

11th November, 2024

The Board of Directors
Redefine Fashion Private Limited
102 Vanguard, 5th Cross, Murugeshpalya,
Bangalore, Karnataka – 560 017

Dear Sir/Madam,

Recommendation of Fair Value of equity shares of Redefine Fashion Private Limited

In connection with our engagement letter dated 19th October, 2024 and the subsequent discussions I had with you in connection with determining the fair value of equity shares ("Valuation") of Redefine Fashion Private Limited ("RFPL" or the "Company"), on a going concern basis.

1. CONTEXT AND PURPOSE

- 1.1 Redefine Fashion Private Limited is a vertically integrated fashion wear company, focused on sneakers. It is involved in end to end design, manufacture, marketing and sale of sneakers and shoes. The Company carries on its business under the brand name of "Lyt".
- 1.2 I understand that the Management intends to assess the fair value of the equity shares of RFPL for further issue of equity shares and Compulsorily Convertible preference shares ("CCPS") and to compute Fringe Benefit Tax ("FBT") on exercising of ESOP options and in this regard, has requested Nakul Rawat, Registered Valuer – Securities or Financial Assets (the "Consultant" or "Valuer" or "I" or "Me" or "My") assistance in estimation of the fair value.
- 1.3 In this context, Valuer has carried out the Fair Valuation of the equity shares of RFPL basis its financial position as **on 30th September 2024 ("Valuation Date")**, on a 'going concern' premise. My approach, along with considerations for Valuation, are detailed in this report.
- 1.4 This report is intended solely for the information and use of the Management of RFPL and is not intended to be and should not be used by anyone other than the Company and its shareholders (past and present) unless specified as per my engagement letter dated 30th September, 2024. I therefore assume no responsibility to any user of the report other than the users specified in the engagement letter. Any other persons who choose to rely on my report do so entirely at their own risk. Further, I have not performed the services or prepared the report for auditor's use, benefit or reliance and I assume no duty, liability or responsibility to the auditors.
- 1.5 In line, with the agreed scope of work, I present my fair valuation of the further issue of securities of RFPL as per the Valuation Basis in this report.



2. BACKGROUND

- 2.1 Redefine Fashion Private Limited (hereinafter referred to as "RFPL") is registered as a Private company under the Companies Act, 2013 having CIN No U74101KA2024PTC191944, the company was incorporated on 12/08/2024 having its registered office at 102, 1st Floor, Vanguard Rise No. 163, 5th Cross Nal, Bangalore 560 017, Karnataka.
- 2.2 The Company is a vertically integrated fashion wear company focused on sneakers. It is involved in end-to-end design, manufacture, marketing and sale of sneakers and shoes. The company is envisaged as a democratic brand for all Fashion seekers with the focus on style & design innovation targeting customers who wish to wear versatile, youthful and energetic attires.
- 2.3 The shareholding pattern of RFPL in respect of the Valuation Basis on a fully diluted basis is as below:

Shareholders	No of fully diluted equity shares	Equity Stake
Sankar Bora	43,680	43.68%
K Deepan Babu	43,680	43.68%
Bharat Mahajan	7,220	7.22%
Deepak Patil	4,920	4.92%
Saikot Das	500	0.50%
Total	100,000	100%

Source: Management Information

3. HISTORICAL PERFORMANCE

- 3.1 The Management has provided us with the provisional income statement of the Company for the Valuation Basis. The snapshot of the same is provided below:

In INR Lakhs	6 months ended 30 th September-24
Particulars	
Recurring revenue	-
Total Revenue	-
Direct Cost	-
As a % of revenue	-
Gross Profit	-
As a % of revenue	-
Employee Expenses	67.5
Other Expenses	18.8
EBITDA	(86.3)

Source: Management information



Note

1. The Company was incorporated on 12th August, 2024, therefore no revenue has been generated. Expenses related to employees and other operating expenses have been incurred during the period.

3.2 Below is the Provisional Balance Sheet for the Valuation Basis

In INR Lakhs	As at
Particulars	30-September-24
<u>Application of Funds</u>	
Property, plant and equipment	-
Cash and Cash Equivalents	-
Trade receivables	-
Total	-
<u>Sources of Funds</u>	
Equity Share Capital	230
Other equity	(230)
Borrowings	-
Trade payables	-
Total	-

Source: Management information

Note

1. The Company has taken fixed assets on a lease basis, so there are no fixed assets on the balance sheet.

4. PROCEDURES

The procedures used in my analysis included such substantive steps, as I considered necessary under the circumstances, including, but not necessarily limited to the following:

- Consider the Provisional financial statements of RFPL for the year ended 31 March, 2024 and for the period ended 30 September 2024;
- Consider the projected financial performance including statements of projected income and cash flows of RFPL for the period from 1 October 2024 to 31 March 2030 (referred to as the "Projection Period"), which the Management believes to be its best estimate as to the expected future operating performance of RFPL ("Management Projections");
- Discussions with Management to obtain requisite explanation and clarification on data provided;
- Considered financial data for publicly traded companies engaged in similar lines of business for computation of beta and other analysis; and
- Such other analysis as I considered necessary.



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5. SOURCES OF INFORMATION

The principal sources of information used in carrying out the Valuation included

- Provisional financial statements of RFPL as detailed above;
- Management Projections;
- Shareholding pattern as detailed above;
- Discussions with Management; and
- Information readily available in public domain.

6. VALUATION APPROACH

- 6.1 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 business 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 a 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 is 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 categorized as follows:

- 6.2. Valuation of RFPL has been performed on a 'going concern' premise considering the valuation parameters as per the Valuation Basis. There are several commonly used and internationally accepted methods for determining the value of the equity shares/ business of a company, including:
- Asset Approach
 - Market Approach
 - Income Approach – Discounted Cash Flow method

6.3 Assets Approach:

Net Asset Value Method ("NAV")

The value arrived at under this approach is based on the audited financial statement of the business and may be defined as shareholders fund or net assets owned by the business. The balance sheet values are adjusted for any contingent liabilities that are likely to materialize.



Replacement Cost Method

The value arrived at under this approach involves valuing an asset based on the cost that a market participant shall have to incur to recreate an asset with substantially the same utility (comparable utility) as that of the asset to be valued, adjusted for obsolescence.

Reproduction Cost Method

The value arrived at under this approach involves valuing an asset based on the cost that a market participant shall have to incur to recreate a replica of the asset to be valued, adjusted for obsolescence.

I understand that the Company will continue to operate as going concern. Therefore, given the purpose of the Valuation, I have not considered the Net Asset Value Approach. The value under this approach, particularly when this approximates the realizable value, is often used as an estimate of 'break-up value', and therefore, is particularly relevant in the event of liquidation.

6.4 Market Approach:

Comparable company market multiple method (CMM)

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

Under CMM method various multiples like EV/Sales, EV/EBITDA, P/BV, P/E, can be used to value a business depending on the facts and circumstances of the cases.

Comparable transactions multiple method

Under this methodology, pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar line of business. Types of transactions such as sale, merger or acquisition of businesses, acquisition of business interests, acquisitions of securities.

RFPL is an unlisted entity. I understand from Management that current operations of RFPL are relatively in nascent stage and financial performance of RFPL do not reflect sustainable/stabilised level of operations. Considering the same I have not adopted market approach for my Valuation.

6.5 Income Approach

Maintainable profit method (Discounted Cash Flow – "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 and equity), 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.

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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 the 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

6.6 I have considered income approach for Valuation of RFPL and the parameters adopted for this approach are explained in subsequent section.

7. VALUATION CONSIDERATIONS

7.1. Discounted Cash flow (DCF) Method

While valuing a business on DCF basis, the objective analysis is to determine a net present value of the free cash flows ("FCF") arising from the business over a future period of time (say 4 -6 years). The period is called the explicit forecast period. Explicit period of 5 years is considered as a fair representative to indicate cash flow general potential.

Free cash flow for explicit period and terminal value are calculated after considering RFPL inflows and outflows associated with the company prior to debt service and the same is adjusted by increase/decrease in working capital, Capex, tax expense, debt service etc.

7.2.1 Beta(β)

Beta measures a movement of company's value against the market as a whole. All things being equal, the higher company's beta is the higher its cost of capital i.e. discount rate. The higher the discount rate, the lower the present value placed on the company's future cash flows. The average unlevered beta calculated on the above basis is 1.29.

I have benchmarked the Beta of the company as Industry perspective and for this purpose I have considered beta from the data provided by the Damodaran in the financial services business in India. It is presumed that the Company's value will move proportionate with the market movement.

7.2.2 Debt-Equity ratio

As per information given by the Company's management, the company has taken no debt during the period, therefore the debt-equity ratio is assumed to be 0:100.

7.2.3 Risk Free rate (R_f)

Prevailing Government Securities of 10 year is around 6.89% and there is no reinvestment risk observed in the past so risk-free rate of return is presumed at 6.89%.



7.2.4 Cost of Equity

As per information given by the Company's management Expected rate of return on equity is in line with the market returns. The market returns have been benchmarked with the returns given by the BSE Sensex over a long period of time which comes at 11.89%. After adjusting for the beta and equity risk premium over the risk-free return, the cost of equity comes at 13.35% which is further adjusted for a 30% additional risk premium owing to illiquidity spread and uncertainties surrounding projected ramp up revenues and EBITDA, to arrive at the Cost of Equity of 43.00% of the Company.

I have benchmarked the discount rate with expected venture capital rate of return for first stage/ early development as per the guidelines issued by American Institute of Certified Public Accountants ("AICPA") on Valuation of Privately- Held-Target Equity Securities issued as Compensation dated 29 May 2013. The AICPA Guide provides broad estimates of return expectations of venture capital investors at various stages of an entity's development, based on certain other external reports as summarised in the table alongside.

Stage	Indicative Return expectation
Start up	50% - 70%
First stage or early development	40% - 60%
Second stage or expansion	30% - 50%
Bridge/initial public offering	20% - 35%

I understand that RFPL has demonstrated its products/ services and has met additional key developments milestones and has started its operations. Accordingly, can be classified as being in the top spectrum of 'Start up' and bottom spectrum of 'First stage or early development'.

7.2.5 Terminal value

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated by considering expected growth rates of the business in future, sustainable capital investments required for the business as well as the estimated growth rate of the industry and the economy. Based on dynamics of the sector and discussion with the management, I have assumed a terminal growth rate beyond the horizon period at 4% considering the macroeconomic factors and industry dynamics. A high growth period of 20% for 5 years has been considered to smoothen growth trends from 75% in last year of projection to the terminal growth rate of 4%.



7.2.6 Capital Expenditure

Management has projected that there will be no capital expenditure over the projected period.

7.2.7 Net Working Capital ("NWC")

NWC (excluding surplus cash) is estimated during the Projection period by Management. Summary of the same is presented below:

Amount in INR Lakhs	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
NWC (excl. cash)	171.6	451.9	1,060.3	1,732.2	2,337.4

Source: Management Information

7.2.8 Taxation

Tax has been computed at the applicable marginal rate of 22% (plus applicable surcharge and cess) which works to 25.167%

8. CAVEATS

- 8.1 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 and I normally express my assessment as falling within a likely range. However, for the purpose of this exercise, my valuation conclusion is a single point of reference. Further, while I have provided my assessment of value based on the information available to me and with the scope and constraints of my engagement, others may place a different value to the same.
- 8.2 Valuation reports may contain and/ or are based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as my predictions or as my assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from those described in my report and the variations may be material. I express no opinion as to how closely the actual results will correspond to the results projected.
- 8.3 For the purpose of this engagement and report, I have made no investigation of, and assume no responsibility for the title to, or liabilities against RFPL. My conclusion of value assumes that the title to the assets and liabilities of the RFPL reflected in the statement of assets and liabilities remain intact, as per the Valuation Basis. For the purposes of this engagement, I am not required to carry out a valuation of tangible/ intangible assets of the RFPL or tax implication (if any) of the proposed transaction or verification of any cross-border restrictions on repatriation of funds.
- 8.4 Valuation and outcome are inter alia based on valuation parameters prevailing as per the Valuation Basis and information provided by the Management. I undertake no duty to update the valuation for events or transactions relating to RFPL or changes in the market and economy trends, and valuation parameters occurring subsequent to the Valuation Basis.



- 8.5 My scope of work does not include checking the adequacy and appropriateness of the financial statements of RFPL and this is the responsibility of the management of RFPL and I have assumed these to be correct. While I have endeavored to access and analyze certain relevant information in the public domain as part of my Valuation, I am unable to make any representations or give any assurances for the same.
- 8.6 This Valuation does not constitute an audit or review in accordance with the auditing standards applicable in India or accounting/ financial/ commercial/ legal/tax/environmental due diligence or forensic/ investigation services and does not include verification or validation work.
- 8.7 Actual transaction value, if any, may be higher or lower than my assessment of the value depending upon the circumstances of the transaction. Accordingly, my assessment of the value will only be indicative price at which any transaction proceeds.
- 8.8 This valuation is purely for the purposes as highlighted in paragraph 1 above. I shall not be called upon to prove or defend the valuation to any third party within the scope of the present engagement. All decisions relating to the financial reporting are solely the responsibility of the Management.
- 8.9 For the purposes of this engagement, I will provide the services described herein but will not act as agent or broker or regulatory advisor to RFPL. You acknowledge and agree that you have the final responsibility for the determination of the terms at which the proposed transaction shall take place and factors other than my Valuation Report will need to be taken into account in determining the terms of the proposed transaction; these will include your own assessment of the proposed transaction and may include the input of other professional advisors. I shall not be called upon to prove or defend the Valuation in any forum within the scope of the present engagement.
- 8.10 My Services are not designed to and are not likely to reveal fraud or misrepresentation by the management of RFPL or by external parties. Accordingly, I cannot accept responsibility for detecting fraud (whether by the management of the RFPL or by external parties) or misrepresentation by the Management or any other person. While performing this assignment, I have assumed the genuineness of all signatures and the authenticity of all documents and/ or copies of documents shown to me. I have also relied upon the veracity of the representations made, and the information provided to me by/ on behalf of the Management.
- 8.11 This report forms an integral whole and cannot be split in parts. The outcome of the valuation can only lead to proper conclusions if the report as a whole is taken into account.



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9. VALUATION CONCLUSION

Based on the above considerations, in particular read with paragraph 2 to 8, Annexure 1 and 2 and the information and explanation given to us, in our opinion, equity value of RFPL as at the Valuation Date works out to be –

	(INR in lakhs)
Enterprise value	769.22
Add: Cash & cash equivalent as on September 30,2024	-
Less: Illiquidity Premium@20%	153.84
Equity value	615.38
No. of equity shares (diluted) (in nos)	1,00,000
Value per share (in Rs.)	615.38

Refer Annexure 1 for computation of Income Approach

Note:

1. Cash and cash equivalents amounting to NIL million as at 30 September 2024, as per the financial statements provided to us by Management.
2. Illiquidity premium of 20% assumed, being the company is unlisted.

10. RELIANCE ON MANAGEMENT

In the course of my valuation, I have relied upon documents and other information, provided by/on behalf of the Company. My conclusions are dependent on such information being accurate and complete in all material respects. Although I have analyzed this information, the scope of my work will not enable me to accept responsibility for the accuracy and completeness of this information. I have not conducted an independent audit, due diligence review, legal review of agreements or validation of such financial and other information. Accordingly, I do not express an opinion or any other form of assurance thereon and I accept no responsibility or liability for any losses occasioned to RFPL, their directors or shareholders, prospective investors or to any other parties as a result of my reliance on such information.

11. DISTRIBUTION OF OUR REPORT

My Report has been prepared solely for use by you in connection with the purpose indicated above in Section 1. It is not to be used (other than for the purpose outlined in Section 1 above), referred to or distributed for any other purpose or to any other person without my written consent. Consequently, you should not make my report available or otherwise disclose my report or that I am undertaking this assignment for you to any third party unless I have specifically agreed with you and that party, in writing, the basis on which my report may be made available and which I may give or withhold at my absolute discretions. In no event, regardless of whether consent has been provided, shall I assume any responsibility to any other party to which the report is disclosed or otherwise made available or is used for any purpose other than that indicated in Section 1 above.



This report is not to be referred to or quoted, in whole or in part, in any offering memorandum, prospectus, registration statement, loan or other agreement or document without my express written approval (other than for the purpose outlined in Section 1 above), which may require that I perform additional work. I accept no duty, obligation, liability or responsibility to any party, other than to the Management with respect to the services and/or this report. In no event shall I be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or willful default on the part of RFPL, their directors, employees or agents. In no circumstances shall the liability of Nakul Rawat, its partners, directors or employees, relating to services provided in connection with the engagement set out in this letter (or variation or addition thereto) exceed the amount paid to me in respect of the fees charged for those services.

I would like to record my appreciation for the courtesy and co-operation received by me during the course of my work.

Yours faithfully,



Nakul Rawat
Registered Valuer

(Securities or Financial Assets)

Registration No - IBBI/RV/06/2019/12090

UDIN - 24416638BKC NLD2044

Annexure 1
DCF-Income Approach

In INR lakhs	Year ending 31 March						Terminal value
No of months	2025	2026	2027	2028	2029	2030	
	6	12	12	12	12	12	
Recurring Revenue	-	832	6,243	19,786	40,719	71,243	74,092
Non-Recurring Revenue	-	-	-	-	-	-	-
Total Revenue	-	832	6,243	19,786	40,719	71,243	74,092
Revenue growth			650%	217%	106%	75%	4%
Direct cost	-	695	4,713	14,874	29,066	44,836	46,629
Gross Profit	-	137	1,530	4,912	11,653	26,407	27,463
Gross Profit (%)		16.5%	24.5%	24.8%	28.6%	37.1%	37.1%
Sales & Marketing	-	412	1,915	6,056	11,269	19,990	20,504
Employee cost	112.5	438	648	997	1,258	1,581	2,289
Other Operating Expenses	31.3	113	178	304	430	677	342
EBITDA	(144)	(826)	(1,210)	(2,446)	(1,304)	4,159	4,324
EBITDA (%)		-99.2%	-19.4%	-12.4%	-3.2%	5.8%	5.8%
Less: Depreciation	-	-	-	-	-	-	-
PBT	(144)	(826)	(1,210)	(2,446)	(1,304)	4,159	4,324
EBIT (%)		-99.2%	-19.4%	-12.4%	-3.2%	5.8%	5.8%
Less: Tax	-	-	-	-	-	-	(2,305)
Tax rate	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%
PAT	(144)	(826)	(1,210)	(2,446)	(1,304)	4,159	6,631
Less: Change in NWC	-	172	280	608	672	605	92
Free Cash Flows ('FCF')	(144)	(998)	(1,490)	(3,054)	(1,975)	3,554	6,537
Mid-year convention	0.50	1.50	2.50	3.50	4.50	5.50	
Present value factor	43.00%	0.84	0.58	0.41	0.29	0.20	0.14
Present value of FCF	(120)	(583)	(609)	(873)	(395)	497	
Sum of explicit period cash flows	(2,084)						
Free cash flows for terminal year	6,537						
Discount rate	43.00%						
Terminal growth rate	4%						
High growth	20%						
Competitive period	5						
Value at the end of explicit period	20,407						
Present value factor	0.14						
Terminal value	2,854						
Enterprise value	769.22						



Notes –

1. Financial projections of the Company from 1st October 2024 to 31st March 2030 are provided by the Management.
2. No non-operating expenses have been considered in the projection of EBITDA.
3. NWC requirement (excluding surplus cash) are provided by the management during the projection period.
4. Mid-year discounting assumes cashflow to accrue uniformly throughout the year.
5. Tax expense has been calculated at the applicable marginal tax rate, as represented



Annexure – 2

Weighted Average Cost of Capital ("WACC")

Particulars	30-Sep-24	Comments
Risk-free rate (Rf)	6.90%	Estimated yield to maturity zero coupon 10 year Government of India security as on 30 September 2024 (Source: Fimmda.org)
Equity risk premium (Rm-Rf)	4.99%	Market Return has been considered based on the long-term average returns earned by an equity investor in India.
Beta	1.29	As per Damodaran
Additional risk premium	30%	Owing to uncertainties surrounding project ramp up in revenues and EBITDA
Cost of Equity (Round-off)	43.00%	

