Fair Valuation of Equity & Compulsorily Convertible Preference Shares (CCPS-1 G) of Kiranakart Technologies Private Limited

Date: October 7, 2024

PREPARED BY

Rishit Jain
Registered Valuer
Reg No. IBBI/RV/06/2019/11822

The Board of Directors
Kiranakart Technologies Private Limited
4th Floor, Wework Chromium Powai,
Jogeshwari Vikhroli Link Rd,
Raje Sambhaji Nagar, Marol, Andheri East,
Mumbai, Maharashtra, India, 400076

Valuation of Equity and Compulsorily Convertible Preference Shares (CCPS-1 G) of Kiranakart Technologies Private Limited

Dear Members of the Board,

We have been engaged by the management of Kiranakart Technologies Private Limited to estimate the Fair Value, as defined below, of Equity and Compulsorily Convertible Preference Shares (CCPS-1 G) as of **September 30, 2024** (the "Valuation Date") under engagement letter dated **September 30, 2024**. We understand that Kiranakart Technologies Private Limited management ("Management") will use the results of our analysis for the purpose of ascertaining the fair value of Equity and CCPS-1 G.

Purpose of our report and restrictions on its use.

This Report was prepared solely for the purpose of ascertaining the fair value of the Equity & CCPS-1 G and should not be used or relied upon for any other purpose. This Report and its contents may not be quoted, referred to or shown to any other parties except as provided in the Engagement Agreement.

We accept no responsibility or liability to any person other than to Kiranakart Technologies Private Limited, or to such party to whom we have agreed in writing to accept a duty of care in respect of this Report, and accordingly if such other persons choose to rely upon any of the contents of this Report they do so at their own discretion.

Yours Truly,

RISHIT JAIN
Bengaluru
Registered Valuer

Rishit Jain
Registered Valuer
IBBI Reg No. IBBI/RV/06/2019/11822

TABLE OF CONTENT

1. COMPANY BACKGROUND

- **Kiranakart Technologies Private Limited** ("Zepto", the "Company") was incorporated on the December 05, 2020, as a private limited company. Zepto is a prominent e-grocery company headquartered in Mumbai, present across 10 major cities in the country, 1000+ employees strong, and delivers 5000+ products, including fresh fruits and vegetables, daily cooking essentials, dairy, health-and-hygiene products, etc., to Indian homes within 10 minutes. Through strong tech capabilities, an efficient business model, and a network of highly optimized delivery centres across its 10 locations, the company is revolutionizing the Indian grocery segment, making it easier and more convenient. Beyond groceries, Zepto has also introduced a cafe offering that allows customers to order Coffee, Chai, and other Café items, along with their groceries.

2. INDUSTRY BACKGROUND

- The global online grocery delivery services market size was evaluated at $286 Billion in 2021 and is slated to hit $2,159 Billion by the end of 2030 with a CAGR of nearly 26% between 2022 and 2030. The market report is an indispensable guide on growth factors, challenges, restraints, and opportunities in the global marketplace. The report covers the geographical market along with a comprehensive competitive landscape analysis. Additionally, the report explores the investor and stakeholder space to help companies make data-driven decisions.

- The global online grocery delivery services market is projected to expand annually at the annual growth rate of around 26% over the forecast timespan (2022-2030). In terms of revenue, the global online grocery delivery services market was evaluated at nearly $286 billion in 2021 and is anticipated to hit $2,159 billion by 2030. The global market is anticipated to surge at a remarkable rate over the forecast period due to technological advancements, swift urbanization, and changing consumers' shopping behaviour.

3. PURPOSE FOR THE VALUATION & APPOINTING AUTHORITY

- Based on our discussions with the management of the "Company", we understand that management requires the valuation analysis of the Company for the purpose of ascertaining fair value of Equity & CCPS-1 G under Section 42 and Section 62 of the Companies Act, 2013 and the rules made there under. In this regard, the company needs a report on valuation of Equity & CCPS-1 G in accordance with internationally accepted valuation standards.
- In this context management of the company has appointed Rishit Jain (hereinafter referred to as "Registered Valuer") to carry out valuation of Equity and CCPS-1 G of the company and submit the valuation report to the company.
- Registered Valuer has performed a valuation analysis of the business of the company as of valuation date as specified in this report. Registered Valuer understands that its analysis will be used by the management of the company for the purpose of regulatory compliances under the provisions of Companies Act, 2013. The exercise has been carried out in accordance with the Limiting Conditions set out in Section 9 of this report.
- This Report is our deliverable for this engagement.

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Bengaluru
Registered Valuer

4. ABOUT THE VALUER

- Rishit Jain (the "Valuer") is a Registered Valuer having Registration No. IBBI/RV/06/2019/11822. The Valuer is registered with the Insolvency and Bankruptcy Board of India to undertake the Valuation of Securities and Financial Assets of the companies in accordance with section 247 of the Companies Act, 2013
- There is no conflict of interest in our opinion on valuation analysis of the business of the company. Our fee is not contingent upon the opinion expressed herein.

5. SOURCES OF INFORMATION

The following sources of information have been utilized in conducting the valuation exercise:

- Company specific information - The following Company specific information, as provided by the Management, verbally or in written form have inter alia been used in the valuation:
  - Financial projections for a period up to March 2029. These include forecasts of balance sheet, profit & loss account along with schedules and underlying assumptions.
  - Valuation Report of Zepto titled "Fair Valuation of Equity & Compulsorily Convertible Preference Shares (CCPS-1 G & CCPS -1 D) of Kiranakart Technologies Private Limited"
  - Background information provided through emails, word documents or during discussions.
- Besides the above listing, there may be other information provided by the Management which may not have been perused by us in any detail, if not considered relevant for our defined scope.
- Industry and economy information: The following sources were utilized for analysing the industry and the competitors:
  - Discussion with the Management
  - Publicly available information
- In addition to the above, we have also obtained such other information and explanations from the Management as were considered relevant for the purpose of the valuation.
- It may be mentioned that the Management have been provided an opportunity to review factual information in our report as part of our standard practice to make sure that factual inaccuracies/omissions/etc., are avoided in our final report.

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Bengaluru
Registered Valuer

6. VALUATION SUMMARY

- The valuation is based on future forecasted financial statements of Kiranakart Technologies Private Limited as of **August 31, 2024**. We have relied on the aforesaid financial statements without undertaking any verification or review procedures from our side.
- We have used DCF method for valuation of the Company.
- The equity value of the Company is summarized in the table alongside.
- Accordingly, based on the information available, the equity value of Kiranakart Technologies Private Limited as at **September 30, 2024** is estimated at **INR 4,13,08,82,20,166** /-
- The value per dilutive share is estimated at **INR 57.73** /-
- Consequently, the value per Equity Share is estimated at **INR 57.73** /-
- The management has informed us that owing to the bonus issue on equity dated September 30, 2024 the conversation ratio of CCPS- 1G is 1:551.
- Hence, the Concluded Fair Value of CCPS-1 G Compulsorily Convertible Preference Share as on September 30, 2024 is estimated at **INR 31,810** /-
- This report should be read in its entirety but especially in conjunction with the statement of Limiting Conditions.

Valuation Summary of Kiranakart Technologies Private Limited as at

September 30, 2024

Currency: INR

Total Enterprise Value

Approaches	**Weights(%)**	**Value (INR)**
Income Approach	100%	3,26,08,44,63,904
Asset Value Approach	0%	--
Market Approach	0%	--
Enterprise Value		3,26,08,44,63,904
Add: Cash & Cash Equivalent		54,76,52,14,628
Add: Equity Infusion on account of Calls to be made on Partly Paid-up OCRPS		6,74,76,954
Enterprise Value as on August 31, 2024 (INR)		**3,80,91,71,55,486**
Less: Long-term borrowings		77,21,34,760
Add: Fund Raised on issue of CCPS Series G		1,68,01,72,390
Add: Fund Received from Kiranakart Pte. Ltd.		31,26,30,27,050
Concluded Fair Value of Equity as on September 30, 2024		4,13,08,82,20,166
Number of Dilutive Shares outstanding		7,15,54,36,974
Value per dilutive share (INR)		57.73
Fair Value per Equity Share		57.73
Conversion Ratio		1:551
Fair Value of CCPS-1 G		31,810

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Bengaluru
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7. VALUATION METHODOLOGY

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

- whether the entity is listed on a stock exchange
- industry to which the Company belongs
- past track record of the business and the 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 professional judgment of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue. These approaches can be broadly categorized as follows:

1. Asset Approach
2. Income Approach
3. Market Approach

Asset Approach

This method determines the worth of a business by the assets it possesses. It involves examining every asset held by the company, both tangible and intangible. The value of intangibles is referred to as the company's goodwill, the difference in value between the company's hard assets and its true value.

The value arrived at under this approach is based on the 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 the transaction 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 it as a going concern. Pursuant to accounting convention, most assets are reported on the books of the subject company at their acquisition value, net of depreciation where applicable. These values must be adjusted to fair market value wherever possible.

Further, the balance sheet values are to be adjusted for any contingent liabilities that are likely to materialize. Intrinsic value is at the core of fundamental analysis since it is used in an attempt to calculate the value of the total assets of the business and then compare it with the fair value.

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Registered Valuer

Income Approach

The income approaches determine fair market value by dividing the benefit stream generated by the subject or target company by a discount or capitalization rate. The discount or capitalization rate converts the stream of benefits into present value. There are several different income approaches, including Capitalization of Earnings or cash flows, Discounted Future Cash Flows ("DCF"), and the Excess Earnings Method (which is a hybrid of asset and income approach of benefit stream to which it is applied).

Market Approach

The value of a business is determined by comparing the company's accounting ratios with another company of the same nature and size. This approach is used, where the value of a stock is estimated based upon its current price relative to variables considered to be significant to valuation, such as earnings, cash flow, book value, or sales of various business of the same nature. Business appraisal includes comparative transaction method and publicly traded company method. Through this, it derives a relationship between performance, revenues and selling price.

Summary of various methods used / not used in this engagement is as given below:

Valuation Methodology	Adopted	Weights Assigned	Remarks
Market Approach	No	-	▪ Not listed on any Stock Exchange ▪ No listed companies or transactions available in the industry which are comparable to the Company ▪ Current operations of the Company are not at a normative level and are not representative of the future maintainable profit
Income Approach	Yes	100%	▪ DCF Method is one of the most scientific methods in terms of conceptual framework. Hence, we have used the same based on the financial projections provided to us.
Asset Approach	No	-	▪ This approach does not capture the future earnings capacity of the business.

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8. INCOME APPROACH

In the instant case, the income approach was considered the most suitable. The income approach involves the discounting of projected cash flows that accrue to the Company.

DISCOUNTED CASH FLOWS METHOD

- The DCF method of valuation involves discounting of the future forecasted free cash flows to all the stake holders at weighted average cost of capital (WACC) to arrive at the Enterprise value. The Enterprise Value is then adjusted with external debt outstanding, cash & cash equivalents and other non-operating assets as of the valuation date to arrive at the equity value of the Company.

FREE CASHFLOW COMPUTATION

- The computation for Free Cashflows is based on the projected Profit & Loss Statement & Balance Sheet provided by the management.
- Forecasted Earnings before Interest, Tax, Depreciation & Amortization (EBITDA) as given by the management were adjusted for changes in working capital, capital expenditure where applicable and further adjustment were made for income taxes.

DISCOUNT RATE

- As noted above, the DFCF method requires the application of a discount rate that reflects the risks of cash flow. Since we are discounting free cash flows available to all the stake holders, we are using the Weighted Average Cost of Capital (WACC) as the discount rate.
- WACC is calculated by multiplying cost of equity and cost of debt with their respective weights in the overall ideal capital structure of the company and adding both.
- The weighted average cost of capital provides an expected rate of return based on the capital structure, the required return on the equity, and the required yield on the interest-bearing debt.

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DERIVATION OF DISCOUNT RATE

As noted above, the DFCF method requires the application of a discount rate that reflects the risks of cash flow. Since the Company is expected to operate with a debt-to-equity ratio of 1:9, we have used the WACC as the discount rate.

Cost of Equity (Ke):

The cost of equity has been estimated using Capital Asset Pricing Model ("CAPM"). We looked at the financial data for other similar firms in the industry to arrive at the estimated required return on equity holder would expect for his investment. The CAPM can be expressed as follows:

ER = RFR + ß x (MRP)

Where:
ER= The security's expected return
RFR = An appropriate risk-free rate
ß = The security's beta statistic
MRP = The market's return premium over the risk-free return

All factors relevant to the Ke calculation are based on publicly available sources and considered reliable.

Based on the above, the Ke was worked out at **18%** and WACC at **16.83%**.

Refer Annexure - 2 of this report for detailed Ke analysis.

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Bengaluru
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9. LIMITING CONDITIONS

- Provision of valuation opinions and consideration of the issues described herein are areas of our regular valuation practice. The services do not represent accounting, assurance, tax, due diligence, consulting, or tax related services.
- The value of Kiranakart Technologies Private Limited as contained herein is not intended to represent the value at any time other than the date of our report, as per the agreed scope of our engagement. Changes in market/industry conditions could result in opinions of the value substantially different than those presented.
- The valuation report was prepared solely for the purpose of ascertaining the fair value of the shares and was for the confidential use of the Client only. Its suitability and applicability of any other use has not been checked by us.
- The valuation has been arrived based on the future forecasted financials of the Company. In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, or otherwise investigated the forecasted financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements.
- We have been given to understand by the Management that it has made sure that no relevant and material factors have been omitted or concealed or given inaccurately by people assigned to provide information and clarifications to us for this exercise and that it has checked out relevance or materiality of any specific information to the present exercise with us in case of any doubt. We have assumed that the information provided to us presents a fair image of the Company's activities and the assets being valued at the Valuation Date. Therefore, we will accept no responsibility for any error or omission in the Report arising from incorrect information provided by the Management. Also, we assume no responsibility for technical information furnished by the Management and believed to be reliable.
- The Report assumes that the Company comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that it will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to the following matters -
- Matters of a legal nature, including issues of legal title and compliance with local laws, and Litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Company.
- We are not aware of any contingency, commitment or material issue which could materially affect the Company's economic environment and future performance and therefore, the fair value of the Company's business. No effort has been made to determine the possible effect, if any, on the subject business due to future central, state, or local legislation, including any environmental or ecological matters or interpretations thereof.
- The valuation analysis and result are governed by concept of materiality.

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- The financial forecasts used in the preparation of the Report reflects Management's judgment, based on present circumstances, as to the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts and as such differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of those forecasts.

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Bengaluru
Registered Valuer

ANNEXURE 1: DISCOUNTED CASH FLOW METHOD

Annexure -1

Private & Confidential

Kiranakart Technologies Private Limited (Zepto)
Valuation of Equity and CCPS-1 G - Discounted Cash Flow

Projected Financial Information

In INR lakhs

Particulars		Notes	Aug 31, 2024 to March 31, 2025	2025-26	2026-27	2027-28	2028-29	Normalised
			Projected	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*
Revenue		1	8,19,702	30,26,295	49,98,320	74,44,092	1,07,27,484	1,12,63,858
Growth %			*nmf*	*115.4%*	*65.2%*	*48.9%*	*44.1%*	*5.0%*
EBITDA		1	(63,276)	(33,266)	1,34,985	3,68,556	7,12,131	7,47,738
% of Sales			*-7.7%*	*-1.1%*	*2.7%*	*5.0%*	*6.6%*	*6.6%*
Less: Depreciation		1	5,523	13,758	15,789	18,386	20,192	20,192
EBT		1	(68,799)	(47,024)	1,19,196	3,50,171	6,91,940	7,27,546
% of Sales			*-8.4%*	*-1.6%*	*2.4%*	*4.7%*	*6.5%*	*6.5%*
Less: Outflow on account of Taxes on Income	25.17%	1	-	-	-	35,309	1,74,147	1,83,109
Less: CSR spent at 2%			-	-	2,384	7,003	13,839	14,551
Add: Depreciation		1	5,523	13,758	15,789	18,386	20,192	20,192
Less: Capex		1	24,165	41,322	32,066	37,925	36,092	20,192
Less: Changes in Working Capital		6	(10,165)	11,682	(14,910)	(7,487)	(97,292)	(1,02,157)
Net Cash Flow			**(77,277)**	**(86,270)**	**1,15,444**	**2,95,806**	**5,85,346**	**6,32,044**
Discount Period (Annexure-3)		3	0.29	1.08	2.08	3.08	4.08	4.08
Discount Factor	16.83%	4	0.96	0.84	0.72	0.62	0.53	0.53
Terminal Value		5						53,42,718
Discounted Cash Flow			**(73,849)**	**(72,892)**	**83,490**	**1,83,111**	**3,10,146**	**28,30,839**

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ANNEXURE 1: DISCOUNTED CASH FLOW METHOD (Continued)

Sum of Present Value of Cash Flows (INR)	3,26,08,44,63,904
Add: Cash & Cash Equivalent (INR) as on August 31, 2024	54,76,52,14,628
Add: OCRPS remaining amount - partly paid	6,74,76,954
Concluded Enterprise Value as on August 31, 2024 (INR)	3,80,91,71,55,486
Less: Long-term borrowings	77,21,34,760
Equity Value as on August 31, 2024 (INR)	3,80,14,50,20,726
Fund Raised on issue of CCPS Series G	1,68,01,72,390
Fund Received from Kiranakart Pte. Ltd.	31,26,30,27,050
Concluded Equity Value as on September 30, 2024 (INR)	4,13,08,82,20,166
No. of Dilutive Shares Outstanding (Annexure 4)	7,15,54,36,974
Concluded Fair Value per Dilutive Share as on September 30, 2024 (INR)	57.73

Notes:

1. Provided by Management
2. Maximum Marginal Rate currently prevalent has been adopted.
3. Mid Year Discounting is adopted. The cash flows are assumed to accrue evenly throughout the year. Refer Annexure-3
4. The cost of capital calculated at 16.83% has been used as the discount factor. Refer Annexure-2
5. On the basis of the management estimations, the long term sustainable growth rate for the subject Company is taken to be 5.00%.
6. Since the gratuity expenses are included in the EBITDA and the same is considered in the perpetuity, we have not considered provision for gratuity as a part of working capital.

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ANNEXURE 2: COST OF CAPITAL

Annexure-2 | Private & Confidential

Kiranakart Technologies Private Limited (Zepto)
Valuation of Equity and CCPS-1 G - Discounted Cash Flow

Weighted Average Cost of Capital

		Cost (C)	Weights (W)	W*C
	Cost of Equity	18%	90%	15.93%
	Cost of Debt	9%	10%	0.90%
	Concluded Weighted Average Cost of Capital			16.83%

Cost of Equity

1	Risk Free Rate		6.90%
2	Market Equity Risk Premium	7.81%	
3	Beta	0.1	
			0.80%
	Cost of Equity		8%
4	Comapany Specific Risk		10%
	Concluded Cost of Equity		18%

Cost of Debt

Concluded Pretax Cost of Debt	12.5%
Income Tax rate	25.17%
Concluded Cost of Debt	9%

Notes:

1 Based on the yield on a zero coupon 10 year Government of India Bond as on August 30, 2024 as there is no rate published for August 31, 2024

2 Equity Risk Premium for India. Source: As per Aswath Damodaran's dataset as on 5th January 2024

3 **Unlevered Beta corrected for cash** 0.09

Source: As per Aswath Damodaran's dataset as on January 05, 2024 under sector Retail (Grocery and Food)

Capital Structure of the Company	
Equity	90%
Debt	10%
Tax Rate (Maximum Marginal Rate)	25%

Relevered Beta 0.10

4 Company specific risk appropriate to the size and nature of the Company is included in the Cost of

ANNEXURE 3: DISCOUNT PERIOD

Annexure -3 | Private & Confidential

Kiranakart Technologies Private Limited (Zepto)
Valuation of Equity and CCPS-1 G - Discounted Cash Flow

Discount Period					
Period reference	1	2	3	4	5
Start of period	Aug 31, 2024	Apr-25	Apr-26	Apr-27	Mar-28
End of period	March 31, 2025	Mar-26	Mar-27	Mar-28	Mar-29
Number of months	7	12	12	12	12
Full year / Partial	Partial	Full Year	Full Year	Full Year	Full Year
Historical / Projected	Projected	Projected	Projected	Projected	Projected
Financial Year	Aug 31, 2024 to March 31, 2025	2025-26	2026-27	2027-28	2028-29
Discount Period Computation					
Projected Period (Months)	7	12	12	12	12
Cumulative Projected Period (Months)	7	19	31	43	55
Discount Periods - Mid Point (Months)	3.5	13	25	37	49
Discount Periods - Mid Point (Years)	**0.29**	**1.08**	**2.08**	**3.08**	**4.08**

ANNEXURE 4: NO. OF DILUTIVE SHARES

Annexure -4 | Private & Confidential

Kiranakart Technologies Private Limited (Zepto)
Valuation of Equity and CCPS-1 G - Discounted Cash Flow

NUMBER OF DILUTIVE SHARES

Particulars	No. of shares	Conversion ratio	Diluted no of Shares
Equity Shares	7,10,32,85,375	1.0	7,10,32,85,375
Optionally Convertible Redeemable Preference Shares (Series A)	8,182	551.0	45,08,282
Optionally Convertible Redeemable Preference Shares (Series B)	16,364	551.0	90,16,564
Compulsory Convertible Preference Shares (CCPS-1 F)	17,284	551.0	95,23,484
Compulsory Convertible Preference Shares (CCPS-1 G)	52,819	551.0	2,91,03,269
	7,10,33,80,024		7,15,54,36,974

RISHIT JAIN
Bengaluru
Registered Valuer