Date: 5 October 2024

To,
The Board of Directors
Physicswallah Private Limited.
Plot No. B-8, Tower-A, 101-119, Noida One,
Noida Sector-62, Gautam Buddha Nagar, Dadri,
Uttar Pradesh-201309.

Dear Sir(s),

Subject: Report on fair valuation of Equity Shares of "Physicswallah Private Limited". for the purpose of Issue of Compulsory Convertible Preference shares (CCPS).

I. Purpose:

We have been engaged by the management of Physicswallah Private Limited (hereinafter referred to as "PPL") (CIN: U80900UP2020PTC129223) having its registered office at Plot No.B-8, Tower-A, 101-119, Noida One, Noida Sector-62, Gautam Buddha Nagar, Dadri, Uttar Pradesh-201309 to carry the valuation of Equity shares as on July 31st , 2024("**Valuation Date**") in accordance with the provisions of Foreign Exchange Management (Non- Debt Instrument) Rules, 2019 (" FEMA Rules") & provisions of Section 56 of the Income Tax Act, 1961 for the purpose of Issue of CCPS.

This report may be filed with the Reserve Bank of India and Income Tax, if required.

II. About 3Dimension Capital Services Limited:

3Dimension Capital Services Limited (hereinafter referred to as "3DCSL") is a Public Limited Company incorporated under the Companies Act, 1956 with the Registrar of Companies, NCT of Delhi and Haryana. Our Company is a Category 1 Merchant Banker registered with Securities and Exchange Board of India (SEBI), Mumbai with Registration No.: MB/INM000012528.

K-37/A, Basement, Kailash Colony, Near Kailash Colony Metro Station, New Delhi-110048
Tel. : +91-11-40196737. E-mail : delhi@3dcsl.com. Website: www.3dcsl.com

III. Background information about the PPL:

Physics Wallah (PW), India's leading EdTech unicorn, was founded in 2020 by Alakh Pandey (Founder & CEO) and Prateek Maheshwari (Co-Founder). Headquartered in Noida, Uttar Pradesh, PW is democratizing education at scale across India through online, offline and hybrid platforms and has reached 98% of the country's pin codes. Initially launched as a YouTube channel in 2014, PW has been growing exponentially, now offering free quality education to over 4.6+ crore students through its 112+ YouTube channels in 5 vernacular languages. The PW app has been downloaded 3+ crore times, and the company has over 55+ lakh paid students. PW is creating the biggest hybrid education ecosystem in the country by establishing tech-enabled offline and hybrid centers in 105 cities nationwide. As a lifelong learning partner, PW's offerings span various educational segments, including 2 Gurukulam Schools, test preparation in 43 categories, a skilling vertical, higher education, and study abroad. Additionally, the company also has an Institute of Innovation (IOI) that provides world-class 4-year residential job-ready programs.

(Source: Company Management)

IV. Sources of Information:

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

- Discussions with the Management.
- Provisional Financial Statements as on July 31st ,2024 as provided to us by the management.
- Audited Financial Statements as on March 31st, 2023 as provided to us by the management.
- Financial projections of the company from the period 1st August 2024 to 31st March 2029 as provided by management.
- Website of the NSE, BSE, & the company.
- Research websites such as Stern NYU database, MCA etc.

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

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

V. Approasch Considered in our Value Analysis:

General Principle for Valuation

There is no simple definition of the term 'Value' that is suitable for all purposes or at all times. The value of a particular asset may vary according to different valuation methodologies that are adopted to ascertain the value for a specific purpose. Valuation is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable simple value.

Selection of Valuation Methodology

It is understood that the business of the PPL would continue to operate on its projected lines. Hence, the valuation has been carried out on a "going concern" basis. The objective of the valuation process is to make a best reasonable judgment of the value of Equity Shares of the PPL. The best reasonable judgment of the value will be referred to as the fair value (FV).

There are number of valuation methodologies to value companies/ businesses using historical and forecast financials of the company. Commonly used valuation methodologies are as follows:

- Net Asset Value (NAV) Method
- Discounted Cash Flow (DCF) Method
- Comparable Company Multiples (CCM) Method

In the instant case, we have been informed that the PPL is a closely held company and is not listed on any stock exchange. The fair value of the Equity Shares has been determined using the discounted cash flow (DCF) Method because it is an internationally accepted pricing methodology on arm's length basis.

V. Basis for arriving at Fair Value: Discounted Free Cash Flow Method.

In DCF Method, the projected free cash flows are discounted at a discount rate which reflects perceived riskiness of the projected cash flows in order to arrive at their present value. Then,

the terminal value of the PPL is calculated based on the free cash flow of the last year of the forecast period, which is based on the future long-term growth of the revenues. This terminal value is then discounted to get the present terminal value. The present value of free cash flows for the projected period and present value of terminal value is added to arrive at the enterprise value. Thereafter, value of non-operating assets, cash and cash equivalents, if any, is added to the enterprise value to arrive at the final enterprise value. From the final enterprise value, adjustment for debt, if any, is made to arrive at the final equity value of the PPL.

To arrive at value per Equity Share of the PPL, Final Equity Value is divided by number of outstanding equity shares as on Valuation date.

In this method, the value of the PPL is based on its capacity to generate cash flows. There is some uncertainty associated with these cash flows. Thus, the difficulty in valuing firms using the DCF method is not a conceptual difficulty but an estimation difficulty. The value of the company is the present value of the expected cash flows from its assets, but those cash flows are likely to be much more difficult to estimate. The value of the company rests entirely on its future growth potential.

The inputs for the valuation have to be estimated and are likely to have considerable error associated with them. The estimates of future growth are based on the competence of the management and their capacity to convert a promising idea into a commercial success.

Diluted No. of shares

The diluted number of shares includes all potential equity shares from existing convertible instruments, stock options, and warrants. This assumption allows for a more accurate and conservative estimation of the equity value on the fully diluted basis, thereby reflecting the total potential equity ownership structure in the company. All calculations for equity valuation per share are based on this fully diluted share count to provide a comprehensive view of shareholder value.

VI. Fair Valuation of Equity Share

We have formed an opinion on the fair value of Equity Shares of the company, based on the information provided by the Management of the company. We are of the opinion that as on July 31st, 2024 the fair value of one Equity Share of company is Rs. 2,350.27 per share **(Refer Annexure)** (Rupees Two Thousand Three Hundred Fifty & Twenty-Seven Paisa Only).

As per the terms of the CCPS, the proposed preference shares are compulsorily convertible into equity shares, and therefore, the valuation approach aligns with that of the equity shares. Therefore, we conclude that the value of CCPS is equivalent to the value of the equity shares.

The valuation is subject to the information made available to us by the management of the company, and no specific audit has been carried out on the same.

VII. Restricted Audience Clause:

This report and the information contained herein are absolutely confidential and are intended for the use of Board of Directors of the Company. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event the Company or its Board of Directors extend the use of the report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party (including but not limited to any other regulator) to whom this report may be shown or who may acquire a copy of the report.

We have given opportunity to the parties of the transactions (Promoters and Hornbill Capital Partner Limited, LIGHTSPEED OPPORTUNITY FUND II, L.P., KONARK TRUST, MMPL TRUST and SETU AIF TRUST in addition to the Company) to read our report and rely on the same for carrying out the transaction.

VIII. Disclaimer/Limitations on the Valuation of Shares of the company:

Our report is subject to the scope of 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 therein. This report has been prepared solely for the purpose set out in this report and should not be made available to any other person, distributed, published or reproduced (in part or otherwise) in any other document whatsoever, without our written consent save and except

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for the limited purpose of this report.

The scope of the assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. We do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our report. Any updates or second opinions on this valuation report cannot be sought by the Company from external agencies without our prior written permission.

The information presented in this valuation report does not reflect the outcome of any due diligence procedures, the outcome of which could change the information contained herein and therefore, the valuation report materially.

Valuation is based on the estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material.

Our value analysis is based on the information made available to us by the management of the company and the information obtained by us from public domain as mentioned in the report. Any subsequent changes/modifications/revisions (either positive or negative) to the financial parameters and other information provided to us may alter the result of value analysis set out in this report, positively or negatively. Also, the realization to the given projections is dependent on the continuing validity of the assumptions on which they are based. Since the projections relate to the future, actual results are likely to be different from the projected results in case of events and circumstances not occurring as projected and the differences may be material. Our work did not constitute a validation of the financial projections of the company under consideration and accordingly, we do not express any opinion on the same. We have not commented on the appropriateness of or independently verified the assumptions or information provided to us, for arriving at the financial projections. This report is based on the information from the management of the Company. Further, this information has not been independently verified by us. We have assumed that the Company has furnished to us all information which it is aware of concerning the financial statements and respective liabilities, which may have an impact on our report.

Our work did not constitute an audit in accordance with Indian GAAP/ International Financial Reporting Standards and all other applicable accounting practices and procedures and examination/review of internal controls or other attestation or review services. Accordingly, we do not express an opinion on the information presented.

It may be noted that in carrying out our work we have relied on the integrity of the information provided to us by the management of the company; other than reviewing the consistency of such information, we have not sought to carry out an independent verification, thereof.

We have reviewed the information made available to us for overall consistency and have not carried out any detailed tests in the nature of audit to establish the accuracy of such statements and information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by the company for and on behalf of the company.

We have not carried out any independent verification of the accuracy and completeness of all information as stated above. We have not reviewed any other documents of the company other than those stated above. We have not made any independent verification of the physical assets of the company and accept no responsibility for the same.

It should be noted that for the purpose of determining fair Value of Equity Shares of the PPL as on July 31st, 2024, we have not considered the impact of any events on the valuation of the company, which have occurred post the date of the valuation except mentioned in this report. Further, this valuation report is based on the extant regulatory environment and the business/ market conditions, which are dynamic in nature and may change in future, thereby impacting the Company under valuation.

Our scope of work does not include verification of data submitted by the management of the company and has been relied upon by us as such.

We understand that the management of the company, during our discussions with them, would have drawn our attention to all such information and matters, which may have had an impact on our valuation. In this report we have included all such information and matters as was received by us from the management of the company.

This valuation report should not be regarded as a recommendation to invest in or deal in any

form of securities of the company and should also not be considered as its final equity value for the purpose of Investment.

The Management or related parties of the company and its subsidiaries/ associates/ group companies are prohibited from using this report other than for its sole limited purpose and not to make a copy of this report available to any party other than those required by statute for carrying out the limited purpose of this report.

No investigation of the Company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loan disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. The report is not, nor should it be construed, as our opining or certifying the compliance with the provisions of any law, including but not limited to, Circulars/ Guidelines/ Notifications/ Rules/ Regulations etc. issued by the Reserve Bank of India, and Tax Laws related laws by the company.

This report is not meant for meeting any other regulatory or disclosure requirements, save and except as specified as above, under any Indian or Foreign Law, Statute, Act, Guidelines or similar instructions. We would not be responsible for any litigation or other actual or threatened claims.

Whilst all reasonable care has been taken to ensure that the facts stated in the report are accurate and opinion give is fair and reasonable, In the particular circumstances of this case, our liability for any economic loss or damage arising out of or in connection with this engagement, however the loss or damage is caused, shall be limited to the amount of fees actually received by us from the company as laid out in the engagement letter, for such review and valuation work.

Notwithstanding anything contained in this report, 3DCSL, its directors and employees will not be liable to any party for any direct, indirect, incidental, consequential, special or exemplary damages (even if such party has been advised of the possibility of such damages) arising fromany provision of this engagement.

For 3Dimension Capital Services Limited,

Rhydham Kapoor
Executive Vice President

Annexure

Discounted Cash Flow of PHYSICSWALLAH PRIVATE LIMITED as on 31st July 2024

(Amounts in 'Cr)

Particulars	FY25 (8 months)	FY26 (12 months)	FY27 (12 months)	FY28 (12 months)	FY29 (12 months)
Revenue	3,215.4	4,504.7	6,059.8	8,011.6	11,595.8
Less: Operating Cost	2,999.6	3,727.0	4,764.5	6,042.5	8,300.4
EBIDTA	215.8	777.6	1,295.3	1,969.1	3,295.4
Less: Depreciation	252.4	269.4	280.6	292.6	221.1
EBIT	(36.6)	508.3	1,014.6	1,676.5	3,074.3
Less: Interest	4.5	-	-	-	-
EBT	(41.2)	508.3	1,014.6	1,676.5	3,074.3
Less: Tax	2.4	128.7	255.0	420.1	691.0
PAT	**(43.6)**	**379.5**	**759.7**	**1,256.3**	**2,383.4**
Add: Depreciation	252.4	269.4	280.6	292.6	221.1
Increase/(Decrease) in Net WC	924.9	(20.3)	165.4	71.5	644.8
Increase/(Decrease) in Non-current Assets/Liabilities	(521.6)	(118.3)	(103.9)	(279.1)	(389.4
Capex	(167)	(181)	(171)	(183)	(207
FCFF	**445**	**329**	**930**	**1,159**	**2,652**
WACC	20.34%	19.34%	18.34%	17.34%	16.34%
Weights (mid year discounting)	0.33	1.83	2.83	3.83	3.83
Discounting factor	0.94	0.72	0.62	0.54	0.56
Present value of FCFF	**419**	**238**	**577**	**628**	**1,485**
Present Value of Cash Flow	3,347				
Terminal value	13,097				
Enterprise Value	**16,443**				
Add: Cash and bank as on 31/07/2024	89				
Add: Investments in marketable securities as on 31/07/2024	760				
Less: Borrowings as on 31/07/2024	57				
Equity value	**17,235**				
Number of shares	**7,33,33,334**				
Value per Share	**2,350.27**	2350			
Perpetuity Growth Rate	5.0%				

Statement showing WACC Calculation using CAPM:-

Particulars		Year 1 Figure(s)	Year 2 Figure(s)	Year 3 Figure(s)	Year 4 Figure(s)	Year 5 Figure(s)
Risk Free Rate of Return[1]		**6.924%**	**6.924%**	**6.924%**	**6.924%**	**6.924%**
Market Return (BSE)[2]		**14.80%**	14.80%	14.80%	14.80%	14.80%
Start Date	31-Jul-04	5,170.32				
Valuation Date	31-Jul-24	81,741.34				
Years	20					
Equity Risk Premium		**7.88%**	7.88%	7.88%	7.88%	7.88%
Unlevered Beta[3]	1.07		1.07	1.07	1.07	1.07
Base COE	15.34%		15.34%	15.34%	15.34%	15.34%
Company Specific Risk Premium[4]	5.0%		4.0%	3.0%	2.0%	1.0%
Weight		100.00%	1.00	1.00	1.00	1.00
Cost of Equity (Adjusted)		**20.34%**	**19.34%**	**18.34%**	**17.34%**	**16.34%**
Debt		-	-	-	-	-
Cost of Debt (Post Tax)		**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
WACC		**20.34%**	**19.34%**	**18.34%**	**17.34%**	**16.34%**

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