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Valuation Analysis:

S.I.CAPITAL & FINANCIAL SERVICES LIMITED

Valuation Date: March 06, 2024

Report Date: March 09, 2024



The information contained herein is of a confidential nature and is intended for the exclusive use of the persons or firm to whom it is furnished by us.

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To,

**The Board of Directors,
S.I.Capital & Financial Services Limited**
64, Montieth Road, Egmore, Chennai
Tamil Nadu -600008, India

Subject: Determination of fair value of equity shares of S.I. Capital & Financial Services Limited in compliance with Regulation 166A of SEBI (Issue of Capital and Disclosures Requirement) Regulations, 2018 and subsequent amendments thereto.

Dear Sir/ Madam,

We have been appointed by S.I. Capital & Financial Services Limited (SICFSL) to determine the fair value of the equity shares in compliance with the provisions of Regulation 165 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended.

Further in compliance with Regulation 166A of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended, we confirm that we are Independent Registered Valuer.

We conducted our valuation exercise on the basis of information/documents and explanations given to us by the management. Based on the same, our report on valuation is being submitted herewith for your kind reference.

The Fair Value of the equity shares of S.I. Capital & Financial Services Limited estimated as on "**Relevant Date**" i.e 6th March 2024 is estimated at **₹ 14.36 per share.**

Yours Faithfully,

Sanjeet Kumar



(Sanjeet Kumar Sharma)

Registered Valuer

Registration No. **IBBI/RV/02/2020/13091**

(IOVRVF/VM/F&SA/7791)

(COP No IOVRV01314SFA)

Place: New Delhi

Date: 9th March 2024

VRN No.: IOV/2023-2024/6218

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LIMITATIONS AND EXCLUSIONS

Our report is subject to the limitations detailed hereinafter. This report is to be read in totality and not in parts, in conjunction with the relevant document referred to therein.

Valuation work, by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinion may differ due to number of separate judgement decisions, which have to be made. While we have provided our recommendation based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion.

Further, this valuation report is based on the extant regulatory environment and the business/ market conditions, which are dynamic in nature & may change in future, thereby impacting the valuation of the company.

For the present valuation exercise, we have also relied upon information available in the public domain, however the accuracy and timeline of the same has not been independently verified by us.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

The client/owner and its management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the owners/clients, their management and other third parties concerning the financial data, operational data and maintenance schedule of all plant machinery-equipment-tools-vehicles, real estate investments and any other investments in tangible assets except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee or agents. We do not make any representations or warranty, express or implied, regarding the achievability of forecasts and completeness of such other information as provided by the Management. We also do not vouch for the efficacy of the forecast as provided to us by the management.

The information contained herein is based on the analysis of information available at the time when this report was prepared.

We do not make any representations or warranty, express or implied, regarding the achievability of forecasts and completeness of such other information as provided by the Management. We also do not vouch for the efficacy of the forecast as provided to us by the management.



The information presented on the valuation report does not reflect the outcome of any due diligence procedure, which may impact the valuation report materially.

We have no present or contemplated financial interest in the Company. The fee for this engagement is not contingent upon the results of this report. We have no responsibility to update this report for events and circumstances occurring subsequent to the date of this report.

In the course of valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

The actual market price achieved may be higher or lower than our estimate of value (or range of value) depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place.

An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.

We have acted as an independent third party and, as such, shall not be considered an advocate for any concerned party for any dispute. The valuation has been carried out independently to assess the valuation services. We have no present or planned future interest in SICFSL or any of its group companies and the fee for this report is not contingent upon outcome of the transaction. Our valuation should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with SICFSL.

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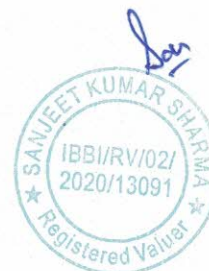
EXECUTIVE SUMMARY

Our current scope of work for this exercise includes:

To determine the fair value of equity, share of in compliance with Regulation 166A of SEBI (Issue of Capital and Disclosures Requirement) Regulations, 2018 for the purpose of allotting equity shares through preferential allotment in terms of Chapter V of SEBI (ICDR) Regulations, 2018.

- **As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to in this report. While utmost care has been taken, however, our report is subject to the limitations detailed hereinafter:**
 - a) **Relevant Date for the purpose of Price Calculation** – Valuation analysis and results are specific to the **Relevant Date** i.e., **6th March, 2024 contemplated on the basis of information and estimations provided by the management.** The valuation has been conducted with reference to the latest financial statement available as on reference date.
 - b) **Independent Valuer** - I am an Independent Registered Valuer in terms of the provisions of Regulation 166A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and subsequent amendments thereto.
 - c) **Engagement Date and Management Representation Date** - We were engaged by S.I. Capital & Financial Services Limited for the valuation of equity shares of SICFSL vide Engagement Letter dated 6th March, 2024 and Management Representation Letter dated 6th March 2024.
 - d) **Reliance on the Information provided** – We have been provided with certain written and verbal information and assumptions from the management of “SICFSL”. We have relied on the information provided by the management and experts and have not conducted any detailed enquiry. **Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.**
 - e) **Valuation Analysis** – Valuation of business is not a precise art and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment.
 - f) **Caution to users of the Report** – This report and the information contained herein are confidential. It is intended only for the sole use of the purpose mentioned in this report.

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DATA RELIED UPON

For the purpose of the report, documents and information, as provided by the management of SICFSL have been relied upon. We have completely relied on the information provided by the management of SICFSL and have not verified the same.

We have relied upon the following information:

1. Audited Financials of SICFSL for the financial year ending 2022-23.
2. Unaudited Financials of SICFSL for the financial period ending as on 31st December 2023.
3. Management Certified Projected Cash flows from March 06, 2024 to March 31, 2030
4. Brief note on the business of the company.
5. Other information considered useful during the course of assignment.

Wherever required, all the information including accounts, schedules, etc have been certified by the management of SICFSL.

We have also relied upon verbal explanation and information given to us by the management of the company during the course of our exercise.

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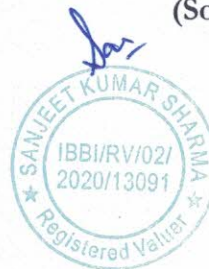
COMPANY OVERVIEW

S.I. Capital & Financial Services Limited

SI Capital and Financial Services Limited was incorporated on 8th November 1994, with its Registered Office at Chennai (Madras) and an Authorized Share Capital of Rs. 3.5crores. The Company is a Non-Banking Finance Company and provides financial services sector and business community. The Company will be taking other financial service activities in course of the next few years. The Present main activities of SI Capital and Financial services Limited are Hire Purchase and Leasing operations.

The main objectives for which the company incorporated are to carry on the business of purchasing and letting on lease or hire in any part of the country or abroad all kinds of Plants, Machinery, tools, jigs and furnitures, agricultural machinery, trawlers, vessels, barges, automobiles and vehicles of every kind and description, office equipment of every kind, computers, consumer durables of every kind, construction, machinery of all types and description, air conditioning plants, electronic equipment of all kind and description upon any terms as may be thought fit and for that purpose purchasing or otherwise acquiring dominion over the same, whether new or used rendering all financial services including financing for projects, exports and imports, acceptance of credit, invoice discounting, factoring invoices, debt collection and making of short term and long term loans.

(Source: Management Information)



VALUATION METHODOLOGY

Estimation of fair value of shares for the purpose of allotment of shares under preferential allotment is governed by **Chapter V of SEBI's Issue of Capital and Disclosure Regulations, 2018**. The guidelines prescribe the rules for determining if the shares are frequently traded or otherwise, and pricing of equity shares in either of the scenario.

We estimated the frequency of trading during 240 Trading Days preceding the Relevant Date, i.e., 6th March, 2024 and have determined the shares to be infrequently traded in terms of Regulation 164(5) of SEBI (ICDR) Regulations, 2018. As per para 165 of SEBI's ICDR Regulation, where the shares are not frequently traded, the price determined by the issuer shall take into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies.

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. The basis of valuation would depend on the purpose of valuation, nature of business, future prospects of the company & industry and other attendant circumstances.

There are three generally accepted approaches to valuation:

- **COST APPROACH**
- **INCOME APPROACH**
- **MARKET APPROACH**

ASSET APPROACH:

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

'Book value' is considered in case where there is no significant movement either side, in the actual value of assets. Since it represents only the historic cost, it is generally not prudent to value a company based on its book value.

'Realizable value' is considered in case where the valuation exercise is being carried out on an ordinary sale/distress sale basis. In other words, when the company is likely to be sold or liquidated.

'Replacement value' and Present values are considered for estimating the Fair Value of assets of a company on a going concern basis.

In the Net Asset Value (NAV) method, the net asset value is computed based on the latest available audited/unaudited Balance Sheet of the Company. The starting point of this method is the valuation of the



total assets that the Company owns. The loan funds are deducted. Contingent liabilities, to the extent that in the opinion of management can be fairly expected to impair the net asset value of the business, are also deducted. The resultant figure represents the net worth of the business on the given day. We have applied this method in this case as the projections are not available.

For valuation of SICFSL we have considered this method, as entity also derives its value from their assets. We have assigned appropriate weight to this method.

INCOME APPROACH:

The Income Approach derives an estimation of value based on the sum of the present value of expected economic benefits associated with the asset or business (Economic benefits have two components: cash flow (or dividends) and capital appreciation). Under the Income Approach, the appraiser may select a single period capitalization method (Profit earning capacity value method) or a multi-period discounted future income method.

Discounted Free Cash Flow Method (DCF)

- The Discounted Cash Flow (DCF) methodology expresses the present value of a business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. It recognizes that money has a time value by discounting future cash flows at an appropriate discount factor.
- **This method is used to determine the present value of a business on a going concern assumption.** The DCF methodology depends on the projection of the future cash flows and the selection of an appropriate discount factor.
- When valuing a business on a DCF basis, the objective is to determine a net present value of the cash flows ("CF") arising from the business over a future select period of time (say 5 years), which period is called the explicit forecast period. Free cash flows are defined to include all inflows and outflows associated with the project prior to debt service, such as taxes, amount invested in working capital and capital expenditure. Under the DCF methodology, value must be placed both on the explicit cash flows as stated above, and the ongoing cash flows a company will generate after the explicit forecast period. The latter value, also known as terminal value, is also to be estimated.
- The further the cash flows can be projected, the less sensitive the valuation is to inaccuracies in the assumed terminal value. Therefore, the longer the period covered by the projection, the less reliable the projections are likely to be. For this reason, the approach is used to value businesses, where the future cash flows can be projected with a reasonable degree of reliability. For example, in a fast-changing market like telecom or even automobile, the explicit period typically cannot be more than at least 5 year. Any projection beyond that would be mostly speculation.



- The discount rate applied to estimate the present value of explicit forecast period free cash flows as also continuing value, is taken at the “Weighted Average Cost of Capital” (WACC). One of the advantages of the DCF approach is that it permits the various elements that make up the discount factor to be considered separately, and thus, the effect of the variations in the assumptions can be modelled more easily. The principal elements of WACC are cost of equity (which is the desired rate of return for an equity investor given the risk profile of the company and associated cash flows), the post-tax cost of debt and the target capital structure of the company (a function of debt to equity ratio). In turn, cost of equity is derived, on the basis of capital asset pricing model (CAPM), as a function of risk-free rate, Beta (an estimate of risk profile of the company relative to equity market) and equity risk premium assigned to the subject equity market.
- Value obtained by using DCF method gives us the Enterprise Value; and adjustment for the non-operating assets and liabilities (current and non-current) of the company as on the valuation date gives us the Equity Value. The above assets and liabilities have been considered at Book Value.

As explained above, value under Income Approach is arrived by discounting the projected cash flows using appropriate discounting rates. The management of SICFSL has provided us with the projected financials of SICFSL. Hence, for valuation of SICFSL we have applied the Discounted Cash Flow Method.

MARKET APPROACH:

Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities, or a group of assets and liabilities, such as a business.

Market Price Method

Under this approach, the market price of an Equity Shares quoted on a recognized stock exchange is normally considered as the fair value of the Equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investors' perception about the true worth of the company.

We have considered the higher of 10/90 trading days' volume weighted average price of the equity shares quoted on the recognised stock exchange preceding the relevant date.



METHODOLOGY ADOPTED FOR VALUATION OF SICFSL

Fair Value:

A combination of any one or more of the above methods is used depending on the purpose of valuation, nature of business, future prospects of the company and the industry or any other attendant circumstances that have a bearing on the value of the company. More importantly it is governed by the nature of business of the entity, which is being valued and the purpose of valuation.

For the valuation of SICFSL, we have considered provisional financials as of 31st December, 2023.

For arriving at the Fair value of SICFSL, we have derived value based on Net Asset Value Method under Asset Approach, Market Price method under Market Approach and Discounted Free Cash Flow (DCF) under Income Approach. The summary of Equity Value and Value per share is provided hereunder for reference.

VALUATION OF SICFSL

Valuation Methodology	Value INR per share	Weight	Weight Value INR per share
NAV	8.64	30%	₹ 2.59
Market Approach	29.47	30%	₹ 8.84
DCF	7.33	40%	₹ 2.93
Weighted Average Value			₹ 14.36

Therefore, the fair value of equity shares of SICFSL is estimated ₹ 14.36 per share.



Annexure – 1

Net Asset Value Method

In order to arrive at Net Assets Value, we have considered book value of all assets and liabilities.

S.I. Capital & Financial Services Limited Unaudited Standalone Balance Sheet as at 31 December 2023

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars	As at 31 December 2023
	(Unaudited)
I. ASSETS	
1 Financial assets	
a) Cash and cash equivalents	43.57
b) Loans	881.92
c) Investments	0.03
d) Other financial assets	13.62
2 Non-financial assets	-
a) Current tax assets (net)	0.76
b) Deferred tax assets (net)	6.76
c) Property, plant and Equipment	14.16
d) Other intangible assets	6.04
e) Other non-financial assets	11.95
Total assets	978.81
II. LIABILITIES AND EQUITY	
LIABILITIES	
1 Financial liabilities	
a) Payables	-
(I) Trade payables	-
(i) total outstanding dues of micro enterprises and small enterprises	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	7.19
b) Other Payables	-
(i) total outstanding dues of micro enterprises and small enterprises	-



(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-
b) Debt securities	365.63
c) Borrowings (other than debt securities)	147.15
d) Subordinated Liabilities	97.38
e) Other financial liabilities	33.95
2 Non-financial Liabilities	
a) Provisions	6.01
b) Other non-financial liabilities	3.73
	661.04
EQUITY	
a) Equity share capital	360.00
b) Other equity	-42.23
c) Money received against share warrants	
Total liabilities and equity	978.81
NAV	311.01
No of shares on the fully diluted basis (No.)	36,00,000.00
Share Price on the fully diluted basis	8.64

Annexure – 2

Fair Value as per Market Approach: -

SI Capital & Financial Services Ltd			
Calculation of fair value via market approach			
90 Days Trade Volume on NSE			NA
90 Days Trade Volume on BSE			21,550
Stock Exchange			BSE
240 Days Traded Turnover on BSE			70,132
10 % of shares outstanding			360,000
Status of Traded Shares			INFREQUENT
No of Trading Days	Total Traded Quantity	Turnover	volume weighted average price
90	21,550	613,377	28.46
10	5,193	153,048	29.47
Concluded Price (Higher of above)			29.47



Annexure – 3

Fair Value as per Discounted Cash Flow Approach: -

S I Capital & Financial Services Ltd

Discounted Cash Flow Statement - Free Cash Flow to Equity

Valuation Date

6-Mar-24

INR in Lakhs

Particulars Months	Rate	Projected						
		FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
		0.82	12	12	12	12	12	12
Total Operating Revenue		21.05	370.65	569.65	746.01	957.63	1,215.40	1,591.43
<i>FY</i>				<i>64%</i>	<i>38%</i>	<i>28%</i>	<i>27%</i>	<i>38%</i>
EBITDA		6.95	161.51	318.58	428.47	510.31	673.78	932.40
<i>EBITDA Margin</i>		<i>33%</i>	<i>44%</i>	<i>56%</i>	<i>57%</i>	<i>53%</i>	<i>55%</i>	<i>58%</i>
Less: Depreciation and Amortization		0.49	4.54	3.35	2.69	1.36	0.51	0.35
Less: Finance Cost		6.45	132.24	216.76	271.00	339.29	422.71	539.87
EBT		0.02	24.73	99.46	154.78	169.66	250.56	392.18
<i>EBT Margin</i>		<i>0.08%</i>	<i>6.67%</i>	<i>17.46%</i>	<i>20.75%</i>	<i>17.72%</i>	<i>20.82%</i>	<i>24.64%</i>
Less: Marginal Tax	29.12%	0.00	7.20	28.96	45.07	49.41	72.96	114.20
PAT		0.01	17.53	70.50	109.71	120.26	177.60	277.98
Adjustments:								
Add: Depreciation and Amortization		0.49	4.54	3.35	2.69	1.36	0.51	0.35
Less /Add: (Increase) / Decrease in Working Capital		(242.74)	(1010.19)	(624.85)	(709.64)	(773.30)	(943.47)	(1,535.05)
Less: Capex								
Add/Less: Changes in Debt		138.37	829.00	370.00	400.00	450.00	540.00	840.00
Free Cash Flow to Equity		(103.87)	(159.12)	(101.00)	(197.23)	(201.69)	(225.36)	(416.72)
Terminal Value								6,853.95
Mid Year Convention Period		0.03	0.57	1.57	2.57	3.57	4.57	
Discount Factor	30.44%	0.99	0.86	0.66	0.51	0.39	0.30	
Present Value of FCFE		(102.93)	(136.81)	(119.31)	(93.66)	(78.13)	(66.93)	

Tax Rate 29.12%

Computation of Cost of Equity	
Risk Free Rate of Return (1)	7.05%
Add: Beta Adjusted Risk Premium:	3.53%
Market Equity Risk Premium (2)	5.15%
Multiply by: Beta (3)	0.69
Add: Company Specific Risk Premium (4)	20%
Cost of Equity (K_e)	30.44%
Concluded Cost of Equity (Rounded off)	30.44%
1. This rate is based on 10-Year Indian Government Bond Yield of 7.051% as on 6 March 2024.	
2. Market Equity Risk Premium has been taken from Prof. Aswath Damodaran's database updated on January 01, 2024.	
3. Beta- For our analysis we have taken beta from Prof. Aswath Damodaran's Database updated on January 1, 2023 of Financial Svcs. (Non-bank & Insurance) Industry.	
4. Company Specific Risk premium (CSRP) is based on a qualitative analysis of the inherent risk factors in the subject company' cash flow projections.	



INR in Lakhs

Sum of Present Value - Explicit Period	-603.77
PV of Terminal Value	2,035.52
Enterprise Value	1,431.75
Less: Debt	-1,168.04
Equity Value	263.71
Concluded Equity Value	263.71
Divide by: Total Number of Equity Shares on Fully Diluted Basis	3,600,000
Concluded Value Per Share (INR)	7.33

