



Varunika

Registered Valuer - Securities or Financial Assets

Date: July 26, 2023

To,

The Board of Directors

SHIGAN QUANTUM TECHNOLOGIES LIMITED

CIN: L72200DL2008PLC184341

R.O.: SHYAM KUNJ, 183A, SAINIK FARMS,
WESTERN AVENUE, NEW DELHI -110062

Sub: Valuation report on fair value of equity shares as required for the purpose of issue and allotment of equity convertible warrants on preferential basis as required under Chapter-V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Dear Sir/ Madam,

I refer to the appointment letter dated July 24, 2023, whereby, Shigan Quantum Technologies Limited (“Company” or “SCTL”) has appointed Ms. Varunika (“Registered Valuer” or “RV” or “I”) as the Registered Valuer, for evaluation of fair value of equity shares of the Company. I understand that valuation analysis has been required by the management of the Company for the purpose of compliance with the regulatory provisions of the Companies Act, 2013 (“Companies Act”) read with applicable rules framed thereunder and Regulation 166A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended) (“SEBI ICDR Regulations”).

This cover letter is intended to provide you with an overview of the purpose and scope of my analysis and my conclusions. Please refer to the attached report for a discussion and presentation of the analysis performed in connection with this assignment.

Purpose and Scope

Based on my discussions with the management of SCTL, I understand that the management of the Company wishes to do preferential allotment of equity convertible warrants. In this regard, the management of the Company is in requirement to determine the fair value of equity shares, to comply with the requirements laid down under the applicable provisions of the Companies Act, 2013 read with applicable rules framed thereunder and Regulation 166A of Chapter V of SEBI (ICDR) Regulations.



Varunika

Registered Valuer - Securities or Financial Assets

In this regard, management of SQTL requires a report on valuation of equity shares of SQTL arrived at by a "Registered Valuer" (as defined in Companies Registered Valuers and Valuation Rules, 2017). I understand that this analysis and valuation report will be used by the management of SQTL for necessary regulatory compliances as stated above.

The Report has been prepared exclusively for specified purposes as mentioned above and hence should not be used for any other purpose without obtaining the prior written consent of Valuers. This opinion should not be considered, in whole or in part, as investment advice by anyone.

Summary of Findings

Based on my valuation analysis of the Company, in my assessment, the fair value per equity share of the Company works out to **INR 81.22/-**. For detailed working kindly refer Exhibits.



Varunika

Registered Valuer -SFA

IBBI Registration No: IBBI/RV/03/2019/11487

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Varunika

Registered Valuer - Securities or Financial Assets

Table of Contents

S. No.	Contents	Page No.
I	Engagement Overview	04
II	Company Overview	07
III	Valuation Approach and Methodology	08
IV	Valuation Summary	19
V	Valuation Conclusion	20
VI	Caveats and Limitations	21



I. ENGAGEMENT OVERVIEW

1.1 Purpose and Scope

Based on my discussion with the management of Shigan Quantum Technologies Limited (“**Company**” or “**SQTL**”), I understand that the Company wishes to do preferential allotment of equity convertible warrants and has appointed Varunika (“**Registered Valuer**” or “**RV**” or “**I**”) as the Registered Valuer, to determine the fair value of equity shares of the Company, to comply with the requirements laid down under the applicable provisions of the Companies Act, 2013 read with applicable rules framed thereunder and Regulation 166A of Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended) (“**SEBI ICDR Regulations**”)

1.2 About the Valuer

Varunika is an Member of The Institute of Company Secretaries of India and also registered with Insolvency and Bankruptcy Board of India “**IBBI**” as a Registered Valuer under Securities and Financial Assets Class, having IBBI registration No. IBBI/RV/03/2019/11487.

1.3 Bases of Value (Standard of Value)

Value has no meaning until it is defined. In the valuation nomenclature different definitions of value are called bases of value (or standard of value). In terms of IVS (International Valuation Standards), ‘bases of value’ describe the fundamental premises on which the estimate of values is based. In any valuation it is important that the basis (or bases) of value be appropriate to the terms and purpose of the valuation assignment, as a basis of value may influence or dictate a valuer’s selection of methods, inputs and assumptions, and the ultimate opinion of value. The different value conclusion can be attributed to the differences in the definition of value.

In terms of IVS, a valuer is required to select the basis of value and this is typically done based on the definition given in statute, regulation, private contract or another document. The applicable basis of value (or standard of value) for the assignment is the Fair Value.

The term ‘Fair Value’ has been defined in IVS 102 as under:

“Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date”.





1.4 Premise of Value

Premise of value refers to the conditions and circumstances how an asset is deployed. Determining the business value depends upon the situation in which the business or a business interest is valued, i.e. the events likely to happen to the business as contemplated at the valuation date. In a given set of circumstances, a single premise of value may be adopted while in some situations multiple premises of value may be adopted.

The present valuation of SCTL is undertaken on a **Going Concern Premise** i.e. on the premise that the companies will continue to operate in future and earn cash flows.

1.5 Scope of Analysis

My scope of valuation includes fair valuation of equity shares of SCTL, certify fair value as arrived for the above-mentioned necessary regulatory compliances in relation to the Companies Act and SEBI ICDR Regulations.

1.6 Information Relied Upon

I have based this opinion on information provided and represented by the management of SCTL. I have fully relied on the information provided by the Company and do not vouch for the accuracy of the information provided by the management of the Company.

- Interviews with management concerning its assets, financial and operating history and forecasted future operations of the Companies.
- Audited financial statements for FY 2022-2023 and FY 2021-22;
- Other relevant details such as its history, present activities and other information (including verbal) as required from time to time:
- Management Representation Letter.

I have also obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the client or other public available sources.





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1.7 Valuation Date

For the fair valuation analysis, the valuation date has been considered as March 31, 2023.

1.8 Conflict of Interest

There is no conflict of interest in my opinion on valuation analysis of the businesses as envisaged in this report. My fee is not contingent upon the opinion expressed herein. This report is subject to the terms and conditions as discussed with the management of SCTL.



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II COMPANY OVERVIEW¹

Company Background- Shigan Quantum Technologies Limited

Shigan Quantum Technologies Limited is a listed Company and was incorporated on October 20, 2008. The registered office of the Company is situated at Shyam Kunj, 183A, Sainik Farms, Western Avenue, New Delhi -110062

Business Overview of the Company:-

Shigan Quantum Technologies limited (SQTL), is an alternative fuel system solution provider for automotive, locomotive and stationary engine applications. We are the only company in India, who has completely indigenised BS-VI + OBD-II CNG fuel system, to provide advanced technology at Indian price, for Indian Automotive OE customers.

SQTL was established with an objective to venture into alternative fuel system solutions for automotive OEMs. Our journey was started with Gas Carburetion system (upto BS-III) using Impco Gas mixer technology till 2008 and with onset of BS-IV emission norms we have shifted to multi point gas injection (MPGI) technology.



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¹ Source: Information provided by the management of the Company.



III VALUATION APPROACH AND METHODOLOGY

3.1 Valuation Approaches

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 approaches can be broadly categorized as follows:

1. Asset Approach
2. Income Approach
3. Market Approach



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3.1.1 Asset Approach

This method determines the worth of a business by the assets it possesses. It involves examining every asset held by the company, both tangible and intangible. The value of intangibles is referred to as the company's goodwill, the difference in value between the company's hard assets and its true value.

The value arrived at under this approach is based on the financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The Net Asset Value is generally used as the minimum break-up value for the transaction since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy it as a going concern. Pursuant to accounting convention, most assets are reported on the books of the subject company at their acquisition value, net of depreciation where applicable. These values must be adjusted to fair market value wherever possible. Further, the balance sheet values are to be adjusted for any contingent liabilities that are likely to materialize.

Intrinsic value is at the core of fundamental analysis since it is used in an attempt to calculate the value of the total assets of the business and then compare it with the fair value.

3.1.2 Income Approach

The income approaches determine fair market value by dividing the benefit stream generated by the subject or target company by a discount or capitalization rate. Usually, under the Income Based Approach, the methods that may be applied are Discounted Cash Flow (DCF) Method or the Price Earning Capacity (PECV) Method.

Under DCF approach, the future free cash flows of the business are discounted to the valuation date to arrive at the present value of the cash flows of the business or capitalized using a discount rate depending on the capital structure of the Company. This approach also takes into account the value of the business in perpetuity by the calculation of terminal value using the exit multiple method or the perpetuity growth method, whichever is appropriate.

Under PECV method, the average earning on the basis of the past 3-5 years is first determined, adjustments are then made for any exceptional transactions or items of non-recurring nature. The adjusted average earnings are then capitalized at an appropriate rate to arrive at the value of business. The capitalization rate so factored has to be decided depending upon various factors such as the earnings trends in the industries, P/E prevailing in the industries etc. After this, the normalized earnings are then capitalized at an appropriate discount rate.





3.1.3 Market Approach

The 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.

Market Price ('MP') Method

Under this method, the market price of an equity shares of the company 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 market value generally reflects the investors' perception about the true worth of the company.

Comparable Companies Multiple Method

Under the Comparable Companies Multiple ('CCM') method, the value is determined on the basis of 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 between the circumstances.

To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus Asset and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

Each of the described approaches may be used to develop a value indication; however, the appropriateness of these approaches varies with the type of business or asset being valued.

3.2 Valuation Methodology Used

Asset Approach:

I have considered Net Asset Value (NAV) Method for determining the fair value of the equity share of the Company and no weight has been assigned to determine fair value of the equity shares.

Income Approach:

The projected financial statements of a Company are price sensitive in nature and the same were not made available to me for the fair valuation analysis therefore, I have not applied Discounted Free Cash Flow Method.





Further, I have considered Profit Earning Capitalization Value (PECV) Method for valuation analysis and no weight has been assigned to determine fair value of the equity shares.

Market Approach:

I have not applied Comparable Companies' Multiple "CCM" method as there are no listed Companies in India which are engaged in business similar to SCTL.

I have applied Market Price Method for determination of fair value of the Company and weight has been assigned to determine fair value of the equity shares.

A Comprehensive Overview on Approaches applied:

Asset Approach

Net Asset Value Method

Applied

Market Approach

Market Price Method

Applied

Income Approach

PECV

Applied

I. Asset Approach -Net Asset Value Method:

Net Asset value is computed by subtracting total outstanding liabilities from the total book value of assets of the Company. We have applied Net Asset Value Method to compute fair value as under:



NAV SHIGAN QUANTUM TECHNOLOGIES LIMITED AS OF MARCH 31, 2023	
Particulars	Figures in INR Lakh
Current Assets:	
Inventories	5568.29
Trade Receivable	587.35
Cash and Bank Balance	266.35
Short Term Loans & Advances	4573.89
Other Current Assets	4.78



<i>Non-Current Assets:</i>	
Property, plant and equipment	1370.59
Intangible Assets	168.9
Goodwill on Consolidation	9.7
Deferred Tax Assets (Net)	37.62
Other Non-Current Assets	137.22
<i>Total Assets</i>	<i>12,724.69</i>
<i>Current Liabilities:</i>	
Short Term Borrowings	3455.96
Trade payables	2840.81
Other Current Liabilities	774.95
Short Term Provisions	107.01
<i>Non-Current Liabilities:</i>	
Long Term Borrowings	46.99
Long Term Provisions	111.79
Minority Interest	3.5
<i>Total Liabilities</i>	<i>7341.01</i>
<i>Net Assets Value</i>	<i>5383.68</i>
Less: Contingent Liabilities	-
<i>Net Asset value Post Adjustment</i>	<i>5383.68</i>
No. of Equity Shares	1,72,14,900
<i>NAV Per Share</i>	<i>31.27</i>



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II. Market Approach - Market Price Method

As SCTL is listed on the stock exchange, the pricing guideline of Regulation 164 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR) have been relied upon for valuing the equity share of the Company under the Market Price Method.

ICDR Regulations 2018 provides following guidelines for pricing of the Preferential Issue of frequently traded shares:

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

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

Explanation:

(a) For the purpose of this regulation, 'stock exchange' means any of the recognised stock exchange(s) in which the equity shares of the issuer are listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding 90 trading days prior to the relevant date. The Equity Shares of SCTL listed only on NSE Limited.

(b) "Relevant date" in case of preferential issue of equity shares means, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue.

We have carried out valuation as per SEBI ICDR Regulations, which is as following:

A. Volume Weighted Average Price (VWAP) for a period of 90 trading days of the equity shares of SCTL quoted on NSE Limited during the last 90 trading days preceding July 21, 2023 "Relevant date".

$$\text{Volume Weighted Average Price} = \text{Sum of Total Turnover} \div \text{Total Volume}$$

$$77.12 = 121,119,450 \div 1,570,500$$

S. No.	Date	VOLUME	VALUE
1	20-Jul-23	1,81,500	1,53,58,125
2	19-Jul-23	3,000	2,34,150





3	18-Jul-23	51,000	40,15,875
4	17-Jul-23	6,000	4,22,475
5	14-Jul-23	4,500	3,29,775
6	13-Jul-23	12,000	8,56,425
7	12-Jul-23	9,000	6,53,850
8	11-Jul-23	4,500	3,39,300
9	10-Jul-23	9,000	6,60,225
10	07-Jul-23	9,000	6,43,200
11	05-Jul-23	3,000	2,17,500
12	04-Jul-23	4,500	3,22,650
13	03-Jul-23	1,500	1,09,500
14	30-Jun-23	7,500	5,56,200
15	28-Jun-23	7,500	5,39,100
16	27-Jun-23	1,500	1,12,500
17	26-Jun-23	1,500	1,12,500
18	23-Jun-23	1,500	1,11,000
19	22-Jun-23	10,500	7,77,450
20	20-Jun-23	4,500	3,36,450
21	16-Jun-23	15,000	11,33,850
22	15-Jun-23	10,500	7,54,950
23	14-Jun-23	1,500	1,09,500
24	13-Jun-23	3,000	2,19,825
25	12-Jun-23	12,000	9,00,750
26	09-Jun-23	21,000	16,47,225
27	08-Jun-23	16,500	11,98,050
28	07-Jun-23	1,500	1,07,025
29	06-Jun-23	7,500	5,65,500
30	05-Jun-23	15,000	10,90,500
31	01-Jun-23	31,500	23,51,250
32	31-May-23	42,000	29,78,550
33	30-May-23	81,000	55,59,375
34	29-May-23	43,500	31,84,350
35	26-May-23	10,500	8,32,050
36	25-May-23	10,500	8,37,300
37	24-May-23	7,500	6,00,675
38	23-May-23	10,500	8,63,175
39	22-May-23	22,500	18,38,850
40	19-May-23	18,000	15,35,700
41	17-May-23	6,000	5,04,000





81	24-Feb-23	6,000	4,93,500
82	23-Feb-23	15,000	12,56,700
83	22-Feb-23	3,000	2,57,250
84	21-Feb-23	12,000	10,32,450
85	20-Feb-23	3,000	2,69,100
86	16-Feb-23	3,000	2,70,000
87	14-Feb-23	15,000	13,36,350
88	10-Feb-23	3,000	2,48,850
89	09-Feb-23	12,000	10,23,600
90	08-Feb-23	6,000	5,11,800
Total		15,70,500	12,11,19,450
90 trading days' Volume Weighted Average Price Preceding Relevant Date, i.e., July 21, 2023			77.12

B. Volume Weighted Average Price (VWAP) for a period of 10 trading days of the equity shares of SCTL quoted on NSE Limited during the last 10 trading days preceding the relevant date.

Volume Weighted Average Price = Sum of Total Turnover ÷ Total Volume

81.22 = 23,513,400 ÷ 289,500

S. No.	Date	VOLUME	VALUE
1	20-Jul-23	1,81,500	1,53,58,125
2	19-Jul-23	3,000	2,34,150
3	18-Jul-23	51,000	40,15,875
4	17-Jul-23	6,000	4,22,475
5	14-Jul-23	4,500	3,29,775
6	13-Jul-23	12,000	8,56,425
7	12-Jul-23	9,000	6,53,850
8	11-Jul-23	4,500	3,39,300
9	10-Jul-23	9,000	6,60,225
10	07-Jul-23	9,000	6,43,200
Total		2,89,500	2,35,13,400
10 trading days' Volume Weighted Average Price Preceding Relevant Date, i.e., July 21, 2023			81.22



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III. Income Approach -Profit Earning Capitalization Method “PECV”

Profit Earning Capitalization Value method is one of the traditional methods of business valuation whereby maintainable future profits are ascertained on the basis of past earnings (suitably adjusted for any changes in the key parameters) which are then capitalized at a discounting rate.



We have considered PECV Method for valuation analysis and calculation is as under:

Particulars	Amount (in Lakh)	Weight (%)	Product
Profit After Tax:			
31-Mar-23	366.92	3	1,100.76
31-Mar-22	986.86	2	1,973.72
31-Mar-21	367.13	1	367.13
Weighted Average PAT			573.60
Capitalization Rate			14.65%
Business Value (in INR Lakh)			3,915.85
Add: Surplus Assets			266.35
Fair Value (in INR Lakh)			4182.20
No. of Shares			17,214,900
Fair Value Per Share			24.29

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By not assigning weight to the value derived from the Profit Earning Capacity Utilization Method under Income Approach and Book Value Method under Asset Approach, a more comprehensive and balanced approach is taken into account. The other valuation approach, such as the Market Approach, provide a more holistic assessment of the company's value by considering factors beyond just its profit potential.

V. VALUATION CONCLUSION

Regulation 166A of SEBI (ICDR) Regulations

Any preferential issue, which may result in a change in control or allotment of more than five per cent 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(AOA) of the issuer, if applicable: the provisions of AOA of SCTL does not provide any specific method for price determination.



In light of the above and after consideration of all the relevant factors and Circumstances as discussed and outlined in this report, in my assessment, the fair value per equity share of the Company works out to **INR 81.22/-**.

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VI CAVEATS AND LIMITATIONS

6.1 Purpose and Distribution of Report

The report prepared by Valuers is prepared solely for the purpose as discussed with the management of SQTL and should not be used for any other purpose. Except as specifically stated in the report prepared by Valuers, the report and its contents may not be quoted or referred to, in whole or in part, in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without the prior written approval of Valuers. Except as set forth in this report, the report is prepared for SQTL/ Client use only and may not be reproduced or distributed to any third parties without Valuer's prior written consent.

6.2 Scope of Analysis

The appraisal of any financial instrument or business is a matter of informed judgment. The accompanying appraisal has been prepared on the basis of information and assumptions set forth in the attached report, its appendices, our underlying work papers, and these limiting conditions and assumptions.

6.3 Nature of Opinion

Neither the opinion nor the report provided or prepared by Valuers are to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency opinion, or an investment recommendation, but, instead, are the expression of Valuer's determination of the fair value of assets between a hypothetical willing buyer and a hypothetical willing seller in an assumed transaction on an assumed valuation date. For various reasons, the price at which the assets might be sold in a specific transaction between specific parties on a specific date might be significantly different from the fair market value as expressed in my report.

6.4 Basis of analysis and Assumptions considered

Valuer's analysis:

- a) is based on the present financial condition and significant future business plans of SQTL assets as of the valuation date;
- b) assumes that as of the valuation date the Client and its assets will continue to operate as configured as a going concern;
- c) assumes that the current level of management expertise and effectiveness would continue to be maintained and that the character and integrity of the enterprise through any sale, reorganization,





- exchange, or diminution of the owners' participation would not be materially or significantly changed; and
- d) assumes that SQTL had no undisclosed real or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business, nor had any litigation pending or threatened that would have a material effect on our analysis other than those considered for valuation calculation.
 - e) is based on various representations given by the management in relation to the fair value of certain assets & liabilities and future business plans.

6.5 Lack of Verification of Information Provided

With the exception of any audited financial statements provided to Valuers, Valuers has relied on information supplied by SQTL without audit or verification. We have assumed that all information furnished is complete, accurate and reflects Client's management's good faith efforts to describe the status and prospects of the Client at the valuation date from an operating and a financial point of view. As part of this assignment, we have relied upon publicly available data from recognized sources of financial, industry, or statistical information, which have not been verified.

6.6 Subsequent Events

The terms of Valuer's as discussed with the management of the Company are such that Valuers have no obligation to update this report or to revise the valuation because of events and transactions occurring subsequent to the date of the valuation unless Valuers are engaged to provide valuations in the future.

6.7 Legal Matters

We assume no responsibility for legal matters including interpretations of either the law or contracts. We have made no investigation of legal title and has assumed that all owners' claims to property are valid. We have given no consideration to liens or encumbrances except as specifically stated in financial statements provided to us. We have assumed that all required licenses, permits, etc. are in full force and effect. We assume that all applicable federal, state, local zoning, environmental and similar laws and regulations have and continue to be complied with by Client. We assume no responsibility for the acceptability of the valuation approaches used in my report as legal evidence in any particular court or jurisdiction. The suitability of Valuer's report and opinion for any legal forum is a matter for Client and Client's legal advisor to determine.

6.8 Testimony

Valuers and its employees, consultants and agents shall not provide any testimony or appear in any legal proceeding unless Valuers coordinate such testimony.

