**VALUTION REPORT OF EQUITY SHARES OF ABC PVT LTD .**

**AS OF XX.XX.XXXX(Date of Valuation)**

**Prepared by:**

**Name of Valuer**

Address:

### **Notice to the Reader**

We have prepared a valuation report to express our opinion on the fair value of the Equity Shares of ABC Pvt Ltd. (hereinafter, “ABC” or the “Company”) as of XX.XX.XXXX (the “Valuation Date”).

The purpose of this valuation is solely to provide an independent opinion to the management of the Company- (hereinafter as the “Management”) on the fair value of the Equity Shares of the Company. We understand that the fair value of the equity shares of the Company is required to comply with the relevant provisions of the Purpose.

In rendering the aforementioned advisory services, we reviewed and relied upon various materials/information provided by the Management. Our report is based on the historical and projected financial information provided to us by the Management. Because of the limited purpose of this report, the financial information presented in this report may be incomplete and contain departures from generally accepted accounting principles. We have not audited, reviewed, or compiled the financial information provided by the Management and express no assurance on it. Had we audited or reviewed the financial information, matters may have come to our attention that could have resulted in our use of the amounts and assumptions that differ from those used. Accordingly, we take no responsibility for the underlying data presented in this report.

**Based on our study and analytical review procedures, and subject to the limitations expressed within this report, our opinion of the fair value of equity shares of ABC PVT LTD, as of XX.XX.XXXX is:**

**Fair Value per Share**

**INR XX**

We have no present or contemplated financial interest in ABC Pvt Ltd and its affiliates. Our fees for this valuation are based on our normal billing rates and are in no way contingent upon the results of our findings. We have no responsibility to update this report for events and circumstances occurring subsequent to the date of this report. This report is not to be copied or made available to any persons without our express written consent of ourselves.

|  |  |  |
| --- | --- | --- |
|  |  | **For \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** |
| **Date:**  **Place:** | **Name of Valuer**  **Securities or Financial Assets**  **IBBI Registered No.:** | **Authorized Signatory**  \_\_\_\_\_\_\_\_\_\_\_\_\_ |

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Profile of Valuer A

# INTRODUCTION

### **Disclaimer Clause**

This valuation report (hereinafter referred to “the Report”) is being furnished at the request of the Management of ABC for determining the fair value of equity shares of the Company. We understand that the fair value of the equity shares of the Company is required to comply with the relevant provisions purpose. The valuation date for this exercise is XX.XX.XXXX.

This Report must be considered in the above-mentioned context only and is not an advisory document for any other purpose. The Report may not be distributed, reproduced, or used, without the express written consent of Valuer for any purpose other than mentioned above. Our valuation analysis should not be construed as an investment advice; specifically, we do not express any opinion on the suitability of any investment with the Company.

### **Limitation of Verification**

The relevant information for the purpose of valuation has been provided by the Management. Our agreed scope of work does not include verification of data submitted by the Management and we have fully relied upon the data provided to us without any confirmation, review or independent appraisal of the same. We do not make any representations or warranty, express or implied, regarding the achievability of forecasts and accuracy or completeness of such other information as provided by the Management. We also do not vouch for the accuracy or efficacy of the forecast and its achievability as provided to us by the Management. Our valuation opinion may vary in case any other critical information, about the business of the Company, is brought to our notice.

In furnishing this report, Valuer reserves the right to amend or replace the Report at any time. The information contained herein is based on the analysis of information available at the time when the Report was prepared. We do not purport to give any representation, warranty or other assurance in relation to this document.

This report highlights the basis of arriving at the fair valuation of the Company, identifies various factors affecting the valuation, summarizes the best valuation methodology keeping in view the circumstances prevailing at the time of valuation and arrives at the opinion on the fair value of the Company, considering the facts of the case. However, it may be noted that valuation is a highly subjective exercise and may differ from valuer to valuer depending upon the perception of attendant circumstances. At best it is an expression of opinion or a recommendation based on certain assumptions at a given point of time.

No enquiry into the Company’s claim to title of assets or property has been made for the purpose of this valuation. With regard to the Company’s claim to title of assets or property, we have relied solely on representations, whether verbal or otherwise made by the Management to us for the purpose of this report. We have not verified such representations against any title documents or any agreements evidencing right or interest in or over such assets or property, and have assumed the Company’s claim to such rights, title or interest as valid for the purpose of this report. No information has been given to us about liens or encumbrances against the assets, if any, beyond the loans disclosed in the accounts. Accordingly, no due diligence into any right, title or interest in property or assets was undertaken and no responsibility is assumed in this respect or in relation to legal validity of any such claims.

### **Industry and Market Data**

Unless stated otherwise, industry and market data used in the Report has been obtained from market research, publicly available information and industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed, and their reliability is not assured. Industry data used in the Report has not been independently verified. The information included in the Report about other listed and unlisted companies is based on their respective annual reports and their respective publicly available information.

### **Scope of Work**

The purpose of valuation is to determine the fair value of equity shares of ABC Pvt Ltd as of XX.XX.XXXX to comply with the relevant provisions of Purpose. The valuation date for this valuation exercise is taken to be XX.XX.XXXX(“Valuation Date”).

The valuation exercise is based on the information provided by the Management. Our scope of work does not include verification of data submitted by the Management. The conclusion reached by us on the fair value of the company is based on our perceptions of the various factors such as the nature of business, the profitability of the Company, Management capabilities, current and future scenario of the industry etc.

We have not conducted a site review of the subject business premises, nor have we audited or otherwise reviewed the business financial statements, which have been provided by the Management. It was assumed that the financial information provided to us are true and accurate.

### **Information Relied Upon**

Our expression of the opinion on the fair value of the equity shares is supported by all procedures that we deem to be relevant. We have obtained sufficient information and relied on the data, facts, information, documents, and explanations as authenticated, and provided to us by the Management. The scope of this valuation included a review of the Company’s historical audited financial statements and other financial and non-financial data. Our opinion was based on the information listed below.

1. Management Certified financial statements of the Company for the period/year ended xx.xx.xxxx.
2. Comparable Companies data extracted from Reliable Sources.
3. A brief note on the background of the Company.
4. Discussion with the Management on the business model of the Company.
5. Data extracted from publicly available sources believed to be reliable and true.
6. Discussions with the Management, and other quantitative and qualitative data.

Supporting data, copies of source documents and other pertinent information supporting our opinion of value are maintained in our files.

# COMPANY OVERVIEW

### **Company History and Background**

# OPINION OF VALUE

### **Valuation Approaches and Methodologies**

1. **Valuation Approaches**

A brief explanation of each valuation approach is provided below.

Income Approach

The income approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires the projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business is the sum of the discounted cash flows.

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Market Approach

The market approach considers actual arm’s-length transactions for which the market value of investments alternative to the subject company can be observed. The value of a company or an ownership interest in the company can be estimated by developing relevant multiples for the comparative companies that relate value to underlying revenue, earnings, or cash flow variable, and then applying these multiples to the comparable underlying revenue, earnings, or cash flow variable for the subject company. The value multiples can be derived from guideline public company and guideline transactions of the publicly traded company or private companies.

Cost (Asset-Based) Approach

The asset-based (net underlying assets) approach is a form of the cost approach. The values of the individual assets (i.e., current, fixed, and intangible) of the business are estimated. The sum of the individual asset values represents the total asset value of the enterprise. The enterprise’s liabilities related to working capital are deducted to arrive at an indication of value for the invested capital of the business. Because the cost approach does not always reflect the full value of intangible assets, it is often not appropriate to value an operating business completely on the bases of this approach without giving weights to other valuation methods. Cost approach may be relevant to the value of an operating business that is not sufficiently profitable and whose "breakup" values may be greater than its going concern value.

1. **Valuation Methodologies**
2. **Overview**

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. Different methodologies are adopted for the valuation of manufacturing, investment, consultancy and trading companies.

Though there are no thumb rules for valuation, the method to be adopted has to be appropriate to the particular purpose for which valuation is being done as well as the attendant circumstances of each case. For example, a manufacturing company is generally valued on the combination of asset value and the earning potential of the business. An investment company is valued on the basis of the fair market value of underlying assets.

However, the value is specific to the point in time and may change with the passage of time. The value is derived in the context of an existing environment that includes economic conditions, state of industry/market and state of business activities of companies being valued etc. as on the appointed date of valuation. The basis of valuation would depend upon the purpose of valuation, the type of business, the future prospects and other attendant circumstances.

Discounted Cash Flow Method (DCF) – Income Approach

The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also the perpetuity value (or terminal value) in case of assets with an indefinite life. The DCF method is one of the most common methods for valuing various assets such as shares, businesses, real estate projects, debt instruments, etc. This method involves discounting of future cash flows expected to be generated by an asset over its life using an appropriate discount rate to arrive at the present value. The important inputs for the DCF method are (a) Cash flows; (b) Discount rate; and (c) Terminal value.

The following are the cash flows which are used for the projections:

(a) Free Cash Flows to Firm (FCFF): FCFF refers to cash flows that are available to all the providers of capital, i.e. equity shareholders, preference shareholders and lenders. Therefore, cash flows required to service lenders and preference shareholders such as interest, dividend, repayment of principal amount and even additional fund-raising are not considered in the calculation of FCFF.

(b) Free Cash Flows to Equity (FCFE): FCFE refers to cash flows available to equity shareholders and therefore, cash flows after interest, dividend to preference shareholders, principal repayment and additional funds raised from lenders/preference shareholders are considered.

Appropriate Discount Rate - Discount Rate is the return expected by a market participant from a particular investment and shall reflect not only the time value of money but also the risk inherent in the asset being valued as well as the risk inherent in achieving future cash flows. In discounting the FCFF the appropriate discount rate is the weighted average cost of capital, which results in the enterprise value of the Company. Whereas, in the case of FCFE the appropriate discount rate is the cost of equity, which results in the equity value of the Company.

Terminal value – It represents the present value at the end of the explicit forecast period of all subsequent cash flows to the end of the life of the asset or into perpetuity if the asset has an indefinite life. There are different methods for estimating the terminal value. The commonly used methods are:

(a) Gordon (Constant) Growth Model;

(b) Variable Growth Model;

(c) Exit Multiple; and

Comparable Company Multiple Method (CCM) – Market Approach

This method involves reviewing valuation multiples for companies that are in the same or similar line of business as the company being valued and then applying the relevant valuation multiples to the subject company to determine its value. The theory behind this approach is that valuation measures of similar companies, as manifested through stock market valuations of listed comparable companies, should represent a good proxy for the specific company being valued. Depending on the source of data available and the underlying company being valued, a variety of valuation measures might be used including Enterprise Value (EV) to Sales, EV to EBITDA, Price to Earnings, etc.

Comparable Transaction Multiple Method (CTM) – Market Approach

This method involves reviewing transaction multiples for companies that are in the same or similar line of business as the company being valued and then applying the relevant transaction multiples to the subject company to determine its value. The transaction multiples are determined for the comparable transactions for which financial details are available in the public domain. The theory behind this approach is that valuation measures of similar companies, as manifest through market transactions (i.e. acquisition or equity funding), should represent a good proxy for the specific company being valued. Depending on the source of data available and the underlying company being valued, a variety of valuation measures might be used including Enterprise Value (EV) to Sales, EV to EBITDA, Price to Earnings, etc.

Net Assets Value Method – Cost (Asset-Based) Approach

The net asset value method is an asset-based approach to valuation where the value of the business is based on the difference between the fair market value of the assets and liabilities of the business. This method is a sound method for estimating the value of a non-operating business, such as a real estate holding company, or a business that is continuing to generate losses, or which is expected to be liquidated.

Based on the Company’s current status and the nature of the business, we have considered it appropriate to apply the Comparable Company Multiple Method to determine the fair value of the Company. We have explained this valuation methodology in detail in the following sections.

### **Valuation of the Company via the Comparable Company Multiple Method (‘CCM’)**

1. **About the Method**

The Comparable Companies Multiple method values a business based on the trading multiples derived from publicly traded companies that are similar to the subject company/business. The publicly traded companies have published market values and are subject to strict financial reporting requirements and diligence analysis by investors and security analysts. To value a business using this information, we typically develop a relationship between the market value of the comparable public company’s invested capital (that is, the market value of all equity plus interest-bearing debt), to its operating fundamentals such as revenue or earnings. These relationships, commonly referred to as valuation multiples, are adjusted for differences in the size and risk of these companies compared to the subject company. The adjusted valuation multiples are then applied to the corresponding operating fundamentals of the subject company/ business to determine its value.

1. **Valuation Methodology**

In order to value ABC Pvt Ltd, we identified n comparable publicly traded (listed) companies, which are engaged in the ‘name of industry’ (“Guideline Public Companies”). Based on the nature of the business of ABC Pvt Ltd we selected Enterprise Value/Revenue (EV/S), Price/Book Value (P/BV), Enterprise Value/EBITDA (EV/EBITDA), Price/Earnings per Share (P/E) multiples as an appropriate valuation benchmark. Accordingly, we retrieved the following financial data for each comparable company:

* Enterprise Value
* Revenues
* EBITDA
* Book Value
* Earnings per Share (EPS)
* EV/S
* EV/EBITDA
* P/BV
* P/E

The table on the following page presents the financial data listed above for each Guideline Public Company.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| S.No. | Name of Peers | Stock Price  AS on 31.01.2023 (USD) | Share O/s  as on 31.01.2023  (In Mn) | Market Cap AS ON 31.01.2023  (IN USD MN) | Cash & Cash Equivalents as on 31.01.2023  (IN USD MN) | Debt as on 31.01.2023  (IN USD MN) | Enterprise Value as on 31.01.2023  (IN USD MN) | Revenue as on 31.01.2023  (IN USD MN) | Ev/Revenue  (x) |
| 1 | Salesforce Inc | 167.97 | 991.00 | 1,66,458.27 | 12,508.00 | 14,879.00 | 1,68,829.27 | 31,352.00 | 5.38 |
| 2 | Braze Inc. | 32.00 | 95.71 | 3,062.60 | 478.67 | 51.29 | 2,635.22 | 355.43 | 7.41 |
| 3 | HubSpot, Inc | 347.01 | 48.58 | 16,856.42 | 1,412.68 | 806.34 | 16,250.08 | 1,730.97 | 9.39 |
| 4 | ZoomInfo Tech Inc | 28.23 | 403.66 | 11,395.24 | 545.70 | 1,313.90 | 12,163.44 | 1,098.00 | 11.08 |
| 5 | Asana, Inc. | 15.50 | 212.77 | 3,298.00 | 529.30 | 271.54 | 3,040.24 | 547.21 | 5.56 |
| Mean | | | | | | | | | **7.76** |
| Less: Discount\* | | | | | | | | | **30%** |
| Post Discount EV/Revenue Multiple | | | | | | | | | **5.40** |

After evaluating the differences between the Company and the Guideline Public Companies, we made a XX%  
downward adjustment to the mean EV/ Revenue multiples. The adjustment of 30% is primarily due to current inflationary measure and   
volatility in stock market.

1. **Fair Value Indication via CCM Method**
   1. **EV/S Multiple**

We applied the adjusted mean EV/Revenue multiples to the Company’s existing Revenues for the period ending XX.XX.XXXX. Consequently, we arrived at the enterprise value of the Company as of XX.XX.XXXX. Thereafter, we adjusted non-operating items in the Company as of XX.XX.XXXX, from the indicated enterprise value. The resultant value indicates the fair value of ABC’s operations as of XX.XX.XXXX.

|  |  |
| --- | --- |
| **Particulars** | **Amount**  **(INR)** |
| Revenue | XX |
| EV/S Multiple | XX |
| **Enterprise Value** | **XXX** |
| Add: Cash & Cash Equivalents | XX |
| Less: Debt | (XX) |
| **Equity Value** | **XXX** |
| No. of Shares (Dilluted) | XXXXXX |
| **Value per Share (INR)** | **XX.XX** |

* 1. **EV/EBITDA Multiple**

We applied the adjusted mean EV/EBITDA multiples to the Company’s existing EBITDA for the period ending XX.XX.XXXX. Consequently, we arrived at the enterprise value of the Company as of XX.XX.XXXX. Thereafter, we adjusted non-operating items in the Company as of XX.XX.XXXX, from the indicated enterprise value. The resultant value indicates the fair value of ABC’s operations as of XX.XX.XXXX.

|  |  |
| --- | --- |
| **Particulars** | **Amount**  **(INR)** |
| EBITDA | XX |
| EV/EBITDA Multiple | XX |
| **Enterprise Value** | **XXX** |
| Add: Cash & Cash Equivalents | XX |
| Less: Debt | (XX) |
| **Equity Value** | **XXX** |
| No. of Shares (Dilluted) | XXXXXX |
| **Value per Share (INR)** | **XX.XX** |

* 1. **P/BV Multiple**

We applied the adjusted mean P/BV multiples to the Company’s existing Book Value for the period ending XX.XX.XXXX. The resultant value indicates the fair value of ABC Pvt Ltd as of XX.XX.XXXX.

|  |  |
| --- | --- |
| **Particulars** | **Amount**  **(INR)** |
| Book Value | XX |
| P/BV Multiple | XX |
| **Equity Value** | **XXX** |
| No. of Shares (Dilluted) | XXXXXX |
| **Value per Share (INR)** | **XX.XX** |

* 1. **P/E Multiple**

We applied the adjusted mean P/E multiples to the Company’s existing Earnings per share for the period ending XX.XX.XXXX. The resultant value indicates the fair value of ABC Pvt Ltd as of XX.XX.XXXX.

|  |  |
| --- | --- |
| **Particulars** | **Amount**  **(INR)** |
| Earnings | XX |
| P/E Multiple | XX |
| **Equity Value** | **XXX** |
| No. of Shares (Dilluted) | XXXXXX |
| **Value per Share (INR)** | **XX.XX** |

**Weighted Average Value per Share**

We applied the equal weightages to all the multiples used in our analysis to obtain weighted average fair value of the company as of January 31, 2023.

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Weights** | **Weighted Value** |
| Value as per EV/Sales | % | XX |
| Value as per EV/EBITDA | % | XX |
| Value as per P/BV | % | XX |
| Value as per P/E | % | XX |
| **Value per Share (INR)** |  | **XX** |

# FAIR VALUE CONCLUSION

**Based on our study and analytical review procedures, and subject to the limitations expressed within this report, our opinion of the fair value of equity shares of ABC Pvt Ltd, to comply with the relevant provisions of the purpose, as of XX.XX.XXXX is:**

**Fair Value per Share**

**INR**

Please note, this Report is to be read in its entirety.

|  |  |
| --- | --- |
|  | **Name of Valuer**  **Securities or Financial Assets** |
| **Date:**  **Place:** | **IBBI Registration No.** |

**ANNEXURE A**

**PROFILE OF VALUER**