INVESTMENT PROPOSAL

STORE-TO-GO

A SMART WAREHOUSING AND TRANSPORTATION SYSTEM

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1.
THE PITCH

Supply chain management is a business process that is of utmost importance for ensuring the capability to serve customers. With multinational presence and global operations and value chains, it is more vital than ever that businesses be integrated across functions and have a seamless interaction and information exchange with the stakeholders in the supply chain and logistics network. We imagine a world where by having information from suppliers, wholesalers, retailers, distributors, branches and franchises, a business can make well-prepared changes to it's operational capabilities. This will open many avenues for growth in a profitable manner where the profits will be driven by the benefits of optimisation.

With this vision, we developed STORE-TO-GO, our proprietary supply chain and logistics management application that will enable our clients to manage their business operations more efficiently. We intend to

- Revolutionise our customers ability to manage inflows into business processes;
- Storage and maintenance of business inputs; and
- Empower them with the capability to deliver value with greater speed, effectiveness and reliability.

Each of the above main goal of STORE-TO-GO forms the motivation for the project and are the premise for relevant sections of this report where we discuss these capabilities in detail.

We established STORE-TO-GO on 1st April 202 and during the financial year (FY) 2022-23, we have worked tirelessly to bring this dream closer and closer to reality. Today, STORE-TO-GO is not just a brand or an idea but a proprietary application that we are ready to rock the IT business solutions industry with! With the initial investment, we have managed our cash position in order to develop our primary source of revenue and we have forecasted main operational parameters that reflect on the project's ability to sustain itself through its profits and cash flows. However, all growth eventually requires more capital commitment and also brilliant minds. We thus, issue this investment proposal capturing elements of financial performance, forecasts and our evaluation of the business to support the potential investors in their decision to become a part of the STORE-TO-GO journey.

Our intention is to raise capital in order to rapidly scale the IT infrastructure of STORE-TO-GO such that we are able to mass provide the application we have developed. This report presents key financial estimates and performance indicators for our latest project STORE-TO-GO, to justify this investment opportunity.

2.
THE BUSINESS - AN INTRODUCTION

STORE-TO-GO is a revolution in the supply chain management business process which will grant businesses a complete autonomy in managing their operations in an effective and efficient manner. It will leverage the best technology of the time to facilitate businesses through end-to-end operations - from raw material sourcing to storage and distribution of end products.

Through STORE-TO-GO, we have developed a smart ordering, warehousing and distribution solution that features:

- A management information system (MIS) like report that tracks purchase orders, material issuance towards production, requirements tracking (based on revenue and production budgets), restocking alerts, storage conditions (for instance for products to be stored at specific temperatures), and expiration alerts.
- Dynamic allocation and space management that will help in better warehouse management for manufacturers, distributors and retailers, with customisations for large multi-brand physical retail chains (like D-Mart and Reliance Fresh) and online suppliers (like BigBasket, Jio Mart and Flipkart).
- Smart transportation system for handling movements from inflows of material to supplying products to wholesalers and retailers. This will be further facilitated by delivery requirements monitoring (such as cold storage/refrigerated transport), weather analysis (such as best time to embark during monsoons based on distance, items carried, weather etc.) and cost monitoring.
- Retail functions such as tracking of distributor orders, frequency and estimation of timing and quantity of next order. This will help plan production processes too and once approved will result in a subsequent calculation of production requirements as mentioned above.

"TO BE ABLE TO SERVE YOUR CUSTOMER, YOU MUST KNOW IF YOU ARE IN A POSITION TO DO SO"

Through STORE-TO-GO, we are neither creating new space nor are we increasing transport requirements. Rather, we are rather optimising the existing the supply chain and logistics infrastructure to help expand business operations in a financially feasible manner and in line with sustainability goals. This will bring great economies to businesses, translating into cost benefits to customers; and environmental benefits to the nation.

3.
MEET THE TEAM

OSAMA DALWAI
FOUNDER-PROMOTER, CHIEF EXECUTIVE OFFICER

With a focus in Finance and Business Intelligence, Osama has exceptional skills in financial analysis and UI/UX designing. He is known for his interest in and ability to develop simple solutions for complex business processes and reporting.

VARAD GANDHI
FOUNDER-PROMOTER, CHIEF FINANCIAL OFFICER

With diverse knowledge of financial concepts and a zeal to excel, Varad is responsible for leading the finance functions, also focusing on a wide variety of roles such as deep dive in design of the corporate financial structure and effective administration.

ROHIT BHATIA
FOUNDER-PROMOTER, CHIEF TECHNOLOGY OFFICER

Skilled at leading and guiding teams to create innovative solutions that drive business success, Rohit possesses a wealth of knowledge and experience in the domain of technology.

ROHINI BHATTACHARJEE
CHIEF INFORMATION OFFICER

Passionate about using technology to change the way the world works, Rohini exudes enthusiasm in developing innovative solutions to drive businesses. With a strong work ethic and excellent communication skills, she brings valuable knowledge to the table.

ADITYA HURIA
CHIEF OPERATING OFFICER

A highly skilled and knowledgeable professional, Aditya is responsible for handling operations. Under his expertise, all tasks are executed efficiently and effectively, resulting in optimal outcomes.

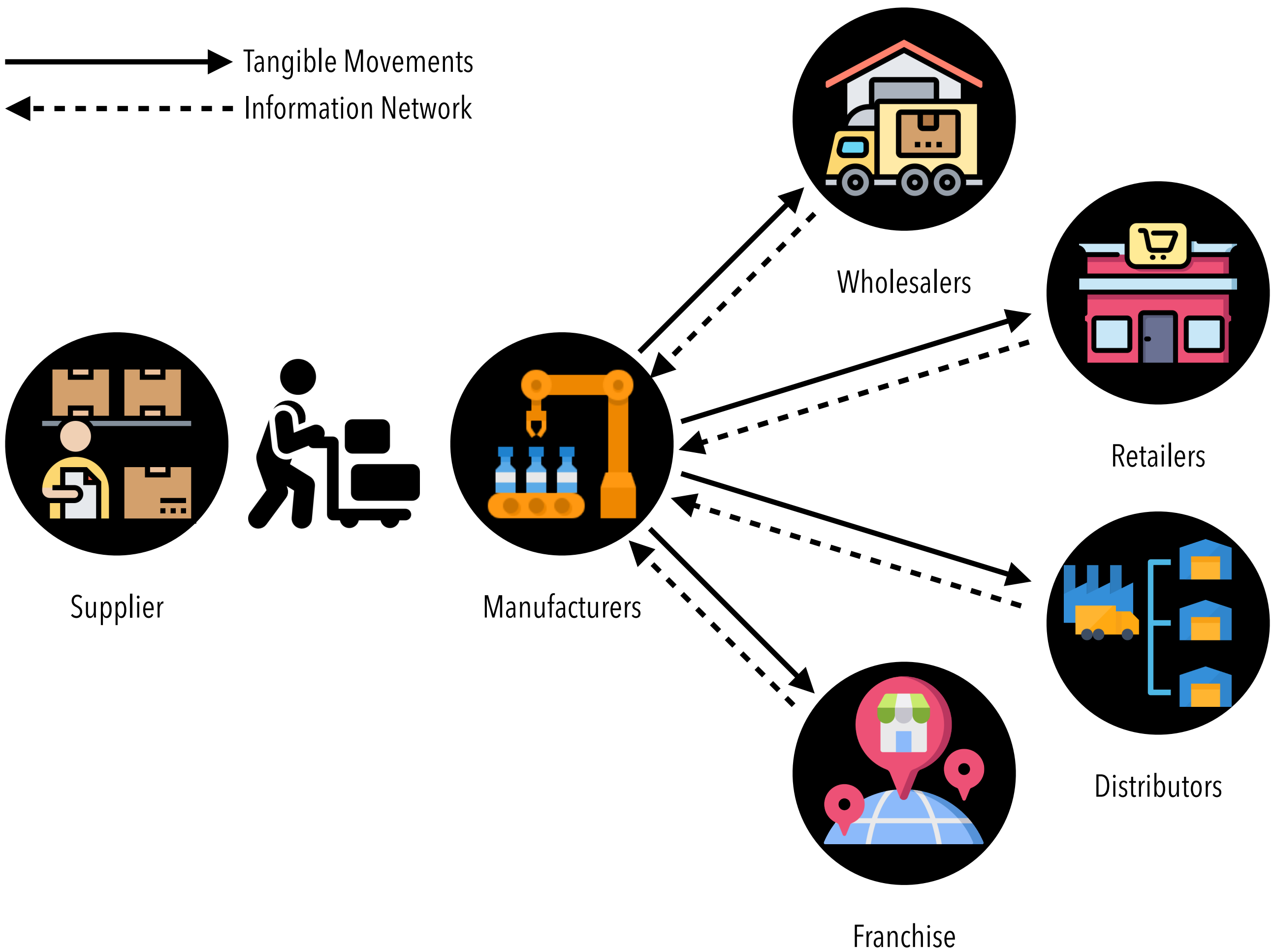
DEEPAK CHAUDHARY
CHIEF MARKETING OFFICER

Being a strategist and with an expertise in promoting businesses, Deepak's drive to promote and build value to the product make him an important asset

4.
BUSINESS MODEL

WHO DO WE SERVE?

STORE-TO-GO aims to improve the supply chain and logistics management for a variety of businesses and can have visible effects in how manufacturers (of any scale), wholesalers, retailers, distributors, franchises and suppliers, can all integrate their knowledge, without any threat of competitive data loss, in order to run their operations in the smoothest way possible, without any disruptions and interruptions.



STORE-TO-GO Business Network and Environment

WHAT SERVICES DO WE OFFER?

The primary elements of services that form part of the STORE-TO-GO experience include but may not be limited to

- **At manufacturing level:** store management, inventory tracking, inventory storage monitoring, purchase order management, consumption and operations reporting, manufacture floor set-up and monitoring;
- **Between suppliers and manufacturers:** supplier integration, order processing, order fulfilment, stock availability;

- **Between manufacturers and wholesalers, retailers and distributors:** order history, order management, consumption and spending analytics, frequency management;
- **Between businesses and franchises:** franchise management capabilities including inventory management, requirements analysis, transportation prediction, restocking levels and restocking windows, geographic analysis for facilitating timely ordering and transport, etc.

A **unique feature** of STORE-TO-GO is that in facilitating restocking and transportation decisions, it analyses real-time weather, geographic and transport conditions (such as routes, diversions and traffic) to suggest appropriate time to order and to initiate delivery for zero operational disruption.

HOW DO WE OFFER OUR SERVICES?

In line with industry practice for IT business solutions such as ERPs and business softwares, our services will be offered on a subscription basis, with a one-time subscription and implementation cost (including pilot and transitioning costs), followed by annual maintenance charge in order to provide timely upgrades in line with business environment and regulatory changes, including changes to accounting frameworks.

COMPETITION

There is no current direct benchmark company and competition for this business but a combination of smart warehousing and transportation solutions have been considered as competition and for benchmarking business process nature and quality. While not many specific solutions exist in the Indian IT business solutions sector for end-to-end supply chain and logistics management, good business models exist for specific services like warehouse management, some inspiring ones being operated by companies like Amazon who manage a multitude of brands and products from central locations. We look to get our motivation from and eventually match and further build on capabilities to compete and/or develop future partnerships with such such companies.

- AWL India
- Amazon smart warehouse
- Fedex and Blue-dart warehouses

BUSINESS PARTNERS

Since the offering is mainly focused on supply chain and logistics management capabilities, we also intend to form strategic partnerships with other business solution providers, especially ERP service providers such that STORE-TO-GO can be integrated with other business reporting processes and frameworks and our clients can benefit from a more automated accounting and business process management.

5.
CONCEPTION AND FUNDING

STORE-TO-GO was incorporated on 1st April 2022 as a private company with contribution from promoter/founder shareholders and a private round of capital from investors. A total of 12,00,000 ordinary equity shares (face value ₹ 10 per share) were issued and continue to remain outstanding against this initial capital round with shares held equally by all shareholders. The excerpt of the shareholders' register is as follows:

Shareholding Pattern

Name of the Shareholder	No. of Shares	Face Value (₹ per share)	Capital	Shareholding (%)
Aditya Huria	2,00,000	10	₹ 20,00,000	16.67%
Deepak Chaudhary	2,00,000	10	₹ 20,00,000	16.67%
Osama Dalwai	2,00,000	10	₹ 20,00,000	16.67%
Rohini Bhattacharjee	2,00,000	10	₹ 20,00,000	16.67%
Rohit Bhatia	2,00,000	10	₹ 20,00,000	16.67%
Varad Gandhi	2,00,000	10	₹ 20,00,000	16.67%
	12,00,000	**10**	**₹ 1,20,00,000**	**100.00%**

During the first financial year of its existence, the business has undertaken extensive research and development for the flagship service STORE-TO-GO, which required investment in an office space (under a medium-term commercial lease agreement), IT assets, office furniture and fittings, intangible assets in the form of intellectual properties on programs and application.

The main source code and application will be developed by the equity investors in their capacity as employees of the company. In the interest of encouraging self sustaining growth for the business, these investors have decided not to withdraw any profits or capital from the business for the first five years of its operations, taking only a fixed salary in their capacity as employees. More details on this are covered in "6. Snapshot - Financial Statements".

Subsequent to the first round of capital, further fund requirements for scaling and business activities were met through borrowings from banks. Two separate bank loans were obtained, at 10% and 12% interest per annum respectively, with repayment in equal monthly instalments. The borrowing schedule for these loans is given below and Appendices "C" and "D" provide a detailed analysis of each loan on the principles of time value of money and the corresponding determination of EMI as an annuity.

Borrowings Schedule

Type of Borrowing	Principal	Interest Rate	Start Date	End Date	Interest Payments		Principal Repayments		Outstanding	
					Date	Amount	Date	Amount	As on	Amount
Bank Loan (15 year loan with equated monthly instalments, ₹ 8,759.26 per month - Refer Appendix for Loan Schedule)	₹ 15,00,000	10%	01-Oct-22	30-Sep-37	31-Oct-22	₹ 833.33	31-Oct-22	₹ 7,925.93	31-Mar-23	₹ 14,52,378
					30-Nov-22	₹ 828.93	30-Nov-22	₹ 7,930.33		
					30-Dec-22	₹ 824.52	30-Dec-22	₹ 7,934.74		
					31-Jan-23	₹ 820.12	31-Jan-23	₹ 7,939.14		
					28-Feb-23	₹ 815.71	28-Feb-23	₹ 7,943.55		
					31-Mar-23	₹ 811.29	31-Mar-23	₹ 7,947.97		
					30-Apr-23	₹ 806.88	30-Apr-23	₹ 7,952.38		
					31-May-23	₹ 802.46	31-May-23	₹ 7,956.80		
					30-Jun-23	₹ 798.04	30-Jun-23	₹ 7,961.22		
					31-Jul-23	₹ 793.62	31-Jul-23	₹ 7,965.64		
					31-Aug-23	₹ 789.19	31-Aug-23	₹ 7,970.07		
					30-Sep-23	₹ 784.76	30-Sep-23	₹ 7,974.50		
					31-Oct-23	₹ 780.33	31-Oct-23	₹ 7,978.93		
					30-Nov-23	₹ 775.90	30-Nov-23	₹ 7,983.36		
					31-Dec-23	₹ 771.46	31-Dec-23	₹ 7,987.80		
					31-Jan-24	₹ 767.03	31-Jan-24	₹ 7,992.23		
					29-Feb-24	₹ 762.59	29-Feb-24	₹ 7,996.67		

Type of Borrowing	Principal	Interest Rate	Start Date	End Date	Interest Payments		Principal Repayments		Outstanding	
					Date	Amount	Date	Amount	As on	Amount
Bank Loan (15 year loan with equated monthly instalments, ₹ 8,759.26 per month - Refer Appendix for Loan Schedule)	₹ 15,00,000	10%	01-Oct-22	30-Sep-37	31-Mar-24	₹ 758.14	31-Mar-24	₹ 8,001.12	31-Mar-24	₹ 13,56,658
					30-Apr-24	₹ 753.70	30-Apr-24	₹ 8,005.56		
					31-May-24	₹ 749.25	31-May-24	₹ 8,010.01		
					30-Jun-24	₹ 744.80	30-Jun-24	₹ 8,014.46		
					31-Jul-24	₹ 740.35	31-Jul-24	₹ 8,018.91		
					31-Aug-24	₹ 735.89	31-Aug-24	₹ 8,023.37		
					30-Sep-24	₹ 731.44	30-Sep-24	₹ 8,027.82		
					31-Oct-24	₹ 726.98	31-Oct-24	₹ 8,032.28		
					30-Nov-24	₹ 722.51	30-Nov-24	₹ 8,036.75		
					31-Dec-24	₹ 718.05	31-Dec-24	₹ 8,041.21		
					31-Jan-25	₹ 713.58	31-Jan-25	₹ 8,045.68		
					28-Feb-25	₹ 709.11	28-Feb-25	₹ 8,050.15		
					31-Mar-25	₹ 704.64	31-Mar-25	₹ 8,054.62	31-Mar-25	₹ 12,60,297
					30-Apr-25	₹ 700.16	30-Apr-25	₹ 8,059.10		
					31-May-25	₹ 695.69	31-May-25	₹ 8,063.57		
					30-Jun-25	₹ 691.21	30-Jun-25	₹ 8,068.05		
					31-Jul-25	₹ 686.73	31-Jul-25	₹ 8,072.53		
					31-Aug-25	₹ 682.24	31-Aug-25	₹ 8,077.02		

Type of Borrowing	Principal	Interest Rate	Start Date	End Date	Interest Payments		Principal Repayments		Outstanding	
					Date	Amount	Date	Amount	As on	Amount
Bank Loan (15 year loan with equated monthly instalments, ₹ 8,759.26 per month - Refer Appendix for Loan Schedule)	₹ 15,00,000	10%	01-Oct-22	30-Sep-37	30-Sep-25	₹ 677.75	30-Sep-25	₹ 8,081.51		
					31-Oct-25	₹ 673.26	31-Oct-25	₹ 8,086.00		
					30-Nov-25	₹ 668.77	30-Nov-25	₹ 8,090.49		
					31-Dec-25	₹ 664.28	31-Dec-25	₹ 8,094.98		
					31-Jan-26	₹ 659.78	31-Jan-26	₹ 8,099.48		
					28-Feb-26	₹ 655.28	28-Feb-26	₹ 8,103.98		
					31-Mar-26	₹ 650.78	31-Mar-26	₹ 8,108.48	31-Mar-26	₹ 11,63,292
Bank Loan (10 year loan with equated monthly instalments, ₹8,847.49 per month - Refer Appendix for Loan Schedule)	₹ 10,00,000	12%	01-Jan-23	31-Dec-32	31-Jan-23	₹ 1,000.00	31-Jan-23	₹ 7,847.49		
					28-Feb-23	₹ 992.15	28-Feb-23	₹ 7,855.34		
					31-Mar-23	₹ 984.30	31-Mar-23	₹ 7,863.19	31-Mar-23	₹ 9,76,434
					30-Apr-23	₹ 976.43	30-Apr-23	₹ 7,871.06		
					31-May-23	₹ 968.56	31-May-23	₹ 7,878.93		
					30-Jun-23	₹ 960.68	30-Jun-23	₹ 7,886.81		
					31-Jul-23	₹ 952.80	31-Jul-23	₹ 7,894.69		
					31-Aug-23	₹ 944.90	31-Aug-23	₹ 7,902.59		
					30-Sep-23	₹ 937.00	30-Sep-23	₹ 7,910.49		
					31-Oct-23	₹ 929.09	31-Oct-23	₹ 7,918.40		
					30-Nov-23	₹ 921.17	30-Nov-23	₹ 7,926.32		

Type of Borrowing	Principal	Interest Rate	Start Date	End Date	Interest Payments		Principal Repayments		Outstanding	
					Date	Amount	Date	Amount	As on	Amount
Bank Loan (10 year loan with equated monthly instalments, ₹8,847.49 per month - Refer Appendix for Loan Schedule)	₹ 10,00,000	12%	01-Jan-23	31-Dec-32	31-Dec-23	₹ 913.24	31-Dec-23	₹ 7,934.25		
					31-Jan-24	₹ 905.31	31-Jan-24	₹ 7,942.18		
					29-Feb-24	₹ 897.37	29-Feb-24	₹ 7,950.12		
					31-Mar-24	₹ 889.42	31-Mar-24	₹ 7,958.07	31-Mar-24	₹ 8,81,460
					30-Apr-24	₹ 881.46	30-Apr-24	₹ 7,966.03		
					31-May-24	₹ 873.49	31-May-24	₹ 7,974.00		
					30-Jun-24	₹ 865.52	30-Jun-24	₹ 7,981.97		
					31-Jul-24	₹ 857.54	31-Jul-24	₹ 7,989.95		
					31-Aug-24	₹ 849.55	31-Aug-24	₹ 7,997.94		
					30-Sep-24	₹ 841.55	30-Sep-24	₹ 8,005.94		
					31-Oct-24	₹ 833.54	31-Oct-24	₹ 8,013.95		
					30-Nov-24	₹ 825.53	30-Nov-24	₹ 8,021.96		
					31-Dec-24	₹ 817.51	31-Dec-24	₹ 8,029.98		
					31-Jan-25	₹ 809.48	31-Jan-25	₹ 8,038.01		
					28-Feb-25	₹ 801.44	28-Feb-25	₹ 8,046.05		
					31-Mar-25	₹ 793.39	31-Mar-25	₹ 8,054.10	31-Mar-25	₹ 7,85,340
					30-Apr-25	₹ 785.34	30-Apr-25	₹ 8,062.15		
					31-May-25	₹ 777.28	31-May-25	₹ 8,070.21		

Type of Borrowing	Principal	Interest Rate	Start Date	End Date	Interest Payments		Principal Repayments		Outstanding	
					Date	Amount	Date	Amount	As on	Amount
Bank Loan (10 year loan with equated monthly instalments, ₹8,847.49 per month - Refer Appendix for Loan Schedule)	₹ 10,00,000	12%	01-Jan-23	31-Dec-32	30-Jun-25	₹ 769.21	30-Jun-25	₹ 8,078.28		
					31-Jul-25	₹ 761.13	31-Jul-25	₹ 8,086.36		
					31-Aug-25	₹ 753.04	31-Aug-25	₹ 8,094.45		
					30-Sep-25	₹ 744.95	30-Sep-25	₹ 8,102.54		
					31-Oct-25	₹ 736.85	31-Oct-25	₹ 8,110.64		
					30-Nov-25	₹ 728.74	30-Nov-25	₹ 8,118.75		
					31-Dec-25	₹ 720.62	31-Dec-25	₹ 8,126.87		
					31-Jan-26	₹ 712.49	31-Jan-26	₹ 8,135.00		
					28-Feb-26	₹ 704.35	28-Feb-26	₹ 8,143.14		
					31-Mar-26	₹ 696.21	31-Mar-26	₹ 8,151.28	31-Mar-26	₹ 6,88,061

Additionally, for securing our first contracts, rather than opting for a reward based crowdfunding mechanism (which would have allowed us to raise funds for the business from a closed pool of businesses without any equity or debt obligations, and instead provide them a return in the form of pre-sales of the product/service), we have developed a network of businesses who are willing to subscribe to or product in the early years at a discounted fee for this period. This has partly been developed through the personal efforts of the investors where they approached businessmen in their personal networks and turned them into the first customers of STORE-TO-GO. This model is also considered appropriate due to the opportunity for testing the robustness of the application developed and the ability to do so while developing a user base. Details on these have been captured and explained in the preparation of our revenue forecasts in section "6. Financial Statements" and Appendix "G".

Finally, a bank overdraft facility has been agreed with the bank for short-term cash management with a sanctioned limit of ₹ 10,00,000 at an interest rate of 9% p.a.

On 1st April 2024, ₹ 50,00,000 worth of debentures bearing a 15% interest (paid half-yearly) were issued. Interest will be accrued and paid on 30th September and 31st March of the financial year. Refer Appendix "E" for details on the issue.

6.
SNAPSHOT - FINANCIAL STATEMENTS

Income Statement

Particulars	FYE 2022-23	FYE 2023-24	FYE 2024-25	FYE 2025-26
Revenue from Operations	₹ 0	₹ 1,61,09,000	₹ 2,90,66,000	₹ 4,75,63,000
Other Income	₹ 1,10,000	₹ 1,10,000	₹ 3,72,500	₹ 4,60,000
Total Income	**₹ 1,10,000**	**₹ 1,62,19,000**	**₹ 2,94,38,500**	**₹ 4,80,23,000**
Expenses				
GST Expense	₹ 9,51,550	₹ 14,64,455	₹ 26,42,364	₹ 43,23,909
Salaries	₹ 48,00,000	₹ 58,80,000	₹ 69,60,000	₹ 1,24,80,000
Rent	₹ 31,50,000	₹ 54,00,000	₹ 54,00,000	₹ 54,00,000
Equipment and Software License Costs	₹ 12,00,000	₹ 12,00,000	₹ 24,00,000	₹ 45,00,000
Advertising and Marketing Expenses	₹ 45,000	₹ 25,000	₹ 50,000	₹ 80,000
Legal and Professional Fees	₹ 1,00,000	₹ 1,10,000	₹ 1,30,000	₹ 1,35,000
Insurance Expense	₹ 1,33,000	₹ 3,40,000	₹ 6,70,000	₹ 1,01,07,500
Utility Bills	₹ 59,500	₹ 76,500	₹ 76,500	₹ 90,500
Repairs and Maintenance	₹ 28,000	₹ 62,500	₹ 1,07,000	₹ 1,50,000
Total Expenses	**₹ 1,04,67,050**	**₹ 1,45,58,455**	**₹ 1,84,35,864**	**₹ 3,72,66,909**
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**₹(1,03,57,050)**	**₹ 16,60,545**	**₹ 1,10,02,636**	**₹ 1,07,56,091**
Depreciation and Amortisation	₹ 6,25,000	₹ 13,15,200	₹ 28,22,660	₹ 43,42,152
Earnings Before Interest and Tax (EBIT)	**₹(1,09,82,050)**	**₹ 3,45,345**	**₹ 81,79,976**	**₹ 64,13,939**
Interest Expense				
a Interest on 10% Bank Loan	₹ 4,934	₹ 9,390	₹ 8,750	₹ 8,106
b Interest on 12% Bank Loan	₹ 2,976	₹ 11,196	₹ 10,050	₹ 8,890
c Interest on 15% Debentures	₹ 0	₹ 0	₹ 7,50,000	₹ 7,50,000
Earnings Before Tax (EBT)	**₹(1,09,89,960)**	**₹ 3,24,759**	**₹ 74,11,176**	**₹ 56,46,943**
Tax Expense (Provision)	₹ 0	₹ 60,080	₹ 0	₹ 0
Earnings After Tax (EAT)	**₹(1,09,89,960)**	**₹ 2,64,679**	**₹ 74,11,176**	**₹ 56,46,943**

Balance Sheet

Particulars	As at 31-Mar-23	As at 31-Mar-24	As at 31-Mar-25	As at 31-Mar-26
I. EQUITY AND LIABILITIES				
1. Shareholders' Funds				
a. Share Capital	₹ 1,20,00,000	₹ 1,20,00,000	₹ 1,20,00,000	₹ 1,20,00,000
b. Reserves and Surplus	₹(1,09,89,960)	₹(1,07,25,281)	₹ (33,14,105)	₹ 23,32,838
2. Non-Current Liabilities				
a. Long-Term Borrowings - Bank Loan	₹ 22,38,118	₹ 20,45,637	₹ 18,51,352	₹ 16,55,245
b. 15% Debentures	₹ 0	₹ 0	₹ 50,00,000	₹ 50,00,000
3. Current Liabilities				
a. Short-Term Borrowings				
Bank Overdraft	₹ 0	₹ 0	₹ 0	₹ 0
b. Current Maturities of Long-Term Debt	₹ 1,90,695	₹ 1,92,481	₹ 1,94,285	₹ 1,96,107
c. Trade Payables	₹ 14,27,325	₹ 19,64,100	₹ 23,69,025	₹ 49,41,450
d. Other Current Liabilities				
Outstanding Salary Expense	₹ 4,00,000	₹ 4,90,000	₹ 5,80,000	₹ 10,40,000
Total	**₹ 52,66,177**	**₹ 59,66,936**	**₹ 1,86,80,557**	**₹ 2,71,65,640**
II. ASSETS				
Non-Current Assets				
Property, Plant and Equipment				
a. IT Assets	₹ 2,88,000	₹ 6,22,800	₹ 8,14,680	₹ 10,85,808
b. Office Furniture	₹ 45,000	₹ 70,200	₹ 1,06,380	₹ 1,73,592
c. Office Equipment	₹ 42,000	₹ 78,300	₹ 92,580	₹ 1,13,088
Intangible Assets	₹ 6,00,000	₹ 12,60,000	₹ 33,09,000	₹ 52,85,400
Non-Current Investments	₹ 10,00,000	₹ 10,00,000	₹ 35,00,000	₹ 35,00,000
Long-Term Loans and Advances	₹ 0	₹ 0	₹ 0	₹ 0
Other Non-Current Assets	₹ 0	₹ 0	₹ 0	₹ 0
Current Assets				
Inventories	₹ 0	₹ 0	₹ 0	₹ 0
Trade Receivables	₹ 0	₹ 16,10,900	₹ 29,06,600	₹ 47,56,300
Cash and Cash Equivalents	₹ 28,41,177	₹ 8,74,736	₹ 74,13,817	₹ 1,17,13,952
Other Current Assets				
Interest Accrued on Investment	₹ 0	₹ 0	₹ 87,500	₹ 87,500
Prepaid Rent	₹ 4,50,000	₹ 4,50,000	₹ 4,50,000	₹ 4,50,000
Total	**₹ 52,66,177**	**₹ 59,66,936**	**₹ 1,86,80,557**	**₹ 2,71,65,640**

Cash Flow Statement

Particulars	FYE 2022-23	FYE 2023-24	FYE 2024-25	FYE 2025-26
I Cash Flows from Operating Acitivities				
Net Profit Before Taxation	₹(1,09,89,960)	₹ 3,24,759	₹ 74,11,176	₹ 56,46,943
Adjustments				
(+) Depreciation	₹ 6,25,000	₹ 13,15,200	₹ 28,22,660	₹ 43,42,152
(+) Provision for Taxation	₹ 0	₹ 0	₹ 0	₹ 0
(+) Interest Expense	₹ 7,910	₹ 20,586	₹ 7,68,800	₹ 7,66,996
(-) Interest Income	₹ (1,10,000)	₹ (1,10,000)	₹ (3,72,500)	₹ (4,60,000)
Net Profit After Adjustment of Non-Cash and Non-Operating Items	₹(1,04,67,050)	₹ 15,50,545	₹ 1,06,30,136	₹ 1,02,96,091
Change in Current Assets				
Trade Receivables	₹ 0	₹ (16,10,900)	₹ (12,95,700)	₹ (18,49,700)
Other Current Assets - Prepaid Rent	₹ (4,50,000)	₹ 0	₹ 0	₹ 0
Other Current Assets - Accrued Interest	₹ 0	₹ 0	₹ (87,500)	₹ 0
Change in Current Liabilities				
Trade Payables	₹ 14,27,325	₹ 5,36,775	₹ 4,04,925	₹ 25,72,425
Other Current Liabilities - Outstanding Salary	₹ 4,00,000	₹ 90,000	₹ 90,000	₹ 4,60,000
Cash Generated from Operations	₹ (90,89,725)	₹ 5,66,420	₹ 97,41,861	₹ 1,14,78,816
(-) Income Tax Paid	₹ 0	₹ (60,080)	₹ 0	₹ 0
Net Cash Flows from Operating Acitivities	**₹(90,89,725)**	**₹ 5,06,340**	**₹ 97,41,861**	**₹1,14,78,816**
II Cash Flows from Investing Acitivities				
Purchase of Fixed Assets				
Purchase of IT assets	₹ (4,80,000)	₹ (7,50,000)	₹ (7,35,000)	₹ (9,95,000)
Purchase of office furniture	₹ (50,000)	₹ (33,000)	₹ (48,000)	₹ (86,500)
Purchase of office equipment	₹ (70,000)	₹ (88,500)	₹ (76,000)	₹ (95,900)
Intangible assets	₹ (10,00,000)	₹ (15,00,000)	₹ (42,55,000)	₹ (55,00,000)
Purchase of Long-Term Investments	₹ (10,00,000)	₹ 0	₹ (25,00,000)	₹ 0
Interest Income	₹ 1,10,000	₹ 1,10,000	₹ 3,72,500	₹ 4,60,000
Net Cash Flows from Investing Acitivities	**₹(24,90,000)**	**₹(22,61,500)**	**₹(72,41,500)**	**₹(62,17,400)**

Particulars	FYE 2022-23	FYE 2023-24	FYE 2024-25	FYE 2025-26
III Cash Flows from Financing Acitivities				
Shares Issued	₹ 1,20,00,000	₹ 0	₹ 0	₹ 0
Loan Taken	₹ 25,00,000	₹ 0	₹ 0	₹ 0
Interest on Loan	₹ (7,910)	₹ (20,586)	₹ (7,68,800)	₹ (7,66,996)
Loan Repaid	₹ (71,188)	₹ (1,90,695)	₹ (1,92,481)	₹ (1,94,285)
Debentures Issued	₹ 0	₹ 0	₹ 50,00,000	₹ 0
Interest on Debentures				
Net Cash Flows from Financing Acitivities	**₹1,44,20,902**	**₹ (2,11,281)**	**₹ 40,38,719**	**₹ (9,61,281)**
Net Increase or Decrease in Cash and Cash Equivalents	**₹ 28,41,177**	**₹(19,66,441)**	**₹ 65,39,081**	**₹ 43,00,135**
(+) Cash and Cash Equivalents at the Beginning of the Year	**₹ 0**	**₹ 28,41,177**	**₹ 8,74,736**	**₹ 74,13,817**
Cash and Cash Equivalents at the End of the Year	**₹ 28,41,177**	**₹ 8,74,736**	**₹ 74,13,817**	**₹1,17,13,952**

Detailed quantitative data that forms the basis for the above financial statements has been captured in Appendix "G". In addition to this, the following paragraphs capture specific information to explain some estimates and features of the data used to model the financial performance and position.

REVENUE FROM OPERATIONS

The primary source of revenue for the business comes from the licensing under a one-time subscription and annual maintenance basis of the application STORE-TO-GO. As mentioned in the previous section, the initial investors have developed a network of businesses, from their personal connections, that could be potential subscribers of STORE-TO-GO. Contracts have already been drawn with some of these businesses as of the FYE 2022-23 and in-principle agreement arrived at. Some of these businesses will be offered a reduced rate for the first year only. The details of these have been captured in Appendix "G".

We anticipate a steady growth in the subscriber base of STORE-TO-GO based on ongoing conversations with businesses and the planned marketing strategy. The average year-on-year subscriber base growth is about 50-60% which is typical for software business solutions considering we may get the opportunity to expand to business franchises and network entities if we onboard one of their group entities.

OTHER INCOME

Other source of income for the business is the interest earned on investments made. During the first financial year, operational revenue had not commenced due to the main offering being under development. During this time, in order to start a sustainability in operating the business, a small investment was made in debentures bearing 11% interest. Debentures provide a fixed and stable cash inflow in the form of the interest and since the business is new at this stage, it was considered an appropriate fit for the current risk profile. Over time, when cumulative profits become positive, further investment will be made. This is estimated to take place around year 3 (FYE 2024-25) based on current estimates as the year is expected to witness positive cash flow position, net profits and net positive reserves.

GST EXPENSE

The generally applicable GST rate for IT products and services is 18%. This will typically be the rate charged on our sales. However, we will also be getting credit for the GST amount paid on our expenses. On an average, we estimate the net effect of these GST liabilities to be 10% of total expenses in the first year (FYE 2022-23). We are estimating it at a percentage of costs for this year due to the absence of a revenue figure for the period. Thereafter, we expect a consistent GST obligation at approximately 10% of revenue, subject to changes in prevailing tax rates.

SALARIES

In the first year, the workforce mainly consists of the 6 investors who have perceived the service offering and will develop it in their personal capacities. One non-executive employee will be hired to assist around the office. The investors have agreed to a reduced compensation for the first 5 years starting at ₹ 65,000 for the first two years and then followed by ₹ 80,000 for the next 3 years. This is to facilitate the business' cash flow and funds management. At the end of the 5th year, a revision in their salaries is expected to make it competitive to industry practices. These investors have also agreed not to demand dividend for this period, at the consideration of a bonus issue upon meeting profitability levels that are yet to be determined. This will not dilute the equity holding.

Salaries are paid on the 3rd day of the following month and thus, as at the last day of the financial year, one month's salary will appear outstanding.

RENT

For some part of FYE 2022-23 (about 5 months), work was performed remotely in order to save costs of renting expensive commercial premises. The rental expense mainly relates to the commercial property where we have one physical backup server. We expect higher working from office premises from Year 5 once we have developed a considerable workforce.

Rent is paid a month in advance and thus, as at the last day of the financial year, one month's rent will appear as a prepaid expense.

EQUIPMENT AND SOFTWARE LICENSE COSTS

In order to develop a web based application with remote connection capabilities, and to provide added value to customers, we intend to partner with other business solutions providers and Enterprise Resource Planning (ERP) platforms to provide an integrated service. We will commence this in the initial years on a pilot basis, getting licenses as per need. Based on the demand witnessed and they key service providers identified, long-term contracts will be designed at an appropriate future point of time.

OTHER EXPENSES

Advertising and marketing expenses are incurred to create a brand and awareness for our offering. In the first year, a significant portion of the marketing budget is targeted towards the development of the business' website which will be among the landing point and point of first contact for any new users of STORE-TO-GO.

Legal and professional fees are mainly of two types - one related specifically to the STORE-TO-GO project development and filing such as brand registration, trademarks, filings, etc. and the other that relates to general corporate functions such as tax registration, audits, return filing, startup consultancy etc. Average costs for total services range between ₹ 80,000 to ₹ 1,50,000.

Similarly, the **insurance expense** has also been split into two depending on whether it has been incurred in respect of assets involved in the STORE-TO-GO project itself or for general business purposes including general insurance on business assets. Since assets immediately in use in STORE-TO-GO project are IT assets of value, their insurance premium is higher. And the expense will grow as the operations increase.

Utility bills include spending on electricity, water, telephone (fixed plan) and internet (fixed plan). Electricity expense is estimated to be the highest among the utility bills due to the power requirements of the physical server too. Finally, **repairs and maintenance** are estimated to be incurred on IT assets directly related to STORE-TO-GO and on general business assets, with a relatively larger expense on IT assets and their upkeep.

FIXED ASSETS AND DEPRECIATION AND AMORTISATION

Fixed assets - mainly property, plant and equipment and intangible assets are the non-current assets that are expected to be used in the course of the business and thus mainly include IT assets, followed by office equipment and furniture. IT assets under Indian accounting and tax laws have a higher rate of depreciation - at 40% and we follow this on the written down value method. IT assets will be purchased as the business scales and as the workforce grows too.

Intangible assets include the intellectual property rights over softwares, licenses held, proprietary technology etc. This is recorded at cost and amortised at the rate of 25%, written down value method. Since our offering is a technological product, it is subject to constant improvement and thus, the intangible asset will develop further according to scale. This is the reason for the increasing trend in asset value and depreciation.

INTEREST EXPENSE

Interest expense is incurred - in the first two years on the bank loans obtained on EMI. The details of these loans have been captured in the Borrowings Schedule in "5. Conception and Funding" and in Appendices "C" and "D". Subsequently, in the FY 2024-25 debentures bearing a 15% interest were issued and we also include the interest on these as part of interest expense thereafter. Information on the issue of debentures is included in Appendix "E".

TAX EXPENSE

Companies in India pay a flat rate of tax on their profits, with an Minimum Alternate Tax (MAT) rate of 18.5%. Further, we follow the April to March financial year, and an estimate of tax liability is calculated as at the end of the year and this is provided for (provision created in its respect). The tax is actually paid in the first quarter of the subsequent financial year. Therefore, in the first year (2022-23), there is only a provision for tax and no payment of tax.

Further, startups in India enjoy certain tax benefits. One key benefit is tax exemption for three consecutive financial years. The following is an extract of the Income Tax Act of India in respect of this:

Section 80-IAC:

(1) Where the gross total income of an assessee, being an eligible start-up, includes any profits and gains derived from eligible business, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to one hundred per cent of the profits and gains derived from such business for three consecutive assessment years.

(2) The deduction specified in sub-section (1) may, at the option of the assessee, be claimed by him for **any three consecutive assessment years** out of [ten] years beginning from the year in which the eligible start-up is incorporated.

Benefits under the above section have been extended to startups incorporated on or before 1st April 2023 w.e.f. 1st April 2022. This makes STORE-TO-GO eligible for such an exemption. As such, since the first year of business concludes in a book loss, tax loss being virtually certain, and because profits in the second year (2023-24) are relatively lower, we anticipate to avail the tax benefit for years 3, 4 and 5 (i.e. 2024-25, 2025-26 and 2026-27) in order to make the best of the opportunity available.

As such, a provision for tax for the year 2023-24 has been estimated at the Minimum Alternate Tax for businesses @ 18.5% of book profits. This will also allow us the opportunity to revise our forecasts in this time period, identify the best time for availing such benefits and confer with legal professionals as to necessary actions for compliance of conditions.

7.
FINANCIAL ANALYSIS

Now that we have reasonably estimated the business transactions for the first few years, we use the financial information to develop sound financial models to assess the viability and feasibility of undertaking and investing in the project. We use financial analysis tools such as the Average Rate of Return (ARR), Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period, Discounted Payback Period and Profitability Index.

Each of the above methods has a different significance and importance in financial decision making. We calculate each and compare our observations to derive the best bargain, the best value for being a part of the STORE-TO-GO journey. The financial information estimated in the previous section is summarised below for ease of reference.

Financial Information

Particulars	FYE 2022-23	FYE 2023-24	FYE 2024-25	FYE 2025-26
Revenue from Operations	₹ 0	₹ 1,61,09,000	₹ 2,90,66,000	₹ 4,75,63,000
Other Income	₹ 1,10,000	₹ 1,10,000	₹ 3,72,500	₹ 4,60,000
Total Income	**₹ 1,10,000**	**₹ 1,62,19,000**	**₹ 2,94,38,500**	**₹ 4,80,23,000**
Total Expenses	**₹ 1,04,67,050**	**₹ 1,45,58,455**	**₹ 1,84,35,864**	**₹ 3,72,66,909**
EBITDA	**₹(1,03,57,050)**	**₹ 16,60,545**	**₹ 1,10,02,636**	**₹ 1,07,56,091**
Depreciation and Amortisation	₹ 6,25,000	₹ 13,15,200	₹ 28,22,660	₹ 43,42,152
Earnings Before Interest and Tax (EBIT)	**₹(1,09,82,050)**	**₹ 3,45,345**	**₹ 81,79,976**	**₹ 64,13,939**
Interest Expense	₹ 7,910	₹ 20,586	₹ 7,68,800	₹ 7,66,996
Earnings Before Tax (EBT)	**₹(1,09,89,960)**	**₹ 3,24,759**	**₹ 74,11,176**	**₹ 56,46,943**
Tax Expense (Provision)	₹ 0	₹ 60,080	₹ 0	₹ 0
Earnings After Tax (EAT)	**₹(1,09,89,960)**	**₹ 2,64,679**	**₹ 74,11,176**	**₹ 56,46,943**
(+) Depreciation	₹ 6,25,000	₹ 13,15,200	₹ 28,22,660	₹ 43,42,152
Relevant Annual Cash Flows (on accrual basis)	**₹(1,03,64,960)**	**₹ 15,79,879**	**₹ 1,02,33,836**	**₹ 99,89,095**
Investment in STORE-TO-GO	₹ 27,20,000	₹ 34,50,000	₹ 73,90,000	₹ 1,09,95,000

Average Rate of Return

Average Annual Profits After Tax Simple average of annual EAT	₹	5,83,209
Average Investment Simple average of investment in project	₹	61,38,750
Average Rate of Return		10%

The average rate of return provides us the average post tax profits that the project yields us on an average on the investment made for the purpose. It is a measure that is easy to calculate and easy to compare across businesses in an industry. It can be easily calculated for any business whose financial statements can be accessed to get these two basic details.

While it is important that such profitability rate is a positive figure, it cannot be the sole criteria for investment decisions because while it may give an approximate estimate of profitability, it fails to account for the timing of such profits. A key principle of finance is that money held today is worth more than money held tomorrow and this is called the time value of money.

To appropriately account for the difference in the timing of the profits, we can either determine the equivalent value of future profits as of the present (i.e. discount cash flows to identify the net present value) or determine the equivalent value of all cash flows towards the last period being estimated (i.e. compound cash flows to the end or last period to calculate net terminal value). Irrespective of which approach we choose, we need to use the appropriate rate for compounding or discounting, as the case may be. The best and most relevant rate would be the Weighted Average Cost of Capital - comprising of

- The post-tax cost of debt and
- The cost of equity derived using the **Capital Asset Pricing Method** (CAPM)

Post-Tax Cost of Debt

Interest on Debentures	₹	7,50,000
Applicable Minimum Alternate Tax (MAT) Rate		18.5%
Amount Raised by Issuing Debentures	₹	50,00,000
Post Tax Cost of Debt		**12.2%**

$$\text{Post-Tax Cost of Debt } (K_d) = \frac{\text{Interest on Borrowings (I - t)}}{\text{Amount Borrowed}}$$

To calculate the cost of equity using CAPM, we need to know the risk free rate of return (R_f), the beta of stock (β) and the market risk premium (R_m - R_f).

- **Risk free rate of return (R_f):** It is the minimum rate at which investors can invest their money at steady returns with minimal to no exposure to risk. We consider the **average savings account interest rate** as the average risk free rate of return for an ordinary individual looking to invest or park their idle funds. This is because not all investors are active in the other financial markets where risk free government securities are traded. Moreover, this will be a good conservative estimate for our valuation purposes. This puts our estimate for R_f at approximately **6%**.
- **Beta of the stock (β):** Beta is a measure of the volatility of the stock's return with respect to the market. Since the business is incorporated as a private limited company, initially there may not be a directly visible correlation in the stock with the market because it will not be traded. However, since it is a new business, for the purpose of determining a value for the equity of the business, we can expect the beta to be **slightly higher than the industry average for the IT sector**. We thus take a middle route of conservative and aggressive estimation and deem **industry average + 15%** to be a reasonable estimate of the beta for STORE-TO-GO for its initial years. This is subject to review in Year 5. We identify industry average beta to be 0.47 (Please refer Appendix "L" for data), and accordingly, the applicable beta for our financial analysis would be 0.47 x (1+15%) = 0.47 x 1.15 = **0.54**
- **Market risk premium (R_m - R_f):** It is the difference in expectations in return from the market that an investor demands due to the incremental risk attached with investing in the market (as opposed to investing in the risk-free security). We estimate this by using data on the dividend yield for the same companies as above (Refer Appendix "L"). The average dividend yield for these companies is 1.86% and for a conservative estimate too, we can reasonably consider 2% to be an appropriate market risk premium.

Therefore, $K_e = R_f + \beta (R_m - R_f)$ = 6% + 0.54 (2%) = **7.08%**

Weighted Average Cost of Capital

Particulars	FYE 2022-23	FYE 2023-24	FYE 2024-25	FYE 2025-26
15% Debentures	₹ 0	₹ 0	₹ 50,00,000	₹ 50,00,000
Equity Share Capital	₹ 1,20,00,000	₹ 1,20,00,000	₹ 1,20,00,000	₹ 1,20,00,000
	₹ 1,20,00,000	**₹ 1,20,00,000**	**₹ 1,70,00,000**	**₹ 1,70,00,000**
WACC	7.08%	7.08%	8.59%	8.59%
Average WACC				**7.83%**

Net Present Value, Net Terminal Value and Profitability Index

Particulars	FYE 2022-23	FYE 2023-24	FYE 2024-25	FYE 2025-26
Relevant Annual Cash Flows (on accrual basis)	**₹(1,03,64,960)**	**₹ 15,79,879**	**₹ 1,02,33,836**	**₹ 99,89,095**
Present Value Factor @ 7.83%	1.00	0.93	0.86	0.80
Present Value	₹ (1,03,64,960)	₹ 14,65,093	₹ 88,00,790	₹ 79,66,195
Net Present Value	**₹ 78,67,118**			
Future Value Factor @ 7.83%	1.25	1.16	1.08	1.00
Future Value	₹ (1,29,96,992)	₹ 18,37,133	₹ 1,10,35,623	₹ 99,89,095
Net Terminal Value				**₹ 98,64,859**
Profitability Index				**1.76**

Both the Net Present Value and Net Terminal Value are positive indicating that the project is delivering profitable results in the years under evaluation itself. We are generating net positive cash flows within the short period of evaluation and should the project continue further, there should be scope to continue earning profits. The profitability index is also >1 (the acceptability criteria for the measure); which indicates that the project has more time adjusted inflows than time adjusted inflows.

The key point of difference is that we have now established generation of profits in spite of the difference in timing of occurrence of profits.

Payback Period

Year	Cash Flows After Tax (CFAT)	Cumulative CFAT
FYE 2022-23	₹ (1,03,64,960)	₹ (1,03,64,960)
FYE 2023-24	₹ 15,79,879	₹ (87,85,081)
FYE 2024-25	₹ 1,02,33,836	₹ 14,48,755
FYE 2025-26	₹ 99,89,095	₹ 1,14,37,850

The amount is recovered in FYE 2024-25. The cash flow of ₹ 1,02,33,836 in FYE 2024-25 can be split into

- Recovery of investment of ₹ 87,85,082; and
- Surplus of ₹ 14,48,755

Therefore, point of payback is derived by taking the fraction of amount of recovery by total CFAT for the period

$$\text{Payback period (years)} = 2 \text{ years} + \frac{₹\ 87,85,082}{₹\ 1,02,33,836} = \textbf{2.86 years}$$

Through the above, we know the exact point of time when the amount of initial investment in the project is recovered. 2. 86 years is a fair enough length of time to recoup an investment in the volatile IT business solutions domain. However, we have once again failed to account for the difference in the timing of occurrence of the cash flows and so, we consider the discounted payback period.

Discounted Payback Period

Year	Cash Flows After Tax (CFAT)		Cumulative CFAT	
FYE 2022-23	₹	(1,03,64,960)	₹	(1,03,64,960)
FYE 2023-24	₹	14,65,093	₹	(88,99,867)
FYE 2024-25	₹	88,00,790	₹	(99,077)
FYE 2025-26	₹	79,66,195	₹	78,67,118

The amount is recovered in FYE 2025-26. The cash flow of ₹ 79,66,195 in FYE 2025-26 can be split into

- Recovery of investment of ₹ 99,077; and
- Surplus of ₹ 78,67,118

Therefore, point of payback is derived by taking the fraction of amount of recovery by total CFAT for the period

$$\text{Payback period (years)} = 3 \text{ years} + \frac{₹\ 99,077}{₹\ 79,66,195} = \textbf{3.01 years}$$

The duration of recovery of original investment is fair even under the discounted payback period and we have accounted for the difference in the timing of occurrence of the cash flows. We can conclude on the basis of tools used thus far that the project is feasible and profitable to undertake.

We calculates the IRR for the project and identified it to be 38%. This is quite a high number. It must be noted here that a significant non-cash expenditure for IT firms is the depreciation on IT assets and intangibles at 40% and 25% WDV respectively. This results in a significant reversal of a fairly large amount when we are determining the relevant cash flows (CFAT) for capital budgeting decisions. As such, when high value tech assets are held by IT firms and a depreciation is claimed at such a rate on it, when it is reversed, CFAT gets suddenly inflated and this could lead to a higher IRR than expected. We thus, **do not consider IRR an appropriate tool for capital budgeting decisions** for STORE-TO-GO, at this stage or in the future.

We finally take a look at the leverage ratios for STORE-TO-GO.

Leverages

Particulars	FYE 2022-23	FYE 2023-24	FYE 2024-25	FYE 2025-26
EBIT	₹ (1,09,82,050)	₹ 3,45,345	₹ 81,79,976	₹ 64,13,939
% Change in EBIT	NA	-103.14%	2,268.64%	-21.59%
Revenue from Operations	₹ 0	₹ 1,61,09,000	₹ 2,90,66,000	₹ 4,75,63,000
% Change in Sales	NA	NA	80.43%	63.64%
Degree of Operating Leverage	**NA**	**NA**	**28.21**	**-0.34**
EAT	₹ (1,09,89,960)	₹ 2,64,679	₹ 74,11,176	₹ 56,46,943
No. of Shares	12,00,000	12,00,000	12,00,000	12,00,000
Earnings per Share (EPS)	₹ (9)	₹ 0	₹ 6	₹ 5
% Change in EPS	NA	-102.41%	2,700.07%	-23.81%
Degree of Financial Leverage	**NA**	**0.99**	**1.19**	**1.10**
Degree of Combined Leverage	**NA**	**NA**	**33.57**	**-0.37**

Operating Leverage is favourable in FYE 2024-25 as there has been an increase in sales from the previous financial year (from 2023-24); AND there has been an increase in EBIT from the previous financial year as well.

Though there has been a decline in EBIT from FYE 2024-25 to FYE 2025-26, in spite of increase in sales; a closer look at the sales data indicates that this may be due to the sales mix, in terms of the distribution of clients in different product pricing category. Please refer Appendix "G" on "Business Transactions and Forecasts" for the same. However, the user base numbers used to estimate revenue in this instance are quite conservative especially for the high margin category. And this may be the reason why EBIT has fallen despite a rise in revenue.

The business has been incorporated as a private limited company and there is an agreement between initial investors to refrain from issuing dividends for the first few years of business. EPS figures calculated above are only representative and assume that had the business already been in existence and had a policy to distribute 100% of EAT as dividend, how would we then calculate the degree of financial leverage. It is important to note that the DFL remains roughly steady, centred around the value of 1, indicating unitary proportionate movement in EPS with a unit movement in EBIT. This is fairly favourable for a start-up in the competitive tech sector.

The degree of combined leverage on the other hand shows high volatility. However, we do not have sufficient data spanning multiple consecutive periods to establish the nature of such volatility and thus, while we do consider it worthy to monitor this parameter as and when forecasts develop for future periods, it does not seem appropriate to make an uninformed opinion on it at the moment.

8.
CLOSING NOTES

STORE-TO-GO is an ambitious venture with real potential for solving problems of businesses as small as local stores and as large as global conglomerates. As we near the conclusion of our first year of operations, we are confident in the service we have developed, and in the support we have garnered from interested businesses. Our projections are founded by formal conversations and expectations, yet conservative enough to acknowledge the volatile environment in which tech start-ups operate. We now use the financial information and financial analysis conducted to revisit the ask, to justify the future investment outlook.

Our Scorecard!

Particulars	FYE 2022-23	FYE 2023-24	FYE 2024-25	FYE 2025-26
Earnings After Tax (EAT)	₹ (1,09,89,960)	₹ 2,64,679	₹ 74,11,176	₹ 56,46,943
Net Increase or Decrease in Cash and Cash Equivalents	₹ 28,41,177	₹ (19,66,441)	₹ 65,39,081	₹ 43,00,135
CFAT	₹ (1,03,64,960)	₹ 15,79,879	₹ 1,02,33,836	₹ 99,89,095
ARR	10%			
NPV	₹ 78,67,118			
NTV				₹ 98,64,859
IRR	38%			
Profitability Index	1.76			
Payback Period	2.86			
Discounted Payback Period	3.01			
DOL	NA	NA	28.21	-0.34
DFL	NA	0.99	1.19	1.10
DCL	NA	NA	33.57	-0.37

➡ **Earnings After Tax:** The "loss" identified in the first financial year is not particularly significant as it is more of the nature of a development expense. It appears as a loss due to the accounting frameworks requiring the items to be classified as expenses. However, all of these have been incurred towards developing our offering, which will be a source of revenue for all future years.

➡ **Net Increase or Decrease in Cash and Cash Equivalents:** In spite of a loss in the first year, cash management of the business is done well and we have managed to not exhaust financial resources. It is a reality that technology start-ups will incur a loss in their first financial year. However, the fact that net cash balances are positive is a good indicator for sustainability of operations.

➡ **Cash Flows After tax (CFAT):** CFAT for the first financial year are negative, and this is typical due to the fact that first years for IT business solutions organisations undertake product/project development in the first year and there is not much revenue in this period. However, the CFAT will be higher than EAT due to the adjustment of depreciation, which is a non-cash expense.

Financial Metrics: Primary financial metrics deemed relevant for our analysis of the project are the average rate of return (for accounting relevance), net present value and net terminal value (for financial decision making), profitability index (as a measurement yardstick), payback period, and discounted payback period (considered for identifying the point of breakeven). Each of these measures have indicated favourably for STORE-TO-GO. They justify and provide a sound indication of the ability to turnaround the initial investment in the project through positive performance in subsequent periods.

Internal rate of return (IRR): While a higher IRR is generally considered favourable as it indicates that the project will be profitable at any rate of lending less than the IRR, we do not consider IRR to be an appropriate financial analysis tool due to the effect of the high rate and amount of depreciation on IT and intangible assets that affects the CFAT and thus the IRR. The IRR is thus, skewed to a higher rate for IT driven businesses or for businesses where cash flows may significantly differ from profits in percentage terms.

Leverages: Leverages cannot be computed for the first year due to the absence of a previous benchmark period. Moreover, since there is no revenue from operations in the FY 2022-23, we cannot compute the degree of operating leverage (and thus the degree of combined leverage) for the FY 2023-24. The degree of financial leverage (DFL) is observed to be steady and centred around the value of 1, which is an acceptable value for a start-up, indicating a proportionate growth in potential EPS with growth in EBIT. Due to the volatility in DOL, the DFL is also volatile. However, this volatility stems from the client composition affecting our revenue from operations. In light of this, and the length of duration of current forecast (3 years), we do not draw an uninformed opinion on these two leverages. However, we can take comfort in the fact that in spite of the change in the client composition, the effect of such change on the EBIT is quite small, almost negligible. Even with very conservative growth expectations for the revenue, this will potentially immediately turnaround the DOL, and thus the DCL, into positive.

History repeats itself and life comes full circle, so it is only natural that we revisit the purpose of this report, this time with full justification and the optimism of having convinced you to join our journey. We hope to see you as potential investors and/or even as potential clients of STORE-TO-GO.