



Anirudh Kumar Tanvar

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Company Secretary, Registered Valuer - IBBI, Peer Reviewer - ICSI

VALUATION REPORT

Valuation Report for determining Floor Price of equity shares of
Slone Infosystems Limited

Abstract

The purpose of this Valuation Report is to render valuation to determine Floor Price of equity shares of the Company as per sub-regulation (1) of regulation 166A of SEBI (ICDR) Regulations pursuant to further issuance of equity shares



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REPORT ON VALUATION OF SHARES OF SLONE INFOSYSTEMS LIMITED

STRICTLY PRIVATE & CONFIDENTIAL

I, Anirudh Kumar Tanvar, Registered Valuer have been requested by the Management of **SLONE INFOSYSTEMS LIMITED (CIN: L72900MH2022PLC396387)** (hereinafter referred to as "SIL" or "the Company") to undertake the valuation of Equity Shares of the Company and issue a report recommending the fair value per Equity Share of the Company as per Securities And Exchange Board Of India (Issue Of Capital And Disclosure requirements) Regulations, 2018 for issuing Equity Shares.

In the following paragraphs I have summarized my understanding of the key facts, key information relied upon, valuation approach and limitations to my scope of work:-

1 BACKGROUND

Slone Infosystems Limited is an Indian listed Company, which was incorporated on 29th December, 2022. The Company operates primarily in the IT hardware solutions industry within India. The Equity Shares of the Company are presently listed on National Stock Exchange of India Limited (NSE).

The Registered Office of the Company is located at Office 203, 2nd Floor, Mohini Height CHS Ltd, 5th Road, Khar West, Behind Rajasthan Hotel, Khar Delivery, Mumbai, Maharashtra, India, 400052.

2 PURPOSE OF VALUATION

I have been informed by the Management of the Company, (hereinafter referred to as "the Management") that the Company intends to issue share warrants.

In this connection, I have been appointed to carry out valuation of Equity Shares of the Company in accordance with Regulation 166A read with regulation 164 and other applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time and Articles of Association of the Company.



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3 CONFLICT OF INTEREST

I do not have any interest or conflict of interest of any kind with the Company with respect to the valuation undertaken by me. Further, the fees for this engagement is not contingent upon the results arrived under this valuation exercise.

4 SOURCES OF INFORMATION

For the purpose of the valuation exercise I have relied upon the following sources of information provided by the management of the Company:

- (a) Audited Financial Statements for the year ended 31st March, 2024 and 31st March, 2023.
- (b) Shareholding pattern of the Company as on date;
- (c) Memorandum and Articles of Association of the Company;
- (d) Information including market prices, trading volumes etc., available in public domain and databases such as NSE, YahooFinance, etc.
- (e) Such other information and explanations as required and which has been provided by the Management of the Company.

5 RELEVANT DATE & REPORT DATE

The analysis of the Fair Value of the Share Warrants of the Company has been carried out as on the Relevant Date i.e. 5th November, 2024 and valuation report date is 11th November, 2024. As per Regulation 161 of the SEBI ICDR, 2018, "relevant date" means in case of preferential issue, the date thirty days prior to the date on which the meeting of Equity Shareholders is held to consider the proposed preferential issue. 5th December, 2024 is the date of the Extra Ordinary General Meeting .

6 VALUATION APPROACHES

For the purposes of valuation, generally the following approaches are adopted:

- (a) the 'underlying asset' approach;
- (b) the 'Income' approach; and
- (c) the 'market' approach.

(a) 'underlying asset' approach

In case of the 'underlying asset' approach, the value per share is determined by arriving at the net assets (Assets Less Liabilities) of the Company.

(b) 'Income' Approach



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Under the 'Income' approach, the equity shares of the company can be valued using either Discounted Cash Flow (DCF) Method - FCF Approach or Price Earning Capacity Value (PECV) Method.

DCF Method

Under the DCF method, the projected free cash flows from business operations after considering fund requirements for projected capital expenditure, incremental working capital and other adjustments are discounted at the Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

Using the DCF method involves determining the following:

- *Estimating the future free cash flows:*
Future Free cash flows are the cash flows expected to be generated by the entity that are available to the providers of entity's capital. The free cash flows under the FCF method are determined by adjusting the Earnings before Taxes, Depreciation and Amortization for capital expenditure, taxes and working capital.
- *Time frame of such cash flows:*
The time frame for free cash flows is determined by separating the value of the business in the explicit projection period and the post explicit projection period.
- *Appropriate Discount rate (WACC):*
Under DCF-FCF Method, the time value of money is recognized by applying a discount rate viz. WACC to the future free cash flows to arrive at their present value as on the date of valuation. 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 company. In other words, WACC is generally the weighted average of the company's cost of equity capital. Normally, in stable growth companies the cost of equity is determined by using Capital Asset Pricing Model ('CAPM'). The WACC arrived as per the Working is adjusted for additional risk premium on account of uncertainty of the Management projections.
- *Terminal or perpetuity value:*
The Perpetuity value of an ongoing business is determined as present value of the estimated future free cash flows by capitalizing the free cash flows of the last year of the explicit projection period into perpetuity using an appropriate rate of return and perpetual growth rate.
- *Value for Equity Shareholders:*
The equity value so arrived at under 'income' approach is divided by the outstanding number of equity shares as on the date of valuation to arrive at the value per share of the Company.



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PECV Method

Under PECV method, the average earnings on the basis of past years are first determined, adjustments are then made for any exceptional transactions or items of non-recurring nature. The adjusted average earnings are then capitalized at an appropriate rate to arrive at the value of business. The capitalization rate so factored has to be decided depending upon various factors such as the earning trend in the industries, P/E prevailing in the industries etc.

In the present case Price Earning Capacity Value (PECV) Method has been considered.

(c) 'Market' Approach

Market Price Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

As per Guidelines for Preferential Issue, the minimum price at which shares are to be issued (in case of frequently traded shares) is prescribed under Regulation 164 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Regulation 164 (1) states - If the equity shares of the issuer have been listed on a recognised stock exchange for a period of 90 trading days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- a. The 90 trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or
- b. The 10 trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or

Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue.

Regulation 164 (5) states "frequently traded shares" means the shares of the issuer, in which the traded turnover on any recognised stock exchange during the 240 trading days preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer.



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Explanation to regulation 164 states that - For the purpose of this regulation, 'stock exchange' means any of the recognised stock exchange(s) in which the equity shares of the issuer are listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding 90 trading days prior to the relevant date.

7 METHODOLOGY OF VALUATION

Since in the present case, Equity Shares of SIL, a listed Indian Company, would be issued on preferential basis, as per guidelines for Preferential Issue, the Minimum Price at which shares are to be issued (in case of frequently traded shares) is prescribed under Regulation 164 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

In the present case, Equity Shares of SIL are listed on NSE, which are widely held, regularly and frequently traded with reasonable volumes on the exchanges. I have therefore used the market price approach to value the equity shares of SIL as per the regulations of Securities and Exchange Board of India (Issue of Capital and Disclosure requirements) Regulations, 2018. Moreover the trading volume of the equity shares of the Company was higher on NSE during the preceding 90 trading days prior to the relevant date hence the 90 trading days volume weighted average price and the 10 trading days volume weighted average price of the equity shares on NSE has been considered. The Articles of Association of the Company do not provide any method for determination of price. The detailed working of the calculation is provided at Annexure – I.

I have also considered NAV method to value the shares by arriving at the net assets (Assets Less Liabilities) of the Company as per the unaudited financials of the Company as on 31st March, 2023 as per working provided in Annexure II.

I have also considered the Price Earning Capacity Value (PECV) Method as per working provided in Annexure III.

Regulation 164 states that the floor price shall be higher of the price determined as per Regulation 164 or the price determined under the valuation report from the Independent Registered Valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable. Hence the higher of the price obtained from the above methods has been considered.

8 RECOMMENDATION

Based on my analysis of the valuation and subject to the caveats as further detailed in this report, the recommended fair value of share warrants is **Rs. 163.82/- (Rupees One Hundred and Thirty Paise Ninety Seven Only)** per equity share of the face value of Rs. 10/- each (as detailed in workings at Annexure V to this Report) as on 05/11/2024.



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9 EXCLUSIONS AND SCOPE LIMITATIONS

This 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.

No investigation of 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. Therefore, no responsibility is assumed for matters of legal nature.

The work does not constitute certification of the historical financial statements including the working results of the Company referred to in this report. Accordingly, I am 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 and the valuation date mentioned in the report is as per agreed terms of the engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

This report is issued on the understanding that the Company has drawn my attention to all material information, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on my opinion, on the value of the equity share of the Company, including any significant changes that have taken place or are likely to take place in the financial position, subsequent to the report date. I also have no responsibility to update this report for events and circumstances occurring after the date of this report.

This Valuation Report does not look into the business/commercial reasons behind the proposed transaction or address any potential synergies to the Company and other parties connected thereto.

In the course of the valuation, I was provided with both written and verbal information. I have evaluated the information provided to me by the Company through broad inquiry, analysis and review. I assume no responsibility for any errors in the above information furnished by the Company and consequential impact on the present exercise. I do not express any opinion or offer any assurance regarding accuracy or completeness of any information made available to me.

The report is not, nor should it be construed as opining or certifying any compliance with the provisions of any law, whether in India or any other country including companies, taxation and capital market related laws or as regards any legal implications or issues arising from any transaction proposed to be contemplated based on this Report.

The information contained herein and the report is confidential. Any person/party intending to provide finance/invest in the shares/businesses 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. It is to be



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noted that any reproduction, copying or otherwise quoting of this report or any part thereof, can be done only after obtaining prior permission in writing.

This document has been prepared solely for the purpose of assisting the Company, under consideration, in recommending the fair value per equity share of the Company.

By its very nature, valuation work cannot be regarded as an exact science, the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, opinion on the valuation exercise may differ due to application of the facts and assumptions, formulas used and numerous other factors. There is, therefore, no indisputable single value or standard methodology for arriving at the value per equity share. Although my conclusions are in my opinion reasonable, it is quite possible that others may not agree.

I, nor my employees or agents or any of them/makes any representation or warranty, express or implied, as to the accuracy, reasonableness, or completeness of the information, based on which the report is issued. All such parties expressly disclaim any and all liability for, or based on, or relating to any such information contained in the report. I am not liable to any third party in relation to issue of this report. In no event, I shall be liable for any loss, damage, cost or expense arising in any way from any acts carried out by the company referred herein or any person connected thereto.

Thanking You,
Yours faithfully,




Anirudh Kumar Tanvar

REGISTERED VALUER: Securities or Financial Assets
IBBI Registration Number IBBI/RV/07/2020/13025
UDIN:

Place: Mumbai

Date: November 11th, 2024



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ANNEXURE – I

Calculation as per Regulation 164 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

Proposed date of Extra-ordinary General Meeting (EGM)	5 th December, 2024
Relevant date (30 days prior to date of EGM)	5 th November, 2024

1. VWAP for a period of 90 trading days (Day number 1 being earliest)

Day Number	Date	Total Traded Quantity	Turnover (Rs.)
1	27-Jun-24	2,09,600	3,43,49,600.00
2	28-Jun-24	1,28,000	2,08,66,720.00
3	01-Jul-24	81,600	1,36,76,240.00
4	02-Jul-24	44,800	74,89,760.00
5	03-Jul-24	67,200	1,11,23,200.00
6	04-Jul-24	73,600	1,19,29,760.00
7	05-Jul-24	1,26,400	1,94,36,320.00
8	08-Jul-24	48,000	71,21,040.00
9	09-Jul-24	89,600	1,41,17,360.00
10	10-Jul-24	94,400	1,49,70,720.00
11	11-Jul-24	32,000	51,29,440.00
12	12-Jul-24	44,800	69,19,040.00
13	15-Jul-24	27,200	41,07,040.00
14	16-Jul-24	49,600	78,57,440.00
15	18-Jul-24	68,800	1,13,94,640.00
16	19-Jul-24	16,000	25,42,240.00
17	22-Jul-24	8,000	12,96,000.00



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18	23-Jul-24	17,600	27,63,760.00
19	24-Jul-24	9,600	14,91,760.00
20	25-Jul-24	1,600	2,52,640.00
21	26-Jul-24	19,200	30,16,960.00
22	29-Jul-24	9,600	14,69,440.00
23	30-Jul-24	14,400	22,44,720.00
24	31-Jul-24	9,600	15,15,200.00
25	01-Aug-24	27,200	43,09,280.00
26	02-Aug-24	57,600	93,01,040.00
27	05-Aug-24	30,400	47,36,240.00
28	06-Aug-24	35,200	52,38,320.00
29	07-Aug-24	9,600	14,36,560.00
30	08-Aug-24	24,000	37,09,920.00
31	09-Aug-24	19,200	29,92,320.00
32	12-Aug-24	14,400	21,94,480.00
33	13-Aug-24	6,400	9,73,120.00
34	14-Aug-24	3,200	4,76,800.00
35	16-Aug-24	12,800	18,88,400.00
36	19-Aug-24	30,400	43,15,040.00
37	20-Aug-24	30,400	42,55,200.00
38	21-Aug-24	35,200	50,55,120.00
39	22-Aug-24	35,200	53,80,880.00
40	23-Aug-24	40,000	63,95,600.00
41	26-Aug-24	75,200	1,22,24,640.00
42	27-Aug-24	17,600	28,76,320.00



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43	28-Aug-24	52,800	89,39,280.00
44	29-Aug-24	60,800	1,09,42,320.00
45	30-Aug-24	59,200	1,07,84,160.00
46	02-Sep-24	41,600	75,50,320.00
47	03-Sep-24	8,000	14,78,960.00
48	04-Sep-24	19,200	34,80,080.00
49	05-Sep-24	30,400	52,04,960.00
50	06-Sep-24	9,600	16,67,600.00
51	09-Sep-24	19,200	31,99,600.00
52	10-Sep-24	14,400	24,34,880.00
53	11-Sep-24	30,400	50,40,400.00
54	12-Sep-24	16,000	26,93,200.00
55	13-Sep-24	6,400	10,97,600.00
56	16-Sep-24	12,800	20,87,840.00
57	17-Sep-24	22,400	35,87,440.00
58	18-Sep-24	20,800	34,59,040.00
59	19-Sep-24	25,600	43,51,520.00
60	20-Sep-24	14,400	24,60,720.00
61	23-Sep-24	8,000	13,24,640.00
62	24-Sep-24	0.00	0.00
63	25-Sep-24	14,400	23,52,160.00
64	26-Sep-24	6,400	10,16,160.00
65	27-Sep-24	8,000	12,58,800.00
66	30-Sep-24	38,400	62,87,680.00
67	01-Oct-24	12,800	22,01,280.00



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68	03-Oct-24	28,800	50,25,200.00
69	04-Oct-24	12,800	21,67,040.00
70	07-Oct-24	12,800	21,28,000.00
71	08-Oct-24	4,800	7,87,280.00
72	09-Oct-24	12,800	21,46,400.00
73	10-Oct-24	16,000	26,13,280.00
74	11-Oct-24	16,000	26,58,720.00
75	14-Oct-24	33,600	54,68,800.00
76	15-Oct-24	65,600	1,03,09,520.00
77	16-Oct-24	48,000	74,21,440.00
78	17-Oct-24	60,800	95,53,200.00
79	18-Oct-24	43,200	65,72,880.00
80	21-Oct-24	24,000	37,85,280.00
81	22-Oct-24	46,400	76,02,320.00
82	23-Oct-24	6,400	10,28,400.00
83	24-Oct-24	8,000	12,88,080.00
84	25-Oct-24	19,200	30,26,880.00
85	28-Oct-24	1,600	2,55,840.00
86	29-Oct-24	48,000	79,04,400.00
87	30-Oct-24	57,600	92,48,720.00
88	31-Oct-24	28,000	47,61,840.00
89	01-Nov-24	6,400	10,95,240.00
90	04-Nov-24	36,800	61,19,840.00
	TOTAL	29,84,800	48,27,09,560



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VWAP of 90 trading days volume weighted average price ("VWAP") preceding the relevant date	161.72
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2. VWAP for a period of 10 trading days (From earliest to latest)

Day Number	Date	Total Traded Quantity	Turnover (Rs.)
1	22-Oct-24	46,400	76,02,320
2	23-Oct-24	6,400	10,28,400
3	24-Oct-24	8,000	12,88,080
4	25-Oct-24	19,200	30,26,880
5	28-Oct-24	1,600	2,55,840
6	29-Oct-24	48,000	79,04,400
7	30-Oct-24	57,600	92,48,720
8	31-Oct-24	28,000	47,61,840
9	01-Nov-24	6,400	10,95,240
10	04-Nov-24	36,800	61,19,840
	TOTAL	2,58,400	4,23,31,560
VWAP of 10 trading days volume weighted average price ("VWAP") preceding the relevant date			163.82

Minimum issue price for the proposed preferential issue as per Securities and Exchange Board of India (Issue of Capital and Disclosure requirements) Regulations, 2018 is higher of VWAP of 90 previous trading days or VWAP of 10 previous trading days. As VWAP of 10 previous trading days is higher, the minimum issue price as per Securities And Exchange Board Of India (Issue Of Capital And Disclosure requirements) Regulations, 2018 is **Rs. 163.82/-**.

* trading volume of the equity shares of the Company was higher on NSE during the preceding 90 trading days prior to the relevant date hence NSE has been considered as the recognized stock exchange.



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ANNEXURE – II

Valuation based on Intrinsic value Method as per Unaudited Financials as on 31/03/2024

Particulars	Rs. in Lakhs
Financial and Non-Financial Assets	2086.89
Less: Outside Liabilities	765.41
Net Asset Value	1321.48
No of Equity Shares (Actuals)	38,69,013
Equity Per Share (Rs. Actual)	34.16



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ANNEXURE III

Calculation as per PECV Method

1. Average Earnings of previous 2 (Two) Years:

(Rs. In lakhs)

Particulars	F.Y.	F.Y.
	2023-2024	2022-2023
Total Income	6107	537
Total Expenses	5550	495
Net Profit/ (Loss) before tax and exceptional items	557	42
Average Earnings for previous two years	300	

2. Capitalization Rate:-

Considering the type of business and industry Capitalization rate (Expected Rate of return) of 20% is recommended.

3. Capitalized Earnings:-

Capitalized Earnings = Average Net Earnings before tax *(1+ Capitalization Rate)

$$= 300 \text{ Lakhs} * (1 + 20\%)$$

$$= 360 \text{ lakhs}$$

4. Value per share = Capitalized Earnings / No of Equity Shares

$$= 360 \text{ Lakhs} / 38,69,013 \text{ (actual)}$$

= Rs. 9.30 per share



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ANNEXURE – IV

Valuation Method	Value per share (Rs.)	Weight	Weighted Average Equity Value (Rs.)
Market Price (as prescribed under regulation 164) (Market Approach)	163.82/-	100% (Note 1)	163.82/-
Underlying Asset (NAV) (Asset Approach)	34.16/-	0% (Note 2)	-
Price Earning Capacity Value (PECV) (Income Approach)	9.30/-	0% (Note 3)	-
Value per share (Rs.)	163.82/-		

*I would like to emphasize that equity value per share under the market price method as prescribed Regulation 164 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 is higher than the price determined by the NAV method and the PECV method.

- **Note 1:** The Market Approach, which uses observable market data to determine the fair value of the company, has been assigned full weightage in this valuation. For a listed company, the market price of its shares is a reliable indicator of value, as it reflects real-time trading data and investor sentiment.
- **Note 2:** The Cost Approach, which typically involves the determination of value based on the Net Asset Value (NAV) of the company, has not been given weightage in this valuation. This is because the company is a listed entity, and the share prices already reflect the market's perception of the company's intrinsic value, including its assets and liabilities. The NAV method under the Cost Approach does not adequately capture the market dynamics, trading trends, or future earning potential of a listed entity, making it less relevant for this valuation exercise. As a result, the Cost Approach has not been considered for determining the fair value of the shares.
- **Note 3:** The Income approach yields a value that is far lower than the actual market price. This difference can be attributed to several factors:
 - **Historical Performance Limitations:** Earnings from the past two years may not fully capture the company's potential future growth or changes in operational efficiency.
 - **Market Sentiment:** The market price of a listed company's shares often incorporates factors such as future growth expectations, investor confidence, and overall market conditions, which may not align with historical earnings trends.



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As per SEBI ICDR regulations any listed company issuing Equity Shares cannot issue below the floor price determined as per Regulation 164 which states that the floor price shall be higher of the price determined as per Regulation 164 or the price determined under the valuation report from the Independent Registered Valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable.