

Valuation Analysis
For Issuance of Equity Shares of
DUDIGITAL Global Limited



21st July, 2022

Strictly Private & Confidential





To
The Board of Directors
DUDIGITAL Global Limited
 C-4 SDA, Community Centre,
 Hauz Khas, New Delhi - 110016

Ref. No.: CPV/RV/2022-23/010

Sub: Valuation Analysis of Equity Shares of DUDIGITAL Global Limited as per SEBI (ICDR) Regulations.

Dear Sir/Madam,

We, a Insolvency and Bankruptcy Board of India ("IBBI") Registered Valuer ("herein-after-referred as "Valuer") have been appointed as valuers by **DUDIGITAL Global Limited** ("Company/ Client") to assist in determination of the fair value of equity shares of the Company for allotment of Securities on preferential basis to certain proposed allottees.

The underlying transaction is the preferential issue of Equity Shares of the Company to certain resident & non-resident investors. The Company is frequently traded company listed on SME Platform of National Stock Exchange of India Limited (NSE). In terms of Regulation 164(1) SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, read with Proviso thereof, since the Company's Articles of Association contain a clause, as to valuation to be obtained from a Registered Valuer, we have been approached by the Company to provide a valuation report, for determining the issue price.

Based on our valuation analysis of equity shares of **DUDIGITAL Global Limited** and subject to the notes and comments provided herein, we hereby certify that the equity value of the Company at INR 1,277.22 million and value per equity share as INR 491.24 as on 31st March, 2022. The Company has done split of its shares from face value of INR. 10/- per share to face value of INR. 2/- per shares record date for which is July 1st, 2022, as represented by the management of the Company; therefore, we have arrived at value per equity share after Split at INR 98.25/- respectively.

This certificate is being issued for compliance with aforesaid regulatory purpose only and the value determined herein would be considered for determination of floor price for this purpose. We further undertake that we are an independent valuer having no present and future interest in any transaction of the Company.

Thanking you

21st July, 2022

Place: New Delhi

For Corporate Professionals Valuation Services Private Limited
 (Registration No. IBBI/RV-E/02/2019/106)

(Sanchit Vijay)

Director

Enclosures:

Annexure I: Scope of Work

Annexure II: Valuation Approaches and Workings

Annexure III: Management certified Consolidated Profit and Loss statement for 12 months period ended March 31st, 2022.

Annexure IV: Caveats



Annexure I: Scope of Work

A. PURPOSE OF VALUATION AND APPOINTING AUTHORITY

Based on the discussions held with the management and Key Managerial Personnel (KMP's), we understand that the Company is proposing to issue the Equity Shares to certain resident & non-resident investor. The Company is frequently traded company on National Stock Exchange of India Limited (NSE). In terms of Regulation 164(1) SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, read with Proviso thereof, since the Company's Articles of Association contain a clause, as to valuation to be obtained from a Registered Valuer, we have been approached by the Company to provide a valuation report, for determining the issue price. Thus, we, being Registered Valuers, have been appointed as per the appointment letter dated 8th July, 2022.

We are issuing this certificate for the purpose of compliance with the Chapter V of SEBI (ICDR) Regulations.

B. IDENTITY OF CLIENT AND OTHER INTENDED USERS

DUDIGITAL Global Limited
C-4 SDA, Community Centre,
Hauz Khas, New Delhi – 110016

C. IDENTITY OF VALUER AND OTHER EXPERTS

Corporate Professionals Valuation Services Private Limited
Registered Valuer (IBBI)
Registration No. IBBI/RV-E/02/2019/106

D. BACKGROUND INFORMATION OF THE ASSET BEING VALUED

DUDIGITAL Global Limited is a Non-Government Public incorporated Company on 27st December, 2007. It is involved in administrative and non-judgmental tasks cognate to visa, passport, identity management, and other citizen services for its client governments.

- **Date of Appointment-** 8th July, 2022
- **Date of Report-** 25th July, 2022
- **Base of value-** Fair Value for allotment of Securities on preferential allotment basis, as per the Company's Articles of Association, without change in control
- **Valuation Currency-**INR

E. PROCEDURES ADOPTED AND VALUATION STANDARDS FOLLOWED

We have performed this valuation in accordance with the internationally accepted valuation standards and customary valuation practices in India for such purposes.



F. NATURE AND SOURCES OF INFORMATION USED OR RELIED UPON

We have reviewed the following documents including but not limited to:

- Discussions with the KMP's.
- Management certified Consolidated Profit and Loss statement for 12 months period ended March 31st, 2022
- Capital line Database and other information in public domain.
- Management Representation

G. EXTENT OF INVESTIGATION UNDERTAKEN

We have taken due care in performing valuation procedures and have also applied appropriate discount rates considering the riskiness of the business plan. However, we would like to expressly state that though we have reviewed the financial data for the limited purpose of valuation assessment but we have not performed an Audit and have relied upon the historical as well as future financials (P&L Account and Balance Sheet) as prepared and submitted to us by the management of the company. It may so happen that the projections do not materialize but the management has represented to us that it has been taken due care in preparation of such forecasts of financial statements and the same may be considered as true and fair view of the expected business plan of the company.

We would like to clarify that this valuation has been performed on a valuation date with unprecedented levels of uncertainty due to COVID-19 pandemic. It must be noted that the COVID 19 situation is creating a lot of uncertainty, especially in regard to full reopening of the economy and its impact on households across various strata of society. Thus, it should be treated as dynamic situation and any estimates and assessment today is the best possible guess with just using available information and limited past experience. The situation is dynamic and all bodies (Government, Regulators, Industry participants, consumers etc.) are seeing new challenges with time and adjusting to it with a goal of minimum disruption to life and least impact on businesses. This valuation has been done amid this uncertainty and caution is advised. We do not express any opinion on the suitability or otherwise of entering into the proposed transaction.



Annexure II:**Valuation Approaches and Workings**

There are three approaches to Valuation namely Income, Asset and Market Approaches.

Approach	Valuation Methodologies	Basis of Consideration
Asset	Net Asset Value (NAV) Method	The Asset based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on a Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. However, this methodology recognizes historical cost of net assets only without recognizing its present earnings, comparative financial performance of its peers and their enterprise values etc. Therefore, in general Net Asset Value only reflects the minimum proxy value of the company. In the instant case, the Company is into service Industry (primary Citizen service business), so its risk and return can be better captured by its future cash flows, therefore we deemed it appropriate to ignore this methodology for this valuation.
Market	Comparable Companies Multiples (CCM) Method	This methodology uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g., Revenue, EBITDA, EBIT, Earnings per Share or Book Value). A key benefit of Comparable Companies Trading Multiple analysis is that the methodology is based on the current market price which is generally viewed as one of the best valuation metrics. Keeping in view that only one primary Citizen service business Company is currently listed i.e., the largest private sector and public sector company, which may not form the appropriate comparison set in the listed space. Therefore, we have not applied this methodology as the said methodology may not represent the fair value on the valuation date.
Income	Discounted Free Cash Flow (DFCF) Method.	<p>The DFCF method expresses the present value of the business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. The value of the firm is arrived at by estimating the Free Cash Flows (FCF) to Firm and discounting the same with Weighted Average cost of capital (WACC). The DFCF methodology is considered to be the most appropriate basis for determining the earning capability of a business.</p> <p>In the DFCF approach, the appraiser estimates the cash flows of any business after all operating expenses, taxes, and necessary investments in working capital and Capex is being met.</p> <p>We have considered this methodology for calculation of fair equity value of the Company based on its consolidated cash flows. After considering its business plan,</p> <p>We have calculated the Enterprise value and then derived the Equity value by adjusting its debt, cash and cash equivalents and surplus assets on the date of valuation.</p> <p>We have considered this methodology in the instant case.</p>



Computation of Equity value as on 31st March, 2022**Method of Valuation****Discounted Free Cash Flow To Firm (DFCF):**

Discounted Free Cash Flow Analysis - Dudigital Global Limited							
WACC :		23.77%					
GROWTH RATE :		4.00%	Amount In INR Millions				
	FY	2023	2024	2025	2026	2027	Terminal
	Particulars						
	Total Revenue	336.46	540.51	822.22	1,065.16	1,455.52	
	PBT	70.31	148.55	264.75	358.08	519.08	
	Less : Direct Taxes Paid	17.70	37.39	66.63	90.12	130.64	
	PAT	52.61	111.16	198.12	267.96	388.44	
	Add : Depreciation & Amortization	5.51	8.18	10.84	10.99	10.51	
	Less :Capital Expenditure	10.00	21.50	23.00	12.50	10.00	
	Add: Interest (Post Tax)	1.69	1.69	1.69	1.69	1.69	
	Less: Change In Non-Cash Working Capital	39.18	3.48	5.14	4.58	7.93	
	Free Cash Flows to Firm	10.64	96.05	182.51	263.57	382.71	2,037.01
	Discounting Factor	0.90	0.73	0.59	0.47	0.38	0.38
	Present value of Cash flow	9.56	69.75	107.09	124.95	146.59	780.23
	Cumulative present value of business operations	1,238.17					
	Enterprise Value	1,238.17					
	Add: Cash and cash equivalents as on 31.03.2022	27.20					
	Add: Bank Deposits as on 31.03.2022	8.40					
	Add: Investments as on 31.03.2022	5.52					
	Add: Deferred Tax Asset as on 31.03.2022	0.46					
	Less: Debts as on 31.03.2022	2.52					
	Equity Value as on 31.03.2022	1,277.22					



DCF Assumptions:

Particulars		Notes
Risk free rate (Rf) as on 31.03.2022	6.84%	Considered of long-term Indian government bond rate
Market Rate of Return	15.38%	BSE Sensex return on long term basis
Industry Beta... (β)	0.88	We have taken the Levered beta for 5 Years of comparable company Beta value (B) as 0.88 since the Company's shares are not listed and as discussed with the management that there are only one listed company in this domain hence, we have taken the comparable industry to arrive to the beta.
Additional Company Specific (including Small Company) Risk Premium (unsystematic risk) (CSRPs)	10.00%	We have given 10% additional risk premium looking into company profile, financial structure and ROI investor will look into while investing in this type of company. This is also dependent upon the level of aggressiveness of the future cash flows and present scenario of the country and company environment in which it is operating.
Cost of Equity (Ke)	24.38%	As per Modified CAPM model i.e. $[Ke = Rf + \beta(Rm - Rf) + CSRPs]$
Cost of Debt	8.07%	As represented by the management of the Company
Equity portion in capital structure	96.67%	
WACC	17.68%	$WACC = (Ke * \% \text{ Equity in Capital Structure}) + (\text{Cost of Debt} * \% \text{ Debt in Capital Structure} * (1 - \text{Tax Rate}))$
Growth Rate	4%	As the perpetuity growth rate assumes that the Company will continue its historic business and generate Free Cash Flows at a steady state forever. Since terminal value constitutes a major proportion of the entire value of the business, we while deciding the terminal growth rate have given emphasis to economic factors & financial factors like Inflation of the Country, GDP growth of the Country, Projected Financials, Historical Financial Position, Organic & Inorganic growth strategies of the Company etc. Accordingly, for perpetuity, we have considered 4% growth rate.

For the purpose of valuation of equity shares in this transaction through DCF methodology, we have relied upon the projections provided by the Company for the period beginning 1st April, 2022 and ending 31st March, 2027 duly supplemented by its Terminal Value based on the Gordon Growth Model and extrapolating the adjusted free cash flows for last year at an annual growth rate of 4% to perpetuity.



Fair Value of Dudigital Global Limited

Fair Value of Dudigital Global Limited				
All Amount INR Millions				
Approach Applied	Methodology Applied	Weight	Equity Value	Per Share Equity Value
Income	Discounted Cash Flow	100%	1,277.22	1,277.22
Weighted Average Equity Value				1,277.22
No. of Equity Shares before stock split				2,600,000
Value per Equity share (INR) before stock split				491.24
No. of Equity Shares after stock split				13,000,000
Value per Equity share (INR) before stock split				98.25

Based on our analysis of the Company and subject to our comments and caveats as further detailed in this report, we have arrived at the equity value of the Company at INR 1,277.22 million and value per equity share as INR 491.24 as on 31st March, 2022. The Company has done split of its shares from face value of INR. 10/- per share to face value of INR. 2/- per shares record date for which is July, 1, 2022, as represented by the management of the Company; therefore, we have arrived at value per equity share after Split at INR 98.25/- respectively.



Annexure III:**Management certified Consolidated Profit and Loss statement for the 12 months period ended 31st March, 2022**

Particulars	Amount in INR Million
Revenue from Operations	93.98
Other Income	4.12
Total Income	98.10
Total Operating Expenses	(89.30)
EBITDA	8.79
Depreciation and Amortization	(3.76)
EBIT	5.03
Finance Cost	(2.26)
Profit Before Tax (PBT)	2.77
Share of profit of an associate and a joint venture	0.02
Tax	(1.50)
Profit After Tax (PAT)	1.29

Management Certified Provisional Balance Sheet as on 31th March, 2022

Particulars	Amount in INR Million
Share Capital	26.00
Reserve & Surplus	47.18
Total Shareholder's Fund	73.18
Non-current Liabilities	31.35
Current Liabilities	45.65
Total Equity and Liabilities	150.19
Non-current assets	66.49
Current assets	83.70
Total Assets	150.19



Annexure IV: Caveats

- This Valuation Report has been issued on the specific request of "DUDIGITAL Global Limited" for determining the value of Equity Share of the Company in accordance with the SEBI (ICDR) Regulations. This Report is prepared exclusively for the above stated purpose and must not be copied, disclosed or circulated or referred to in correspondence or discussion with any other party. Neither this report nor its content may be used for any other purpose without our prior written consent.
- No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in accounts. Therefore, no responsibility is assumed for matters of legal nature.
- In Accordance with the customary approach adopted in Valuation exercise, we have summarized the Valuation Analysis of equity shares of the Company based on the information as was provided to us by the management of the Company both written, verbal and other publicly available information. We do not assume any responsibility for the accuracy or reliability of such documents on which we have relied upon in forming our opinion.
- This Report does not look into the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the shareholders are expected to exercise their own discretion.
- We have no present or planned future interest in the Company and the fee for this Valuation analysis is not contingent upon the values reported herein. The Valuation Analysis contained herein is not intended to represent the value at any time other than the date that is specifically stated in this Report.
- The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- In no circumstances shall the liability of a valuer, its partners, directors or employees, relating to the services provided in connection with the engagement set out in this Valuation report shall exceed the amount paid to such valuer in respect of the fees charged by it for these services.
- Our valuation report should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transactions.

