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BUSINESS VALUATION IN INDIA

Beyond the Numbers

THIRD EDITION, 2025

A COMPREHENSIVE COMMENTARY COVERING:

- International Valuation Standards, issued by the IVSC
- Regulatory and Industry position as on 01st October, 2024
- Updated Companies (Registered Valuers and Valuation) Rules, 2017, relevant SEBI Regulations and Accounting Standards
- Case Studies on DCF, Relative and Intangible Valuations
- Separate Chapter on 'Regulatory Valuations in India' and 'Emerging Valuation Opportunities in India'



Commercial Law Publishers (India) Pvt. Ltd.

WITH THE BLESSING OF MATA VAISHNO DEVI

Published

By

COMMERCIAL LAW PUBLISHERS (INDIA) PVT. LTD.

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ANSARI ROAD, DARYA GANJ, NEW DELHI- 110002

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Website: commerciallawpublishers.com

PRICE : Rs. 2495/-

3rd Edition, 2025

ISBN: 978-93-5603-681-9

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Printed at

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About Corporate Professionals

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.

Within the group, there are boutique advisory, consulting, and law firms that provide high-quality services in Company Law, Insolvency Law, Securities Laws & FEMA, Corporate Restructuring, Corporate Taxation, Domestic and Global Business Setup, Compliance Management, Documentation and Regulatory Approvals.

The Group offers Investment Banking, Transaction Advisory, Corporate Funding, Valuation, and Business Modelling services through Corporate Professionals Capital Private Limited, a SEBI Registered (Category-I) Merchant Banker and Corporate Professionals Valuation Services Pvt. Ltd., India's 6th IBBI registered Valuer Entity.

With a focus on providing holistic, efficient, and cost effective solutions, the Group integrates its knowledge and expertise with Information Technology. The Group has extensive experience in handling complex transactions and has successfully completed over 15,000 assignments for more than 1,200 Corporate Houses, including PSUs, MNCs, Foreign Subsidiaries, Startups and 750 listed companies. The team maintains a high level of integrity, professional ethics, and confidentiality in all client interactions and assignments.

CP has a Research wing that carries out research on contemporary and emerging issues and actively engages in knowledge sharing by hosting free webinars every Friday and by providing updates on legal and regulatory matters along with detailed analysis and implications through its real-time Newswires and monthly bulletin CP Connect. CP has also emerged as a leader in bringing out up-to-date books on Company Law, IBC, and Valuation. Its publication Companies Act, 2013 and Rules and Forms has been the best seller on the subject.

OUR SERVICES AT A GLANCE:

Transaction Advisory Services	Legal and Regulatory Services	Investment Banking
<ul style="list-style-type: none">• Mergers and Acquisitions• Valuation & Biz Modelling• ESOP Advisory and Management• Capital Market Services• Insolvency Resolution Services	<ul style="list-style-type: none">• Company Law Advisory & Secretarial Services• Securities Law Advisory• Insider Law Services• Forex Law Advisory• NBFC & Fintech Advisory• Tax Law Advisory• India Entry Services & Business Setup• Global Business Setup	<ul style="list-style-type: none">• Strategic Advisory and Business Planning• Deal Advisory Services• Corporate Funding• IPO Advisory

	<ul style="list-style-type: none"> • Corporate Litigation & Representations • Risk, Assurance & Due Diligence • Corporate/ Commercial Documentation & Drafting • Sustainability and ESG Reporting Services 	
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OUR PRODUCTS

Our Products provide Customized Solutions and are designed specially to cater to variety of subjects, laws and processes to meet different requirements of corporates in one go. The innovative and specialized products offer multiple solutions for different needs. It is our USP to provide comprehensive services to fulfill the stated and unstated needs of our clients with our unique products.

CORPORATE VALUE ENHANCER

(Unlocking your hidden treasures)

CORPORATE INVESTMENT PROTECTOR

(Assess, Scan, Excavate)

CORPORATE GOVERNANCE MENTOR

(Creating Value through Governance)

OUR IT BASED PRODUCTS

INSILYSIS

(A Digital Solution to Insider Law Compliance)

ESOP GUARDIAN

(All about ESOP Management & Cap Table)

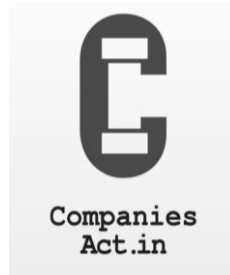
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KNOWLEDGE SHARING

Weekly Webinars

CP's commitment to knowledge dissemination is evident through its notable initiative – free webinars held every Friday. These webinars, numbering over 175 held over four years and continuing, provide a platform for experts to share insights on pertinent issues, fostering a community of learning and facilitating the exchange of ideas among professionals.

Real-Time Updates

In the fast-paced world of legal and regulatory matters, CP distinguishes itself by providing real-time updates through its Newswires. These updates offer a comprehensive overview of the latest developments, keeping clients and practitioners well-informed and equipped to navigate the evolving landscape.

CP Connect- Monthly Bulletin

CP Connect, the monthly bulletin, serves as a digest of legal and regulatory updates, compliance calendar, articles, etc. It is a valuable resource for professionals seeking a deeper understanding of the implications of changes within the legal framework.

Dealwire

In pursuit of business expansion and diversification, CP's inorganic growth strategy emerges through Dealwire, a bulletin issued periodically. It meticulously outlines prevailing buy-sell deals in the market, providing invaluable insights for informed decision-making.

Quarterly Compliance Manual

Objective of issuance of Quarterly Compliance Manual is to provide our clients and other stakeholders, a clear chronology of upcoming compliances for the ensuring quarter, ensuring that they stay compliant and fully aligned with the latest regulatory requirements. It also offers a comprehensive and up-to-date understanding of all the regulatory updates, that had arisen during the last quarter.

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Foreword

Valuation and the Public Trust

Valuation is an integral part of global commerce. An efficient global economy creates a wide range of opportunities for both investors and for the companies in which they invest. One type of opportunity enhanced by an efficient global economy is the ability for a company to make strategic acquisition of another company. Valuation is a vital part of well-functioning financial markets which promotes these opportunities.

The acquisition process (or in accounting terminology, a business combination) has many valuation components. The acquisition price itself typically involves an estimate of the entity's value. Valuation are sometimes used to determine the tax consequences of certain transactions. Accounting standards for business combinations require the valuation of acquired assets and liabilities using a fair value standard of measurement to report the financial consequences of the acquisition to their investors on their financial statements. Also, proper valuations allow for efficient capital markets to raise funds for investment, helping companies grow, perhaps even funding future acquisitions.

Since high quality valuations are vital for efficient global economy, as a valuation profession we must ask ourselves, are we as a profession operating in a manner that enhances the public trust with our work?

Merriam Webster's Dictionary defines a profession as, "*a: a calling requiring specialized knowledge and often long and intensive academic preparation; b: a principal calling, vocation, or employment.; c the whole body of persons engaged in a calling.*"¹

When one thinks of a professional such as an accountant or a lawyer, there are typically common education requirements, a common set of professional standards, and mechanisms to enhance and maintain the quality of work and the integrity of those that practice within that profession. Can the same be said of the valuation profession? Perhaps, but if we are to be realistic about our profession, we may be lacking by comparison.

Regulators in many jurisdictions have expressed concerns about our profession as it relates to our vital role in global commerce. Who are the professionals, those that are performing valuations for mergers & acquisitions, or financial reporting, or tax reporting? Do we operate within a profession that requires "specialized knowledge and often long and intensive academic preparation?" Again perhaps, but not consistently.

Paul Beswick, who at the time was the Deputy Chief Accountant of the U.S. Securities and Exchange Commission, expressed concerns about the valuation profession in a speech at an American Institute of Certified Public Accountants Conference in 2011.

*"Today, I am here to advocate for the building of public trust in a profession that is increasingly intertwined with our own; that is the valuation profession."*²

1 <https://www.merriam-webster.com/dictionary/profession>

2 <https://www.sec.gov/news/speech/2011/spch120511pab.htm>

In India, the Corporate Affairs Ministry has recently designated the Insolvency and Bankruptcy Board of India (IBBI) as the authority with respect to registration of those that provide valuation services in India under the Companies (Registered Valuers and Valuation) Rules 2017. This regulation addresses concerns regulators have about individuals and professional organizations within the valuation profession and the public trust.

Similarly, regulators have expressed concern about those that audit our professions work product which is used as audit evidence in fair value measurements in financial reporting of business combinations and the subsequent tests for impairment of those assets acquired in the business combination. Both the International Audit and Assurance Standards Board (IAASB) which regulates auditing firms globally and the Public Company Accounting Oversight Board (PCAOB) in the U.S. have released exposure drafts related to auditing accounting estimates, including fair value measurements in order to provide additional guidance to public auditing firms. These exposure drafts are designed to increase the professional skepticism of auditors of estimates in general, but in particular of fair value measurements which are typically based on the work of outside valuation professionals. Most recently, the Indian cabinet has also approved setting up of an independent regulator National Financial Reporting Authority (NFRA) to regulate the audit firms in India.

My firm, Acuitas, Inc. prepares an annual survey on audit deficiencies as found by the PCAOB related specifically to fair value measurements. We prepare this survey to provide guidance to preparers of financial statements, outside auditing firms and valuation specialists as to issues that the regulators have concerns about with valuations for financial reporting. The results of our survey are interesting. Audit deficiencies related to fair value measurements represent a fairly large percentage of all audit deficiencies. For example, FVM deficiencies represented 31% of all audit deficiencies found by the PCAOB in their latest inspection cycle. The good news is that this percentage has been declining over time.¹

The PCAOB believes that this decline is due to enhanced quality of the audit process which certainly appears to be true. However, my own view is that part of the decline is due to the valuation profession's enhanced commitment to developing and implementing best practices for fair value measurements. The Fair Value Quality Initiative in the U.S. is an example of this enhanced commitment. In connection with the Certified in Entity and Intangible Valuation credential (CEIV) created through a collaboration of the Fair Value Quality Initiative, the Mandatory Performance Framework provides guidance to improve documentation and the facilitate auditing fair value measurements.² Going forward, I expect further declines in audit deficiencies related to fair value measurements because of these developments as a profession.

One overarching way to enhance the public trust is for a profession to operate under one common set of valuation standards. Since valuation is a key input to global commerce and the profession is both operating and growing internationally, the need for uniform worldwide standards is increasing. Fortunately, there is a global standards setter for the valuation profession.

¹ www.acuitasinc.com

² <https://ceiv-credential.org/>

The International Valuation Standards Council (IVSC) is the global standard setter for the valuation profession. The IVSC enhances the public trust in the profession by developing and promoting high quality international valuation standards. The IVSC has as nearly a hundred-member Valuation Professional Organizations (VPO) across the globe. Additionally, the IVSC has support from several non-VPO organizations, including numerous international accounting and valuation firms.¹

The IVSC has issued highly quality a multi-disciplinary set of valuation standards which are known as International Valuation Standards or IVS. IVS is recognized globally by VPOs and other non-VPO organizations, including many government entities. IVS is comprised of two types of standards; General Standards which include all disciplines and Asset Standards which are characterized by various asset classes.

The IVSC follows an established due process for developing standards which is both inclusive and transparent. The process includes consulting with various global stakeholder groups with the overall objective of increasing the confidence and trust of users of valuations.

Education is another priority of a profession. Use of commonly accepted approaches and methodologies within the profession also promotes public trust in our work. Our profession must provide education for our members as to the profession's best practices. Education within a professional can take several formats- from classroom training, to discussion papers prepared by VPOs, to books such as this one. I applaud Chander Sawhney and the members of his firm, Corporate Professionals for writing *Business Valuation in India – beyond the numbers* which will be of tremendous benefit to professionals including valuation professionals as the profession undergoes changes in India. The book builds on the foundation of business valuation, comprehensively covers the valuation requirements under different regulations in India, highlights the best practices for our profession and is a tremendous resource for valuers and others with an interest in preparing high quality valuations.

Educational resources, including *Business Valuation in India* and common global valuation standards go a long way in enhancing the public trust in the valuation profession which is so vital to the global economy.

Mark L. Zyla CPA/ABV, CFA, ASA
Managing Director
Acuitas, Inc.
Atlanta, Georgia
Chairman, Standards Review Board
International Valuation Standards Council
London, England March 2018

1 <https://www.ivsc.org/>

Brief Profiles of Authors



Mr. Pavan Kumar Vijay is a distinguished professional with over 32 years of experience in Company Law, Capital Markets, Corporate Restructuring & Transaction Advisory. As Founder of Corporate Professionals, he leads a group of dedicated, research oriented and skilled professionals, delivering innovative, value-added and techno legal business solutions through a unique model of integrated legal and financial consulting services.

He has a track record of accomplishments in various fields. In 2003, he became one of the youngest Presidents of the ICSI (Institute of Company Secretaries of India) demonstrating his leadership skills. Before founding Corporate Professionals in 2003, he served as the Managing Director of BLB Limited, the biggest Corporate Stockbroker (specializing in arbitrage) at that time.

He is known for his innate talent to think differently, endowed with creativity, innovation and penchant for technology. He anticipated the future of Startups long before they gained popularity. He founded an IT Venture called www.takeovercode.com which received the 'TATA NEN Hottest Startups Award 2008', for being the most innovative business model. CP, under his visionary guidance, continues to develop new technology-driven applications.

He has served in a number of committees set up by the Government, Regulatory Authorities, Professional Bodies, Chambers of Commerce and Industry. He is Chairman, ASSOCHAM Task Force on Corporate Restructuring and M&A, Member, Working Groups constituted by SEBI, Member of the Board and Governing Council of VOICE (pioneer consumer organisation in India) and Member of the Advisory Board of Prayas Social Welfare Society. He was Chairman of Secretarial Standards Board of the ICSI (2014-2018), Chairman, Core Group for Vision New ICSI- 2022, Member, Appellate Authority constituted by Ministry of Corporate Affairs (MCA) under the Company Secretaries Act, Member, Rule Making Committee for framing rules under the new Companies Bill, Member, Indian Institute of Corporate Affairs (IICA), Convener, Corporate Governance Committee of MCA, Member, Primary Market Committee, SEBI, Member, Mutual Fund Committee, SEBI, Member, Narayan Murthy Committee on Corporate Governance, Member, Expert Group constituted by SEBI to review Share Based Employee Benefit and Issue of Sweat Equity Regulations, Member, SEBI appointed Industry Standards Forum, Member, SEBI constituted Working Group to review definition of Unpublished Price Sensitive Information (UPSI). He also has been a Trustee/Member of Consumer Education and Research Centre (CERC), Ahmedabad.

He has been the Chairman of M &A National Council of ASSOCHAM for five consecutive terms and Chairman, Company Law & Corporate Affairs

Committee of PHD Chamber of Commerce and Industry besides being the Member of various committees set up NSE, BSE, ANMI, etc. Mr. Vijay is a prolific speaker and has delivered over 485+ lectures on Mergers, Acquisitions and Takeovers, Corporate Governance, Insolvency, Company, Competition and Securities Law at various forums. He has authored/ co-authored several books on Company Law, Insolvency Law, Securities Laws, Takeover Code, Depositories and Valuation. His book on Company Law is widely acclaimed and has been the best seller. He regularly contributes articles in leading professional journals and appears in Panel discussions and Interviews on media.

He strongly believes in sharing and imparting of knowledge and has inculcated a unique culture of knowledge sharing in CP. The initiatives include providing the corporates and professionals with legal and regulatory updates through real time CP Shorts, CP Newswire & monthly bulletin CP Connect. He undertook a unique initiative in April 2020 when CP started hosting webinars on every Friday of the week on contemporary topics, addressed by Regulators, Industry leaders and leading professionals. These interactive webinars have gained immense popularity and over 1,25,000 professionals, Business and Industry leaders from all across India and abroad have registered for 175+ webinars organized so far and this journey continues. The webinars have drawn great appreciation from the Government, Regulators, Legislators and Participants for education and dissipation of knowledge, promoting and propagating Good Governance and Compliance Culture, providing feed back to regulators on changes in law, sharing knowledge repository through videos and FAQs, etc.

He has extensively travelled including USA, UK, Russia, France, Ireland, Austria, Italy, Netherlands, Switzerland, Belgium, Sweden, Denmark, Norway, Finland, Netherlands, Dubai, Abu Dhabi, Singapore, Malaysia, Thailand, Indonesia, Bhutan and Costa Rica.

He is a Fellow Member of the ICSI, M.Com from St. John's College, Agra and Law Graduate from Campus Law Centre, University of Delhi.



Mr. Vinod Kumar Aggarwal possesses rich and diverse experience of over 50 years, with a forte in Company Law. He currently heads the Research Division of the Group. Previously, he served as the Principal Director of Academics, Professional Development and Publications and Director of Studies and Research at ICSI. Additionally, he held various positions, such as Officiating Secretary, ICSI, Dean, ICSI-Centre of Corporate Research and Training in Navi Mumbai, and Principal Advisor to ICSI.

He was Member of various committees/Expert Groups set up by MCA, SEBI, IGNOU and other bodies. He had been closely associated with the Government of India in framing the Companies Act, 2013 and the Limited

Liability Partnership Act, 2008 and the rules made thereunder. He was Member Secretary of the Rule Making Committee for framing rules under the new Companies Bill. He has authored several books, numerous articles and research papers. He has acted as a guest speaker at various prestigious forums such as ICSI, ICAI, IICA, IGNOU, DU, BHU, Management Institutes. He is a member of the Company Law Committee of PHDCCI.



Mr. Sanchit Vijay, Bachelor of Commerce with Honours is a Chartered Accountant and a Certified Public Accountant(CPA) from Ireland. Furthermore, he possesses Diploma in Strategic Management from London School of Economics and Political Science. He has also attained Certifications in 'Mutual Funds' and 'Equity Derivative' from NSE Academy. Besides, he is an IBBI Registered Valuer for Securities and Financial Assets.

He is presently Director of Corporate Professionals (Valuation) Services Pvt. Ltd. and Head - Deals & Valuations Services Earlier he served as Associate Consultant (Data and Analytics), Infosys Limited and as Equity Research Analyst at CapGrow Capital Advisors LLP. He has co-authored CP's Research Publications and written articles, which have been published in journals, online portals and business magazines.

He has an insatiable appetite for learning. He has planned, addressed and attended several webinars during the ongoing COVID-19 pandemic. He is an out-of-the-box thinker and given innovative ideas and insights to his employer company for growth of business.



Mr. Manoj Kumar possesses over two decades of experience in M&A, Transaction Advisory, Valuations and Investment Banking. He is Partner & Head of the M&A, Transactions and Investment Banking Team of the Group.

Manoj possesses exceptional financial skills coupled with in-depth understanding of corporate legal matters. He has successfully conceptualized and managed over 600 mergers/demergers, acquisitions, takeovers, corporate restructuring, insolvency resolutions and business valuations among other investment banking transactions. His diverse clientele includes both listed and unlisted companies from various sectors and industries, including Infrastructure, Real Estate, Auto Components, Capital Goods, Power, Finance and Investments, NBFC, Broking, Pharmaceuticals, IT and ITES, Iron & Steel, Metals, Steel Products, Plastic Products, Sugar Textiles, Consumer Goods, Capital Goods and Mining, among others.

Manoj is a member of the 'NCLT & IBC Committee of PHDCCI' and 'ASSOCHAM Task Force on Corporate Restructuring and M&A'. He has addressed numerous programs organized by various forums, including

ASOCHAM, ANMI, CKF, ICSI, ICAI, IICA, NALSAR Law University, JIMS and Apeejay School of Management. Additionally, he is a prolific writer and has co-authored books on the Companies Act, 2013, Insolvency and Bankruptcy Code, 2016 and Business Valuation. His research orientation is evident from several articles he has written on topics relating to mergers, demergers, takeovers and insolvency resolutions. His quotes and comments are regularly featured in major financial dailies, e-papers and business magazines.

Manoj has travelled abroad multiple times for attending business assignments and conferences. His professional qualifications include membership of ICSI.



Ms. Anjali Aggarwal, an accomplished professional possesses 22 years' experience of advising listed companies, undertaking different types of Merchant Banking, Stock Exchange and SEBI related matters. She has been an integral part of the CP Group for the last two decades, holding the position of Partner & Head-Capital Market Services. She has provided innovative solutions to various sectors such as Microfinance, Hospitality, Pharma, E-Commerce, Infra, Auto Ancillary and more.

Anjali Specializes in handling Capital Markets transactions, including Public Issues, Rights Issues, Buybacks, Preferential Allotments and related Stock Exchange/ SEBI matters. She is well-versed in areas such as Letters of Offers, Prospectus, Allotment of Securities, Insider Trading Regulations and Delisting.

She has addressed professional development programs organized by professional bodies and several in-house webinars. She has also co-authored bestselling books and contributed articles and quotes to financial publications etc. and appeared in TV talk shows.

Anjali is a Fellow member of the ICSI and an Executive MBA from IIM, Calcutta.



Mr. Ankit Singhi has to his credit nearing 20 years of experience providing advisory services in Corporate Laws, Due Diligence, Acquisitions, IPO, Corporate Governance, Foreign Exchange Laws, and Business Setup, among others. He leads the Corporate Affairs & Compliances Team of the Group and plays a pivotal role in providing value-added services to a significant number of large and medium-sized listed and unlisted clients.

Additionally, he possesses sound IT knowledge and has been instrumental in successfully conceptualizing and creating innovative websites for the Group.

He has acted as a guest speaker at various prestigious forums such as ICSI, ICAI and IICA. He possesses extensive expertise in the Companies Act,

2013, having conducted thorough research on the subject. Notably, he has been involved in the conceptualization, designing and editing of the Group's highly successful publications on the Companies Act, 2013.

Furthermore, he is an accomplished author with numerous articles on corporate laws to his credit. His academic qualifications include a bachelor's degree in Law and Commerce, along with fellow membership of ICSI.



Ms. Mohini Varshneya possesses nearly 19 years of expertise in providing end-to-end solutions for all kinds of share-based employee benefit plans, along with offering in-depth advisory, opinions, educational and technical sessions to the Board and other employees on Insider law matters.

Mohini is currently heading the ESOP and SEBI Insider Laws Compliance Division of the Group. She played a key role in developing Web-based Techno-Legal Applications – ESOP Guardian (to manage ESOPs) & Insilysis (to comply with SEBI (Prohibition of Insider Trading) Regulations, 2015). Her clientele includes over 500 companies comprising listed, unlisted, startups and MNCs. SEBI has nominated her as a Member of the Working Group constituted to review provisions of Trading Plan under SEBI (PIT) Regulations, 2015.

Previously, Mohini dealt with Securities Law and provided comprehensive solutions to client companies, including planning, restructuring, obtaining complex listing approvals, managing further issues, delisting, revocation of suspension and compliance management.

Mohini has been a guest speaker at various programs organized by ICSI and has contributed several articles and quotes to financial dailies, e-papers and business magazines. She holds a master's degree in Commerce and is a Fellow Member of the ICSI.



Mr. Shivam Singhal (ACS, B.Com), Senior Associate- Research, Corporate Professionals is a Commerce Graduate and Member of ICSI. He possesses more than 8 years' experience in academics and research. He made a significant contribution in the drafting of the syllabus (2017) of ICSI. . He won the 15th All India Company Law Quiz organized by ICSI in 2015 at regional level & qualified for the national level. He also won the First Prize in the May 2024 Quiz Competition organized by ICSI. He has written a number of articles cum simplified notes on the Companies Act, 2013 and Insolvency Code, 2016. He acted as a guest speaker at ICAI- Ghaziabad Branch, ICSI- Ghaziabad, Meerut and Modinagar Chapters.

He has been the Chairman of the Modinagar Chapter of ICSI in 2021.

He conceptualized and designed publications of Corporate Professionals

including - “Hand Book on SEBI (LODR) Regulations, 2015”; “Hand Book of Company Law Procedures”; “Company Law Ready Referencer” and “Compendium on the Insolvency and Bankruptcy Code, 2016”.

How to Read this Book

To provide an overall understanding of the Valuation ecosystem in India, a comprehensive commentary has been created in this book. As the title of this book itself reads *Business Valuation in India - beyond the numbers*, besides the coverage of core valuation aspects, we have also covered the building blocks of the valuation process. This 3rd edition of book has been completely updated with the latest regulatory and industry changes. **The chapter wise updated coverage is given below-**

- **Chapter-1 - Introduction to Finance** focusing on financial management and its goal of maximizing shareholder wealth by increasing the firm's value. It covers the core responsibilities of a finance manager, including capital structure decisions, cash management, investment analysis, financial negotiations, and dividend policies. The chapter also introduces fundamental financial concepts such as the Time Value of Money (TVM), capital budgeting techniques (including Net Present Value, Internal Rate of Return, and Payback Period), as well as financial statements, financial markets, and risk-return trade-offs. These topics establish a foundation for understanding financial decision-making in a corporate context.
- **Chapter-2 provides an Overview of Valuation**, highlighting the complexities and factors influencing valuation, such as the purpose, business stage, industry trends, and shareholder types. It covers different valuation approaches like income, market, and asset-based models, and emphasizes the importance of corporate governance, economic conditions, and management quality in determining value. The chapter also outlines various valuation adjustments, such as discounts for lack of marketability and control premiums, and explains the significance of factors like economic growth, mergers and acquisitions, regulatory reforms, and investor behavior in shaping business valuation in India.
- **Chapter 3 focuses on financial statements and adjustments**, covering the Profit & Loss Account, Balance Sheet, and Cash Flow Statement as key financial components. It explains the requirements under the Companies Act 2013, including formats for financial statements, mandatory audits, and the disclosure of notes to accounts, such as related party transactions and accounting policies. The chapter also details the analysis of financial performance, the importance of interim financial statements, and the role of financial statements in preparing valuation models. The listed companies' periodic filings and requirements under SEBI regulations are also discussed, providing a comprehensive view of financial statement analysis and regulatory compliance.
- **Chapter 4 covers industry understanding and analysis**, emphasizing the importance of assessing economic trends, regulations, and risk-return characteristics for valuation purposes. It explains the need for a valuer to consider economic factors, industry forecasts, and company-specific data, such as financial performance and

competitive positioning. The chapter also provides an overview of industry classification systems, including NIC codes and GICS, and discusses industry types such as cyclical and non-cyclical. Additionally, it introduces Porter's five forces framework for assessing industry competitiveness, and highlights the importance of comparing peer companies to evaluate valuation multiples accurately.

- **Chapter 5 discusses business modeling and forecast review**, focusing on the importance of financial projections in business valuation. It explains the steps involved in forecasting financial statements like the Profitability Statement, Balance Sheet, and Cash Flow Statement, and the approaches used, including top-down and bottom-up forecasting. The chapter emphasizes the importance of understanding the economic environment, industry characteristics, and peer comparisons while assessing the forecasts. It also highlights the significance of normalizing earnings, analyzing risks, and applying various valuation techniques, such as Discounted Cash Flow (DCF), while performing financial modeling and sensitivity analysis to evaluate a company's potential value.
- **Chapter 6 provides an overview of different valuation approaches and methodologies used in finance**, emphasizing that valuation is subjective and influenced by market conditions, investor perceptions, and economic factors. It covers the three primary approaches—income, market, and asset—explaining the methodologies such as Discounted Cash Flow (DCF), capitalisation of earnings, comparable company multiples, and the asset-based valuation methods. The chapter includes case studies to demonstrate the application of these valuation methods and discusses the considerations, challenges, and adjustments necessary for each approach, emphasizing the importance of context in choosing the right methodology for a particular valuation exercise.
- **Chapter 7 focuses on special scenario valuations, detailing various approaches and methodologies for scenarios** such as mergers and swap ratio determination, valuation of options, minority shareholders, intangibles, start-up companies, corporate debt instruments, cyclical companies, and liquidation. It covers the regulatory frameworks for these valuations, including requirements under the Companies Act 2013, SEBI regulations, and the Income Tax Act 1961. Additionally, it discusses valuation methodologies for brand valuation, purchase price allocation (PPA), and provides relevant guidance from International Private Equity and Venture Capital Valuation Guidelines and the AICPA Practice Aid for valuation of privately held company equity securities issued as compensation.
- **Chapter 8 focuses on regulatory valuations in India**, covering the different scenarios in which business and share valuations are required under various laws. It discusses the requirements for valuations under the Companies Act, Insolvency and Bankruptcy Code, SEBI regulations, Income Tax Act, FEMA, and other relevant regulations. The chapter highlights the evolving regulatory landscape, including the role of registered valuers, adherence to international valuation standards, and

specific methodologies applicable to different scenarios such as mergers, share transfers, insolvency, and financial reporting. It emphasizes the complexity and subjectivity involved in regulatory valuations, particularly for unlisted companies.

- **Chapter 9 discusses emerging valuation opportunities in India**, emphasizing the evolving nature of valuation practices and the importance of professional judgment in valuation exercises. It highlights the lack of uniform standards and regulatory oversight that previously led to varied valuation outcomes, and traces the development of regulatory efforts, including the introduction of the Companies Act 2013 and the Companies (Registered Valuers and Valuation) Rules 2017. The chapter covers the roles and responsibilities of Registered Valuers, the qualifications needed, and the regulatory requirements for conducting valuations, and discusses the need for valuation standards to align with international practices and improve the overall quality and reliability of valuations in India.
- **Chapter 10 focuses on judicial pronouncements on valuation in India**, discussing key cases that have shaped the valuation landscape. It emphasizes the subjectivity of valuation and how different approaches, such as yield value and break-up value, have been treated by courts. The chapter provides an overview of various landmark cases, highlighting issues like the preference of valuation methodologies, challenges in valuation for regulatory or financial reporting purposes, and the impact of differing assumptions. It includes detailed discussions of case laws to illustrate how judicial perspectives have evolved concerning valuation practices, compliance, and disputes.

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BUSINESS VALUATION IN INDIA

Beyond the Numbers

Business valuation is critical for a variety of transactions, including fundraising, mergers and acquisitions, sale of business, strategic decision-making, voluntary value assessments, and regulatory and financial reporting in accordance with applicable laws. In a rapidly evolving economy like India, valuation has emerged as a niche profession with an increasing need to standardize diverse valuation practices. This has created a demand for capacity building among valuation professionals, as well as the development of proper tools and resources for them.

This third edition from 'Corporate Professionals' is fully updated and serves as a well-conceptualized guide, acting as a practical tool for both valuers and companies. Beyond covering valuation principles, processes, approaches, methodologies, and challenges, it delves into the key metrics that form the foundation of valuation in India across various contexts. It also provides an analysis of important judicial pronouncements on valuation by Indian courts and tax tribunals.

THIS BOOK COVERS:

- International Valuation Standards, issued by the IVSC
- Regulatory and Industry position as on 01st October, 2024
- Updated Companies (Registered Valuers and Valuation) Rules, 2017, relevant SEBI Regulations and Accounting Standards
- Case Studies on DCF, Relative and Intangible Valuations
- Separate Chapter on 'Regulatory Valuations in India' and 'Emerging Valuation Opportunities in India'
- List of Requirements of Valuation under various Laws at one place

THIRD EDITION, 2025

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Email: info@indiacp.com Website: www.corporateprofessionals.com

Commercial Law Publishers (India) Pvt. Ltd.

Head Office: 4239/1, Ansari Road, Darya Ganj, New Delhi-110002
Phones: 4350 2007, 4301 1562, 4350 2008, 4345 2009
Email: commercialhouse@yahoo.co.in - naveen.commercialhouse@gmail.com
Website: www.commerciallawpublishers.com

Price : ₹ 2495/-

ISBN 978-93-5603-681-9



9 789356 036819