Intangible Assets – Caselets

Caselet 1: Relief-from-Royalty Valuation of a Brand

Suryodaya Foods Pvt. Ltd., a Pune-based FMCG company, owns the registered consumer brand "Nouriva," which is used exclusively for its packaged health foods portfolio sold across India. The company is undertaking an internal valuation exercise as of **December 21, 2025,** to estimate the fair value of the brand as a separable marketing-related intangible asset. The valuation is required for strategic planning and is to be performed in Indian Rupees.

Revenues attributable to the Nouriva-branded product line are forecast over a **10-year explicit period**, starting at ₹1,200 crore in Year 1, with a 10% annual growth rate. Industry benchmarking indicates that comparable third-party brand licensing arrangements reflect royalty rates ranging from **2.0% (low)** to **5.0% (high)** of revenues, with a **base-case royalty rate of 3.5%** considered appropriate for Nouriva given its market position. The brand is assumed to have an **indefinite useful life**, supported by ongoing advertising and market presence, with a **terminal growth rate of 4%** beyond the forecast horizon.

Royalty savings are subject to a **corporate income tax rate of 25%**, and the risks specific to the brand asset are reflected in a **brand-specific discount rate of 14%**. The objective is to estimate the fair value of the Nouriva brand as of the valuation date using an ownership-based valuation perspective.

Caselet 2: Multi-Period Excess Earnings Valuation of Customer Relationships

As part of a business combination analysis, Triveni Software Services Ltd. seeks to value its existing customer relationships as of **21 December 2025**. The customer base comprises long-term enterprise clients that generate recurring service revenues but are subject to gradual attrition over time. The valuation is to be carried out in Indian Rupees.

Revenue from the existing customer base is forecast over a **10-year period**, starting at **₹900 crore in Year 1**, with customer attrition estimated at **12% annually**. Operating margins attributable to these customers are estimated at **28%**. To isolate the earnings attributable solely to customer relationships, contributory asset charges apply for the use of working capital (**1.5% of revenues**), fixed assets (**2.0% of revenues**), workforce (**6.0% of revenues**), and brand support (**3.0% of revenues**).

Excess earnings after contributory asset charges are subject to a **25% corporate tax rate** and are discounted using a **customer-asset-specific discount rate of 16%**. The customer relationships are assumed to have a finite economic life consistent with observed attrition patterns. The task is to estimate the fair value of the customer relationships as of the valuation date.

Caselet 3: Valuation of Technology / IPR&D Using a Decision-Tree Approach

InnovaGen Labs Ltd. is developing a proprietary biotechnology platform that is currently in the clinical development phase and has not yet achieved commercial viability. Management wishes to estimate

the value of this in-process R&D (IPR&D) asset as of **21 December 2025** to support strategic investment decisions.

The development process consists of **three sequential stages**, each with distinct success probabilities. The probability of successful completion is estimated at **70% for Stage 1**, **50% for Stage 2**, and **60% for Stage 3**, implying significant technical and regulatory uncertainty. If commercialization is successful, the technology is expected to generate post-tax cash flows starting in Year 4, at ₹250 crore, growing at an annual rate of 8% for a **10-year commercialization period**. Failure at any stage results in zero terminal value.

Development costs of **₹120 crore**, **₹180 crore**, and **₹220 crore** are incurred at the respective stages. Given the high-risk nature of the asset, future cash flows are discounted at a **risk-adjusted discount rate of 18%**. The objective is to estimate the value of the technology considering development-stage uncertainty and to compare it with a valuation that ignores staged risk.

Caselet 4: Contract-Based Intangible Valuation Using a With-and-Without Approach

A manufacturing company holds a long-term supply contract that allows it to procure critical raw materials at prices below prevailing market rates. The contract is legally enforceable and has a remaining life of **6 years** as of **21 December 2025**, with no guaranteed renewal clause. The company wishes to estimate the fair value of this contract as a separable intangible asset.

Under the existing contract, the business is expected to generate annual operating cash flows of **₹420 crore**. In the absence of the contract, equivalent market-based procurement terms would reduce annual cash flows to **₹340 crore**. The resulting incremental cash flows attributable to the contract are expected to remain constant over the contract life.

Incremental cash flows are subject to a **25% corporate tax rate** and are discounted at a **contract-specific discount rate of 13%**, reflecting the risk associated with enforceability and counterparty performance. The task is to estimate the value of the contract as of the valuation date using a with-and-without framework.

Caselet 5: Intangible Capital and Market-to-Book Bridge Analysis

A publicly listed digital services company operates in an intangible-intensive industry where significant value is derived from brand equity, human capital, and internally developed technology. As of **21 December 2025**, the company reports a **book value of equity of ₹3,200 crore**, while its observed **market capitalization is ₹9,800 crore**.

Historical expenditures on R&D and advertising are available, averaging **₹450 crore per year for R&D** and **₹300 crore per year for advertising** over the past decade. For analytical purposes, R&D expenditures are capitalized over **5 years**, while advertising expenditures are capitalized over **3 years**, both using straight-line amortization. The company's adjusted operating performance and return metrics are available for reconciliation.

The objective is to reconstruct the company's intangible capital, adjust the balance sheet accordingly, and explain the observed market-to-book gap by explicitly recognizing unrecorded intangible assets.
