# NextGen Dynamics

www.nextgendynamics.com

# BUSINESS VALUATION REPORT

5th APRIL 2024

PREPARED BY:

**TrueWorth**
Sense the Value, Sense Your Future

**CorporateValuations.in**

**Corporate Professionals**

**India** - Delhi • Ahmedabad • Mumbai • Chennai

**US**

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# Synopsis

We understand that the Entity wants to know the equity value of [XYZ Limited] for general information purposes only.

This Valuation Analysis and its results are based upon the information contained herein. The historical financials and the projected business plan of the entity have been prepared and provided to us by the management of the entity. We have considered data and information as available in public domain including that of the industry trends, sector, and economic reports. Appropriate adjustments have been made by us before arriving at our value conclusion.

It is pertinent to mention that the valuation of a business is not an exact science and ultimately depends upon several factors like the past financials, expected financial results, industry scenario, market recognition, size, and stage of entity's business as well as the purpose of valuation.

*Based on our Analysis of the Entity and subject to our comments and caveats as further detailed in this report, we have arrived:*

**Equity Value:** INR **5,00,000**

**Comprehensive evaluation:**

*Showcases the Net worth of the Equity holders.*

**Enterprise Value:** INR **7,50,000**

**Comprehensive evaluation:**

*Encompasses value for both equity and debt holders.*

**Value per Equity Share:** INR **850**

# About
# Valuation

*This dynamically driven and customized report was created to provide the business owner with general estimates of fair minimum & maximum value under relevant transaction conditions assumed for the profiled business, at a fair price and in real time. The results presented will provide the reader with estimates which reflect both the minimum & maximum value of "Equity Value" (on a going concern basis) as well as estimates which reflect the so- called "Enterprise Value" of the subject entity.*

## About Business Valuation

In understanding and interpreting the "value" of a business, it is important to recognize that there are many different "types" and "levels" of value. The most common scenario involves the estimation of "fair market value on a going concern basis" for the entire entity, e.g. a 100% interest in the subject equity or assets/enterprise.

When valuing the entire entity (100% control interest), it is necessary to distinguish between the value of "assets" (asset deal) and the value of "equity" (stock deal). In practice, owner-operated businesses are either sold on an "asset sale basis" or on an "equity sale basis" with the purchase agreement reflecting the unique aspects of each scenario.

A variety of factors will determine the chosen mode of sale, with buyer and seller negotiating price and an array of other "terms and conditions" including the type of sale.

*Most small private firms are sold as asset sales while many middle-market transactions involve the sale of equity.*

The "asset sale" value will always differ from the "stock sale" value due to the specific group of assets and liabilities that are included or excluded in each format. In determining which estimations of value are of most relevance to the business owner, the reason behind the valuation will typically address this question. Business Advisors hired to assist buyers and owners most commonly value businesses under the "asset sale" scenario through multiples of discretionary earnings while valuations for divorce or estate taxes will be based primarily on the "equity sale" scenario.

### Equity Value

Includes the assets listed above PLUS liquid financial assets LESS all debt liabilities (ST/LT). Involves the full transfer of the legal entity including all account balances and current tax attributes.

In the "real world", there are many variations on these basic structures, e.g. an asset sale might include accounts receivable, or an equity sale might exclude long-term debt, etc. The values provided in this report are stated in terms of the baseline case as defined above. They are both "fair market value on a going concern basis" estimates, but one reflects the asset sale, and one reflects the equity sale.

### Enterprise Value

In middle-market transactions, it is also helpful to distinguish between "equity value" and "enterprise value". Enterprise value reflects the firm's value as a functioning entity, and it is helpful in that it facilitates the comparison of companies with varying levels of debt.

### Equity Value per Share

This represents the total equity value of an entity divided by its outstanding shares. It indicates the value of each share, reflecting the entity's market capitalization minus net debt. This metric is vital in assessing shareholder value, comparing companies, and supporting decisions in mergers, acquisitions, or public offerings.

## *Which Business Value Conclusion is Most Important?*

### Equity vs Enterprise Value

The answer to this question depends chiefly upon the purpose for the valuation engagement. If you are negotiating the sale/ purchase of a business via an asset sale, then it is the enterprise value which is most relevant. If you are filing an estate/gift tax return, it is the equity value which is most important. When evaluating middle-market companies for M&A purposes, both equity and enterprise value will be useful. If your business is rapidly deteriorating and you are contemplating a reorganization, then liquidation value may be of most relevance.

# About
# The Entity

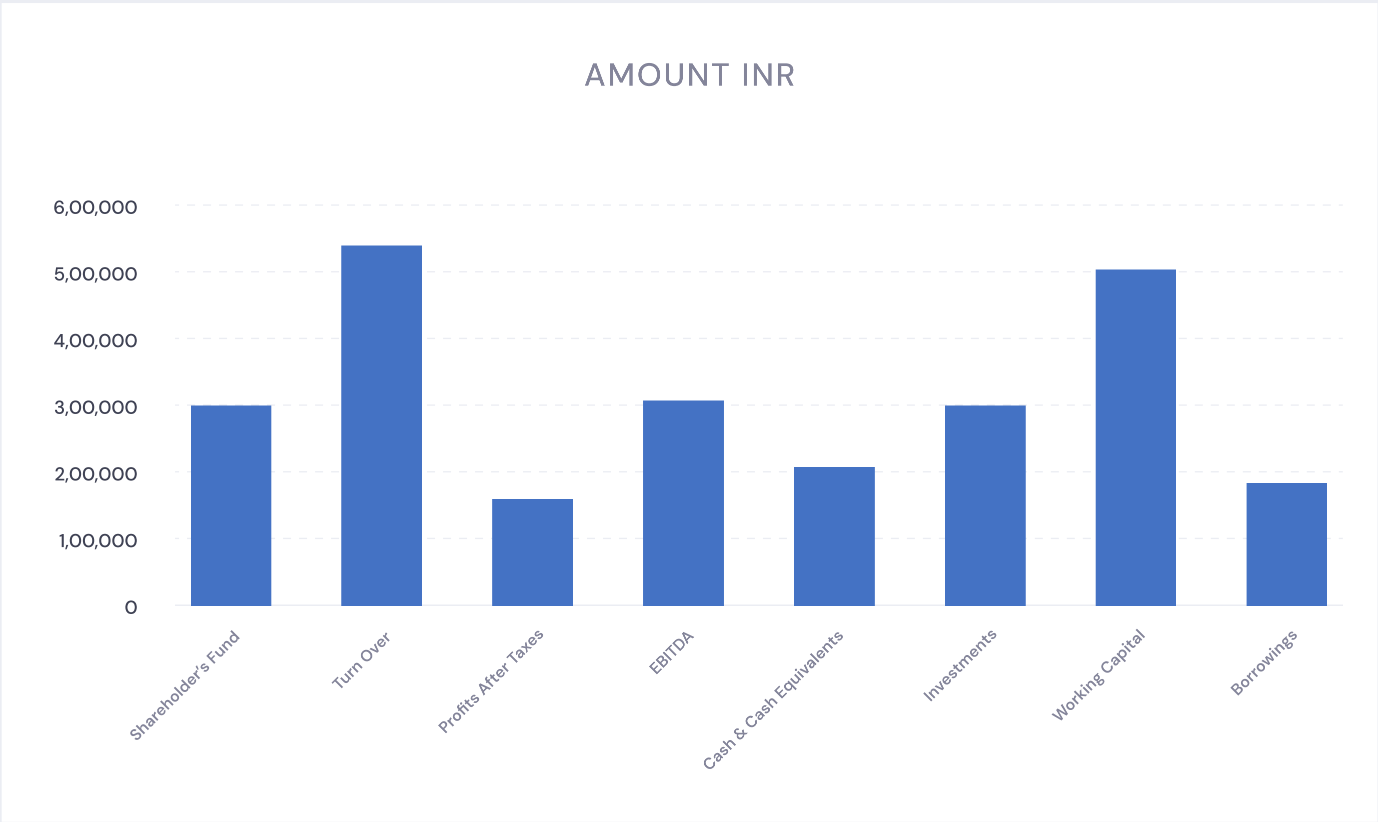
## Business Description

XYZ Limited was formally incorporated in the year [Year of Incorporation]. Its operational jurisdiction extends to the country of [Country], where it is currently an [Entity Status] company and operates as a [Entity Stage] company within the broader framework of the [Industry] industry. These key attributes provide a foundational understanding of the company's establishment, location, legal standing, and its role within the specific business sector

[Business Description]

### Financials of the Company

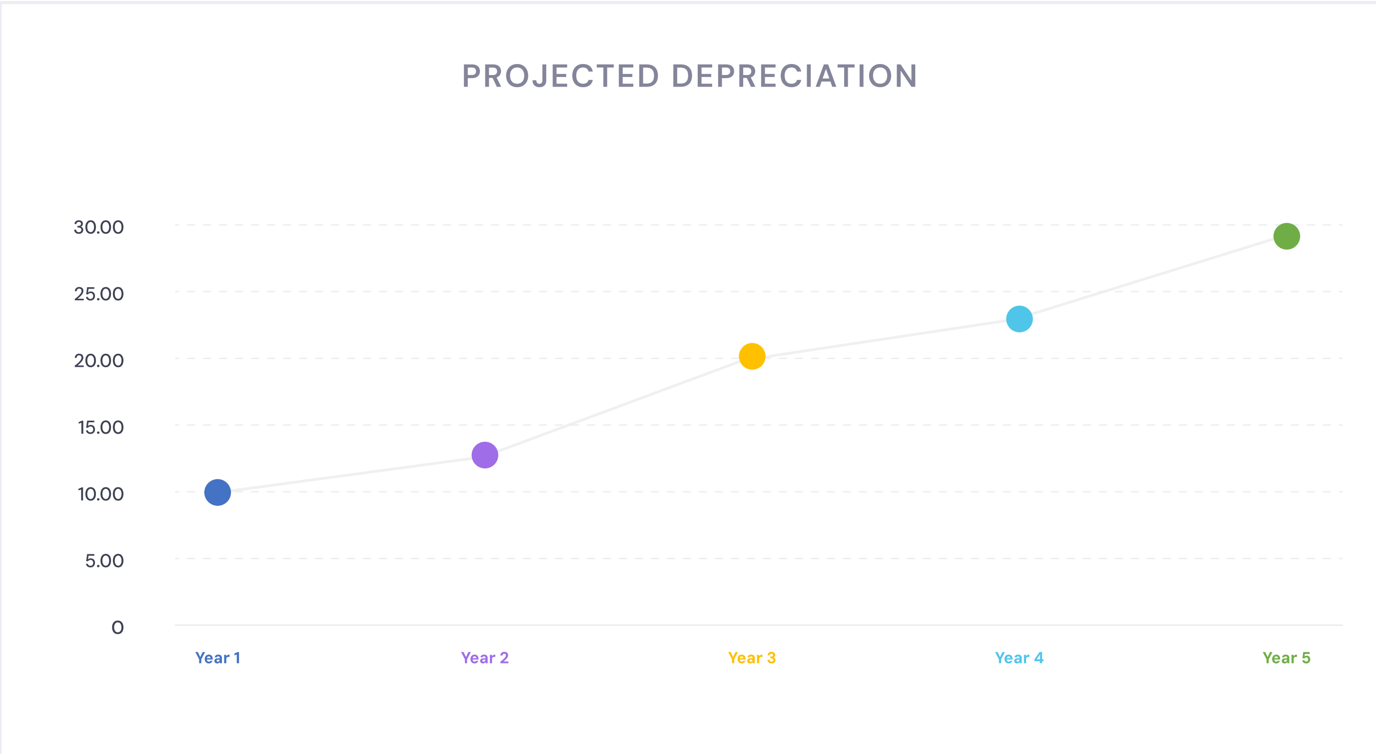
The Financial Figures of the Company for the Financial Year 2023



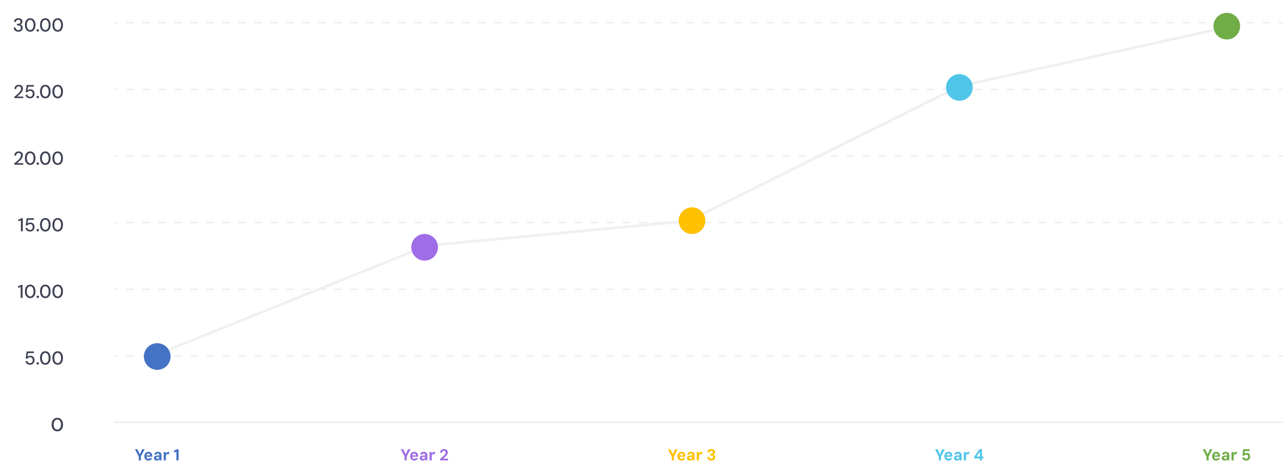

*In the financial assessment, the entity's rate of interest stands at [8.00%] [Interest Rate], and the anticipated growth rate is estimated at 8% [Growth Rate], reflecting key parameters that significantly impact the overall financial landscape of the organization.*

## Projections of the Entity

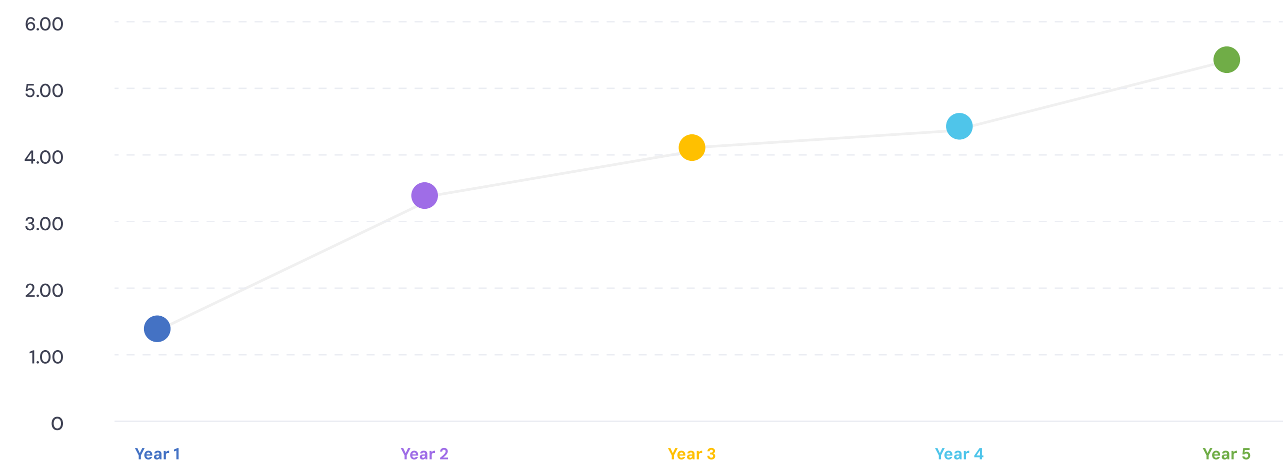
Projected Financial Figures of the Entity for the next 5 (Four) Years

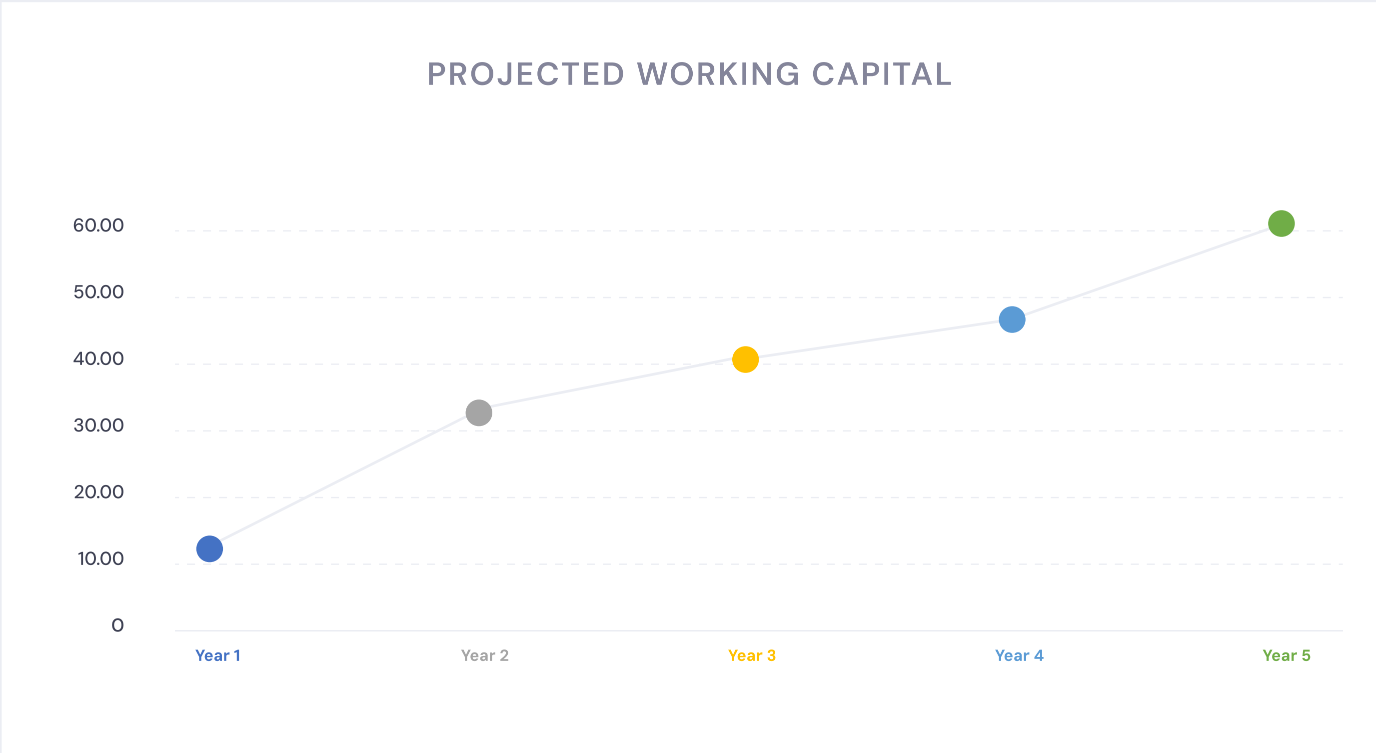



## EXPECTED CAPEX




## PROJECTED INTEREST






The anticipated financial trajectory of the entity over the upcoming 5 (Five) years is encapsulated in the projected financial figures, offering a forward-looking perspective on its economic outlook. These projections encompass a comprehensive analysis of various financial metrics, including projected revenues, anticipated expenses, forecasted net income, expected cash flows, and prospective changes in assets and liabilities. By extending the financial forecast over this specified time horizon, stakeholders gain valuable insights into the entity's strategic planning, growth expectations, and financial sustainability. These projections serve as a pivotal tool for informed decision-making, enabling the identification of potential opportunities and challenges that may shape the entity's financial landscape in the foreseeable future.

*The projected financial assessment incorporates a Profit Before Tax (PBT) percentage of 45% [Expected PBT %]; Depreciation @ 10% [Depreciation %]; YOY Incremental Capex @ 5% [Incremental Capex %] & YOY Incremental Borrowing @ 10% [Incremental Borrowing %] reflecting the anticipated proportion of earnings retained by the entity before accounting for tax liabilities, thereby influencing the overall financial outlook.*

Valuation

# Methodology, Approach & Analysis

While this valuation was generated considering as many company-, industry- and location-specific details as available, the value presented in this report is an automated estimation of the Fair Market Value of the business and its assets and liabilities. Some events and circumstances that might impact on the overall valuation of a specific business may not be considered for the purpose of this report.

Valuation methods from the income, market and asset approach have been utilized to reach the valuation results for the subject entity. The opinion of value given in this report is based on information provided by the user and other sources. This information you input is assumed to be accurate and complete. However, Corporate Professionals has not audited or attempted to confirm this information for accuracy or completeness. It's important to note that the estimates presented herein are not "final numbers". Instead, we are providing general estimates. As a result, the overall valuation should be considered a frame of reference and not an official appraisal.

*Essentially, our focus is to try to provide a proprietary but real-world oriented valuation approach for small, midsize, and emerging businesses. In doing so, we include methods from the following valuation approaches utilized by professional business appraisers today:*

| Approach | Valuation Methodologies | Our Comments |
|---|---|---|
| ASSET | Net Asset Value (NAV) Method | • The Asset based method views the business as a set of assets and liabilities that are used as building blocks of a business value.<br>• The difference in the value of these assets and liabilities on a Book Value basis or Realizable Value basis or Replacement Cost basis is the business value.<br>• However, this methodology recognizes historical cost of net assets only without recognizing its present earnings, comparative financial performance of its peers and their enterprise values etc.<br>• Therefore, in general Net Asset Value only reflects the minimum proxy value of the entity. |
| MARKET | Comparable Companies Multiples (CCM) Method | • Market Comparable Companies Multiples (CCM) Method This methodology uses the valuation ratio of a publicly traded and applies that ratio to the entity being valued.<br>• The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g. Revenue, EBITDA, EBIT, Earnings per Share or Book Value).<br>• A key benefit of Comparable Company Market / Transaction Multiple analysis is that the methodology is based on the current market price which is generally viewed as one of the best valuation metrics. |
| INCOME | Discounted Free Cash Flow (DFCF) Method | • Income Discounted Free Cash Flow (DFCF) Method The DFCF method expresses the present value of the business as a function of its future cash earnings capacity.<br>• This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate.<br>• The value of the firm is arrived at by estimating the Free Cash Flows to Firm (FCFF) and discounting the same with Weighted Average cost of capital (WACC).<br>• The DFCF methodology is the most appropriate basis for determining the earning capability of a business. In the DFCF approach, the appraiser estimates the cash flows of any business after all operating expenses, taxes, and necessary investments in working capital and Capex is being met. |

# Conclusion

After a comprehensive valuation analysis, it is determined that the equity value of the entity is assessed the Equity Value at INR xxxxxx with Equity Value per Share at INR xxxxxxx. This valuation considers factors such as financial performance, market conditions, and future growth prospects.

Simultaneously, the enterprise value, which encompasses both equity and debt is [Enterprise Value]. This broader valuation perspective accounts for the total value of the entity, including the interests of both equity and debt holders.

**Equity Value:** INR **5,00,000**

**Comprehensive evaluation:**

*Showcases the Net worth of the Equity holders.*

**Enterprise Value:** INR **5,00,000**

**Comprehensive evaluation:**

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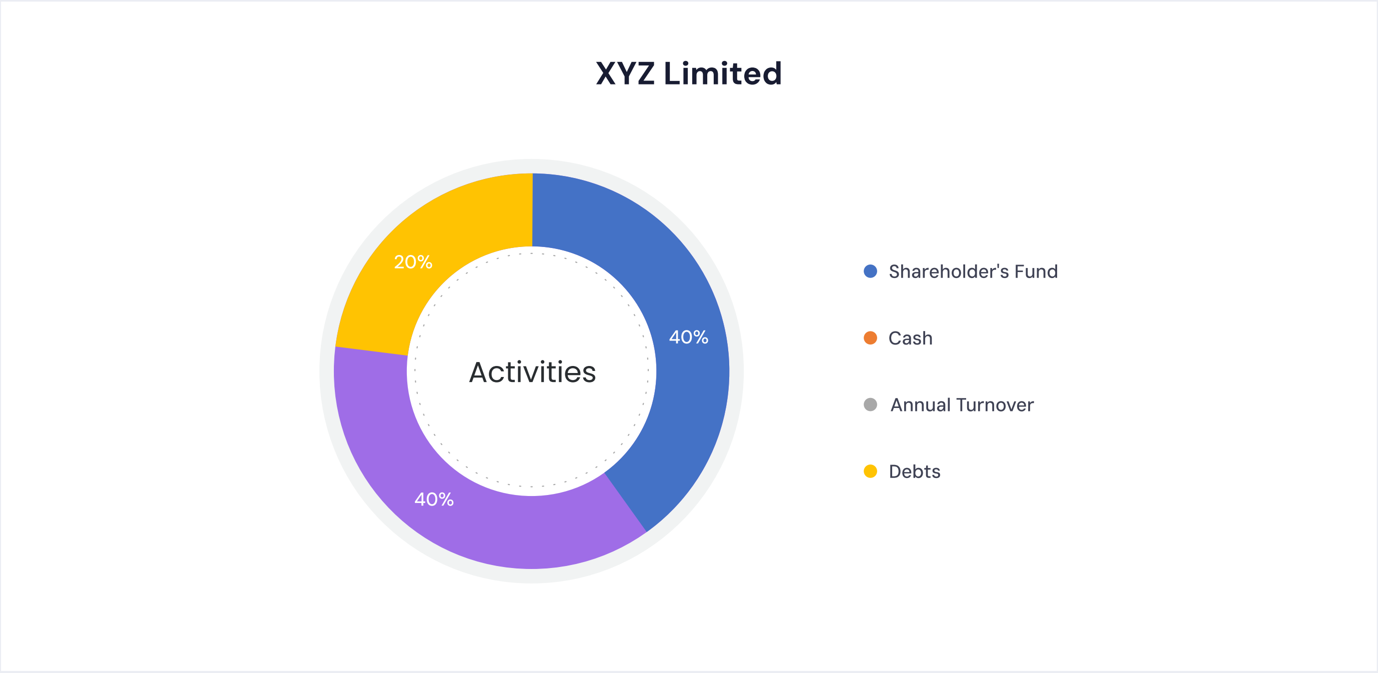
## Important Considerations

- *Valuation subject to assumptions, methodologies, and current information.*
- *Market conditions and unforeseen developments may impact final valuation.*
- *Aimed at providing stakeholders with a nuanced understanding for strategic decision-making.*

*It is imperative to recognize that these valuation ranges are contingent on the assumptions and methodologies employed in the analysis. Any significant changes in market conditions or key assumptions may impact the final valuation. This conclusion aims to provide stakeholders with a comprehensive understanding of the potential equity and enterprise values, aiding in strategic decision-making processes.*



# About **us**

Corporate Professionals (CP) is a group of dedicated, research- oriented, and skilled professionals delivering innovative corporate business solutions through an integrated model of legal, techno- legal, and financial consulting services since 2003.

We are a SEBI Registered (Cat-1) Merchant Banker and India's 6th IBBI Registered Valuer Entity

REGISTERED (CAT. -1)
MERCHANT BANKER

IBBI
REGISTERED VALUER ENTITY

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Gain clarity on your business's worth effortlessly with our intuitive Valuation Calculator. Navigate through various valuation methods, manage risks effectively, and gain instant.

- **Business Valuation**
- **ESOP Valuation**
- **Issue Of Shares**
- **Intangible Assets Valuation**
- **FDI/ODI Valuation**
- **Start-Up Valuation**
- **Financial Modelling**
- **Equity Valuation**

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## Our Speaking **Numbers**

| 3000+ | 15 Years | 50+ | 1500+ | $55 |
|---|---|---|---|---|
| Valuations Performed | Core Experience | Industry Served | Clients Served | Billion Worth Of Valuations |

| IBBI Registered Valuer Entity | SEBI Registered (Cat-1) Merchant Banker |
|---|---|

# what you're looking for ?

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This model is primarily intended for educational purposes rather than performing formal valuations. If you need assistance with valuing your company, we offer business valuation consulting services. For personal evaluations of your business or formal valuation analyses for statutory or business considerations, including obtaining a signed valuation report from a Registered Valuer or Merchant Banker, please contact our Valuation Team for professional advisory.

+91 98717 84112    valuation@indiacp.com

# Office Locations

Our employees are trusted to decide where and how they work: from home, at one of our hub offices, or a bit of both.

**Delhi**
D-28, South Ex., Part-I, New Delhi-110049

**Mumbai**
907, K P Aurum Marol Maroshi Road, Marol
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# Disclaimers

- This is only an estimate and is not valid for any statutory or regulatory purposes. The final valuation may be adjusted to account for appropriate discounts and premiums based on the entity's profile, valuation purpose, and so on.
- In case the Entity has Subsidiaries, you have entered Proportionate Consolidated Value. But if Subsidiaries are having different Business Model, you have understood to get its Valuation separately.
- The Entity has normalized the financial entered and has removed the impact of any extraordinary/ exceptional items.
- The Profitability Figures have been entered for the period when the business has stabilized Non-operational/Other income has been ignored.
- "Excess Cash", "Surplus Assets" and Increase/Decrease in Value of Assets/Liabilities have been entered separately.
- The Entity understands that the Value derived through this online software is Indicative Value only. It is clarified herein that no two Companies are identical and thus Comparable Companies should be found based on similar risk characteristics and after applying suitable adjustments for Size, Profitability %, Capital Structure etc.
- It is emphasized that suitable adjustment for Discounts and/or Control Premium may also be needed separately. This cannot be done precisely without use of Professional Judgment on case-to-case basis. Accordingly, this online Software is giving indicative figures only based on our market understanding for deriving indicative Fair Market Value.
- The Entity has understood that this exercise is done in summary form and is meant for general guidance only. On any specific matter, reference should be made to the appropriate advisor.