

Valuation Report:
Rays Power Infra Limited
31st March 2024

Submitted By:
Naveen Agarwal, Registered Valuer (S & FA)
Reg. No.: IBBI/RV/02/2019/12272

NAVEEN AGRAWAL
FCA, ICMA, B.Com
Registered Valuer
Regn. No. IBBI/RV/02/2019/12272

52, A Sindhu Nagar
Murlipura Jaipur Rajasthan – 302039
naveen@thesharevaluation.com
+91 9602666563

To,
The Board of Directors
Rays Power Infra Limited
1st -21 Evershine Mall North Meter Cabin 1,
Malad West Mumbai 400064 India

Ref: Valuation Analysis of Shares to be issued by Rays Power Infra Limited as on 31st March 2024

We refer to the engagement letter issued on 02nd June 2024 to **Rays Power Infra Limited** (“the Company”) for engaging Naveen Agrawal a Registered Valuer for the purpose of assessing the fair value of Shares to be issued by the company. The company is registered under the Companies Act, 2013 with CIN: U40106MH2011PLC267684 having its registered office at 1st -21 Evershine Mall North Meter Cabin 1, Malad West Mumbai 400064 India. The company proposes to issues shares and securities to proposed investors in accordance with the Companies Act, 2013. In this regard company wants to determine value of shares as on 31st March 2024.

We have relied on accuracy and completeness of all the information and explanations provided by the management. Based on the information provided by the management and our analysis, we have arrived at the “Estimated Fair Value” (“Valuation” or “Value”) of the Shares of the Company as at 31st March 2024 (“Valuation date”). Based on our assessment, the Value of the Shares of the company is INR 461.00/-Per Share. The detailed valuation report including calculations and assumptions has been attached in pages to follow.



Naveen Agrawal
(Regn. No. IBBI/RV/02/2019/12272)
Date: 05th June 2024
UDIN: 24426422BKFQGX6832
VRN: IOV/2024-2025/7202

CONTENTS

Scope & Purpose of Valuation.....	4
Date of Appointment.....	4
Valuation Date.....	4
Date of Report.....	4
Background of the Company.....	5
Sources of Information.....	6
Limitations, Assumptions, Qualifications, Exclusions and Disclaimers.....	7
Standard of Value.....	9
Premise of Value.....	9
Valuation Methodology.....	10
Valuation Approach Used.....	12
Key Assumption.....	15
Conclusion.....	16
Annexure: Detail of Valuation.....	17

SCOPE & PURPOSE OF VALUATION

We have been appointed by the company for the purpose of assessing fair value of Shares of the Company as of the Valuation Date in regard to the proposed issue of shares & securities to proposed investors.

The proposed issue of shares and securities would have to comply with the Companies Act 2013

It is our understanding that our valuation analysis will be used by management of the company in their determination of the fair value of shares so as to assist them in complying with above said Companies Act 2013 Compliances.

DATE OF APPOINTMENT:

We have been appointed by the Management of the Company vide letter dated **June 02nd, 2024**.

VALUATION DATE:

The value of the company should be considered as on **March 31st, 2024**.

DATE OF REPORT:

Our valuation report has been submitted on **June 05th, 2024**.

BACKGROUND OF THE COMPANY

Name	Rays Power Infra Limited
CIN	U40106MH2011PLC267684
Date of Incorporation	13/06/2011
Registered Address	1st -21 Evershine Mall North Meter Cabin 1, Malad West Mumbai 400064 India
Directors	Sanjay Garudapally (Din:02329378) Pawan Kumar Sharma (Din: 02590092) Ketan Mehta (Din: 03044292) Akhilesh Kumar Jain (Din: 03466588) Mahendra Kumar Singh (Din: 08989333) Rashmi Bafna (Din: 10326490)

SOURCES OF INFORMATION

In connection with this valuation exercise, we have used and relied the following information about the company received from the management of the company.

- ❖ Un-Audited Consolidated Financials Statement as on 31st March 2024,
- ❖ Management Certified Consolidated Projected Financial Statements for the year Ending, March 2025, March 2026, March 2027, March 2028 & March 2029
- ❖ Representations from the management (written and oral) for the purpose of ascertaining the fair value of Equity Share.
- ❖ Shareholding Pattern of the Company as on 31st March 2024.
- ❖ Other information and documents for the purpose of this engagement.

During the discussion with the Management of the Company, we have also obtained explanations and information considered reasonably necessary for our exercise. The Company has been provided with the opportunity to review the draft report (excluding the recommended valuation) as a part of our standard practice to make sure that factual / omissions are avoided in our final report.

We have relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have considered that the same are not misleading and do not accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Company. Wherever necessary, we have made our own assumptions about the future projections of the company and have made adjustments to the company projections based on our evaluation and understanding. The valuation analysis and result are substantively based only on information contained in this report and are governed by concept of materiality. Please refer to the caveats, limitations and disclaimers mentioned in this report.

LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuers and judgments taking into accounts all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition etc. which are not relevant from the face of the balance sheet but which will strongly influence the valuation of the company.

The valuation of the Company contained herein is not intended to represent 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 valuation date.

Events occurring after the date hereof may effect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

Valuation analysis and its results are specific to the purpose of valuation as mentioned in the section "Purpose". It may not be relevant for any other purpose or entity. This Report is prepared exclusively for the above stated purpose. Neither this report nor its content may be used for any other purpose without our prior written consent.

Our work does not constitute an audit or certification of the historical financial statements and Projected Financials. We cannot and do not express an opinion on the accuracy of any financial information referred to in this report. We have relied on the assumptions made by the management of the company. These assumptions require exercise of judgment and are subject to uncertainties.

The Management of the Company has indicated to us that it has understood that any omissions, inaccuracies or misstatements may materially affect our analysis/results. Accordingly, we assume no responsibility for any errors in the above information furnished by the Management of the Company and their impact on the present valuation exercise.

This report shall at all times be read and interpreted in full, no part of it shall be read independently for any reason whatsoever.

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

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 Management of the Company through broad inquiry, however we have not carried out a due diligence or audit procedures for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided. Through the above evaluation, nothing has come to our attention to indicate that the information provided was materially mis-stated/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 terms of our engagement were such that we were entitled to rely upon the information provided by the Management of the Company without detailed inquiry.

Our engagement is limited to preparing the report to be submitted to the management. We shall not be liable to provide any evidence for any matters stated in the report nor shall we be liable or responsible to provide any explanation or written statement for any assumption, information, methodology or any other matter pertaining to the report.

This report does not look into the business/ commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are achievable.

We owe responsibility to only the management of the Company that has engaged us and nobody else. We do not accept any liability to any third party in relation to this certificate. In any case, our liability to the Company or any third party is limited to be not more than 50% of the amount of the fee received by us from the Company for the engagement.

We hereby certify that the valuer is suitably qualified and authorized to practice as a valuer; and does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the company (including the parties with whom the company is dealing, including the lender or selling agent, if any). The valuer accepts instructions to value the company only from the appointing authority or eligible instructing party.

We are not advisors with respect to legal, tax and regulatory matters for the transaction.

This Valuation report is subject to the laws in India. We have no present or planned future interest in the company or its group companies, if any and the fee payable for this valuation is not contingent upon the value of shares reported herein.

STANDARD OF VALUE

The valuation exercise is aimed at the assessment of the Fair Value of the company. We are required to arrive at the above valuations based on internationally accepted valuation practices. We have used "Fair Market Value" (FMV) as a standard of value for ascertaining the enterprises value.

Fair market value is defined as:

"The price at which property would change hands between a hypothetical able and willing buyer and a hypothetical willing and able seller, acting in arm's length in an open and unrestricted market when neither is under any compulsion to buy or sell and when both have reasonable knowledge of the relevant facts."

As per RICS appraisal Manual, the Fair Value (FV) is defined as *"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."*

Ind AS (113) as well as IFRS 13 defines fair value as *"the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."*

PREMISE OF VALUE

Our Opinion with respect to determination of enterprises value of the company is based on Going Concern.

VALUATION METHODOLOGY

Valuation of a business is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. This exercise may be carried out using various methodologies, the relative emphasis of each often varying with:

- ❖ Whether the entity is listed on a stock exchange
- ❖ Industry to which the company belongs
- ❖ Past track record of the business and the case with which the growth rate in cash flows to perpetuity can be estimated.
- ❖ Extent to which industry and comparable company information is available.

The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the value. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue. These can be broadly categorized as follows:

Asset based

Adjusted Net Assets Value method (NAV)

The Value arrived at under this approach is based on the audited/provisional financial statements of the business and may be defined as Shareholders Funds or Net Assets owned by the business. The Adjusted Net Assets Value of the business is arrived at after making adjustments for the fair value of Assets and Liabilities as on the date of valuation.

Market Based

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

Comparable Company Market Multiple Method

Under this methodology, market multiples of comparable listed companies are computed and applied to the business being valued in order to arrive at a multiple based valuation. The difficulty here is in the selection of a comparable company since it is rare to find two or more companies with the same product portfolio, size, capital structure, business strategy, and profitability and accounting practices.

Whereas no publicly traded company provides an identical match to the operations of a given Company, important information can be drawn from the way comparable enterprises are valued by public markets.

Comparable Transactions Multiple Method

This approach is somewhat similar to the market multiples approach except that the sales and EBITDA multiples of reported transactions in the same industry in the recent past are applied to the sales and EBITDA of the business being valued.

The following are some of the instances where a valuer applies the market approach:

- ❖ Where the asset to be valued or a comparable or identical asset is traded in the active market;
- ❖ There is a recent, orderly transaction in the asset to be valued; or
- ❖ There are recent comparable orderly transactions in identical or comparable asset(s) and information for the same is available and reliable.

Since, the comparable or identical asset is not traded in the active market, market approach has not been considered to value the Investments in the present case.

Income Based

Discounted Cash flow Method (DCF)

Under the DCF Method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital (WACC).

In general, DCF method is a strong and widely accepted valuation tool, as it concentrates on cash generation potential of a business considering that this method is based on future potential and is widely accepted, we have used this approach for the valuation.

VALUATION APPROACH USED

We have valued the Company using Discounted Cash Flow Method, an internationally accepted pricing methodology.

This methodology involves deriving the values of a business by calculating the present value of expected future cash flows. Present value for each expected future benefit stream is arrived at by discounting the discrete future benefit stream by a discount rate representing the opportunity cost of capital. The opportunity cost of capital reflects the degree of risk that the future benefit stream will not be realized. The benefit stream in this case is net cash flow. This is “cash that a business does not have to retain or re-invest in it order to sustain the projected levels of cash flow in future years”. In other words, the owner is at liberty to dispose of this part of the cash flow as he pleases without causing disruption to the ongoing operations of the business.

DCF valuations are dependent upon realization of the underlying projections/forecast and on the continuing validity of the assumptions on which they are based. The assumptions will need to be reviewed and revised to reflect such changes in changing patterns, cost structures or the direction of the business as it emerges. In assessing the discounted cash flows, the value should derive the fair value of the company, using reasonable assumptions and estimations of the expected future cash flows and the terminal value and apply appropriate risk rate.

Steps Involved

- ❖ Analyse Management Forecasted Financial Statements and gather understanding of revenue build up, profit drivers, capital needs and other cash flow impacts.
- ❖ Determine and apply appropriate cost of capital to discount forecasted cash flows.
- ❖ Calculate a terminal value to capture the value of the business beyond the forecasted period

Forecasted Net Cash Flows

The future benefit on which financial analysis and business value most frequently focus on is net cash flow. The financial forecasts presented are included solely to assist in the development of value conclusion presented in this report and they should not be used to obtain credit or for any other purpose.

Developing the Discount Rate

Discount rate reflects the amount of risk associated with a particular investment. In another way, is the required rate of return an investor would require to choose a particular investment and not any other alternative opportunities. The Weighted Average Cost of Capital (WACC) is determined as follows:

$$\text{WACC} = (W_d) (K_d) + (W_e) (K_e) + \text{Small Size Premium} + \text{Limited Liquidity Premium}$$

Where:

W_d = Market Value weight of Debts to Total Capital

K_d = After Tax cost of Debt Capital

W_e = Market Value weight of Equity to Total Capital

K_e = Cost of Equity Capital

Small size Premium = 1%

Limited Liquidity Premium = 1%

Cost of Equity

Since we are valuing an equity interest, the two methods, which are widely used in the market, are Ibbotson build up method and the capital Assets Pricing Model Method. For our valuation purpose, we have used the CAPM Method.

Capital Asset Pricing Model (CAPM) uses following formula and inputs to arrive at an appropriate cost of equity (required return on equity).

The calculation is tabulated below:

Cost of Equity (K_e) = $R_f + b(R_m - R_f)$ adjusted with additional risk if any

Where: R_f = Risk Free Rate of Return = 7.05% [10 Years GOI Bond]

b = Beta = 0.78 [Power Industry]

R_m = Market Rate of Return = 16.26% [Market rate of return is estimated based on consideration of CAGR of BSE Sensex for last 22 years]

$$(K_e) = 14.23\%$$

The result of the foregoing calculations is an indication of the return required by equity investors.

Cost of Debt

Cost of Debt (K_d) is the current average borrowing cost that a market participant would expect to pay to obtain its debt financing assuming the target capital structure.

Determining the Terminal Value

Since Specific forecasts of future net cash flow beyond a foreseeable number of years generally are not meaningful, analysis typically make some assumptions about normalized expected growth past the specific forecast period, and from this develop a terminal value (the expected value of the company at the end of the specific forecast period). The expected stream of future net cash flow includes the terminal value.

In the case of the company, we have forecasted net cash flow for four specific years with the fifth year being the beginning of the terminal period. Using a terminal growth rate of 5.00%.

Terminal Value has been arrived using the following formula:

$$T = \frac{FCF}{r-g}$$

Where:

T = Terminal Value

FCF = Amount of net free cash flow expected in the first year of the terminal period

r = Required rate of return (discount rate), 14.23% as defined above

g = Growth rate (estimated at 5.00%)

KEY ASSUMPTIONS

The Following assumption have been applied while arriving at Discounted Cash Flow:

- Cash flows are distributed evenly during the year
- Cash flow have been taken as provided by management.
- Interest received is assumed as a part of treasury function. Thus Free Cash Flow to Firm (FCFF) is calculated as Cash Flow from Operations (CFO) less capital expenditure add/less Borrowings.
- Beta taken for power industry.
(Source : https://pages.stern.nyu.edu/~adamodar/New_Home_Page/data.html)
- Risk-free rate is derived from the Zero Coupon Yield Curve (ZCYC) as on 31st March 2024.
- Market return is taken as CAGR of BSE Sensex for last 22 years as on 31st March 2024.
- Growth Rate is estimated as 5.00%.

CONCLUSION

I have conducted the valuation of Share of the company in accordance with the provisions of the Companies Act, 2013. Based on the information and explanations available and considering the industry, I have considered the Discounted Cash Flow Method under Income Approach for valuation of the company.

Accordingly, it is hereby certified that based on the information and explanation provided by the Management of the company, in my opinion the value per Share of the company is INR 461.00/- per Share as at 31st March 2024.



Details of Valuation

(INR in Crores)

Particulars	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
NOPAT	129.68	197.11	320.40	484.33	600.63
Add: Depreciation	4.56	39.86	127.37	127.36	127.83
Less: Change in Working Capital	(212.68)	(134.75)	(258.07)	(339.19)	(159.77)
Less: Capital expenditure	(30.00)	(1,028.00)	-	(10.00)	(19.00)
Less: Net Borrowings	23.83	610.65	(110.66)	(121.51)	(133.44)
Free Cash Flow to Equity	(84.61)	(315.13)	79.03	140.99	416.24
PV Factor	0.846	0.715	0.605	0.511	0.432
PV of FCFE	(71.54)	(225.32)	47.79	72.08	213.98

(INR in Crores)

Particulars	Amount
Present Value of Explicit Forecast period	34.23
PV of Terminal Cash Flows	2,433.01
Enterprise Value	2,467.25
Add Cash and Cash equivalents as on 31 st March 2024	49.93
Less: Borrowings	14.36
Equity Value	2,502.81
Number of Dilutive Shares (In Nos)	5,42,91,469
Value per share (In Rs.)	461.00



