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BHAVIN R. PATEL & ASSOCIATES
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Valuer (Land & Building),
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Chartered Engineer.

28th February 2023

To
Management of
Dynamatic Technologies Limited
Bangalore

Dear Sir/Madam,

Subject: Addendum to the Valuation Report of Equity Shares of the Company

This is with reference to the valuation report issued by me on 8th February 2023 to Dynamatic Technologies Limited ("the Company") for valuation of Equity Shares of the Company.

In this regard, I have been informed by the Company that National Stock Exchange of India Limited ("NSE") has sought the Company, inter-alia, to provide the revised valuation report as per all 3 methods of valuation – income approach, market approach & asset approach. In this regard I, Bhavin Patel, Govt. Registered Valuer for Securities or Financial Assets (referred to "Bhavin Patel" or "I" or "me") confirm that I have considered the market approach & asset approach in my report issued on 8th February 2023 while arriving the fair value of Equity Shares of the Company. Further, pursuant to this addendum, I have considered the Income Approach (Discounted Cash Flow (DCF) Method) to arrive the fair value of Equity Shares of the Company and my valuation report issued on 8th February 2023 stands amended, as per the details given below:

Paragraph a. (Discounted Cash Flows Method) of paragraph 6.1 (Analysis of Valuation Methods) under Section – 6: (Valuation Methodology & Approach Adopted) of Valuation Report on 8th February 2023 stands substituted and read as under:

Discounted Cash Flow Method ("DCF" Method)

- This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated benefits into a present single amount. The discounted cash flow ("DCF") method is a frequently used form of the income approach to determine the fair market value of a closely held company. The method is one of estimating the present value of the projected future cash flows to be generated from the business and theoretically available (though not necessarily paid) to the capital providers of the company. In the DCF method, the counterpart to the market multiple described above is the discount rate applied to the projected future cash flows to arrive at the present value. The discount rate is intended to reflect all risks of ownership and the associated risks of realizing the stream of

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projected future cash flows. It can also be interpreted as the rate of return that would be required by providers of capital to the company to compensate them for the time value of their money, as well as the risk inherent in the particular investment. Unlike the market multiple, however, the discount rate employed in the DCF method contains no implicit expectations of growth for the cash flows. Instead, the projected cash flows themselves reveal growth expectations, while allowing for a great deal more flexibility in projecting such growth rates.

- The "cash flow" figures used in the DCF method represents the true cash flow being generated by the business. In short, it incorporates cash expenditures on working capital and fixed assets, while also recognizing the non-cash expenses contained in earnings figures. The cash flows are typically projected over a limited number of years, depending on the planning horizon of the specific company and other factors related to the particular industry and the general economy. As a result, it is necessary to compute a terminal value as of the end of the last period for which cash flows are projected. This terminal value is essentially an estimate of the value of the enterprise as of that future point in time, and it incorporates the assumptions of perpetual operations and implicit growth found in the market approach. Discounting the projected future cash flows and the terminal value back to the present and summing the results yields an indication of value for the enterprise as a whole.
- The Discounted Cash Flow (DCF) approach indicates the Fair Market Value of a business based upon the cash flows that the business can be expected to generate in the future. Under this method, post-tax cash flows for a projection period are estimated after considering company's requirement of re-investment in fixed assets and also incremental Working capital requirements. These cash flows are discounted at a weighted average cost of capital which reflects the risks of the company and the capital structure.
- The free cash flows has been arrived at as follows:
 - Profit after Tax adding depreciation as per the Projections have been considered.
 - Fund requirements for projected capital expenditure and incremental working capital have been reduced from the cash earnings of the respective years.
 - Loan availed from Bank/Unsecured Loan has been added to cash flow.
- The post-tax cash flows of each year are then discounted at the Adjusted Cost of Equity (Ke). WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the



business and the financial risk of the business. In other words, WACC is the weighted average of the firm's cost of equity and debt. Hence, we have arrived Exchange Ratio of shares of the project. Cost of Equity (Ke) is arrived at considering the following parameters:

- The Cost Of Equity is worked out using the following formula:
- Risk free rate of return + (Beta x Equity Risk Premium)
- The risk free rate of return is considered based on yield on long term government securities.
- Appropriate beta is considered based on the beta of comparable listed companies. Equity Risk Premium is considered based on the expected market return of the investor over and above the risk free rate.
- After the explicit period, the companies under valuation will continue to generate cash. In DCF Method, therefore, perpetuity value is also considered to arrive at the values for its business. For arriving at the perpetuity value, we have considered an appropriate growth rate. In our opinion, such growth rate is reasonable considering the industry in which the businesses are operating.
- Cash flows for perpetuity have been arrived at after making appropriate adjustments for corporate taxes, estimated capital expenditure and incremental working capital requirements.
- The discounted perpetuity value is added to the discounted cash flows for the explicit period to arrive at the enterprise value.
- Appropriate adjustments have been made to the enterprise value for specific cash and cash equivalents pertaining to companies under valuation to arrive at the fair value of the Company.as tabulated below :

Sr.	Particulars	Amount (Rs. Crores)
1.	Discounted Free Cash Flow to Shareholder (Net of Debt)	228.98
2.	Add: Present Value of Terminal Value	1,233.45
3.	Value to the Shareholder	1,462.43
4.	No. of Equity Shares outstanding	63,41,443
5.	Value per share (INR)	Rs. 2,306.15

As per computation based on DCF Method, Per share value derived is Rs, 2306.15

Section 7 (Valuation Summary & Conclusion) of Valuation Report on 8th February 2023 stands substituted and read as under:

Based on the assumptions and limiting conditions as described in this report, as well as the facts and circumstances as of the valuation date, the fair value of equity shares of Dynamatic Technologies Limited is worked out as under:



Sr. No.	Valuation Approach	Valuation Method	Value per Share (Rs.)
1	Asset Approach	Book Value Method	601.46
2	Market Approach	Comparable Companies Multiple Method	1613.61
		Market Price Method	2507.59
3	Income Approach	Discounted Cash Flow Method	2306.15
		<u>Highest of above Methods</u>	<u>2507.59</u>

Conclusion of Valuation Report on 8th February 2023 stands substituted and read as under:

Based on above, we recommend the fair value of equity share of Dynamatic Technologies Limited at Rs. 2507.59 per Equity share as on Cut off Date.

This addendum should be read in conjunction with my valuation report issued on 8th February 2023. All other contents of valuation report issued on 8th February 2023, save and except as modified or supplemented by this addendum, shall remain unchanged.

For Bhavin R Patel &
Associates



Cost Accountants &
Registered Valuers
CMA RV BHAVIN R PATEL
(M-31969)
IBBI/RV/05/2019/11668