REPORT ON EQUITY VALUATION
OF
ADITYA JYOT EYE HOSPITAL PRIVATE LIMITED

Date of Valuation:	**08th Oct 2021**
Date of Valuation Report:	**08th Oct 2021**

Prepared By:
Aditya Chokhra
Chartered Accountant
Registered Valuer – Securities or Financial Assets (SFA)
Registration No. – IBBI / RV / 06 / 2020 / 12719

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To, **Oct 08, 2021**

The Board of Directors,
Dr. Agarwal's Health Care Ltd.,
3rd Floor, Buhari Towers,
No. 4, Moores Road, Off Greams Road,
Chennai, (TN) - 600006

Sub: Certificate from Chartered Accountant indicating value of Equity shares of Aditya Jyot Eye Hospital Pvt. Ltd. as on date.

Dear Sir,

We refer to the request to us by **Dr. Agarwal's Health Care Ltd.** (**'The Acquirer Company'**) for valuation of shares of **Aditya Jyot Eye Hospital Pvt. Ltd.** (the Company) for the purpose of proposed business acquisition transaction.

The shares of the company are valued at **INR 1499.00 Per Share** based on the assumptions and financial projections of the company on consolidated basis. We present the valuation sheet enclosed herewith for your consideration. This valuation certificate is in relation to the information and financial projections provided by the management of the Company.

Thanking You,

Aditya Chokhra
Chartered Accountant

Aditya Chokhra

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Date: 2021.10.16 11:44:53 +05'30'

ICAI M. No. – 405034
Place – Indore
UDIN: 21405034AAAAEF5528

1. Background

Aditya Jyot Eye Hospital Pvt. Ltd. was incorporated on the 03rd Jul 1991 in Mumbai (MH). The Company is engaged in the business of managing and operating super speciality eye care hospitals. It has cutting-edge facilities both for basic and advanced diagnostic tests and surgeries.

2 Purpose of Valuation

The valuation has been carried out on the request of the management of the acquirer company to derive at the fair valuation of the shares of the company as per appointment letter dated 05/10/2021. The information contained herein and our reports are highly confidential. We are not responsible to any person or party for any decision taken by such person or party based on the report. Any person intending to invest/finance the company shall do so after taking own professional advice and carrying out their own due diligence procedure to ensure that they are making a sound decision. It is hereby notified any reproduction of our report for any purpose other than intending purpose can be done only after prior our permission. This valuation has been done as per the DCF Valuation method to arrive at the fair valuation of the shares of the Company.

This report has been issued in accordance with section 247 of Companies Act 2013 and Registered Valuer understands that the purpose of this report is to determine the fair value of equity shares of the Company that will be allotted to the investors in accordance with the requirement of section 62(1)(c) of the Companies Act, 2013.

3 Valuation Date

The Valuation date is 08/10/2021.

4. Scope of work

We are given to understand that the management of the Acquirer Company wants to acquire the Company under share transfer mode.

In this regard Mr. Aditya Chokhra has been requested to submit a report recommending the fair value of the shares of the Company.

The scope of our service is:

Conduct a relative (and not absolute) valuation of the shares of the company.

Therefore, as a pre-requisite for determination of Fair Market value as required under the provisions of The Companies Act, 2013, Mr. Aditya Chokhra (an IBBI Registered Valuer) has been appointed by the Company to determine the fair value of the shares of the Company.

- Registered Valuer has been appointed by the management of the Company to issue a report on the fair valuation of shares of the Company. We understand that the purpose of the said report is to determine the fair value of shares of the company, as on 08th Oct 2021.
- Registered Valuer to value the company as per Valuation rules under the Companies Act 2013.
- Our report on recommendation of fair value of shares is in accordance with International Valuation Standards as per IBBI regulations.

5. Information Sources

For the purpose of this valuation exercise, we have relied on the following sources of information:-

1. Provisional Financial Statements of the Company for the period starting from 01/04/2021 to 30/09/2021.
2. Projected Profit and Loss Statement and Balance Sheet of the Company for the financial years 2021-22 to 2025-26.
3. Discussions with the management and key finance personnel of the Company.
4. Other relevant information provided, whether in oral or physical form or in soft copy.
5. Management financial guidance as provided by the management of the Company.
6. Our discussions from time to time with the management of the company.

7. Beta, Risk Free Rate & Equity Risk Premium Data from open source available on internet.
8. Economy & Industry data and analysis is from websites of various Govt. departments and other sources.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executive and representatives of the Company. It may be mentioned that the Company has been provided opportunity to review the draft report (excluding our valuation analysis and recommendation) for the current job as part of our standard practice to make sure that factual inaccuracies/ omissions are avoided in our report.

6. Standard of Value and Premise of Value

We opine that Fair value of the Shares is the standard of value in the analysis as the company has been in business from past more than two decade.

Here Fair value refers to the, fair value calculated based on projected financial numbers, which reflects future growth aspects of the Company on consolidated basis.

The premise of value is based on going concern value, which is value of a business enterprise that is expected to continue to operate in the future

7. Valuation Methodology

Valuation by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions. There can therefore be no standard formulae to establish an indisuitable value, although certain formulae are helpful in assessing reasonableness.

The international Accounting Standard Board (IASB), which is the independent standard setting body of the IFRS foundation, has set out two internationally accepted valuation methodologies for arriving at the fair value of a share namely, the income approach and the market approach.

Guidance is also available from the Institute of Chartered Accountants of India (ICAI) which has published valuation Standards 2018 and prescribes the approaches for generally accepted valuation methodologies such as the Income approach and the market approach similar to the internationally accepted valuation methodologies.

However, ICAI also allows for a third method which is the asset approach for arriving at the fair value of a share.

For the purpose of determining fair value, a valuer may therefore, use any of the approaches as per the generally / internationally accepted valuation methodologies which in its opinion are most appropriate based on the facts of each valuation. Reliance is placed on the case of Dr. Mrs. Renuka Datla vs. Solvay Pharmaceutical B.V. & Ors on 30th October 2003, in which it was held that, a valuer has to give a justification for selecting or rejecting a method.

The internationally / generally accepted valuation methodologies have been discussed hereinafter, along with the reasons for choice of approach used based on the facts of the company.

Here the valuation has been carried out as per the DCF method of valuation (Income Approach).

Whereby FCFF of the company is derived as per the projections made by the company and the cash flows then discounted back at the Cost of Capital (WACC).

The Discounted Value so derived then again reduced by some % on account of illiquidity of the equity shares of the company.

8. Valuation Approaches

A. Income Approach:

Usually under the Income Based Approach, the methods that maybe applied are Discounted Cash Flow (DCF) Method or the Price Earning Capacity Value (PECV) Method.

Under DCF approach, the future free cash flows of the business are discounted to the valuation date to arrive at the present value of the cash flows of the business or capitalized using a discount rate depending on the capital structure of the company.

This approach also takes into account the value of the business in perpetuity by the calculation of terminal value using the exit multiple method or the perpetuity growth method, whichever is appropriate.

Here the Free Cash Flow to business are discounted at Weighted Average Cost of Capital (WACC), where weighted cost after taking into account of Cost of Equity (based on CAPM Method) and Cost of Debt (Post Tax Interest Cost).

Under PECV method, the average earning on the basis of historical 3 to 5 years are first determined, adjustments and then made for any exceptional transactions or items of nonrecurring nature. The adjusted average earnings are then capitalized at an appropriate rate to arrive at the value of business. The capitalization rate so factored has to be decided depending upon various factors such as the earning trend in the industries, P/E prevailing in the industries etc.

Reason for choice of methodology adopted under the Income Approach:

The DCF method was taken into account as the most suitable method to value and the projections have been made by the management for DCF calculations.

B. Market Approach:

Under this approach the valuation is done on the basis of the quoted market price of the company in case it is a publicly traded company, or publicly traded comparable businesses are reviewed in order to identify a peer group similar to the subject company and then their multiples are applied to the entity being valued to determine the fair value.

Usually under the market based approach, the methods that maybe applied are Market Price Method, Comparable Multiple Method or Precedent Transaction Method by taking into account the various multiple like EV/Sales, EV/EBITDA, P/BV, P/E, Price/Sales can be used to value a business depending upon the facts and circumstances of the cases.

Reason for choice of methodology adopted under the Market Approach:
In the present case, for the application of the Market Approach for the Company is not possible as the Company is a non listed entity & there are no comparable listed entity which is into similar kind of services so applying market method will not be justifiable.

C. Asset Based Approach:

Under this approach, the book value / replaceable value / realizable value of the underlying assets of the company is determined to arrive at the value of the business, depending on the facts and circumstances applicable to a company.
Usually under the asset based approach, the methods that maybe applied are Net Book Value Method, Net Replaceable Value and Net Realizable Value.

Reason for choice of methodology adopted under the Asset Based Approach:
This method has not been used as historical books values may not reflect the proper fair value of the Company.
Hence based on Income Method we have done valuation by applying DCF Method. **The Equity Value of the Company as per Annexure is INR 1499.00 Per Share.**

9. Valuation Assumptions

- ✓ Free Cash flows to Firm are considered for the purpose of valuation.
- ✓ We understand that project will stabilize/normalized by March 2026 and can be considered as a terminal year for the purpose of valuation.
- ✓ Risk Free Rate: The risk free rate is generally based on the returns from long-term government bonds and securities. In a way it depicts a combination of Economic

Growth & Inflation Premium. These returns are used since they represent a very low default risk, are liquid (freely tradable) and include the expected long-term inflation premium. For the purpose of valuation, we have considered the RBI 10 Year G Sec Yield which is 6.21%.

Source:https://m.rbi.org.in/Scripts/BS_NSDPDisplay.aspx?param=4 (dated 26/09/2021)

- ✓ Beta: Unlevered Beta has been taken from market sources and the same has been relevered as per the Debt / Equity ratio of the Company as per the latest consolidated financial statements of the Company. As per the calculation the levered beta of 1.20 has been considered for CAPM method.

  Source:http://people.stern.nyu.edu/adamodar/New_Home_Page/datacurrent.html

- ✓ Company Specific Risk Premium: The CSRP considers the factors such as company profile, competition, financial stability diversity of product lines, perceived risk of achieving projections etc. Accordingly a 5.00% premium has been added to the cost of equity.
- ✓ Cost of Capital: The discounting factor has been taken at 13.61% on the basis of Cost of Equity (19.42%) calculated as per CAPM model and Post Tax Cost Debt (7.11%) as per the provisional financials of the Company on consolidated basis.
- ✓ Equity Risk Premium: Equity Risk Premium is the opportunity cost of the capital over & above the Risk Free Rate on other investments of equivalent risk. The ERP for the Company has been appropriately assumed to be 6.85%.

  Source:http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

- ✓ Nominal (Terminal) growth rate for the terminal period has been considered @ 5.00%.
- ✓ The Company being a private Company, a liquidity discount of 20% is being considered.

10. Scope Limitation

- ✓ We have not made an appraisal or independent valuation of any of the assets or liabilities of the Company and have not conducted an audit or due diligence or reviewed/validated the financial data provided by the management
- ✓ We have by no means carried out any audit or due diligence exercise to verify the financial data pertaining to the Company in terms of both past and current balances sheet and profit & loss account provided to us.
- ✓ We may mention that our scope of work for this exercise did not include technical /financial feasibility or market research' we shall not have any liability for any misunderstanding (express or implied) contained in, or from any omission from, this document or any other written or oral communication transmitted to us for the purpose of this assignment.
- ✓ It should be noted that any estimate contained herein are based on information available at the time of written preparation. Any changes in the external and internal environment could significantly affect our analysis and findings.
- ✓ Realizations of free cash flow forecast used in the analysis will be dependent on the continuing validity of the assumptions on which they are based.
- ✓ The actual market price achieved may be higher or lower than our estimate depending upon the circumstances of the transaction & the nature of the business. The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves have to agree. We also emphasize that our opinion is not the only factor that should be considered by the parties in agreeing the transaction price.
- ✓ An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions

used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

- ✓ The ultimate analysis will have to be tempered by the exercise of judicious discretion by the RV and judgment taking into account the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the face of the Balance Sheet but could strongly influence the value.
- ✓ In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company.
- ✓ We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.
- ✓ Our report is meant for the purpose mentioned above and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.
- ✓ The scope of our work has been limited both in terms of the areas of the businesses and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Report, which might be relevant in the context of the transaction and which a wider scope might uncover.
- ✓ This report contains confidential information that has been provided at your request and the same should not be disclosed or circulated in whole or in part without express written consent of the author of this report.
- ✓ We have relied on the Provisional Balance Sheets & Profit and Loss Accounts for the period of 01/04/2021 to 30/09/2021 along with projected Profit and loss account and cash flows on a year to year basis upto financial year ending 2026 provided to us by the management. The financial projections & forecasts have been prepared &

provided by the management of the company, but we have duly checked the business plan & financial projections of the company. In regards to this, we have used the best possible judgment and estimate to verify the data provided by the management. We have not done any audit of the financial statements provided to us.

- ✓ The Valuation Analysis contained herein is not intended to represent the value at any time other than the date that is specifically stated in this Report. We have no responsibility to update this report for events and circumstances occurring after the date of this Report.
- ✓ 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 the Company.
- ✓ We have carried out the valuation of equity shares based on the discounted cash flow method which emphasize projected earning of the company to calculate the value. It automatically takes care of the value of the assets held by the company, as the earnings are generated from the assets held by the company, hence we have not carried out specific value of the assets of the company.

This report has been prepared solely for the management and Boards of Directors of the Company. This report should not be used for any other purpose.

11. Annexure A

Calculation of Free Cash Flow:

DCF ANALYSIS

Free Cash Flow to Firm

Rs. In Lacs

Particulars		Mar-22	Mar-23	Mar-24	Mar-25	Mar-26
Revenue		1,123.6	1,475.2	1,744.7	2,089.5	2,523.6
EBITDA		325.6	545.1	700.1	887.1	1,130.9
Depreciation and Amortization		62.7	77.4	63.1	65.6	71.1
Interest Expense		76.3	-	-	-	-
PBT		186.6	467.7	637.0	821.6	1,059.8
Less: Taxes on PBT		-	-	160.3	206.8	266.8
PAT		186.6	467.7	476.7	614.8	793.1
Add : Depreciation and Amortization		62.7	77.4	63.1	65.6	71.1
Add: Interest Expense		76.3	-	-	-	-
Less : Change in Working Capital		187.0	19.7	(7.3)	1.2	29.7
Less : Capital Expenditure		-	250.0	100.0	40.0	70.0
Free Cash Flows to Firm (FCFF)		138.6	275.4	447.1	639.2	764.4
Discounting Factor	13.61%	0.94	0.83	0.73	0.64	0.56
Present Value of FCFF		130.01	227.43	324.95	408.92	430.47

Calculation of Terminal Value	
Terminal Year FCFF (Rs. In Lacs)	802.65
Discount Rate	13.61%
Perpetuity Growth Rate	5.00%
Terminal Value	9,320.96
Present value of Terminal Value (Rs. In Lacs)	5,248.86

Calculation of Equity Value	
Valuation Date	08-Oct-2021
Primary Value	1,521.79
Terminal Value	5,248.86
Total Enterprise Value (Rs. In Lacs)	6,770.64
Add: Cash & Cash Equivalents	46.63
Less: Debt at the year end	446.16
Equity Value (Rs. In Lacs)	6,371.11
Discount For Lack of Marketability	20.00%
Total Equity Value (Rs. In Lacs) (Post DLOM)	5,096.89
Total No. of Shares Outstanding	3,40,020
Equity Value Per Share (In Rs.)	1,499.00

Calculation of Discounting Rate:

Assumptions	
Risk Free Rate (Rf)	6.21%
Equity Risk Premium	6.85%
βeta	1.20
Company Risk Premium	5.00%
Cost of Equity (Re)	19.42%
Debt To Capital Employed	47.20%
Cost of Debt (Rd)	9.50%
Tax Rate	25.17%
WACC (Discount Rate)	13.61%
Perpetuity Growth Rate	5.00%
Discount Rate-Perpetuity Growth Rate (Residual Rate)	8.61%

Aditya Chokhra

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Date: 2021.10.16 11:45:41 +05'30'