

# VALUATION ANALYSIS

FOR THE PROPOSED AMALGAMATION OF  
AGARWAL MEADOWS PRIVATE LIMITED

("TRANSFEROR COMPANY")

WITH

PAISALO DIGITAL LIMITED  
("TRANSFeree COMPANY")

PREPARED BY:-

M/s SANJEEV JAGDISH CHAND & ASSOCIATES

CHARTERED ACCOUNTANTS

Address: 17A, Highway Appartments,

Ghazipur, New Delhi-110096

Email: [office@casgr.com](mailto:office@casgr.com)

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M. S. Sanjeev Jagdish Chand

*Sanjeev Jagdish Chand*

Chartered Accountant



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*Manoj Kumar*

MANAGING SECRETARY

**SECTION I –APPOINTMENT FOR DETERMINATION OF SHARE EXCHANGE RATIO**

This Valuation Report has been prepared by M/s SANJEEV JAGDISH CHAND & ASSOCIATES to provide valuation of M/s Agarwal Meadows Private Limited ("Transferor Company"), with M/s Paisalo Digital Limited ("Transferee Company") in order to determine the share exchange ratio of equity shares of M/s Paisalo Digital Limited ("Transferee Company") viz-a-viz the equity shares of M/s Agarwal Meadows Private Limited ("Transferor Company") pursuant to the proposed scheme of Amalgamation and in accordance with the appropriate provisions of companies Act 2013. The Appointed Date for this amalgamation has been kept as closing Hours of 31.12.2017.

**1. BRIEF OF THE COMPANIES INVOLVED UNDER THIS ARRANGEMENT**

**1.1 AGARWAL MEADOWS PRIVATE LIMITED (Transferor Company)** was incorporated under the Companies Act, 1956 on 8th December, 1989 in the National Capital Territory of Delhi bearing registration no. 38586. At present the Registered Office of the Company is situated at CSC, Pocket-52, Chittaranjan Park, Near Police Station New Delhi - 110019. The Corporate Identification Number of the Company is U70200DL1989PTC038586. The Transferor is engaged in the real estate business.

**1.2 PAISALO DIGITAL LIMITED (Transferee Company)** was originally incorporated on 5th March, 1992 under the Companies Act, 1956 as S. E. Investments Private Limited, bearing Registration No. 14135 and was having its Registered Office at Agra (Uttar Pradesh). Subsequently, the Company became a Public Limited Company in pursuance to a special resolution passed by the members of the Company at the Extra Ordinary General Meeting held on 24th February, 1995. A fresh Certificate of Incorporation consequent to change of name as a result of conversion to a public limited company was issued on 1st March, 1995 by the Registrar of Companies, Uttar Pradesh, Kanpur. Subsequently, pursuant to Company Lay Tribunal, Northern Region Bench vide Order C. P. No. 128/17/2002-CLB dated 9th January, 2003 the Registered Office of the Company shifted from the State of Uttar Pradesh to National Capital Territory of Delhi and Certificate was issued by the Registrar of Companies, NCT of Delhi & Haryana on 22nd May, 2003. At present the Registered Office of the Company situated at 101, CSC, Pocket 52, CR Park, Near Police Station, New Delhi-110019 and the Corporate Identification Number of the Company is L65921DL1992PLC120483.



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Sanjeev Jagdish Chand & Associates

Paisalo Digital Limited is a Systemically Important Non Banking Financial Company, registered with Reserve Bank of India as Loan Company vide Certificate of Registration bearing registration No B-14.02997.

The Equity Shares of the Company are listed on National Stock Exchange of India Limited (NSE), and BSE Limited (BSE) and Global Depository Receipt are listed on Luxembourg Stock Exchange. Currently, the Transferee Company is engaged in the financing business.

## 2. OBJECTS AND RATIONALE OF THE SCHEME:-

Para 4.1 of the scheme deals with the Purpose of the Scheme:

The Board of Directors of the Transferor Company and Transferee Company are of the opinion that the proposed arrangement between the Transferor Company with Transferee Company will be for the benefit of both the Companies in the following manner:

- a) The amalgamation will enable pooling recourse of the Companies involved in the amalgamation to their common advantage, resulting in more productive utilization of such resources, cost & operational efficiencies which would be beneficial for all stakeholders.
- b) The amalgamation would result in the creation of a Transferee Company with larger asset base and net worth with strong financials enabling further growth and development of the Company and enable the transferee Company to withstand with the growing competition in the market scenario.
- c) The proposed amalgamation will result in reduction in overhead and other expenses, reduction in administrative and procedural work and eliminate duplication of work and will enable the companies concerned to effect internal economies and optimize productivity.
- d) The proposed amalgamation if comes into effect then it will strengthen the credibility of transferee company with the financial institutions, banks and general public and which would eventually benefit the shareholders of the Transferee Company and Transferor Company.

There is no likelihood that interests of any shareholder or creditor of either the Transferor Company or the Transferee Company would be prejudiced as a result of the Scheme. The Scheme of Arrangement will not impose any additional burden on the members of the Transferor Company or the Transferee Company.



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**3. SCOPE OF SERVICES:-**

As a part of the advisory services, Management of "Paisalo Digital Limited" and "Agarwal Meadows Private Limited" has appointed, M/s SANJEEV JAGDISH CHAND & ASSOCIATES, Chartered Accountants to independently analyse and undertake the valuation of M/s Agarwal Meadows Private Limited ("Transferor Company") and M/s "Paisalo Digital Limited ("Transferee Company") involved in the proposed scheme of arrangement and recommendation of Share Exchange Ratio of equity shares on a relative basis in accordance with generally accepted principles of valuation.

**4. DOCUMENTS RELIED UPON & LIMITATIONS AND CAVEATS:-**

The Valuation exercise was carried out under the following limitations:

- To arrive at share exchange ratio under the said Proposed Scheme of Arrangement; we have considered for M/s Paisalo Digital Limited - Audited Financial statement as on 31.03.2017, Management certified Balance Sheet as on 30.09.2017 and profit and Loss Statement for Trailing 12 Months period ended 31.12.2017 .
- For M/s Agarwal Meadows Private Limited - Audited Balance sheet as on 31.03.2017,
- Property Valuation report in case Agarwal Meadows Private Limited for its property at Chitranjan Park, Delhi as per the report issued by Er. Ajit Fauzdar dated 23.11.17;
- Property Valuation report in case of M/s Paisalo Digital Limited for its property at Flat No 206 (II Floor), Prateek Tower Block No 54/4, Sanjay Place, Agra as per the report issued by Er. Ajit Fauzdar dated 10.11.17;
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted herein, which might be relevant in the context of the transaction and which a wider scope might uncover and we bear no responsibility of the same.
- We have no present or planned future interest in the Company and the fee for this Valuation analysis is not contingent upon the values reported herein. 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 Certificate.
- We have not carried out the valuation of land and buildings belonging to the companies and solely relied upon the valuation report issued by Er. Ajit Fauzdar for both the properties.
- Draft Scheme of Arrangement as provided by the management.



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**SECTION – II Companies Assessment**

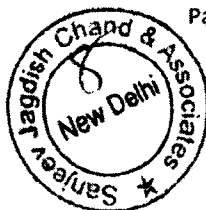
1. AGARWAL MEADOWS PRIVATE LIMITED (Transferor Company) was incorporated under the Companies Act, 1956 on 8th December, 1989 in the National Capital Territory of Delhi bearing registration no. 38586. At present the Registered Office of the Company is situated at CSC, Pocket-52, Chittaranjan Park, Near Police Station New Delhi - 110019. The Corporate Identification Number of the Company is U70200DL1989PTC038586. The Transferor is engaged in the real estate business.

1.1 Extract of Audited Balance sheet of M/s Agarwal Meadows Private Limited as on 31.03.2017

Particulars	Amount in INR Million	
	As on 31.03.2017	
<b>SOURCES OF FUNDS</b>		
Share Capital		2.93
Reserve and surplus		1.05
Non Current Liability		10.10
Current Liability		45.41
<b>Total – Equity and Liabilities</b>		<b>59.48</b>
<b>ASSETS</b>		
Non-Current Assets		12.49
Current Assets		46.99
<b>Total - Assets</b>		<b>59.48</b>

1.2 Extract of Audited Profit & Loss Statement of M/s Agarwal Meadows Private Limited for the period ended 31.03.2017

Particulars	(Amount in INR Million)	
	For the period ended on 31th March 2017	
Revenue From operations		-
Other Income		0.29
<b>Total Income</b>		<b>0.29</b>
Total Expenses		3.10
Profit Before Tax		(2.81)
Tax expense		0.10
<b>Profit for the period after Tax</b>		<b>(2.92)</b>



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2. PAISALO DIGITAL LIMITED (Transferee Company) was originally incorporated on 5th March, 1992 under the Companies Act, 1956 as S. E. Investments Private Limited, bearing Registration No. 14135 and was having its Registered Office at Agra (Uttar Pradesh). Subsequently, the Company became a Public Limited Company in pursuance to a special resolution passed by the members of the Company at the Extra Ordinary General Meeting held on 24th February, 1995. A fresh Certificate of Incorporation consequent to change of name as a result of conversion to a public limited company was issued on 1st March, 1995 by the Registrar of Companies, Uttar Pradesh, Kanpur. Subsequently, pursuant to Company Law Tribunal, Northern Region Bench vide Order C. P. No. 128/17/2002-CLB dated 9th January, 2003 the Registered Office of the Company shifted from the State of Uttar Pradesh to National Capital Territory of Delhi and Certificate was issued by the Registrar of Companies, NCT of Delhi & Haryana on 22nd May, 2003. At present the Registered Office of the Company situated at 101, CSC, Pocket 52, CR Park, Near Police Station, New Delhi-110019 and the Corporate Identification Number of the Company is L65921DL1992PLC120483. Paisalo Digital Limited is a Systemically Important Non Banking Financial Company registered with Reserve Bank of India as Loan Company vide Certificate of Registration bearing registration No B-14.02997.

The Equity Shares of the Company are listed on National Stock Exchange of India Limited (NSE), and BSE Limited (BSE) and Global Depository Receipt are listed on Luxembourg Stock Exchange. Currently, the Transferee Company is engaged in the financing business.

3. Extract of Management Certified Balance Sheet of Paisalo Digital Limited as on 30.09.2017

Particulars	Amount in INR Million
	As on 30.09.2017
<b>SOURCES OF FUNDS</b>	
Share Capital	4,056.63
Reserve and surplus	55,157.17
Non-Current Liabilities	17,505.28
Current Liabilities	92,446.94
<b>Total – Equity and Liabilities</b>	<b>169,166.02</b>
<b>ASSETS</b>	
Non-Current Assets	9,627.01
Current Assets	159,539.01



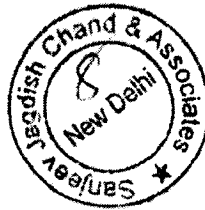
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*Manoj Kumar*

Total - Assets	169,166.02
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Extract of Management Certified Profit & Loss position on TTM basis for 12 Months period ended 31.12.2017 of Paisalo Digital Limited

Particulars	Amount INR Million
PAT of the Company for Q 1 ended 31.03.2017	26.00
PAT of the Company for Q 2 ended 30.06.2017	169.90
PAT of the Company for Q 3 ended 30.09.2017	220.00
PAT of the Company for Q 4 ended 31.12.2017	174.90
Standalone TTM PAT of the Company for 12 M ended 31.12.2017	590.80



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*Manoj Kumar*  
MANAGING DIRECTOR



**SECTION III - METHODS OF VALUATION ADOPTED**

In case of a merger valuation, the emphasis is on arriving at the "relative" values of the shares of the merging companies to facilitate determination of the "share exchange ratio". Hence, the purpose is not to arrive at absolute values of the shares of the companies.

**Judicial Pronouncements:-**

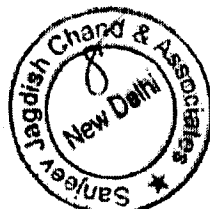
Hindustan lever Employees' Union v/s Hindustan lever Limited and others (1995) 83 Company cases 30 (SC)

The jurisdiction of the Court in sanctioning a claim of merger is not to ascertain mathematical accuracy if the determination satisfied the arithmetical test. A company court does not exercise an appellate jurisdiction. It exercises a jurisdiction founded on fairness. It is not required to interfere only because the figure arrived at by the valuer was not as good as it would have been if another method had been adopted. What is imperative is that such determination should not have been contrary to law and that it was not unfair for the shareholders of the company which was being merged.

The Hon'ble Supreme Court held "We do not think that the internal management, business activity or institutional operation of public bodies can be subjected to inspection by the court. To do so, is incompetent and improper and, therefore, out of bounds."

The dominance of profits for valuation of share was emphasised in "McCathies case" (Taxation, 69 CLR 1) where it was said that "the real value of shares in a company will depend more on the profits which the company has been making and should be capable of making, having regard to the nature of its business, than upon the amount which the shares would realize on liquidation". This was also re-iterated by the Indian Courts in Commissioner of Wealth Tax v. MahadeoJalan's case (S.C.) (86 ITR 621) and Additional Commissioner of Gift Tax v. Kusumben D. Mahadevia (S.C.) (122 ITR 38).

In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. Present and prospective competition, yield on comparable securities, and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. Based on the facts of the case, we have applied Market Value Methodology (wherever applicable) and Adjusted Book Value (BV) Methodology.



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*Moumita Ghosh*

SECRETARY

SECTION – IV Valuation Analysis

ADJUSTED BOOK VALUE METHOD:-

Book Value Method (BV) views the business as a set of assets and liabilities that are used as building blocks to construct the base value of the company. This method is generally used to evaluate the entry barrier that exists in a business as well as this method is suited for companies having common management and shareholders as in case of group consolidation no assets or liabilities are moving outside the group.

Adjusted Book Value Methodology is distinguished from Book Value Methodology as it involves a determination of fair market value of assets and liabilities on a basis of going concern.

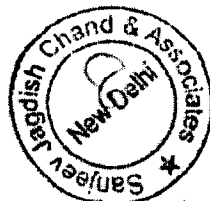
1. M/sPaisalo Digital Limited

Company is engaged in the financing business. The Equity Shares of the Company are listed on National Stock Exchange of India Limited (NSE), and BSE Limited (BSE). However it has been observed that the shares of the company are not frequently traded, so we have relied upon the SEBI (ICDR) Regulation, 2009 Refer Regulation 76, which mentions that the valuation need to be carried in case of infrequently traded shares as per Book Value, Comparable Trading multiple and such other parameters as are customary for valuation of shares of such companies. We have carried the Valuation as per comparable company Methodology and Adjusted Book Value Methodology.

Valuation based on Adjusted Book Value Methodology - as on 30.09.2017	
Particulars	Amount in INR Millions
Share Capital	405.60
Reserves and Surplus	5,515.72
Appreciation or (Diminution) in the Value of Investment (Post suitable adjustments)#	228.86
Net Asset Value	6,150.17
Number of shares	40,560,000
Value per share INR	151.63

# Notes:

- Management of the Paisalo Digital Ltd has represented us that the Company has a WOS namely Nupur Finvest Private Limited and further it has made investment in Spring Infradev Limited in



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which it holds 6.97% equity shares, we have calculated the appreciation in value of these Investment as per their NAV based on Audited balance sheet of these companies as on 31.03.2017 .

- Paisalo Digital Ltd also have land and Building and we have taken appreciation in value of these as per the report issued by Er. AjitFauzdar dated 10.11.17.
- one land and Building is situated at Flat No 206 (II) floor, Prateek Tower, Block 54/4, Sanjay Place, Agra with the size of 102.19 square Meter and another land and building is situated at Unit No 4,5,6,7,8,9(1st Floor)Prateek Tower Block No 54/4, Sanjay Place, Agra with a size of 365.94square Meter.

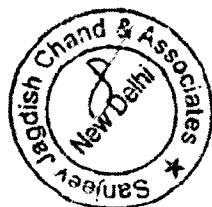
**Valuation of Paisalo Digital Ltd as per Comparable Company MultipleMethod Approach**

Comparable Companies Multiples Method uses the valuation ratios of a publicly traded company and applies that ratio to the company being valued (after applying appropriate discount). The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g. Turnover, EBITDA, EBIT, EPS or Book Value). A key benefit of CCM analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because markets are considered somewhat efficient. 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 similar enterprises are valued by public markets.

To arrive at the value of equity shares, the valuer has considered the Profit After tax (PAT) trailing 12 months period ended 31.12.2017 as provided in the management certified financials for the period ended on 31.12.2017 and multiplied it with the average PE Multiple of listed peer companies as on 22.02.2018after considering appropriate discount on account of lack of marketability (DLOM) and added the Fair value of Investments i.e. investment in NupurFinvest Private Limited And Spring Infradev Limited.

**Comparable Company Multiple Method**

Particulars	Amount (INR Million)
Standalone PAT for 12 M ended 31.12.2017	590.80
Less: Other Income	-
Adjusted PAT for 12 Months ended 31.12.2017	590.80
Industry Average PE Multiple	23.69
Equity Value	13,996.05
Less: Discount on lack of marketability @15%	2,099.41
Equity value post discount	11,896.64
Add: Fair value of investment made in NUPUR FINVEST PRIVATE LIMITED	516.47



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Add: Fair value of investment made in SPRING INFRADEV LIMITED	407.64
Adjusted Equity Value	12,820.76
No of Shares as on 31.12.2017	40,560,000
Value per Equity Share (INR)	316.09

Note : Being a Non-Banking Finance Company, the Book Value of the company is significantly less than the value based on Comparable companies method (CCM) as the revenue and Profits of the company are the true indicators and these drivers can be measured by CCM method, so we have given 100% weighted to this methodology.

#### Valuation of Agarwal Meadows Private Limited

The company is into Real Estate Business and is predominantly Asset Backed so the Asset Approach is the most Suited Approach in the instant case, we have carried the Valuation as per Adjusted Book Value Methodology.

Valuation based on Adjusted Book Value Methodology as per Balance sheet dated 31.03.2017	
Particulars	Amount in INR Millions
Share Capital	2.93
Reserves and Surplus	1.05
Appreciation or (Diminution) in the Value of Investment (Post suitable adjustments)	543.56
Net Asset Value	547.53
No. of Equity Shares as on 31.03.2017	29,270
Value Per Share (INR)	18,706.30

Note : We have taken the appreciation in value of Building as per valuation report issued by Er. AjitFauzdar dated 23.11.17. The building is situated at CSC, Pocket 52, EPDP colony, Chitranjan Park, Kalkaji, New Delhi and the total area of the Building is 665.15 square meter.



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## SECTION V – SHARE EXCHANGE RATIO

**SHARE EXCHANGE RATIO FOR MERGER:-**

On the basis of above analysis the share exchange ratio has been arrived at and accordingly the Transferee Company shall, without any further act or deed and without any further payment, issue and allot equity shares on a proportionate basis to the shareholders of Transferor Company.

Valuation Approach	Paisalo Digital Limited		Agarwal Meadows Private Limited	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Asset Approach #	151.63	0	18,706.30	1
Income Approach ##	NA	0	NA	0
Market Approach###	316.09	1	NA	0
Relative Value per Share (INR)	316.09		18,706.30	
Exchange Ratio per share (Rounded off)	1		59.18	
Exchange Ratio per 100 shares	100		5,918	

# Note: Since the asset base of Agarwal Meadows Private Limited dominates the earning capacity of the company, so we have considered the Adjusted Net Asset Value Approach in this case and given 100% weight to Asset Approach after considering appreciation in the value of investment made in Property. However in case of Paisalo Digital Ltd we have not assigned any weight to this method as Asset approach do not hold much meaning looking into the nature of business.

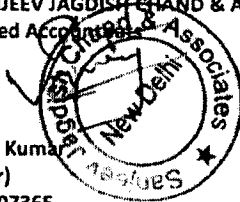
##We have not applied Income Approach in case Paisalo Digital Ltd as it's a listed company so, on confidentiality Basis Company has not provided us with the future projections. While in case of Agarwal Meadows Private Limited also we have not applied this methodology as the Asset base dominates the earning capacity in this case.

### In case of Paisalo Digital Ltd, we have given 100% weight to Market Approach as the company is a Non-Banking Finance company, and it's the most suited approach and we have not assigned any weight to this approach in case of Agarwal Meadows Private Limited as company is heavy asset backed and this method not able to fetch a value based on its weak profitability and revenue line.

- 5,918(Five Thousand Nine Hundred and Eighteen) Equity shares of face value of Rs.10/- (Rupees Ten) each in Paisalo Digital Limited for every 100 (One Hundred) Equity shares of face value of Rs.100/- (Rupee One Hundred) each of Agarwal Meadows Private Limited.

For SANJEEV JAGDISH CHAND & ASSOCIATES  
Chartered Accountants

Sanjeev Kumar  
(Partner)  
M.No-507365



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*Sanjeev Kumar*

Place: New Delhi  
Date – 22<sup>nd</sup> Feb, 2018