MANIPAL HEALTH ENTERPRISES PRIVATE LIMITED

VALUATION REPORT OF COLUMBIA ASIA HOSPITALS PRIVATE LIMITED

APRIL 2021

STRICTLY PRIVATE & CONFIDENTIAL

MSKA & Associates
Chartered Accountants

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Private & Confidential

April 27, 2021

To

Manipal Health Enterprises Private Limited
The Annexe, 98/2
Rustam Bagh Road, HAL Airport Road
Bengaluru - 560017
India

Dear Sir(s)/Madam(s),

Subject: Fair Valuation of Equity Shares of Columbia Asia Hospitals Private Limited

We, MSKA & Associates, Chartered Accountants ("MSKA" or "We" or "Us"), have been appointed vide addendum engagement letter dated October 15, 2020 by Manipal Health Enterprises Private Limited **(**"MHEPL" or "the Client"**)** to provide services with respect to fair valuation of equity shares of Columbia Asia Hospitals Private Limited ("CAHPL" or "the Company") for its proposed acquisition in order to comply with the provisions of Foreign Exchange Management Act, 1999 ("FEMA") & various notifications and circulars issued there from time to time.

We are pleased to present herewith our report on the same.

We have considered Fair Value as the valuation base for estimating the value of equity shares of the Company. We enclose our report providing our opinion on the fair valuation of the Company as on September 30, 2020 ("Valuation Date"). The attached report details the valuation methodologies, calculations and conclusions with respect to this valuation.

We believe that our analysis must be considered as a whole. Selecting portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

This letter should be read in conjunction with the attached report.

Should you require further information or clarifications, please feel free to contact us.

Regards,

For MSKA & Associates

Chartered Accountants

Firm Registration No.: 105047W

MSKA & ASSOCIATES

Sunil Kumar Saini

Partner

Membership No.: 503604

UDIN: 21503604AAAADO6258

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MSKA & ASSOCIATES

SECTION 1

DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS

DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS

Abbreviation	Meaning
ARPOB	Average Revenue Per Occupied Bed
BV	Breakup Value
CAHPL/the Company	Columbia Asia Hospitals Private Limited
CCM	Comparable Companies Multiple
CIN	Corporate Identification Number
CSRP	Company Specific Risk Premium
CTM	Comparable Transactions Multiple
DCF	Discounted Cash Flows
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
FCFF	Free Cash Flows to Firm
FEMA	Foreign Exchange Management Act, 1999
FY	Financial Year starting from April 1 to March 31
ICAI	Institute of Chartered Accountants of India
INR	Indian Rupees
IVS	ICAI Valuation Standards
Ke	Cost of Equity

Abbreviation	Meaning
Management	Management/ Representatives of the Client
MHEPL/ the Client	Manipal Health Enterprises Private Limited
Mn	Million
MP	Market Price
MSKA /We /Our /Us	MSKA & Associates, Chartered Accountants
NAV	Net Asset Value
PAT	Profit After Tax
PROI	Person Resident Outside India
Proposed Transaction	Proposed Acquisition of Equity Shares of the Company
Purpose	Fair Valuation of the Equity Shares for the Proposed Transaction
Rf	Risk Free Rate of Return
Rm	Market Return
Valuation Date	September 30, 2020
WACC	Weighted Average Cost of Capital

SECTION 2

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Purpose and Terms of Engagement

- Manipal Health Enterprises Private Limited (“MHEPL” or “the Client”) was incorporated on February 15, 2010. The Corporate Identification Number (“CIN”) and registered office address of the Client as per MCA Records are U85110KA2010PTC052540 and The Annexe, #98/2, Rustam Bagh Road, HAL Airport Road, Bengaluru- 560017, Karnataka, India, respectively. It is engaged in the business of running/managing hospitals and providing healthcare services.
- Columbia Asia Hospitals Private Limited (“CAHPL” or “the Company”) was incorporated on December 22, 2003. The CIN and registered office address of the Company as per MCA Records are U85110KA2003PTC033055 and 8, 80 Feet Road, HAL III Stage Indiranagar, Bengaluru- 560075, Karnataka, India, respectively. It operates 11 multi-specialty hospitals in India.
- We understand from the MHEPL’s management representatives (“the Management”) that it is contemplating to acquire equity stake of CAHPL (“the Proposed Transaction”) from existing shareholders. The existing shareholders of the Company are non-residents/person resident outside India.
- The Proposed Transaction will entail result in transfer of equity shares from non-resident/person resident outside India to resident/ person resident in India in consideration of cash.
- The Proposed Transaction would require fair valuation of the Company’s equity shares in order to comply with the pricing norms under the provisions of Foreign Exchange Management Act, 1999 (“FEMA”) & various notifications and circulars issued there from time to time.
- Therefore, we, MSKA & Associates, Chartered Accountants (“MSKA” or “We” or “Us”), have been appointed vide letter dated October 15, 2020 by the Client to determine the fair value of equity shares of the Company.
- Based on discussions with the Management, the cut-off date for current valuation exercise has been considered as on September 30, 2020 (“Valuation Date”). Further the cut-off date for all other information, including market data, has been considered till this report date.

Valuation Approach & Methodology

- The valuation has been carried out as per internationally accepted valuation methodology and we have also given due cognizance to ICAI Valuation Standards to carry out the valuation exercise.
- For the current valuation exercise, we have considered Discounted Cash Flow (“DCF”) method under the Income Approach being appropriate, considering facts and circumstances. Further, we have considered Free Cash Flows to the Firm (“FCFF”) methodology under the DCF Method for determining and arriving at the equity value of the Company.

Valuation Summary

- The fair equity value and per share equity value of the Company as on September 30, 2020 is arrived at INR 20,907.1 Mn and INR 20.4 per share, respectively and summary of the same is tabulated below:

Particulars	Amount	Unit
DCF Method ("FCFF")	20,907.1	INR Mn
Number of Shares (in Mn)	1,025.3	Mn
Fair Equity Value Per Share (Face Value of INR 10.0/- each)	20.4	INR

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MSKA & ASSOCIATES

SECTION 3

CAVEATS, LIMITATIONS AND DISCLAIMERS

CAVEATS, LIMITATIONS AND DISCLAIMERS

Restricted Audience

- This report and the information contained herein are confidential and are intended for the use of the Client and only in connection with the purpose set out in the report (can be referred by the consultants of the Client for reference purpose only to comply with respective regulatory laws).
- It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event the Client or its management extend the use of the report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party (including but not limited to the Investors and Acquirer, if any) to whom this report may be shown or who may acquire a copy of the report.

Caveats, Limitation and Disclaimer Clause

- Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- The scope of the assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Accordingly, we express no audit opinion or any other form assurance on this information on behalf of the Company. Further, conducting a financial or technical feasibility study was also not covered. We have not done any independent technical valuation or appraisal or due diligence or legal title search of the assets or liabilities of the Company and have considered them at the value as disclosed by the Company in their regulatory filings or in submissions, oral or written, made to us. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our Report.
- For the present valuation exercise, we have also relied upon information available in the public domain, however, the accuracy and timeliness of the same has not been independently verified by us.
- During the course of our work, we have reviewed and relied upon assumptions and projections related to the Company provided by the Client. These assumptions require exercise of judgment and are subject to uncertainties.
- Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment, others may place a different value on this business. There is, therefore, no indisputable single value and we normally express our opinion on the value as falling within a likely range. However, as the purpose requires the expression of a single value, we have adopted single value. Whilst we consider our value to be both reasonable and defensible based on the information available to us. Further we have also valued this company based on expected projections in recent past where also single value is determined out of the range.
- Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material.
- The realization of projections is dependent on the continuing validity of the assumptions on which they are based. Since the projections relate to the future, actual results are likely to be different from the projected results in case of events and circumstances not occurring as projected and the differences may be material. Our work did not constitute a validation of all the assumptions in the financial projections of the Company under consideration and accordingly, we do not express any opinion on the same. We have not commented on the appropriateness of or independently verified the assumptions or information provided to us, for arriving at the financial projections. Further, while we have reviewed, discussed the assumptions and projections with the Management, our reliance on them for the purpose of valuation should not be construed as an assurance about the accuracy of the assumptions or the achievability of the financial projections.
- We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the companies, their directors, employee or agents. In the particular circumstances of this case, our liability, if any (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, howsoever the loss or damage caused, shall be limited to the amount of fees actually received by us from the Company, as laid out in the engagement letter, for such valuation work.

CAVEATS, LIMITATIONS AND DISCLAIMERS

- Further, this valuation Report is based on the extant regulatory environment and the financial, economic, monetary and business/market conditions, and the information made available to us or used by us up to, the date hereof, which are dynamic in nature and may change in future, thereby impacting the valuation of the Company. Subsequent developments in the aforementioned conditions may affect this Report and the assumptions made in preparing this report and we shall not be obliged to update, review or reaffirm this report if the information provided to us changes. The information presented in this Valuation Report does not reflect the outcome of any due diligence procedures, which may change the information contained herein and, therefore, the valuation report materially. Further 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. During the course of our work, we have reviewed and relied upon assumptions and projections related to the Company provided by the Client. These assumptions require exercise of judgment and are subject to uncertainties.
- The actual market price achieved may be higher or lower than our estimate of value 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.
- The report assumes that the Company as well as its business & asset complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the companies/business/assets will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet/fixed assets register provided to us.
- In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.
- We have no present or planned future interest in the Company/the Client or any of their group companies and the fee for this report is not contingent upon outcome of the transaction. This Report does not look into the business / commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. The assessment of commercial and investment merits of the Company are sole responsibility of the investors of the Company and we don't express opinion on the suitability or otherwise of entering into any financial or other transactions with the Company.
- This report is based on information received from sources mentioned herein and discussions with the Client. This information has not been independently verified by us. We have assumed that the Client has furnished to us all information, which it is aware of concerning the financial statements and respective liabilities, which may have an impact on our report. We have ignored some data provided to us which we believe may not be material for the purpose of our assignment.
- Whilst, all reasonable care has been taken to ensure that facts stated in the report are accurate and opinions given are fair and reasonable, neither us, nor any of our Partners or Employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report.
- The Management has provided us projections for valuation considering the effect of COVID-19 on their best effort basis which we have considered for the current valuation exercise and independently reviewed based on past and expected future possible operations and provided facts, information and rational. However, the valuation results and underlying projections and assumptions may be materially affected by increased volatility in current and future economic, political, regulatory, financial, market or other circumstances as a result of COVID-19 and accordingly higher degree of caution should be attached to the valuation than may normally be the case.
- Further a draft of the report was shared with the Client, prior to finalization of report, for confirmation of facts, key assumptions, and other Client representations only.

SECTION 4

SOURCES OF INFORMATION

SOURCES OF INFORMATION

Sources of Information

For the purpose of this valuation exercise, we have relied on the following sources of information which are provided from the management and third party sources:

- Management Business Plan of the Company from Financial Year (“FY”)17 to FY30;
- Cash & Cash Equivalents and Debt balance as at September 30, 2020;
- Business profile and information on current operations of the Company;
- Operational Metrics of each unit as on the Valuation Date;
- Abridged Computation of Income Tax of the Company for FY20;
- Schedule for contingent liabilities for FY20;
- Discussions with the Management of the Client regarding the past & current performance of the Company respectively;
- Relevant data and information provided to us by the representatives of the Client either in written or oral form or in form of soft copy; and
- Information provided by leading database sources, market reports available in public domain and other published data.

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SECTION 5

PROCEDURES ADOPTED FOR THE PURPOSE OF VALUATION

PROCEDURES ADOPTED FOR THE PURPOSE OF VALUATION

In connection with the valuation exercise of the Company, we have adopted the following procedures:

- Requested and received the business plan covering financials (historical/Projected) as well as qualitative information of the Company and its operations;
- Reviewed the management business plan of the Company with regard to its financial positions, performance (historical as well as projected) and underlying assumptions and rational for updation based on facts as on the Valuation Date;
- Obtained data available in public domain;
- Analyzed company's expected operational parameters considering its industry, economic factors, Coronavirus ("COVID-19") and industry trends that may impact the valuation.;
- Discussion with the Client (over call) with regard to the Company:
- Understood the business and fundamental factors that affect its earning-generating capability and historical financials;
- Selection of appropriate internationally accepted valuation methodologies after careful deliberations. Our valuation and this report are based on the premise of "going concern" value. Any change in the valuation base, or the premise could have significant impact on the outcome of the valuation exercise, and therefore, this Report.
- Determination of fair equity value of the Company as on the Valuation Date.
- The Client has been provided with the opportunity to review the draft Report as part of our standard practice to make sure that factual inaccuracies/omissions of the information are avoided in our final Report; and
- Issue of final report.

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SECTION 6

BRIEF BACKGROUND OF CAHPL

BRIEF BACKGROUND OF CAHPL

Brief Background of CAHPL

- CAHPL was incorporated on December 22, 2003. The CIN and registered office address of the Client as per MCA Records are U85110KA2003PTC033055 and 8, 80 Feet Road, HAL III Stage Indiranagar, Bengaluru- 560075, Karnataka, India, respectively. It operates 11 multi-specialty hospitals in India.
- CAHPL's hospital provides services such as general surgery, paediatrics, obstetrics & gynaecology, orthopaedics and internal medicine. The Company presently operates 11 multi-speciality hospitals in India and expects to open one more hospital in Pune by FY23. The operational metrics of each hospital is as below:
  - Number of Beds:

Particulars	Year of Operation	FY18	FY19	FY20	YTD (August 2020)
Yeshwanthpur	2008	156	156	156	156
Hebbal	2005	80	80	80	80
Whitefield	2014	143	143	143	143
Sarjapur	2017	118	118	118	118
Doddaballapur	2012	30	30	30	30
Mysore	2009	76	76	76	76
Palamvihar	2008	72	72	72	72
Patiala	2009	81	81	81	81
Ghaziabad	2010	94	94	94	94
Pune East	2013	88	88	88	88
Kolkata	2008	85	85	85	85

Particulars	Year of Operation	FY18	FY19	FY20	YTD (August 2020)
Yeshwanthpur	2008	115	108	113	70
Hebbal	2005	60	62	64	39
Whitefield	2014	59	51	66	50
Sarjapur	2017	7	38	55	47
Doddaballapur	2012	14	12	12	11
Mysore	2009	50	47	49	41
Palamvihar	2008	50	52	55	36
Patiala	2009	42	41	39	31
Ghaziabad	2010	40	36	36	21
Pune East	2013	48	51	59	38
Kolkata	2008	73	58	55	35

- Occupied Ratio :

Particulars	Year of Operation	FY18	FY19	FY20	YTD (August 2020)
Yeshwanthpur	2008	73.5%	69.1%	72.5%	45.0%
Hebbal	2005	75.4%	77.4%	80.2%	48.8%
Whitefield	2014	41.0%	35.8%	46.4%	34.9%
Sarjapur	2017	6.0%	32.1%	46.6%	39.9%
Doddaballapur	2012	45.5%	38.7%	41.4%	35.6%
Mysore	2009	65.8%	61.5%	64.3%	53.6%
Palamvihar	2008	68.9%	71.8%	77.0%	49.3%
Patiala	2009	51.9%	50.0%	47.9%	38.2%
Ghaziabad	2010	42.4%	38.8%	38.6%	22.6%
Pune East	2013	54.9%	57.4%	66.6%	43.4%
Kolkata	2008	85.7%	68.5%	64.3%	41.3%

- ARPOB (INR Mn):

Particulars	Year of Operation	FY18	FY19	FY20
Yeshwanthpur	2008	15.3	17.0	17.8
Hebbal	2005	17.4	18.7	20.1
Whitefield	2014	18.1	21.4	20.1
Sarjapur	2017	22.9	19.5	20.4
Doddaballapur	2012	7.7	9.3	8.9
Mysore	2009	11.1	13.6	14.8
Palamvihar	2008	14.9	14.4	15.4
Patiala	2009	10.1	10.4	11.5
Ghaziabad	2010	12.2	12.9	13.1
Pune East	2013	12.5	14.5	14.6
Kolkata	2008	13.0	15.5	16.4

Others

- The Company expects to open one more hospital in Pune by FY23.

SECTION 7

FINANCIAL ANALYSIS

FINANCIAL ANALYSIS

HISTORICAL STATEMENT OF PROFIT & LOSS ACCOUNT

INR Mn

Particulars	FY17	FY18	FY19	FY20
Revenue from Operations	6,925.1	8,075.5	8,973.5	10,291.2
Growth Rate %	7.4%	16.6%	11.1%	14.7%
Net Sales	**6,925.1**	**8,075.5**	**8,973.5**	**10,291.2**
Non-operating Income	(70.0)	(107.0)	(70.0)	(31.0)
Total Income	**6,855.1**	**7,968.5**	**8,903.5**	**10,260.2**
Direct Expenses	1,750.8	1,822.3	1,874.4	2,049.4
Doctors Cost	2,007.6	2,373.8	2,633.9	2,901.4
Employee Benefit Expenses	1,554.9	1,745.0	1,816.9	2,161.2
Other Expenses	1,013.4	1,228.8	1,280.9	1,297.4
Lease Rental	381.8	467.4	552.0	532.8
Total Expenses	6,708.6	7,637.2	8,158.2	8,942.2
Adjusted EBITDA	**216.5**	**438.2**	**815.3**	**1,349.1**
EBITDA Margins %	3.1%	5.4%	9.1%	13.1%
Depreciation	566.8	626.3	617.1	574.6
Adjusted EBIT	(350.3)	(188.1)	198.2	774.5
Interest	475.9	586.4	675.6	405.5
Adjusted PBT	(826.2)	(774.5)	(477.4)	368.9
Income Tax	4.2	27.3	25.6	87.1
Other Income	70.0	107.0	70.0	31.0
Exceptional Item/Other Item	545.5	363.5	(456.4)	(8.0)
Adjusted PAT	(1,445.9)	(1,272.3)	(116.5)	258.9

Source: Management Information
Figures in bracket are negative numbers

Description

- **Revenue from Operations Analysis**
  - The Company is engaged in the business of running/ managing hospitals and providing healthcare services.
  - The Company witnessed a growth in revenue of 16.6% in FY18, 11.1% in FY19 and 14.7% in FY20. The dip in growth rate in FY19 was primarily due to implementation of telescoping pricing, which led to decline in volumes across the hospitals, leading to dip in occupancy ratio.
- **Expense Analysis**
  - **Direct Expenses:** Direct Expenses as a percentage of revenue decreased from 25.3% in FY17 to 19.9% in FY20.
  - **Doctors Cost & Employee Benefit Expenses:** Doctors Cost & Employee Benefit Expenses as a percentage of revenue stood at an average of 29.0% & 21.3% from FY17 to FY20.
  - **Other Expenses:** Other Expenses as a percentage of revenue stood at an average of 14.2% from FY17 to FY20.
  - **Lease Rentals:** Lease Rentals as a percentage of revenue also stood at an average of 5.7% from FY17 to FY20.
- **Others**
  - As explained to us, adjusted EBITDA margin (excluding non-operating income) increased from 3.1% in FY17 to 13.1% % in FY20, on account of improvement in operational metrics as mentioned on page number 16 and efficient utilization of resources.

FINANCIAL ANALYSIS

HISTORICAL BALANCE SHEET

INR Mn

Particulars	FY17	FY18	FY19	FY20
Equity Share Capital	8,886.0	9,826.0	10,253.0	10,253.0
Other Equity	(5,326.8)	(6,055.6)	(5,709.1)	(5,820.6)
Shareholders' Fund	**3,559.2**	**3,770.4**	**4,543.9**	**4,432.4**
Borrowings	4,073.8	4,354.2	3,158.0	3,526.5
Debt	**4,073.8**	**4,354.2**	**3,158.0**	**3,526.5**
Deferred Tax Liabilities	**1.9**	**11.9**	**17.2**	**-**
Total Liabilities	**7,634.9**	**8,136.5**	**7,719.1**	**7,958.9**
Gross Block	12,030.8	11,633.2	12,322.6	12,563.1
Accumulated Depreciation	4,528.8	4,466.0	4,951.1	5,458.6
Net Fixed Assets	7,502.0	7,167.2	7,371.5	7,104.5
Capital Work in Progress	601.9	134.6	137.1	601.0
Intangible Assets	49.0	81.6	66.2	49.1
Goodwill	117.3	117.3	117.3	-
Total Fixed Assets	**8,270.2**	**7,500.7**	**7,692.1**	**7,754.6**
Current/Non-Current Assets				
Inventories	195.7	228.7	187.7	235.7
Trade Receivables	278.8	538.9	400.2	399.4
Cash and Bank Balances	422.8	698.0	418.9	751.6
Loans and Advances (Current/Non-Current)	441.5	618.9	606.5	720.1
Other Assets (Current/Non-Current)	508.4	1,329.9	891.6	843.0
Total Current/Non-Current Assets	**1,847.2**	**3,414.4**	**2,504.9**	**2,949.8**
Current/Non-Current Liabilities				
Trade Payables	752.9	1,117.2	994.7	1,131.5
Other Liabilities (Current/Non-Current)	1,699.9	1,621.4	1,428.5	1,403.3
Long Term Provision	29.7	40.0	54.7	210.7
Total Current/Non-Current Liabilities	**2,482.5**	**2,778.6**	**2,477.9**	**2,745.5**
Net Current/Non-Current Assets	**(635.3)**	**635.8**	**27.0**	**204.3**
Total Assets	**7,634.9**	**8,136.5**	**7,719.1**	**7,958.9**

Source: Management Information

Description

- The equity share capital of the Company stood at INR 10,253.0 Mn comprised of 1,025.3 Mn equity shares of INR 10 each, as at March 31, 2020.
- The Company had an outstanding debt of INR 3,526.5 Mn as at March 31, 2020, comprised of term loan, carrying the effective rate of interest 9.5%.
- Gross block stood at INR 12,563.1 Mn as at March 31, 2020, which comprises of tangible assets such as Plant & Machinery, Building, Life Saving Medical equipment, Furniture & Fixtures, Computers and Vehicles.
- The balance of Loans and advances represents loans given to related parties, security deposits & unbilled receivables.
- The balance of Other Assets (Current/Non-Current) represents prepaid expenses, capital advances & deferred rent expenditure.
- Working Capital Ratio: Trade Receivables Turnover Ratio, Trade Payables Turnover Ratio, Inventory Turnover Ratio stood on average 17 days, 46 days and 41 days, respectively from FY17 to FY20.

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SECTION 8

VALUATION APPROACH

VALUATION APPROACH

- The valuation exercise involves selecting a method suitable for the purpose of valuation, by exercise of judgment by the valuers, based on the facts and circumstances as applicable to the company to be valued.
- For determining the valuation base considering FEMA regulations, in relation to determination of fair value of the equity shares of the Company, we have referred internationally accepted valuation methodologies and also considered Valuation Standards issued by the Institute of Chartered Accountants of India ("ICAI") on June 10, 2018. IVS 301 on Business Valuations deals with valuation of a business or business ownership interest. We have given due cognizance to the same in carrying out the valuation exercise.
- There are three approaches to valuation, which are generally accepted Internationally and are in line with the Valuation Standards issued by Institute of Chartered Accountants of India:

  a) "Cost" Approach;

  b) "Income" Approach; and

  c) "Market" Approach.
- Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

a) Cost Approach

- The cost approach values the underlying assets of the business to determine the business value. This valuation method carries more weight with respect to holding companies than operating companies. Also, asset value approaches are more relevant to the extent that a significant portion of the assets are of a nature that could be liquidated readily if so desired.

Net Asset Value Method

- The Net Asset Value ("NAV") method under cost approach, consider the assets and liabilities, including intangible assets and contingent liabilities. The net assets, after reducing the dues to the preference shareholders, if any, represent the value of the company.
- NAV method is appropriate in a case where the major strength of the business is its asset base rather than its capacity or potential to earn profits.
- This valuation approach is mainly used in cases where the asset base dominates earnings capability.
- As an indicator of the total value of the entity, the net asset value method has the disadvantage of only considering the status of the business at one point in time.
- Additionally, net asset value does not properly takes into account the earning capacity of the business or any intangible assets that have no historical cost. In many respects, net asset value represents the minimum benchmark value of an operating business.

Break Up Value Method

- Under the Breakup Value ("BV") method, the assets and liabilities are considered at their realizable (market) values including intangible assets and contingent liabilities, if any, which are not stated in the balance sheet. From the realizable value of the assets, the payable value of all liabilities (existing plus potential) are deducted to arrive at the BV of the company.
- This valuation approach is mostly used in case of companies where there are huge operating investments or surplus marketable investments.

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VALUATION APPROACH

b) Income Approach

- The Income approach focuses on the income prospects of a company

Discounted Cash Flow Method

- Under the Discounted Cash Flow ("DCF") method, the value of the undertaking is based on expected cash flows for future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of the undertaking is determined as the present value of its future free cash flows.
- Free cash flows are discounted for the explicit forecast period and the perpetuity value thereafter. Free cash flows represent the cash available for distribution to both, the owners and creditors of the business.
- Discount rate is the Weighted Average Cost of Capital ("WACC"), based on an optimal vis-à-vis actual capital structure. It is appropriate rate of discount to calculate the present value of future cash flows as it considers equity–debt risk and also debt-equity ratio of the firm.
- The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth (for perpetuity) in the cash flows over the last year of the forecast period.
- The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations.
- The Business/Enterprise Value so derived, is further reduced by value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of business. The Surplus Assets / Non-Operating assets are also adjusted.

c) Market Approach

Market Price Method

- Under the Market Price ("MP") method, the market price of an equity share as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investors' perception about the true worth of the company.

Comparable Companies Multiple Method

- Under the Comparable Companies Multiple ("CCM") method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed 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. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.
- To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus asset and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

Comparable Transactions Multiple Method

- Under the Comparable Transactions Multiple ("CTM") method, the value of a company can be estimated by analyzing the prices paid by purchasers of similar companies under similar circumstances. This is a valuation method where one will be comparing recent market transactions in order to gauge current valuation of target company.

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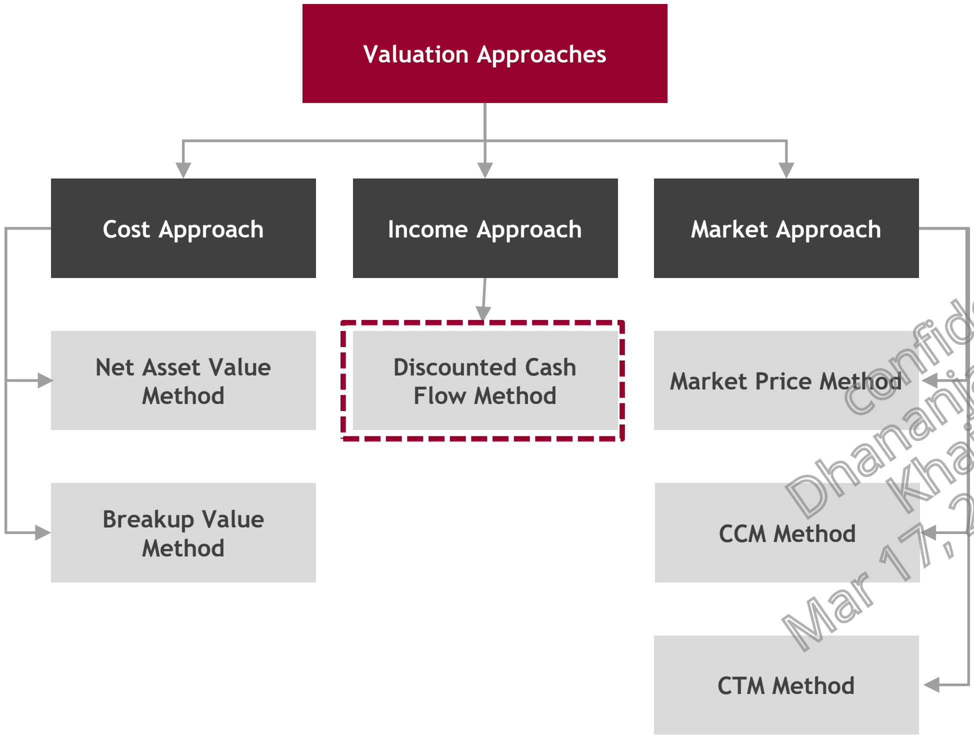
VALUATION APPROACH
METHODOLOGY CONSIDERED



Rationale for Valuation Approach & Methodology

- It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance 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 Company, and other factors which generally influence the valuation of Company, their businesses and their assets.
  - **Cost Approach:** This valuation approach is mainly used in cases where the asset base dominates earnings capability and hence, we have not considered valuation as per the Cost Approach for arriving at the fair equity value of the Company.
  - **Income Approach:** The discounted cash flow method takes into account the specific strength of the Company to be valued and represents the expected performance of the company based on its projections including the incremental working capital and capital expenditure requirement to achieve the projections. In the current case, the value of the Company would be reflected in its future earnings potential. Hence, the DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.
  - **Market Approach:** We have not used market approach for arriving at the fair equity value of the Company.
    - Since the Company is not listed on any recognized stock exchange, we have not considered the market price method of valuation;
    - As stated in previous slides, the Company operates 12 hospitals (Present/Proposed). Each Hospital is at different stage and expects to stabilize from FY25 onwards, therefore, we have not used CCM Method in the present valuation exercise; and
    - Due to paucity of comparable transactions and difference in size/operations, we have not considered CTM method.

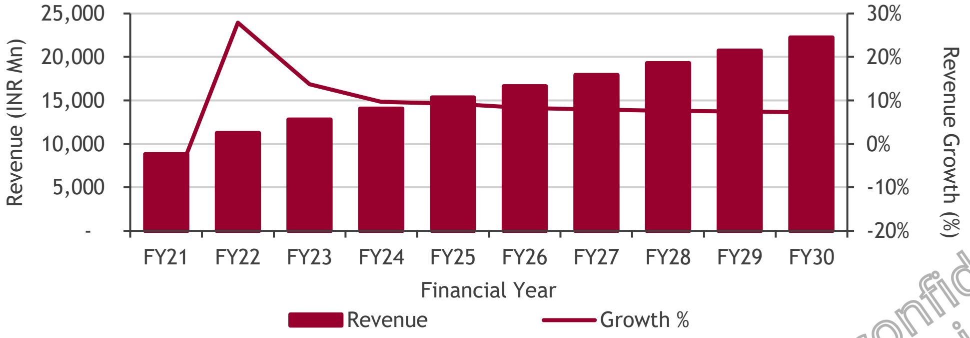
    We have considered comparable companies analysis for limited purpose i.e. computation of beta, by considering comparable companies of the Company operating in India.

SECTION 9

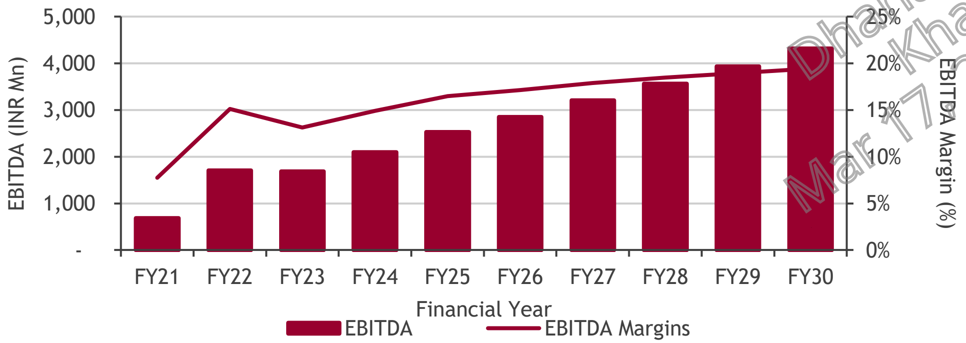
VALUATION OF CAHPL

VALUATION OF CAHPL
BUSINESS PLAN OVERVIEW

Revenue from Operations and Growth Rate (%)



EBITDA and EBITDA Margin (%)



Business Plan Overview

- As stated in the previous slides, the Company will operate 12 multi-specialty hospitals (11 already running and 1 proposed to run) in India. Further, we understand from the Client that all the hospitals of the Company are providing COVID-19 facilities in different capacities without 100% dedicated to COVID-19. The Company will derive its revenue for its services based on Government caped rates.

Business Plan Overview

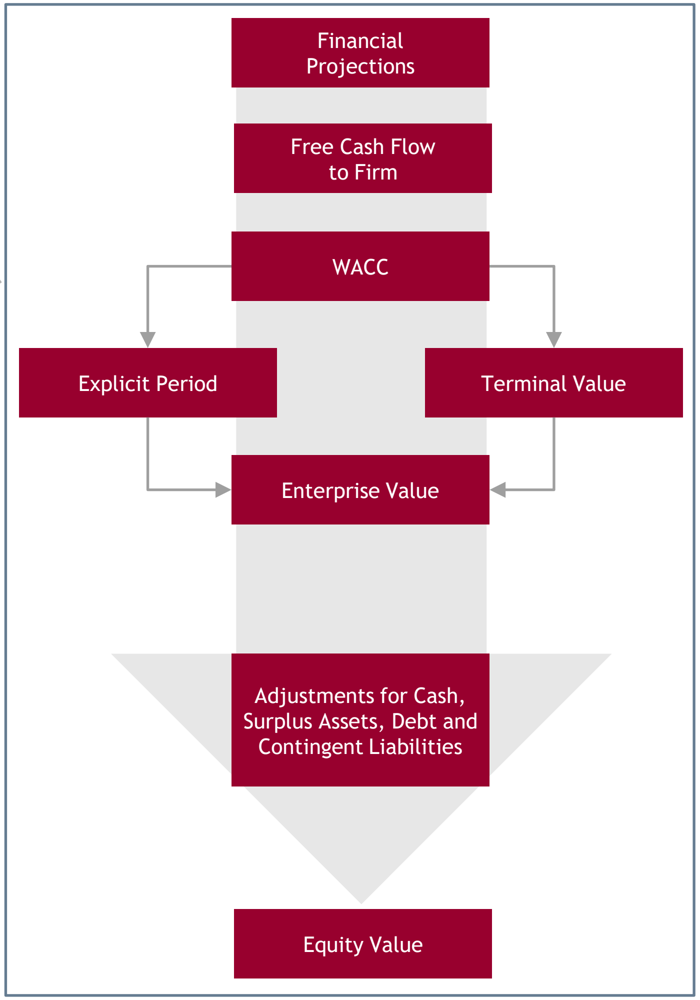
- The financial projections of the Company provided to us are explained to have considered impact of COVID – 19, to the extent possible to estimate and revised again based on facts and expected future outlook as on the Valuation Date.
- Further the Company's operational performance in FY19 was affected due to implementation of telescoping pricing, which led to increase in average realization from patients however decline in occupancy ratio across hospitals, which ultimately led to fall in growth rate as compared to FY18. In FY20, the average realization as well occupancy had improved, leading to increase in overall growth rate. Further, the Company has taken following initiatives to improve its future performance:
  - moderate pricing growth, aided by improved case mix;
  - continue to induct medical talent;
  - dedicated effort to improve contribution from key services;
  - Increased focus on medical tourism across locations; and
  - Corporate empanelment's.
- On the back of initiatives, the Company is planning to maintain the occupancy ratio at ~63.1% in the projected period considering all the hospitals.
- Based on the above initiatives, the Company intends to scale up its revenue from INR 8,815.3 Mn in FY21 to INR 22,243.2 Mn in FY30, at a CAGR of 10.8% over a period of 9 Years.
- The EBITDA margin is expected to turnaround from 7.8% in FY21 to positive 19.4% in FY30, on account projected revenue and efficient utilization of resources.
- Total capital expenditure (net) is estimated to be at INR 2,397.7 Mn in FY22, INR 674.8 Mn in FY23, INR 951.6 Mn in FY24, INR 539.7 Mn each from FY25 to FY28, INR 806.5 in FY29 and INR 539.7 Mn in FY30.

VALUATION OF CAHPL
DCF METHOD

DCF

- As stated in Section 8 - “Valuation Approach” of this report, we have used DCF Method under Income Approach to determine the Fair Equity Value. The details of the same is as below.
- Projections provided by the Management, for the period starting from October 01, 2020 to March 31, 2030 are reviewed for consistency and reasonableness to consider for the purpose of valuation exercise of the Company.
- As informed by the Management, financial projections considered the impact of COVID-19 outbreak to the extent possible to estimate at this stage as the exact economic and sector specific information is not available/ difficult to estimate.
- We have used the Free Cash Flows to the Firm (“FCFF”) methodology under the DCF to calculate the Fair Equity Value.
- In FCFF, the free cash flows available to the Company are discounted by Weighted Average Cost of Capital (“WACC”) - 11.7% to arrive at the Enterprise Value (For more details please refer page number 29).
- We have discounted the projected net cash flows to their present value using mid-year discounting convention. The use of mid-year convention better reflects the assumption that net cash flows will be generated throughout the year, rather than at the beginning or at the end of each year.
- For arriving at the Terminal Value, we have considered the following assumptions:
  - long term sustainable annual growth in earnings is assumed to be 5.0% after considering the Company’s performance (past, current as well as projected);
  - EBITDA Margin of 19.0% is assumed to be sustainable over perpetuity and accordingly the same operating performance has been considered for the terminal period; and
  - terminal capital expenditure has been assumed to be capex of last financial year of explicit period i.e. FY30, adjusted on account of growth of 5%, considering the Capex spend in the historical as well as projected period.
- As informed by the Management, the Company has adopted concessional tax rate i.e. 25.2%. We have considered the same while arriving for explicit period as well as for the terminal period.
- The Enterprise Value of the Company, determined as an aggregate of the present value of cash flows of the explicit period and terminal period, is derived at INR 23,314.5 Mn (For more details please refer page number 28).

DCF Method



VALUATION OF CAHPL
DCF METHOD

- Further, the Enterprise Value have been adjusted by:
  - Cash & cash equivalents of INR 1,100.0 Mn;
  - Surplus Assets (Non-Current Tax Assets) of INR 240.2 Mn;
  - Debt (including interest accrued on) of INR 3,701.1 Mn; and
  - Contingent Liabilities of INR 46.5 Mn.

  to arrive at the fair equity value of the Company at INR 20,907.1 Mn as at September 30, 2020. The number of equity shares of the Company outstanding as on September 30, 2020 is 1,025.3 Mn (having face value of INR 10.0 each). Hence the fair value per equity share is arrived at INR 20.4 as on the Valuation Date.

Contingent Liabilities

- Further the Company has the contingent liabilities amounting to INR 61.0 Mn, as on the Valuation Date and the summary of the same is tabulated below:

INR Mn

Sr. No.	Particulars	Amount	Probability(%)	Amount Considered
1	Patient Claims	14.5	0%	-
2	Goods and Service Tax	46.5	100%	46.5
	Total	61.0		46.5

- As informed by the management , the Company has taken insurance to indemnify the doctors from patient compensation arising during their professional services. Therefore, the Company expects no cash outflow with regard to patient compensation.
- Based on the discussion with the Company, the cash outflows in respect of above matters are determinable only on receipt of judgements/decisions pending at various stages/forums. Based on the contingent liability note, the Company has received two unfavorable rulings on the same, therefore, we have assigned 100% probability towards this contingent liability.

Key Valuation Assumptions

- The projections provided by the Management are only the best estimates of growth and sustainability of profitability margins. Although, we have reviewed the financial forecast provided by the Management for consistency and reasonableness, we have not independently verified these financial projections and have relied on the estimates provided by the Management.
- We must emphasize that realizations of free cash flows forecast will be dependent on the continuing validity of the assumptions on which they are based. Our analysis, therefore, will not, and can't be directed to provide any assurance about the achievability of the projections mentioned in the management business plan. Since the financial forecasts relate to the future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material.

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VALUATION OF CAHPL
DCF METHOD

Valuation as per Discounted Cash Flow Method as on September 30, 2020 (INR Mn)											
WACC	11.7%										
Terminal Growth Rate (TVG)	5.0%										
Year Ending	**FY21(6M)**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**TV**
Net Revenue	4,805.3	11,273.3	12,816.6	14,059.8	15,353.8	16,627.3	17,939.7	19,305.6	20,742.0	22,243.2	23,355.4
EBITDA	403.2	1,704.8	1,684.4	2,097.5	2,531.9	2,850.2	3,210.0	3,566.3	3,934.0	4,320.9	4,437.5
Less : Outflows											
Capital Expenditure	(807.3)	(2,397.7)	(674.8)	(951.6)	(539.7)	(539.7)	(539.7)	(539.7)	(806.5)	(539.7)	(566.6)
Incremental Working Capital	(78.7)	(107.5)	(13.5)	(34.2)	(45.9)	30.6	27.9	28.7	29.8	31.3	0.0
Taxation	0.0	0.0	0.0	0.0	0.0	0.0	(553.4)	(734.1)	(822.9)	(922.4)	(974.2)
Free Cash Flows to the Firm (FCFF)	**(482.8)**	**(800.4)**	**996.1**	**1,011.7**	**1,946.4**	**2,341.1**	**2,144.8**	**2,321.2**	**2,334.5**	**2,890.2**	**2,896.7**
Terminal Value											43,441.3
Present Value Factor	0.97	0.90	0.80	0.72	0.64	0.58	0.52	0.46	0.41	0.37	0.37
Present Value of Cash Flows	**(469.7)**	**(716.8)**	**798.8**	**798.4**	**1,251.7**	**1,348.3**	**1,106.1**	**1,072.0**	**965.5**	**1,070.5**	**16,089.6**

NPV of Explicit Period	7,225.0
Present Value of TV	16,089.6
Enterprise Value (EV)	**23,314.5**
Other Adjustments as on Valuation Date	
Add:	
Cash and Cash Equivalents	1,100.0
Surplus Assets	240.2
Less:	
Debt (Including Interest)	3,701.1
Contingent Liabilities	46.5
Equity Value	20,907.1
Number of Shares in Million	1,025.3
Fair Equity Value Per Share (Face Value INR 10/- each)	20.4

** Period from October 01, 2020 to March 31, 2021*

Terminal Value

INR Mn

Particulars	Reference	Amount
FCFF of TV	CFn+1	2,896.7
WACC	WACC	11.7%
Terminal Growth Rate	TVG	5.0%
Terminal Value	CF/(WACC-TVG)	43,441.3

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VALUATION OF CAHPL
WACC

Particulars	%	Explanation
Risk Free Rate of Return (**“Rf”**)	6.5%	Risk free rate has been considered based on zero coupon yield curve as at September 30, 2020 of Government securities having maturity period of 10 years, as quoted on the Clearing Corporation of India Limited.
Market Return (**“Rm”**)	14.5%	Market Return has been considered based on the long-term average returns earned by an equity investor in India.
Risk Premium	8.0%	Risk Premium = Rm-Rf
Relevered Beta (**“β”**)	0.7	We have considered the 3-year Beta of Companies listed in India for arriving at the unlevered beta and re-levered on the basis of the Company’s D/E Ratio.
Cost of Equity (**“Ke”**)	12.4%	Ke = Rf + β x (Rm-Rf).
Company Specific Risk Premium and Illiquidity Discount (**“Ksp”**)	2.0%	Risk Premium added on account of factors inter-alia, risk of achieving projections and Illiquidity risk.
Revised Cost of Equity	**14.4%**	**Ke + Ksp**
Cost of Debt (“Kd”)	10.2%	Cost of Debt is based on management expectations
Tax Rate (“t”)	25.2%	Based on statutory corporate tax rate in India as of the Valuation Date.
Cost of Debt [Net of Tax]	7.6%	**Kd * (1 - t)**
Debt/(Debt +Equity)	40.0%	Based on the Company’s target debt equity ratio.
WACC	11.7%	**Discount rate is the Weighted Average Cost of Capital**

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SECTION 10

VALUATION CONCLUSION

VALUATION CONCLUSION

- The valuation conclusions arrived at many cases are by their nature subjective and dependent on the exercise of individual judgment. There can be therefore no standard formulae to establish an indisputable single value, although certain formulae are helpful in assessing reasonableness.
- The current valuation has been carried out based on the valuation methodology explained herein earlier. Further, various qualitative factors, the business dynamics and growth potential of the business, having regard to information base, management perceptions, key underlying assumptions and limitations, were given due consideration.
- The fair equity value and per share value of the Company as on September 30, 2020 are arrived at INR 20,907.1 Mn and INR 20.4 per share, respectively based on the valuation approach and methodology as discussed herein.

Particulars	Amount	Unit
DCF Method ("FCFF")	20,907.1	INR Mn
Number of Shares (in Mn)	1,025.3	Mn
Fair Equity Value Per Share (Face Value of INR 10.0/- each)	20.4	INR

- We would like to bring it to your notice that in the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share.
- This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. Vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

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