

VALUATION REPORT
SOFTNAUTICS INC





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Omnifin Valuation Services (OPC) P Ltd

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CIN: U74999WB2021OPC242865

IBBI No. IBBI/RV-E/01/2022/160 | RVE M No. RVOESMA/REM/2022/0004

To,
The Audit Committee
Moschip Technologies Limited
7th Floor, My Home Twitza,
Plot No.30/A,Sy.No.83/1 TSIIIC Hyderabad
Knowledge City, Raidurg, Panmaktha
Hyderabad Rangareddi Telangana 500081 India

Dear Sir/ Madam,

Ref: Valuation of Softnautics Inc as on 31st December 2022

We have been engaged by the Audit Committee of MosChip Technologies Limited ("Appointing Authority" or "MosChip") for valuation of Softnautics Inc ("Company" or "Softnautics") for the purpose of issue of shares. The purpose of the engagement is to provide fair valuation of Softnautics using provisional financials as on 31st December 2022 ("Valuation Date").

It should be noted that the valuation engagement is purely an analytical exercise based on the information and documents given to us and we have not assessed the merits or legality of the transaction. Our report is not some advice on the transaction and should not be used as the basis of investment. Our valuation conclusion will not necessarily be the price at which actual transaction will take place.

Based on the information provided by the management, we have assessed the value of equity shares as on Valuation Date. Based on our assessment, the Fair value of the company should be between **USD 16.29 million and USD 16.46 million**. The detailed valuation report including computation of value has been attached in subsequent pages.

Vikash Goel

Director, Omnifin Valuation Services (OPC) P Ltd

(IBBI Regd. No.: IBBI/RV/01/2018/10339)

(RVM No. RVOESMA/RVM/2020/0045)

Date: 27-Mar-2023 | Kolkata, India

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1.0 Purpose

MosChip is the First Fabless Semiconductor company publicly traded in India with 20+ years of experience. We understand that MosChip is going to acquire Softnautics and will issue its shares to Softnautics. For the said purpose, we need to calculate the fair value of Softnautics Inc. Accordingly, we will carry out the valuation of shares of softnautics for the purpose of issue of shares.

The relevant extracts of the Companies Act, 2013 is as under:

62. Further issue of share capital

(1) Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered—

(c) to any persons, if it is authorised by a special resolution, whether or not those persons include the persons referred to in clause (a) or clause (b), either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed.

The Companies (Share Capital and Debentures) Rules, 2014

13 Issue of Shares on Preferential Basis

(g) the price of the shares or other securities to be issued on a preferential basis, either for cash or for consideration other than cash, shall be determined on the basis of valuation report of a registered valuer;

The detailed Valuation is done under valuation section of this report.

2.0 Appointing Authority

The Audit Committee of MosChip Technologies Limited is the Appointing Authority ("appointing authority", "client") for the purpose of this engagement.

3.0 About the Valuer

Omnifin Valuation Services (OPC) Pvt Ltd ("Omnifin") is a Registered Valuer Entity under Insolvency and Bankruptcy Board of India (IBBI) having Registration No. IBBI/RV-E/01/2022/160. Omnifin holds a Certificate of Practice with RVO ESMA to value Securities and Financial Assets.

Vikash Goel (the "Valuer"), is a Director at Omnifin and is a Registered Valuer with IBBI. The Valuer is registered with IBBI to undertake the Valuation of Securities and Financial Assets and holds a Certificate of Practice to practice as a valuer. Vikash is a Chartered Accountant (Fellow member of ICAI, not in practice), CFA (ICFAI) and holds MS Finance and MBA in HR. He is also an alumnus of St Xavier's College, Kolkata, and hails from IIM-Calcutta. Vikash has extensive experience of over 16 years spanning across Industry and Consulting and has worked with companies like PwC, EY, and ICA in India and Canada. Vikash has conducted valuation across a variety of spectrum and has been exposed to global valuation and business modelling practices for companies.



4.0 Disclosure of valuer interest or conflict

We hereby certify that the valuer is suitably qualified and authorized to practice as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the company and jeopardise proper execution of this engagement. The valuer accepts instructions to value the company only from the appointing authority or eligible instructing party.

We have no present or planned future interest in the company or its group companies, if any and the fee payable for this valuation is not contingent upon the value of company reported herein. In case of entities that are traded in stock markets, we, or our partners, employees or relatives, may have an insignificant stake in some cases. Such investments, if any, have not impaired our independence in carrying out the engagement.

5.0 Key dates

Appointment Date: We have been appointed by the Audit Committee vide letter dated 8-Dec-2022.

Valuation Date: The valuation exercise has been performed based on the information available to us as of 31-Dec-2022.

Report Date: Our valuation report has been submitted as of 27-Mar-2023.



6.0 Background Information about the Company

Softnautics Inc. ("Softnautics")

Date of Incorporation	6-Jul-2016
Company status	S Corporation
Headquarter	4633 Old Ironsides Dr Suite# 206, Santa Clara, California, 95054, United States
India Office	3rd Floor, B Block, Westgate, Sarkhej - Gandhinagar Hwy, Makarba, Ahmedabad, Gujarat 380051 India
Website	https://www.softnautics.com/

Established in the hub of Silicon Valley, Softnautics Inc. is a niche semiconductor and embedded AI solutions company with design expertise in systems software, FPGA, and VLSI IP development. Armed with technology oriented mind frame, market awareness, and domain experts, they design intelligent solutions for the customer's needs. Softnautics' diverse talent pool across multiple global centers enable them to provide optimized, efficient, scalable and cost-effective end to end solutions, enabling their customers to rely on them for the products/solutions in the competitive market. Softnautics has successfully developed wireless mesh, cloud-based Wi-Fi AP, IoT gateways, Bluetooth wearable, BLE tokens, 4K video processing, noise canceling solutions, Machine Learning based face recognition, object/lane/sign/key-phrase detection on edge/cloud, automotive control unit, and more.

Multiple years of experience in solution design for their customer's business requirements, it equips them with innovative ways to provide unique services to each customer. Its skilled team of developers and managers work directly with the customers, driving the project effectively and eliminating all the requirement discrepancies. The company's product development team in Silicon Valley is committed to understanding the customer goals and driving the project in that direction.

Vision: To be the most trusted, adaptable, customer friendly semiconductor and embedded AI solutions company.

Mission: Provide a reliable, predictable, adaptable IP and semiconductor engineering solutions for our customers.

Its Software Services include:

- Platform Engineering
- AI Engineering
- Multimedia Engineering
- Digital Engineering
- Network Engineering
- Quality Engineering

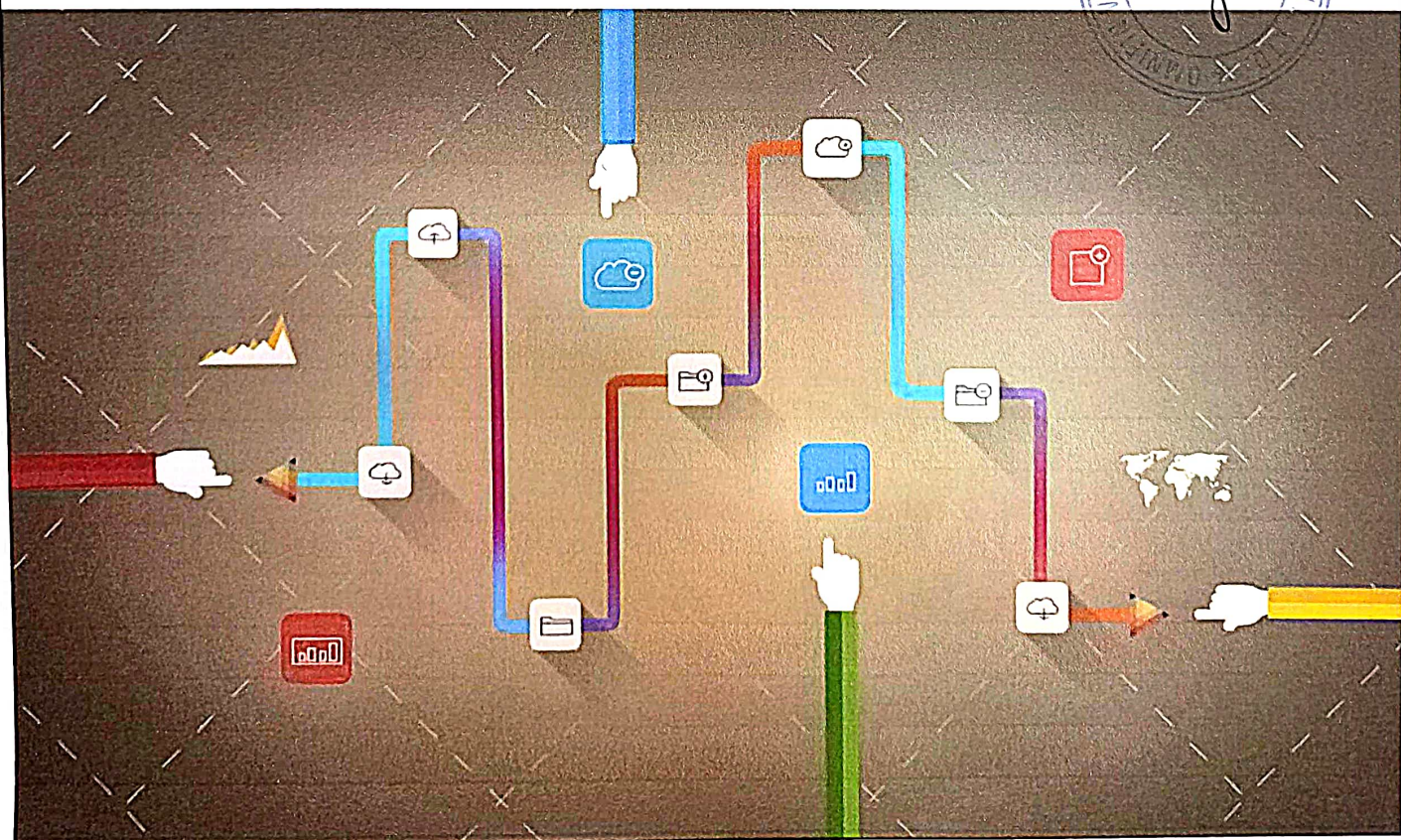
Softnautics also provide Very Large Scale Integration (VLSI) services to the customers which include services like Design, Verification & Validation.

Softnautics also emerged its business in some of the industries e.g., Automotive, Consumer Electronics, Media & Entertainment, Semiconductor etc.



- Automotive Offerings include Engine Health Diagnostics, Driver Distraction Detection, Object/Lane Detection, HMI & Infotainment Systems, Smart Parking Solutions and Traffic Sign Recognition.
- Consumer Electronics Offerings are Targeted Advertisements, Fitness & Activity Monitoring, Footfall Analysis, Age & Gender Identification, Smart Wearable, Sensors & Gateways, Security & Surveillance etc.
- Media & Entertainment Offerings include Media Infotainment Systems, VoD & Media Streaming, Surveillance & DVR, Audio Command Detection, Smart Camera Applications, AR/VR Applications, Realtime Image/Video Analytics, Multimedia Devices and many more.
- Semiconductor Offerings are Specs to Silicon Design, Integration, Validation & Verification, Synthesis & Optimization, Platform Enablement, Board Bring-up & OS Porting, Product Re-engineering & Sustenance and Ready-to-license VLSI IPs.

Some of Softnautics' customers are:



7.0 Inspections and Investigations

The valuation of company is being done as on the valuation date considering the available provisional financial statements as on 31st December 2022 and documents produced before us for the purpose of ascertaining the value of equity shares.

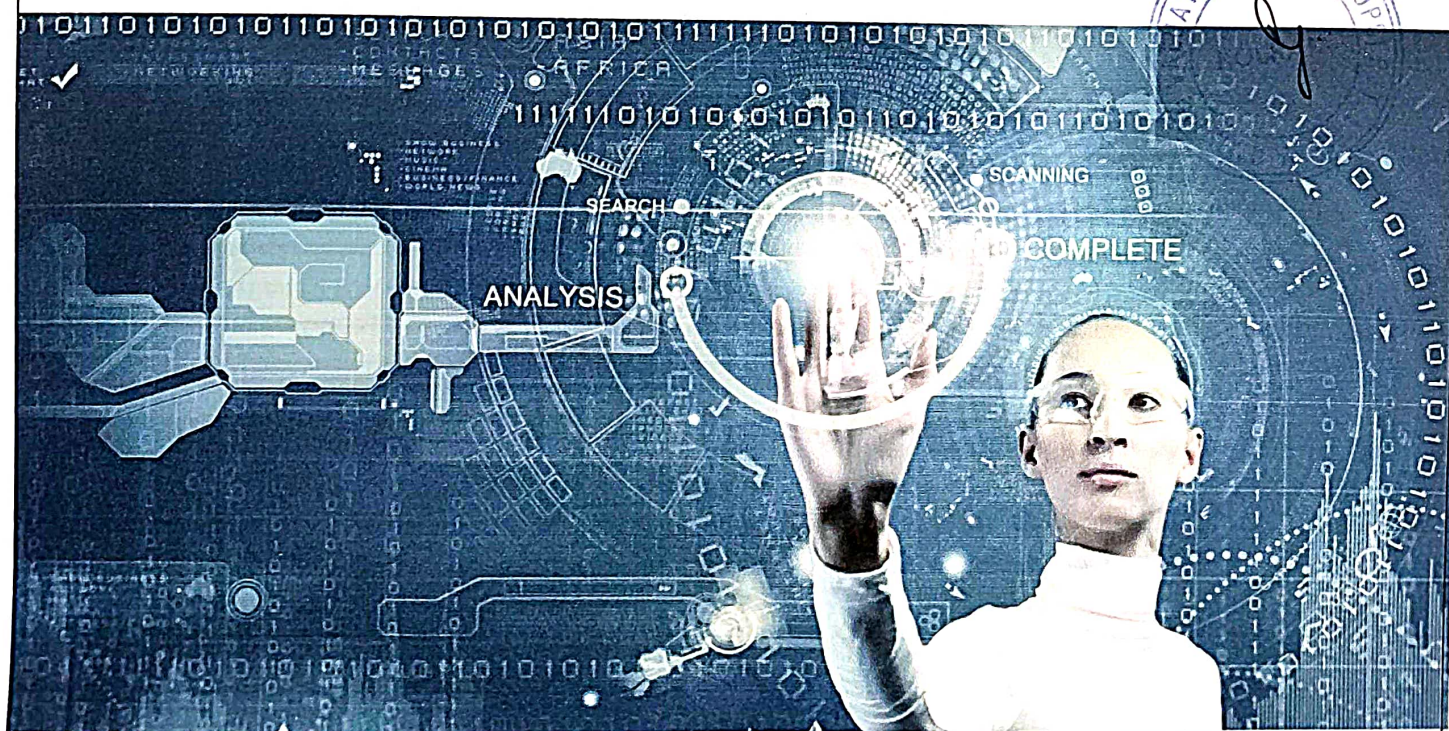
During our Desktop Valuation, we have not carried out any independent verification or validation to establish accuracy or sufficiency of information given to us. We have received representations from the management of the Company and have accordingly assessed the value of company. We believe that given the nature of the valuation and the underlying reports made available to us, it is plausible to carry out such valuation.

8.0 Sources of Information

While performing the valuation, we have relied on the following sources:

- Brief received from the management about the company's background.
- Provisional Financial Statements as on 31st December 2022
- Projected financial statements for the next financial years till FY 2027.
- Verbal and written information and discussions with the management.
- We have also accessed public documents as available from external sources such as mca.gov.in to better understand and assess the value of the business.

We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; 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 or any independent technical valuation or appraisal of any of the assets, operations, or liabilities of the Company. The valuation analysis and result are substantively based only on information contained in this report and are governed by concept of materiality.



9.0 Caveats, limitations, and disclaimers

- 9.1. **Restriction on use of Valuation Report:** This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose. The management of the Company are the only authorized user of this report and is restricted for the purpose indicated in the report. This restriction does not preclude the Appointing Authority from providing a copy of the report to its internal stakeholders on a need-to-know basis, auditors, regulators, and third-party advisors whose review would be consistent with the intended use. Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. We do not take any responsibility for the unauthorized use of this report.
- 9.2. **Purpose:** Our report is meant for the purpose mentioned above and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.
- 9.3. **No advice towards investment or on transaction:** Our Valuation report should not be construed as advice for the transaction. Specifically, we do not express any opinion on the suitability or otherwise of entering the proposed transaction as stated in the purpose of engagement. We express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. We would not be responsible for the decision taken by anybody based on this report.
- 9.4. **Responsibility of Registered Valuer:** We owe responsibility to only to the appointing authority that has appointed us under the terms of the engagement. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or wilful default on part of the client or companies, their directors, employees, or agents. We do not take any responsibility towards the report unless our fee is paid in full. In any case, our liability to the management or any third party is limited to be not more than the amount of the fee received by us for this engagement.
- 9.5. **Accuracy of Information:** While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by the appointing authority/management.
- 9.6. **Achievability of the forecast results:** We do not provide assurance on the achievability of the results forecast by the management as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecast as the



achievement of the forecast results is dependent on actions, plans and assumptions of management.

- 9.7. **Post Valuation Date Events:** An analysis of such nature is necessarily based on the prevailing stock market, financial, economic, and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report. Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the Valuation Date.
- 9.8. **Range of Value Estimate:** The valuation of companies and assets is made based on the available facts and circumstances and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Although every scientific method has been employed in systematically arriving at the value, there is no indisputable single value, and the estimate of the value is normally expressed as falling within a likely range. We have provided a range of value for the overall value of company, derived based on appropriate approaches. Whilst we consider the valuation to be both reasonable and defensible based on the information available, others may place a different value.
- 9.9. **No Responsibility to the Actual Price of the subject asset:** The actual market price achieved may be higher or lower than our estimate of value range depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place. The final transaction price is something on which the parties themselves have to agree. We also emphasize that our opinion is not the only factor that should be considered by the parties in agreeing the transaction price or swap ratio.
- 9.10. **Reliance on the representations of the management and other third parties:** During the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company. The management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the management and other third parties concerning the financial data, operational data except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost, or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee, or agents.



- 9.11. No procedure performed to corroborate information taken from reliable external Sources:** We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.
- 9.12. Compliance with relevant laws:** The report assumes that the company/ business/ asset complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the companies/business/assets will be managed in a competent and responsible manner. This Report does not look into the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. Further, unless specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet/fixed assets register provided to us.
- 9.13. Multiple factors affecting the Valuation Report:** The valuation report is tempered by the exercise of judicious discretion by us, considering the relevant factors. There will always be several factors, e.g., management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the Balance Sheet but could strongly influence the value.
- 9.14. Questions, Appearances or Testimony in courts/ tribunals/ authorities:** Our engagement is limited to preparing the report to be submitted to the management. The Calculation worksheets and related financial models are proprietary to the valuer and will not be shared with the appointing authority or anyone. We shall not be liable to provide any evidence for any matters stated in the report nor shall we be liable or responsible to provide any explanation or written statement for any assumption, information, methodology or any other matter pertaining to the report. However, in case we are required to appear before any regulatory authority as per law, 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.
- 9.15. Fees and Independence:** We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid/to be paid for our services in no way influenced the results of our analysis.



10.0 Valuation

The valuation exercise is aimed at the assessment of the Value of the company. We are required to arrive at the above valuations based on internationally accepted valuation practices.

As per **RICS appraisal Manual**, as well as **Ind AS 113** and **IFRS 13**, the **Fair Value (FV)** is defined as *'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 measurement date.'*

10.1 Valuation bases and premise

There are three common bases of value viz;

- **Fair Value:** 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.
- **Participant Specific Value:** Participant specific value is the estimated value of an asset or liability considering specific advantages or disadvantages of either of the owner or identified acquirer or identified participants.
- **Liquidation Value:** Liquidation value is the amount that will be realised on sale of an asset or a group of assets when an actual/hypothetical termination of the business is contemplated / assumed. It may be orderly liquidation or forced sale.

Our assessment is based on the information given to us. Considering the purpose of valuation, we have considered the premise of value to be Going concern. Our general approach has been to assess the Fair Value of the company.



10.2 Valuation approach and methodologies

Valuation is not an exact science and is dependent on various factors such as specific nature of business, economic life cycle in which the industry and company is operating, past financial performance of the business, future growth potential of the business, business model, management of the company, relevance of technology in the business model, liquidity of equity and much more. The results of the valuation exercise may vary significantly depending on the basis used, the specific circumstances and the judgement of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue.

As per International Valuation Standards (IVS) issued by International Valuation Standards Council the principal approaches to valuation are:

- a) Market Approach
- b) Cost Approach
- c) Income Approach

Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. The market approach should be applied and afforded significant weight under the following circumstances:

- the subject asset has recently been sold in a transaction appropriate for consideration under the basis of value,
- the subject asset or substantially similar assets are actively publicly traded, and/or
- there are frequent and/or recent observable transactions in substantially similar assets.

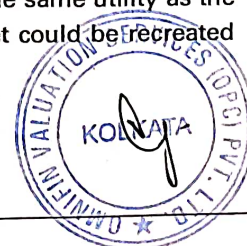
Some of the methods applied under Market Approach include Comparable Transactions Method and Guideline publicly traded comparable method.

- The comparable transactions method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.
- The guideline publicly traded method utilises information on publicly traded comparables that are the same or similar to the subject asset to arrive at an indication of value.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence. The cost approach should be applied and afforded significant weight under the following circumstances:

- participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated



quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,

- the asset is not directly income-generating, and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- the basis of value being used is fundamentally based on replacement cost, such as replacement value.

Broadly, there are three cost approach methods:

- replacement cost method: a method that indicates value by calculating the cost of a similar asset offering equivalent utility,
- reproduction cost method: a method under the cost that indicates value by calculating the cost to recreating a replica of an asset, and
- summation method: a method that calculates the value of an asset by the addition of the separate values of its component parts.

Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. A fundamental basis for the income approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment.

The income approach should be applied and afforded significant weight under the following circumstances:

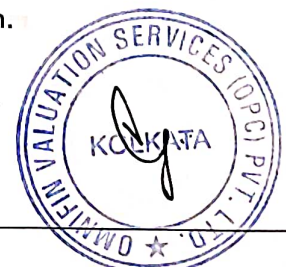
- a) the income-producing ability of the asset is the critical element affecting value from a participant perspective, and/or
- b) reasonable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.

Although there are many ways to implement the income approach, methods under the income approach are effectively based on discounting future amounts of cash flow to present value. The Discounted Cash Flow (DCF) method is a common application of Income Approach and there are variations to this method such as Capitalisation of Income Method.

10.3 Rationale for Valuation

Softnautics is established as S Corporation in United States of America. The cost approach is not representative of true value of a going concern entity, unless it is a new entity or in distress. Accordingly, we have not applied Cost approach for valuation.

We have applied Market Approach to value the firm based on EV/EBITDA multiple of traded firms. We have made suitable adjustments based on the size, nature of business and additional risk factors to use an adjusted EV/EBITDA multiple to value the firm under Market Approach.



Valuation using Market Approach	USD (000s)
EBITDA (CY 2023)	1,377
EV / EBITDA Multiple	11.31x
Enterprise Value	15,562
Less: Debt	-
Add: Cash	897
Value of Equity	16,459

We have also used Discounted Cash Flow Method as the method of valuation based on financial projections given by the management. Under the Discounted Cash Flow Approach, the value of the firm's equity is the present value of future free cash flows discounted at the appropriate discount rate. DCF approach requires significant assumptions about the future earning potential as well as the discount rate.

- 1. Going concern assumption:** We believe the company represents reasonable growth potential with no sign of default in the visible period. Accordingly, we have valued the company as a going concern.
- 2. Discounted Cash Flow (DCF) Method:** Based on the representation received from the management, the company is expected to generate positive free cash flows in the future years. Therefore, we have considered the Discounted Cash Flow (DCF) method of valuation. Under the Discounted Cash Flow Approach, the value of the firm's equity is the present value of future free cash flow discounted at the appropriate discount rate. We have assumed a two stage Discounted Cash Flow Model for arriving at the value under this approach. The first stage is the explicit forecast period and then a terminal growth towards indefinite period. The projections have been shared by the appointing authority and we have not got an opportunity to interact with the management of Softnautics. Accordingly, we cannot obtain assurance on the plausibility of the cash flows. Also, in case the actual results vary significantly from the projected numbers, our valuation may be altered significantly.
- 3. Discount Rate:** Since the cash flows used are DCF, we have used the Weighted Average Cost of Capital (WACC), which incorporates the cost of both equity and debt to arrive at the firm value. Accordingly, the cash flows for each year have been discounted and brought to their present value applying the discounting factor based on WACC.

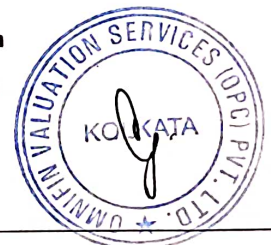
WACC = (Ke X We) + (Kd X Wd), Where

- Ke is cost of equity
- We is the weight of equity to the total capital
- Kd is the cost of debt
- Wd is the weight of debt to the total capital

The Cost of equity is derived using the adjusted Capital Asset Pricing Model (CAPM), as follows:

$$K_e = R_f + (\beta \times R_p) + \text{Additional Unsystematic Risk Premium}$$

Where:



- Rf = risk free rate based on long term US Government Bond yield.
- Rp = Equity Risk premium is applicable based on US Markets. We have obtained the risk premium and Beta applicable to the Software (System & Application) industry as provided by Prof Aswath Damodaran.
- We have assigned an additional Risk Premium to adjust the discount rate on account of size, marketability and liquidity against listed peers.

Based on the projections and discussion with Appointing Authority, we have assumed the Capital Structure to be consisting of 100% equity. Based on the projections and risk and reward attributable to the company, we believe that this discount rate is reasonable and defensible.

4. Terminal Value: We have assumed that the company will continue to operate over an indefinite period with a nominal growth rate of 3.5 percent in profits and free cash flows. This is in line with long term US inflation and industry growth rates. The Capital expenditure will offset against depreciation. Investment in Working Capital would be in line with increase in profits. Accordingly, we have assessed Terminal Value and have discounted it at the WACC to arrive at the Present Value of Terminal Value.

The Present Value of Free Cash Flows from the explicit forecast period and the Terminal value gives us the Value of the Firm (Enterprise Value). The value of Equity is derived from Firm Value after adjusting for Debt and Cash as on the valuation date.

Risk Free Rate	3.9%
Risk Premium	5.9%
Beta	1.27
Additional Risk Premium	2.5%
Cost of Equity	13.9%
Proportion of Equity	100%
WACC [Discount Rate]	13.9%
Terminal Growth Rate	3.5%

- 4. Value of Equity from Enterprise Value:** Based on the above, we have arrived at the Enterprise Value using FCFF Approach. This firm value is adjusted for Debt and Cash on the valuation date to arrive at Value of Equity.

Particulars	USD (000s)
Enterprise Value	15,396.23
Less: Debt on Valuation Date	-
Add: Cash on Valuation Date	897.17
Equity Value	16,293.40

10.4 Valuation Results and Conclusion

We have arrived at the Value of Equity between USD 16.29 million and USD 16.46 million.



11.0 Annexure: Calculation of FCFF (Discounted Cash Flow Approach)

(Amount in USD in '000)

Particulars (INR 000s)	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	Terminal
Valuation as DCF [Mid Year Discounting]	-	0.50	1.50	2.50	3.50	4.50	4.50
Net Profit After Tax	830.93	999.21	1,385.65	1,809.54	2,178.02	2,254.25	
Add: Net Non Cash Charges	43.78	121.27	132.20	148.21	213.97	213.97	
Add: Interest Expense x (1 - Tax Rate)	-	-	-	-	-	-	
Less: Capital Expenditure	131.25	353.75	165.00	196.25	411.25	213.97	
Less: Investment in Non Cash Working Capital	98.54	192.31	246.31	272.38	315.39	63.01	
Free Cash Flow to Firm	644.92	574.42	1,106.54	1,489.12	1,665.35	2,191.24	
Terminal Value							20,971.78
PV of Cash Flows	-	604.16	472.24	798.36	942.87	925.37	11,653.23
Enterprise Value	15,396.23						
Less: Debt on Valuation Date	-						
Add: Cash on Valuation Date	897.17						
Equity Value	16,293.40						

--- End of Report ---



REPORT ON SHARE EXCHANGE RATIO FOR ACQUISITION OF
SOFTNAUTICS INC
BY
MOSCHIP TECHNOLOGIES LIMITED





www.omnifin.in

Omnifin Valuation Services (OPC) P Ltd

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IBBI Regn No. IBBI/RV-E/01/2022/160

RVM: RVOESMA/REM/2022/0004

CIN: U74999WB2021OPC242865

To,
The Audit Committee
Moschip Technologies Limited
7th Floor, My Home Twitza,
Plot No.30/A,Sy.No.83/1 TSIIIC Hyderabad
Knowledge City, Raidurg, Panmaktha
Hyderabad Rangareddi Telangana 500081 India

Dear Sir / Ma'am,

Share exchange ratio between shares of Softnautics Inc and Moschip Technologies Ltd

We have been requested by the Audit Committee of MosChip Technologies Limited ("Acquirer" or "**Moschip**") to assess the share exchange ratio between Moschip and Softnautics Inc ("Target" or "**Softnautics**").

We understand from the management of Moschip that Moschip is proposing to acquire the entire (100%) share capital of Softnautics in accordance with the terms and conditions set out in the draft Share Purchase Agreement proposed to enter between MosChip and the Shareholders of Softnautics ("the Transaction").

We have arrived at the applicable share exchange ratios between Softnautics and MosChip to assess the shares to be issued by Moschip for every share held by the shareholders of Softnautics. It should be noted that the valuation engagement is purely an analytical exercise based on the information and documents given to us. Our report is not some advice on the transaction and is not an opinion on the legality or otherwise of the transaction. The share exchange ratio and the values arrived at in this report may not be the actual values or ratio in which the shares are allocated.

Our arrived Share exchange ratio between the companies is 1.52 equity share of Moschip for every 1 equity shares of Softnautics fully paid up. The computation of fair share exchange ratio has been attached in subsequent pages.

Regards

Vikash Goel,
Director, Omnifin Valuation Services (OPC) P Ltd
(IBBI Regd. No.: IBBI/RV/01/2018/10339)
(RVM No. RVOESMA/RVM/2020/0045)
Date: 28-Mar-2023 | Kolkata

1.0 Appointing Authority

The Audit Committee of MosChip Technologies Limited is the Appointing Authority (“**appointing authority**,” “client”) for the purpose of this engagement. Our appointment is restricted to ascertaining the Share Exchange Ratio between the two companies based on values already adopted by the Board in their Board meeting.

2.0 About the Valuer

Omnifin Valuation Services (OPC) Pvt Ltd (“Omnifin”) is a Registered Valuer Entity under Insolvency and Bankruptcy Board of India (IBBI) having Registration No. IBBI/RV-E/01/2022/160. Omnifin holds a Certificate of Practice with RVO ESMA to value Securities and Financial Assets.

Vikash Goel (the “Valuer”), is a Director at Omnifin and is a Registered Valuer with IBBI. The Valuer is registered with IBBI to undertake the Valuation of Securities and Financial Assets and holds a Certificate of Practice to practice as a valuer. Vikash is a Chartered Accountant (Fellow member of ICAI, not in practice), CFA (ICFAI) and holds MS Finance and MBA in HR. He is also an alumnus of St Xavier’s College, Kolkata, and hails from IIM-Calcutta. Vikash has extensive experience of over 16 years spanning across Industry and Consulting and has worked with companies like PwC, EY, and ICA in India and Canada. Vikash has conducted valuation across a variety of spectrum and has been exposed to global valuation and business modelling practices for companies.

3.0 Disclosure of valuer interest or conflict

We hereby certify that the valuer is suitably qualified and authorized to practice as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the company and jeopardise proper execution of this engagement. The valuer accepts instructions to value the company only from the appointing authority or eligible instructing party.

We have no present or planned future interest in the company or its group companies, if any and the fee payable for this valuation is not contingent upon the value of company reported herein. In case of entities that are traded in stock markets, we, or our partners, employees or relatives, may have an insignificant stake in some cases. Such investments, if any, have not impaired our independence in carrying out the engagement.

4.0 Key dates

Appointment Date: We have been appointed by the Audit Committee vide letter dated 8-Dec-2022. This is in continuation of the appointment to assess the value of Softnautics Inc.

Valuation Date: The valuation exercise has been performed based on the information available to us as of 31-Dec-2022.

Report Date: Our valuation report has been submitted as of 27-Mar-2023.

5.0 Sources of Information

In connections with the preparations of this valuation Report, we have received the following information from the management of the Companies.

- Certified copy of Board Resolution dated 28th March 2023 showing the adoption of value of Softnautics, total consideration and composition of consideration for acquisition.
 - Valuation of Moschip as certified by Registered Valuer, Srivenkata Krishna Rao Nagam dated 28th March 2023. The value of Moschip adopted by the board is INR 65.22 per share.
 - Valuation Report of Softnautics issued by us (Omnifin Valuation Services OPC P Ltd) dated 27th March 2023. The value of Softnautics adopted by the board is USD 16.3681 million.
 - The cash component of the acquisition is USD 7.2855 million and the Equity component is USD 9.0826 million.
- Information and documents as provided by the management of MosChip Companies for the purpose of this engagement.
- Public documents as available from external sources such as mca.gov.in and RBI.org.in to better understand and assess the value of the business.

We have also obtained explanations and information considered reasonably necessary for our exercise from the executives and representatives of the Companies. The Companies have been provided with the opportunity to review the draft Valuation Report (excluding the recommend swap ratio) for this engagement to make sure that factual inaccuracies are avoided in our final Valuation Report.

During our Desktop Valuation, we have not carried out any independent verification or validation to establish accuracy or sufficiency of information given to us. We have received representations from the management of the Company and have accordingly assessed the share exchange ratio.

6.0 Caveats, limitations, and disclaimers

- 1. Restriction on use of Report:** This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose. The appointing authority of the Company are the only authorized user of this report and is restricted for the purpose indicated in the report. This restriction does not preclude the Appointing Authority from providing a copy of the report to its internal stakeholders on a need-to-know basis, auditors, regulators, and third-party advisors whose review would be consistent with the intended use. Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. We do not take any responsibility for the unauthorized use of this report.
- 2. No advice towards investment or on transaction:** Our report should not be construed as advice for the transaction. Specifically, we do not express any opinion on the suitability or otherwise of entering the proposed transaction as stated in the purpose of engagement. We express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. We would not be responsible for the decision taken by anybody based on this report.
- 3. Responsibility of Registered Valuer:** We owe responsibility to only to the appointing authority that has appointed us under the terms of the engagement. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or wilful default on part of the client or companies, their directors, employees, or agents. We do not take any responsibility towards the report unless our fee is paid in full. In any case, our liability to the management or any third party is limited to be not more than the amount of the fee received by us for this engagement.
- 4. Accuracy of Information:** Our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by the appointing authority/management.
- 5. Reliance on the representations of the management and other third parties:** During the engagement, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, and other information given by/on behalf of the Company. The management/representatives warranted to us that the information

they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the management and other third parties concerning the financial data, operational data except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost, or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee, or agents.

6. **No procedure performed to corroborate information taken from reliable external Sources:** We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.
7. **Compliance with relevant laws:** The report assumes that the company/ business/ asset complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the companies/business/assets will be managed in a competent and responsible manner. This Report does not look into the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. Further, unless specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet/fixed assets register provided to us.
8. **Questions, Appearances or Testimony in courts/ tribunals/ authorities:** Our engagement is limited to preparing the report to be submitted to the management. The Calculation worksheets and related financial models are proprietary to the valuer and will not be shared with the appointing authority or anyone. We shall not be liable to provide any evidence for any matters stated in the report nor shall we be liable or responsible to provide any explanation or written statement for any assumption, information, methodology or any other matter pertaining to the report. However, in case we are required to appear before any regulatory authority as per law, 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.
9. **Fees and Independence:** We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid/to be paid for our services in no way influenced the results of our analysis.

7.0 Computation of Share Swap Ratio

As per Board Resolution dated 28th March 2023, total consideration given to Softnautics for acquisition of 100% share capital of Softnautics are as detailed below:

Consideration Type	Amount in USD Mn
Cash (on closing)	1.4571
Swap Share (on closing)	9.0826
Cash (after 120 days of closing)	2.9142
Cash (after 210 days of closing)	2.9142
Total Consideration*	16.3681

* Some figures may not add up due to rounding differences

Calculation of Value per share based on the agreed consideration:

Particulars		Amount
Total Consideration	(USD Mn)	16.3681
No. of shares of Softnautics		1,35,82,000
Value per Share of Softnautics	(USD)	1.21
Foreign Exchange rate	(USD / INR)	82.2378
Value per Share of Softnautics	(In INR)*	99.11

* Some figures may not add up due to rounding differences

As per Board Resolution provided the value per share of Moschip is **INR 65.22**. Based on this value received, the Share exchange ratio is calculated as value of Target company divided by the value of Acquirer company.

$$\text{Share Exchange Ratio} = \frac{\text{Value per share of Target Company}}{\text{Value per share of Acquirer}} = \frac{99.11}{65.22} = 1.52$$

Accordingly, the Share exchange ratio thus arrived at is: 1.52 equity shares of Moschip for every 1 equity shares of Softnautics fully paid up.

-- End of the report --