

## HARDEV SINGH

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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 estimate 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,**

I have been appointed by S.I. Capital & Financial Services Limited (SICFSL) to determine the estimate fair value of the equity shares in compliance with the provisions of Regulation 166A 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, I confirm that I am Independent Registered Valuer.

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

The estimated Fair Value of the equity shares of S.I. Capital & Financial Services Limited estimated as on "**Relevant Date**" i.e. 15<sup>th</sup> **February, 2022** is estimated at **₹ 7.56 per share.**

Yours Faithfully,

**(HARDEV SINGH)**

Registered Valuer

Registration No. IBBI/RV/06/2019/11174

Place: Delhi

**Date: 22<sup>nd</sup> February, 2022**



# Valuation Report of S.I. Capital & Financial Services Limited

Prepared by-

Mr. Hardev Singh, Registered Valuer

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### LIMITATIONS AND EXCLUSIONS

My 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 I have provided my recommendation based on the information available to me and within the scope and constraints of my 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, I have also relied upon information available in the public domain, however the accuracy and timeline of the same has not been independently verified by me.

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

The client/owner and its management/representatives warranted to me that the information they supplied was complete, accurate and true and correct to the best of their knowledge. I 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. I 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. I 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. I also do not vouch for the efficacy of the forecast as provided to me by the management.

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



I 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. I also do not vouch for the efficacy of the forecast as provided to me 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.

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

In the course of valuation, I was 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 my 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, my 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 me as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and I do not assume any obligation to update, revise or reaffirm this Report.

I am 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 my analysis.

I 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. I 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. My valuation should not be construed as investment advice; specifically, I do not express any opinion on the suitability or otherwise of entering into any transaction with SICFSL.



## EXECUTIVE SUMMARY

My current scope of work for this exercise includes:

To determine the estimate fair value of equity, share of SICFSL in compliance with provisions of Regulation 166A of SEBI (ICDR) 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, my 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., **15<sup>th</sup> February, 2022 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** – I was engaged by S.I. Capital & Financial Services Limited for the valuation of equity shares of SICFSL vide Engagement Letter dated 12<sup>th</sup> February, 2022.
  - d) **Reliance on the Information provided** – I have been provided with certain written and verbal information and assumptions from the management of “SICFSL”. I have relied on the information provided by the management and experts and have not conducted any detailed enquiry. **Accordingly, I 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.
  - g) **Purpose:-** The purpose of this report is to determine the estimate fair valuation of equity shares of “SICFSL” for issue of equity shares through preferential allotment in terms of Chapter V of SEBI (ICDR) Regulations, 2018.



## DATA RELIED UPON

For the purpose of the report, documents and information, as provided by the management of SICFSL have been relied upon. I 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 2020-21.
2. Financials of SICFSL for the financial half year ending as on 30<sup>th</sup> September, 2021 duly signed by management.
3. Brief note on the business of the company.
4. 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.**

I have also relied upon verbal explanation and information given to me 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. 6.00 crores. 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)



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## 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.

The Companies (Registered Valuers and Valuation) Rules, 2017 has granted power to the Central Government to notify Valuation Standards for prescribing the polices and methodologies to be adopted for arriving at valuation of a specified assets, however in the absence of the same as on date, the Valuation Standards has been promulgated by the ICAI Registered Valuers Organisation (ICAI RVO) which can be adopted as a benchmark for valuation of a Company /Shares.

I estimated the frequency of trading during 240 Trading Days preceding the Relevant Date, i.e., 15<sup>th</sup> February, 2022 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.

In view of the above, I have arrived at the estimate fair value of the equity shares of the company based on International acceptable valuation methodologies and Valuation Standards adopted by ICAI Registered Valuers Organization (ICAI RVO).

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..

**For valuation of SICFSL I have considered this method, as entity also derives its value from their assets.**

### VALUATION AS PER NAV METHOD

The value of the equity share of Company as per NAV method has been computed at Rs 7.56 (Rupee Seven and Fifty Six Paise Only) per share respectively. **The details are placed at Annexure "1" of this report**

### 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.

**Profit earning capacity value method:**

- The basic of this approach is find the normalized earning capacity of the business and to capitalize it on the basis of appropriate rate considering the business fundamentals of safety, return and time. In this method, Earnings before Interest, Depreciation and Tax ("EBIDTA") is considered of comparable businesses. Alternately, an appropriate multiple can be used with the normalized earnings to arrive at fair estimation of business value ("Enterprise Value" of "EV"). Alternatively, Profit after Tax ("PAT") can also be considered as normalized earnings. However, EBIDTA is preferred as it is unbiased to debt-equity mix.
- The important task is to determine two factors (1) normalized earnings (EBIDTA) and (2) rate of capitalization or multiple for capitalization.
- The average annual maintainable earnings should be representative and is generally determined based on average past earnings, or future projected earnings where the past earnings are not representative of the future earning potential of the business. Generally, when future projections of more than one financial year are used, present value of the future profits is calculated based on an appropriate discounting rate.
- The capitalization rate is taken based at composite P/E Ratio of Finance & Investment Company. (Source: Capital Market Journal dated 7<sup>th</sup> February to 20<sup>th</sup> February, 2022, Volume XXXVI Issue 26).

**VALUATION AS PER PROFIT EARNING CAPACITY VALUE UNDER INCOME APPROACH METHOD**

As per **Profit Earning Capacity Value under Income Approach** the value of the equity shares has been computed at Rs Negative hence this method has not been considered. However **the details are placed at Annexure "2" of this report**

**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 not provided me with the projected financials of SICFSL. Hence, for valuation of SICFSL I have not applied the Discounted Cash Flow Method.

#### MARKET APPROACH:

Market based approach to business valuation attempt to establish the Market Price of the Company. Under this approach the price to be determine as per Regulation 164 of SEBI (ICDR) Regulations, 2018 where the shares are frequently traded. However in the present scenario I estimated the frequency of trading during 240 Trading Days preceding the Relevant Date, i.e., 15<sup>th</sup> February, 2022 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. Obviously, this method is only going to work well if there is sufficient number of similar business to compare. I have not come across any similar transactions hence Mrket Approach has not been considered.

#### 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 arriving at the Fair value of SICFSL, I have derived value based on Net Asset Value Method under Asset Approach and Profit Earning Capacity Value under Income Approach. The summary of Equity Value and Value per share is provided hereunder for reference.

VALUATION OF SICFSL

Method	Price per Share (in. Rs.)	Weight	Product	Remarks
Net Asset Value	7.56	1	7.56	Annex-1
Profit Earning Capacity Value	Nil	NA	NIL	Annex-2
<b>Total</b>			<b>7.56</b>	
<b>Per Share Value (In Rs.)</b>			<b>7.56</b>	

Therefore, the fair value of equity shares of SICFSL is estimated ₹ 7.56 per share.



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## 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

( INR Lakh )

Particulars	Amount
<b>Assets</b>	
<b>Non Financial Assets</b>	
Property Plant & Equipment	4.71
Other Intangible assets	6.68
Other non-financial assets	9.02
Current tax assets (net)	1.30
Deferred tax assets (net)	8.53
<b>Financial Assets</b>	
Cash and cash equivalents	33.64
Loans	195.37
Investments	88.81
Other-financial assets	2.99
<b>Total Assets (A)</b>	<b>351</b>
<b>Liabilities</b>	
<b>Financial Liabilities</b>	
Trade Payable	1.65
Subordinated liabilities	98.05
Other current liabilities	1.48
Money recived against share warrents	20.10
<b>Non-Financial Liabilities</b>	
Provisions	2.00
Other Non-Financial Liabilities	0.85
<b>Total Liabilities (B)</b>	<b>124</b>
<b>Net Asset Value (A-B)</b>	<b>227</b>
No. of Equity Shares	3,000,000
<b>NAV per Share</b>	<b>7.56</b>



**Annexure - 2**

**PROFIT EARNING CAPACITY VALUE**

	<b>INR in Lakhs</b>
<b>Year</b>	<b>Profit After Tax</b>
2020-2021	(39.99)
2019-2020	(6.09)
2018-2019	(7.25)
<b>Total Profits after tax for 3 years</b>	<b>(53.33)</b>
Average Profit after Tax	(10.67)
No. of Equity Shares (Rs. 10 each)	3.00
<b>EPS</b>	<b>(3.56)</b>
<b>PECV Value</b>	<b>NIL</b>

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