

VALUATION REPORT
OF
UGRO CAPITAL LIMITED

PREPARED BY

CAPITAL[^]SQUARE
Teaming together to create value

CAPITALSQUARE ADVISORS PRIVATE LIMITED
(Category – I Merchant Banker)

(Reg off: 208, Aarpee Centre, CTS 70, MIDC Road no. 11,
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May 2024

DISCLAIMER:

This valuation exercise of UGRO Capital Limited ("UCL" / "The Company") is being undertaken by CapitalSquare Advisors Private Limited ("CSAPL") at the request of UGRO Capital Limited ("UCL"). Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality and not in parts.

This report has been based on the information provided by UCL and from other sources believed to be reliable.

While the information contained herein is believed to be accurate, no representation or warranty, expressed or implied, is or will be made and no responsibility or liability will be accepted by CSAPL as to, or in relation to the accuracy or adequacy of information contained in this report. The opinions and recommendations in this report are provided in good faith.

UCL accepts full responsibility for all the data and information pertaining to the valuation report and confirms that no material information that is vital for arriving at a decision for valuation has been suppressed or misstated while providing data / information to CSAPL.

This report has been prepared for with a limited purpose / scope, as identified / stated in the report and will be confidential and for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence of discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.



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1. INTRODUCTION AND SCOPE OF ASSIGNMENT

Corporate Information	
CIN	L67120MH1993PLC070739
Company Name	UGRO Capital Limited
Date of Incorporation	10/02/1993
ROC Code	RoC-Mumbai
Registration Number	070739
Company Category	Company limited by Shares
Company Sub-Category	Non-govt company
Whether listed or not	Listed
Class of Company	Private
Registered Address	Equinox Business Park, Tower – 3, Fourth Floor, Off BKC, LBS Road, Kurla, Mumbai, Maharashtra, India - 400070
Company Status (for e-filing)	Active

UGRO Capital Limited (“UCL”) has appointed CSAPL to derive equity valuation of UGRO Capital Limited.

2. PURPOSE OF VALUATION

- 2.1. UCL wants to ascertain the fair value of the equity, for the same it has appointed CapitalSquare Advisors Private Limited, Category - I Merchant Banker registered with SEBI to undertake the valuation exercise and determine fair value in conformity of Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 and Section 56 of the Income Tax Act 1961 read along with Rule 11 UA of the Income Tax Rules, 1962.
- 2.2. This report has been prepared for the management of UCL solely for the purposes mentioned in above para and should not be used for any other purpose. The equity valuation mentioned herein reflects our independent opinion which is arrived at based on future projections of UCL for the period January 01, 2024, to March 31, 2029, as provided by the management of UCL.
- 2.3. UCL has engaged **CapitalSquare Advisors Pvt. Ltd. as a registered Category I Merchant Banker** (Registration no: INM000012219) to conduct a Fair Valuation of “UCL” and issue Valuation report.



3. SOURCES OF INFORMATIONS

All information related to UCL, including but not limited to past and future profit & loss accounts and the Balance sheet of UCL and qualitative information's were sourced from management of UCL either in the written hard copy or digital form. All information, explanation, data has been provided which includes:

- Certificate of Incorporation
- Memorandum & Articles of Association of the Company
- Details available in the public domain, including website of UGRO, respective companies in the Peer group, BSE, NSE, Money control, Screener, etc.
- Information, documents, data, reports, etc. provided by the management of the Company.
- Personal discussion and oral explanation provided by the management of the Company.
- Historical annual reports of the company and its' Peers
- Limited review quarterly results of the company and its' Peers for the quarter ended December 31, 2023, and September 30, 2023
- Latest shareholding pattern of the Company
- Information, documents, data, reports, explanations, Discussion etc. provided by UCL.

4. ABOUT THE COMPANY

UGRO Capital Limited (the Company /UGRO) is a systemically important non-banking finance company (NBFC) engaged in financing secured and unsecured loans to MSMEs. It was incorporated in 1993 as Chokhani Securities Ltd and was acquired and renamed as UGRO Capital Ltd in 2018 by Mr. Shachindra Nath (Executive Chairman and Managing Director) who has over two decades of experience in the financial services industry. The company is publicly listed on the Bombay Stock Exchange since 1995 and got listed on the National Stock Exchange in August 2021.

UGRO has been categorized as an 'Middle Layer' NBFC under the scale based regulatory framework for NBFCs introduced by the RBI, with effect from September 30, 2022 and updated vide Scale Based Regulation. UGRO is currently engaged in the business of lending and primarily deals in financing SME and MSME sector with focus on Healthcare, Education, Chemicals, Food Processing/FMCG, Hospitality, Electrical Equipment & Components, Auto Components and Light Engineering segments and Micro Enterprises



segments.

UGRO offers the following loan products and solutions to MSME through our technology platforms:

- Secured Business Loans;
- Business Loans;
- Micro Enterprise Loans;
- Machinery Loans;
- Supply Chain Finance;
- Partnerships and Alliances.

The Company has received Certificate of Registration dated January 09, 2024 bearing no. N-13.02475 from RBI to commence/carry on the business of factoring without accepting public deposits. The Company will be required to commence the factoring business within six months from the date of grant of the Certificate of Registration.

UGRO's mission is "To Solve the Unsolved". UGRO has a dedicated programme for secured and unsecured loans aimed at MSMEs and has partnered with large OEMs to provide an end-to-end solution. UGRO also lends to customers in the prime segment to the micro enterprises.

UGRO serves a diverse set of customers. Presently, its branches are divided into two segments i.e., prime branch having base in metro, tier 1 and tier 2 cities with customer turnover of ₹ 1 crore to ₹ 15 crore and micro branch having base in tier 3 to 6 cities having customer turnover of less than ₹ 1 crore.

Shareholding Pattern:

Shareholding pattern on UCL on fully diluted basis as on 31st March, 2024, is given below:

Particulars	No. of Shares	% Holding
Promoters & Promoters Group	2,074,009	2.234%
Public Shareholders	89,517,560	96.432%
Non-promoter Non-public (Employee Trust)	1,238,252	1.334%
Total	92,829,821	100.00%



Board of Directors:

DIN/DPIN/PAN	Full Name	Designation
03632212	Karuppasamy Singam	Director
07984221	Rajeev Krishnamuralilal Agarwal	Director
02224299	Manoj Kumar Sehrawat	Nominee Director
00510618	Shachindra Nath	Managing Director
07704601	Chetan Kulbhushan Gupta	Director
01922717	Hemant Bhargava	Director
01807198	Satyananda Mishra	Director
07400094	Sekar Karnam	Director
07637013	Tabassum Abdulla Inamdar	Director
05285518	Rohit Goyal	Nominee Director

Summary of Historical Key Financial Indicators

Profitability (Rs in Cr)	FY 2021-22	FY 2022-23	Apr -Dec 2023
Total Income	312.1	683.8	751.3
PBT	20.2	83.8	122.8
PAT	14.6	39.8	86.7
AUM	2,969	6,081	8,364

5. VALUATION: METHODOLOGY AND FAIR MARKET VALUE**5.1 Methods of Valuation**

There are number of methodologies to value the companies/business using historical and forecast financials of the company.

i) Discounted Cash Flow ("DCF"):

DCF method uses future free cash flow projections and discounts them to arrive at a present value. It is widely used in investment finance, real estate development, corporate financial management and patent valuation.

Under DCF, Free Cash Flow to Firm or Free Cash Flow to Equity approach is used to arrive at a Valuation of Company:

- Free cash flow to firm (FCFF):**

This indicates the Fair value of the firm based on the value of the cash flows that the business is expected to generate in the future. All future cash flows are estimated and



discounted using cost of capital to give their present values. This is a measurement of a company's profitability after all expenses and reinvestments. It's one of the benchmarks used to compare and analyse financial health.

- **Free Cash flow to equity (FCFE):**

This indicates the Fair value of the equity based on the value of the cash flows that the business is expected to generate in the future. The method involves the estimation of post-tax cash flows to equity for a projection period, after consideration of reinvestment in terms of capital expenditure, incremental working capital, and debt repayment. These cash flows are then discounted at a cost of equity that reflects the risks of business.

ii) ***Asset based methods.**

Asset-based methods are normally based on the Net Asset Value (NAV) of the unit as on the valuation date and could be on a current replacement cost basis or on the basis of book values. On a going concern basis, normally the book value of the assets is considered.

iii) **Market Approach**

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. The market approach often uses market multiples derived from a set of comparable, each with different multiples. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors.

The following valuation methods are commonly used under the market approach:

- Comparable Companies Multiple (CCM) Method
- Comparable Transaction Multiple (CTM) Method

- **Comparable Companies Multiple (CCM) Method**

Comparable Companies Multiple Method, also known as Guideline Public Company Method, involves valuing an asset based on market multiples derived from prices of market comparable traded on active market.

The following are the major steps in deriving a value using the CCM method:

- Identify the market comparable.
- select and calculate the market multiples of the identified market comparable.



- compare the asset to be valued with the market comparable to understand material differences; and make necessary adjustments to the market multiple to account for such differences, if any.
- apply the adjusted market multiple to the relevant parameter of the asset to be valued to arrive at the value of such asset; and
- if value of the asset is derived by using market multiples based on different metrics/ parameters, the reasonableness of the range of values should be considered.

The market multiples are generally computed based on following inputs:

- trading prices of market comparable in an active market; and
- financial metrics such as Book Value of assets, Sales, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Profit After Tax (PAT), etc.

Comparable Companies method is the most widely used method under the Market approach.

- **Comparable Transactions Method**

The comparable transactions method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

A few of the many common units of comparison used in business valuation include EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) multiples, earnings multiples, revenue multiples and book value multiples.

5.2 Valuation methodology used:

5.2.1 Comparable Companies' Method (CCM)

UGRO, listed on BSE and NSE, is a systemically important non-banking finance company (NBFC) engaged in financing secured and unsecured loans to MSMEs. There are many listed NBFCs on BSE and NSE. But all these listed competitors are not exactly comparable as portfolio size and products/services offered are different.

UGRO's operating income for the trailing 12 months ended December 31, 2023, is Rs. 934.52 Cr and Market capitalization of UGRO as on April 30, 2024, is Rs. 2,453 Cr. Listed Peers having market capitalization between Rs. 1,000 – 7,000 Cr and income



above RS. 200 Cr were considered as the peer group for valuation through comparable companies' method.

Price/Book Value multiple has been considered as the appropriate market multiple for valuation of UGRO.

S No	Name of the Peer Group Company	Market price as on Relevant Date (Rs)	M Cap as on Relevant Date (Rs Cr)	Sales (Trailing 12 Months)	Book Value as on Sep 30, 2023 (Rs)	Price/Book Value Multiple (as on May 2, 2024)
1	Edelweiss.Financial Services Ltd.	78.8	7432	9296	46.67	1.69
2	Fusion Microfinance Ltd	518	5210	2037	256.08	2.02
3	Satin Creditcare Network Ltd	262	2895	2025	217.33	1.21
4	Fedbank Fin Services	128	4739	1508	61.2	2.1
5	Indostar Capital Ltd	244	3314	1204	237.75	1.02
	AVERAGE					1.61

*Source: www.screener.in

Average Price / Book Value multiple of 1.61 of the above Peer group has been taken for valuation of UGRO.

Particulars	Figures
Price / Book Value Multiple of Listed Peers (A)	1.61
Net worth of UGRO as on December 31, 2023	Rs. 1404.92 Cr
Book Value of UGRO as on December 31, 2023 (B)	Rs. 153.78
Fair Price as per CCM (A X B)	Rs. 247.59

5.2.2 Discounted Cashflow (DCF) Method

UGRO has submitted the financial projections and estimated cashflows of the Company to the Valuer. Under the Income Approach valuation is being done through DCF Method.

DCF Analysis is a valuable Business Valuation technique, as it evaluates the intrinsic value of the business by looking at the cash-generating ability of the business. Through



this DCF valuation exercise, the valuer is calculating equity value of UGRO, hence free cash flow for equity holders (FCFE) as stream of cash flow was used.

The Valuer has analyzed the business plan that was shared with him, and he had detailed discussions with the management/partners of the firm on various assumptions. The assumptions are statements of facts provided by the Company, and not generated by the Valuer. However, the Valuer has analysed and reviewed various assumptions provided by the management of UGRO. The management provided us requisite information and the Valuer had sufficient time to analyse the information and carry out the valuation.

The business is considered to have indefinite life. The value of business is calculated for two time periods – value during the explicit forecast period (stable year) and value after explicit forecast period (referred to as the Terminal value). Total Value is the sum of 'Present value of cash flows during forecast period' and 'Present Value of Terminal cash flows'.

The valuation date is May 2, 2024, whereas the Company has provided key financial parameters (Investments and Cash & Bank balance) as on March 31, 2024, AUM and Borrowings have been taken from the publicly available information (company submissions to the Stock exchange) and other financial parameters (Other assets, other liabilities) as on March 31, 2024, required for calculation of FCFE have been taken as per the provisional unaudited financial statement as on December 31, 2023. It is assumed that Cash & Bank balance to the extent of 70% is used in the business (margin money for FLDG, etc.) and 30% of the cash & bank balance has been considered as surplus cash as on March 31, 2024.

Following steps were used for Valuation of Equity shares of the company through discounted FCFE:

- Cash flow forecast, projected by the management of the company from FY 2024-25 to FY 2028-29, were taken. It is assumed that cash flow would be stable after FY 2028-29.
- FCFE was calculated as per following formula for each forecast year:
$$\text{FCFE} = \text{PAT} + \text{Depreciation} - \text{Capex} - \text{Change in Net Working Capital} - \text{Net Debt repayment}$$
- The present value of the stream of cash flows is calculated by discounting the cash



flows at the Cost of Equity.

CAPM method is used to determine the cost of equity, and the same is calculated as follows:

$$K_e = R_f + \beta(R_m - R_f)$$

- $R_f = 7.217\%$ - Risk free rate (7.217%) as on March 31, 2024, has been taken as yield on for 15 years G-sec
 - $R_m = 13.29\%$ - Market return has been taken as return generated by Nifty 50 (including dividend yield of 1.20%) in the last 15 years
 - $\beta = 1.20$ - Beta of UGRO (source: moneycontrol.com)
 - $K_e = 15.94\%$ - Cost of equity for UGRO as per CAPM formula
- The Terminal Value of a firm as a going concern is calculated by assuming cashflows continuing to perpetuity at a long term sustainable growth rate. Real GDP of India is expected to grow @ 5% for next 10-15 years. Assuming moderate inflation of 3-4%, nominal growth rate of the GDP is estimated to be around 8-9% p.a. However, a stable growth rate of the company has been assumed @ 4% p.a. for calculating the terminal value, based on the long-term business outlook for the Company.
- The present value of Terminal value was calculated by discounting the terminal value with the discounting factor.
- The present value of cash flows during the forecast period and present value of Terminal value were added to arrive at total equity valuation.



Valuation Calculation of UGRO by DCF

(Rs in Crores)

Particulars	FY2025	FY2026	FY2027	FY2028	FY2029	Stable year Cash Flow
PAT	174	314	445	593	752	782
Non-Current Assets	(1,917)	(2,512)	(2,467)	(2,762)	(3,391)	
Net Debt	1,002	2,312	2,291	2,381	3,098	
Incremental Working Capital	(104)	(23)	(36)	(48)	(62)	(150)
FLDG for Off Book AUM	(210)	(44)	(66)	(166)	(181)	
Free Cash Flow to Equity (FCFE)	(1,056)	46	168	(3)	216	632
Terminal Value (TV)						5,293
Discounting factor	0.86	0.74	0.64	0.55	0.48	0.48
Present Value of FCFE	(911)	34	108	(2)	103	2,527
Total Present Value of FCFE						1,859

Value of Each Equity Share through DCF

Particulars	Figures (Rs Cr)
Present Value of FCFE (Rs in Cr)	1,859.38
Add: Surplus Cash & Bank Balance as on March 31, 2024	135.00
Add: Investment as on March 31, 2024	59.19
Total Equity Value of the company	2,053.57
Total no. of Equity Shares	92,829,821
Value of Each Equity Share (Rs. / Share)	221.22

A. FAIR VALUATION

Fair Valuation of Equity Shares of UGRO Capital Limited:

Valuation Approach	Valuation Method	Value per Share (Rs)	Weights
Market Approach	CCM	247.59	50.00%
Income Approach	DCF	221.22	50.00%
Weighted Average Value (Rs per Share)		234.41	



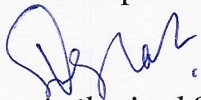
6 EXCLUSIONS/DISCLAIMER/LIMITATION/WARRANTIES & CAVEATS

- 6.1. This confidential report is prepared by CSAPL solely for the purposes set out in the report. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued, and the purpose mentioned herein. For the purpose of clarity, UCL may share this report with its auditors, advisors and investment bankers in the normal course of its business. We will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, without our written permission in each instance. The material is true only as of the date of this letter. We assume no responsibility to update or revise the opinion based upon events or circumstances that occur later on.
- 6.2. We have prepared this report based on the information provided, the explanation given, and representations made by the management of UCL. We have neither checked nor independently verified such information and representations. We have also not factored in any tax implications or any financial or tax planning which the UCL take in future. We have solely relied on explanations, information, paper, reports, documents & Statements provided by the Management of UCL only and accepted all that information provided to us as consistent and accurate on an "as is" basis and taken in good faith and in the belief that such information is neither false nor misleading.
- 6.3. Our work did not include either an audit of the financial statements of the UCL or validating the financial performance of the company.
- 6.4. We have prepared this report with the assumption that financial statement of UCL captures all the contingent liabilities and there are no other contingent liabilities of the Company.
- 6.5. This Report is issued on the understanding that Management of UCL has drawn our attention to all matters of which they are aware concerning the financial position of the business of the UCL, which may have an impact on our report up to the date of issue. Our views are necessarily based on the economic market and other conditions currently in effect. We have no responsibility to update this report for events and circumstances occurring after the date of this Report. We do not hold ourselves responsible or liable, for any losses, damages, costs, expenses or outgoings whatsoever and howsoever caused, incurred, sustained or arising out of errors due to false, misleading or incomplete information or documentation being provided to us or due to any acts, or omissions of any other person.



- 6.6. Provision of valuation recommendations and considerations of the issues described herein are areas of our regular corporate advisory practice.
- 6.7. The scope of our work has been limited in terms of the purpose of valuation mentioned in Article 1 and 2 of this report. There may be matters, other than those noted in this report, which might be relevant in the context of any other purpose and which a wider scope might uncover. It may be noted that Valuation, is not an exact science and ultimately depends upon what the business is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. The valuation exercise is carried out using generally accepted valuation methodology, principles, and the relative emphasis of each often varying, based on several specific factors. The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of going concern, certain valuation techniques have evolved over time and are commonly in use, which we have applied in.
- 6.8. We have no present or planned future interest in UCL and the fees for this report is not contingent upon the value reported herein. Our Valuation Analysis 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 UCL. Further CSAPL nor the members of the team working on the independent valuation have directly or indirectly, through the client or otherwise shared any advisory perspective or have been influenced or undertaken advocating a management position in determining the value.
- 6.9. CSAPL does not accept any liability to any third party in relation to the issue to this valuation report. Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties without our prior written consent. We retain the right to deny permission for the same.

For CapitalSquare Advisors Pvt. Ltd.



Authorized Signatory

Date: May 02, 2024

