




# BUSINESS VALUATION





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Great things in business are  
never done by one person. There  
done by a team of people.

Steve Jobs



# The Valuation Report

## Valuation Report

### 1. Purpose of Valuation

This engagement has been carried out at the request of the Management of the Company. Our services have been engaged by the Board of Directors of the Company to determine the general estimates of fair market value and liquidation value under the transaction conditions stated below:

### 1. Details of the Valuator

Name: Business Deals

Address: 505, Manisha Building  
75-76, NehruPlace-19

Mobile: 9811568568

Email: [enquiry@businessdeals.in](mailto:enquiry@businessdeals.in)

Website: [www.businessdeals.in](http://www.businessdeals.in)

### **3. Description of Information fundamental to Valuation**

#### **A. Sources of Information**

**For the purpose of this valuation exercise, we have relied up on the following sources of Information:**

- **Forecast as per discussions with the management of the Company regarding past,**
- **Current and future business operations;**
- **Information provided by leading database sources, market research information and other published data.**

#### **B. Statement of Responsibility**

This report has been made exclusively for the purpose stated in paragraph “Purpose of Valuation” of this report, and shall not be used for any other purpose.

Expect for meeting this purpose, neither this report, nor any portions thereof, including, without limitations any conclusions regarding value, the identity of Business Deals, or any individuals signing or associated with this report, or the professional associations or organizations with which they are associated, shall be disseminated to the third parties by any means, without prior written consent of Business Deals.

The Valuation of the Companies and businesses is not precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same as sumptions, expert opinions may differ due to the number of separate judgment decisions which require to be made.

This report shall not be included in any filing with SEBI or other public document without the prior written consent of Business Deals

The figures presented in the body of report may have been calculated using spread sheets which calculate figures up to a precision of several decimal points. While rounded figures are carried to the body of the report at each stage, the higher precision unrounded numbers continue to be used in the computations .Any minor difference in figures observed on manual calculation of figures within the body of the report could be attributable to such rounding off.

## **Description of the Target Business**

### **A. Nature of Business**



Manufacturers of kitchen and bar equipment's. It is a state of art manufacturing unit to manufacture these machines.

Able to supply the best equipment's which are very robust in nature and are built to deliver best quality products. The designing of our machines is done after deep research on functionality and purpose of machine.

Reached a benchmark in quality and designing of equipment's. Equipment is made to ease the kitchen process. We believe in maximum space utilization.



## More information on the deal:

Product designers and kitchen designers are proficient in kitchen and bar planning.

With this expertise, it is able to fit in kitchens with best possible movement of the kitchen team

Use the best quality electrical items in our machines

Have automated sheet cutting systems to ensure maximum accuracy in the fabrication work.





# **The Company's Financial Records and Projections**



Representations given below are of the **Profit and Loss table** of the Company.

The projections based on growth rate of revenue are approved by the current management, and projections of various expenses are taken as a percentage of revenue as observed for previous years.

The following expenses were not calculated as a percentage of revenue, rather more appropriate means of calculations were used:

Interest payable on Long Term/  
Short Term Borrowing and/or  
Secured / Unsecured Loan in  
future is calculated by considering the  
loan schedule.




**Non-Operational Income** is not  
projected as it is subject to change  
under the new management.

Tax was calculated on basis of  
effective Tax rate prevalent in India.



**Non-Recurring, Exceptional and  
Extraordinary expenses** are not  
projected as they are subject to  
decision making of management.



# **Valuation Description & Business Valuation**

## DCF VALUATION:

Year End Discounting

	1	2	3	4	5		
	Projected						
	31-03-2019	31-03-2020	31-03-2021	31-03-2022	31-03-2023	Constant G	
Revenue	3,13,00,000	3,88,00,000	5,22,00,000	6,84,00,000	7,82,00,000	7,51,60,000	
EBITDA	34,00,000	49,00,000	1,22,00,000	1,80,00,000	2,11,00,000	1,20,60,000	
EBIT	26,00,000	41,00,000	1,14,00,000	1,72,00,000	2,03,00,000	1,12,60,000	
Less: Taxes	7,80,000	12,30,000	34,20,000	51,60,000	60,90,000	33,78,000	
Unlevered Earning	18,20,000	28,70,000	79,80,000	1,20,40,000	1,42,10,000	78,82,000	
Add: Depreciation & Amortization	8,00,000	8,00,000	8,00,000	8,00,000	8,00,000	8,00,000	
Add/Less: Changes in WC	(50,00,000)	(49,00,000)	(48,00,000)	(47,00,000)	(46,00,000)	(45,00,000)	
Less: Capital Expenditure	(60,00,000)	(1,00,000)	(1,00,000)	(1,00,000)	(1,00,000)	(1,00,000)	
Free Cash Flow to Firm	(83,80,000)	(13,30,000)	38,80,000	80,40,000	1,03,10,000	40,82,000	
WACC	20%						
Present Value of FCFF	1,39,16,667	(69,83,333)	(13,30,000)	38,80,000	80,40,000	1,03,10,000	40,82,000

### Valuation No. 1

DCF Valuation

• Rs. 2,30,30,357

Average

• Rs. 2,33,20,155

### Valuation No. 2

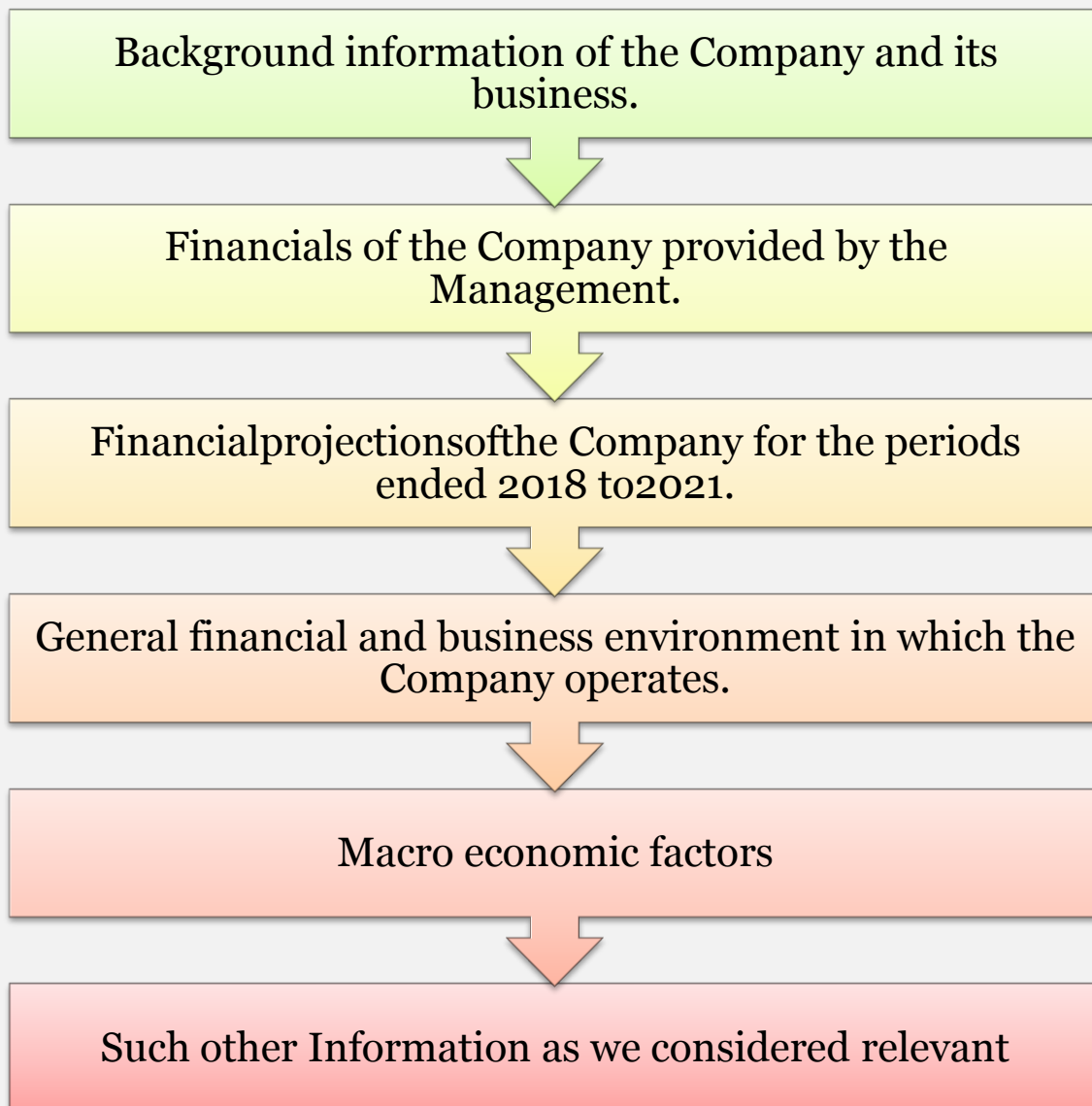
EXIT Multiple Method

• Rs. 2,36,09,954

(All Figures In INR)

## **Basis of Value:**

While forming our opinion, we have relied upon financial projection sagreed on by the Company's management and other information provided by them or obtained by us from other public or private sources that we believe to be reliable. The business model has been changed which may be revisited depending on the market situation and strategy. Our opinion, however, is dependent upon such information being accurate. We however do not make any assurance regarding the reliability or accuracy of such information. The fore said in formation in cludes interalia:





## **Principles of Valuation and Description of the Methodology:**

We have adopted the DCF Method and Market Multiple method for valuation of the co. We are of the opinion that the average of the set wo methods will give the most accurate possible valuation of the Business. But consideration will have to be given to industry factor swhich will affect these assumptions.

The final valuation arrived at as per each Method employed will be different as they consider certain factors and ignore others. The method to be held in most relevance of the set wo is left at the discretion of Management of the Company.

Our approach to present the Business Valuation as an Average Value of all two methods will be the most accurate possible valuation, as most of the factors considered while valuating a Business are present and are appropriately weighted in the calculation of the same. We have assumed values of certain variable as deemed appropriate by us. Any third party performing the valuation will get a different result for the same calculation if they assume different values for those variables. Minute changes in Macroeconomic factors can also reflect as a drastic difference inthe final value of the Business.

## **BUSINESS VALUATION**

### Principles under the DCF Approach:

Since we want to estimate the absolute value of a company, Discounted Cash Flow (DCF) analysis is employed. It takes into account the time value of money, the idea that the money that's available today is worth more than the same amount in the future because of its potential earning capacity.

DCF analysis uses future Free Cash Flow (FCF) projections and discounts them to estimate the present value, which is then used to evaluate the potential value of Revenue earned in the following years.

There are several variations when it comes to DCF analysis, and each is based on multiple assumptions, such as the amount of Future Cash Flows, timing of cash flow, cost of capital, growth rate. Even a small change in a single assumption can result in very different valuation results.

In our model of DCF valuation we have limited the Forecast Period to four years. We have projected our cash flows over the next four years of business. The projected Sales Revenue, Operating Costs, Taxes, Net Investment and Change in Working Capital we reargued on by the Management of the Company.

To figure out what the cash flows are worth today, we required an appropriate discount rate, which we have used to calculate the Net Present Value (NPV) of the cash flows. As there are a number of methods that can be used to determine discount rates. **We use the Weighted Average Cost of Capital (WACC) a blend of the cost of equity and after-tax cost of debt.**

A company has two primary sources off in acing—debt and equity—and, in simple terms, WACC is the average cost of raising that money. WACC is calculated by multiplying the cost of each capital source (debt and equity) by its relevant weight, and then adding the products together to determine the WACC value.

Since we want to calculate the **value of the Business and not the value of its Equity alone we will calculate it Enterprise Value and not the Fair Value which represents only the value of a Company's Equity while ignoring the value of' the Debt.**





## **Disclaimer**

This opinion is based on the documents & information available to us. The veracity, accuracy, truthfulness or sources of these have not been verified by us and hence cannot be guaranteed as certain.

This document represents only our opinion and is in no way binding on any one and the concerned are advised to use their judgment or take alternative opinion. Nor are we responsible for any consequences, which may arise out of anyone using / investing or for the errors/oversights that may have occurred. This opinion does not necessarily mean an investment will follow. This opinion is given and is to be used on the basis, that we will not be asked to appear before any third party, authority or any court/agency etc. The assignor of the mandate completely indemnifies us from any claims, liabilities etc. what so ever.

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Date : 31/08/2018

Place : Delhi