



truenorth^Q

VALUATION POLICY

Document Release Notice

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Valuation Policy

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Valuation Committee

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Business Finance Team & Valuation Committee

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Key Person

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1. BACKGROUND

True North (the “Firm”) is required to undertake a valuation of partner companies held by the Firm’s funds (the “Funds”) on a periodic basis as part of the reporting process to investors in the Funds and as mandated by applicable regulations. The timing and frequency of such valuation reviews may be dictated by regulations governing the respective Funds, or otherwise governed by the fund agreements for each Fund. This document sets out the policies that the Firm will adopt in undertaking periodic valuation reviews of the partner companies.

1“Marketable Securities” shall mean securities that are traded on an Indian, US or any other internationally recognized securities exchange or in an established OTC market and that are not subject to material legal or contractual restrictions on transfer (including any lock-in provisions). (IPEV guidelines)

2“Fair Market Value” is the price that would be received to sell an asset in an orderly transaction between market participants at the date of determination (IPEV guidelines)



2. VALUATION PRINCIPLES AND METHODOLOGY

2.1 The overarching principle that will guide the valuation reviews of the partner companies shall be to ensure that the Firm reports a reasonable estimate of the fair value of the Fund’s holdings in partner companies.

2.2 The valuation of partner companies shall be undertaken in accordance with the International Private Equity and Venture Capital Valuation Guidelines, 2022 and other interim guidelines published by International Private Equity & Venture Capital Valuation board on the official website (<http://www.privateequityvaluation.com/>) (the “IPEV Guidelines”). Please find below overarching guiding principles for the valuation process:

Securities	Valuation Methodology
Marketable Securities	<ul style="list-style-type: none"> • At the closing price quoted on the exchange for Marketable Securities listed on an Indian Stock Exchange. • In case the security is listed on multiple stock exchanges, closing price for security trading on the exchange with highest trading volume is considered.
Marketable Securities traded in the Over the Counter (OTC) market and quoted on an organized OTC market quotation system	At the closing price on the last day of the fiscal quarter as reported by such system immediately preceding the date of determination.
All other securities or other assets	<p>At their Fair Market Value after considering all factors which might reasonably affect the sale price of such securities or other assets, including, without limitation, the present value of growth opportunities contemplated in respect of such security or other asset, restrictions on transferability, the existence of a control block and the anticipated impact on current market prices of immediate sale and the liquidity of a market for such security or other asset, the impact on the present value of such asset of factors such as the length of time before any such value may be realized and the cost and complexity of any such sales, purchase cost, estimates of liquidation value, price received in recent sales of securities of the same issuer and prices recently received by comparable companies engaged in similar industries.</p> <p>One of the following methods may be used to estimate the Fair Market Value:</p> <ul style="list-style-type: none"> (i) the market approach whereby fair value is derived by reference to observable valuation measures for comparable companies and adjusted for difference between the investment and the referenced comparable (e.g. public company comparable, private company including own investments) or by reference to valuation measures for price of recent transactions in own investments; (ii) the income approach (e.g. the discounted cash flow method); or (iii) cost approach after an acquisition (with relevant benchmarks) which reflects to be the best indicator of fair value.

2.3 The fair value of holdings in investee companies shall be estimated using consistent valuation techniques from one valuation date to another, unless there are changes in market conditions or investment-specific factors which may influence the determination of value. It will be the Firm's endeavor to apply consistent valuation techniques for investments with similar characteristics, industries and/or geographies.



3. VALUATION PROCESS

The Valuation Process for the Firm has been outsourced to an independent agency ("Business Finance Team"). The Business Finance Team will be responsible for undertaking the periodic valuation review of partner companies held by the Funds. The Valuation Process will be overseen by Valuation Committee comprising of the Managing Partner, CFO and Investor Relations Team at True North. Details of personnel involved in preparation and review of valuation marks are documented in **Annexure A**.

3.1 Preparation of Valuation

The Business Finance Team shall:

- (i) Collate information that it may require to undertake the valuation of partner companies;
- (ii) Undertake the valuation of each partner company and prepare valuation workings every quarter;

The Business Finance Team may consult with one or more Key Persons who is a member of the Firm's Investment Team in respect of investee companies engaged in specialized activities or sectors to formulate the valuation approach that may be most appropriate.

Any material deviation from the regular valuation methodology adopted by the Firm shall require the prior approval of a Key Person who is a member of the Firm's Investment Team. The Business Finance Team shall maintain a record of any such deviation, including the circumstances that warranted a deviation and the justification for the deviation.

3.2 Independent Confirmation of Valuation:

The Business Finance Team shall:

- (i) Co-ordinate with audit firm for True North facilitating the review of:
 - a. the quarterly valuation workings prepared by Business Finance Team and
 - b. valuation reports (referred in point (v) below) prepared by independent valuation specialists
- (ii) Co-ordinate the independent valuation analysis with an external valuation specialist, which shall be one of the 'Big 4' international accounting firms; such independent valuation should be carried out once in every six months; Please refer Annexure A for details.

3.3 Review of Valuation:

The Business Finance Team will present the valuation workings to the Valuation Committee for their feedback and approval every quarter. Any questions/ clarifications are to be discussed with the Valuation Committee before finalization.

In case of any differing views between the members of Valuation Committee, discussions will be held to arrive at consensus on valuation approach/ process.

3.4 The Investor Relations team will circulate the results of the periodic valuation review together with underlying details with the Board of Advisors of the relevant Fund for their review. The Board of Advisors shall review the determination of Fair Market Value as undertaken in consultation with the Key Persons. If the Board of Advisors disagree with the valuation determination, the valuation shall be determined in good faith by an independent qualified and reputable firm of chartered accountants reasonably acceptable to the Board of Advisors and appointed by the Firm's Finance function in consultation with one or more Key Persons who are members of the Firm's Investment Team.

The Investor Relations team is responsible for the circulation of the valuation reports to investors at such intervals, and within such timelines as are agreed with investors in the Funds.



4. FREQUENCY OF VALUATION REVIEWS AND REPORTING

4.1 The Firm shall undertake a valuation review of investee companies of each Fund at the end of each fiscal quarter. A valuation review may be conducted more frequently, or at other determination dates if so required by the relevant Fund's documents, or applicable regulations.

4.2 Valuations of investee companies pursuant to the periodic valuation review undertaken by the Firm's Business Finance Team and reviewed by valuation specialists of the Firm's audit firm will be reflected in the report on financial information circulated by the Firm to each investor in the Funds, typically within 60 days of the end of each fiscal quarter, or at such other frequency as may be prescribed under applicable regulations or the relevant Fund's documents. Results of the valuation review undertaken by the Business Finance

Team will also be included in the audited financial statements for the relevant Fund, which will be prepared on an accrual basis and otherwise in accordance with Indian GAAP. Audited financial statements for the relevant Fund will be circulated to each investor, typically within 90 days following the end of each fiscal year of the relevant Fund.

5. OTHER CONSIDERATIONS

5.1 RECORD KEEPING

The Business Finance Team shall ensure that records in relation to each valuation of the investee companies of the Funds shall be maintained and preserved in accordance with the Firm's record retention guidelines.

5.2 REVIEW OF THIS POLICY

This policy shall be reviewed by the Valuation Committee at least annually to ensure that it is consistent with prevailing international best practice. Any modifications to the policy shall be approved by one or more Key Persons who is a member of the Firm's Investment Team.

ANNEXURE A: TEAM COMPOSITION

BUSINESS FINANCE TEAM

Independent Agency	Morphis Management Services LLP
Managing Partner	Rahul Kapani
Team Member	Vimal Taparia

VALUATION COMMITTEE

Managing Partner	Vishal Nevatia
Chief Financial Officer	Paras Nayyar
Senior Manager- Investor Relations	Arpit Shah

EXTERNAL VALUATION SPECIALIST

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