Mahindra Integrated Business Solutions Pvt. Ltd.
5th Floor, Mahindra Information Technology Centre,
Akurli Road, Kandivli East, Mumbai – 400 101.
Maharashtra, India.
Tel : +91 22 68135005
Website : www.m-i-b-s.com
CIN No.U73100MH2011PTC212468

NOTICE

NOTICE IS HEREBY GIVEN THAT THE 2ND (2020-21) EXTRAORDINARY GENERAL MEETING OF THE MEMBERS OF MAHINDRA INTEGRATED BUSINESS SOLUTIONS PRIVATE LIMITED WILL BE HELD THROUGH VIDEO CONFERENCE (VC)/ OTHER AUDIO VISUAL MEANS FACILITY (OAVM) ON FRIDAY, 27TH NOVEMBER, 2020 AT 2:30 P.M. AT MAHINDRA TOWERS, P.K. KURNE CHOWK, WORLI, MUMBAI 400018 TO TRANSACT THE FOLLOWING BUSINESSES AT A SHORTER NOTICE:

SPECIAL BUSINESSES:

1. Increase in Authorized Share Capital of the Company and consequential amendment in Memorandum of Association of the Company

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution: -

"**RESOLVED THAT** pursuant to the provisions of section 61 and other applicable provisions, if any, of the Companies Act, 2013 (including any amendment thereto or re-enactment thereof) and the Rules framed thereunder, consent of the members of the Company be and is hereby accorded for increase in the Authorised Share Capital of the Company from existing Rs. 2,00,00,000 (Rupees two crores only) divided into 20,00,000 (twenty lakhs) Equity Shares of Rs. 10/- each to Rs. 10,00,00,000 (Rupees Ten Crores only) divided into 1,00,00,000 (One Crore only) Equity Shares of Rs. 10/- each ranking pari-passu in all respects with the existing Equity Shares of the Company as per the Memorandum and Articles of Association of the Company.

RESOLVED FURTHER THAT pursuant to section 13 and all other applicable provisions, if any, of the Companies Act, 2013, consent of the members of the Company, be and is hereby accorded, for alteration of Clause V(a) of the Memorandum of Association of the Company by substituting the following:-

'V(a) The Authorised Share Capital of the Company is Rs. 10,00,00,000 (Rupees Ten Crores only) divided into 1,00,00,000 (One Crore only) Equity Shares of Rs.10 (Rupees Ten Only) each with power to increase and/or reduce the capital of the Company.'

RESOLVED FURTHER THAT approval of the Members of the Company be and is hereby accorded to the Board of Directors of the Company to do all such acts, deeds, matters and things and to take all such steps as may be required in this connection including seeking all necessary approvals to give effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard."

2. Issue and offer of Equity Shares on Preferential basis

To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution: -

"**RESOLVED THAT** pursuant to the provisions of section 62, section 42 and other applicable provisions, if any, of the Companies Act, 2013, and the Rules made thereunder, the Memorandum of Association and Articles of Association of the Company, the Foreign Exchange Management Act, 1999, as amended, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and such other rules, regulations, guidelines, notifications and circulars, if any, issued by the Government of India, the Reserve Bank of India, or any other competent authority, whether in India or abroad, from time to time, to the extent applicable and subject to the permissions, consents, sanctions and approvals by any authority, as may be necessary, and subject to such conditions and modifications as may be prescribed while granting such approvals, consents, permissions and sanctions as may be necessary from any statutory authorities as may be applicable, consent and approval of the Members be and is hereby accorded to create, issue and offer up to 82,79,511 (Eighty-Two Lakhs Seventy-Nine Thousand Five Hundred and Eleven) Equity Shares at an issue price of Rs. 216 per share (face value of Rs. 10/- each), aggregating to Rs. 178,83,74,376/- (equivalent to USD 23.72164 million at exchange rate of INR 75.39 per USD), to Mahindra Vehicle Manufacturers Limited ("MVML/Proposed Allottee"), a related party of the Company within the meaning of section 2(76) of the Companies Act, 2013, on preferential basis (the "Preferential Issue"), as per the valuation report of Ms. Prachi Ganu (Registered valuer) and M/s. Grant Thornton India LLP (Independent valuation agency), for consideration other than cash for acquisition of the business of Branch office of MVML at Michigan, United States as per the Business Transfer Agreement and on such terms and conditions as the Board may deem fit.

FURTHER RESOLVED THAT the Equity Shares to be offered, issued and allotted through the Preferential Issue shall rank, pari passu, with the existing Equity Shares of the Company in all respects, including dividend and shall be subject to the provisions of the Memorandum of Association and the Articles of Association of the Company.

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FURTHER RESOLVED THAT the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall deem to include any of its duly constituted Committee) or any officer/executive/representative and/or any other person so authorized by the Board, be and are hereby severally authorized on behalf of the Company to make any modifications, changes, variations, alterations or revisions stipulated by any authority, and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company."

For and on Behalf of the Board

Sd/-
S. Durgashankar
Director
DIN: 00044713

Registered Office: Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018
CIN: U73100MH2011PTC212468
Email id: iyer.gayathri@mahindra.com
Tel: 022 2490 5828
Date: 24th November, 2020
Place: Mumbai

NOTES

1) In view of the outbreak of COVID-19 pandemic requiring social distancing, the Ministry of Corporate Affairs ("MCA") vide its General circular no. 14/2020 dated 8th April, 2020 and General circular no. 17/2020 dated 13th April, 2020 (collectively referred to as "MCA Circulars") has permitted holding of the Extraordinary General Meeting through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM"), without the physical presence of the Members at a common venue for the calendar year 2020.

   The MCA has clarified that for Companies that are not required to provide E-voting facility under the Companies Act, 2013 ("the Act") while they are transacting any business(es) by voting at the General Meeting, the requirements provided in the Companies (Management and Administration) Rules, 2014, as amended up to date as well as the framework provided in the MCA Circulars will be applicable.

   The general meeting of the Company is being held through VC / OAVM in compliance with the provisions of the Companies Act, Rules made thereunder and aforementioned MCA Circulars and the proceedings of the Meeting shall be deemed to be held at the venue/registered office of the Company as mentioned in the Notice of Extraordinary General Meeting ("EGM").

   Notice of the Extraordinary General Meeting will be sent via e-mail to all Members as per e-mail addresses registered with the Company.

2) An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto.

3) The Company's Registrar and Transfer Agents for its share registry work (Electronic) are KFin Technologies Private Limited having its office at Kfintech, Selenium Building – Tower B, Plot no. 31 & 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddi, Telangana – 500032. Tel: 040 – 67162222, Fax: 040 – 23001153, Email id: einward.ris@kfintech.com; karisma@kfintech.com.

4) Since this EGM is being held through VC / OAVM where physical attendance of Members has been dispensed with, there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by the Members will not be available for this EGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

5) Members are entitled to attend and vote by show of hands, if permitted by the Chairman of the Meeting. Further, where a poll is required/demanded, the

Members shall communicate their assent/ dissent by sending an email to baria.feroze@mahindra.com (*"Designated email ID"*) with cc to iyer.gayathri@mahindra.com and biswal.grisma@mahindra.com.

6) Members attending the EGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

7) Since the EGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

8) The facility for joining the meeting will be kept open at least 15 minutes before the time scheduled to start the meeting and shall not be closed till the expiry of 15 minutes after such scheduled time. The facility of participation at the EGM through VC will be made available to all the members of the Company.

9) The Members will be allowed to pose questions during the course of the Meeting. The queries can also be given in advance to the designated email id.

10) Members can join the Meeting by clicking on the link provided in the email containing the notice convening this EGM of the Shareholders. The standard operating procedure on how to access and participate in the Meeting along with IT helpline number for joining the Meeting through VC/ OAVM will also be provided in the email containing the notice of this EGM.

11) Corporate members intending to attend the meeting through their authorized representatives as per Section 113 of the Companies Act, 2013 are requested to email to iyer.gayathri@mahindra.com and biswal.grisma@mahindra.com, a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.

12) Members are requested to accord their consent pursuant to section 101 of the Companies Act, 2013, for holding this Extraordinary General Meeting at a shorter notice.

13) For inspection of the Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Act and the Register of Contracts or Arrangements in which Directors are interested, maintained under section 189 of the Act, Register of Members under section 171 or other documents as referred in this Notice, the members may send their request on the designated email IDs any time before and during the meeting.

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EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESSES PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013
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ITEM NO. 1

Increase in Authorized Share Capital of the Company and consequential amendment in Memorandum of Association of the Company

The present Authorized Share Capital of the Company is Rs. 2,00,00,000 (Rupees two crores only) divided into 20,00,000 (twenty lakhs) Equity Shares of Rs. 10 each and the present paid-up capital of the Company as on date of the notice of this General Meeting is Rs. 1,50,00,000 comprising of 15,00,000 Equity Shares of Rs. 10 each.

The Company has been approached by Mahindra Vehicle Manufacturers Limited ("MVML") for acquisition of its US branch business on a slump sale basis by the Company for a consideration to be discharged by way of issue of Equity Shares of the Company to MVML at fair value on preferential basis.

The Board at its meeting held on 29th June, 2020 has accorded its approval for the said acquisition and consequentially for increase in Authorized Share Capital of the Company from Rs. 2,00,00,000 to Rs. 10,00,00,000 by creation of additional 80,00,000 Equity Shares of the face value of Rs.10 each and the amendments to Clause V.(a) of the Memorandum of Association of the Company, which is subject to approval of the shareholders.

In order to facilitate the said acquisition, future business activities, growing needs of finance and for general corporate purposes, it would be required to issue further Equity Shares.

It is thereby proposed to increase the Authorized Share Capital of the Company from Rs. 2,00,00,000 to Rs. 10,00,00,000, by creation of additional 80,00,000 Equity Shares of Rs.10 each and accordingly amend Clause V.(a) of the Memorandum of Association of the Company.

Accordingly, the Resolution at Item No. 1 seeks the approval of the Shareholders for the proposed increase in Authorized Share Capital and the consequential amendments to the existing Clause V.(a) of the Memorandum of Association of the Company.

A copy of the existing Memorandum of Association of the Company along with the proposed draft amendments is available for inspection of the Members in physical and in electronic form at the Registered Office of the Company during the business hours.

Your Directors recommend the passing of the Resolution at Item No. 1 as an Ordinary Resolution.

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None of the Directors, Key Managerial Personnel and their relatives are in any way concerned or interested in the passing of this Resolution.

ITEM NO. 2

As part of the ongoing acquisition proposal for purchase of undertaking of the business of Branch office of Mahindra Vehicle Manufacturers Limited ("MVML") at Michigan, United States by the Company, on a slump sale basis for a consideration to be discharged by way of issue of shares to MVML at fair value on preferential basis, the Board of Directors at their meeting held on 29th June, 2020, subject to approval of shareholders and requisite statutory approvals, if any, approved to create, issue and offer upto 82,79,511 Equity Shares at an issue price of Rs. 216 per share (face value of Rs. 10/- each), aggregating to Rs. 178,83,74,376/- (equivalent to USD 23.72164 million at exchange rate of INR 75.39 per USD), to Mahindra Vehicle Manufacturers Limited ("MVML/Proposed Allottee") on preferential basis.

The Board at the said meeting approved the appointment of Ms. Prachi Ganu, Chartered Accountant as the Registered valuer as required as per the provisions of section 62(1)(c) of the Companies Act, 2013, to determine the fair value price for the preferential issue.

The Board has approved the aforesaid preferential issue at the said fair value price/issue price based on the valuation report collectively issued by Ms. Prachi Ganu (Registered Valuer) and M/s. Grant Thornton India LLP (Independent valuation agency) with the price as determined by the Registered valuer.

The approval from Reserve Bank of India has since been received for the aforesaid transaction.

Now, it is proposed to create, issue and offer upto 82,79,511 Equity Shares at an issue price of Rs. 216 per share (face value of Rs. 10/- each), aggregating to Rs. 178,83,74,376/- (equivalent to USD 23.72164 million at exchange rate of INR 75.39 per USD) to MVML.

Section 62 of the Companies Act, 2013 provides inter alia, that when it is proposed to increase the issued capital of the Company by allotment of further shares etc., such further shares shall be offered to existing Shareholders of the Company in a manner laid down in the Section unless the Shareholders in General Meeting decide otherwise by passing Special Resolution. Accordingly, consent and approval of the Shareholders by way of Special Resolution is being sought pursuant to Section 62 and all other applicable provisions of the Companies Act, 2013 and relevant Rules made thereunder.

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The following disclosure as per Section 42 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Section 62(1)(c) of the Companies Act, 2013 read with Rule 13 of Companies (Share Capital and Debentures) Rules, 2014 is furnished:

Sr. No.	Particulars	Details
1	The Object of the issue	The Equity Shares are proposed to be issued for consideration of acquisition and purchase of the entire business of Branch office of MVML situated at Michigan, United States
2	The Total Number of Shares or Other Securities to be Issued	82,79,511 Equity Shares of Face Value of Rs. 10 each
3	The Price or Price Band at/within which the Allotment is proposed	Rs. 216 per share (face value of Rs. 10/- each) (Based on the valuation report)
4	Basis on which the price has been arrived at along with report of the Registered Valuer	Based on Valuation Report issued by Ms. Prachi Ganu (Registered valuer) and M/s. Grant Thornton India LLP (Independent valuation agency) - Valuation Reports are enclosed
5	The class or classes of persons to whom the allotment is proposed to be made	Mahindra Vehicle Manufacturers Limited, a public limited company registered under the Companies Act, 1956 and fellow subsidiary of the Company
6	The names of the proposed allottees and the percentage of post Preferential Offer capital that may be held by them	Mahindra Vehicle Manufacturers Limited and 84.66% of Post Preferential Offer Capital that may be held by them
7	Relevant date with reference to which the price has been arrived at;	31st March, 2020
8	The proposed time within which the	Within 60 days from the date of

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	allotment shall be completed;	receipt of application money
9	The change in control, if any, in the Company that would occur consequent to the preferential offer;	The Proposed allottee, Mahindra Vehicle Manufacturers Limited will become the Holding Company of the Company
10	The number of persons to whom allotment on preferential basis have already been made during the year, in terms of number of securities as well as price;	Nil
11	The justification for the allotment proposed to be made for consideration other than cash together with valuation report of the registered valuer.	The allotment under this offer is for consideration other than cash in lieu of acquisition of business of Branch office of MVML situated at Michigan, United States (Valuation reports as enclosed)
12	The intention of Promoters, Directors or Key Managerial Personnel to subscribe to the offer	None of the promoters, directors or key managerial personnel intend to subscribe to the offer.

13. PROPOSED TIME SCHEDULE:

a.	Dispatch of Offer Letter	Within 30 days from the date of recording names of the proposed allottees in this EGM.
b.	Transfer of business on a slump sale basis from US Branch of MVML to the US Branch office of the Company	Within 60 days from the date of issue of Private Placement cum application letter
c.	Allotment of shares	Within 60 days from the executed date of transfer
d.	Credit of Shares in Demat Account	Within Two Months from the date of allotment

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14. Terms of raising of securities are as under: The Equity Shares issued shall rank pari passu with the existing shares of the Company

The pre issue and post issue shareholding pattern of the Company: -

Sl. No.	Category	Pre-issue		Post-issue	
		No. of Shares held	% of share holding	No. of Shares held	% of share holding
A	Promoters' holding				
1	Indian:	-	-	-	-
	Individual	1	0.00	1	0.00
	Bodies Corporate	14,99,999	100.00	97,79,510	100.00
	Sub-total	**15,00,000**	**100.00**	**97,79,511**	**100.00**
2	Foreign promoters	-	-	-	-
	Sub total (A)	**15,00,000**	**100.00**	**97,79,511**	**100.00**
B	Non-promoters' holding				
1	Institutional investors	-	-	-	-
2	Non-institutional Investors:				
	Private corporate bodies	-	-	-	-
	Directors and relatives	-	-	-	-

	Indian Public	-	-	-	-
	Others [including Non- resident Indians (NRIs)]	-	-	-	-
	Sub-total (B)	**0**	**0**	**0**	**0**
	GRAND TOTAL	**15,00,000**	**100.00**	**97,79,511**	**100.00**

For inspection of the Valuation Reports received from Ms. Prachi Ganu, M/s. Grant Thornton India LLP, the members may send their request on the designated email IDs any time before and during the meeting. The Board recommends the Special Resolution set out at Item No. 2 of the Notice for the approval by the members.

None of the Directors or Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said Special Resolution.

For and on Behalf of the Board

Sd/-
S. Durgashankar
Director
DIN: 00044713

Registered Office: Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018
CIN: U73100MH2011PTC212468
Email id: iyer.gayathri@mahindra.com
Tel: 022 2490 5828
Date: 24th November, 2020
Place: Mumbai

Prachi Ganu

Registered Valuer: IBBI/RV/06/2019/12130
Bhaskar, 3, Mahant Road, Vile Parle (East), Mumbai 400057 Ph- 26185009 / Email:-prachi.ganu@gmail.com

29 June, 2020

Mahindra Integrated Business Solutions Private Limited
5th floor, Mahindra Information Technology Centre,
Akurli Road, Kandivali East,
Mumbai,
Maharashtra 400101

Subject: Arriving at fair value of Equity Shares of the Company under the provisions of the Companies Act, 2013

Kind Attention: - Mr. Richard Desouza, CEO

Dear Sir,

This refers to our discussion on the captioned subject and the engagement letter dated June 23, 2020. In pursuance of the same I am pleased to submit herewith my report on the fair value of equity shares of the Company as on March 31, 2020. The workings are attached in Annexure I.

BACKGROUND

Mahindra Integrated Business Solutions Pvt Ltd (MIBS or 'the Company') is a part of the USD 20 billion Mahindra Group that employs more than 200,000 people in over 100 countries. The Company was incorporated in 2011 and provides staffing, business process management and advisory services. It operates from 15 locations & has a team strength of over 3,300 people serving domestic and international clients. It is headquartered in Mumbai, India. The Company is wholly owned by 'Mahindra Holdings Limited' as on March 31, 2020.

MIBS started as a shared services centre for Mahindra Auto and Farm division in 2002 to manage payroll and accounts payable activities. In 2011, it was established as a separate entity to provide services to other Mahindra group companies and non-Mahindra companies. At present, the Company earns around 83% of its revenue from Mahindra group entities and the balance is through servicing external clients. For FY 20, the Company earned around 65% of its revenue from providing staffing services.

The Company operates through the following segments:

- **Advisory services**: The company have been providing advisory services to Mahindra group entities for over a decade. Their main services are as follows:
    - Process Excellence
    - Operation Excellence
    - Cost Optimization
    - Risk Advisory
    - People Practices
    - Techno-Functional projects
- **Business Process Management**: Through this segment they provide services to various companies to enable them to outsource routine functions. The following are the various services provided under this segment are as follows:
    - Finance & Accounts Management
    - Human Resource Management
    - Customer Experience Management
    - Technology Solutions

PURPOSE & SCOPE OF WORK

I understand that the Company is proposing to issue fresh equity shares of the Company as a consideration to purchase the business of Michigan branch of Mahindra Vehicle Manufacture's Limited ("Purchase Business"). In this connection, the management of the Company ('Management') has approached me and appointed me for an opinion on the fair value of equity shares of the Company as on March 31, 2020 pursuant to Section 62 of the Companies Act 2013 read with Companies (share capital and debentures) rules 2014 for further issue of equity shares as a non-cash consideration to be discharged for Purchase Business .

The valuation is purely for a statutory purpose mentioned in this paragraph. My scope of work is limited to the valuation of equity shares in context of the above.

ELIGIBILITY AND DECLARATION OF INDEPENDENCE

I am a registered valuer in respect of securities or financial assets, bearing registration number IBBI/RV/06/2019/12130 issued by the Insolvency and Bankruptcy Board of India under the provisions of section 247 the Companies Act, 2013 read with the Companies (Registered Valuers and Valuation) Rules, 2017. I am registered with the ICAI Registered Valuers Organisation under enrolment number 2019056626. I hereby declare that I do not have any financial or other interest in the Company and there is no conflict of interest by undertaking this valuation assignment.

VALUATION APPROACH & METHODOLOGY

- **SOURCE OF INFORMATION AND PROCEDURE**

I have been provided with the following information / documents for the valuation exercise

a. Copies of the audited financial statements of the Company for the years ended on March 31, 2017-20

b. Projected Balance Sheet and Income Statement for 3 years ending on March 31, 2021, March 31, 2022 and March 31, 2023 with underlying assumptions (Management Representation Letter)

c. Discussion with the Management of the company to understand (a) the business drivers, risks and opportunities as also the historical performance (b) future Business plans and performance estimates as provided by the Management including Management Representation Letter.

d. Valuation report of Grant Thornton India LLP and V.B.Desai Financial Services Ltd for valuation of Michigan Branch of Mahindra Vehicle Manufacturers Limited

The procedures used in my analysis included such substantive steps as I considered necessary under the given circumstances, including, but not necessarily limited to the following:

- Considered audited financial statements, projections and assumptions given by the Company
- Inputs from the management to understand key operating metrics/risks/prospects for the company
- Such other analyses and inquiries, as considered necessary
- Other information and documents for the purpose of this engagement

The Indian Valuation Standards (IVS) issued by the Institute of Chartered Accountants of India, the Registered Valuation Organization (ICAI RVO) have been followed to the extent applicable.

- **VALUATION APPROACH**

It should be understood that the valuation of shares of any company or its assets is inherently subjective and is subject to many variable factors, assumptions and contingencies, all of which are difficult to predict and cannot be controlled. In addition, valuation of a company fluctuates with changes in the market conditions, general economic conditions, statutory regulations, etc. Ultimately the valuer uses his own best judgment and assessment in arriving at valuation.

The three main valuation approaches generally used are the asset approach, income approach and market approach. There are several commonly used and accepted methods including those set out in the IVS within the asset approach, income approach and market approach, for determining the fair value of equity shares, which can be considered in the present case, such as:

1. Cost Approach
2. Income Approach - Discounted Cash Flows method
3. Market Approach
   a. Market Price method
   b. Comparable Companies Quoted Multiples method ('CCM')
   c. Comparable Transaction Multiples method ('CTM')

Cost Approach

Cost approach is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

In certain situations, historical cost of the asset may be considered based on the nature of the asset. The cost approach may be considered appropriate in following circumstances:
- An asset can be quickly recreated with substantially the same utility as the asset to be valued;
- Where liquidation value is to be determined; or
- Income approach and/or market approach cannot be used

Replacement Cost Method & Reproduction Cost Method two most commonly used valuation methods under the Cost approach:

As such, this method is used in cases where the asset base dominates the earnings of the company. Keeping in view the nature of business of MIBS – which is a service-oriented business, this method is not applicable.

Market Approach

Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable businesses.

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

- **Comparable Companies' Quoted Multiple ('CCM')**
  Under CCM, value of the equity shares of a company is arrived at by using 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. Further, relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. This approach can be used only for companies with stable state of operations and having closely comparable peer set.

- **Comparable Companies' Transaction Multiple ('CTM')**
  Under this method, value of the equity shares of a company/ business is arrived at by using multiple derived from valuation in comparable companies as manifest through transaction valuations. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

  MIBS is not listed on any stock exchange and as such there is no traded market value available for its shares. Also, since there are no pure play listed entities in the business of staffing /business process management comparable to MIBS (given its captive focus), the Market Approach has not been considered.

Income Approach - Discounted Cash Flows ('DCF') Method

The Discounted Free Cash Flow technique is one of the most rigorous approaches to valuation of equity capital in a business. In this technique the projected free cash flows from business operations are discounted at the weighted average cost of capital on the valuation date and the sum of such discounted free cash flows along with the cash and cash equivalents is the value of the business. From this value, the value of debt, if any, is reduced and the balance is divided by the number of equity shares to arrive at per share value.

The DCF method is a strong and widely accepted valuation tool as it focuses on the cash generating potential of the business and we have used this approach to value the company. For DCF analysis, we have relied on the financial projections provided by the Management of MIBS from FY 21 to FY 23.

VALUATION METHODOLOGY

Using the DCF analysis involves determining the following:

- Estimating future free cash flows & their time frame
- Terminal Value i.e. the cumulative value of the free cash flows beyond the explicit forecast period
- Appropriate discount rate to be applied to cash flows
- Debt Value

Free Cash Flows & time frame:

Free cash flows are the cash flows expected to be generated by the business that are available to providers of capital – in this case being equity. The free cash flows are determined by adding to profit after tax, depreciation & amortization if any. The above is adjusted for (i) change in working capital requirements, (ii) investments in capital expenditure and other assets to the extent they are funded out of the cash from operations.

A problem faced in valuing a business is its indefinite life, especially where the valuation, as in the present case, is on a going concern basis. This problem could be tackled by separating the value of the business into two time periods viz. explicit forecast period and post explicit forecast period. In such a case, the value of business will be sum total of value of free cash flows generated during the explicit forecast period and value of free cash flows generated during the post explicit forecast period.

In the present case, Management has given projections for the 3-year period ending March 31, 2023 which are considered as 'explicit forecast period' and the period after that is considered as 'post explicit forecast period'. Please note the following key points considered to arrive at Free Cash Flow:

- <u>Operating revenue growth</u> - Management has projected revenue increase from INR 15003 lacs in FY 21 to INR 21203 lacs in FY 23 (CAGR of 19%). This growth is from expected increase in 'staffing business segment' by rendering services to Mahindra group entities.
- <u>Operating expenses as a percentage of total revenue are expected to remain flat</u> in the range of around 96.8% to 96.5% from FY 21 to FY 23: total operating expenses of MIBS comprise of employee benefit expenses and other expenses. The employee benefit expenses as a % of revenue are expected to increase in the projected period on account of growth in the staffing business which has lower margins; whereas the other expenses are fixed in nature and hence are expected to reduce as a % of revenue in the projected period.
- <u>EBITDA margins are estimated to be in the range of 3.2%-3.5%</u> during the projected period. These margins are expected to slightly increase in FY 22 and FY 23 on account of economies of scale.
    - The company has Lease liability pertaining to offices located at Goregaon and Solapur. Lease rentals are payable by the Company for such office locations.
    - The EBITDA for the projected period has been adjusted for the actual lease rent expenses as provided by the Management to arrive at the Adjusted EBITDA. i.e. in deriving of the cash flows, we have considered projected lease expenses as part of operating expenses. Therefore, from a cash flow perspective we have deducted the projected lease expenses (related to the Right of Use Assets) from the operating EBITDA to arrive at the adjusted EBITDA. This adjusted EBITDA has been considered to compute the FCFF of MIBS. As a result, we have not considered the impact of capitalized Right of Use Assets, Lease Liability, amortization of these lease assets and the interest charges of the Lease Liabilities.
    - Note, the Management expects the lease liabilities to be Nil by FY 23 as it will be fully amortized by the end of the Projection Period.
- For FY 21, lower PAT margins factor in the likely COVID impact. PAT margins are estimated to increase from 1.2% in FY 21 to 2.1% in FY 23. This is mainly because depreciation and interest costs are expected to gradually reduce over the projected period.
- <u>Working Capital Adjustment</u>: Further adjustments have been made for Working capital requirements.

- Working capital requirement is increasing during the projected period. Management has informed us that this requirement is on account of the fact that, while it earns only a thin margin on its topline, its' clients have been deducting TDS at a higher rate. This results in a temporary cashflow mismatch and continues until the company receives Refund from the Income Tax Authorities. This is resulting in additional blockage of funds during the projected period.
- Further, as informed by the Management, the expected receivable days for debtors are 35 days for Mahindra group entities and 70 days for other clients. The working capital requirement as a percentage of total revenue is expected to increase from 5.5% in FY 21 to 7.4% in FY 23.

- Capex have been considered based on projections provided by the Management.

Terminal Value:

Continuing or Terminal Value is the value of the business's expected future cash flows beyond the explicit forecast period. Using simplifying assumptions about the company's performance during the explicit period i.e. assuming a constant rate of growth permits one to estimate the continuing value of the business. A high quality estimate of the continuing value is essential to any valuation, because continuing value often accounts for a large percentage of the total value of the business.

Terminal Value is estimated based on the past performance, vulnerability of the business to economic cycles, expected growth rates in the future depending on Management's business strategy and industry prospects.

On this basis, the calculation of the continuing value may be made by capitalizing the free cash flows of the year following final year in the explicit forecast period into perpetuity using an appropriate rate of return (normally the WACC factoring for an element of growth in the future years).

To arrive at the Terminal Value, we have assumed the following:

- Growth rate of 5% based on industry growth and the expected growth rate of the economy in which the company operates.
- EBITDA margin @ 3% - considered based on the average EBITDA margin for FY 22 and FY 23.
- Working capital requirement has been determined based on the Net Working Capital as a % of revenue and the terminal revenue growth.
- Effective tax rate for terminal period is based on the effective tax rate of 25.17% as applicable to India.
- Capital expenditure for the terminal period has been assumed to be same as of FY 23.
- Depreciation for the terminal period has been assumed to be equal to the maintainable capital expenditure for the terminal period.

Debt Value: The company has related party debt of Rs.50 lacs, this has been deducted while arriving at the Equity Value.

Appropriate Discounting Rate:

Under the DCF method the time value of money is recognized by applying a discount rate to the future free cash flows to arrive at their present value. This discount rate which is applied to the free cash flows should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company / business. This is commonly referred to as the weighted average cost of capital (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

The Cost of Equity (COE or Re) is calculated using the Capital Asset Pricing Model derived with the formula:

$Re = rf + \beta (ERP)$

Where,

- rf = Risk Free Return
- β = Beta, a measure of Market Risk
- ERP = Equity Risk Premium

This is further adjusted by adding Company Specific Risk Premium and Size Premium to arrive at Cost of Equity.

As regards the cost of equity, due regard has to be given to the risk-free rate of return available to investors, which is presently around 6.5% on 10-year Government Bonds (source: CCIL) and the risk premium demanded by equity investors in stock markets which historically has been around 6.75% in India.

The company does not have comparable peers in the listed space and therefore comparable market Beta is not available, hence we have considered Beta value of 1. Relevered Beta will continue to be 1 given that the Company plans to repay the existing debt within 6 months and be debt free during the projected period.

The Company specific risk premium is considered at 1% based on size of operations, illiquidity, low business risk (stable & largely captive operations) and analysis of the company with regards to its future expected performance.

Management has indicated the target debt level of the company to be 'nil' and therefore WACC will be equal to cost of equity i.e. 14.25% (See Annexure I for details).

CONCLUSION

In view of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove including the valuation report from Grant Thornton India LLP and VB Desai Financial Services Ltd for valuation of Purchased Business as Rs 178.83 crs, in my opinion, the fair value of one equity share of face value INR 10 of the Company, may be considered at INR 212.5/- as on March 31, 2020 under the DCF method and equivalent shares can be issued to discharge the consideration for Purchase Business.

DISCLAIMER AND SCOPE LIMITATIONS

The information contained herein and my report is absolutely confidential. It is intended only for the purpose mentioned above. I am responsible for this report only to the Company.

I am not responsible financially or otherwise to any other person/ party or for any decision of such person or party based on this report. Any person/ party intending to invest in the company shall do so after seeking their own professional advice and after carrying out their own due diligence procedure to ensure that they are making an informed decision.

It is hereby notified that except to the extent required by the laws of India, any reproduction, copying or otherwise quoting or giving copy of this report or any part thereof to any third party (Other than the Company) can be done only with my prior permission in writing.

My report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to in this report.

My work does not constitute an assurance audit or certification or due diligence of the projected results of the Company.

I have relied upon the information provided to me by the Management. Management has shared the valuation report from Grant Thornton India LLP and VB Desai Financial Services for valuation of Purchased Business, which has been relied upon by me. In view thereof, I did not need to have any access to the records of the company to verify the authenticity of the information that has been furnished to me. This report is issued on the understanding that you have drawn my attention to all the matters, which you are aware of concerning the business's financial position and any other matter that may have an impact on my opinion on the value of the equity shares.

I have no responsibility to update this report for events and circumstances occurring after the date of this report.

The projected working results of the company which are used in this valuation exercise are those as prepared by the Management of the Company and furnished to me for the purposes of this report. I accept no responsibility for them, or the ultimate accuracy and realization of the forecasts. The fact that I have considered the projections in this exercise of valuation should not be construed or taken as me being associated with or a party to such projections. Furthermore, you should note that there would usually be differences between forecasts and actual results, because events and circumstances frequently do not occur as expected, and those differences may turn out to be material. The management is solely responsible for such projections

My aggregate liability will be as per the terms of the Engagement Letter executed with the Company.

I would like to record my sincere appreciation for the courtesy and co-operation received by me during the course of my work from the Management.

Best Regards,

Prachi Ganu
IBBI/RV/06/2019/12130

Annexure I - DCF Approach

DCF Valuation INR (Lacs) No of months	FY20 Audited 12	*FY21* *Projections* *12*	*FY22* *Projections* *12*	*FY23* *Projections* *12*	*Terminal* *Year*
Total Revenue (Excl. Other Income)	12,085.8	*15,003.0*	*18,448.0*	*21,203.0*	22,263.2
Growth	***55.6%***	***24.1%***	***23.0%***	***14.9%***	***5.0%***
EBITDA (Excl. other Income)	364.8	306.1	526.0	652.7	672.1
EBITDA %	***3.0%***	***2.0%***	***2.9%***	***3.1%***	***3.0%***
Less: Depreciation	83.8	90.7	84.3	78.0	45.0
EBIT	**281.0**	**215.4**	**441.6**	**574.7**	**627.1**
Less: Tax @ 25.2%	70.7	54.2	111.1	144.6	157.8
Gross Free Cash Flows to Firm (Post Tax)	**210.3**	**161.2**	**330.5**	**430.1**	**469.3**
Add: Depreciation	83.8	90.7	84.3	78.0	45.0
Less: Changes in NWC	81.67	615.8	320.8	424.3	78.0
Less: Capex	71.7	63.2	45.0	45.0	45.0
Free cash flows	**140.8**	**-427.1**	**49.0**	**38.8**	**391.3**
PV factor		0.94	0.82	0.72	
PV of cash flows		**-399.6**	**40.1**	**27.8**	
Terminal Value					4,230.7
PV of Terminal Value					3,032.3

Details	**Amount INR (Lacs)**
Sum of PV of Net Free Cash Flow	-331.6
PV of Terminal Value	3,032.3
Enterprise Value	**2,700.7**
Adjustments	
Add: Cash Balance	485.6
Add: Surplus Investments	50.9
Less: Debt (Related party Borrowing)	50.0
Equity Value	**3,187.1**
Equity Shares (#)	1,50,00,000
Fair Value per share (INR)	**212.5**

WACC Calculation	**%**	**Comments**
Risk-Free Rate (Rf)	6.50%	*10 year zero coupon yield as on March 31, 2020 (CCIL)*
Equity Risk Premium (Rp)	6.75%	*Equity Risk Premium for Indian Market*
Relevered Beta	1.00	*Assumed '1' as Co is largely captive & no direct comparable*
Company specific risk premium	1.00%	*Iliquidity premium, company size, prospects*
Cost of Equity	**14.25%**	
Cost of Debt	9.75%	*Information provided by Management*
Effective Tax Rate (t)	25.16%	*Marginal rate of tax*
Cost of debt (net of tax)	7.3%	
Target Debt as % of Total Capitalization	0.0%	*Target debt ratio as indicated by Management*
Target Mkt. Cap. as % of Total Capitalization	100.0%	
WACC	**14.25%**	WACC is same as COE given nil target Debt/Equity Ratio

Annexure II – Historical Performance - Highlights

Historical Financial Analysis based on information provided by the Management, key items of audited financial statements for MIBS from FY 17 to FY 20:

Income Statement INR Lacs.	FY 17	FY 18	FY 19	FY 20
Total Revenue	**2,310**	**3,803**	**7,768**	**12,086**
Employee Benefit Expenses	1,517	2,629	5,995	9,348
Other Expenses	657	1,050	1,595	2,206
Operating Expenses	2,174	3,678	7,590	11,554
EBITDA	**136**	**125**	**178**	**532**
EBITDA Margin%	*5.9%*	*3.3%*	*2.3%*	*4.4%*
Depreciation	33	58	89	239
EBIT	**103**	**67**	**89**	**293**
Interest expense	-	4	3	43
EBT	**103**	**63**	**86**	**250**
Other Income / (Expense)	107	49	37	16
Taxes	57	22	33	72
Net Income	**153**	**90**	**90**	**194**
Net Income Margin%	*6.6%*	*2.4%*	*1.2%*	*1.6%*

Key points:

- **Robust operating revenue growth at a CAGR of ~73.6%** from INR 2,310 lacs in FY 17 to INR 12,086 lacs in FY 20. This increase is attributable to increased revenue by providing services to Mahindra group entities in the staffing segment. It mainly provides these Mahindra group entities with employees for sales force, administrative procedures and technicians.
- Operating expenses of MIBS comprise of employee benefit expenses and other expenses such as rent, admin etc. The Operating expenses as a percentage of total revenue have been in the range of 94.1% in FY 17 to 95.6% in FY 20.
- The EBITDA margins have decreased from 5.9% in FY 17 to 4.4% in FY 20. The decrease in EBITDA margins is mainly on account of the Company shifting its business to the staffing segment. Due to significant increase in business, **the EBITDA has grown at a CAGR of ~57.5% from FY 17 to FY 20.**
- The PAT margins of MIBS have reduced from 6.6% in FY 17 to 1.6% in FY 20. PAT margins for the Company reduced from FY 17 due to shift towards staffing business. The PAT has grown at a CAGR of ~8.1% from FY 17 to FY 20.
- **Non-Cash Working Capital** - MIBS has non-cash working capital requirement which is mainly on account of tax deducted at source (TDS) on its receivables. Historically, non-cash working capital of MIBS has gradually increased from INR (86) lacs in FY 17 to INR 203 lacs in FY 20 with increase in TDS and trade receivables. The current liabilities consist of mainly trade payable and other liabilities.
- **Lease Liabilities:** As on the Valuation Date, MIBS has an outstanding lease liability (including current maturities of lease liabilities) of INR 403 lacs. Such lease liability is in relation to offices of MIBS located at Goregaon and Solapur.

Mahindra Integrated Business Solutions Private Limited

Valuation Report

June 2020

Grant Thornton
An instinct for growth™

Mahindra Integrated Business Solutions Private Limited
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30 June 2020

For the kind attention of Mr. Richard Desouza, CEO

Dear Sir,

Valuation Services

We refer to our Engagement Letter dated 26 June 2020, confirming our appointment by Mahindra Integrated Business Solutions Private Limited ("MIBS" or the "Company") for carrying out valuation of the Company, as on 31 March 2020 (hereinafter referred to as the "Valuation Date") for its internal evaluation purposes and for relevant tax or regulatory filing purposes, as may be required.

As per the terms of the engagement, we are enclosing our valuation report along with this letter. This report has been prepared for internal evaluation purpose of MIBS and for tax and regulatory filing purposes, as may be required and hence should not be used for any other purpose, whether in whole or in part without our prior written consent, which will only be given after full consideration of the circumstances at the time.

Please note that we do not have any responsibility or liability towards either party's advisors, consultants, shareholders or any other third party with respect to this report. Our analysis and report are invalid if used for any purpose other than that stated herein. We owe responsibility only to MIBS as per the terms of our Engagement Letter.

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. It may be noted that valuation is not an exact science and ultimately depends upon what the business is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill.

Please note that all comments in our report must be read in conjunction with the Caveats to the report, which are contained in Section 5.

Limitation of liability

We draw your attention to the limitation of liability clauses mentioned in paragraphs 8 (i) to 8 (v) in Appendix 3, Terms of Business, of our Engagement Letter.

Forms of report

For your convenience, this report may have been made available to you in electronic as well as hard copy format, multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

Please feel free to contact us if you need any further information / clarifications.

Yours sincerely,

GRANT THORNTON INDIA LLP

Darshana Kadakia

Partner

Contents

Glossary

CAGR	-	Compound Annual Growth Rate
COE	-	Cost of Equity
DCF	-	Discounted Cash Flow
EBIT	-	Earnings before Interest and Tax
EBITDA	-	Earnings before Interest, Tax, Depreciation and Amortization
EBT	-	Earnings before Tax
FCFF	-	Free Cash Flows to Firm
FY	-	Financial Year ending 31 March
INR	-	Indian National Rupees.
MM	-	Comparable Companies Market Multiple Method
Mn	-	Million
NAV	-	Net Asset Value
NCWC	-	Non – Cash Working Capital
NPV	-	Net Present Value
PAT	-	Profit after Tax
TDS	-	Tax Deducted at Source.
WACC	-	Weighted average cost of capital

Section 1: Executive summary

Please note that this section is a summary and does not include all our findings on the valuation of MIBS which may be important to you. Accordingly, this report must be read in full to understand the basis of our conclusion, the assumptions used and other relevant aspects with respect to our valuation approach.

1.1 Background & Scope

- Mahindra Integrated Business Solutions Private Limited ("MIBS" or the "Client"), incorporated in 2011, provides staffing, business process management and advisory services. It operates from 15 locations & has a team strength of over 3,300 people serving domestic and international clients.
- As informed to us by MIBS, MIBS is contemplating issue of equity shares against acquisition of Mahindra Vehicle Manufacturers Limited's ("MVML") US Branch engaged in automotive design, engineering and development services ("Proposed Transaction").
- In this regard, MIBS has approached Grant Thornton India LLP (hereinafter referred to as "Grant Thornton" or the "Firm") to carry out the valuation of equity shares of MIBS on 31 March 2020 ("Valuation Date') for internal evaluation purposes and for relevant tax or regulatory fillings purposes, as may be required.

1.2 Our Approach to Engagement

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

- Discussions with the management of MIBS (hereinafter referred to as "Management") to:
  - Understand the business and fundamental factors that affect income-generating capability of MIBS including its strengths, weaknesses, opportunity and threats analysis and historical financial performance.
  - Enquire about business plan and future performance estimates of MIBS.
- Undertook Business Analysis
  - Gain understanding of the operating metrics of the business
  - Research publicly available market data on the respective businesses that may have impact on the valuation
  - Other publicly available information.
- Analysis of all the business related and financial information provided by the Management.
- Selection of appropriate internationally accepted valuation methodology/(ies) after deliberations and determination of equity value of the MIBS.

1.3 Valuation Date and Approach

- The agreed upon Valuation Date is 31 March 2020.
- The Equity Value of MIBS as on the Valuation Date has been arrived at using the Discounted Cash Flow ("DCF") method.

1.4 Valuation Analysis

DCF Method:

- The Management has provided us with the financial projections for MIBS from FY 21 to FY 23. We have considered the same for our valuation analysis.
- We have considered the Free Cash Flows to Firm ("FCFF") under the DCF Method to arrive at the equity value of MIBS as on the Valuation Date.
- Terminal value beyond FY 23 has been considered in order to compute the Equity Value on a going concern basis. A nominal growth rate of 5.0% has been considered for terminal value calculation beyond FY 23.
- Free Cash Flows for the projected years and perpetuity are discounted using Weighted Average Cost of Capital ("WACC") of 14.0% to arrive at the Net Present Value ("NPV") as on the Valuation Date.
- The Enterprise Value of MIBS under this method is arrived at INR 275.3 Mn. This Enterprise Value is adjusted for cash and cash equivalents, investments and Debt as on the Valuation Date to arrive at the Equity Value of INR 324.0 Mn.

1.5 Conclusion of Value

- Based on our analysis and subject to the assumptions and limitations described in this report and our engagement letter, the Equity Value of MIBS is arrived at INR 324.0 Mn as per the DCF method as under:

Particulars	Amount (INR Mn)
Enterprise Value	**275.3**
Add: Cash and Cash Equivalents	48.6
Add: Investments	5.1
Less: Debt	5.0
Equity Value	**324.0**

Section 2: Content & Purpose

2.1 Mahindra Integrated Business Solutions Private Limited

2.1.1 About the company

MIBS, incorporated in 2011, provides staffing, business process management and advisory services. It operates from 15 locations & has a team strength of over 3,300 people serving domestic and international clients. It is headquartered in Mumbai, India.

MIBS started as a shared services centre for Mahindra Auto and Farm division in 2002 to manage payroll and accounts payable activities. In 2011, it was established as a separate entity to provide services to other Mahindra group companies and non-Mahindra companies. At present, the Company earns around 83% of its revenue from Mahindra group entities and the balance is through servicing external clients. For FY 20, the Company earned around 65% of its revenue from providing staffing services.

The Company operates through the following segments:

- **Advisory services**: The company have been providing advisory services to Mahindra group entities for over a decade. Their main services are as follows:
  - Process Excellence
  - Operation Excellence
  - Cost Optimization
  - Risk Advisory
  - People Practices
  - Techno-Functional projects
- **Business Process Management:** Through this segment they provide services to various companies to enable them to outsource routine functions. The following are the various services provided under this segment are as follows:
  - Finance & Accounts Management
  - Human Resource Management
  - Customer Experience Management
  - Technology Solutions

2.2 Scope of Work

MIBS is contemplating issue of equity shares against its proposed acquisition of Mahindra Vehicle Manufacturers Limited's US Branch engaged in automotive design, engineering and development services.

The Client has approached Grant Thornton to carry out valuation of MIBS as on the Valuation Date for its internal evaluation purpose and for relevant tax and regulatory fillings purposes, as may be required.

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Section 3: Financial Overview

3.1 Historical Income Statement Analysis of MIBS

Based on information provided by the Management, key items of audited financial statements from FY 17 to FY 20 are presented below in Table 3.1

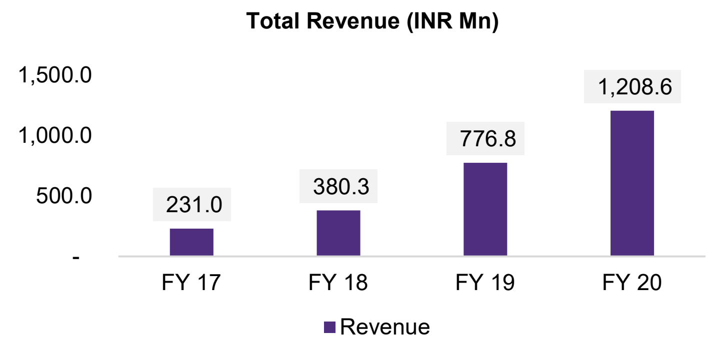
Table 3.1: Income Statement of MIBS (Amount in INR Mn)

Particulars	FY 17	FY 18	FY 19	FY 20
Total Revenue	**231.0**	**380.3**	**776.8**	**1,208.6**
Employee Benefit Expenses	151.7	262.9	599.5	934.8
Other Expenses	65.7	105.0	159.5	220.6
Operating Expenses	**217.4**	**367.8**	**759.0**	**1,155.4**
EBITDA	**13.6**	**12.5**	**17.8**	**53.2**
Depreciation	3.3	5.8	8.9	23.9
EBIT	**10.3**	**6.7**	**8.9**	**29.3**
Interest expense	-	0.4	0.3	4.3
EBT	**10.3**	**6.4**	**8.7**	**25.0**
Other Income / (Expense)	10.7	4.9	3.7	1.6
Taxes	5.7	2.2	3.3	7.2
Net Income	**15.3**	**9.1**	**9.1**	**19.4**

Total Revenue

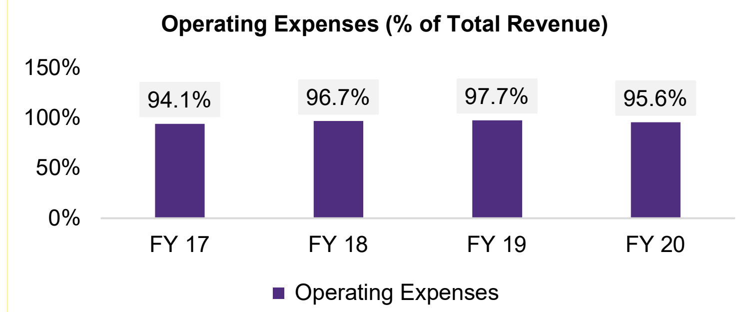
Total revenue of MIBS has grown at a CAGR of ~73.6% from INR 231.0 Mn in FY 17 to INR 1,208.6 Mn in FY 20.

Over the past few years, the Company has significantly increased its revenue by providing services to Mahindra group entities in the staffing segment. It mainly provides these Mahindra group entities with employees for sales force, administrative procedures and technicians.



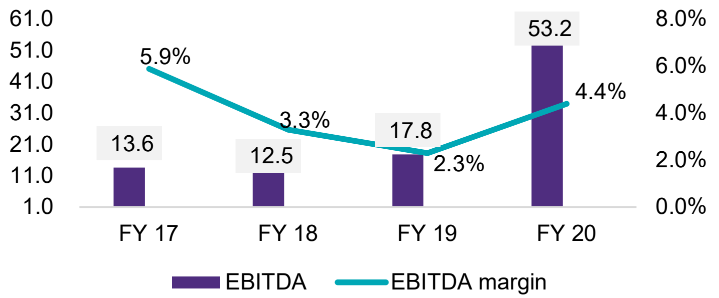
Operating Expenses

Operating expenses of MIBS comprise of employee benefit expenses and other expenses such as rent, admin etc. The Operating expenses as a percentage of total revenue have been in the range of 94.1% in FY 17 to 95.6% in FY 20.



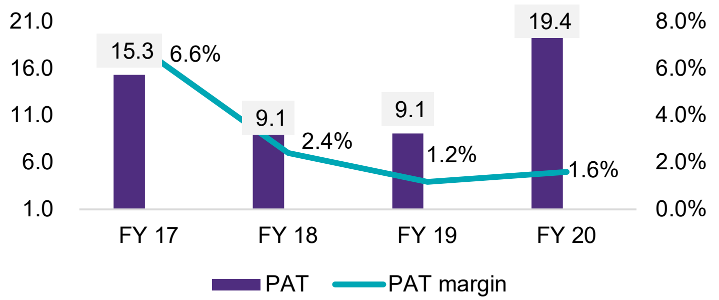
EBITDA Margins

The EBITDA margins have decreased from 5.9% in FY 17 to 4.0% in FY 20. The decrease in EBITDA margins is mainly on account of the Company shifting its business to the staffing segment. Due to significant increase in business, the EBITDA has grown at a CAGR of ~57.5% from FY 17 to FY 20.



PAT Margins

The PAT margins of MIBS have reduced from 6.6% in FY 17 to 1.6% in FY 20. PAT margins for the Company reduced from FY 17 due to shift towards staffing business. The PAT has grown at a CAGR of ~8.1% from FY 17 to FY 20.



3.2 Historical Balance Sheet Analysis of MIBS

Non-Cash Working Capital

MIBS has non-cash working capital requirement which is mainly on account of tax deducted at source (TDS) on its receivables. Historically, non-cash working capital of MIBS has gradually increased from INR (8.6) Mn in FY 17 to INR 20.3 Mn in FY 20 with increase in TDS and trade receivables. The current liabilities consist of mainly trade payable and other liabilities.

Lease Liabilities

As on the Valuation Date, MIBS has an outstanding lease liability (including current maturities of lease liabilities) of INR 40.3 Mn. Such lease liability is in relation to offices of MIBS located at Goregaon and Solapur.

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Table 3.2: Historical Balance Sheet of MIBS (INR Mn)

Particulars	FY 17	FY 18	FY 19	FY 20
Share Capital	15.0	15.0	15.0	15.0
Reserves & Surplus	59.4	64.3	72.3	88.2
Shareholder's Funds	**74.4**	**79.3**	**87.3**	**103.2**
Lease Liabilities	-	-	-	40.3
Related party borrowings	-	-	-	5.0
Total Sources of Funds	**74.4**	**79.3**	**87.3**	**148.5**
Tangible Assets	9.3	18.7	18.9	51.4
Intangible Assets	0.8	1.5	2.2	1.8
Intangible assets under development	-	-	1.8	6.3
Other Non-Current Assets	0.6	6.9	7.8	9.2
Deferred Tax Assets	3.5	7.8	9.4	15.1
Income Tax Assets	26.5	38.4	62.4	119.6
Current Assets				
Trade Receivables	40.1	46.5	62.8	68.7
Short Term loans and advances	-	-	0.1	0.0
Other Financial assets	2.8	1.5	3.8	4.1
Current Liabilities				
Trade Payables	43.5	36.2	51.1	91.4
Provisions	16.4	17.4	17.5	26.6
Other Financial Liabilities	18.5	31.5	56.1	63.3
Non-Cash Working Capital	**(8.6)**	**8.1**	**12.1**	**20.3**
Cash & Cash Equivalents	47.7	20.6	33.7	48.6
Current Investments	21.6	22.6	9.2	5.1
Total Application of Funds	**74.4**	**79.3**	**87.3**	**148.5**

3.3 Income Statement Analysis of MIBS for the Projected Period

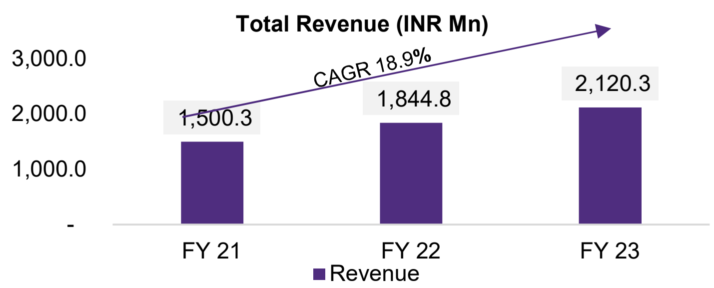
The Management has provided us with the projected Profit & Loss statement and projected Balance Sheet of MIBS from FY 21 to FY 23 ("Projection Period"). The highlights of the information have been reproduced in Tables 3.3 and 3.4. We understand that the projections provided by the Management are based on their best estimates of growth and sustainability of profitability margins of MIBS. We have relied on explanations and information provided by the Management and accepted the information provided to us as consistent and accurate on an "as is" basis. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.

Table 3.3: Projected Income Statement of MIBS (Amount in INR Mn)

Particulars	FY 21	FY 22	FY 23
Total Revenue	**1,500.3**	**1,844.8**	**2,120.3**
Employee Benefit Expenses	1,264.0	1,550.6	1,792.1
Other Expenses	187.6	222.5	254.8
Operating Expenses	**1,451.6**	**1,773.2**	**2,046.9**
EBITDA	**48.7**	**71.6**	**73.4**
Depreciation	24.5	23.9	14.7
EBIT	**24.2**	**47.7**	**58.7**
Interest expense	3.2	2.2	1.0
EBT	**21.0**	**45.6**	**57.7**
Other Income / (Expense)	3.0	3.0	3.0
Taxes	6.7	13.0	16.7
Net Income	**17.3**	**35.6**	**44.0**

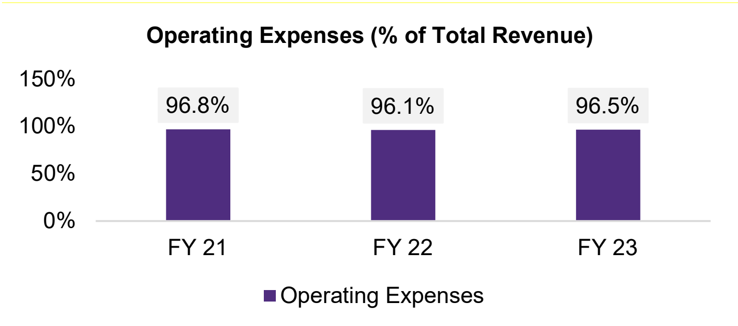
Total Revenue:

Total revenue of MIBS is projected to increase from around INR 1,500 Mn in FY 21 to INR 2,120 Mn in FY 23. Revenue growth for the Projected Period is expected increase from staffing business segment by rendering services to Mahindra group entities. The revenue is expected to grow at a CAGR of ~18.9% from FY 21 to FY 23.



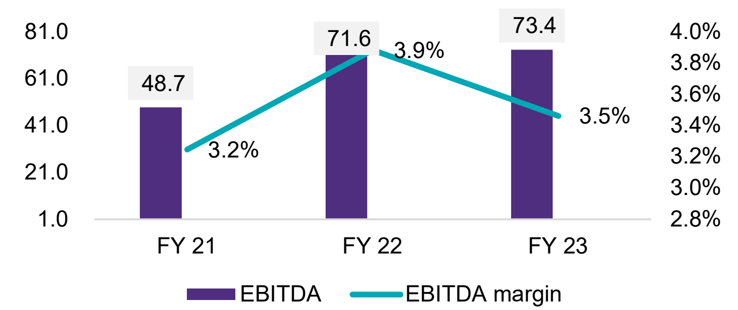
Operating Expenses:

The total operating expenses of MIBS comprise of employee benefit expenses and other expenses. The employee benefit expenses as a % of revenue are expected to increase in the Projected Period on account of growth in the staffing business which is lower margins whereas the other expenses are fixed in nature and hence are expected to reduce as a % of revenue in the Projected Period. The Operating expenses as a percentage of total revenue are expected to remain flat in the range of around 96.8% to 96.5% from FY 21 to FY 23.



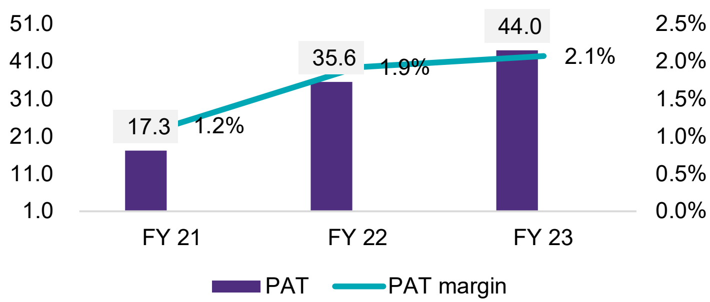
Projected EBITDA:

The EBITDA margins of MIBS is estimated to be in the range of 3.2% in FY 21 to 3.5% in FY 23. These margins are expected to slightly increase in FY 22 and FY 23 on account of economies of scale.



Projected PAT:

Lower PAT margin is expected for FY 21 after considering the impact of COVID-19. PAT margins are estimated to increase from 1.2% in FY 21 to 2.1% in FY 23. This is mainly because depreciation and interest costs are expected to gradually reduce over the Projection Period.



3.4 Balance Sheet Analysis of MIBS for the Projected Period

Non-Cash Working Capital:

The Management believes that there will be non-cash working capital requirement mainly on account of TDS receivable in the Projection Period. Further, as informed by the Management, the expected receivable days for debtors are 35 days for Mahindra group entities and 70 days for other clients. The non-cash working capital as a percentage of total revenue is expected to increase from 5.5% in FY 21 to 7.4% in FY 23.

Lease Liabilities:

Lease liability corresponds to offices of MIBS located at Goregaon and Solapur. Lease rentals are to be paid by company for such office locations. The Management expects the lease liabilities to be Nil by FY 23 as it will be fully amortized by the end of the Projection Period.

Table 3.4: Projected Balance Sheet of MIBS (Amount in INR Mn)

Particulars	FY 21	FY 22	FY 23
Share Capital	15.0	15.0	15.0
Reserves & Surplus	101.9	134.7	176.0
Shareholder's Funds	**116.9**	**149.7**	**191.0**
Lease Liabilities	25.0	7.6	-
Total Sources of Funds	**141.9**	**157.3**	**191.0**
Tangible Assets	33.5	15.4	6.7
Intangible Assets	7.7	6.5	5.0
Other non-current assets	9.2	10.7	13.4
Deferred Tax Assets	15.1	15.1	15.1
Income Tax Assets	82.1	107.7	129.8
Current Assets			
Trade Receivables	106.4	124.4	152.4
Short Term loans and advances	0.1	0.1	0.1
Other Financial assets	5.5	5.5	7.5
Current Liabilities			
Trade Payables	41.9	50.0	53.9
Provisions	27.4	27.9	28.4
Other Financial Liabilities	52.1	56.6	64.5
Non-Cash Working Capital	**(9.4)**	**(4.5)**	**13.3**
Cash & Cash Equivalents	3.7	6.5	8.0
Total Application of Funds	**141.9**	**157.3**	**191.0**

Section 4: Valuation Summary

4.1 Valuation Procedures & Methodology

4.1.1 Valuation Procedures

In connection with this exercise, we have used information provided by the Management as well as information sought through licensed data bases and public domain. The following procedures have been adopted to carry out the valuation:

- Discussions with the Management:
  - To understand the business and fundamental factors that affect the profit-generating capability including strengths, weaknesses, opportunity and threats analysis
  - Historical financial performance and key factors that influenced performance of the Companies in the past.
  - Understand the challenges and circumstances under which the business stands as on the Valuation Date.
  - Understand basis of estimates used in business plans for future performance.
- Reviewed all the internationally accepted valuation methodologies and selection of appropriate methodology/(ies) based on scope of work and applicability.
- Determination of the Equity Value of MIBS "Going Concern Value" as on the Valuation Date.

4.1.2 Valuation Parameters

Valuation Base: *Valuation base* means the indication of the type of value being used in an engagement. Different Valuation bases may lead to different conclusions of value. Valuation base can be Fair Value, Participant Specific Value or Liquidation Value, depending upon the intended purpose of the valuation exercise.

Considering the nature of this exercise, we have considered Fair Value as the Valuation base. *Fair Value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the Valuation Date.

Premise of Value: *Premise of Value* refers to the conditions and circumstances how an asset is deployed. Since the Management intends to carry on the business, we have considered Going Concern Value as the Premise of Value.

Intended Users: This report is intended for internal evaluation purposes of MIBS and for tax and regulatory filing purposes, as may be required.

4.1.3 Valuation Methodology

Valuation of an enterprise / business or its shares is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer. This exercise may be carried out using various methodologies, the relative emphasis of each often varying with the factors such as:

- Specific nature of the business
- Whether the entity is listed on a stock exchange
- Industry to which the company belongs
- Past track record of the business and the ease 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 the professional judgment of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue.

Valuation results could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions, financial and otherwise, and other factors which generally influence the valuation of companies.

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

The generally accepted valuation methodologies can be broadly categorized as follows:

Asset Based

Net Asset Value Method ("NAV")

The value arrived at under this approach is based on the latest available audited/provisional financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The Net Asset Value is generally used as the minimum break-up value for any business since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy or invest in the business as a going concern. This method is usually used in case where the asset base dominates earnings capability.

Considering the above, we have not given used the NAV Method for valuation of MIBS.

Market Based

Comparable Company Market Multiple Method ("MM 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. This is based on the premise that the market multiples of comparable listed companies are a good benchmark to derive the value of the subject company. This method applies the most appropriate and reasonable multiple to the relevant operating performance metrics of the subject company to estimate its value. The difficulty here is in the selection of a comparable company since it is rare to find two or more companies with the same products mix, size, business strategy, geography, stage of lifecycle etc.

Since there are no pure play listed comparable companies that are exclusively engaged into staffing and business process management services largely as a captive entity, we have not considered the MM Method for valuation of MIBS.

Cash Flow (Earnings) based Method

DCF Method

The DCF method uses the future free cash flows of the firm / equity holders discounted by the cost of capital/equity to arrive at the present value. In general, the 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 the Free Cash Flows to the Firm ("FCFF") approach for DCF analysis.

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4.2 Valuation of MIBS

As mentioned above, we have used DCF method for the purpose of this valuation exercise.

For DCF analysis, we have relied on the financial projections of MIBS from FY 21 to FY 23. The Management has provided us the projected Income Statement and Balance Sheet of MIBS from FY 21 to FY 23. In deriving of the cash flows, we have considered all projected lease expenses as part of operating expenses. Therefore, from a cash flow perspective we have not considered the impact of capitalized Right of Use Assets, Lease Liability, amortization of these lease assets and the interest charges of the Lease Liabilities. On the other hand, we have adjusted the projected lease expenses related to the Right of Use Assets from the operating EBITDA to arrive at the adjusted EBITDA.

Please note that we have relied on explanations, financial projections and information provided by the Management. The projections and assumptions are only the best estimates for the company's growth and sustainability of the profitability margins. Although we have reviewed the projections for accuracy and reasonableness, we have not independently investigated or otherwise verified the data provided.

The key assumptions and the basis for the valuation are explained in detail:

Cost of Equity

The Base Cost of Equity ("BCOE") is calculated using the Capital Asset Pricing Model derived with the formula

BCOE = rf + β (ERP)

Where,

- rf = Risk Free Return
- β = Beta, a measure of Market Risk
- ERP = Equity Risk Premium

The BCOE is further adjusted by adding Company Specific Risk Premium ("CSRP") and Size Premium to arrive at Cost of Equity ("COE")

The COE is estimated as follows:

- **Risk Free Return (rf)** – Risk Free Rate of 6.55% is based on 10 Year Zero Coupon Bond yield as on the Valuation Date *(Source: CCIL)*.
- **Beta (β) –** Three-year average asset betas for Indian listed companies broadly comparable to MIBS has been considered to arrive at average asset beta of 0.96. The re-levered beta is same as the asset beta as the debt-equity ratio considered is nil since the Company expects to repay the outstanding related debt of INR 5.0 Mn within next 6 months and be debt free in the Projected Period.
- **Equity Risk Premium (ERP)** – ERP of 6.75% has been considered based on the Grant Thornton's Internal research on equity risk premium for Indian markets.
- **Company Specific Risk Premium (CSRP) –** CSRP of 1.0% has been considered based on a qualitative analysis of the risks inherent in the Company such as illiquidity, size of operations, expected financial performance in the future, among others.

Based on the inputs described above, the COE is 14.0%.

Weighted Average Cost of Capital

As mentioned above, the debt-equity ratio considered is nil. The lease liability has been considered as an operating expense and the Company has a related party borrowing of INR 5.0 Mn as on the Valuation Date which it expects to repay within next 6 months and be debt free in the Projected Period . Hence, the Weighted Average Cost of Capital ("WACC") is same as COE, i.e. 14.0%

Table 4.1: WACC of MIBS

Particulars	
Risk-free rate	6.55%
Re-levered Beta	0.96
Equity Risk Premium	6.75%
Base Cost of Equity	**13.0%**
Company Specific Risk Premium	1.0%
Cost of Equity	**14.0%**

Terminal Value

The terminal value refers to the present value of the business as a going concern beyond the explicit period of forecasts up to perpetuity. This value is estimated taking into consideration the past growth rates of the service, economic life cycle of the service, expected growth rates in future, capital investments made in the business as well the estimated growth rate of the industry and economy.

In order to estimate the free cash flow to firm in the terminal period, we have assumed:

- Growth rate of 5.0% based on industry growth and the expected growth rate of the economy in which the company operates.
- Long term sustainable EBITDA margin of 3.0% is considered based on the average EBITDA margin for FY 22 and FY 23.
- The change in non-cash working capital requirement has been determined based on the working capital as a proportion to revenue and the terminal revenue growth.
- Effective tax rate for terminal period is based on the effective tax rate of 25.17% as applicable to India.
- Capital expenditure for the terminal period has been assumed to be same as of FY 23.
- Depreciation for the terminal period has been assumed to be equal to the maintainable capital expenditure for the terminal period.

As discussed earlier, the EBITDA for the Projection Period has been adjusted for the actual lease rent expenses as provided by the Management to arrive at the Adjusted EBITDA. This adjusted EBITDA has been considered to compute the FCFF of MIBS.

Based on the above assumptions, we have discounted FCFF of MIBS under the DCF method using WACC. The Enterprise Value as computed has been adjusted for cash and cash equivalents as on the Valuation Date to arrive at the Equity Value of MIBS.

Table 4.2: Equity Value of MIBS (INR Mn)

Particulars	Amount
Sum of Present Value of Net Free Cash Flows	(33.2)
Present Value of Terminal Cash Flows	308.5
Enterprise Value	**275.3**
Add: Cash and Cash Equivalents	48.6
Add: Investments	5.1
Less: Debt (Related Party Borrowings)	5.0
Equity Value	**324.0**
No. of Equity Shares	1,500,000
Fair Value per share	**216.0**

Based on our analysis and subject to the assumptions and limitations described in this report and our engagement letter, we estimate the Equity Value of MIBS to be INR 324.0 Mn and per share equity value as INR 216.0.

4.4 Valuation Conclusion

As discussed above, we have considered DCF method to value MIBS. Based on our valuation analysis, the Equity Value of MIBS has been determined to be INR 324.0 Mn as of the Valuation Date.

Section 5: Caveats

5.1 General

Provision of valuation recommendations and considerations of the issues described herein are areas of our regular corporate advisory practice. The services do not represent accounting, audit, financial due diligence review, consulting, transfer pricing or domestic / international tax-related services that may otherwise be provided by Grant Thornton.

Our analysis and review of the financial statements (historical and projected financial statements) of MIBS, do not constitute an audit in accordance with Auditing Standards and does not constitute vetting of the financial projections provided by the Management. We understand that the revenue and cost of operations as forecast in the financial projections provided to us are for MIBS as a whole. Also, all the assets of MIBS included in the projections are expected to be in operational use for the business. We have relied on explanations and information provided by the Management and accepted the information provided to us as consistent and accurate on an “as is” basis. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided. Nothing has come to our attention to indicate that the information provided had material misstatements or would not afford reasonable grounds upon which to base the report. The responses to our queries (either via correspondence or meetings) on the earning capacity and operating outlook of the Companies reflect the best judgment of the Management regarding the future profitability of the businesses of both the companies.

Our valuation is primarily from a business perspective and has not taken into account various legal and other corporate structures beyond the limited information made available to us. Hence, our opinion should not be construed as legal advice or a legal opinion.

The responsibility for the forecasts and the assumptions on which they are based is that of the Management and we provide no confirmation or assurance on the achievability of these projections. It must be emphasized that profit forecasts necessarily depend upon subjective judgment. They are to a greater or lesser extent, according to the nature of the business and the period covered by the forecasts, subject to substantial inherent uncertainties. In consequence, they are not capable of being audited or substantiated in the same way as financial statements, which present the results of completed periods.

Similarly, we have relied on data from external sources. These sources are considered to be reliable and therefore, we assume no liability for the accuracy of the data. We have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences. The valuation worksheets prepared for the exercise are proprietary to Grant Thornton and cannot be shared.

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 in this report, which might be relevant in the context of the transaction and which a wider scope might uncover. It may be noted that valuation is not an exact science and ultimately depends upon what the business is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. The valuation exercise is carried out using generally accepted international valuation methodologies, the relative emphasis of each often varying based on several specific factors. The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. The valuation analysis recommendation contained herein is not intended to represent the value at any time other than the date that is specifically stated in this report.

This report is issued on the understanding that the Management has disclosed all documents, records and information relevant to our review of the financial outlook and are complete and fair in relation to the equity valuation of both the Companies, and has drawn our attention to all matters of which they are aware concerning the financial position of the business, which may have an impact on our report up to the date of issue. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Please note that Grant Thornton may have provided other professional services to the Companies or their Group Companies in the past. However, we have no present or planned future interest in either of the Companies or their parents or subsidiaries and the fee for this report is not contingent upon the values reported herein. Our valuation analysis should not be construed as investment advice.

We understand that this engagement did not require us to perform this valuation as a registered Valuer under the Companies Act 2013 (“Act”), the Companies (Registered Valuers and Valuation) Rules, 2017 or as per any other rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules. Accordingly, our valuation analysis and this report does not constitute nor can be construed as a valuation carried out by a registered valuer in accordance with such Act or Rules or as per any rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules and any such use of our valuation analysis and this report is not permitted.

Under no circumstances whatsoever, are we to be held liable for any loss, damage, cost or expense to be caused in any manner or form, from acts of fraud, misrepresentation, misstatement, provision of incorrect information or withholding of information from us.

“The outbreak of COVID-19, declared by the World Health Organization as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is / are therefore reported based on ‘material valuation uncertainty’. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have, we recommend that you keep this valuation under frequent review.”

5.2 Distribution of Report

This valuation analysis is confidential and has been prepared exclusively for the Management. We stress that our reports and letters are confidential and prepared for the addressees only. We understand that the report may be used for relevant tax or regulatory filing purposes, as may be required. The Report may be shared with MVML and its holding company for information purposes only. However, we do not have any responsibility or liability MVLM and its holding company. The report should not be used, reproduced, or circulated for any other purpose, whether in whole or in part without our prior written consent, which consent will only be given after full consideration of the circumstances at the time.

We owe responsibility only to MIBS as per the terms of our Engagement Letter. Please note that we do not have any responsibility or liability towards MIBS’s advisors, consultants, shareholders or any other third party with respect to this report. Our analysis and report are invalid if used for any purpose other than that stated herein.

If the report is shared with any third party, Grant Thornton does not assume any duties or obligation to these third parties in connection with such access and the valuation analysis contained in the report should not be construed as an investment advice.

Please note that our firm owes no duty of care to any third party, who may have access to our report and cannot accept any responsibility for reliance by them in acting or refraining from acting on the contents of the report.

Grant Thornton does not express any opinion on the suitability or otherwise for entering into a transaction with the Company.

5.3 Sources of Information

The Valuation analysis is based on a review of the historical and projected financial information of both the Companies as provided by the Management along with discussions and explanations provided by them. The sources of information include:

- Audited financial statements of MIBS from FY 17 to FY 20;
- Projected financial statements of MIBS from FY 21 to FY 23;
- Information from International Database;
- Other industry related information from the World Wide Web;
- Correspondence with the Management including Management Representation.

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