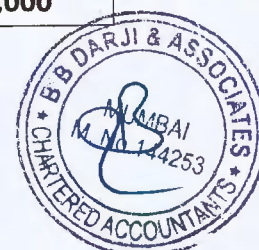
Sr. No	DIN/PAN	Name	Designation	Date of Appointment
1	08315155	SHIRISH BABAN DEO	Managing Director	27/12/2018
2	08315154	ANJNA DEO	Director	27/12/2018
3	06702073	MAHESH PANWAR	Director	19/09/2020
4	00073775	PRAFULLA KASHINATH KALE	Director	01/07/2019
5	00073979	GAUTAM SATISH KALE	Director	01/07/2019
6	08257631	DHANANJAY CHANDRAKANT VARTAK	Director	01/07/2019
7	*****1545B	SONALI CHINMAY MANKAR	Company Secretary	18/06/2024
8	00078953	SHAILESH JOGLEKAR	Director	23/03/2024

## 2. SHAREHOLDING PATTERN:

The Capital structure of the Company, as on the Valuation Date (as defined hereinafter) is as under:

Particulars	Amount in INR
<b><u>Authorized Share Capital</u></b>	
21,00,000 Equity Shares of Rs.10 each	2,10,00,000
10% Cumulative Redeemable Preference Shares of Rs.10 each	4,00,00,000
<b>Total</b>	<b>6,10,00,000</b>

<b><u>Issued, subscribed and paid-up Capital</u></b>	
20,00,400 Equity Shares of Rs.10 each	2,00,04,000
10% Cumulative Redeemable Preference Shares of Rs.10 each	4,00,00,000
<b>Total</b>	<b>6,00,04,000</b>



### **3. VALUATION PURPOSE AND OBJECTIVE OF THE VALUATION REPORT**

As informed by the Management, the Company intends to issue Compulsorily Convertible Preference Shares ('CCPS'). The company would issue CCPS on private placement basis, under various provisions of the Companies Act, 2013.

The Company has approached the Valuer for valuation of CCPS for issue under the Companies Act 2013.

We understand from the management that it can be assumed for the purpose of valuation that the CCPS to be issued would be convertible into 1 equity share each. Accordingly, we have done valuation analysis to arrive at valuation of equity shares, which can be used for the proposed issue of CCPS since they are convertible in ratio of 1:1 into equity shares.

The report is prepared in accordance with provisions of the Companies Act, 2013. This Report is subject to scope, assumption, exclusions, limitations, and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein

### **4. DISCLOSURE OF VALUER INCLUDING INTEREST / CONFLICT, IF ANY**

Valuer is a registered valuer having details as below and is qualified to value securities and financial assets. Valuer does not have any interest or conflict of interest of any kind with the Company.

Registration number: IBBI/RV/02/2021/14321

Valuation Certificate of Practice number: IOVRV01982SFA

### **5. DATE OF APPOINTMENT, VALUATION DATE AND DATE OF REPORT**

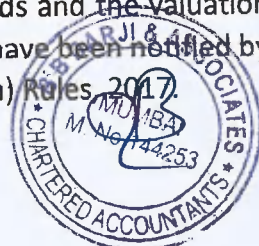
Date of appointment: November 6, 2024

Valuation date: October 31, 2024

Date of report: November 15, 2024

### **6. VALUATION METHODOLOGY AND APPROACH**

We have duly observed the internationally accepted valuation standards and the valuation standards adopted by ICAI in our analysis since no valuation standards have been notified by the Central Government under Rule 8 (Registered Valuers and Valuation) Rules, 2017.



The standard of value used in the Analysis is "Fair Value", which is often defined as the price, in terms of cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the instrument were exposed for sale on the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.

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 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 are 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 can be broadly categorised as follows:

#### **1. COST APPROACH**

The value arrived at under this approach is based on the audited financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The balance sheet values are adjusted for any contingent liabilities that are likely to materialize.

The Net Asset Value 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.

In the present case, the business of the Company is intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Cost Approach is not adopted for the present valuation exercise.



## **2. MARKET APPROACH**

### **Comparable Company Market Multiple Method**

Under this methodology, market multiples of comparable listed companies are computed and applied to the business being valued in order to arrive at a multiple based valuation.

We have not used this methodology in the Valuation Analysis since comparing the Company with listed companies which are generally mature in nature, would not be appropriate, since the Company is a startup.

### **Comparable Transactions Multiple Method**

This approach is somewhat similar to the market multiples approach except that the sales and EBITDA multiples or any other relevant multiples of reported transactions in the same industry in the recent past are applied to the sales and EBITDA or any other relevant multiples of the business being valued.

We have not considered this methodology in the Analysis as we understand that there are no comparable Indian transactions and of similar size as that of the Company in the sector to which the Company belongs.

## **3. INCOME APPROACH**

### **Maintainable Profit Method (Discounted Cash Flows – “DCF”)**

DCF uses the future free cash flows of the company discounted by the firm's weighted average cost of capital (the average cost of all the capital used in the business, including debt), plus a risk factor measured by beta, to arrive at the present value.

Beta is an adjustment that uses historic stock market data to measure the sensitivity of the company's cash flow to market indices, for example, through business cycles.

The DCF method is a strong valuation tool, as it concentrates on cash generation potential of a business. This valuation method is based on the capability of a company to generate cash flows in the future.

The free cash flows are projected for a certain number of years and then discounted at a discount rate that reflects a company's cost of capital and the risk associated with the cash flows it generates. DCF analysis is based mainly on the following elements:



- Projection of financial statements (key value driving factors)
- The cost of capital to discount the projected cash flows

Keeping in mind the context and purpose of the Report, we have used the DCF method as it captures the growth potential of the business going forward. We have used this method to calculate the fair value of shares of the Company based on the financial projections prepared by the Management of the Company.

## **7. INFORMATION RELIED UPON BY US**

We have prepared our Valuation Report on the basis of the following information provided to us by Management of the Company:

- a. Incorporation details of the Company
- b. Audited financial statements for the financial year 2023-2024
- c. Provisional financial statements for the period April 1, 2024 to October 31, 2024
- d. Projections for the period FY25 to FY29
- e. Such other information and explanations as we have required and which have been provided by the Management of the Company
- f. Management Representation Letter
- g. Management representation that it can be assumed for the purpose of valuation that the CCPS to be issued would be convertible into 1 equity share each

## **8. VALUATION ASSUMPTIONS**

Valuation under DCF method is based on financial and other information provided by the management of the Company, or obtained from private and public sources we believe to be reliable. Our conclusions are dependent on such information being complete and accurate in all material respects. However, we do not express an opinion or any other form of assurance thereon.

The general process for the valuation starts with analysis of historical and current financials, then analysis of future projections, if applicable, is done and discussion with the company is performed to understand the future assumptions. After analysing the data appropriate valuation method is determined. Valuation is done and valuation report is prepared. Finally, this report is shared with the company.



## 9. VALUATION

The fair value as on October 31, 2024 is arrived at Rs. 6,513.7/- per equity share. Detailed valuation analysis is provided in the Annexure.

One CCPS is convertible into one equity share each. Accordingly, the fair value as on October 31, 2024 is arrived at Rs. 6,513.7/- per Compulsorily Convertible Preference Share.



Binal B. Darji

IBBI/RV/02/2021/14321

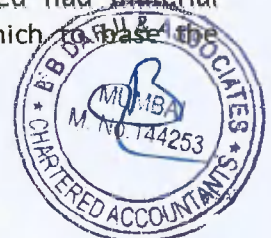
Date: November 15, 2024

UDIN: 25144253BMIFYH7627

VRN: IOV/2024-2025/8483

## CAVEATS, LIMITATIONS AND DISCLAIMERS

- a. Provision of valuation recommendations and considerations of the issues described herein are areas of our regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by us.
- b. This Valuation Analysis is confidential and has been prepared exclusively for the Management of the Company on a reliance basis for the objectives mentioned in para 3 of the report. It should not be used, reproduced or circulated to any other person, except with the Company's shareholders, authorized dealers and government authorities, in whole or in part, without our prior consent. Such consent will only be given after full consideration of the circumstance at that time. We reserve the right, if called upon, to share the report with our auditors, professional firms conducting due diligence, statutory authorities, banks, financial institution and other service providers as may be necessary in the normal course of business.
- c. Our review of the affairs of the Company and their books and account does not constitute an audit in accordance with Auditing Standards. We have relied on explanations and information provided by the Management of the Company and accepted the information provided to us as accurate and complete in all respects. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided. Nothing has come to our attention to indicate that the information provided had material misstatements or would not afford reasonable grounds upon which to base the Report.



- d. The report is based on the financial projections provided to us by the management of the company and thus the responsibility for forecasts and the assumptions on which they are based is solely that of the Management of the Company and we do not provide any confirmation or assurance on the achievability of these projections. It must be emphasized that profit forecasts necessarily depend upon subjective judgement. Similarly, we have relied on data from external sources. These sources are considered to be reliable and therefore, we assume no liability for the accuracy of the data. We have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.
- e. The valuation worksheets prepared for the exercise are proprietary to the Valuer and cannot be shared. Any clarifications on the workings will be provided on request, prior to finalizing the Report, as per the terms of our engagement.
- f. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them.
- g. The Valuation Analysis contained herein represents the value only on the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the Company has drawn our attention to all matters of which they are aware, which may have an impact on our Report up to the date of signature. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.
- h. We have no present or planned future interest in the Company and the fee for this Report is not contingent upon the values reported herein.
- i. Our Valuation Analysis 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 the Company.
- j. Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- k. Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While the Valuer has provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of our engagement, others may place a different value to the same.



- l. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review, due diligence or examination of any of the historical or prospective information used and therefore, does not express any opinion with regards to the same.
- m. The draft of the present report was circulated to the Management of the Company for confirming the facts stated in the report and to confirm that information or facts stated are not erroneous and the assumptions used are reasonable.
- n. No investigation on the Company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the liabilities in the books. Therefore, no responsibility is assumed for matters of a legal nature.
- o. Our work does not constitute an audit or certification of the historical financial statements/prospective results including the working results of the Company referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation mentioned in the report is as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- p. In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company. We assume no responsibility for any errors in the above information furnished by the Company and consequential impact on the present exercise.
- q. Our recommendation is based on the estimates of future financial performance as projected by the Management of the Company, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. We have critically evaluated these estimates. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.



- r. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Management of the Company has drawn our attention to all the matters, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on our opinion, on the fair value of the shares including any significant changes that have taken place or are likely to take place in the financial position of the Company. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- s. Any person/party intending to provide finance/invest in the shares of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- t. The decision to carry out the transaction (including consideration thereof) on the basis of this valuation lies entirely with the Company and our work and our finding shall not constitute a recommendation as to whether or not the Company should carry out the transaction.
- u. Our report is meant for the purpose mentioned in Para 3 and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.
- v. Neither the Valuer, nor its partners/directors, managers, employees makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.



## Annexure

	(Rs. lakhs)					
Particulars	2024-25	2025-26	2026-27	2027-28	2028-29	Perpetuity
<b>PAT</b>	<b>1,875</b>	<b>31,129</b>	<b>57,325</b>	<b>74,742</b>	<b>79,647</b>	
Add: Depreciation	1,072	1,408	2,618	3,940	4,685	
Changes in Working Capital	-3,804	-9,177	-23,038	-3,840	-11,132	
Changes in Fixed Assets	-1,220	-22,000	-14,100	-9,800	-12,185	
Changes in borrowings	-503	-500	-	-1,500	-1,000	
Proceeds from Issue of shares	23,000					
Sum of Cash flow	20,420	860	22,805	63,542	60,014	229,963
<b>Free Cash Flows in Indian Rupees</b>	<b>20,420</b>	<b>860</b>	<b>22,805</b>	<b>63,542</b>	<b>60,014</b>	<b>229,963</b>
Less: Cash flows till date	50					
<b>Free Cash Flows</b>	<b>20,370</b>	<b>860</b>	<b>22,805</b>	<b>63,542</b>	<b>60,014</b>	<b>229,963</b>
Time Period	0.33	1.33	2.33	3.33	4.33	4.33
Mid Year Convention	0.17	0.83	1.83	2.83	3.83	3.83
Discount Factor with mid year convention	0.96	0.80	0.62	0.48	0.37	0.37
Discounted Cash Flow	19,501	691	14,121	30,294	22,030	84,413
<b>Sum of DCF</b>	<b>171,050</b>					
Add: Cash And Cash Equivalents	-645					
Less: Discount for Lack of Control and Marketability	10%	-17,105				
<b>Post money Equity Value (in Rs. lakhs)</b>	<b>153,300</b>					
Less: Fund raise	-23,000					
<b>Pre money Equity Value (in Rs. lakhs)</b>	<b>130,300</b>					
No. of shares	2,000,400	Nos				
<b>Equity Value per Share (Rs. per share)</b>	<b>6,513.70</b>	<b>(Rs.)</b>				

<b>Working of Cost of Capital</b>	
Rf - 10year Treasury yield as on 31-Oct-24	6.841%
Beta (Defense - Unlevered beta corrected for cash)	1.62
Perpetuity Growth Rate	3.000%
Company Specific Risk Premium	10.000%
Market return (working below)	14.890%
Eq risk premium	13.039%
<b>Ke</b>	<b>29.880%</b>

<b>Working of expected return from market (BSE 500)</b>	
<b>BSE 500 as on</b>	
01-Feb-99	1,000
31-Oct-24	35,738
Number of days	9404
CAGR	14.89%
Dividend Yield	0.00%
<b>Expected return from market (BSE 500)</b>	<b>14.89%</b>

