



Business Research & Valuation Assessment – A Synopsis

CARE Ratings, through its equity research & grading services provides third-party independent business research & equity valuation assessments for companies. The research & assessment is useful in arriving at fair valuation when a company is raising funds through the equity route or during strategic stake sales, mergers or acquisitions. The assessment can be either mandated by the company or the investor. The output is typically provided in a report format. CARE's team can also be called upon to present the analysis & valuation as an independent party.

What edge does CARE provide?

- ✓ Experience
- ✓ Expertise
- ✓ Independence
- ✓ Credibility

CARE has over two decades of experience in researching, analyzing, rating & grading businesses in India. We have rated & graded more than 13,000 businesses, till date across sectors and sizes. CARE Ratings under its research division also has a team of over 30 professionally qualified analysts & sector specialists who actively track the performance of around 50 industries/ sub-industries. The business & valuation assessment undertaken by CARE heavily draws from this in-depth knowledge of sectors & understanding of the business cycles.

CARE is one of the leading credit rating agencies in India and is regulated by SEBI. A business research & valuation assessment undertaken by CARE serves to be truly an independent & credible opinion. The team undertaking the assessment includes highly qualified sector & valuations specialists. All research & valuations assessments are further reviewed by a committee of experienced & highly distinguished senior industry personnel, before the same is submitted to the client.

What is the approach & methodology used by CARE?

The research exercise includes a detailed analysis of various aspects of the business of the company such as, innovativeness & USP of product/service, geographical presence and diversification, technological competence, competitive position, market dynamics, customer and supplier relationships, intellectual property/copy rights, past financial performance revenue stability, profitability, availability of finance, credit rating, management experience and competence, management credibility and future business strategy, implementation schedule and financial projections.

The valuation assessment is arrived by using a combination of/or the most appropriate valuation technique both intrinsic & relative, including Discounted Cash Flow (DCF), Price/EPS (P/E), Price/Sales (P/S), Price/Book Value (P/BV) and Enterprise Value/EBITDA (EV/EBITDA) multiples. In case of multi-business or multi-segment companies, CARE adopts an appropriate mix of various valuation methodologies so as to arrive at the valuation based on Sum of The Parts (SoTP). The multiples applied are based on CARE's competitive assessment of the company vis-à-vis listed players in the industry in which each company operates. In case of unlisted & start-up companies, an appropriate size discount to the relative valuation or a risk premium to the discount rate, in case of intrinsic valuation is added. CARE also provides comparable deal multiples, if available.
