

PAWAN KUMAR AGRAWAL
FCA, IP(IBBI), RV(IBBI), DISA, DITL, ID(IICA)
RV Regn No.:- IBBI/RV/03/2023/15263
COP No:- ICSIRVO/COP/SFA0620/277

Report
on
Valuation of Equity Shares
(as per SEBI IDCR Regulations)
of
Qualitek Labs Limited

Address:- 40/55, First Floor, Chittaranjan Park, New Delhi - 110019
Email: pawan@vresolves.com, Mobile:- +91 9971761073



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Background of the Entity

Qualitek Labs (BSE SME: QLL) (hereinafter referred as "QLL" or "Company") was incorporated on 17/05/2018 as a Private Limited company. The Company went public through an IPO on the BSE SME Exchange on 29/01/2024. The registered office of the company is situated at 73, National Park, Lajpat Nagar- IV, Delhi, 110024.

Capital Structure:

The authorized share capital of the Company is ₹10,00,00,000/- (Rupees Ten Crores) consisting of 1,00,00,000 (One Crore) Equity shares of ₹10/- each.

The Paid Share Capital value is ₹7,37,19,000 /- (Seven Crore Thirty-Seven Lakh Nineteen Thousand) divided into 73,71,900 (Seventy-Three Lakh Seventy-One Thousand Nine Hundred) Equity shares of ₹10/- each.

Listing Status:

Equity Shares of the Company are listed on the BSE SME Exchange.

Methodology for valuation of Equity Shares

The objective of the valuation process is to make the best reasonable judgment of the value of the equity share of the Company. Globally, numerous methodologies have been used for valuation of companies/businesses using the historical and forecast financials of the company. The Valuation Standards issued by International Valuation Standards (IVS) sets out commonly used valuation methodologies as follows:

Market Approach: Stock Market Value Approach

The value of a company by using this approach is derived by multiplying the stock price of the company with the total number of shares outstanding. This approach is applicable to companies listed and actively traded on recognized stock exchanges in India or outside India. This approach assumes that the market is always correct in determining the fair value of the shares traded.

The market price of an equity share as quoted on a 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 freely traded in, subject to the element of speculative support that may be inbuilt in the value of the Shares.

Since the Company is listed on Stock Exchanges and subject to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. We have used this methodology to arrive at the value of Equity Shares.

Asset Approach: Summation of Assets Approach

The Summation of Assets Approach as popularly known as Net Asset Value, as at the latest audited balance sheet date or as per the provisional balance sheet date is calculated starting from the total assets of the Company and deducting all liabilities including debts, dues, borrowing, current liabilities, likely contingent liabilities and preference capital, if any. In other words, the value so arrived at should represent the true net worth of the business after providing for all outside present as well as potential liabilities. The net assets value as calculated from the assets side of the balance sheet in the above manner is cross checked with equity share capital plus free reserves and surplus, less the likely contingent liability. Using this methodology, we have computed the value of Equity Share.

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Profit Earning Capacity Value (PECV) Method

This method is used while valuing a going concern business with a good profitability history. In its simplest form, this method basically divides the expected stable earnings of a business by the capitalization rate. It involved determining the future maintainable earning level of the entity from its normal operations. Normal profit is arrived at by considering the normal business profits after adjusting the non-recurring/ extraordinary items of income and expense. This maintainable profit, considered on a post-tax basis, is then capitalized at a rate, which combines an adequate expectation of reward from enterprise and risk, to arrive at the business value.

The earnings figure to be capitalized should be one that reflects the true nature of the business, such as the last three years average, current year or projected year excluding the impact of any extraordinary items not expected to accrue in future. In the current valuations report, Capitalization rate of 6% is based on peer companies' capitalization rate.

Methodology adopted for Valuation of the Company

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:

- 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.

Accordingly, the results of this exercise could vary significantly depending upon the basis used, the specific circumstances and the professional judgement of the valuer.

Sources of Information

The valuation report is prepared based on information shared by the management of QLL. For determining the valuation, we have relied upon the information & data representation received assuming it to be accurate and complete, fair in its manner of portrayal and therefore forms a reliable basis for valuation.

The key information received and used for determining the valuation includes:

1. Company's website and Company's Annual Reports.
2. Audited financial statements of QLL for the year ending 31st March 2024
3. Total Traded Quantity and Turnover data from BSE SME for computing the 90 trading days' volume weighted average price (VWAP) and 10 trading days' volume weighted average price (VWAP) preceding the Relevant date.

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4. SEBI Preferential Allotment pricing guidelines as per SEBI ICDR Regulations, 2018
5. Public Documents available on external sources such as stock exchanges.

As per the information provided, the present issue of Equity Shares shall not result in change in control of the Company.

For the purpose of our calculation in this engagement, we have based our calculation as prescribed by Regulation 164 and 166A of the SEBI ICDR Regulations, 2018 read with SEBI (SAST) Regulations 2011.

Calculation of value of equity shares in accordance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

- I. Determining “relevant date” for the purpose of determining whether the shares are frequent traded or not frequently traded

As per Regulation 161 of SEBI ICDR Regulations, 2018 – “relevant date”

- **In case of preferential Issue of equity shares**
 - The date 30 days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue.
- **In case of a preferential issue of convertible securities**
 - The date 30 days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue (or)
 - The date 30 days prior to the date on which the holders of the convertible securities become entitled to apply for the equity shares

Date of meeting of shareholders as informed by the management	20 th August, 2024
Date of Appointment by Audit Committee	26 th July, 2024
Relevant date	21 st July, 2024*

*since 21st July is on Sunday, we have consider the value as on 19th July 2024.

II. Pricing of frequently traded shares

If the equity shares of the issuer have been listed on a recognized stock exchange for a period of 90 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 recognized stock exchange preceding the relevant date, or
- b) the 10 trading days’ volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date.

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.

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Conditions and Assumptions

Conditions:

The historical financial information about the Company presented in this report is included solely for the purpose to arrive at value conclusion presented in this report and it should not be used by anyone to obtain credit or for any other unintended purpose. Because of the limited purpose as mentioned in the report, it may be incomplete and may contain departures from GAAP prevailing in the country.

This report is only to be used in its entirety, and for the purpose stated in the report. No third parties should rely on the information or data contained in this report without the advise of their lawyer, attorney or accountant.

We have used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. The valuation analyst, by reason of performing this valuation and preparing this report, is not required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the analyst regarding such additional engagement.

Assumptions:

The opinion of value given in this report is based on information provided by the Company and other sources as listed in the report. This information is assumed to be accurate and complete.

We have relied upon the representation contained in public and other documents except as specifically stated to the contrary in this report. We have not attempted to confirm whether all assets of the business are free and clear of liens and encumbrances, or that the owner has good title to all the assets.

We have assumed that the business will be operated prudently and that there are no unforeseen adverse changes in the economic conditions affecting the business, the market, or the industry.

We have been informed by the Company that there are no significant lawsuits or any other undisclosed contingent liabilities which may potentially affect the business, except as may be disclosed elsewhere in this report. We have assumed that no costs or expenses will be incurred in connection with such liabilities, except as explicitly stated in this report.

Caveats & Limitations

This report is based on information provided to us by the Company. We have relied on the representation made to use by the management and have assumed such representation to be reliable and our conclusion is dependent on such information being assumed to be complete and accurate in all material respects.

Our work was not designed to verify the accuracy, reliability or achievability of the information provided to us and nothing in this report should be taken to imply that we have conducted procedures, audits or investigations in an attempt to verify any of the information supplied to us.

The report has been prepared for the exclusive use of the client and we do not claim any responsibility to any other party to whom the report may be shown or who may acquire a copy of the report.

Disclaimer

This report has been prepared for the exclusive use of the clients and shall not be given or reproduced or quoted to any third parties without prior written consent except for the fulfillment for the purpose mentioned above.

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Our findings do not constitute a recommendation as to whether to carry out the transaction based on this valuation. No responsibility or liability is accepted for any loss or damage howsoever arising that you may suffer as a result of this Report and any and all responsibility and liability is expressly disclaimed by us or any of them or any of their respective partners, officers, affiliated, advisors or agents.

For the purpose of this engagement and report, we have made no investigation of, and therefore assume no responsibility for the good and valid title of land, assets, receivables by, or liabilities against QLL. Our conclusion of value assumes that the title to the assets and liabilities of QLL reflected in the statement of assets and liabilities is intact, as at the valuation date.

Opinion on value of Equity Shares

Our calculation, as prescribed by Regulation 164 of the SEBI ICDR Regulations, 2018 read with SEBI (SAST) Regulations 2011, wherein the minimum issue price of equity shares as at the close of trading house of the date preceding the relevant date (21st July 2024), is **₹197.460 per share.***

Additionally, based on our valuation exercise as per regulation 166A, the minimum issue price of the equity shares as at the close of trading hours of the date preceding the relevant date (21st July 2024) is **₹169.887 per share.***

* since 21st July is on Sunday, we have considered the value as on 19th July 2024.




CA Pawan Kumar Agarwal

Registered Valuer (Securities & Financial Assets)

RV Regn No.:- IBBI/RV/03/2023/15263

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UDIN:- 24509228BKCOER5397

Date: 29.07.2024

Place: New Delhi

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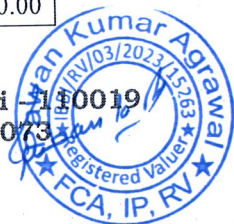
Annexures

Volume Weighted Average Price Method

Calculation of 90 trading days' volume weighted average price of the related equity shares preceding the relevant date (i.e. 21/07/2024)*

Date	No. of Shares (Volume)	Value
19-Jul-24	62,400	1,24,39,080.00
18-Jul-24	51,600	98,22,780.00
16-Jul-24	37,200	68,04,960.00
15-Jul-24	26,400	48,75,960.00
12-Jul-24	14,400	27,39,360.00
11-Jul-24	26,400	50,39,520.00
10-Jul-24	49,200	93,15,120.00
09-Jul-24	34,800	67,08,720.00
08-Jul-24	42,000	88,40,700.00
05-Jul-24	1,08,000	2,27,44,800.00
04-Jul-24	79,200	1,61,65,020.00
03-Jul-24	3,27,600	6,58,86,900.00
02-Jul-24	1,68,000	3,30,97,440.00
01-Jul-24	4,89,600	9,83,69,280.00
28-Jun-24	2,41,200	4,46,03,220.00
27-Jun-24	48,000	77,32,200.00
26-Jun-24	28,800	45,75,180.00
25-Jun-24	26,400	42,25,920.00
24-Jun-24	15,600	24,88,140.00
21-Jun-24	7,200	11,46,780.00
20-Jun-24	39,600	63,94,620.00
19-Jun-24	14,400	22,48,620.00
18-Jun-24	3,600	5,65,800.00
14-Jun-24	7,200	11,37,120.00
13-Jun-24	21,600	34,65,360.00
12-Jun-24	10,800	16,94,220.00
11-Jun-24	19,200	29,45,040.00
10-Jun-24	15,600	23,75,340.00
07-Jun-24	16,800	24,80,100.00
06-Jun-24	27,600	41,82,300.00
05-Jun-24	1,200	1,88,160.00
04-Jun-24	32,400	49,72,140.00
03-Jun-24	28,800	45,93,480.00
31-May-24	8,400	13,31,700.00
30-May-24	36,000	57,70,680.00
29-May-24	18,000	28,90,020.00
28-May-24	3,600	5,76,600.00

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27-May-24	10,800	17,25,900.00
24-May-24	15,600	25,03,020.00
23-May-24	19,200	30,55,320.00
22-May-24	10,800	16,62,420.00
21-May-24	2,400	3,67,320.00
18-May-24	9,600	14,53,260.00
17-May-24	10,800	16,55,580.00
16-May-24	3,600	5,55,360.00
15-May-24	14,400	22,54,680.00
14-May-24	1,200	1,81,200.00
13-May-24	12,000	18,18,000.00
10-May-24	3,600	5,53,800.00
09-May-24	6,000	9,32,400.00
08-May-24	9,600	15,23,820.00
07-May-24	9,600	15,04,800.00
06-May-24	3,600	5,62,800.00
03-May-24	18,000	28,35,720.00
02-May-24	2,400	3,76,500.00
30-Apr-24	14,400	22,98,660.00
29-Apr-24	3,600	5,70,720.00
26-Apr-24	3,600	5,79,000.00
25-Apr-24	30,000	49,04,220.00
24-Apr-24	46,800	75,29,700.00
23-Apr-24	8,400	13,15,800.00
19-Apr-24	16,800	26,65,500.00
18-Apr-24	22,800	36,55,380.00
16-Apr-24	6,000	9,41,280.00
15-Apr-24	10,800	16,21,200.00
12-Apr-24	7,200	11,39,400.00
10-Apr-24	49,200	77,44,020.00
09-Apr-24	10,800	16,37,760.00
08-Apr-24	13,200	20,67,600.00
04-Apr-24	1,200	1,88,400.00
03-Apr-24	6,000	9,33,060.00
02-Apr-24	19,200	30,47,940.00
01-Apr-24	6,000	9,34,680.00
28-Mar-24	14,400	21,88,620.00
27-Mar-24	34,800	53,03,160.00
26-Mar-24	22,800	34,49,400.00
22-Mar-24	21,600	32,44,500.00
21-Mar-24	21,600	32,57,280.00
20-Mar-24	32,400	48,20,700.00
19-Mar-24	48,000	72,92,100.00
18-Mar-24	62,400	94,43,760.00

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15-Mar-24	27,600	42,39,180.00
14-Mar-24	73,200	1,11,91,860.00
13-Mar-24	27,600	41,82,900.00
12-Mar-24	57,600	92,45,160.00
11-Mar-24	2,04,000	3,59,69,460.00
07-Mar-24	62,400	99,62,280.00
06-Mar-24	21,600	33,48,720.00
05-Mar-24	32,400	50,21,880.00
04-Mar-24	45,600	72,30,480.00
Total	34,38,000	61,41,20,040
Weighted Average Price for 90 trading days		₹178.627

* since 21st July is on Sunday, we have considered the value as on 19th July 2024.

Calculation of 10 trading days' volume weighted average price of the related equity shares preceding the relevant date (i.e. 21/07/2024)*

Date	No. of Shares (Volume)	Value
19-Jul-24	62,400	1,24,39,080.00
18-Jul-24	51,600	98,22,780.00
16-Jul-24	37,200	68,04,960.00
15-Jul-24	26,400	48,75,960.00
12-Jul-24	14,400	27,39,360.00
11-Jul-24	26,400	50,39,520.00
10-Jul-24	49,200	93,15,120.00
09-Jul-24	34,800	67,08,720.00
08-Jul-24	42,000	88,40,700.00
05-Jul-24	1,08,000	2,27,44,800.00
Total	4,52,400	8,93,31,000
Weighted Average Price for 10 trading days		₹197.460

* since 21st July is on Sunday, we have consider the value as on 19th July 2024.

Comparison of price of 90 trading days and 10 trading days preceding the relevant date

Weighted Average Price for 90 trading days preceding the relevant date (A)	₹178.627
Weighted Average Price for 10 trading days preceding the relevant date (B)	₹197.460
Higher of A and B	₹197.460



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Valuation – Net Asset Method

Qualitek Labs Limited	
Particulars	As on 31st March, 2024 Amount in (₹ Lakhs)
Total Assets:	
(a) Financial Assets	
Cash and Cash Equivalents	40.86
Bank Balances other than above	136.28
Receivables	785.39
Loans & Advances	205.29
Other Financial assets	179.49
Sub-total	1,347.31
(b) Non-Financial Assets	
PPE	3,711.57
Sub-total	3,711.57
Total Assets	5,058.88
Liabilities:	
(1) Financial Liabilities	
Payables	237.76
Deferred Tax Liability	86.32
Borrowings	1,224.75
Other financial liabilities	231.57
Sub-total	1,780.40
(2) Non-Financial Liabilities	
Provisions	33.59
Other non-financial liabilities	-
Sub-total	33.59
Total Liabilities	1,813.99

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Net Worth of the Company	3,244.89
No. of Shares	73.72
Value per share	44.02
Face Value	10.00

Share Price as per Profit Earning Capacity Value (PECV) Method

Qualitek Labs Limited Particulars	Amount in (₹ Lakhs)			
	FY 2021-22	FY 2022-23	FY2023-24	Total
Profit After Tax (PAT)	113.95	294.43	430.73	
Weights	1	2	3	6
Product	113.95	588.86	1,292.19	1,995.00
Weighted Average PAT				332.50
Capitalisation rate				6.00%
Capitalisation value				5,541.67
Total Shares (lakhs)				73.72
Price per share				75.17

Weighted Average Price per Equity Share

Particulars	Price per share	Weight	Weighted Average Price
	₹		₹
Volume Weighted Average Price (VWAP) (Market Approach)	197.460	80%	157.968
Net Asset Value (Cost Approach)	44.02	10%	4.402
Price Earning Capacity Value (Income Approach)	75.17	10%	7.517
Average Price per Equity Share		100%	169.887

As QLL is a listed company on BSE SME, and it's equity shares are frequently traded, to arrive at its Fair Equity Value per share, therefore, we have given a higher weightage to VWAP.



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