

Determination of Fair Value of Equity Shares of Spezrhead Media Private Limited

April 2022



Ref: Engagement letter dated 4th January 2022

Date: 18th April 2022

To,

The Board of Directors,
Spearhead Media Private Limited,
C5, Door No. 3-E-16-1371/21,
1st Floor, City Gate,
Kadri Ward, Mangalore,
Dakshina Kannada - 575004

Dear Sir(s)/ Madam(s),

Sub: Determination of Fair Value of Equity Shares of Spearhead Media Private Limited (as defined below)

We, JBPR Valuation Advisors LLP ('**JBPR Val**' or '**We**' or '**Us**'), have been appointed by Spearhead Media Private Limited ('**the Client**' or '**Spearhead**' or '**the Company**') vide letter dated January 4th, 2022, to determine the fair value of Equity Shares ('**the Shares**') on a going concern basis as per the Proposed Terms of Issue under section 62(1)(c) of the Companies Act, 2013 ('**the Act**') and other applicable provisions of the Act and the Rules made thereunder ("**the Proposed Issue**").

We are pleased to present herewith our report ('Report') on the same. We have determined the fair value of the Shares for the Proposed Issue as at the Report date ('**Valuation Date**').

A summary of the analysis is presented in the accompanying Report, as well as a description of the methodology and procedure we used and the factors we considered in formulating our opinion.

We believe that our analysis must be considered as a whole. Selecting a portion of our analysis or the factors we considered without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

This letter should be read in conjunction with the attached report.

For JBPR Valuation Advisory LLP

IBBI Regn No.: IBBI/RV-E/05/2021/150

K.R. Shenoy



Name: Ranjan Kadandale Shenoy

Designation: Partner

IBBI Regn No.: IBBI/RV/05/2020/13617

UDIN: 22237107AHQJDU4703

Encl: As Above



Table of Contents

1. Brief Background of the Company
2. Purpose of Valuation
3. Terms of Engagement
4. Caveats, Limitations and Disclaimers
5. Sources of Information
6. Procedures Adopted
7. Valuation Approaches
8. Conclusion on Valuation Approach
9. Major factors that we considered during the valuation
10. Conclusion



1. Brief Background of the Company

Spearhead Media Private Limited

- 1.1. Spearhead Media Private Limited (CIN: U22219KA2013PTC072197) was incorporated on 28 Nov, 2013. The registered office of Spearhead is located at C5, Door No. 3-E-16-1371/21, 1st Floor, City Gate, Kadri Ward, Mangalore, Dakshina Kannada - 575004.
- 1.2. Spearhead is engaged in the business of running a digital media portal for the state of the Karnataka.
- 1.3. Digital media in India is expected to grow at 30% and will reach Rs. 27,759 crore (US\$3.62 billion) in 2022. (Source: IBEF Report – on Media and Entertainment – Feb 2022 Edition)
- 1.4. The growth is driven by rising content demand by consumers in India. By 2023, the demand for original content is expected to reach >3,000 hours a year, up from 1,187 hours in 2020.
- 1.5. The authorized share capital and the issued, subscribed, called up and fully paid-up capital of Spearhead, as on Mar 31, 2022 was as follows:

Particulars	INR
Authorized Share Capital	2,00,00,000
20,00,000 Equity Shares of ₹ 10/- each	2,00,00,000
Issued, Subscribed, Called up & Fully Paid up Capital	1,03,09,350
10,30,935 Equity Shares of ₹ 10/- each	1,03,09,350

2. Purpose of Valuation

- 2.1. As part of the expansion plans and future growth, Spearhead is looking at an investment from their investors via private placement and conversion of their existing convertible securities into equity shares.
- 2.2. In this regard, we have been appointed to undertake the valuation to recommend the fair value of the Equity shares as per the terms of the Proposed Issue.

3. Terms of Engagement

Context and Purpose

- 3.1. JBPR Val has been appointed to determine the fair value of the equity shares for the Proposed Issue as mentioned in para 2.1 of this Report. This Valuation Exercise and Valuation Report are solely for the purpose mentioned in the Report.



Restricted Audience

- 3.2. This Report and the information contained herein are absolutely confidential and are intended for the use of the Client only for submitting to the statutory authorities for compliance under section 62 and other applicable provisions of the Companies Act, 2013. The results of our valuation analysis and our report cannot be used or relied on by the Company for any other purpose or by any other party for any purpose whatsoever.
- 3.3. This report will be placed before the board of directors of Spearhead Media Private Limited and intended only for their sole use and information only. To the extent mandatorily required under applicable laws of India, this report may be produced before judicial, regulatory or government authorities in connection with the Proposed Issue. We are not responsible to any other person or party for any decision of such person or party based on this Report. Any person or party intending to provide finance / invest in the shares/ business of the companies are there holding companies, subsidiaries, associates, joint ventures shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. If any person/party (other than the Client) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to JBPR Val.
- 3.4. It is hereby notified that usage, reproduction, distribution, circulation, copying or otherwise quoting of this Report or any part thereof, except for the purpose set out earlier in this Report, without our prior written consent, is not permitted, unless there is a statutory or a regulatory requirement to do so.
- 3.5. Without limiting the foregoing, we understand that the Client may be required to share this Report with regulatory or judicial authorities, including Regional Director, Registrar of Companies, National Company Law Tribunal, professional advisors of the Client, in connection with the Proposed Issue (**'Permitted Recipients'**). We hereby give consent to such disclosure of this Report, on the basis that the owe responsibility only to the Client that has engaged us, under the terms of the engagement, and no other person; and that, to the fullest extent permitted by law, we accept no responsibility or liability to any other party, in connection with this Report. It is clarified that reference to this report in any document and/or filing with Permitted Recipients, in connection with the Proposed Scheme, shall not be deemed to be an acceptance by us of any responsibility or liability to any person/party other than the Client.

4. Caveats, Limitations and Disclaimers

- 4.1. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 4.2. This Report, its contents, and the analysis herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement, (ii) the Report Date and (iii) based on the data detailed in the section - Sources of Information. The management of the Company have represented that the



business activities of the Companies have been carried out in the normal and ordinary course till the report date and that no material changes are expected in their respective operations and financial position to occur up to the Report Date.

- 4.3. We were provided with sufficient information and time to make our opinion for this valuation exercise. However, our opinion may change if any material information is not disclosed/hidden from us during our validation exercise.
- 4.4. The scope of this assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Accordingly, we express no audit opinion or any other form of assurance on this information on behalf of the Companies. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence or legal title search of the assets or liabilities of the Companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.
- 4.5. Further, this valuation report is based on the extant regulatory environment and the financial, economic, monetary and business/market conditions, and the information made available to us are used by us up to the date hereof, which are dynamic in nature and may change in future, thereby impacting the valuation of the Companies. Subsequent developments in the aforementioned conditions may affect this Report and the assumptions made in preparing this report, and we shall not be obliged to update, review or reaffirm this Report if the information provided to us changes. Further 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.
- 4.6. We have no present or planned future interest in the Company or any of their group entities.
- 4.7. The recommendation contained herein is not intended to represent value at any time other than the Valuation Date.
- 4.8. This report is subject to the laws of India.
- 4.9. The fee for this engagement is not contingent upon the outcome of the Report.
- 4.10. In rendering this Report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly, we do not assume any responsibility or liability in respect thereof.
This Report is based on the information received from the sources mentioned herein and discussions with the representatives of the companies. We have assumed that no information has been withheld that could have influenced the purpose of our Report.
- 4.11. 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 Companies. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our Report.



- 4.12. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- 4.13. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out herein, which may occur subsequent to the date of our Report or by virtue of the fact that the details provided to us are incorrect or inaccurate.
- 4.14. We have arrived at a relative value based on our analysis. Any transaction price may, however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.
- 4.15. Our scope is limited to the determination of fair value of the Equity Shares. The report should not be construed as our opinion or certifying the compliance of the Proposed Issue with the provisions of any law, including the Companies Act 2013, Foreign Exchange Management Act 1999, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from the Proposed Issue.
- 4.16. The Report assumes that the Company complies fully with relevant laws and regulations applicable in all its areas of operation unless otherwise stated and that the Company will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this report has given no consideration to matters of legal nature, including issues of legal title and compliance with local laws litigation and other contingent liabilities that are not recorded in the financial statements of the Company.
- 4.17. This report does not look into the business/commercial reasons behind the Proposed Issue of Equity Shares nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Issue as compared with any other alternative business transaction or any other alternatives, whether or not such alternatives could be achieved or are available. The assessment of commercial and investment merits in the Company is the sole responsibility of the investors of the Company, and we don't express an opinion on the suitability or otherwise entering into any financial or other transactions with the Company.
- 4.18. Valuation is not a precise science, and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no single indisputable value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different opinion.
- 4.19. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither we nor any of our partners, officers, or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report.
- 4.20. We owe a responsibility to only the board of directors of the Client and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of



or advice given by any other party to the Company. In no event shall we be liable for any loss common damages cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on the part of the Company, its directors, employees or agents. In the particular circumstances of this case, our liability, if any in (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, howsoever the loss or damage cost, shall be limited to the amount of fees actually received by us from the Client as laid out in the engagement letter, for such valuation work.

- 4.21. We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion. This report is not a substitute for any third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.
- 4.22. We express no opinion or recommendation as to how the shareholders of the Company should vote at the shareholders' meeting(s) to be held in connection with the Proposed Issue.
- 4.23. The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Companies (or its representatives) and other sources, and the set recommendation(s) shall be considered to be in the nature of non-binding advice, (Our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

5. Sources of Information

- 5.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management and representatives of the companies/available in the public domain:
- 5.1.1. Detailed business profile and information of current business operations of the Company;
- 5.1.2. Detailed Business Plan of the Company for the next 5 years;
- 5.1.3. Audited Financials of the Company for past 3 years;
- 5.1.4. Provisional financial statements of the Companies for the period ended March 31, 2022;
- 5.1.5. Details of contingent liabilities of Company as on Mar 31, 2022;
- 5.1.6. Relevant data and information provided to us by the management and representatives of the Client either in written or oral form or in the form of soft copy and information available in the public domain;
- 5.1.7. Information provided by leading database sources (proprietary database is subscribed by us or our network firm), market research reports and other published data (including Stock Exchanges); and
- 5.1.8. Draft Terms of the Proposed Issue.
- 5.2. We have also obtained the explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise from the management of the Companies. The Client has been provided with the opportunity to review the draft Report (excluding the



recommended Fair Value) as part of our standard practice to make sure that factual inaccuracies/ omissions are avoided in our final Report.

- 5.3. The management of Companies has informed us that there would be no significant variation between the draft terms of the Issue and the final terms approved and submitted with the relevant authorities.

6. Procedures Adopted

- 6.1. Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including but not limited to the following:
- 6.1.1. Requested and received financial information;
 - 6.1.2. Obtained data available in the public domain;
 - 6.1.3. Undertook industry analysis such as researching publicly available market data including economic factors and industry trends that may impact the valuation;
 - 6.1.4. Detailed analysis of Comparable Companies for the business similar to the Companies;
 - 6.1.5. Discussions (over call/emails/conferences) with the management of the Companies to understand the business and fundamental factors;
 - 6.1.6. Selection of valuation methodology/(ies) as per internationally accepted valuation methodologies;
 - 6.1.7. Determined the fair value of the Equity Shares based on the selected methodology.
 - 6.1.8. For the purpose of arriving at the valuation of the companies, we have considered the valuation base as 'Fair Value', and the premise of value is 'Going Concern Value'. Any change in the valuation base or the premise could have a significant impact on our valuation exercise, and therefore, this Report.

7. Valuation Approaches

- 7.1. It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to the industry performance and general business and economic conditions, many of which are beyond the control of the companies. In addition, this valuation will fluctuate with changes in prevailing market conditions and prospects, financial and otherwise, of the companies, its businesses and assets.
- 7.2. The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of the methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgement, analysis of businesses,



in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

- 7.3. It may be noted that JBPR Val is enrolled with ICAI RVO, which has recommended to follow International Valuation Standards ('IVS') for undertaking valuation and accordingly, we have considered the International Valuation Standards assured by the International Valuation Standards Council ('IVSC') in carrying out the valuation exercise.
- 7.4. The report date is the valuation date ('Valuation Date'). For valuation exercise, market parameters have been considered up to and including March 15, 2022.
- 7.5. There are three generally accepted approaches to valuation:
 - 7.5.1. "Asset"/" Cost" Approach
 - 7.5.2. "Income" Approach
 - 7.5.3. "Market" Approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

Asset/Cost Approach

Summation Method / Net Asset Value Method

The summation method, also referred to as the underlying asset method or NAV Method, is typically used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings.

This valuation approach is mainly used in the case where the asset base dominates earnings capability.

Income Approach

The Income Approach is widely used for valuation under the 'Going Concern' basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the Income Approach seeks to arrive at a valuation based on the strength of future cash flows. In case of non-participating

Discounted Cash Flow Method

Under the Discounted Cash Flow ('DCF') method, the value of the instrument is based on expected cash flows for the future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of instrument is determined as the present value of its future free cash flows.

Cash flows are discounted for the tenure of the instrument. Cash flows represent the dividend income and amount payable at the time of redemption of the instrument.



Discount rate is the Weighted Average Cost of Capital (“WACC”), based on an optimal vis-à-vis actual capital structure. It is an appropriate rate off discount to calculate the present value of future cash flows as it considers equity-debt risk and also the debt-equity ratio of the firm.

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

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

The Business/Enterprise value so derived is further reduced by the value of debt, if any (net of cash and cash equivalents) to arrive at the value to the owners of the business. The surplus assets / non-operating assets are also adjusted.

In the case of free cash flow to equity, the cash available for distribution to owners of the business it's discounted at the Cost of Equity and the value so arrived is the Equity Value before surplus/non-operating assets. The surplus assets/non-operating assets are further added to arrive at the Equity Value.

Option Pricing Models

The Option Pricing Model (OPM) is a popular and commonly used model to allocate equity value to securities in the complex capital structures of privately held companies.

OPM typically employs the Black-Scholes model to value the call options. The Black-Scholes model incorporates the parameters of stock price, exercise price, time, volatility, and risk-free rate to determine the price of a European call option.

Market Approach

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

i. Market Price Method

Under this method, the market price of 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 trading. The market value reflects the investors' perception about the true worth of the company.

ii. Comparable Companies Multiple method

Under the Comparable Companies Multiple ('CCM') method, the value is determined on the basis of multiples derived from the 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 assets and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

iii. Comparable Transactions Multiple method

Under the Comparable Transactions Multiple ('CTM') method, the value of a company can be estimated by analyzing the prices paid by purchasers of similar companies under similar circumstances. This is an evaluation method where one will be comparing recent market transactions in order to gauge the current valuation of the target company. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

8. Conclusion on Valuation Approach

8.1. In order to consider reasonable methods for the valuation exercise, we have referred to the international valuation standards and the specific information/explanations available of Spearhead. We have considered the following respective methods for the valuation:

8.2. In the present case, the equity shares of Spearhead are not listed on BSE and NSE. Hence Market Price Method under the Market Approach has not been considered for the valuation of shares of Spearhead.

Comparable Companies Multiple ('CCM') method has also not been used for determining and arriving at the fair value of the shares, since there are no comparable listed companies operating in a similar segment in India.

Further, due to the paucity of comparable transactions, the CTM method has not been considered.

In a going concern scenario and for an operating entity, the earning power, as reflected under the income and market approaches, are of greater importance to the basis of the proposed issue than the values arrived at on the net asset basis being of limited relevance. Therefore, we have not



considered the Asset/Cost approach for valuation since the Asset/Cost approach does not reflect the intrinsic value of the business operations in a 'going concern' scenario.

For the purpose of valuing equity shares of Spearhead, we have used the Income Approach by adopting both the DCF Method.

Summary of valuation methods considered:

Particulars	Methods Adopted
Value of Equity Shares	DCF Method

9. Major factors that were considered during the valuation

- 9.1. The equity shares of the Company are not listed on the Stock Exchanges;
- 9.2. Key operating/financial parameters of Spearhead;
- 9.3. Nature of operation of Spearhead and its future business plans of the Company;
- 9.4. Proposed Terms of the Issue of the Equity Shares;
- 9.5. Discussion with the management of the Company.

10. Conclusion

- 10.1. In the ultimate analysis, allocation will have to involve the exercise of judicious discretion and judgment, taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, the yield on comparable securities and market sentiments etc., which are not evident from the face of the balance sheets, but which will strongly influence the worth of a share.
- 10.2. As discussed earlier, we have used the DCF Method to calculate value of the equity shares and arrived at the fair value of the shares as follows:

Statement of Discounted Cashflows**in ₹ Lakhs**

Particulars	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	Terminal cash flow
PBT	14	74	114	237	564	584
Add: Depreciation	5	6	8	9	12	12
Add: Interest	4	4	4	3	3	3
Less: Changes in Working Capital	12	(4)	(11)	(1)	(19)	(19)
Less: Taxation	-	(16)	(45)	(59)	(141)	(147)
Normalized Profit from Operations	35	64	70	189	419	433
Less: Capex	(5)	(8)	(9)	(12)	(14)	(15)



Cash flow for valuation		30	56	60	177	405	419
Terminal value							1,923
Discount rate @25.27%	25.27%	0.7983	0.6373	0.5087	0.4061	0.3242	0.3242
Growth rate - Perpetuity	3.5%						
Discount rate - Perpetuity	25.27%						
Present value of cash flow		24	36	31	72	131	624
Discounted Value	917.76						

Particulars	
Risk Free Rate	7.19%
Risk Premium	17.14%
Company Specific Risk	5.00%
Ke	29.33%
Calculation of Risk Premium	
Expected Return from Market	15.79%
Risk Free Rate (India Govt Bond Generic Bid Yield 10 Year)	7.19%
Beta	1.99
Risk Premium	17.14%
Growth Rate	4%
Company Specific Risk	5%
BSE 500	Values
01-02-99	1,000
12-04-22	24,135
Return on BSE 500 (%)	14.70%
Dividend yield %	1.09%
Total return (Expected Market Return)	15.79%
Risk Free Rate	7.19%
Risk Premium	8.60%

	%
Risk free return	7.19%
Beta	1.99
Risk Premium	8.60%
Company Specific Risk	5.00%

Cost of equity %	29.33%
Pre Tax Cost of Debt	12.00%
Tax Rate %	25.00%
Post Tax Cost of Debt	9.00%
Mix % Debt	20.00%
Equity	80.00%
Wt.Avg. Cost of Capital	25.27%

Particulars	Values	Remarks
Face Value of the Shares	₹ 10/-	Adopted from the Disclosures in the Financial Statements
Discount Rate Used	25.27%	WACC based on optimal capital structure
Enterprise Value	₹ 9,17,75,650	Discounting of estimated future cashflows to the firm at the discounting rate
Equity Value	₹ 7,53,18,068/-	Adjustment of Net Debt and Surplus Assets from the Enterprise Value
Number of Shares	10,30,935	Fully Diluted Basis

10.3. Following is the recommended fair value of the Equity Shares:

Value of Shares- ₹ 73.06/- per share