

Valuation of equity shares of SoftTech Engineers Limited as per the provisions of the Securities and Exchange Board of India (“SEBI”) (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 (“ICDR Regulations”)

23rd August 2022

Rashmi Shah FCA
Registered Valuer (Securities or Financial Assets) with IBBI
Registration No.: IBBI/RV/06/2018/10240

Date: 23rd August 2022

To,
The Board of Directors
SoftTech Engineers Limited
SoftTech Towers, S NO 1/1A/7 8 15 16 17,
Plot No. BCD 1-Baner, Opposite Royal Enfield Showroom,
Baner Road, Pune - 411045.

Dear Sirs,

Sub: Valuation of equity shares of SoftTech Engineers Limited for preferential allotment

SoftTech Engineers Limited (“SEL” or “the Company”) intends to issue Compulsorily Convertible Debentures (CCDs) and Warrants to certain investors.

In this regard, Rashmi Shah FCA, Registered Valuer with IBBI Registration No. IBBI/RV/06/2018/10240 (‘RVS’ or ‘Independent Valuer’) has been appointed to determine fair value of CCDs and Warrants of SEL under Regulation 165 & Regulation 166A of the Securities and Exchange Board of India (“SEBI”) (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 (“ICDR Regulations”) (‘SEBI ICDR Regulations’) (‘Valuation Purpose’).

The Valuation Date as informed to us by the Management of SEL (‘the Management’) for computation of the value of the said CCDs and Warrants to be issued by SEL is 23rd August 2022 (‘**Valuation Date**’).

This Report is structured under the following broad heads:

- Background
- Information sources
- Valuation Standards followed and Procedure adopted for Valuation
- Valuation Methodology
- Valuation Analysis and Conclusion
- Scope Limitation
- Annexures

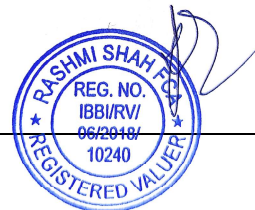


BACKGROUND

SoftTech Engineers Limited

- SoftTech Engineers Limited (CIN: L30107PN1996PLC016718) is a company limited by shares incorporated on 17th June 1996 under the Companies Act, 1956, with its registered office at SoftTech Towers, S NO 1/1A/7 8 15 16 17, Plot No. BCD 1-Baner, Opposite Royal Enfield Showroom, Baner Road, Pune 411045.
- SEL develops innovative software and intellectual property in the architecture, engineering and construction (AEC) domains and are the creators of one of the most preferred Automated CAD-based building plan scrutiny and approval process – AutoDCR® which has been used by over 500+ Municipal Corporations across the country, besides a few international clients spread across GCC and North & west Africa.
- Equity shares of SEL are listed on NSE Limited (“NSE”) and BSE Limited ("BSE").
- The shareholding pattern of SEL as of 23rd August 2022 is as under:

Particulars	No. of shares	% Shareholding
Promoter & Promoter Group,	41,07,872	40.45%
Public	60,46,882	59.55%
Total	1,01,54,754	100.00%



INFORMATION SOURCES

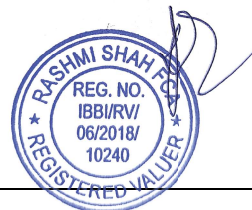
We have relied on the following sources of information and documents as provided to us by the Management of SEL ('the Management') and available in public domain:

- Financial Statements of SEL for the period ended 30th June 2022 and for the year ended 31st March 2022;
- Terms of CCDs and Warrants intended to be issued
- Other relevant data;
- Our regular discussions with management representatives of SEL
- We have also relied on published and secondary sources of data whether or not made available by the Companies.



VALUATION STANDARDS FOLLOWED AND PROCEDURES ADOPTED FOR VALUATION

- We have performed the valuation analysis, to the extent possible, in accordance with ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountants of India ('IVS'). IVS 301 on Business Valuation deals with valuation of a business or business ownership interest (i.e., it includes valuation of equity shares).
- In connection with this exercise, we have adopted the following procedures to carry out the valuation analysis:
 - Requested and received relevant data from the Management
 - Discussions with the Management on understanding of the businesses of the Company
 - Obtained and analysed data available in public domain, as considered relevant by us
 - Obtained and analysed market prices and other data involving equity shares of SEL and of comparable companies, as applicable and relevant
 - Selection of valuation approach and valuation methodology/ (ies), in accordance with IVS, as considered appropriate and relevant by us
 - Determination of value per equity share of SEL, as relevant
 - Application of conversion ratio to the equity shares of SEL for determining the value of CCDs and Warrants
 - Preparation and issuance of this valuation report.



VALUATION APPROACHES AND METHODOLOGIES

- For the purpose of valuation, it is necessary to select an appropriate basis of valuation amongst the various valuation techniques. It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. The application of any particular method of valuation depends upon various factors including the size of company, nature of its business and purpose of valuation. Further, the concept of valuation is all about the price at which a transaction takes place i.e., the price at which seller is willing to sell and buyer is willing to buy. Accordingly, a fair and reasonable approach for valuing the shares of the company is to use a combination of relevant and applicable valuation methods.
- As per Regulation 165 of the ICDR Guidelines, “Where the shares of an issuer are not frequently traded, the price determined by the issuer shall take into account the valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies. Provided that the issuer shall submit a certificate stating that the issuer is in compliance of this regulation, obtained from an independent valuer to the stock exchange where the equity shares of the issuer are listed”. In light of this Regulation, we have assessed the value of shares of the Company under various applicable valuation methodologies.

As per Regulation 166A of the ICDR Guidelines, “Any preferential issue, which may result in a change in control or allotment of more than five percent of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price.

Provided that the floor price, in such cases, shall be higher of the floor price determined under sub-regulation (1), (2) or (4) of regulation 164, as the case may be, 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.

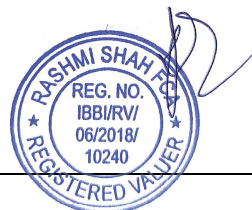
- IVS 301 read with IVS 103 specifies that generally the following three approaches for valuation of business / business ownership interest are used:
 - Cost Approach
 - Market Approach
 - Income Approach

Cost Approach – Net Asset Value (NAV) method

- The value under cost approach is determined based on the underlying value of the assets which could be on book value basis, replacement cost basis or on the basis of realizable value. Under NAV method, total value of the business is based either on net asset value or realizable value or replacement cost basis. NAV methodology is most applicable for the business where the value lies in the underlying assets and not the ongoing operations of the business. NAV method does not capture the future



earning capacity of the business. Given the nature and specifics of the business, we have considered the Adjusted NAV method, wherein we have assessed the fair value of the subsidiaries recorded in the books of the Company and replaced the book value with the fair value, as relevant and applicable.



Income Approach – Discounted Cash Flows (DCF) method

- Under the Income Approach, business is valued by converting maintainable or future amount of cash flows to a single current amount either through discounting or capitalization. DCF Method seeks to arrive at the value of the business based on its future cash flows generating capability and the risks associated with the said cash flows. FCFF or free cash flows to the firm (“FCFF”) represents the cash available for distribution to both the owners and the creditors of the business. Risk-adjusted discount rate or Weighted Average Cost of Capital (“WACC”) is applied to free cash flows in the explicit period and that in perpetuity. Adjustments pertaining to debt, surplus/non-operating assets including investments, cash & bank balance and contingent assets/liabilities and other liabilities, as relevant, are required to be made in order to arrive at the value for equity shareholders. The total value for the equity shareholders so arrived is then to be divided by the number of equity shares to arrive at the value per equity share of the company.

We have not considered Discounted Cash Flows (DCF) method under the income approach due to unavailability of business projections of SEL as we understand that projections of SEL would be price sensitive information, which was therefore not made available to us.

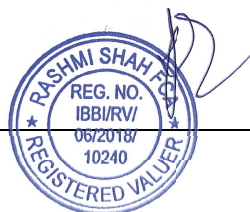
Market Approach – Market Price method

- Under the Market Price method, the market price of an equity share as quoted on a recognized 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 frequently traded. Generally, market value is reflective of the investors’ perception about the actual worth of the company. However, in certain situations, the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. We understand that the shares are infrequently traded on NSE Limited and BSE Limited.
- Regulation 164(5) of Chapter IV of SEBI ICDR Regulations reads as under-

For the purpose of this Chapter, “Frequently traded shares” means 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 the shares of the issuer.

Explanation: For the purpose of this regulation, ‘stock exchange’ means any of the recognized 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.”

The equity shares of the Company are traded on the NSE and the BSE. However, as per Explanation to regulation 164(5) of the SEBI ICDR Regulations, the exchange on which higher trading volume of equity shares during the preceding 90 trading days prior to the relevant date, is recorded, is to be considered for the pricing computation.



Since, SEL is a listed company and equity shares of SEL are traded on NSE Limited and BSE Limited over a reasonable period (more than 90 days), we have considered Market Price method to determine the value of equity shares of SEL. However, the shares of the Company do not have a trading history of 240 days and the overall turnover is less than 10% of the outstanding share capital. We therefore understand that the shares of the Company are infrequently traded. We have therefore considered Market Price method and pricing under ICDR guidelines as one of the methods to determine the value of equity shares of the Company and not the primary method. We have been informed by the Management that the valuation date to be considered 23rd August 2022.

Market Approach – Comparable Companies’ Multiple (CCM) method

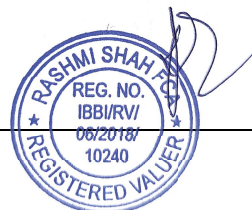
- Under CCM Method, the value of shares of the subject company is determined on the basis of multiples derived from valuations of comparable companies. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. The Comparable Companies’ Multiple Method arrives at the value of the company by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences, such as growth potential, past track record, size, company dynamics, etc.
- Management has provided us with name/s of listed comparable companies, which we have considered for the said Valuation Purpose.

For arriving at the value per equity share of SEL and considering valuation inputs available for determining valuation under Adjusted NAV method and Market Price, we have applied appropriate weights to arrive at the value per equity share of SEL.



SCOPE LIMITATIONS AND DISCLAIMERS

- Valuation analysis and results are specific to the purpose of valuation mentioned in this report as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date.
- We owe responsibility to only the management of the client that has retained us and nobody else. We do not accept any liability to any third party in relation to the issue of this valuation report. Our valuation report cannot be used for any other purpose. This report has been prepared only for the sole use and information of SEL. Without limiting the foregoing, we understand that SEL may be required to submit this report to the regulatory authorities / stock exchanges in connection with the Proposed Transaction.
- Our analysis is based on the market conditions and the regulatory environment that currently exists. However, changes to the same in the future could impact the company and the industry it operates in, which may impact our valuation analysis.
- We are not responsible for updating this report because of any events or transactions occurring subsequent to the date of this report.
- We have considered and relied on the information provided to us by the Management including financial information, significant transactions and events occurring subsequent to the balance sheet date. We understand that the information provided to us and the representations made to us (whether verbal or written) are reliable and adequate. We have derived our conclusions and recommendation from the information so provided and we are thus reliant on the given information to be complete and accurate in every significant aspect. We are made to believe that the Management have informed us about all material transactions, events or any other relevant factors which are likely to have an impact on our valuation recommendation.
- In the ultimate analysis, valuation will have to capture the exercise of judicious discretion by the Valuer and judgment taking into account all the relevant factors. There will always be several factors which are not evident from the face of the financial statements, but which will strongly influence the worth of a share. Examples of such factors include quality and integrity of the management, capital adequacy, asset quality, earnings, liquidity, size, present and prospective competition, yield on comparable securities and market sentiment, etc. This concept is also recognized in judicial decisions.
- This Report does not look into the business / commercial reasons behind the transaction. We have no present or planned future interest in the company and the fee for this engagement is not contingent upon the values reported herein. Our valuation analysis should not be construed as an investment advice. We do not express any opinion on the suitability or otherwise of entering into any transaction with the Company
- Any discrepancies in any annexure between the total and the sums of the amounts listed are due to rounding-off.



VALUATION ANALYSIS AND CONCLUSION

- The value per equity share of SEL are based on the various approaches / methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations. We have independently applied methods discussed above, as considered appropriate, i.e., Market Price method and Adjusted NAV method for determining value per share of SEL, as applicable and relevant.
- In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this Report for the proposed transaction, in our opinion, we recommend the fair value of equity shares of SEL at **INR 123.3 per equity share**, computed as below.

Valuation of equity shares of SEL			
Valuation approach		Value per share (INR)	Weight %
Asset approach - NAV method	A	107.1	0%
Market approach - Market Price Method (ICDR)	B	119.2	50%
Market approach - CCM Method	C	127.4	50%
Value per share (INR)		123.3	
Conversion ratio for CCD and Warrants		1.0	
Value per CCD (INR)		123.3	
Value per Warrant (INR)		123.3	
Recommended Value per CCD (INR)		125.0	
Recommended Value per Warrant (INR)		125.0	

- Management has informed us that the conversion ratio applicable to CCDs and warrants is 1:1. Thus, we can implicate that the value per CCD is INR 123.3 and value per Warrant is INR 123.3. However, we understand that the face value per CCD and Warrant is INR 125 each. Considering the Replacement Cost Method, which is an internationally accepted methodology, we understand that the face value of the said CCDs and Warrants of INR 125 per CCD and INR 125 per Warrant can be representative of its fair value. **Since, the CCDs and Warrants are intended to be issued at INR 125 each, we are recommending a value of INR 125 per CCD and INR 125 per Warrant under the Replacement Cost method.**

Yours truly,

Rashmi Shah FCA

Registered Valuer (SFA)

IBBI Reg. No.: IBBI/RV/06/2018/10240

Place: Mumbai

Date: 23rd August 2022

ICAI UDIN: 22123478APWXNY7814

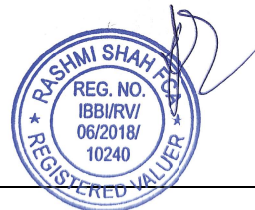


Enclosed:

Annexure I: Determination of value of equity shares of SEL using Adjusted NAV method;

Annexure II: Determination of value per equity share of SEL using Market Price method (ICDR Pricing Guidelines);

Annexure III: Determination of value per equity share of SEL using CCM Method.



Annexure I – Determination of value of equity shares of SEL using Adjusted NAV method

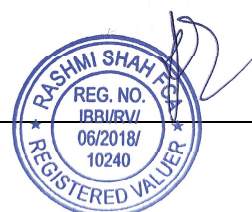
We have considered Adjusted NAV method to determine the value per equity share of SEL. The value of equity share of SEL using Adjusted NAV method is **INR 107.1 per equity share**.

Refer to the valuation workings below:

Valuation of equity shares of SEL using Adjusted NAV method¹		
Particulars (Amount in INR Mn)	Book Value	Fair Value
Assets		
Property, plant and equipment	45.79	45.79
Right-of-use assets	32.88	32.88
Other intangible assets	216.37	216.37
Intangible assets under development	58.58	58.58
Bank deposits with maturity of more than 12 months	76.90	76.90
Interest accrued but not due on bank deposits and	15.96	15.96
Security deposits	9.55	9.55
Tender deposits	3.36	3.36
Retention money	2.07	2.07
Non current investments	60.42	255.31
Income tax assets (net)	31.32	31.32
Deffered tax assets (net)	10.63	10.63
Balances with government authorities (GST, Income	24.50	24.50
Prepaid expenses	2.97	2.97
Investments	36.78	36.78
Trade receivables	256.56	256.56
Cash & cash equivalents	(1.48)	(1.48)
Contract assets	494.22	494.22
Expense reimbursement receivable from Related P	1.30	1.30
Advance to employees and others	6.65	6.65
Total assets	1,385.32	1,580.22
Liabilities		
Borrowings - non current	209.42	209.42
Lease liabilities - non current	20.95	20.95
Provisions - non current	16.42	16.42
Borrowings	121.18	121.18
Lease liabilities	11.48	11.48
Trade payables	89.93	89.93
Payable to employees	13.32	13.32
Interest accrued but not due on borrowings	4.00	4.00
Statutory liabilities	2.68	2.68
Provisions	3.71	3.71
Total liabilities	493.10	493.10
Net asset value (INR Mn)	892.23	1,087.12
Number of equity shares	10,154,754	10,154,754
Value per share (INR)	87.86	107.06

Based on the above computation, in our opinion the value of equity shares of SEL is INR 83.12 per equity share for the said Valuation Purpose and as of the said Valuation Date.

¹ Balance Sheet as of 30th June 2022 as provided to us by the Management



Annexure II – Determination of value per equity share of SEL using Market Price method (ICDR Pricing Guidelines)

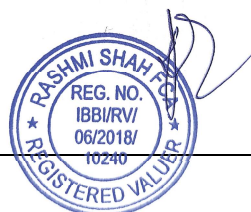
Valuation of equity shares of SEL using Market Price method

Particulars	VWAP (INR)
A] Average of 90 trading days VWAP	119.16
B] Average of 10 trading days VWAP	118.69
Applicable Minimum Price (Higher of the A or B)	119.16

Based on the above computation, we understand that the value of equity shares of SEL can be considered at INR 119.16 per equity share for the said Valuation Purpose and as of the said Valuation Date, under the ICDR Pricing Guidelines.

Average of the volume weighted average price (VWAP) of the equity shares of Softtech Engineers Limited quoted on the NSE Limited Stock Exchange during the 10 trading days preceding the relevant date (considering share prices till 23-Aug-2022)

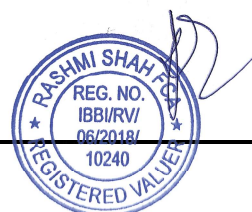
Day	Date	Total Turnover (INR)	Volume of traded shares
1	Monday, August 8, 2022	534,284	4,724
2	Wednesday, August 10, 2022	232,775	2,023
3	Thursday, August 11, 2022	66,198	559
4	Friday, August 12, 2022	4,645	41
5	Tuesday, August 16, 2022	1,391,644	11,645
6	Wednesday, August 17, 2022	1,240,128	10,531
7	Thursday, August 18, 2022	212,458	1,783
8	Friday, August 19, 2022	404,065	3,238
9	Monday, August 22, 2022	47,347	388
10	Tuesday, August 23, 2022	255,510	2,048
	Total	4,389,054	36,980
VWAP of 10 trading days volume weighted average price ("VWAP") preceding the relevant date (INR)			118.69



Valuation of equity shares of SoftTech Engineers Limited

Average of the volume weighted average price (VWAP) of the equity shares of Softtech Engineers Limited quoted on the NSE Limited Stock Exchange during the 90 trading days preceding the relevant date (considering share prices till 23-Aug-2022)

Day	Date	Total Turnover (INR)	Volume of traded shares
1	Monday, April 11, 2022	692,515	5,825
2	Tuesday, April 12, 2022	6,886,781	50,127
3	Wednesday, April 13, 2022	1,761,763	12,852
4	Monday, April 18, 2022	788,803	5,986
5	Tuesday, April 19, 2022	1,240,077	9,718
6	Wednesday, April 20, 2022	2,582,667	21,579
7	Thursday, April 21, 2022	624,276	5,234
8	Friday, April 22, 2022	31,156	254
9	Monday, April 25, 2022	655,418	5,679
10	Tuesday, April 26, 2022	699,749	5,916
11	Wednesday, April 27, 2022	1,287,603	10,933
12	Thursday, April 28, 2022	147,190	1,258
13	Friday, April 29, 2022	257,033	2,237
14	Monday, May 2, 2022	17,992	155
15	Wednesday, May 4, 2022	109,759	963
16	Thursday, May 5, 2022	66,337	577
17	Friday, May 6, 2022	132,981	1,145
18	Monday, May 9, 2022	26,872	226
19	Tuesday, May 10, 2022	17,921	162
20	Wednesday, May 11, 2022	26,580	227
21	Thursday, May 12, 2022	13,728	117
22	Friday, May 13, 2022	63,187	552
23	Monday, May 16, 2022	48,107	418
24	Tuesday, May 17, 2022	24,588	225
25	Wednesday, May 18, 2022	197,273	1,831
26	Thursday, May 19, 2022	1,327	12
27	Friday, May 20, 2022	4,937	45
28	Monday, May 23, 2022	8,056	73
29	Tuesday, May 24, 2022	114,213	1,050
30	Wednesday, May 25, 2022	189,660	1,744
31	Thursday, May 26, 2022	349,448	3,359
32	Friday, May 27, 2022	282,490	2,717
33	Monday, May 30, 2022	240,311	2,311
34	Tuesday, May 31, 2022	58,869	568
35	Wednesday, June 1, 2022	447,324	4,388
36	Thursday, June 2, 2022	60,626	584
37	Friday, June 3, 2022	266,213	2,610
38	Tuesday, June 7, 2022	3,243	32
39	Wednesday, June 8, 2022	252,163	2,614
40	Thursday, June 9, 2022	201,392	2,182
41	Friday, June 10, 2022	243,630	2,661
42	Monday, June 13, 2022	190,391	2,107
43	Tuesday, June 14, 2022	85,126	891
44	Wednesday, June 15, 2022	21,163	215
45	Thursday, June 16, 2022	235,548	2,471
46	Friday, June 17, 2022	28,519	309
47	Monday, June 20, 2022	71,209	811
48	Tuesday, June 21, 2022	15,397	168
49	Thursday, June 23, 2022	545	6
50	Friday, June 24, 2022	9,101	103
51	Monday, June 27, 2022	17,336	194
52	Tuesday, June 28, 2022	17,128	185
53	Wednesday, June 29, 2022	19,778	221
54	Thursday, June 30, 2022	48,828	536
55	Friday, July 1, 2022	6,052	68
56	Monday, July 4, 2022	82,141	898
57	Tuesday, July 5, 2022	106,572	1,156
58	Wednesday, July 6, 2022	63,752	665
59	Thursday, July 7, 2022	140,509	1,491
60	Friday, July 8, 2022	92,116	919
61	Monday, July 11, 2022	117,532	1,254
62	Tuesday, July 12, 2022	13,962	144
63	Wednesday, July 13, 2022	85,677	898
64	Thursday, July 14, 2022	54,958	576
65	Friday, July 15, 2022	19,018	205
66	Monday, July 18, 2022	114,870	1,155
67	Tuesday, July 19, 2022	115,975	1,190
68	Wednesday, July 20, 2022	168,483	1,692
69	Thursday, July 21, 2022	166,884	1,689
70	Friday, July 22, 2022	252,587	2,505
71	Monday, July 25, 2022	87,691	831
72	Tuesday, July 26, 2022	120,935	1,093
73	Wednesday, July 27, 2022	111,845	994
74	Thursday, July 28, 2022	34,831	303
75	Friday, July 29, 2022	32,525	282
76	Monday, August 1, 2022	81,277	730
77	Tuesday, August 2, 2022	1,231,678	10,964
78	Wednesday, August 3, 2022	241,328	2,103
79	Thursday, August 4, 2022	140,173	1,246
80	Friday, August 5, 2022	14,539	127
81	Monday, August 8, 2022	534,284	4,724
82	Wednesday, August 10, 2022	232,775	2,023
83	Thursday, August 11, 2022	66,198	559
84	Friday, August 12, 2022	4,645	41
85	Tuesday, August 16, 2022	1,391,644	11,645
86	Wednesday, August 17, 2022	1,240,128	10,531
87	Thursday, August 18, 2022	212,458	1,783
88	Friday, August 19, 2022	404,065	3,238
89	Monday, August 22, 2022	47,347	388
90	Tuesday, August 23, 2022	255,510	2,048
Total		29,971,290	251,521
VWAP of 90 trading days volume weighted average price ("VWAP") preceding the relevant date (INR)			119.16



Annexure III – Determination of value per equity share of SEL using CCM Method

Particulars			Value
Revenue for the year ended 31 Mar 2022	INR Mn	A	574.57
EV / Revenue multiple	x	B	2.40
Enterprise Value	INR Mn	C=AxB	1,378.96
Less: Debt	INR Mn	D	(346.37)
Add: Cash	INR Mn	E	6.31
Add: Fair value of non-current investment	INR Mn	F	255.31
Equity value INR Mn	INR Mn	G=C-D+E+F	1,294.21
Number of shares	INR Mn	H	10,154,754
Value per share INR	INR Mn	I=G/H	127.45

<<End of Report>>

