



Valuation Primer

Chirag Mehta
Partner, Clip Financial

Who are we ?

Clip Corporate Advisors LLP (“Clip Financial”) is a sector focused mid market Debt , Equity and M&A advisory firm

COMMON VALUATION PITFALLS

VALUE VARIES WITH PERSON, PURPOSE AND TIME

VALUER IS HALF A CONSULTANT

**UNDERSTAND THE BUSINESS TO MAKE APPROPRIATE
PROJECTIONS**

**THINKING THAT THE BUSINESS PURCHASE PRICE AND
PROJECT COST ARE THE SAME**

USING THE WRONG VALUATION MULTIPLES

MISSING OUT ON ACCOUNTING FOR SYNERGY

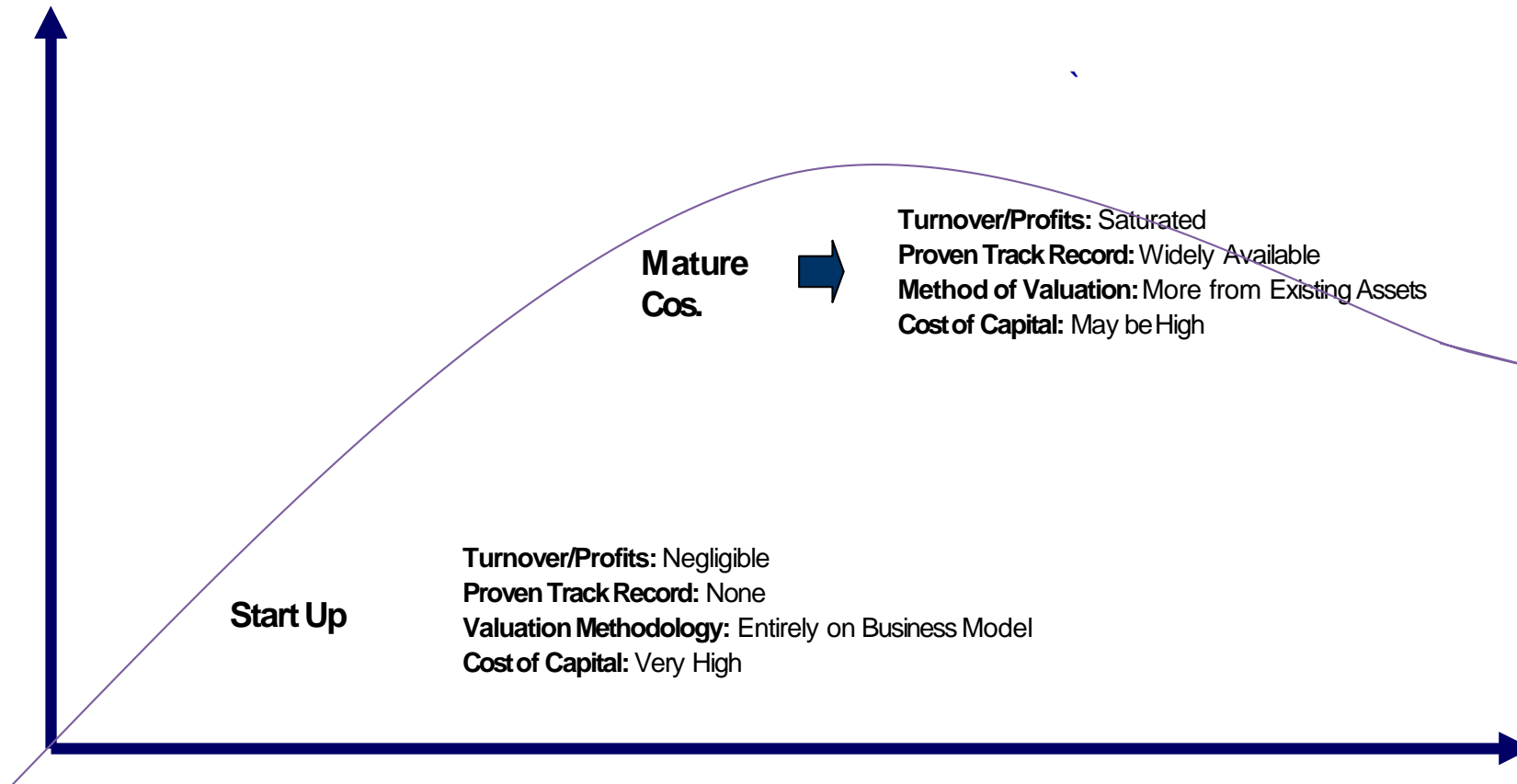
The concept of Triangulation

- Each has strength and weaknesses
- Different methods used in different situations
- Each method gives a different value
- Provides a range of valuation instead of point estimates

Its best to always Triangulate on a Valuation

Views on Start up Valuation

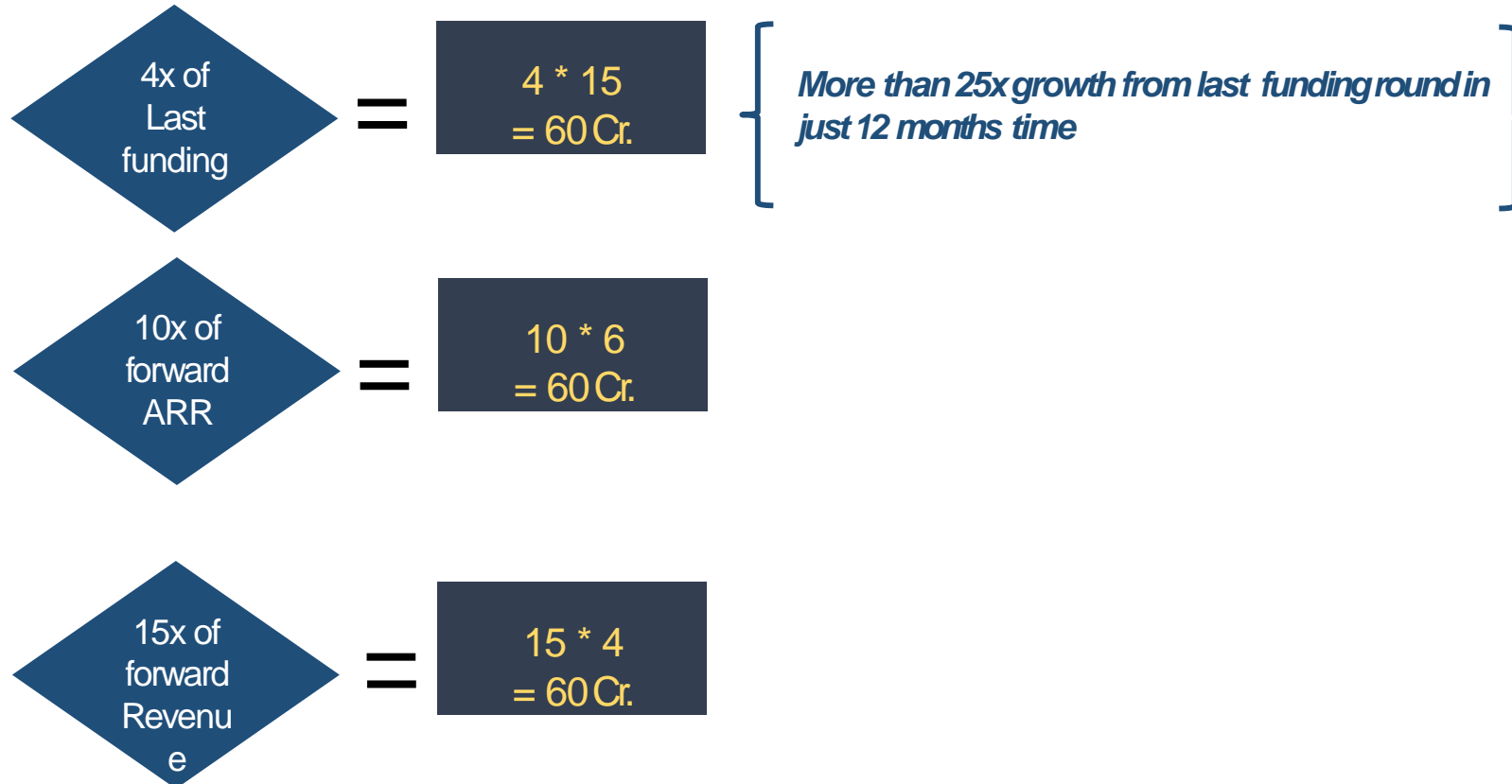
Startup Valuation vs. Enterprise Valuation



Rule of Thumb Valuation Technique

Industry	Valuation Parameters
Hospital	EV/Room
Engineering	Mcap/Order Book
Mutual Fund	Asset under management
OIL	EV/ Barrel of equivalent
Print Media	EV/Subscriber
Power	EV/MW, EBITDA/Per Unit
Entertainment & Media	EV/Per screen
Metals	EBITDA/Ton, EV/Metric ton
Textiles	EBITDA depend upon capacity utilization Percentage & per spindle value
Pharma Bulk Drugs	New Drug Approvals , Patents
Airlines	EV/Plane or EV/passenger
Shipping	EV/Order Book, Mcap/Order Book
Cement	EV/Per ton & EBITDA/Per ton
Banks	Non performing Assets , Current Account & Saving Account per Branch

Valuation Technique 1 – Forward Multiples



Company	Price per share (Rs)	FY18 P/E (x)	Market cap (Rs crore)	Market cap/AUM	PAT (Rs crore)	FY18 RoE (%)
Reliance Nippon AMC	259	29.3	15,300	6.50%	522	25%
HDFC AMC (at issue price)	1100	32.1	23,161	7.70%	722	40%
HDFC AMC (expected listing price)	1500	43.8	33,689	10.50%		

Average AUM (in ₹ cr)

ICICI Prudential MF	2,43,144
HDFC MF	2,37,467
Reliance MF	2,11,738
Birla Sun Life MF	1,95,331
SBI MF	1,57,490

Source: Amfi, Reliance Capital; AUM data for March 2017 quarter; Reliance MF's asset manager is Reliance Nippon Life Asset Management



Valuation Technique 2 – Industry Multiples

PE DEALS



AuM
Multiple

10%-13%
(proposed)

9.5%-11.5%
(actual)

15%
(actual)

13%-16%
(proposed)

NJ Wealth : 5000 – 6500 Cr. Valuation for 50,000 Cr. Asset Book

Funding : \$150 – \$200 Mn

Investors : TPG Capital and Warburg Pincus

Prudent : 1700 Cr. – 2100 Cr. Valuation for 18,000 Cr. Asset Book

Funding : \$40 Mn

Investors : TA Associates

FL Wealth : 15,000 Cr. Valuation for 1,00,000 Cr. Asset Book

Funding : \$100 Mn

General Atlantic Singapore Fund, Fairfax group, Asian Reconnaissance Fund, Rimco (Mauritius) Limited, Amansa Holdings, Steadview

Edelweiss Wealth : 12,000 – 15,000 Cr. Valuation for 90,000 Cr. Asset Book

Funding : \$350 Mn

Blackstone, TPG, KKR, Carlyle, Apax Partners

Valuation Technique 3 – Transaction Multiples

FIRSTROUND				SECONDRound			
AuM	ARR	Raise (EV)	Timeline	AuM	ARR	Raise (EV)	Timeline
10 Cr. (Aug'10)	10 L	4.2 Cr. (21 Cr.)	2 Years	85 Cr. (Jul'12)	85L	24 Cr. (117 Cr.)	4 Years
2 Cr. (Jul'12)	2 L	3.25 Cr. (16.3 Cr.)	0.5 Years	30 Cr. (Aug'15)	30L	16 Cr. (81 Cr.)	3.5 Years
2.5 Cr. (Jan'16)	2.5 L	3.25 Cr. (21 Cr.)	1 Year	10 Cr. (Oct'16)	10L	7.2 Cr. (50 Cr.)	1.5 Years

Avg.
AuM
Multiple
=
2x – 8x

Thank You !

Person

- Promoter
- Analyst
- Competitor
- Acquirer
- FOMO investor
- Sentiments

Purpose

- Acquisition
- Turnaround
- Fund raising
- Voluntary assessment
- Dispute resolution
- Regulatory
- Synergy

Time

- Start Up
- Growing company
- Mature Company
- Declining Company
- Distressed Asset