



NAVEEN NARANG

FCS, LLB

Insolvency Professional & Registered Valuer

Registration No.: IBBI/IPA-002/IP-N00794/2019 -2020/12565

Registration No: IBBI/RV/03/2021/14348

The Board of Directors,
Ethereal House Private Limited
Plot No. 44, Ground Floor,
Sector 32, DLF QE,
Gurgaon – 122002, Haryana

Fair Valuation of Equity Shares of “Ethereal House Private Limited”

Dear Sirs,

I, Naveen Narang, (hereinafter referred to as Registered Valuer), thank you for our appointment vide engagement letter dated December 13, 2024, to provide Fair valuation of Equity Shares of Ethereal House Private Limited (hereinafter referred to as 'EHPL' or 'Company' or 'Client'), as on November 30, 2024 ("The Valuation date").

In the following paragraphs, we have summarized the valuation analysis of the company as on the Valuation Date together with the description of the Purpose, methodologies used and limitations on our scope of work in accordance with the Valuation Standards issued by the Institute of Chartered Accountants of India and the Internationally Accepted Valuation Standards. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein. We are pleased to present herewith our report on the same.

1. Purpose, scope and Bases of Valuation

We have been informed that the Company proposes to issue Equity and Compulsorily Convertible Preference Shares (CCPS) under section 62(1)(c) read with section 42 and 55 of the Companies Act, 2013 and accordingly has appointed us to give opinion on the fair value of equity shares.

2. Sources of Information

For the purpose of undertaking this valuation exercise, we have relied on the following sources of information from the management of the Company:

- Provisional Financials for the period ending on November 30, 2024
- Yearly projected Financials from the year ending on March 31, 2025 to March 31, 2029
- Relevant data and information provided to us either in written or oral form or in form of soft copy
- Discussions with the management

Additionally, we have relied upon the information (industry as well as company specific) available on various public domains.

The Client / Company has been provided with the opportunity to review the draft report as part of the standard practice to make sure that factual inaccuracies / omissions are avoided in the final report.

H-3/63, First Floor, Vikaspuri, New Delhi – 110018

Landline: 91-11-45113039, Mobile: +91 9818005476, E-mail: nnarang.associates@gmail.com

3. Disclosure of valuer interest/conflict, if any:

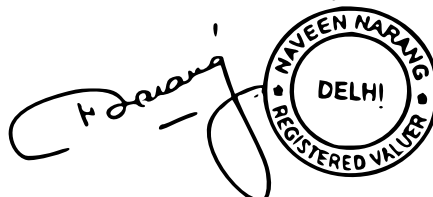
I have no present or prospective contemplated financial interest in the Company and I have no personal interest with respect to the Promoters & Board of Directors of the Company. I have no bias/prejudice with respect to any matter that is the subject of the valuation report or to the parties involved with this engagement.

My professional fee for this valuation is based upon my normal billing rates, and not contingent upon the results or the value of the business or in any other manner.

4. Caveats, Limitations and Disclaimers

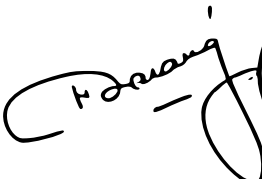

Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

- Our report and the Information contained herein are absolutely confidential and are intended for the use of the Board of Directors of the company, its auditors and regulatory bodies for providing select information and only in connection with the purpose as set out above, including for the purpose of obtaining requisite approvals. This restriction does not preclude the company from providing a copy of the report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for the unauthorized use of this report.
- Our report is specific to the purpose, date and user. In the event, the Company or its management or its representatives intend to extend the use of this report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any party who uses this report or to whom this report may be shown or who may acquire the report.
- Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others including regulatory authorities may place a different value on this business and we cannot be held responsible.
- We are, pursuant to this engagement, neither required to perform any management functions for client nor make any decisions on clients' behalf. Client is responsible for making management decisions, including accepting responsibility for the results.
- Our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided to and used by us during the course of our work. Also, we have not provided legal, regulatory, tax, accounting, actuarial or other advice. Accordingly, we do not assume any responsibility or liability in respect thereof.
- The assignment did not involve us to conduct the financial or technical feasibility or due diligence study. We have not done any independent technical valuation or testing/appraisal/due diligence of any of the assets, operations or liabilities of the company or any of its subsidiaries or associated companies. We have not verified the authenticity, legality or completeness of agreements entered into with related or third parties or the title deeds of various assets owned by the company.



Handwritten signature of Naveen Narang and a circular stamp reading "NAVEEN NARANG DELHI REGISTERED VALUER".

- The engagement is not subject to any auditing or assurance standards and consequently no conclusions intended to convey assurance is expressed by this report.
- We are not responsible for arithmetical accuracy/logical consistency of any financial model or business plan provided by the company and used in our valuation analysis.
- The terms of our engagement were such that we have assumed and relied upon the truth, accuracy and completeness of the information, data and financial information / projections provided to us or used by us, written as well as oral, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information with actual records maintained by the Company or any regulatory authority or any other external party. Nothing has come to our knowledge to indicate that the information provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our report. We assume that no information has been withheld that could impact the purpose of our report.
- This report is based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to the date hereof. Subsequent developments in the said aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if the information provided to us changes.
- The assumptions used in their preparation, as we have been explained, are based on the Management's expectation of both the most likely set of future business events and circumstances and the Management's course of action related to them. We will not independently verify those assumptions. As these assumptions require the exercise of judgment and are subject to uncertainties, there can be no assurance that these assumptions are accurate. We must emphasize that realizations of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis therefore, will not and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relates to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected and the difference may be material.
- We have neither carried out revaluation of the assets nor physical verification of the assets /facilities of the company for the valuation opinion.
- We have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- Since the management of the company has not advised us otherwise, we assume that there is full compliance of all applicable Central, State & other laws and regulations.
- It is assumed that all licenses, permits and other legislative authority from any government or private organization have been obtained and can be renewed.
- Although we have exerted considerable diligence and applied our best efforts in carrying out the work, immaterial anomalies, if any, may arise. We are confident that our overall conclusion would still fall within a materially consistent conclusion.

- Our valuation is based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the parties involved in the transaction.
- We are fully aware that based on the opinion of value expressed in this report, we may be required to give testimony or attend court / judicial proceedings with regard to the subject assets, although it is out of scope of the assignment, unless specific arrangements to do so have been made in advance, or as otherwise required by law. In such event, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and our tendering evidence before such authority shall be under the applicable laws.
- We would be kept indemnified and held harmless from any claims by any party arising out of any material misstatement or omission in any material or information supplied to us by the Company.
- In the particular circumstances of this case, our liability, if any (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement; howsoever, the loss or damage caused, shall be limited to the amount of fees actually received by us from the Client, as laid out in the engagement letter, for such valuation work.
- The fee for the report is not contingent upon the results reported.

5. Entity Background and Business Environment

Ethereal House Private Limited was incorporated on 21st August, 2024. The primary objective of the Company is to carry on the business of purchase, sale, manufacturer, e-commerce, importer, exporter, processing, designing of precious and semi-precious metals and stones such as gold, silver, platinum, diamonds, sapphires, rubies, emeralds, and other fashion items.

Avian Media Private Limited is presently having its registered office at Plot No. 44, Ground Floor, Sector 32, DLF QE, Gurgaon – 122002, Haryana. and the Corporate Identification Number (CIN) is U32111HR2024PTC124350.

6. Existing Equity Capital Structure and Financials of the Company:

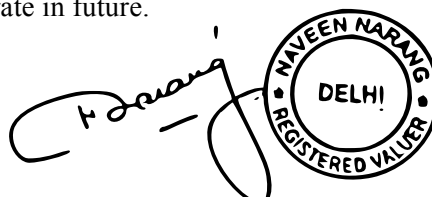
- The authorized equity share capital of the company as on November 30, 2024 is INR 10,00,000 divided into 1,00,000 equity shares of Rs.10 each.
- Issued, subscribed and fully paid up equity share capital as on November 30, 2024 is INR 2,00,000 divided into 20,000 equity shares of Rs.10 each.
- The Company has also created an ESOP Pool of 1,666 equity shares of Rs.10 each.

7. Methodology of Valuation

As per Indian Valuation Standard issued by the Institute of Chartered Accountants of India, International Valuations methodology and relevant International Valuations Standards (popularly known as 'IVS') issued by IVSC have been followed for preparation and valuation of the equity shares.

8. Premises of value

The premise of the value determination is 'Going Concern' and the enterprise value so determined is of a company expected to continue to operate in future.



The block contains a handwritten signature in black ink, which appears to be 'Naveen Narang'. To the right of the signature is a circular stamp. The text inside the stamp reads 'NAVEEN NARANG' at the top, 'DELHI' in the center, and 'REGISTERED VALUER' at the bottom.

9. Declaration of adequacy of information

Information provided and assumptions used by management/others in developing projections have been appropriately reviewed, enquiries made regarding basis of key assumptions in context of business being valued and the industry/economy; and all the information seems adequate at the time of carrying out the valuation.

10. Valuation Approach

- a. Business interests are valued in a variety of contexts and for a variety of purposes. Different standards of value may lead to different conclusions of 'value'. For the purpose of this engagement, the standard of value for the share valuation has been taken as 'fair value'.
- b. It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the companies, and other factors which generally influence the valuation of companies and their assets.
- c. The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.
- d. November 30, 2024 has been considered as cut-off date for the valuation exercise.
- e. The following are three generally accepted approaches to valuation:
 - A. Cost approach
 - B. Market approach
 - C. Income approach


A. Cost Approach

Cost approach is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The following are the two most commonly used valuation methods under the Cost approach.

a. Replacement Cost Method

Replacement Cost Method, also known as 'Depreciated Replacement Cost Method' 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.



The image shows a handwritten signature in black ink, which appears to be 'Naveen Narang', written over a circular stamp. The stamp is black and white, with the text 'NAVEEN NARANG' at the top, 'DELHI' in the center, and 'REGISTERED VALUER' at the bottom.

b. Reproduction Cost Method

Reproduction Cost Method 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.

Examples of situations where the cost approach are applied:

- a. An asset can be quickly recreated with substantially the same utility as the asset to be valued;
- b. In case where liquidation value is to be determined; or
- c. Income approach and/or market approach cannot be used.

In some instances, the valuer may consider using other valuation approaches, such as:

- a. The asset has not yet started generating income/cash flows (directly or indirectly);
- b. An asset of substantially the same utility as the asset to be valued can be created but there are regulatory or legal restrictions and involves significant time for recreation; or
- c. The asset was recently created.

This basis has to be used for valuation for certain specific purposes, e.g., special provisions of various tax laws. It may be appropriate to value shares on asset basis under many other circumstances, the more important of which are mentioned below:

- a. In cases where there is paucity of information about profits that would serve as a basis of valuing shares, such as:
 - I. In case of new companies whose accounts do not serve as a guide to future profits.
 - II. Where a company has been trading at a loss and there are no prospects of earning any profit in the foreseeable future.
 - III. In case of companies where there is no reliable evidence of future profits due to:
 - Profound fluctuations in business, or
 - Disruption in business.
- b. Other circumstances, such as, when it is intended to liquidate the company and to realize the assets and distribute the net proceeds among shareholders.
- c. The Cost Approach and its variant, Underlying Asset Approach can also be utilized in valuing holding company's real estate companies and investment holding companies etc.

In certain situations, historical cost of the asset may be considered, where it has been prescribed by the applicable regulations/law/guidelines or is appropriate considering the nature of the asset.

In the present case, the revenue generation capability of the Company is not directly linked with its value of asset base only. Further, we are informed that there is no intention to liquidate the company and to realize the assets and distribute the net proceeds among shareholders. Hence, net asset method / cost method has not been applied in the present case for arriving at fair value.



The image shows a handwritten signature in black ink, which appears to be 'Naveen Narang', written over a circular stamp. The stamp is black and white, with the text 'NAVEEN NARANG' around the top inner edge, 'DELHI' in the center, and 'REGISTERED VALUER' around the bottom inner edge.

B. Market Approach

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

a. Market Price ("MP") Method

Under the "Market" Approach, the market price of an equity share as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded.

The same cannot be applied in present case as the Company in question is not listed. Further, no listed company is directly comparable with the Client.

b. Comparable Companies Multiples ("CCM") Method

The value is determined on the basis of multiples derived from valuations of comparable companies, as manifested in the stock market valuations of listed companies. This valuation is based on 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 between the circumstances.

In the absence of comparable listed companies, the method cannot be applied for this valuation.

c. Comparable Transactions Multiples ("CTM") Method

Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are Enterprise Value/EBITDA (i.e. Earnings before Interest, Tax, Depreciation and Amortization) multiple, Enterprise Value/Revenue multiple.

This valuation is based on the principle of transactions taking place in the market between informed buyers and informed sellers, incorporating all factors relevant to valuation. While using transaction multiples, adjustment need to be made for difference in circumstances, business volume/margins etc. in order to arrive at the enterprise value for the company.

For the closely held companies operating in this space, the data related to their valuation, EBITDA, revenue and other parameters is not available in public domain. Hence, in the present case, the CTM method cannot be applied.

C. Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.



The image shows a handwritten signature in black ink, which appears to be 'Naveen Narang'. To the right of the signature is a circular stamp. The text inside the stamp reads 'NAVEEN NARANG' at the top, 'DELHI' in the center, and 'REGISTERED VALUER' at the bottom.

Under the DCF Method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital (WACC). The WACC based on an optimal vis-a-vis actual capital structure, is an appropriate rate of discount to calculate the present value of the future cash flows as it considers equity-debt risk by incorporating debt-equity ratio of the firm.

Many companies are not publicly traded and do not have comparable companies. Consequently, there is no way in which we can run a regression of past returns, to get an equity beta, or use a market beta / interest rate on debt.

The perpetuity (terminal) value is calculated based on the business potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.

The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business future operations.

The Enterprise Value (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further adjusted for:

- Estimated value of Contingent Liabilities likely to get crystallized (management estimate),
 - Cash & Bank balances,
 - Surplus assets like land not in use,
 - Borrowings / loans and advances,
 - Value of non-trade Investments, if any,
 - Preference shareholder liability, if any,
- to arrive at value to the owners of the business.

Practical difficulties for DCF

- Forecasting future cash flows is not easy/objective in many cases (due to industry/ company factors)
- Finding appropriate beta in Indian market conditions may not be a wholly objective exercise

We have considered the Discounted Cash Flow (DCF) Method under Income Approach for valuation of the company; basis projections provided by the company.



The image shows a handwritten signature in black ink, which appears to be 'Naveen Narang', written over a circular stamp. The stamp is black and white, with the text 'NAVEEN NARANG' at the top, 'DELHI' in the center, and 'REGISTERED VALUER' at the bottom.

11. Conclusion on Valuation Approach

On the basis of information provided by the Management, the Company has created an ESOP Pool of 1,666 equity shares of Rs. 10.00 per share.

We have calculated the outstanding number of equity shares on “as if diluted basis” in our calculations.

Based on the information and explanations available, we have considered the Discounted Cash Flow (DCF) Method under Income Approach for valuation of the company. We have arrived at the valuation of equity shares as follows:

Particulars	(INR in Lakhs)
Enterprise Value	793.46
Less: Discount for lack of Marketability (25%)	(198.36)
Enterprise Value after DLOM	595.09
Add: Cash and Bank Balance	5.40
Less: Debt	(10.45)
Fair Value of Equity	590.05
Number of Equity Shares (fully diluted basis)	21,666
Fair Price per Share (in INR) (Rounded off)	2,723

12. Key assumptions and DCF valuation

a) DCF Analysis

Particulars	2024-25*	2025-26	2026-27	2027-28	2028-29
Revenue from operations	361.74	723.49	1,302.28	2,213.87	3,525.59
Less: Operating Expenses	325.57	578.79	976.71	1,660.40	2,644.19
EBITDA	36.17	144.70	325.57	553.47	881.40
Less: Depreciation	28.46	50.64	91.16	154.97	246.79
Operating EBIT	7.72	94.05	234.41	398.50	634.61
Less: Tax (@ 25.17%)	1.94	23.67	59.00	100.30	159.73
Net operating profit adjusted for tax (NOPAT)	5.77	70.38	175.41	298.20	474.88
Non-cash expense					
Add: Depreciation	28.46	50.64	91.16	154.97	246.79
Less: Capex	36.17	65.11	117.20	199.25	317.30
Less: Change in working capital	36.17	72.35	130.23	221.39	352.56
Distributable free cash flows to Firm (FCFF)	-38.12	-16.44	19.14	32.53	51.81
Period for discounting (Years)	0.33	1.33	2.33	3.33	4.33
WACC	0.16	0.16	0.16	0.16	0.16
Discounting factor	0.97	0.88	0.76	0.65	0.56
Present value of FCFF	-37.16	-14.48	14.47	21.12	28.88
Present value of free cash flows over explicit forecast period					12.83

Value of Explicit Period	12.83
Terminal Value Calculation	
High Growth Period	8.00
Initial Period Growth	0.59
Long Term Sustainable growth rate (b)	0.05
Discount Rate (a)	0.16
Capitalization Factor	27.03
Terminal Year Value	1,400.33
PV of Terminal Value	780.63
Enterprise Value	793.46

*FY 24-25 - 4 Months Projections, Other FY's - 12 Months Projections

Note: The following assumptions have been applied while arriving at Discounted Cash Flow:

- The Valuation date is November 20, 2024
- Income Tax: book depreciation and rate as per the projections provided by the management i.e 25.17%.
- Cost of capital: Refer Annexure 1

13. Summary of Opinion

We have been informed that the Company is a closely held company and is not listed on any stock exchange. The fair value of the Equity Shares has been determined using the discounted cash flow (DCF) Method. **Based on our analysis and subject to the assumption, exclusions and limitations, the fair value per Equity Share is determined at INR 2,723 (Rupees Two Thousand Seven Hundred Twenty Three).**

Our report and the Information contained herein are absolutely confidential and are intended for the use of the Board of Directors of the company, its auditors and regulatory bodies for providing select information and only in connection with the purpose as set out above, including for the purpose of obtaining requisite approvals. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued. We are responsible to the client only and will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, with or without our written consent. This is specific to the user, purpose and date of valuation report and we do not take any responsibility to update the same for the future events occurring after the date of valuation.

14. Acknowledgements

We would like to acknowledge and thank the company and its representatives for their co-operation and support to enable us to execute the assignment.

Please do let us know if you require any clarification / additional information.

Thanking you,

Naveen Narang
Registered Valuer

IBBI Registration No.: IBBI/RV/03/2021/14348

Place: Delhi

Date: 30/12/2024

Computation of Cost of Capital			
	Ke	= RFR + β*ERP + CSRP	
	where:		
	Ke	= Cost of Equity	
	RFR	= Risk Free Return	
	β	= Beta Coefficient	
	ERP	= Equity Risk Premium	
A	RFR		
	Risk Free Return is taken on the basis of 10 year Government securities yield		6.75%
B	Beta is assumed to be		
	(Source: Levered Beta adjusted for leverage over unlevered Beta corrected for cash of Retail (Special Lines) Industry by Ashwath Damodaran		0.91%
C	ERP		
	(Source: Equity Risk Premium by Ashwath Damodaran)		7.81%
D	Company Specific Risk Premium		
	Company specific Risk Premium of CSRP is the additional risk associated with the Company pertaining to its lack of market presence, forecast achievement risk due to lack of operating history and other operational risks.		5%
E	Cost of Equity		
	Ke	= RFR + β*ERP + CSRP	18.86%
F	Cost of Debt		
	Based on discussion with Management, the cost of debt is considered at		12.00%
G	WACC	= $K_d * (1 - \text{Tax}) * D / (D+E) + K_e * E / (D+E)$	16.47%
	Note: The target debt of the Company is 0.35 times as discussed with the Management		