



TRANSACTION SQUARE  
VALUATIONS

## Transaction Square Advisory LLP

Registered Valuer - Securities or Financial Assets

Date: 25 February 2025

To,  
The Board of Directors,  
**Megashop Retail Private Limited,**  
Plot No. 349, Udyog Vihar,  
Phase-II, Sector-20,  
DLF Ph-II, Gurgaon,  
Haryana, India - 122008.

To,  
The Board of Directors,  
**V-Bazaar Retail Private Limited,**  
Plot No. 349, Udyog Vihar,  
Phase-II, Sector-20,  
DLF Ph-II, Gurgaon,  
Haryana, India - 122008.

**Subject: Recommendation of fair share entitlement ratio for the proposed demerger of 'Retail Business' of Megashop Retail Private Limited ('MRPL') into V-Bazaar Retail Private Limited ('VBRPL').**

Dear Sir/Madam,

We refer to the engagement letter dated 01 February 2025 and discussions undertaken with the Management of Megashop Retail Private Limited (hereinafter referred to as 'MRPL' or 'Demerged Company') and V-Bazaar Retail Private Limited (hereinafter referred to as 'VBRPL' or 'Resulting Company') (hereinafter all of them together referred to as 'the Management') wherein the Management has requested Transaction Square Advisory LLP, Registered Valuer - Securities or Financial Assets ('Transaction Square' or 'we' or 'us') to undertake a valuation exercise and recommend fair share entitlement ratio for the proposed demerger of 'Retail Business' (as defined hereinafter) from MRPL into VBRPL.

Hereinafter the above-mentioned proposed transaction shall be referred to as 'Proposed Demerger'. MRPL and VBRPL are together referred to as the 'Transacting Companies' and the Management including the Board of Directors of the Transacting Companies shall together be referred to as 'the Management'.

Please find enclosed the report (comprising 28 pages including Annexures) detailing our recommendation of fair share entitlement ratio for the Proposed Demerger and the methodologies employed and the assumptions used in our analysis.

This Report sets out our scope of work, background, procedures performed by us, sources of information and our recommendation of the fair share entitlement ratio for Proposed Demerger.

### COMPANY BACKGROUND, SCOPE, AND PURPOSE OF THIS REPORT

**Megashop Retail Private Limited ('MRPL' or 'Demerged Company')** was incorporated on 22 August 2022 and is primarily engaged in the business of retail trading of apparels, accessories, general merchandise, etc ('Retail Business'). In addition to this Demerged Company also operates in the B2B segment, specializing in apparel, accessories, and related products. ('Remaining Business').

**V-Bazaar Retail Private Limited ('VBRPL' or 'Resulting Company')** was incorporated on 17 February 2016 and is engaged in the business of "Value Retailing", offering apparels, accessories and other products through the chain of stores situated at various cities across India.

We understand from the Management that they are contemplating a Scheme of Arrangement, whereby they intend to demerge 'Retail Business' of MRPL into VBRPL in accordance with the provisions of Section 230 to 232 and Section 66 of the Companies Act, 2013 ('the Act') read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ('the Rules'), as amended from time to time and all other applicable provisions, if any, of the Act and any other applicable law for the time being in force and in a manner provided in the Draft Scheme of Arrangement ('the Scheme').





As a consideration for the Proposed Demerger, the equity shareholders of MRPL (except to the extent of equity shares held by VBRPL) will be issued:

- a) 58,00,000 Series A Redeemable Preference Shares and 50,00,000 Series B Redeemable Preference Shares (hereinafter together referred to as 'RPS') of VBRPL in their respective proportionate shareholding (excluding VBRPL shareholding) in MRPL; and
- b) Balance consideration by way of issue of Optionally Convertible Redeemable Preference Shares ('OCRPS') of VBRPL in the share entitlement ratio as determined by the Board of Directors on the basis of share entitlement ratio report prepared by a Registered Valuer as required under the applicable provisions of the Companies Act, 2013.

In connection with the above-mentioned Proposed Demerger, the Management has appointed Transaction Square Advisory LLP, Registered Valuer - Securities or Financial Assets ('Transaction Square' or 'we' or 'us') to submit a report recommending the share entitlement ratio for the Proposed Demerger.

We understand that the Appointed Date for the Proposed Demerger shall be 01 April 2025, or such other date as may be fixed or approved by the National Company Law Tribunal ('NCLT') for the purpose of this Scheme. We have determined the share entitlement ratio for Proposed Demerger as at 31 January 2025 ('Valuation Date').

We would like to emphasize that certain terms of the Proposed Demerger are stated in our Report, however the detailed terms of the Proposed Demerger shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the Proposed Demerger. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

The scope of our services is to conduct a valuation exercise as at the Valuation Date to determine the fair value of Retail Business of MRPL along with the fair value of RPS and OCRPS proposed to be issued by VBRPL as consideration for Proposed Demerger using internationally accepted valuation methodologies as may be applicable; and then arrive at the share entitlement ratio and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 notified by the Institute of Chartered Accountants of India (ICAI).

The Management have informed us that:

- a) With effect from the appointed date, and up to and including the effective date, there would not be any capital variation in the Transacting Companies except by mutual consent of the Board of Directors of Transacting Companies or such other events as contemplated in the Scheme.
- b) Till the Proposed Demerger becomes effective, neither of the Transacting Companies would declare any dividend which is materially different from those declared in the past few years.
- c) There are no unusual/ abnormal events in the Transacting Companies other than those represented to us by the Management till the Valuation Date materially impacting their operating / financial performance.
- d) There would be no significant variation between the draft Scheme and the final scheme approved and submitted with the relevant authorities.

This Report is our deliverable for the said engagement and is subject to the scope, assumptions, exclusions, limitations, and disclaimers detailed hereinafter. As such, the Report is to be read in totality and in conjunction with the relevant documents referred to therein.





### **SOURCES OF INFORMATION**

In connection with the recommendation of share entitlement ratio, we have used the following information obtained from the Management and/ or gathered from public domain:

#### **A. Company specific information:**

Information provided by the Management which includes:

- Unaudited provisional carve out financial statement of Retail Business of MRPL for eight months period ended 30 November 2024;
- Unaudited provisional financial statement of VBRPL for eight months period ended 30 November 2024;
- Audited financial statements of MRPL and VBRPL for the financial year ended 31 March 2024 ('FY24');
- Financial projections of Retail Business of MRPL from 01 April 2024 to 31 March 2029 ("Management Projections") which represents the Management best estimate of the future financial performance of Retail Business of MRPL;
- Shareholding pattern of the Transacting Companies as at report date and confirmation from the Management that same would not change prior to implementation of the Scheme;
- Key terms of RPS and OCRPS proposed to be issued by the Resulting Company as a consideration for the Proposed Demerger including nature of instrument, dividend rate, redemption terms, conversion terms, tenure etc.;
- Draft Scheme of Arrangement between the Transacting Companies pursuant to which the Proposed Demerger is to be undertaken; and
- Discussions and correspondence with the Management in connection with business operations, past trends, proposed future business plans and prospects of Transacting Companies/ Retail Business;

#### **B. Industry and economy information:**

- Information available in public domain and databases such as CapIQ, NSE, etc.; and
- Such other information and documents as provided by the Management for the purpose of this engagement.

Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

We have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Management.

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## **PROCEDURES ADOPTED**

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:

- Discussion with the management to:
  - Understand the business and the fundamental factors that affect the business of Transacting Companies including their earning generating capability including strength, weakness, opportunity and threat analysis and historical financial performance; and
  - Enquire about the historical financial performance, current state of affairs, business plans and future performance estimates;
- Considered unaudited provisional carve out financial statement of Retail Business of MRPL for eight months period ended 30 November 2024;
- Considered unaudited provisional financial statement of VBRPL for eight months period ended 30 November 2024;
- Considered audited financial statements of MRPL and VBRPL for the financial year ended 31 March 2024 ('FY24');
- Considered financial projections of Retail Business of MRPL from 01 April 2024 to 31 March 2029 ('Management Projections') which represents the Management best estimate of the future financial performance of Retail Business of MRPL;
- Considered shareholding pattern of Transacting Companies as at the report date and confirmation from the Management that same would not change prior to implementation of the Scheme;
- Considered the copy of Draft Scheme of Arrangement;
- Considered the key terms of RPS and OCRPS proposed to be issued by the Resulting Company as a consideration for the Proposed Demerger including nature of instrument, dividend rate, redemption terms, conversion terms, tenure etc.;
- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Selection of appropriate internationally accepted valuation methodology / (ies) after deliberations and consideration to sector in which retail Business of MRPL operate and analysis of its business operations and terms of RPS and OCRPS proposed to be issued as a consideration for the Proposed Demerger;
- Arrived at the fair valuation of Retail Business of MRPL using the method/(s) considered appropriate;
- Arrived at the fair share entitlement ratio for the Proposed Demerger after considering the terms of RPS and OCRPS proposed to be issued by VBRPL as a consideration for Proposed Demerger.





## COMPANY, SECURITY AND FINANCIAL OVERVIEW

Megashop Retail Private Limited ('MRPL' or 'Demerged Company') is primarily engaged in the business of retailing apparels, accessories, general merchandise, etc ('Retail Business'). In addition to this Demerged Company is also engaged in B2B vertical dealing in apparels, accessories, etc ('Remaining Business').

The Retail Business currently maintains a retail presence through a network of 29 stores. It caters to middle-class families in Tier 2, Tier 3, and Tier 4 towns across North and East India, offering a carefully curated selection of good-quality goods.

### Financial Overview

Snapshot of the unaudited provisional carve out financial statements for eight months period ended 30 November 2024 of Retail Business of MRPL is set out below:

| Balance sheet as at                                    |                        | Profit and loss statement for the period ended |                        |
|--|------------------------|--|------------------------|
| INR in Million   |                        | INR in Million                                 |                        |
| Particulars  | 30-Nov-24<br>Unaudited | Particulars                                    | 30-Nov-24<br>Unaudited |
| <b>Assets</b>  |                        | Revenue from operations                        | 987.7                  |
| <b>Non-current assets</b>                              |                        | <b>Total revenue</b>                           | <b>987.7</b>           |
| Fixed assets   | 141.7                  | <b>Expenses</b>                                |                        |
| Goodwill   | 7.8                    | Cost of material consumed                      | (661.3)                |
| Long term loans and advances                           | 28.3                   | Employee benefit expenses                      | (105.6)                |
| Other non current assets                               | 10.2                   | Other operating expenses                       | (179.2)                |
| <b>Current assets</b>                                  |                        | <b>EBITDA</b>                                  | <b>41.6</b>            |
| Inventories  | 501.7                  | Depreciation and amortisation                  | (10.8)                 |
| Cash and cash equivalents                              | 13.8                   | <b>EBIT</b>                                    | <b>30.8</b>            |
| Other current assets                                   | 51.8                   | Finance costs                                  | (15.4)                 |
| <b>Total assets (A)</b>                                | <b>755.3</b>           | Other non-operating income                     | 3.2                    |
| <b>Liabilities</b>                                     |                        | <b>PBT</b>                                     | <b>18.6</b>            |
| <b>Non-current liabilities</b>                         |                        | Tax expense                                    | (3.9)                  |
| Long term borrowings                                   | 45.5                   | <b>PAT</b>                                     | <b>14.6</b>            |
| Deferred tax liabilities                               | 2.6                    |  |                        |
| <b>Current liabilities</b>                             |                        |  |                        |
| Short term borrowings                                  | 50.4                   |  |                        |
| Trade payables   | 556.6                  |  |                        |
| Other current liabilities                              | 41.3                   |  |                        |
| <b>Total liabilities (B)</b>                           | <b>696.4</b>           |  |                        |
| <b>Excess of assets over liabilities [(C)=(A)-(B)]</b> | <b>58.9</b>            |  |                        |

### Shareholding Pattern

The equity shareholding pattern of MRPL as the Valuation Date is set out below:

| Name of the shareholder          | No of shares<br>(Face Value of INR 10/- each) | Percentage<br>% |
|----------------------------------|---|-----------------|
| Govind Singh                     | 3,19,500                                      | 39.1%           |
| Sunil Kumar Gupta                | 3,19,500                                      | 39.1%           |
| V- Bazaar Retail Private Limited | 1,06,952                                      | 13.1%           |
| Abhishek Jatia                   | 71,000  | 8.7%            |
| <b>Total Equity Shares</b>       | <b>8,16,952</b>                               | <b>100.0%</b>   |





V-Bazaar Retail Private Limited ('VBRPL' or 'Resulting Company') is engaged in the business of "Value Retailing", offering apparels, accessories and other products through the chain of stores situated at various cities in India. VBRPL currently operates through 99 stores with a retail space of ~7 Lakh sq. ft. spanning across 7 states.

### Financial Overview

Snapshot of the unaudited provisional financial statements for eight months period ended 30 November 2024 and audited financial statements for the financial year ended 31 March 2024 ('FY24') of VBRPL is set out below:

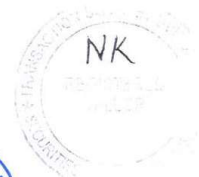
| Balance sheet as at                 |                |                | Profit and loss statement for the period / year ended |           |           |
|-------------------------------------|----------------|----------------|---|-----------|-----------|
| INR in Million                      |                |                | INR in Million  |           |           |
| Particulars                         | 30-Nov-24      | 31-Mar-24      | Particulars   | 30-Nov-24 | 31-Mar-24 |
|                                     | Unaudited      | Audited        |   | Unaudited | Audited   |
| <b>Assets</b>                       |                |                |   |           |           |
| <b>Non-current assets</b>           |                |                |   |           |           |
| Fixed assets                        | 635.8          | 607.2          | Revenue from operations                               | 3,268.5   | 3,598.3   |
| Long term loans and advances        | 17.7           | 7.2            | Total revenue   | 3,268.5   | 3,598.3   |
| Other non current assets            | 89.7           | 56.9           | <b>Expenses</b>                                       |           |           |
| <b>Current assets</b>               |                |                |   |           |           |
| Inventories                         | 1,562.5        | 1,655.5        | Cost of material consumed                             | (2,386.3) | (2,419.9) |
| Trade receivables                   | 511.0          | 0.4            | Employee benefit expenses                             | (316.2)   | (433.9)   |
| Cash and cash equivalents           | 9.4            | 35.5           | Other operating expenses                              | (561.6)   | (712.3)   |
| Other current assets                | 85.3           | 107.6          | <b>EBITDA</b>   |           |           |
| <b>Total assets</b>                 | <b>2,911.4</b> | <b>2,470.4</b> | EBITDA  | 4.5       | 32.3      |
| <b>Equity and liabilities</b>       |                |                |   |           |           |
| <b>Shareholder's funds</b>          |                |                |   |           |           |
| Share capital                       | 244.1          | 244.1          | Depreciation and amortisation                         | (58.4)    | (98.6)    |
| Reserves and surplus                | (428.3)        | (321.7)        | Depreciation on ROU assets                            | -         | -         |
| <b>Non-current liabilities</b>      |                |                |   |           |           |
| Long term borrowings                | 492.8          | 308.9          | <b>EBIT</b>   |           |           |
| Non current lease liabilities       | 150.4          | 150.4          | EBIT  | (54.0)    | (66.3)    |
| <b>Current liabilities</b>          |                |                |   |           |           |
| Short term borrowings               | 370.2          | 310.6          | Finance costs   | (59.8)    | (82.3)    |
| Trade payables                      | 1,920.6        | 1,603.1        | Other non-operating income                            | 7.3       | 3.6       |
| Other current liabilities           | 161.6          | 175.0          | <b>PBT</b>  |           |           |
| <b>Total equity and liabilities</b> | <b>2,911.4</b> | <b>2,470.4</b> | PBT   | (106.6)   | (145.1)   |
|                                     |                |                | Tax expense   | -         | -         |
|                                     |                |                | <b>PAT</b>  |           |           |
|                                     |                |                | PAT   | (106.6)   | (145.1)   |

### Shareholding Pattern

The equity shareholding pattern of VBRPL as at the Valuation Date is set out below:

| Name of the shareholder    | No of shares<br>(Face Value of INR 10/- each) | Percentage<br>% |
|----------------------------|---|-----------------|
| Hemant Agarwal             | 1,32,92,634                                   | 54.5%           |
| Hemant Agarwal HUF         | 41,39,199                                     | 17.0%           |
| Smiti Agarwal              | 34,42,900                                     | 14.1%           |
| Raghav Agarwal             | 25,01,763                                     | 10.2%           |
| Rahul Jhunjhunwala         | 4,64,584                                      | 1.9%            |
| Others                     | 5,68,017                                      | 2.3%            |
| <b>Total Equity Shares</b> | <b>2,44,09,097</b>                            | <b>100.0%</b>   |

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## Security Overview

### 1) Key terms of Series A RPS proposed to issued by VBRPL:

| Particulars      |   |
|------------------|---|
| Nature           | Non-Cumulative, Non-Participating, Non-Convertible Redeemable Preference Shares ('RPS') |
| Face Value       | INR 10/- each   |
| Rate of Dividend | 0.0001%   |
| Redemption       | Any time after issuance of such shares at the option of holder                          |
| Redemption Price | INR 10/- per share (redeemable at par)  |

### 2) Key terms of Series B RPS proposed to issued by VBRPL:

| Particulars      |  |
|------------------|--|
| Nature           | Non-Cumulative, Non-Participating, Non-Convertible Redeemable Preference Shares ('RPS')                |
| Face Value       | INR 10/- each  |
| Rate of Dividend | 0.0001%  |
| Redemption       | Redemption at the option of VBRPL on or before 30 October 2026 and thereafter at the option of holder. |
| Redemption Price | INR 28.2/- per share   |

### 3) Key terms of OCRPS proposed to issued by VBRPL:

| Particulars      |  |
|------------------|--|
| Nature           | Optionally Convertible and Redeemable Preference Shares ('OCRPS')  |
| Face Value       | INR 10/- each  |
| Conversion Terms | i) Holder has an option to convert OCRPS on occurrence of Liquidity Event (i.e., a fund raise of at least INR 500.0 Million or an initial public offering of shares of VBRPL) at an Applicable Discount on per share value of VBRPL.<br>Applicable discount shall mean the following:<br>1) 10% of pre-money valuation of such round, if Liquidity Event occurs between February 01, 2025 to January 31, 2026; or<br>2) 15% of pre-money valuation of such round, if Liquidity Event occurs between February 01, 2026 to January 31, 2027; or<br>3) 20% of pre-money valuation of such round, if Liquidity Event occurs between February 01, 2027 to March 31, 2028.<br>ii) In case the Liquidity Event does not occur, OCRPS can be converted anytime at option of holder at it's the then fair value determined by an Independent Registered Valuer. |
| Redemption Terms | If Liquidity Event does not occur till March 31, 2028, VBRPL shall redeem the OCRPS at face value i.e. INR 10/- per share at the option of shareholders.   |

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## **VALUATION APPROACHES**

### **Basis and Premise of Valuation**

For the purpose of determining the share entitlement ratio for the Proposed Demerger, valuation of the Retail Business of MRPL, along with RPS and OCRPS proposed to be issued by VBRPL as on the Valuation Date is carried out in accordance with ICAI Valuation Standards ("ICAI VS"), considering 'Fair Value' base and 'going concern value' premise. Any change in the valuation base, or the valuation premise could have a significant impact on the valuation outcome of the Company.

### **Basis of Valuation**

It means the indication of the type of value being used in an engagement. Fair Value as per ICAI VS is defined as under: "Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the valuation date."

### **Premise of Value**

Premise of Value refers to the conditions and circumstances of how an asset is deployed. Valuation of the Company is carried out on a going concern value premise which is defined under ICAI VS as under:

"Going concern value is the value of a business enterprise that is expected to continue to operate in the future. The intangible elements of going concern value result from factors such as having a trained work force, an operational plant, the necessary licenses, systems, and procedures in place, etc."

It is pertinent to note that the valuation of any business/company or its assets is inherently imprecise and is subject to various uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions considering inter-alia dependency and financial assistance from existing shareholders and general business and economic conditions, many of which are beyond the control of the company. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the business, and other factors which generally influence the valuation of the company, its business and assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purpose, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

The following are commonly used and accepted methods for determining the fair value of business:

1. Asset Approach – Net Asset Value method
2. Market Approach:
  - a) Market Price method
  - b) Comparable Companies Market Multiple method
3. Income Approach – Discounted cash flow method

We have considered the following commonly used and accepted methods for determining the fair value of Retail Business of MRPL along with RPS and OCRPS of VBRPL proposed to be issued as consideration for Proposed Demerger, for the purpose of recommending the share entitlement ratio to the extent relevant and applicable:





### 1. Asset Approach - Net Asset Value Method ('NAV')

The asset-based value analysis 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. This methodology is likely to be appropriate for a business which derives value mainly from the underlying value of its assets rather than its earnings. This value analysis approach may also be used in cases where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in cases where the assets base dominates earnings capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

*Retail Business of MRPL presently operates as a going concern and would continue to do so for the foreseeable future and NAV does not value the future profit generating ability of the business. We have therefore not used NAV method to arrive at the fair value of Retail Business of MRPL.*

### 2. Market Approach

#### a) Market Price Method

The market price of an equity shares as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

*Retail Business of MRPL does not have an independent quoted market price, we have therefore not used this method to arrive at the fair value of Retail Business of MRPL.*

#### b) Comparable Companies' Multiple (CCM) / Comparable Transaction Method (CTM)

Under CCM, the value of shares/ business of a company is determined based on market multiples of publicly traded comparable companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. CCM applies multiples derived from similar or 'comparable' publicly traded companies. Although no two companies are entirely alike, the companies selected as comparable companies should be engaged in the same or a similar line of business as the subject company. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

*Based on our discussion with the Management we understand that there are no comparable listed companies which operates in similar line of business and have operating/ financial metrics similar to that of Retail Business of MRPL, we have therefore not used CCM Method.*

Under CTM, the value of shares/ business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

*Based on our analysis and discussion with the Management, we understand that there are no recent comparable transactions, data of which is available in public domain, involving companies of similar nature and having a similar operating/ financial metrics as that of Retail Business of MRPL, we have therefore not used CTM method*

### 3. Income Approach- Discounted Cash Flows Method ('DCF')

DCF method values a business based upon the available cash flow a prudent investor would expect the subject business to generate over a given period of time. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount rate. Free cash flows are the cash flows expected to be generated by the company that are available to equity shareholders of the company. The terminal value represents





the total value of the available cash flow for all periods subsequent to the explicit forecast period. The terminal value of the business at the end of the forecast period is estimated and discounted to its equivalent present value and added to the present value of the explicit forecast period cash flow to estimate the value of the business.

The projected free cash flows to capital providers over the explicit forecast period and terminal value are discounted using the weighted average cost of capital ('WACC'). The sum of the discounted value of such free cash flows to firm is the value of the business attributable to capital providers.

Using the DCF analysis involves determining the following:

**Estimating future cash flows:**

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of capital i.e. both debt and equity.

**Appropriate discount rate to be applied to cash flows i.e., the weighted average cost of capital ('WACC')**

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and lenders), weighted by their relative contribution to the total capital of a company/ business. The opportunity cost to the capital providers equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

To arrive at the total value attributable to the equity shareholders of the business, value arrived after discounting free cash flows to firm by the DCF method for a company is adjusted for the value of loans, cash, inflow on exercise of options, non-operating assets/liabilities (e.g. fair value of investments, any contingent liabilities, etc.). The total value for equity shareholders is then divided by the total number of equity shares (on fully diluted basis) to arrive at the value per equity share of a company.

For the purpose of undertaking the DCF value analysis, the free cashflows are based on projections and other information that are provided by the management.

*Retail Business of MRPL is profit making and generates surplus cash, going forward as well Retail Business of MRPL is expected to make profits and generate surplus cash, we have therefore used DCF method which is one of the most commonly used and internationally accepted pricing methodology for valuing such business.*

*Refer Annexure 2 for detailed valuation working including key assumptions underlying the DCF valuation workings.*

*Series B Redeemable Preference Shares proposed to be issued by VBRPL derives its value from the underlying cashflows i.e. dividend during the duration that they are outstanding and redemption amount at the end of redemption period, we have therefore used this method to arrive at the fair value of the Series B RPS to be issued by VBRPL.*

*Based on review of terms of Optionally Convertible Redeemable Preference Shares ('OCRPS') proposed to be issued by VBRPL, we understand that OCRPS provides a combination of fixed benefit on conversion and fixed redemption value. We have therefore used this method to arrive at fair value of OCRPS proposed to be issued by VBRPL.*

*Refer Annexure 3 & 4 for detailed valuation workings including key assumptions underlying the RPS and OCRPS valuation workings respectively.*



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## **RECOMMENDATION OF FAIR SHARE ENTITLEMENT RATIO FOR THE PROPOSED DEMERGER OF RETAIL BUSINESS FROM MRPL INTO VBRPL:**

As a consideration for the Proposed Demerger, the equity shareholders of MRPL (except VBRPL) will be issued:

- a) 58,00,000 Series A Redeemable Preference Shares and 50,00,000 Series B Redeemable Preference Shares of VBRPL in their respective proportionate shareholding (excluding VBRPL shareholding) in MRPL; and
- b) Balance consideration by way of issue of Optionally Convertible Redeemable Preference Shares ('OCRPS') of VBRPL in the share entitlement ratio as determined by the Board of Directors on the basis of share entitlement ratio.

For the purpose of arriving at fair share entitlement ratio for OCRPS proposed to issued to equity shareholders of MRPL (except VBRPL), we have determined the fair value of Retail Business attributable to equity shareholders of MRPL (except VBRPL) (Refer Annexure 2 for detailed working).

As mentioned above, fair value of Retail Business of MRPL attributable to shareholders of MRPL (except VBRPL) will be discharged partly by way of issue of 58,00,000 Series A RPS; 50,00,000 Series B RPS (Refer Annexure 3 for fair value workings of Series A RPS and Series B RPS) and balance by issue of OCRPS (Refer Annexure 4 for detailed workings).

We have determined the share entitlement ratio for OCRPS proposed to be issued as balance consideration, based on fair value of OCRPS and balance consideration to be discharged by issue of OCRPS. Refer Annexure-1 for detailed share entitlement ratio workings.

### **CONCLUSION**

In light of the above and on a consideration of all the relevant factors and circumstances and subject to the scope, limitations and assumptions described in this report and the engagement letter, we recommend the following share entitlement ratio:

To equity shareholders of MRPL (except VBRPL):

*"58,00,000 (Fifty Eight Lakh) Series A RPS of VBRPL having a face value of INR 10 each fully paid up shall be issued to shareholders of MRPL (except VBRPL) in their respective proportionate shareholding in MRPL (except VBRPL) as at the Valuation Date".*

*"50,00,000 (Fifty Lakh) Series B RPS of VBRPL having a face value of INR 10 each fully paid up shall be issued to shareholders of MRPL (except VBRPL) in their respective proportionate shareholding in MRPL (except VBRPL) as at the Valuation Date".*

*"2,17,606 (Two lakh seventeen thousand six hundred and six) OCRPS of VBRPL having a face value of INR 10 each fully paid up shall be issued for every 10,000 (Ten thousand) equity share held by shareholders (except VBRPL) in MRPL having face value of INR 10 each fully paid up".*

Respectfully submitted,



**Transaction Square Advisory LLP**

Registered Valuer - Securities or Financial Assets

IBBI Registration Number – IBBI/RV-E/06/2018/10137

**Niranjana Kumar**

Partner

IBBI Registration Number – IBBI/RV/06/2018/10137

UDIN: 25121635BMNUNW3654



Date: 25 February 2025



## **SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS**

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us.

This Report, its contents and the results herein are specific and subject to:

- the purpose of valuation agreed as per the terms of this engagement;
- the date of this report and Valuation Date;
- shareholding pattern of Transacting Companies as at the Valuation Date;
- unaudited provisional carve out financial statement of Retail Business of MRPL for the eight months period ended 30 November 2024;
- details of consideration to be discharged for Proposed Demerger to the shareholders of MRPL (except VBRPL) by issue of RPS and OCRPS;
- terms of RPS and OCRPS proposed to be issued by VBRPL including nature of instrument dividend rate, redemption terms, conversion terms, tenure etc., as provided by the Management;
- realization of cash flow projections as provided by the Management for Retail Business of MRPL and the assumptions underlying the financial projections; and
- draft Scheme of Arrangement; and
- data detailed in the section – Sources of information

A value analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular. It is based on information made available to us as of the date of this report, events occurring after that 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.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the valuer and judgment taking into account the relevant factors. There will always be several factors e.g. Management capability, present and prospective yield on comparable securities, market sentiment etc., which are not evident on the face of the financial statements, but which will strongly influence the fair value of Retail Business of MRPL, Series A RPS, Series B RPS and OCRPS.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by the Management till the date of this Report and other sources, and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

The determination of fair value for arriving a share entitlement ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single fair value. While we have provided our recommendation of the share entitlement ratio for Proposed Demerger based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion.

In the course of our analysis, we were provided with both written and verbal information, by the Management as detailed in the section- Sources of Information.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification of,

- the accuracy of information made available to us by the Management which formed a substantial basis for this Report; and
- the accuracy of information that was publicly available.



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We have not carried out a due diligence or audit or review of the Transacting Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided.

We are not legal or regulatory advisors with respect to legal and regulatory matters for the Proposed Demerger. We do not express any form of assurance that the financial information or other information as prepared and provided by the Management of the Transacting Companies is accurate. Also, with respect to explanations and information sought from the Management, we have been given to understand by the Management that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

Our conclusions are based on these assumptions and information given by/ on behalf of the Management. The Management of the Transacting Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our recommendation. Accordingly, we assume no responsibility for any errors in the information furnished by the Management and their impact on the Report. Also, we assume no responsibility for technical information (if any) furnished by the Management. However, nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the Report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The Report assumes that the Transacting Companies comply fully with relevant laws and regulations applicable in all its areas of operations and that the Transacting Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration on to matters of a legal nature, including issues of legal title and compliance with local laws and litigation and other contingent liabilities that are not represented to us by the Management.

This Report does not look into the business/ commercial reasons behind the Proposed Demerger nor the likely benefits arising out of the same. Similarly, the Report does not address the relative merits of the Proposed Demerger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This Report is restricted to recommendation of share entitlement ratio for the Proposed Demerger only.

Certain terms of the Proposed Demerger are stated in our Report, however the detailed terms of the Proposed Demerger shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the Proposed Demerger. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the Scheme document.

We would like to emphasize that as a part of Scheme, Retail Business of MRPL will be demerged into VBRPL. Based on discussion with the Management and review of the Scheme, we understand that as consideration for Proposed Demerger to the equity shareholders of MRPL (except VBRPL), VBRPL will issue 58,00,000 Series A RPS; 50,00,000 Series B RPS and OCRPS.

Accordingly, we have computed the fair value of Retail Business attributable to shareholders of MRPL (except VBRPL) and further adjusted for part consideration proposed to be discharged by issue of Series A RPS and Series B RPS (i.e. fair value of Series A RPS and Series B RPS) to arrive at balance consideration to be discharged by way of issue of OCRPS. We have arrived at share entitlement ratio for OCRPS after taking into cognizance aforesaid balance consideration to be discharged by OCRPS and fair value per OCRPS.

We would like to emphasize that the latest carve out financials of Retail Business as at the Valuation Date were not provided by the Management for our value analysis, however, the Management has represented that they do not expect significant changes in the net asset position between 30





November 2024 and the Valuation Date. We have therefore considered the financials as at 30 November 2024 for the purpose of our value analysis.

The fee for the Engagement is not contingent upon the results reported.

We owe responsibility only to the Management of the Transacting Companies, who have appointed us, and nobody else. We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion. In no circumstance shall the liability of Transaction Square exceed the amount as agreed in our Engagement Letter.

This share entitlement ratio report is subject to the laws of India.

Neither the 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, other than in connection with the purpose of recommending the share entitlement ratio for the Proposed Demerger and relevant filings with the statutory authorities with respect to the Proposed Demerger, without our prior written consent.

We do not have any financial interest in the Client, nor do we have any conflict of interest in carrying out this valuation. We further state that we are not related to the Company or their promoters, if any or their directors or their relatives. Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation.

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**Annexure 1**

**Summary of share entitlement ratio:**

INR in Million

| Particulars  | Annexure   |              |
|--|------------|--------------|
| Fair value of Retail Business of MRPL attributable to equity shareholders (except VBRPL) of MRPL | Annexure 2 | 313.7        |
| <b>Adjusted for:</b>   |            |              |
| Fair value of Series A RPS*  | Annexure 3 | (56.0)       |
| Fair value of Series B RPS*  | Annexure 3 | (113.2)      |
| <b>Balance consideration to be discharged by way of issue of OCRPS of VBRPL</b>                  |            | <b>142.5</b> |
| No. of shares (except shares held by VBRPL)  |            | 7,10,000     |
| <b>Fair value per share for the proposed issuance of OCRPS</b>                                   |            | <b>200.7</b> |

\*Series A and Series B RPS proposed to be issued by VBRPL as part consideration (as envisaged in the Scheme)

| Company                         | Demerged Company / Resulting Company | Annexure   | Fair value per share for the proposed issuance of OCRPS | Fair value per OCRPS | Recommended Share Entitlement ratio (Number of OCRPS to be issued for every 10,000 equity shares of Demerged Company) |
|---------------------------------|--------------------------------------|------------|---|----------------------|---|
| V Bazaar Retail Private Limited | Resulting Company                    | Annexure 4 | -   | 9.2                  |   |
| Megashop Retail Private Limited | Demerged Company                     | Annexure 2 | 200.7   |                      | 2,17,606  |

Note: Suitable rounding has been carried out while arriving at the above-mentioned share entitlement ratio.

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## Annexure 2:

### Retail Business of Megashop Retail Private Limited ('MRPL' or 'Demerged Company')

#### Valuation Methodology adopted: Discounted Cash Flow (DCF) Method

The value analysis of Retail Business of MRPL as at the Valuation Date has been carried out on a going concern basis. In our fair value analysis, we have used DCF method based on the cash flow projections provided to us by the Management ('Management Projections') and have relied on the unaudited provisional carve out financial statements for the eight months period ended 30 November 2024.

The Free Cash Flow to Firm ('FCFF') method has been used to determine the enterprise value of the of Retail Business of MRPL. The FCFF method involves an estimation of post-tax, free cash flows over the forecast period after considering the entity's requirements for reinvestment in terms of capital expenditure, incremental working capital as well as project specific needs. The free cash flows represent the cash available for repayment to lenders and distribution to the equity shareholders of the business.

The free cash flows to firm are discounted by the weighted average cost of capital (WACC) to arrive at the enterprise value of Retail Business of MRPL. The WACC represents the returns required by the investors of debt and equity weighed to their relative funding in the entity. The returns expected would depend upon the perceived level of risk associated with the business of the Company and the industry in which the company operates.

For arriving at the enterprise value of Retail Business of MRPL, we have relied on the Management projections for the period from 01 April 2024 to 31 March 2029, as prepared and provided to us by the Management (as set out in subsequent pages). We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability of the assumptions underlying the Management Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us during the course of this engagement.

We would like to emphasize that the latest carve out financials of Retail Business of MRPL as at the Valuation Date were not provided by the Management for our value analysis, however the Management has represented that they do not expect significant changes in the net asset position between 30 November 2024 and the Valuation Date. We have therefore considered the financials as at 30 November 2024 for the purpose of our value analysis.

Further, we have adjusted the actual performance for the eight months period ended 30 November 2024 from the annual estimate of FY25 in order to arrive at the projected cash flow for the remaining four months period from 01 December 2024 to 31 March 2025 ('PE25').

Since the valuation analysis is based on the unaudited provisional carve out financial statements for the eight months period ended 30 November 2024 and the valuation is being conducted in January 2025, the fair value of Retail Business arrived at using DCF Method has been adjusted for returns that would have been earned during stub period i.e. period beginning from 01 December 2024 and ending on 31 January 2025 (~62 days), which is calculated at WACC applicable to Retail Business of MRPL.



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The projected free cash flows based on these financial projections is set out below:

| INR in Million                                    |                |             |             |             |              |              |
|---|----------------|-------------|-------------|-------------|--------------|--------------|
| Particulars                                       | PE25*          | FY26        | FY27        | FY28        | FY29         | Terminal     |
| <b>EBITDA</b>                                     | <b>5.4</b>     | <b>63.9</b> | <b>80.6</b> | <b>99.5</b> | <b>120.6</b> | <b>126.7</b> |
| Depreciation and amortisation                     | (5.5)          | (19.6)      | (23.9)      | (28.4)      | (33.1)       | (34.7)       |
| <b>EBIT</b>                                       | <b>(0.0)</b>   | <b>44.3</b> | <b>56.7</b> | <b>71.0</b> | <b>87.6</b>  | <b>91.9</b>  |
| Tax expense                                       | (4.7)          | (12.0)      | (16.4)      | (21.3)      | (26.7)       | (23.1)       |
| <b>EBIT (net of tax)</b>                          | <b>(4.7)</b>   | <b>32.3</b> | <b>40.3</b> | <b>49.8</b> | <b>60.9</b>  | <b>68.8</b>  |
| <b>Adjustments for:</b>                           |                |             |             |             |              |              |
| Depreciation and amortisation                     | 5.5            | 19.6        | 23.9        | 28.4        | 33.1         | 34.7         |
| Capital expenditure                               | (13.7)         | (12.1)      | (12.1)      | (12.2)      | (12.2)       | (34.7)       |
| Changes in working capital                        | (124.2)        | (10.6)      | (10.1)      | (11.1)      | (12.1)       | (8.3)        |
| <b>Free Cash Flows of Retail Business of MRPL</b> | <b>(137.2)</b> | <b>29.2</b> | <b>42.0</b> | <b>55.0</b> | <b>69.6</b>  | <b>60.5</b>  |

PE25\*: Four months period ended 31 March 2025

FYXX: Financial year ended 31 March 20XX

### Terminal cash flow (Terminal value)

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated taking into account expected growth rates of the business in future, sustainable capital investments required for the business as well as the estimated growth rate of the industry and economy. The cash flow of FY29 has been used as the base to determine the terminal value.

Based on dynamics of the sector and discussion with the Management, we have assumed a long-term growth rate of 5.0% to calculate the terminal value. The terminal value after discounting has been estimated at INR 431.9 Million.

### Discounting rate

The discount factor considered for arriving at the present value of the FCFF is the WACC, which comprises of cost of debt and cost of equity. The WACC using the above parameters has been estimated at 13.6% (as set out on subsequent pages) after giving appropriate allowances for illiquidity of shares and company specific risks including the risk associated with achieving the financial projections, etc.

Given that cashflows are estimated to accrue evenly over the year, we have used the mid-period discounting convention to discount the cash flows.

### Other Considerations

To arrive at the fair value of Retail Business of MRPL, enterprise value arrived above using DCF Method has been adjusted for the following: -

- Gross debt amounting to **INR 96.6 Million** as at 30 November 2024.
- Debt like items comprising of slump sale consideration payable to Megavalue LLP amounting to **INR 14.0 Million** and provision for tax amounting to **INR 2.4 Million** as at 30 November 2024.
- Surplus assets amounting to **INR 26.5 Million** comprising of cash and cash equivalents, fixed deposits, other advances, accrued interest and insurance claim receivable as at 30 November 2024.





Calculation of fair value of Retail Business of MRPL as at the Valuation date is set out below:

INR in Million

| Particulars   | PE25*   | FY26 | FY27 | FY28 | FY29 | Total  |
|---|---------|------|------|------|------|--------|
| Free Cash Flows of Retail Business of MRPL                                      | (137.2) | 29.2 | 42.0 | 55.0 | 69.6 | 58.5   |
| Discounting factor  | 0.98    | 0.90 | 0.79 | 0.70 | 0.61 |        |
| Discounted cash flows   | (134.3) | 26.2 | 33.3 | 38.3 | 42.7 | 6.2    |
| Terminal value  |         |      |      |      |      | 431.9  |
| Fair value of Retail Business of MRPL as at 30 November 2024                    |         |      |      |      |      | 438.1  |
| Stub factor   |         |      |      |      |      | 1.02   |
| Fair value of Retail Business of MRPL (before adjustments) as at Valuation Date |         |      |      |      |      | 447.5  |
| Adjustments for:  |         |      |      |      |      |        |
| Less: Debt as at 30 November 2024   |         |      |      |      |      | (96.6) |
| Less: Debt like items as at 30 November 2024                                    |         |      |      |      |      | (16.4) |
| Add: Surplus assets as at 30 November 2024                                      |         |      |      |      |      | 26.5   |
| Fair value of Retail Business of MRPL as at Valuation Date                      |         |      |      |      |      | 361.0  |

PE25\*: Four months period ended 31 March 2025  
 FYXX: Financial year ended 31 March 20XX

Calculation of fair value of Retail Business of MRPL attributable to equity shareholders of MRPL (except VBRPL):

INR in Million

| Particulars   |       |
|---|-------|
| Fair value of Retail Business of MRPL as at Valuation Date (A)  | 361.0 |
| Less: Fair value attributable to stake held by VBRPL i.e, 13.1% (B) = [(A)* 13.1%]                    | 47.3  |
| Fair value of Retail Business of MRPL attributable to other equity shareholders of MRPL [(C)=(A)-(B)] | 313.7 |

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Following is the summary of financial projections provided by the Management of MRPL:

**a) Projected Balance Sheet**

INR in Million

| Particulars                         | 31-Mar-25<br>Projected | 31-Mar-26<br>Projected | 31-Mar-27<br>Projected | 31-Mar-28<br>Projected | 31-Mar-29<br>Projected |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Assets</b>                       |                        |                        |                        |                        |                        |
| <b>Non-current assets</b>           |                        |                        |                        |                        |                        |
| Fixed assets                        | 149.9                  | 142.4                  | 130.6                  | 114.3                  | 93.4                   |
| Long term loans and advances        | 30.0                   | 30.0                   | 30.0                   | 30.0                   | 30.0                   |
| Other non current assets            | 10.2                   | 10.2                   | 10.2                   | 10.2                   | 10.2                   |
| <b>Current assets</b>               |                        |                        |                        |                        |                        |
| Inventories                         | 589.6                  | 625.8                  | 642.0                  | 656.0                  | 715.1                  |
| Trade receivables                   | 3.5                    | 1.0                    | 1.1                    | 1.2                    | 1.3                    |
| Cash and cash equivalents           | 157.5                  | 182.9                  | 149.0                  | 208.5                  | 280.5                  |
| Short term loans and advances       | 63.8                   | 71.6                   | 78.1                   | 85.1                   | 92.7                   |
| Other current assets                | 0.8                    | 0.8                    | 0.8                    | 0.8                    | 0.8                    |
| <b>Total assets</b>                 | <b>1,013.0</b>         | <b>1,072.5</b>         | <b>1,049.5</b>         | <b>1,113.9</b>         | <b>1,231.8</b>         |
| <b>Equity and liabilities</b>       |                        |                        |                        |                        |                        |
| <b>Shareholder's funds</b>          |                        |                        |                        |                        |                        |
| Reserves and surplus                | 55.7                   | 66.4                   | 88.5                   | 123.5                  | 170.4                  |
| <b>Non-current liabilities</b>      |                        |                        |                        |                        |                        |
| Long term borrowings                | 45.5                   | 35.5                   | 25.5                   | 15.5                   | -                      |
| Deferred tax liabilities            | 2.6                    | 2.6                    | 2.6                    | 2.6                    | 2.6                    |
| <b>Current liabilities</b>          |                        |                        |                        |                        |                        |
| Short term borrowings               | 345.1                  | 373.1                  | 325.3                  | 354.6                  | 386.5                  |
| Trade payables                      | 524.1                  | 552.2                  | 561.7                  | 568.6                  | 619.7                  |
| Short term provisions               | 20.4                   | 22.1                   | 23.8                   | 25.7                   | 27.8                   |
| Other current liabilities           | 19.6                   | 20.8                   | 22.1                   | 23.4                   | 24.8                   |
| <b>Total equity and liabilities</b> | <b>1,013.0</b>         | <b>1,072.5</b>         | <b>1,049.5</b>         | <b>1,113.9</b>         | <b>1,231.8</b>         |

FYXX: Financial year ended 31 March 20XX

**b) Projected Statement of Profit and Loss**

INR in Million

| Particulars                   | FY25<br>Projected | FY26<br>Projected | FY27<br>Projected | FY28<br>Projected | FY29<br>Projected |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue from operations       | 1,758.1           | 1,975.9           | 2,153.8           | 2,347.6           | 2,558.9           |
| <b>Total revenue</b>          | <b>1,758.1</b>    | <b>1,975.9</b>    | <b>2,153.8</b>    | <b>2,347.6</b>    | <b>2,558.9</b>    |
| <b>Expenses</b>               |                   |                   |                   |                   |                   |
| Cost of goods sold            | (1,195.5)         | (1,343.6)         | (1,464.6)         | (1,596.4)         | (1,740.0)         |
| Employee benefit expenses     | (187.6)           | (208.7)           | (226.3)           | (245.4)           | (266.1)           |
| Other operating expenses      | (328.0)           | (359.7)           | (382.3)           | (406.4)           | (432.1)           |
| <b>EBITDA</b>                 | <b>47.0</b>       | <b>63.9</b>       | <b>80.6</b>       | <b>99.5</b>       | <b>120.6</b>      |
| Depreciation and amortisation | (16.2)            | (19.6)            | (23.9)            | (28.4)            | (33.1)            |
| <b>EBIT</b>                   | <b>30.8</b>       | <b>44.3</b>       | <b>56.7</b>       | <b>71.0</b>       | <b>87.6</b>       |
| Finance cost                  | (24.2)            | (39.8)            | (37.8)            | (35.9)            | (37.7)            |
| Other non-operating income    | 8.8               | 9.9               | 10.8              | 11.7              | 12.8              |
| <b>PBT</b>                    | <b>15.4</b>       | <b>14.4</b>       | <b>29.6</b>       | <b>46.9</b>       | <b>62.6</b>       |
| Tax expense                   | (3.9)             | (3.6)             | (7.4)             | (11.7)            | (15.7)            |
| <b>PAT</b>                    | <b>11.6</b>       | <b>10.8</b>       | <b>22.2</b>       | <b>35.2</b>       | <b>47.0</b>       |

FYXX: Financial year ended 31 March 20XX





**Calculation of Weighted Average Cost of Capital ('WACC') used for the purpose of discounting:**

WACC has been calculated using the below formula:

$$WACC = r_d \cdot (1-t) \cdot D / (D+E) + r_e \cdot E / (D+E);$$

Where 'D' and 'E' represents debt and equity respectively; and "  $r_d \cdot (1-t)$  " represents **cost of debt (post-tax)** and "  $r_e$  " represents **cost of equity**.

The cost of debt (post-tax) has been computed using the formula:

$$r_D (\text{post-tax}) = r_D (\text{pre-tax}) \cdot (1-t)$$

Where  $r_D$  (post-tax) = Cost of debt (post tax);  $r_D$  (pre-tax) = Cost of debt ( pre-tax); t = tax rate applicable to the company

The cost of equity ( $r_e$ ) has been computed using the Capital Asset Pricing Model ('CAPM') formula:

$$r_e = r_f + \beta(r_M - r_f) + \text{company specific risk premium}$$

Where  $r_f$  = Risk free rate;  $r_M$ =Market return;  $\beta$ =Sensitivity to the market/ measure of market risk

**Calculation of WACC**

**i. Calculation of cost of equity using CAPM Model:**

| Particulars  |              |
|--|--------------|
| Risk-free rate (A)   | 6.7%         |
| Equity risk premium (B)  | 7.0%         |
| Relevered beta (C)   | 1.3          |
| <b>Cost of equity before considering company specific risk [(D) = ((A)+(B)*(C))]</b> | <b>15.6%</b> |
| Company specific risk premium (E)  | 2.0%         |
| <b>Adjusted cost of equity to be considered for discounting [(F) = (D)+(E)]</b>      | <b>17.6%</b> |

**ii. Calculation of cost of debt (post-tax):**

| Particulars                                    |             |
|--|-------------|
| Cost of debt pre-tax (A)                       | 10.0%       |
| Tax rate (B)                                   | 25.2%       |
| <b>Cost of debt (post-tax) (C)=(A)*[1-(B)]</b> | <b>7.5%</b> |

**iii. Calculation of WACC:**

| Particulars | Weight | Cost (%) | Weighted cost(%) |
|-------------|--------|----------|------------------|
| Debt        | 39.6%  | 7.5%     | 3.0%             |
| Equity      | 60.4%  | 17.6%    | 10.6%            |
| <b>WACC</b> |        |          | <b>13.6%</b>     |

**Notes:**

- 1) Risk-free rate: Average 1-month daily yield of 10 Year Indian Government Bond.
- 2) Equity risk premium (ERP): Transaction Square Consensus ERP.
- 3) Cost of equity calculated using CAPM formula as mentioned above have been adjusted for various factors such as:

- a) illiquidity of equity shares (i.e., illiquidity risk)
- b) uncertainty associated with future financial projections (i.e., projections risk)

In light of the above we have therefore considered a risk premium of 2.0% to arrive at the adjusted cost of equity.





- 4) Cost of debt: We have been informed by the Management that to fund business operations and working capital requirement of the Company, it will avail loan from the financial institution, which will carry interest rate of 10.0%.
- 5) Calculation of levered beta for the purpose of Cost of Equity:

Levered beta applicable to Retail Business of MRPL is calculated using the below formula:

$$BL = BU * [1 + ((1 - t) \times D/E)]$$

Where BL is levered beta applicable to Retail Business of MRPL; BU is mean of unlevered beta of peer companies; 't' is tax rate applicable to Retail Business of MRPL; and 'D' and 'E' refers to debt and equity respectively.

Unlevered beta of the following companies have been considered to calculate the levered beta applicable to Retail Business of MRPL for arriving at the cost of equity:

| Company                                 | Business Description  | Levered beta | Debt-Equity ratio | Tax rate | Unlevered beta |
|---|---|--------------|-------------------|----------|----------------|
| Aditya Birla Fashion and Retail Limited | Aditya Birla Fashion and Retail Limited designs, manufactures, distributes, and retails fashion apparel and accessories in India and internationally. It operates in two segments, Madura Fashion & Lifestyle, and Pantaloons.  | 0.9          | 0.3               | 25.17%   | 0.7            |
| Shoppers Stop Limited                   | Shoppers Stop Limited engages in the retail of various household and consumer products through retail and departmental stores in India. The company operates Shoppers Stop stores that provide apparels for men, women, and kids.   | 1.1          | 0.7               | 25.17%   | 0.8            |
| V-Mart Retail Limited                   | V-Mart Retail Limited operates a chain of retail departmental stores in India. The company offers casual, formal, ethnic, sports and activewear, and inner wear for men, women and apparel for boys, girls, and infants, as well as inner wear and accessories.                             | 1.2          | 0.2               | 25.17%   | 1.1            |
| V2 Retail Limited                       | V2 Retail Limited engages in the retail trade of apparels and garments, textiles, and accessories in India. The company sells its products under the One Human, Glamora, Godspeed, Herrich, ebellia, No War, and Honey Brats brands.  | 1.6          | 1.1               | 25.17%   | 0.9            |
| Arvind Fashions Limited                 | Arvind Fashions Limited engages in the wholesale and retail trading of garments and accessories in India and internationally. The company provides a portfolio of owned and licensed international brands, such as US Polo, Arrow, Tommy Hilfiger, Flying Machine, Calvin Klein, and other. | 1.3          | 0.9               | 34.94%   | 0.8            |
|   |   |              |                   | Mean     | 0.8            |

Source: CapitalIQ

Calculation of levered beta:

| Particulars                             |       |
|---|-------|
| Unlevered Beta (A)                      | 0.8   |
| Tax rate (B)                            | 25.2% |
| Debt-Equity Ratio (C)                   | 0.7   |
| Re-levered beta [(D)=(A)*{1+[(1-B)*C]}] | 1.3   |

Note: Based on discussion with the Management and after taking into consideration the sector in which it operates, we have considered industry debt equity ratio of 0.7 for arriving at the re-levered beta applicable to Retail Business of MRPL.





### Annexure 3:

#### Valuation of Series A Redeemable Preference Shares and Series B Redeemable Preference Shares proposed to be issued by VBRPL

##### A) Series A Redeemable Preference Shares:

Based on review of Scheme and discussion with the Management, we understand that part of the consideration will be discharged by way of issuing 58,00,000 Series A RPS.

Key terms of Series A RPS proposed to be issued by VBRPL are set out below:

| Particulars      |   |
|------------------|---|
| Nature           | Non-Cumulative, Non-Participating, Non-Convertible Redeemable Preference Shares ('RPS') |
| Face Value       | INR 10/- each   |
| Rate of Dividend | 0.0001%   |
| Redemption       | Any time after issuance of such shares at the option of holder                          |
| Redemption Price | INR 10/- per share (redeemable at par)  |

Based on review of terms, we understand that Series A RPS are redeemable anytime at the option of holder and the dividend payable on the same is negligible. We have therefore assumed that equity shareholders of MRPL (except VBRPL) will immediately avail the redemption option and accordingly the fair value of Series A RPS is equivalent to the redemption value i.e., INR 10 each. Therefore, part consideration to be discharged by way of proposed issuance of Series A RPS amounts to INR 58.0 Million.

##### B) Series B Redeemable Preference Shares:

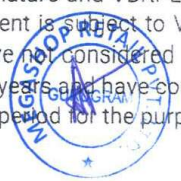
Based on review of Scheme and discussion with the Management, we understand that a part of a consideration will be discharged by way of issuing 50,00,000 Series B RPS.

Key terms of Series B RPS proposed to be issued by VBRPL are set out below:

| Particulars      |  |
|------------------|--|
| Nature           | Non-Cumulative, Non-Participating, Non-Convertible Redeemable Preference Shares ('RPS')                |
| Face Value       | INR 10/- each  |
| Rate of Dividend | 0.0001%  |
| Redemption       | Redemption at the option of VBRPL on or before 30 October 2026 and thereafter at the option of holder. |
| Redemption Price | INR 28.2/- per share   |

As per the terms of issue, the Series B RPS are redeemable at option of VBRPL on or before 30 October 2026 and thereafter holder has an option to redeem the Series B RPS. We have therefore assumed that equity shareholders of MRPL (except VBRPL) will avail the redemption option immediately on 30 October 2026 and accordingly Series B RPS will be redeemed after ~1.7 years from the Valuation Date.

Based on review of terms and discussion with the Management, we understand that dividend is non-cumulative in nature and VBRPL has not paid any dividend till date respectively. Further since the dividend payment is subject to VBRPL generating profit and the discretion of the Management of VBRPL, we have not considered dividend cash inflow during the duration they are outstanding i.e., period of ~1.7 years and have considered only the redemption value i.e. INR 28.2 per RPS at the end of redemption period for the purpose of our value analysis.





We have valued the Series B RPS proposed to be issued by VBRPL using the Discounted Cash Flow ("DCF") Approach which considers the accrual of cash flows during the duration they are outstanding including redemption value at the end of its tenure. These above-mentioned cash flows considered for the purpose of our value analysis are then discounted to its present value using the appropriate discount rate.

The Adjusted discount rate for RPS has been estimated considering inter alia:

- Risk free rate for the redemption period from the date of valuation/ date nearest to the valuation date reflecting the risk as on the Valuation Date.
- Credit spreads of 'BBB - ' rated bonds for the redemption period from the date of valuation/ date nearest to the Valuation Date reflecting the risk as on the Valuation Date. The credit spread has been applied from FIMMDA for a tenor similar to the subject RPS from the Valuation Date. A markup of 25% over the credit spread has been applied as per the FIMMDA guidelines considering that the RPS are not rated, and no corresponding rated bonds or debentures of the issuing entities are rated (Refer Exhibit A).

The fair value of Series B RPS as at the Valuation Date is set out below:

| Amount in INR  |           |             |                  |
|--|-----------|-------------|------------------|
| Payment Dates  | 31-Jan-26 | 31-Oct-26   | Total            |
| <b>Particulars</b>   |           |             |                  |
| Annual dividend payment  | -         | -           | -                |
| Redemption value   | -         | 28.2        | 28.2             |
| <b>Total cashflows</b>   | -         | <b>28.2</b> | <b>28.2</b>      |
| Discounting factor   | 0.88      | 0.80        |                  |
| <b>Discounted cashflows</b>  | -         | <b>22.6</b> | <b>22.6</b>      |
| <b>Fair value per Series B RPS as at Valuation Date</b>  |           |             | <b>22.6</b>      |
| <b>No. of Series B RPS proposed to be issued by VBRPL</b>  |           |             | <b>50,00,000</b> |
| <b>Consideration to be discharged by way of proposed issuance of Series B RPS (INR in Million)</b> |           |             | <b>113.2</b>     |

Adjusted Discount rate:

| Particulars                   | Series B RPS Remarks  |
|-------------------------------|---|
| Risk free rate                | 6.6% As per FBIL  |
| Credit risk premium           | 6.8% Spread for BBB- bonds as per FIMMDA, for the redemption period of subject RPS. |
| <b>Adjusted discount rate</b> | <b>13.4%</b>  |

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**Annexure 4:**

**Valuation of Optionally Convertible Redeemable Preference Shares ('OCRPS') proposed to be issued by VBRPL:**

Based on review of the Scheme and discussion with the Management, we understand that balance consideration (post adjustment for consideration discharged by proposed issuance of Series A RPS and Series B RPS) will be discharged by way of proposed issuance of OCRPS.

Key terms of Optionally Convertible Redeemable Preference Shares ('OCRPS') proposed to be issued by VBRPL are set out below:

| Particulars      |   |
|------------------|---|
| Nature           | Optionally Convertible and Redeemable Preference Shares ('OCRPS')   |
| Face Value       | INR 10/- each   |
| Conversion Terms | i) Holder has an option to convert OCRPS on occurrence of Liquidity Event (i.e., a fund raise or an initial public offering of shares of VBRPL) at an Applicable Discount. Applicable discount on valuation shall mean the following:<br>1) 10% of pre-money valuation of such round, if Liquidity Event occurs between February 01, 2025 to January 31, 2026; or<br>2) 15% of pre-money valuation of such round, if Liquidity Event occurs between February 01, 2026 to January 31, 2027; or<br>3) 20% of pre-money valuation of such round, if Liquidity Event occurs between February 01, 2027 to March 31, 2028.<br>ii) In case the Liquidity Event does not occur, OCRPS can be converted anytime at option of holder at it's the then fair value determined by an Independent Valuer. |
| Redemption Terms | If Liquidity Event does not occur till March 31, 2028, VBRPL shall redeem the OCRPS at face value i.e. INR 10/- per share at the option of shareholders.  |

**Valuation of OCRPS:**

We would like to emphasize that based on terms of OCRPS of VBRPL proposed to be issued for discharge of balance consideration, these OCRPS are entitled to the following:

**A) Conversion Option:**

As per the terms, the holder has an option to convert the OCRPS on occurrence of Liquidity Event at an Applicable Discount. Further, if the Liquidity Event does not occur the holder has option to convert the OCRPS at any time at it's the then fair value determined by an Independent Valuer. Accordingly, we have considered the following four possible conversion scenarios for our valuation analysis:

- i. Liquidity event occurs between February 01, 2025 to January 31, 2026 and OCRPS holder avails the option of converting OCRPS into equity shares of VBRPL at discount of 10% of pre money valuation. Given this, we understand that the conversion price will be 90% of fair value of equity shares at the time of conversion, hence the investor will receive a gross up benefit of 11.1% on face value of INR 10/- per share on conversion of OCRPS into equity shares of VBRPL (Scenario 1).
- ii. Liquidity event occurs between February 01, 2026 to January 31, 2027 and OCRPS holder avails the option of converting OCRPS into equity shares of VBRPL at discount of 15% of pre money valuation. Given this, we understand that the conversion price will be 85% of fair value of equity shares at the time of conversion, hence the investor will receive a gross up benefit of 17.6% on face value of INR 10/- per share on conversion of OCRPS into equity shares of VBRPL (Scenario 2).
- iii. Liquidity event occurs between February 01, 2027 to March 31, 2028 and OCRPS holder avails the option of converting OCRPS into equity shares of VBRPL at discount of 20% of pre money valuation. Given this, we understand that the conversion price will be 80% of fair value of equity shares at the time of conversion, hence the investor will receive a gross up benefit of 25.0% on





face value of INR 10/- per share on conversion of OCRPS into equity shares of VBRPL(Scenario 3).

- iv. OCRPS are converted at any time over the tenure of OCRPS at it's the then fair value as determined by an Independent Registered Valuer. Given that OCRPS are convertible into equity shares at it's the then fair market value, the principal amount of OCRPS i.e. INR 10 is protected irrespective of the underlying equity share and therefore fair value of OCRPS would be equivalent to its face value i.e. INR 10 each (Scenario 4).

For the purpose of arriving at the fair value of OCRPS in the first 3 scenarios, we have discounted the grossed-up per

share value, incorporating the applicable benefit for each year, using the corresponding period's discount rate. Given that conversion under 3 scenarios can happen anytime during the period mentioned for the respective scenario, we have considered mid period discounting convention to discount the gross up value per OCRPS under each scenario.

#### B) Redemption:

As per the terms, OCRPS are redeemable at the option of holder if the Liquidity Event does not occur till 31 March 2028 at Face Value i.e. INR 10/- per share. Hence, we have considered redemption of OCRPS as fifth possible scenario for our value analysis. (Scenario 5)

Based on review of terms and discussion with the Management, we understand that dividend is non-cumulative in nature and VBRPL has not paid any dividend till date respectively. Further since the dividend payment is subject to VBRPL generating profit and the discretion of the Management of VBRPL we have not considered dividend cash inflow during the duration they are outstanding i.e., period of ~3.2 years and have considered only the redemption value i.e. INR 10.0 per OCRPS at the end of redemption period for the purpose of our value analysis.

We have determined the fair value per OCRPS under Scenario 5 i.e. redemption option using the Discounted Cash Flow ('DCF') Approach which considers the accrual of cash flows during the duration they are outstanding including redemption value at the end of its tenure. These above-mentioned cash flows considered for the purpose of our value analysis are then discounted to its present value using the appropriate discount rate.

Based on our discussion with the Management we understand that all the five scenarios have equal probability of happening, hence we have assigned equal weights to all potential scenarios for the purpose of arriving at the fair value per OCRPS as at Valuation Date.

Fair value of OCRPS as at the Valuation Date is set out below:

| Scenario | Scenario   | Period | Face value per OCRPS (A) | Applicable Discount (B) | Gross up value per OCRPS (A)/(1-(B)) | Fair value per OCRPS | Weights | Weighted fair value per OCRPS |
|----------|--|--------|--------------------------|-------------------------|--------------------------------------|----------------------|---------|-------------------------------|
| 1        | Conversion between February 01, 2025 to January 31, 2026 | 1      | 10                       | 10%                     | 11.1                                 | 10.4                 | 20%     | 2.1                           |
| 2        | Conversion between February 01, 2026 to January 31, 2027 | 2      | 10                       | 15%                     | 11.8                                 | 9.7                  | 20%     | 1.9                           |
| 3        | Conversion between February 01, 2027 to March 31, 2028   | 3      | 10                       | 20%                     | 12.5                                 | 9.1                  | 20%     | 1.8                           |
| 5        | Redemption as on March 31, 2028                          | 3      |                          |                         | 10.0                                 | 10.0                 | 20%     | 1.4                           |
| 4        | Conversion any time during the tenure of OCRPS           |        |                          |                         |                                      | 10.0                 | 20%     | 2.0                           |
|          | Fair value per OCRPS as at Valuation Date                |        |                          |                         |                                      |                      |         | 9.2                           |



**Discount rate:**

| Particulars                   | Period (in years) |              |              |              | Remarks   |
|-------------------------------|-------------------|--------------|--------------|--------------|---|
|                               | 0.5               | 1.5          | 2.6          | 3.2          |   |
| Risk free rate                | 6.7%              | 6.6%         | 6.7%         | 6.7%         | As per FBIL   |
| Credit risk premium           | 6.8%              | 6.8%         | 6.6%         | 6.4%         | Spread for 'BBB-' bonds as per FIMMDA for the period considered under each possible scenario. |
| <b>Adjusted discount rate</b> | <b>13.5%</b>      | <b>13.4%</b> | <b>13.3%</b> | <b>13.2%</b> |   |

The Adjusted discount rate for OCRPS has been estimated considering inter alia:

- Risk free rate for the period considered under each possible scenario, reflecting the risk as on the Valuation Date.
- Credit spreads of 'BBB - ' rated bonds for the period considered under each possible scenario, reflecting the risk as on the Valuation Date. The credit spread has been applied from FIMMDA for a tenor similar to the period considered under each possible scenario for subject OCRPS. A markup of 25% over the credit spread has been applied as per the FIMMDA guidelines considering that the OCRPS are not rated, and no corresponding rated bonds or debentures of the issuing entities are rated (Refer Annexure 5).

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## Annexure 5

### Credit Risk Premium

#### Calculation of credit spread for Series B RPS:

- Latest credit ratings of VBRPL are not available. According to FIMMDA methodology for valuation of RPS which are not rated by a rating agency and where no corresponding rated bond of the issuer exists, the spreads of 'BBB-' for residual tenor marked up by 25% will be the applicable credit spreads.
  - Series B RPS of VBRPL are assumed to be redeemed in ~1.7 years from the Valuation Date for the purpose of our valuation analysis.
  - A markup of 25% over the credit spread has been applied as per the FIMMDA guidelines considering that the VBRPL's Series B RPS are not rated, and no corresponding rate bonds or debentures of the issuing entities are rated.
  - According to FIMMDA methodology for valuation of Series B RPS with balance tenor between the Valuation Date and redemption date, credit spreads for such RPS are calculated using linear interpolation of the 1 year and 2 year spreads.
  - Therefore, our calculation of credit spread is as follows:
    - Credit spread of 'BBB-' for period of ~1.7 years i.e. 540 basis points.
    - Markup of 25% on the computed spread i.e. 135 basis points.
- Accordingly, credit spread totals to 675 basis points i.e. 6.8%.

#### Calculation of credit spread for OCRPS:

- Latest credit ratings of VBRPL are not available. According to FIMMDA methodology for valuation of OCRPS which are not rated by a rating agency and where no corresponding rated bond of the issuer exists, the spreads of 'BBB-' for residual tenor marked up by 25% will be the applicable credit spreads.
- Hence, we have calculated the credit spread considering spreads for 'BBB-' rated bonds as published by FIMMDA, for a tenor similar to the period considered under each possible scenario for the subject OCRPS.
- A markup of 25% over the credit spread has been applied as per the FIMMDA guidelines considering that the VBRPL's OCRPS are not rated, and no corresponding rate bonds or debentures of the issuing entities are rated.
- According to FIMMDA methodology for valuation of OCRPS, credit spreads for period under each possible scenario for the subject OCRPS are calculated using linear interpolation of the 0.5 year, 1 year, 2 year and 3 year spreads.
- Therefore, our calculation of credit spread for each period is as follows:

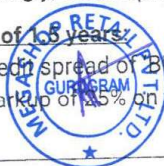
##### Period of 0.5 year:

- Credit spread of 'BBB-' for period of 0.5 year i.e. 543 basis points.
- Markup of 25% on the computed spread i.e. 136 basis points.

Accordingly, credit spread totals to 679 basis points i.e. 6.8%

##### Period of 1.5 years:

- Credit spread of 'BBB-' for period of 1.5 years i.e. 544 basis points.
- Markup of 25% on the computed spread i.e. 136 basis points.





Accordingly, credit spread totals to 680 basis points i.e. 6.8%

**Period of 2.6 years:**

- Credit spread of 'BBB-' for period of 2.6 years i.e. 524 basis points.
- Markup of 25% on the computed spread i.e. 131 basis points.

Accordingly, credit spread totals to 655 basis points i.e. 6.6%

**Period of 3.2 years:**

- Credit spread of 'BBB-' for period of 3.2 years i.e. 515 basis points.
- Markup of 25% on the computed spread i.e. 129 basis points.

Accordingly, credit spread totals to 644 basis points i.e. 6.4%

