



**CONFIDENTIAL**

To

The CFO  
MTR Foods Private Limited  
No 1, 2<sup>nd</sup> & 3<sup>rd</sup> Floor,  
100 Feet Inner Ring Road,  
Ejipura, Ashwini Layout,  
Vivek Nagar, Bangalore-560047

Dear Sir,

Sub: Determination of Share Valuation Price for the proposed acquisition of 43% of equity shares of Firmroots Private Limited.

**1. Purpose**

- 1.1 As requested by the Management of MTR Foods Private Limited, I have determined an indicative share valuation price of Firmroots Private Limited for proposed acquisition of 43% of equity shares of Firmroots Private Limited (8,065 equity shares being subscribed by MTR Foods Pvt Ltd). This valuation has been done for the limited purpose of determining the value of the shares of Firmroots Private Limited. The indicative share valuations price suggested by me are based on a relative valuation exercise carried out by me for Firmroots Private Limited. The share valuation price reflects my independent opinion for the purposes of the proposed acquisition of 43% of equity shares of Firmroots Private Limited post investment.
- 1.2 For the purpose of my study, I have relied on the audited financial statements, projected financials, free cash flows and other information and explanations provided to me by the management and I have not carried out any independent tests to establish the accuracy of such statements and information.
- 1.3 The valuation exercise is also based on certain assumptions on the expected rate of return. I have given the basis of arriving at the expected rate of return based on my fair understanding of the various factors.

**2. Share Value:**

- 2.1 In my opinion, on the basis of information given to me, the share valuation price would be as follows for each Equity share having face value of Rs.10 (Rupees Ten only) as per the workings enclosed in Annexure.



**Valuation of Share Price**

|                                                         |                                    |
|---------------------------------------------------------|------------------------------------|
| Promoters Share holding post Issue of Shares – 57 %     | 10,690                             |
| Fresh Shares being allotted to MTR Foods Pvt Ltd – 47 % | ( 43 % of post issue shares) 8,065 |
| Total Number of shares post allotment                   | 18,755                             |
| Enterprise Valuation rounded up                         | 8,13,53,465                        |
| Value per share post money                              | 4,337.69                           |

| Discounting Factor | Value per Equity Share post money (in Rupees) |
|--------------------|-----------------------------------------------|
| 27.54%             | Rs. 4,337.69 per share                        |

*The assumptions for the Discounting rate adopted has been given in the Appendix.*

### 3. Background of the Present Valuation Exercise

- 3.1 Firmroots Private Limited was incorporated on 25.02.2016. The company has its registered office at Survey No 1B, HSR Layout, Sector 1, 2nd floor Bangalore Karnataka 560102. The company has only one class of Shares viz, Equity shares of Face value of Rs.10 each and the shareholding pattern as on as on 30.06.2017 is given in **Annexure – 1**.
- 3.2. The shareholders of Firmroots Private Limited company are proposing to raise investment such that the post investment share holding of MTR Foods Private Limited results in 43% of shareholding of the company and hence the exercise of Valuation of shares is being carried out to determine the value of shares for the purpose of raising further investment in the equity shares of the company.
- 3.4 The financial summary of the Company based on the audited financial statement furnished to us is provided in **Annexure - 2**.

### 4. Concept and Methodology for valuation

- 4.1 There is no single definition of the term value that is suitable for all purposes or at all times. The value of an asset will differ from time to time and there may be differing values at the same time according to the purpose for which it is necessary to establish a value and more importantly the investor's perception and foresight of the industry.
- 4.2 Valuations are required for different circumstances and the purpose for which the valuation is intended often has an impact on the value derived and methodologies adopted.
- 4.3 The basic valuation methodologies that are normally used in the going concern valuation of equity shares of an unlisted company can be broadly classified into the following;

#### a) Discounted Cash Flow Value Model (DCF)

The DCF model is based on the principle that the value of business is the discounted value of the projected free cash flows, at a rate that reflects the degree of risk associated with the business.



**Valuation of Share Price**

b) **Earnings based models**

Earnings based models such as the Profit Earning Capacity Value (PECV) are normally applied by capitalising maintainable profits either based on past profits or an estimate of the future profits or a consolidation of both at an appropriate price earnings multiple.

c) **Asset based models**

Asset based models are normally based on the Net Asset Value (NAV) of the company as on the valuation date. Such value usually represents the support value of a share of a going concern.

5. **Basis of Valuation and Valuation Methodology**

- 5.1 For determination of the share valuation price, the value per share of Firmroots Pvt Ltd post money is determined. It is necessary for this purpose to note that what is relevant is the relative value of the shares of Firmroots Private Limited and not the absolute value of share.
- 5.2 For the purpose of valuation of shares, I have not carried out an audit, a due diligence exercise or any other validation of the unaudited/ audited financial statement, financial projections, projected free cash flows and expected growth rates in the industry. I have relied upon the audited financial statements of the Firmroots Private Limited and the information and explanations offered by the management of MTR Foods Private Limited.
- 5.3 I have been informed that the financial projections provided, is the management's best estimates. I provide no assurance that this information or the assumptions on which this information has been prepared by the management are accurate. To the extent of future events assumed by the management do not occur, the outcome may vary from the estimates furnished.
- 5.4 The valuation is based on the **Discounted Cash Flow method (DCF)** as the DCF method is widely accepted for the purposes of determining the value of shares the company's revenue model is mainly cash flow driven and hence the DCF value in our view is most appropriate.

**Valuation of Firmroots Private Limited**

- 5.5 On analyzing the audited financials statement of year ended 31<sup>st</sup> March 2017, the financial forecast for year ending 2018 to 2022, estimated free cash flows for the years ending 2018 to 2022 provided by the management of MTR Foods Pvt Ltd as represented to them by Firmroots Pvt Ltd, it is evident that the Company's revenue model is mainly cash flow driven, hence I have adopted Discounted Cash Flow (DCF) model.
- 5.6 For the purpose of valuation, the management of MTR Foods Pvt Ltd as represented to them by Firmroots Pvt Ltd has provided performance projections for the next five years viz., year ending 2018 to year ending 2022 and estimated free cash flows for years ending 2018 to 2022 of Firmroots Pvt Ltd. I have adopted the projections as given and have not carried out an independent assessment of the projections.



**Valuation of Share Price**



5.7 The discounting rate for the DCF model is adopted after suitably factoring the specific factors relating to this company including:

- a) Nature and risk profile of the business
- b) Risk Free Rate of Return
- c) Market Risk Premium
- d) Cost of capital / funding

## 6. Recommended Valuation Price

6.1.1 I recommend that in the event of purchase of shares of Firmroots Pvt Ltd, a fair price of share would be as follows for each Equity share having face value of Rs. 10 (Rupees Ten only)

| Particulars                 | Discounting Factor | Value per Share |
|-----------------------------|--------------------|-----------------|
| Investment in Equity shares | 27.54 %            | Rs.4,337.69     |

## 7. Exclusions and limitations

7.1 In carrying out the valuation exercise, I have entirely relied on:

- Audited financial statements of Firmroots Private Limited for the year ended 31<sup>st</sup> March 2017, Financial projections, Estimated free cash flows for the year ending 2018 to 2022 Information and explanations provided to me by the management of Firmroots Private Limited.
- The documents made available to me by the management of MTR Foods Private Limited
- Discussion with key personnel of MTR Foods Private Limited.

7.2 For the purpose of valuation, I have not carried out an audit, a due diligence exercise or any other validation of the unaudited / audited financial statements and financial projections. Accordingly I have relied on the information provided by MTR Foods Private Limited and do not express any opinion on the financial information or the accuracy or on the validity of the information provided to me. I have not compared the company's previous performance against the respective budgets. Further,

- The report does not constitute an offer or invitation to any section of the public to subscribe or purchase any securities in or the assets or liabilities of Firmroots Private Limited.
- My review of the documents of the company and the relevant records was limited to those documents and records sought by me and provided to me by the management. Further, while performing my work, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as original and all conformity of copies or extracts submitted to me



Valuation of Share Price



with that of the original documents. I have not liable for any information proved to be incomplete or inaccurate in any way.

- I have also not independently validated the information provided to me with external sources.
- I have not performed or verified the existence of technical performance of any of the fixed assets of the Company.
- The report is not an assurance of the company's credit worthiness or the success of the business model or of its ability to earn the returns forecasted by the management
- The valuation is based on the above and the methods described in this report, and are subject to the limitations of the methods and the limited time available to me for this exercise.
- This report is solely intended for the purpose described and for the purposes of the laws mentioned in the aforesaid report and should not be used for any other purpose, disclosed or made available to any other party or referred to in any document without our prior consent. Further, this report is not a legal opinion nor is it intended to be a substitute for the same.

  
V Sridhar  
Chartered Accountant  
Membership No 28617



Date: 02/09/2017  
Place: Bangalore

**Valuation of Share Price**

|                                           | AUDITED                        | PROJECTED                      | PROJECTED                      | PROJECTED                      | PROJECTED                         | PROJECTED                         |
|-------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
|                                           | As at<br>March 31, 2017<br>Rs. | As at<br>March 31, 2018<br>Rs. | As at<br>March 31, 2019<br>Rs. | As at<br>March 31, 2020<br>Rs. | As at<br>December 31, 2021<br>Rs. | As at<br>December 31, 2022<br>Rs. |
| <b>Equity and Liabilities</b>             |                                |                                |                                |                                |                                   |                                   |
| Shareholders' funds:                      |                                |                                |                                |                                |                                   |                                   |
| Share capital                             | 0.10                           | 38.10                          | 38.10                          | 38.10                          | 38.10                             | 38.10                             |
| Reserves and surplus                      | (6.12)                         | (18.82)                        | (4.33)                         | 27.14                          | 63.16                             | 102.29                            |
| Share application money pending allotment | 1.00                           |                                |                                |                                |                                   |                                   |
| <b>Deferred Government grants</b>         |                                |                                |                                |                                |                                   |                                   |
| <b>Non-current liabilities:</b>           |                                |                                |                                |                                |                                   |                                   |
| Long term borrowings                      | 7.34                           | 7.00                           | 7.00                           | -                              | -                                 | -                                 |
| Long term provisions                      |                                | -                              | -                              | -                              | -                                 | -                                 |
| Deferred Tax Liability                    |                                | -                              | -                              | -                              | -                                 | -                                 |
| <b>Current Liabilities:</b>               |                                |                                |                                |                                |                                   |                                   |
| Short term borrowings                     |                                | -                              |                                |                                |                                   |                                   |
| Trade payables                            | 0.24                           | 1.28                           | 2.63                           | 4.47                           | 5.29                              | 6.51                              |
| Other current liabilities                 |                                |                                |                                |                                |                                   |                                   |
| Short term provisions                     | 0.62                           |                                |                                |                                |                                   |                                   |
| <b>TOTAL</b>                              | <b>3.18</b>                    | <b>27.57</b>                   | <b>43.39</b>                   | <b>69.71</b>                   | <b>106.55</b>                     | <b>146.89</b>                     |
| <b>Assets</b>                             |                                |                                |                                |                                |                                   |                                   |
| <b>Non-current assets:</b>                |                                |                                |                                |                                |                                   |                                   |
| Fixed assets                              |                                |                                |                                |                                |                                   |                                   |
| Net Assets (Tangible + intangible + WIP)  | 1.93                           | 7.97                           | 10.58                          | 15.19                          | 17.79                             | 18.40                             |
| Non current Investment                    |                                |                                |                                |                                |                                   |                                   |
| Deferred Tax Asset                        | 0.02                           |                                |                                |                                |                                   |                                   |
| Long-term loans and advances              |                                |                                |                                |                                |                                   |                                   |
| <b>Current assets:</b>                    |                                |                                |                                |                                |                                   |                                   |
| Current Investments                       |                                |                                |                                |                                |                                   |                                   |
| Inventories                               | 0.25                           | 0.71                           | 2.53                           | 4.63                           | 5.65                              | 5.08                              |
| Trade receivables                         | 0.51                           | 5.43                           | 19.29                          | 35.29                          | 43.04                             | 49.93                             |
| Cash and cash equivalents                 | 0.27                           | 10.43                          | 4.38                           | 3.85                           | 27.30                             | 61.84                             |
| Short-term loans and advances             | 0.03                           | 1.91                           | 3.71                           | 5.78                           | 6.78                              | 6.22                              |
| Other current assets                      | 0.17                           | 1.11                           | 2.90                           | 4.98                           | 5.98                              | 5.42                              |
| <b>TOTAL</b>                              | <b>3.18</b>                    | <b>27.57</b>                   | <b>43.39</b>                   | <b>69.71</b>                   | <b>106.55</b>                     | <b>146.89</b>                     |

**FIRMROOTS PVT LTD**
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED**

| P A R T I C U L A R S                                      | Note | AUDITED                          |                                               | PROJECTED                                     |                                               |                                               | PROJECTED                                     |                                               |                                               | PROJECTED<br>For the Period<br>01.04.2021 to<br>31.03.2022 |
|------------------------------------------------------------|------|----------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|------------------------------------------------------------|
|                                                            |      | For the Year ended<br>31.03.2017 | For the Period<br>01.04.2017 to<br>31.03.2018 | For the Period<br>01.04.2018 to<br>31.03.2019 | For the Period<br>01.04.2019 to<br>31.03.2020 | For the Period<br>01.04.2020 to<br>31.03.2021 | For the Period<br>01.04.2021 to<br>31.03.2022 | For the Period<br>01.04.2021 to<br>31.03.2022 | For the Period<br>01.04.2021 to<br>31.03.2022 |                                                            |
| (I) INCOME                                                 |      |                                  |                                               |                                               |                                               |                                               |                                               |                                               |                                               |                                                            |
| Revenue                                                    |      | 1.31                             | 37.59                                         | 135.45                                        | 244.33                                        | 297.96                                        | 345.64                                        |                                               |                                               |                                                            |
| Other Income                                               |      | 0.02                             |                                               |                                               |                                               |                                               |                                               |                                               |                                               |                                                            |
| <b>TOTAL INCOME</b>                                        |      | <b>1.33</b>                      | <b>37.59</b>                                  | <b>135.45</b>                                 | <b>244.33</b>                                 | <b>297.96</b>                                 | <b>345.64</b>                                 |                                               |                                               |                                                            |
| (II) EXPENDITURE                                           |      |                                  |                                               |                                               |                                               |                                               |                                               |                                               |                                               |                                                            |
| Cost of raw materials and packing materials consumed       |      | 0.72                             | 8.55                                          | 30.38                                         | 55.59                                         | 67.79                                         | 78.63                                         |                                               |                                               |                                                            |
| Employees Benefit Expenses                                 |      | 3.59                             | 16.47                                         | 19.66                                         | 22.71                                         | 24.98                                         | 27.48                                         |                                               |                                               |                                                            |
| Finance Cost                                               |      | 0.02                             |                                               |                                               |                                               |                                               |                                               |                                               |                                               |                                                            |
| Depreciation                                               |      | 0.34                             | 2.19                                          | 3.39                                          | 5.39                                          | 7.39                                          | 9.39                                          |                                               |                                               |                                                            |
| Marketing Expenses                                         |      |                                  | 13.16                                         | 46.73                                         | 85.52                                         | 104.64                                        | 121.19                                        |                                               |                                               |                                                            |
| Other expenses                                             |      | 2.76                             | 9.90                                          | 20.80                                         | 33.33                                         | 43.45                                         | 54.93                                         |                                               |                                               |                                                            |
| <b>TOTAL EXPENDITURE</b>                                   |      | <b>7.44</b>                      | <b>50.27</b>                                  | <b>120.97</b>                                 | <b>202.53</b>                                 | <b>248.24</b>                                 | <b>291.63</b>                                 |                                               |                                               |                                                            |
| (III) Profit/(Loss) Before tax [(I)-(II)]                  |      | (6.11)                           | (12.68)                                       | 14.48                                         | 41.80                                         | 49.72                                         | 54.01                                         |                                               |                                               |                                                            |
| Current Tax                                                |      | -                                | -                                             | -                                             | 10.33                                         | 13.70                                         | 14.88                                         |                                               |                                               |                                                            |
| Deferred Tax                                               |      | (0.01)                           | 0.02                                          | -                                             | -                                             | -                                             | -                                             |                                               |                                               |                                                            |
| (V) Profit/(Loss) After Tax [(III)-(IV)]                   |      | (6.10)                           | (12.69)                                       | 14.48                                         | 31.47                                         | 36.02                                         | 39.13                                         |                                               |                                               |                                                            |
| (VI) Earnings Per Share (nominal value of Rs.10 per share) |      | -459.17%                         | -33.76%                                       | 10.69%                                        | 12.88%                                        | 12.09%                                        | 11.32%                                        |                                               |                                               |                                                            |
| Basic and Diluted ( in Rupee)                              |      | (0.00)                           | (0.00)                                        | 0.00                                          | 0.00                                          | 0.00                                          | 0.00                                          |                                               |                                               |                                                            |
| Number of Weighted Average Shares (Nos.)                   |      | -                                | -                                             | -                                             | -                                             | -                                             | -                                             |                                               |                                               |                                                            |





## PROJECTED CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST N

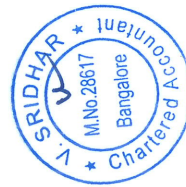
|                                                                 | (In Rupees)<br>PROJECTED<br>2018 | (In Rupees)<br>PROJECTED<br>2019 | (In Rupees)<br>PROJECTED<br>2020 | (In Rupees)<br>PROJECTED<br>2021 | (In Rupees)<br>PROJECTED<br>2022 |
|-----------------------------------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                   |                                  |                                  |                                  |                                  |                                  |
| Net Profit Before Tax                                           | (12.68)                          | 14.48                            | 41.80                            | 49.72                            | 54.01                            |
| Adjustments for:                                                |                                  |                                  |                                  |                                  |                                  |
| Depreciation and amortization                                   | 2.19                             | 3.39                             | 5.39                             | 7.39                             | 9.39                             |
| Interest expenses                                               | -                                | -                                | -                                | -                                | -                                |
| Deferred Government grants                                      | -                                | -                                | -                                | -                                | -                                |
| Interest income                                                 | -                                | -                                | -                                | -                                | -                                |
| (Profit)/Loss on Sale of Assets (Net)                           | -                                | -                                | -                                | -                                | -                                |
| Operating profit before working capital changes                 | (10.48)                          | 17.87                            | 47.20                            | 57.11                            | 63.40                            |
| <b>Changes in Current Assets and Liabilities</b>                |                                  |                                  |                                  |                                  |                                  |
| (Increase)/Decrease in Inventories                              | (0.46)                           | (1.82)                           | (2.10)                           | (1.02)                           | 0.56                             |
| (Increase)/Decrease in Trade Receivables                        | (4.92)                           | (13.86)                          | (16.00)                          | (7.75)                           | (6.89)                           |
| (Increase)/Decrease in Short-term loans and advances            | (1.88)                           | (1.79)                           | (2.07)                           | (1.00)                           | 0.56                             |
| Increase/(Decrease) in Trade payables                           | 1.04                             | 1.35                             | 1.85                             | 0.81                             | 1.22                             |
| Increase/(Decrease) in Short-term provisions                    | (0.62)                           | -                                | -                                | -                                | -                                |
| Increase/(Decrease) in Other Current liabilities                | -                                | -                                | -                                | -                                | -                                |
| (Increase)/Decrease in Other Current assets                     | (0.94)                           | (1.79)                           | (2.07)                           | (1.00)                           | 0.56                             |
| Cash generated from operations                                  | (18.27)                          | (0.05)                           | 26.80                            | 47.16                            | 59.41                            |
| Direct Taxes Paid                                               | -                                | -                                | (10.33)                          | (13.70)                          | (14.88)                          |
| <b>Net cash from operating activities - (A)</b>                 | <b>(18.27)</b>                   | <b>(0.05)</b>                    | <b>16.47</b>                     | <b>33.46</b>                     | <b>44.53</b>                     |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                   |                                  |                                  |                                  |                                  |                                  |
| Purchase of Fixed Assets                                        | (8.24)                           | (6.00)                           | (10.00)                          | (10.00)                          | (10.00)                          |
| Investment in Non-Current Investments                           | -                                | -                                | -                                | -                                | -                                |
| (Increase)/Decrease in current investments                      | -                                | -                                | -                                | -                                | -                                |
| Interest Received                                               | -                                | -                                | -                                | -                                | -                                |
| <b>Net Cash Used in Investing Activities - (B)</b>              | <b>(8.24)</b>                    | <b>(6.00)</b>                    | <b>(10.00)</b>                   | <b>(10.00)</b>                   | <b>(10.00)</b>                   |
| <b>C. CASH FROM FINANCING ACTIVITIES</b>                        |                                  |                                  |                                  |                                  |                                  |
| Share Capital Raised                                            | 37.00                            | -                                | -                                | -                                | -                                |
| Interest paid                                                   | -                                | -                                | -                                | -                                | -                                |
| Long Term Borrowings                                            | (0.34)                           | -                                | (7.00)                           | -                                | -                                |
| Long Term Loans & Advances                                      | -                                | -                                | -                                | -                                | -                                |
| <b>Net Cash Used in Financing Activities - (B)</b>              | <b>36.66</b>                     | <b>-</b>                         | <b>(7.00)</b>                    | <b>-</b>                         | <b>-</b>                         |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>    | <b>10.16</b>                     | <b>(6.05)</b>                    | <b>(0.53)</b>                    | <b>23.46</b>                     | <b>34.53</b>                     |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b> | <b>0.27</b>                      | <b>10.43</b>                     | <b>4.38</b>                      | <b>3.85</b>                      | <b>27.30</b>                     |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>       | <b>10.43</b>                     | <b>4.38</b>                      | <b>3.85</b>                      | <b>27.30</b>                     | <b>61.84</b>                     |



**FIRMROOTS PRIVATE LIMITED**

**VALUATION OF SHARE PRICE UNDER DCF MODEL**

| Particulars                                | Projected Perpetual Rupees | Projected March 31, 2022 Rupees | Projected March 31, 2021 Rupees | Projected March 31, 2020 Rupees | Projected March 31, 2019 Rupees | Provisional March 31, 2018 Rupees |
|--------------------------------------------|----------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Income                                     |                            | 345.64                          | 297.96                          | 244.33                          | 135.45                          | 37.59                             |
| Expenditure                                |                            | 291.63                          | 248.24                          | 202.53                          | 120.97                          | 50.27                             |
| Net Profit Before Tax                      |                            | 54.01                           | 49.72                           | 41.80                           | 14.48                           | (12.68)                           |
| NP Margin                                  |                            | 15.63                           | 16.69                           | 17.11                           | 10.69                           | (33.72)                           |
| Adjustments for:                           |                            |                                 |                                 |                                 |                                 |                                   |
| Depreciation                               |                            | 9.39                            | 7.39                            | 5.39                            | 3.39                            | 2.19                              |
| Deferred Government Grants                 |                            | -                               | -                               | -                               | -                               | -                                 |
| Interest Expense                           |                            | -                               | -                               | -                               | -                               | -                                 |
| Direct Taxes Paid                          |                            | 14.88                           | 13.70                           | 10.33                           | -                               | -                                 |
| Cash Flow From Operating Activities        |                            | 48.52                           | 43.41                           | 36.86                           | 17.87                           | (10.48)                           |
| Cash Flow From Investing Activities        |                            | (10.00)                         | (10.00)                         | (10.00)                         | (6.00)                          | (8.24)                            |
| Cash Flow From Financing Activities        |                            | -                               | -                               | (7.00)                          | -                               | 36.66                             |
| Cash Flow For Working Capital Requirements |                            | (3.99)                          | (9.96)                          | (20.40)                         | (17.92)                         | (7.78)                            |
| Cash Flow from Short Term borrowings       |                            | -                               | -                               | -                               | -                               | -                                 |
| Cash Flow From Share Issue                 |                            | -                               | -                               | -                               | -                               | -                                 |
| Free Cash Flows                            | 34.53                      | 34.53                           | 23.46                           | (0.53)                          | (6.05)                          | 10.16                             |
| Time factor                                |                            |                                 |                                 |                                 |                                 |                                   |
| Discounting Factor @                       | 27.54%                     | 4.50                            | 3.50                            | 2.50                            | 1.50                            | 0.50                              |
| Growth Rate                                | 0.06                       | 0.33                            | 0.43                            | 0.54                            | 0.69                            | 0.89                              |
| Discounted Cash Flow                       | 55.27                      | 11.56                           | 10.01                           | (0.29)                          | (4.20)                          | 9.00                              |
| Sum Of Discounted Cash Flows               | 81.353465                  |                                 |                                 |                                 |                                 |                                   |
| Total number of shares pre acquisition     | 10,690                     |                                 |                                 |                                 |                                 |                                   |
| Number of shares being allotted            | 8,065                      |                                 |                                 |                                 |                                 |                                   |
| Total number of shares post allotment      | 18,755                     |                                 |                                 |                                 |                                 |                                   |
| Value per share post money                 | 4,337.69                   |                                 |                                 |                                 |                                 |                                   |



# CALCULATION OF WEIGHTED AVERAGE COST OF CAPITAL

| Components                    | Parameter Considered        | Source                              | Value  |
|-------------------------------|-----------------------------|-------------------------------------|--------|
| Risk Free Rate (Rf)           | Treasury 10 year Bond yield | RBI                                 | 6.45%  |
| Equity Risk Premium (Rm)      | (Rm-Rf)                     | www.Damodaran.com                   | 7.39%  |
| Beta ( $\beta$ )              | Levered Beta                | -                                   | 1.50   |
| Cost of equity ( $k_e$ )      | CAPM                        | $R_f + \beta * (R_m - R_f)$         | 17.54% |
| Cost of debt ( $k_d$ )        | Interest rate               | Bank working Capital Int rate       | 10.00% |
| Liquidity Risk and small size |                             |                                     | 10.00% |
| WACC                          | -                           | $k_e * (E/V) + k_d * (D/V) * (1-t)$ | 27.54% |

| Proposed D/E structure |        |
|------------------------|--------|
| Debt (D)               | 0%     |
| Equity (E)             | 100%   |
| V = E + D              | 100%   |
| Tax Rate               | 31.96% |

Growth rate for perpetuity

6.45%

The present 10 Yr Bond yield rate is adopted for the perpetual growth rate

Computation of beta of the Company  
(based on beta of listed companies carrying on similar activities)

Domestic Comparables where data of Beta was available

Britannia  
Nestle India

0.58

0.83

0.705

Since it is a small enterprise and newly established company it is expected that beta would be twice than the large enterprises

1.50



Submitted to

**FIRM ROOTS PRIVATE LIMITED**

**Valuation Report of**

**FIRM ROOTS PRIVATE LIMITED**

BY

**REGISTERED VALUER**

**Neena Agarwal**

**Registration No.**

**IBBI/RV/05/2019/11667**

neenajdh@yahoo.co.uk

1007, Kanak Durga Cghs, Plot No. 26, Sector -12, Dwarka , New Delhi , National Capital Territory Of Delhi -  
110075



## **BACKGROUND INFORMATION OF THE ASSET BEING VALUED**

|                           |                                                                                                                                        |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Asset Being valued        | Equity shares                                                                                                                          |
| Name of the Company       | <b>FIRM ROOTS PRIVATE LIMITED</b><br>(hereinafter referred to as "Firm Roots " or "The Company")                                       |
| Registered Office Address | #402/1/1, 4 <sup>th</sup> Floor, 22 <sup>nd</sup> Cross,<br>25 <sup>th</sup> , B Main Road, Sector 2, HSR Layout<br>Bengaluru - 560102 |
| Listing Status            | Unlisted                                                                                                                               |

We understand, Firm Roots Pvt. Ltd., is a new age niche FMCG company which specializes exclusively in baby, toddler and kids food products under the brand name of Timios.com.

## **PURPOSE OF VALUATION AND APPOINTING AUTHORITY**

The valuation is required by the management of Firm Roots Private Limited for issue of Shares on fully diluted basis under Section 62(1) (C) of the Companies Act 2013 by Registered Valuer.

## **DISCLOSURE OF VALUER INTEREST/CONFLICT, IF ANY**

Valuer does not have any interest or conflict of interest of any kind with Firm Roots Private Limited.

✓  
NEENA AGARWAL  
Registered Valuer (SFA)  
IBBI/RV/05/2019/11667

## **DATE OF APPOINTMENT, VALUATION DATE AND DATE OF REPORT**

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Date of appointment: July 12, 2019

Valuation date: September 05, 2019

Date of report: October 09, 2019

## **SOURCES OF INFORMATION**

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- Audited financials for the year ending March 31, 2018.
- Provisional financials for the year ending March 31, 2019.
- Future Projections till the year ending 2026.
- Details of diluted no of shares as on September 05, 2019.
- Information and explanations given by management of Firm Roots.
- Other information as required in public domain

## **PROCEDURE ADOPTED IN CARRYING OUT THE VALUATION**

---

The general process for the valuation starts with analysis of historical and current financials, then analysis of future projections, if applicable, is done and discussion with the company is performed to understand the future assumptions. After analysing the data appropriate valuation method is determined. Valuation is done and valuation report is prepared. Finally this report is shared with the company.

  
**NEENA AGARWAL**  
Registered Valuer (SFA)  
DD/RV/05/2019/11667

## VALUATION METHODOLOGY

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The valuation techniques can be broadly classified into market approach, cost approach and income approach.

- **Market Approach**

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business. Although IND AS 113 by itself does not lay down the specific methods available for use within each valuation approach, based on generally accepted valuation practices in India, the market approach can broadly include valuation methods such as market prices method, comparable companies' multiples method, comparable transactions' multiples method and price of recent investments method. Under the market prices method, the instrument's own quoted prices form a basis for fair value measurement. The comparable companies' multiples method uses the implied multiples (of earnings / revenues / assets) of quoted comparable companies as the basis for valuation. The comparable transactions' multiples method uses similar implied multiples from recent transactions / deals / acquisitions in similar sector. The price of recent investment methodology primarily uses the valuation benchmarks based on latest recent rounds of funding / transactions in the subject matter of valuation.

- **Cost Approach**

The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (akin to a current replacement cost). This can be based on either adjusted historical cost or even replacement cost estimates.

- **Income Approach**

The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts. The discounted cash flow method is the most familiar method of valuation under the income approach.

As far as selection of valuation technique to be used in any fair value measurement, there is no one-size-fits-all guidance. Like in any valuation, the choice of valuation techniques and methods would depend on the facts and circumstances of each case including availability of information.

## **MAJOR FACTORS THAT INFLUENCED THE VALUATION**

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The valuation exercise was carried out keeping in mind the standard methodologies, and infused by the following factors:

- i. Industry to which the company belongs
- ii. Ease with which the growth rate in cash flows to perpetuity can be estimated
- iii. Extent to which industry and comparable company information was available

Our estimate of the valuation of the company was on the basic assumption of a going concern entity and is based on following methodologies:

- Income Approach (Discounted Cash flow Method)

  
NEENA AGARWAL  
Registered Valuer (SFA)  
IBBI/RV/05/2019/11667



## CONCLUSION

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The valuations were conducted according to the generally accepted principles and methods followed internationally.

Based on our analysis, as described in the valuation report, and subject to the assumptions presented herein, in our opinion **the estimated per share equity value of Firm Roots Private Limited as on September 05, 2019 is 22,862.27 INR .**

*- refer Annexure below for detailed working.*

We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of report.



Neena Agarwal

Registration No.-IBBI/RV/05/2019/11667

## **CAVEATS, LIMITATION AND DISCLAIMERS:**

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The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation and may not be used out of the context presented herein.

1. Public information, estimates, industry and statistical information contained in this report have been obtained from sources considered to be reliable. However, we independently did not verify such information and make no representation as to the accuracy or completeness of such information obtained from or provided by such sources.
2. The company and its representatives warranted to us that the information supplied to us was complete and accurate to the best of their knowledge and that the financial information properly reflects the business conditions and operating results for the respective periods in accordance with generally accepted accounting principles. Information supplied to us has been accepted as correct without any further verification. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.
3. Financial information of the subject company is included solely to assist in the development of a value conclusion presented in this report and should not be used to obtain credit or for other purpose. Because of the limited purpose of the information presented, it may be incomplete and contain departures from generally accepted accounting principles. We have not audited, reviewed or compiled this information and express no assurance on it.

4. We do not provide assurance on the achievability of the results forecasted by the client because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
6. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it nor may it be used for any purpose by anyone other than those enumerated in this report without the written consent of the Valuer. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein.
7. The report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Valuer, based on information furnished to them by the client.
8. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct trans, or any other means of communication without our prior written consent and approval.

9. This valuation reflects facts and conditions existing or reasonable foreseeable at the valuation date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.
10. The analyst, by reason of this valuation, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
11. Our engagement for this valuation consulting work does not include any procedures designed to discover any defalcations or other irregularities, should any exist.
12. We are not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. We does not conduct or provide environmental assessments and has not performed one for the subject property.
13. We haven't determined independently whether the client is subject to any present or future liability relating to environmental matters nor the scope of any such liabilities. Our valuation takes no such liabilities into account, except as they have been reported to us by the client or by an environmental consultant working for the client.
14. We don't accept any liability to any party in relation to the issuance of this Valuation Report. No change of any item in this valuation/conclusion report shall be made by anyone other than us, and we shall have no responsibility for any such unauthorized change.



15. This report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should take for this purpose.
16. It is assumed that there is full compliance with all applicable central, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the report.
17. The prospective financial information approved by management has been used in our work, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.
18. We have conducted interviews with the current management of the client concerning the past, present, and prospective operating results of the company. Except as noted, we have relied on the representations of the owners and management concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report.
19. We have made no investigation of title to property, and assume that the owner's claim to the property is valid. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets. However we make no representation as to accuracy or completeness of such information and have performed no procedures to corroborate the information.

**Annexure:**

Amounts in Rs.(Mn)

**Phase 1**

| Particulars ( In Millions)                                                   | 2019-20      | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26  | Sustainable Annualized Cash Flow |
|------------------------------------------------------------------------------|--------------|---------|---------|---------|---------|---------|----------|----------------------------------|
| EBIT                                                                         | (47.46)      | (53.14) | (7.12)  | 66.10   | 237.98  | 753.37  | 1,269.43 | 1,270.05                         |
| Tax Percentage                                                               | 0%           | 0%      | 0%      | 0%      | 29.12%  | 29.12%  | 34.94%   | 34.94%                           |
| Tax Amount                                                                   | -            | -       | -       | -       | 42.14   | 219.38  | 443.59   | 443.81                           |
| EBIT(1-TAX)                                                                  | (47.46)      | (53.14) | (7.12)  | 66.10   | 195.85  | 533.99  | 825.84   | 826.24                           |
| Changes in Gross Block                                                       | (9)          | (9)     | (7)     | (7)     | (9)     | (7)     | (7)      | (1.0)                            |
| Depreciation                                                                 | 3.06         | 2.74    | 2.11    | 1.93    | 2.20    | 1.70    | 1.62     | 1.0                              |
| Changes in Non Cash Working Capital                                          | (14.70)      | (7.90)  | (17.31) | (30.63) | (49.59) | (77.75) | (95.81)  | (70.00)                          |
| Cash Flow                                                                    | (68.11)      | (67.30) | (29.32) | 30.40   | 139.45  | 450.93  | 724.65   | 756.24                           |
| Less, Adjustment Factor for Valuation date                                   | 29.48        | -       | -       | -       | -       | -       | -        | -                                |
| FCFF                                                                         | (38.63)      | (67.30) | (29.32) | 30.40   | 139.45  | 450.93  | 724.65   | 9,226.74                         |
| Year                                                                         | 0.57         | 1.57    | 2.57    | 3.57    | 4.57    | 5.57    | 6.57     | 6.57                             |
| Discount Rate                                                                | 0.77         | 0.48    | 0.30    | 0.19    | 0.12    | 0.07    | 0.05     | 0.05                             |
| Discounted Cash Flow                                                         | (29.59)      | (32.22) | (8.77)  | 5.69    | 16.30   | 32.94   | 33.09    | 421.28                           |
| Sum of Discounted Cash Flow                                                  | 438.71       |         |         |         |         |         |          |                                  |
| Add: Cash and Cash Equivalents as of 05th Sept 2019                          | 0.79         |         |         |         |         |         |          |                                  |
| Add: Tax benefit on Dep on remaining net asset as at the end of year 2025-26 | 0.08         |         |         |         |         |         |          |                                  |
| Enterprise Value(in Rupees)                                                  | 439,581,932  |         |         |         |         |         |          |                                  |
| Less, secured loans                                                          | (10,800,000) |         |         |         |         |         |          |                                  |
| Equity Value (in Rupees)                                                     | 428,781,932  |         |         |         |         |         |          |                                  |
| Total No of shares outstanding as on 05th Sept '19                           | 18,755       |         |         |         |         |         |          |                                  |
| Value per Share(in Rupees)                                                   | 22,862.27    |         |         |         |         |         |          |                                  |

| PHASE- II            | 2026-27  | 2027-28  | 2028-29  | 2029-30  | 2030-31  |
|----------------------|----------|----------|----------|----------|----------|
| Growth Rate          | 60%      | 50%      | 40%      | 30%      | 15%      |
| Cash Flows           | 1,209.99 | 1,814.98 | 2,540.98 | 3,303.27 | 3,798.76 |
| Discount Rate        | 40%      | 40%      | 40%      | 40%      | 40%      |
| Discounting Period   | 1        | 2        | 3        | 4        | 5        |
| Discounting Factor   | 0.71     | 0.51     | 0.36     | 0.26     | 0.19     |
| Discounted Cash Flow | 864.28   | 926.01   | 926.01   | 859.87   | 706.32   |
| Sum of DCF           | 4,282.49 |          |          |          |          |

Valuation of Firm Roots Private Limited By: Registered Valuer

NEENA AGARWAL  
 Registered Valuer (SFA)  
 IBBI/RV/05/2019/11667

| Phase - Perpetuity                                      |          |
|---------------------------------------------------------|----------|
| Discounted Cash Flow at the end of Phase-II projections | 706.32   |
| Discount Rate for Perpetuity                            | 20%      |
| Growth Rate for Perpetuity                              | 5%       |
| Discounted Cash Flow                                    | 4,944.25 |

Notes.

- 1) Considering the growth shown by the company in the projections, we have considered a higher discount rate of 60% for the projected period, 40% for next five years post projected period and 20% after that for indefinite period. The same is basis of below table:

Table 2: Venture Capital Target Rates of Return – Stage in Life Cycle

| Stage of development | Typical target rates of return |
|----------------------|--------------------------------|
| Start up             | 50-70%                         |
| First stage          | 40-60%                         |
| Second stage         | 35-50%                         |
| Bridge / IPO         | 25-35%                         |

<http://people.stern.nyu.edu/>

-By Aswath Damodaran

- 2) To stabilize the growth shown in projections, we have computed the annualized sustainable cash flows basis of projections provided by the company at the end of last projected year and post that considered the growth on that annualized sustainable cash flows as 60%, 50%, 40%, 30% and 15% respectively for next five years and further, a standard growth rate of 5% for indefinite period.

NEENA AGARWAL  
Registered Valuer (SFA)  
100/10/05/2015/11067



Submitted to

**FIRMROOTS PRIVATE LIMITED**

**Valuation Report of**

**FIRMROOTS PRIVATE LIMITED**

BY

**M/s. SPA CAPITAL ADVISORS LIMITED**

25, C - Block, Community Centre,

Janak Puri, New Delhi - 110 058

Tel: 25558601/25517371/25515086

*Fax: 25572763*

E-mail: [valuation@spacapital.com](mailto:valuation@spacapital.com)

Website: [www.spacapital.com](http://www.spacapital.com)

**“The word value means different things to different people and the result will not be the same, should the context change”**



## **BACKGROUND INFORMATION OF THE ASSET BEING VALUED**

| Asset Being valued  | Per share value                                                                                                                  |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Name of the Company | <b>Firmroots Pvt. Ltd.</b><br>(hereinafter referred to as "Firm Roots" or "The Company")                                         |
| Office Address      | FIRMROOTS PRIVATE LIMITED<br>First Floor, #358, 25th Main Road, 22nd Cross, HSR Layout, Sector-2,<br>Bangalore, Karnataka-560102 |
| Listing Status      | Unlisted                                                                                                                         |

We understand, Firmroots Pvt. Ltd., is a new age niche FMCG company which specializes exclusively in baby, toddler and kids food products under the brand name of Timios.com.

## **PURPOSE OF VALUATION AND APPOINTING AUTHORITY**

We have been appointed by management of Firm Roots as independent valuer to derive the Equity Share Valuation of Firm Roots.

We have performed the valuation under the capacity of Merchant Banker

## **IDENTITY OF THE VALUER AND ANY OTHER EXPERTS INVOLVED IN THE VALUATION**

SPA Capital Advisors Limited ("SPA" or "the Valuer" or "We") is SEBI registered Category I Merchant Bankers. We have a rich experience of providing services across verticals of Debt and Equity.

Our service offerings include private placement of debt, debt syndication for public and private sector entities, Capital raising through private placement of equity, managing

capital issues (IPO, FPO and Right Issues). We also cater to the entire spectrum of capital market needs through other services such as Corporate and Infrastructure Advisory, Managing Takeovers, Buy Back, Delisting, ESOP and Valuations.

### ***DISCLOSURE OF VALUER INTEREST/CONFLICT, IF ANY***

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SPA does not have any interest or conflict of interest of any kind with Firm Roots.

### ***DATE OF APPOINTMENT, VALUATION DATE AND DATE OF REPORT***

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Date of appointment: December 08, 2020

Valuation date: November 16, 2020

Date of report: December 15, 2020

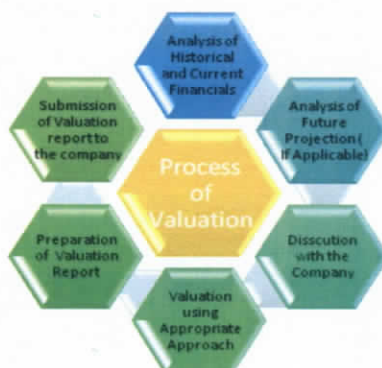
### ***SOURCES OF INFORMATION***

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- Audited Balance sheet as on March 31,2020
- Provisional financials for the year ending November 16 & November 30, 2020.
- Future Projections till the year ending 2026.
- Details of diluted no of shares as on November 16, 2020.
- Information and explanations given by management of Firm Roots.
- Other information as required in public domain

## **PROCEDURE ADOPTED IN CARRYING OUT THE VALUATION**

The process of valuation and determining the fair value of equity is shown below:-



The general process for the valuation starts with analysis of historical and current financials, then analysis of future projections, if applicable, is done and discussion with the company is performed to understand the future assumptions. After analysing the data appropriate valuation method is determined. Valuation is done and valuation report is prepared. Finally this report is shared with the company.

## **VALUATION METHODOLOGY (GENERAL APPROACHES)**

### **Income Approach**

The Income Approach measures the value of an asset by calculating the present value of its future economic benefits. When used to determine Equity value, the Income Approach develops an indication of value by discounting forecasted cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds plus the expected rate of inflation and the risks associated with the particular investment. The discount rate applied to these expected cash flows is generally based upon rates of return available from alternative investments of similar type and quality. Another discounting method calculates the company's Weighted Average Cost of

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Valuation of Firmroots Pvt. Ltd., By: SPA Capital Advisors Ltd



Capital ("WACC") from its cost of debt and cost of equity. Forecasts typically cover three to five years, but the reliability of forecasts for valuation purposes in early stage enterprises depends upon many factors, such as the company's vulnerability to advances in technology, actions by competitors, changes in end-user requirements, and the availability of financing. Selecting the forecast period required our judgment.

The Income Approach works best when development stage companies have progressed to Stage five (Resource Maturity Stage of a company in which company has the staff and financial resources to engage in detailed operational and strategic planning). Typically, companies in prior stages have limited operating histories and cash flow forecasts. Using the Income Approach when a company has not achieved profitability or positive cash flow, and therefore has negative flows/losses during some or all of the forecast years, results in an equity Value that consists mostly (if not entirely) of the Terminal Value ("TV" is the estimate of the Company's future value at the end of the forecast period). Due to these limitations, either the Income Approach is employed in conjunction with the Market Approach or some other sanity checks are needed to be performed.

### **Asset Approach**

The general principle behind asset-based valuation method is that the value of an enterprise is equal to the Fair market value of its assets less the Fair market value of its liabilities. The Fair market values of the component assets and liabilities may themselves be obtained or estimated using a variety of methods, including market-based or income-based methods. The asset-based approach is most useful when applied to tangible assets and to companies whose assets consist primarily of tangible assets.



This approach establishes value based on the cost of reproducing or replacing each asset, less depreciation from physical deterioration and functional obsolescence.

The asset-based approach is applied primarily to enterprises in Stage 1 and some enterprises in Stage 2, before the company is likely to have built substantial intangible value. There is limited or no basis to apply a market- or income-based approach, since there are unlikely to be comparable market transactions, and the company has virtually no financial history and therefore is unable to use past results to reasonably support a forecast of future results. One particular asset-based approach is the Liquidation Value Method, which assumes the discontinuance of the business as a going concern.

### **Market Approach**

The Market Approach measures the value of an asset through an analysis of recent sales of comparable property compared to the property being valued. When applied to the valuation of an equity interest, consideration is given to the financial condition and operating performance of the subject company compared to either publicly traded companies with similar lines of business or recent corporate acquisitions ("Guideline Companies"). Typically, the companies selected for comparison are subject to economic, political, competitive, and technological factors that correspond with those confronting the Company. The Market Approach is conceptually preferable to the other two approaches both because it uses direct comparisons to similar enterprises and because the analysis is based upon actual market transactions. However, comparables that fit perfectly rarely exist. Privately held companies are compared to publicly traded ones that are typically further along in their stage of development, have superior access to capital, and have common stock that is readily marketable.

Often historical results of public companies are being compared to projected results for the private company being valued. In order to reflect these differences, data from the Guideline Companies must be appropriately adjusted. Selecting the market multiple to apply to the Company requires judgment.

### ***MAJOR FACTORS THAT INFLUENCED THE VALUATION***

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The valuation exercise was carried out keeping in mind the standard methodologies, and infused by the following factors:

- i. Considering the company is in its early stage of operations
- ii. Ease with which the growth rate in cash flows to perpetuity can be estimated

Our estimate of the valuation of the company was on the basic assumption of a going concern entity and is based on following methodologies:

- Income Approach (Discounted Cash flow Method)

## CONCLUSION

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The valuations were conducted according to the generally accepted principles and methods followed internationally.

Based on our analysis, as described in the valuation report, and subject to the assumptions presented herein, in our opinion the estimated **value per fully paid up share of Firm Roots as on November 16, 2020 is Rs. 2,810.17** refer Annexure below for detailed working. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of report.

**For SPA Capital Advisors Limited**

(SEBI Regn. No.: INM 000010825)



**(Anish Kumar)**

**Asst. Vice President**



**(Khushboo Tanwar)**

**Asst. Vice President**



### ***CAVEATS, LIMITATION AND DISCLAIMERS:***

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The Final Report has been prepared for the internal and exclusive use of Firm Roots in support of the decisions to be taken by the Company. Therefore, the Final Report may not be disclosed, in whole or in part, to any third party or used for any purpose whatsoever other than those indicated in the Engagement and in the Final Report itself, provided that the Final Report may be transmitted to the experts appointed in compliance with the law and its content may be disclosed publicly where required by regulations of the Indian authorities. Any other use, in whole or in part, of the Final Report will have to be previously agreed and authorised in writing by SPA Capital Advisors Limited (SPA). In preparing the Final Report, SPA has relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and the financial data provided by Firm Roots. SPA has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information. Publicly available information deemed relevant for the purpose of the analyses contained in the Final Report has also been used. However we make no representation as to accuracy or completeness of such information and have performed no procedures to corroborate the information.

Therefore the Final Report is based on our interpretation of the information which Firm Roots, as well as its representatives and advisers, have supplied to us to date; In the execution of the Engagement, SPA has elaborated its own analyses based on the methodologies illustrated below, reaching the conclusions contained in the final paragraph of this Final Report.



The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganisation, exchange, or diminution of the owners' participation would not be materially or significantly changed.

Future services regarding this subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of SPA or any of its employees unless previous arrangements have been made in writing.

Prospective financial information approved by the management of Firm Roots has been used in our work. We have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any such assurance on the prospective financial information or other related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

Neither all nor any part of the contents of this report should be disseminated to the public through advertising media, public relations, news media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of SPA.

The conclusions described in the Final Report have been prepared with the sole purpose of determining valuation of shares of Firm Roots for the purposes mentioned in the report therefore; the values contained in this Final Report have no relevance for other purposes.

The conclusions contained in this Final Report are based on the whole of the valuations contained herein and therefore no part of the Final Report may be used apart from the document in its entirety.

The Final Report and the Opinion are necessarily based on economic, market and other conditions as of the date hereof, and the written and oral information made available to us. It is understood that subsequent developments may affect the conclusions of the Final Report and of the Opinion and that, in addition, SPA has no obligation to update, revise, or reaffirm the Opinion.

In addition, SPA is expressing no opinion as to the price at which any securities of Firm Roots will trade on the stock market at any time. Other factors after the date hereof may affect the value of the businesses of Firm Roots or its business units. It is understood that SPA or certain SPA affiliates, in the ordinary course of their activities, may actively trade, for their own account or for the account of customers, the equity and debt securities of Firm Roots or companies directly or indirectly controlled by, affiliated with Firm Roots or in which Firm Roots holds securities, and, accordingly, may at any time hold long or short positions in such securities.

It also remains understood that SPA or certain SPA affiliates may currently have and may in the future have commercial banking, investment banking, trust and other relationships and/or engagements with Counterparties which may have interests with respect to Firm Roots, or companies directly or indirectly controlled by, affiliated with Firm Roots or in which Firm Roots holds securities. Finally, it remains understood that SPA or certain SPA affiliates may have fiduciary or other relationships and engagements whereby SPA or certain SPA affiliates may exercise voting power over securities of various persons, which securities may from time to time include securities

of Firm Roots, or companies directly or indirectly controlled by, affiliated with Firm Roots, or in which Firm Roots holds securities, or other parties with an interest in the Transaction.

**Annexure:**

*Amounts in Rs.(Mn) Except Per Share*

| Particulars                           | November<br>17,2020 to<br>March<br>31,2021 | 2021-22       | 2022-23       | 2023-24      | 2024-25       | 2025-26      | Perpetuity    |
|---------------------------------------|--------------------------------------------|---------------|---------------|--------------|---------------|--------------|---------------|
| PBT                                   | -22.72                                     | -0.86         | 9.88          | 63.40        | 131.08        | 120.97       |               |
| Tax                                   | -                                          | -             | -             | -            | 20.53         | 30.45        |               |
| <b>Profit post applying taxes</b>     | <b>-22.72</b>                              | <b>-0.86</b>  | <b>9.88</b>   | <b>63.40</b> | <b>110.55</b> | <b>90.52</b> |               |
| Less: Other Income                    |                                            |               |               |              |               |              |               |
| <b>PAT</b>                            | <b>-22.72</b>                              | <b>-0.86</b>  | <b>9.88</b>   | <b>63.40</b> | <b>110.55</b> | <b>90.52</b> |               |
| Changes in Fixed Assets               | 1.16                                       | -6.89         | -3.48         | 0.15         | -7.41         | -4.30        |               |
| Changes Other Non-Current Assets      | -                                          | -             | -             | -            | -             | -            |               |
| Changes in NCWC                       | -12.89                                     | -25.42        | -36.36        | -32.94       | -61.75        | -29.41       |               |
| Changes in Long Term debt-Bank        | -0.59                                      | -             | -             | -            | -             | -            |               |
| Changes in Long Term Debt -MTR        | -7.50                                      | -             | -             | -            | -             | -            |               |
| Changes in Other Liabilities          | 0.47                                       | 0.00          | -             | -            | -             | -            |               |
| Less: Adjusted Cash flow for 230 days | 26.51                                      | 0             | 0             | 0            | 0             | 0            |               |
| <b>Cash Flow</b>                      | <b>-15.56</b>                              | <b>-33.17</b> | <b>-29.96</b> | <b>30.61</b> | <b>41.40</b>  | <b>56.81</b> | <b>252.82</b> |
| Discounting rate                      | 19.77%                                     | 19.77%        | 19.77%        | 19.77%       | 19.77%        | 19.77%       |               |
| Discounting period                    | 0.37                                       | 1.37          | 2.37          | 3.37         | 4.37          | 5.37         |               |
| Discounting Factor                    | 0.94                                       | 0.78          | 0.65          | 0.54         | 0.45          | 0.38         | 0.38          |
| <b>Discounted Cash flow</b>           | <b>-14.56</b>                              | <b>-25.91</b> | <b>-19.54</b> | <b>16.67</b> | <b>18.82</b>  | <b>21.57</b> | <b>95.97</b>  |

|                                             |                 |
|---------------------------------------------|-----------------|
| <b>Sum of Discounted Cash Flow</b>          | <b>93.03</b>    |
| Add: Cash as on November 16,2020            | 0.90            |
| Add: Investment as on November 16,2020      | 0.02            |
| Add: Tax Benefit on Fixed Assets            | 0.27            |
| Less: Long Term Debt as on November 16,2020 | -15.33          |
| <b>Equity Value</b>                         | <b>78.88</b>    |
| No of Outstanding Shares                    | 0.028071        |
| <b>Value Per Share</b>                      | <b>2,810.17</b> |





### Calculation of Cost of Equity:

| Particulars                                                                             |        |
|-----------------------------------------------------------------------------------------|--------|
| Expected return from Market (ERM) BSE 500 return since inception till November 14, 2020 | 14.77% |
| Zero Coupon Yield As on November 13, 2020-RF                                            | 6.14%  |
| Beta*-b (considered to be on conservative side)                                         | 1.00   |
| Perpetuity Growth rate-G                                                                | 3%     |
| Company Specific Risk Premium-CSP                                                       | 5.00%  |
| Equity risk premium (b*(ERM-RF)                                                         | 8.63%  |
| Ke (erp+rf+csp)                                                                         | 19.77% |

