BEWARE OF

FAKE EQUITY RESEARCH & VALUATION SCHOOLS

Common Observations on the Valuation Workings presented in the Valuation Models & Equity Research Reports prepared by Students as part of Paid Courses of an Equity Research and Valuation School (Source: LinkedIn)

Please note that these observations are only on the market inputs, application of valuation methods and objectivity of certain assumptions such as reinvestment rates. Not commenting on the cashflow assumptions (Revenue, EBITDA, etc.) though they are also meaningless.

Focusing only on the Fundamental, Conceptual and Logical aspects of Valuation.

Please create awareness and support in improving the quality of education in the field of Valuation and Equity Research.

Thank You

Manish Bohra, CFA

Weighted Average Cost of Capital (Discount Rate Computation)

- Poor selection of comparable companies. In some cases they are as different as chalk and cheese.
 Free Screeners have been blindly relied on rather than revalidating the comparability of selected companies.
- Marginal Tax Rate (for India) of 30% has been considered for WACC in most of the cases. It should have been 25.168%.
- 3. Target Debt-to-Equity (D/E) has been considered basis the peer average (not even median) when the D/E of underlying peers are quite diverse. This is incorrect. Due to this the subject company's current D/E and target D/E are very different resulting into distorted WACC.
- Pre-tax cost of debt in many cases is less than the risk free rate. How is that possible? That cannot be the case. The reason is that the pre-tax cost of

debt has been computed as Trailing Twelve Months (TTM) Interest Cost as a % of Total Debt. The same formula has been applied in all models without analysing the numbers.

5. More importantly, why the beta and D/E have been considered/computed basis the peer data when the subject companies are public listed entities and their own beta and D/E are available. At least in the valuation done for the equity research report, the WACC should have been estimated using the subject company's own Beta and its target D/E.

Courses on Valuation and Equity Research should definitely cover all these aspects. There are basics.

Discounted Cash Flow Valuation

- Reinvestment Rates, which are net of depreciation, in most of the cases are very high during the explicit forecast period while its impact on future earnings have not been adequately factored in leading to undervaluation in most of the cases.
- 2. Incorrect computation of terminal value taking into account a very high reinvestment rate, while on the other hand the estimated terminal growth rate is not in line with the reinvestment rate assumption.

The implied EV/EBITDA multiple at the terminal value is very low in many cases and is not in line with the industry multiple expectations.

Incorrect terminal value computation is leading to undervaluation.

- Marginal Tax Rate (for India) of 30% has been considered for WACC in most of the cases. It should have been 25.168%.
- No clarity or workings on the inclusion of value of investments and non-operating assets / liabilities, and minority interest adjustments in the equity value estimation.

Surely, this is NOT Valuation.

Relative Valuation (CCM)

- Relative Valuation in most of the cases is absolute crap.
- Poor selection of comparable companies leading to poor valuation results.
- 3. In most of the cases, the multiples (EV/Revenue, EV/EBITDA and Price to Earnings) are quite diverse with wide variation. The valuation has been done basis the median of such a diverse range of multiples resulting into faulty valuation.
- 4. Valuation has been carried out basis the median peer multiple and by comparing it with the subject company's own trading multiple to conclude on the over-valuation or undervaluation without exploring the reasons for divergence from the so-called flawed median multiple.

No Analysis & Benchmarking

No Due Diligence on Inputs and Assumptions whether they are making sense or not

Conceptually Incorrect Application of Valuation Methods

One Formula for All Situations

This is Not Valuation. This is Not Equity Research. This is Very Poor Financial Modeling.

This is only "Fill in the Template" Exercise.

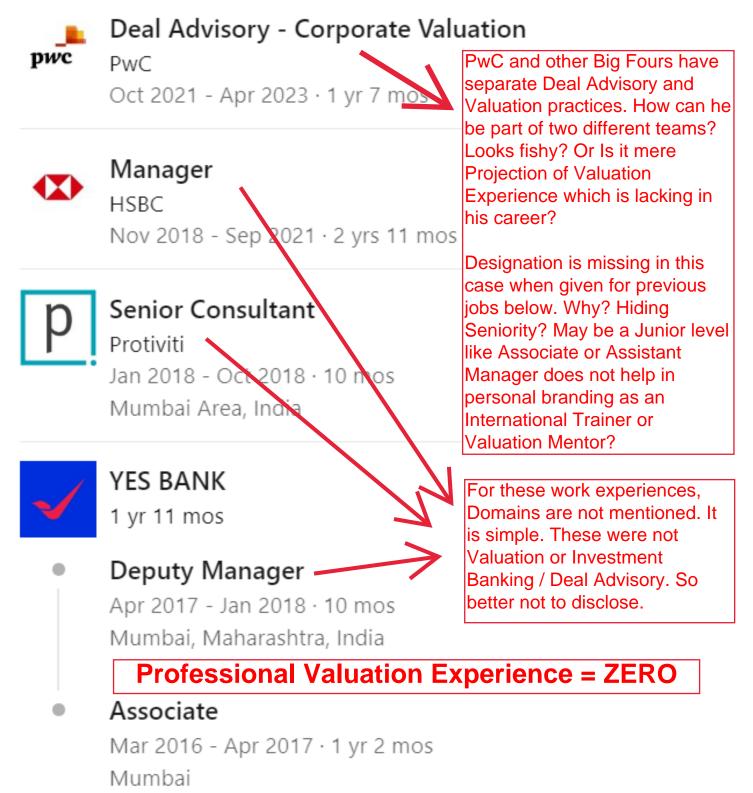
What is the Main Reason for this Utter Crap?

Such Educators or Mentors or Coaches or International Trainers have either Zero or Insignificant Professional Work Experience in Valuation and/or Equity Research.

Valuation and Equity Research are practical domains where most of the learnings happen on-the-job by doing and practising in a long, extensive and gruelling professional career.

Practical Valuation is tough and complex, much above the "Fill in the Template" nonsense.

Taking example of the Valuation Mentor of this School to explain my point. Below is the summary of his relevant (what really matters) professional work experience.



Multiple valuation case studies of different students who attended the paid courses of a particular school have been given below to highlight that the problem is the manner in which the valuation has been taught by the educator rather than errors committed by individual students.

The issues are same across all the valuation models and equity research reports.

Request to please see my markings and comments on the pages extracted from the reports. There are many more such reports. Sadly, these issues are widespread across the board.

Please create awareness and support in improving the quality of education in the field of Valuation and Equity Research.

Thank You

Manish Bohra, CFA

Relevant Valuation Workings extracted from the Valuation Model / Equity Research Report on Mahindra & Mahindra

		Weighte	d Average	Cost of Capita	1				s to estima pital which		
All figures are in INR unless stated otherwise.		Margina been 25		should have	÷	has	been		lered for	·	
Peer Comps						Del	St. 15	ebt/	Levered	Unleve	red
Name of the Company	Country	Total Debt	Total Equity	/ Tax Rate 1	$\overline{}$	Equ	uity C	apital	Beta ²	Beta ³	
M & M Maruti Suzuki	India India	83,272. 1,247.	9 1,54,674. 3 2,75,225.		(3.84% 0.45%	35.00% 0.45%		0.90 0.73	0.65
Tata Motors Bajaj Auto	India India	1,44,354.	2 1,80,619 2 1,28,392	3	- {	30.00% 7	9.92% 0.10%	44.42% 0.10%		1.34 0.93	0.86 0.93
Eicher Motors	India	168.	3 92,509.	2		30.00%	0.18%	0.18%		1.21	1.21
	Dre tev cent of	dabt	Average Median				6.90% 0.45%	16.03%		1.02 0.93	0.88 0.86
	Pre-tax cost of cannot be less		Median			50.00%	0.45%	0.45%	1	0.95	0.86
Cost of Debt	risk free rate		<u></u>	Cost of Equity							
Pre- Tax Cost of Debt	5418/83			Risk Free Rate						7.39%	
Tax Rate Post Tax Cost of Debt		30.00		Equity Risk Pre	mium					8.02% 0.99	
				Cost of Equity						15.37%	
Capital Structure				Levered Beta							
	Curre	nt Targete	d	Comps Median	Unilevered	Beta				0.86	
Total Debt Market Capitalisation	83,272.9 35.00 1,54,674.4 65.00			Target Debt/Eq Tax Rate	uity					19.09% 30.00%	
Total Capital	2,37,947.3 100			Levered Beta						0.99	
Debt/Equity	53.84	% 19.09	%	Weighted Aver	age Cost of	Capital					
Notes:	Poor benchm	arking of		Cost of Equity						15.37%	
1. Tax Rate considered as Marginal Rate for the country. 2. Levered beta is based on 5 years monthly data.	Target D/E ba	•		Equity Weight						83.97%	
3. Unlevered beta = Levered beta/(1+(1-Tax Rate)*Debt/Equity	average as h	ighlighted		Cost of Debt						4.56%	
4. Levered beta = Unlevered beta*(1+(1-Tax Rate)*Debt/Equity	above leading	g to distor	ted	Debt Weight						16.03%	
	WACC. Also difference be and target D/	tween cur		WACC						13.64%	

Calculation of Reinvestment Rate	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Net Capex	5,791.0	7,198.0	6,794.0	4,625.0	5,920.0
Change in Working Capital		10,539.0	7,640	(5,692.0)	136.0
EBIT	9,946.2	11,215.7	6,791	8,108.9	11,175
Marginal Tax Rate	0.25	0.25	0.25	0.25	0.25
EBIT(1-Tax)	7,459.6	8,411.8	5,093.3	6,081.7	8,381.5
Reinvestment		17,737.0	14,434.0	-1,067.0	6,056.0
Reinvestment Rate		210.86%	283%	-17.54%	72.25%
	IFuture reinvest	ment rates have be	enl		
	assumed basis does not make	the historical rates any sense. Poor out any analysis.	. lt 4 Y	ear Average ear <mark>M</mark> edian	
Calculation of Growth Rate	assumed basis does not make	the historical rates any sense. Poor	. lt 4 Y		137.24% 141.56% Mar-22
Calculation of Growth Rate Reinvestment	assumed basis does not make forecasting with	the historical rates any sense. Poor out any analysis.	. lt 4 Y 4 Y	ear Median	141.56%
	assumed basis does not make forecasting with	the historical rates any sense. Poor out any analysis. Mar-19	. lt 4 Y 4 Y Mar-20	ear Median Mar-21	141.56% Mar-22
Reinvestment	assumed basis does not make forecasting with	the historical rates any sense. Poor out any analysis. Mar-19 210.86%	. lt 4 Y 4 Y Mar-20 283.39%	ear Median Mar-21 -17.54%	141.56% Mar-22 72.25% 12.91%
Reinvestment ROIC	assumed basis does not make forecasting with	the historical rates any sense. Poor out any analysis. <u>Mar-19</u> 210.86% 12.83%	. lt 4 Y 4 Y 283.39% 7.09% 20.09%	ear Median Mar-21 -17.54% 9.92%	141.56% Mar-22 72.25%

	Calculation of PV of FCFF		Mar-22A	Mar-23F	Mar-24F	Mar-25F	Mar-26F	Mar-27f
	EBIT		13,704.13	15,720.26	18,033.00	20,685.99	23,729.28	27,220.30
	Tax Rate		25.00%	25.00%	25.00%	25.00%	25.00%	25.009
	EBIT (1-T)		10,278.10	11,790.20	13,524.75	15,514.49	17,796.96	20,415.22
	Less: Reinvestment Free Cash Flow to Firm (FCFF)		(₹4,271.2)	Service and the service of the servi	113.53%	99.51% 75.39	85.50% 2,580.56	85.509
-	Mid Year Convention		(34,271.2)	(₹3,247.3) 0.50	-1,829.65	2.5	2,560.56	2,960.21
	Discounting Factor			0.938	0.826	0.726	0.639	0.56
	PV of FCFF			(₹3,046.1)	-1,510.38	54.76	1,649.64	1,665.23
-	PV 01 PCFP			(\3,040.2	-1,510.58	54.70	1,045.04	1,005.25
	Expected Growth	14.71%	Very high reinve	stment rates]			
	WACC	13.64%	(net of depreciat	ion) during				
1	Terminal Growth	5.38%	explicit period.					
		-7.53.53.61			-			
	Calculation of Terminal Value							
			Senstivity Analysis					
	FCFF (n+1)	3,395.71		12.00%	13.64%	16.00%	18.00%	20.009
	WACC	13.64%	3.00%	36688.1	30727.4	24746.3	21122.6	18332.0
	Terminal Growth Rate	5.38%	4.00%	41404.4	34038.0	26923.1	22739.6	19581.3
			5.38%	50252.7	39923.1	30600.1	25391.9	21584.
-	Terminal Value	41,122.92	6.00%	55553.1	43259.3	32582.6	26782.1	22613.
			7.00%	66872.2	49953.0	36355.6	29354.6	24478.9
	Calculation of Equity Value Per Share	:	1.000000		1.104			
			Terminal Va	lue has been o	estimated ba	isis very high		
	PV of FCFF	-1,186.95		nt rate (last fore	· · · · ·			
	PV of Terminal Value	41,122.92	ensuring its	alignment with	n terminal gro	owth rate.		
	Value of Operating Assets	39,935.97		a very depress		lue as		
			compared to	o current share	e price.			
	Add: Cash	11,118.00	_					
-	Less: Debt	53,995.00	Implied EV/	EBITDA multip	le at the terr	ninal value is	;	
	Value of Equity	(₹2,941.0)	less than 2.	0x.				
	No. of Shares	124.19						
	Equity Value Per Share	-23.68	Negative F	quity Value?				
		-						
	Share Price	1245						
	Discount/Premium	-53.57x						

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Wide variation in multiples (very diverse). No benchmarking has been done.

Valuation has been done basis the median multiple.

Conclusion has been made about over-valuation or undervaluation by comparing the subject company's own multiple and median peer multiple without analysing the reasons for divergence in multiples.

Amount in crores

Comparable Company Valuations

	_			Mar	ket Data			Financials			Valuation	
Company	Ticker	Share Price	Shares Outstanding	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA Ne	et Income	EV/Revenue	ev/ebitda	<u>P/E</u>
M&M		1,245	124.35	1,54,872	72,155	2,27,027	1,14,837	17,473	10, 184	2.0x	13.0x	14.1x
Maruti Suzuki		9,112	30.21	2,75,260	1,206	2,76,466	1,17,571	13,336	8,211	2.4x	20.7x	33.5x
Tata Motors		504	332.14	1,67,282	1,03,685	2,70,967	3,18,474	27,557	-3,7 <mark>9</mark> 8	0.9x	9.8x	-44.0x
Bajaj Auto		4,529	28.30	1,28,166	-566	1,27,600	36,455	8,167	6,060	3.5x	15.6x	21.1x
Eicher Motors		3,382	27.35	92,495	- <mark>2,554</mark>	89,941	13,831	2,677	2,619	6.5x	33.6x	35.3x
TVS Motor Co.		1,230	47.51	58,435	11,432	69,867	31,974	4,165	1,309	2.2x	16.8x	44.6x
High										6.5x	33.6x	44.6x
75th Percentile										3.5x	20.7x	35.3x
Average										3.1x	19.3x	18.1x
Median										2.4x	16.8x	33.5x
25th Percentile										2.2x	15.6x	21.1x
Low										0.9x	9.8x	-44.0x
Mahindra & Mahindra	Comparabl	e Valuatio	ons							EV/Revenue	EV/EBITDA	P/E
Implied Enterprise Value	9									2,76,465.6	2,23,725.1	3,78,944.9
Net Debt										1,205.7	1,03,685.0	1,03,685.0
Implied Market Value										2,75,259.9	1,20,040.1	2,75,259.9

Shares Outstanding

Implied Value Per Share

Source: The Valuation School, Screener.in

Overvalued Undervalued Overvalued

332.14

361.4

332.14

828.7

30.21

9,111.6

Relevant Valuation Workings

extracted from the

Valuation Model / Equity Research Report

on

Tata Motors

		-	Neighted A	werage Cost of Capi	1.5.5.5.		series to e		
All figures are in INR unless stated otherwise.			Marginal t been 25.1	ax rate should have		has been	lebt/capital considered E for WACC	for	
Peer Comps				00 /0			A		
Name of the Company	Country	Total Debt	Total Equity	Tax Rate ¹	Deb Equ	State of the second state of the	Levered Beta ²	Unle Beta	evered 3
Tata Motors	India	1,44,354.2	1,72,594.1		30.00% 83	.64% 45.5	55%	1.34	0.85
Maruti Suzuki	India	1,247.3	2,58,179.3	9	30.00% 0	.48% 0.4	18%	0.73	0.73
M & M	India	83,272.9	1,52,145.2	/ · · · · · · · · · · · · · · · · · · ·	30.00% .4	.73% 35.3	37%	0.90	0.65
Eicher Motors	India	168.3	89,243.8		30.00% 0	.19% 0.1	19%	1.21	1.21
Olectra Greentec	India	83.8	5,339.8		30.00% 1	.57% 1.5	55%	0.93	0.92
			Average		30.00% 28	.12% 16.6	53%	1.02	0.87
			Median		30.00% 1	.57% 1.5	55%	0.93	0.85
Cost of Debt Pre- Tax Cost of Debt Tax Rate Post Tax Cost of Debt Capital Structure	69/710	9.72% 30.00% 6.80%		Cost of Equity Risk Free Rate Equity Risk Premium Levered Beta Cost of Equity	Beta Mot	mated Lev a of 0.99 v ors' own ti red beta c	rs Tata rading	7.39% 8.02% 0.99 15.31%	
2 - 1 - 2	C	4 Townstad		Commo Madian Unilaura	and Date			0.05	
Total Debt 1.44.	Curren 354.2 45.559		-	Comps Median Unilever Target Debt/Equity	eu bela			0.85	
	594.1 54.459			Tax Rate				30.00%	
Total Capital 3,16,		and the second se		Levered Beta				0.99	
		1						707.0	
Debt/Equity	83.649	6 19.94%	i	Weighted Average Cost	of Capital			25	
	Poor bench			Cost of Equity				15.31%	
	Target D/E average as			Equity Weight				83.37%	
	above lead			Cost of Debt				6.80%	
	1								
	WACC AIS	o significar	nt l	Debt Weight				16.63%	
	WACC. Als			Debt Weight				16.63%	

Calculation of ROIC	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Intangible Assets	77,870.0	80,480.0	91,157.0	1,14,809.0	1,14,323.0
Other fixed assets	7,497.0	8,049.0	9,380.0	10,686.0	10,728.0
Gross Block	2,13,210.0	2,32,516.0	2,70,580.0	3,13,692.0	3,24,096.0
Accumulated Depreciation	91,795.0	1,21,283.0	1,43,471.0	1,74,985.0	1,85,241.0
Net Block	1,21,415.0	1,11,233.0	1,27,109.0	1,38,707.0	1,38,855.0
Invested Capital	89,444.0	86,573.0	1,02,157.0	1,06,574.0	1,14,981.0
EBIT	9,904.1	1,073.7	(3,438.4)	8,740.7	(115.6)
ROIC	11.07%	1.24%	-3.37%	8.20%	- <mark>0.10</mark> %
Calculation of Reinvestment Rate	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Net Capex	(35,049.0)	(35,237.0)	(29,531.0)	(19,854.0)	(14,938.0
Change in Working Capital		7,311.0	(292.0)	(7,181.0)	8,259.0
EBIT	9,904.1	1,073.7	(3, <mark>4</mark> 38.4)	8,740.7	(115.6
Marginal Tax Rate	0.25	0.25	0.25	0.25	0.2
EBIT(1-Tax)	7,428.1	805.3	-2,578.8	6,555.5	-86.
Reinvestment		-27,926.0	-29,823.0	-27,035.0	-6,679.
Reinvestment Rate		-3467.88%	1156%	-412.40%	7703.589
	Future reinvestment assumed basis the h does not make any s	istorical rates. I	t 📥 4Y	'ear Average 'ear Median	1244.949 372.049
	forecasting without a	ny analysis.	41		372.047
Calculation of Growth Rate	Mar-18	Mar-19	Mar-20	Mar-21	Mar-2
Reinvestment		-3467.88%	1156.48%	-412.40%	7703.58%
ROIC		1.24%	-3.37%	8.20%	-0.109
Intrinsic Growth		-43.01%	-38.92%	-33.82%	-7.75%

4 Year Average	-30.88%
4 Year Median	-36.37%

2	Calculation of PV of FCFF		Mar-22A	Mar-23F	Mar-24F	Mar-25F	Mar-26F	Mar-27F
3								
4	EBIT		2,101.68	2,866.06	3,908.45	5,329.95	7,268.45	9,911.99
5	Tax Rate		25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
6	EBIT (1-T)		1,576.26	2,149.55	2,931.34	3,997.46	5,451.34	7,433.99
7	Less: Reinvestment		372.04%	291.95%	211.86%	131.77%	51.68%	51.68%
8	Free Cash Flow to Firm (FCFF)		-4,288.08	-4,126.07	-3,279.01	-1,270.01	2,634.09	3,592.10
9	Mid Year Convention			0.50	1.5	2.5	3.5	4.5
10	Discounting Factor			0.937	0.823	0.722	0.634	0.557
12	PV of FCFF			-3,866.25	-2,697.76	-917.43	1,670.73	2,000.47
13				/				
14	Expected Growth	36.37%		nvestment rate				
15	WACC	13.89%		ciation) during	5			
16	Terminal Growth	5.38%		d and future EE	зіт			
17	No			een extraordin				
18	Calculation of Terminal Value							
19		Transmission and the	Senstivity A					
20	FCFF (n+1)	4,898.55		12.00%	13.89%	16.00%	1.8.00%	20.00%
21	WACC	13.89%	3.00%	50735.2	41172.0	33758.2	28642.4	24721.8
22	Terminal Growth Rate	5.38%	4.00%	57538.8	45720.2	36898.3	30975.0	26522.8
23	-		5.38%	70303.1	53752.2	42202.7	34801.1	29412.6
24	Terminal Value	57,549.46	6.00%	77949.4	58275.4	45062.5	36806.6	30896.5
25			7.00%	94277.9	67286.4	50505.4	40517.6	33588.0
26 27	Calculation of Equity Value Per Share						.	
27	PV of FCFF	-3,810.25		Value has be			in	
20	PV of Terminal Value	57,549.46		nent rate (last its alignment v	• •			
30	Value of Operating Assets	53,739.20	· · · · · · · · · · · · · · · · · · ·	to a very depre	•			
31	value of operating Assets	55,155.20		d to current sh				
32	Add: Cash	40,669.00						
33	Less: Debt	1,15,137.00						
34	Value of Equity	-20,728.80						
35	No. of Shares	358.64	K					
37	Equity Value Per Share	-57.80	Negativ	e Equity Value	e?			
38	an dh' Bh			1 7 1.00				
39	Share Price	482						
40	Discount/Premium	-9.34x	/					

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Wide variation in multiples (very diverse). No benchmarking has been done.

Valuation has been done basis the median multiple. Conclusion has been made about over-valuation or undervaluation by comparing the subject company's own multiple and median peer multiple without analysing the reasons for divergence in multiples.

Amount in crores

Comparable Company Valuations

				Mar	ket Data			Financials			Valuation	$ \rightarrow $
		Share	Shares	Equity		Enterprise					\mathbf{V}	
Company	Ticker	Price	Outstanding	Value	Net Debt	Value	Revenue	EBITDA N	et Income	EV/Revenue	EV/EBITDA	P/E
Tata Motors		482	332.14	1,59,959	1,03,685	2,63,644	3,18,474	31,047	-3,798	0.8x	8.5x	-42.1x
SML ISUZU		954	1.45	1,384	259	1,642	1,581	43	-18	1.0x	38.0x	-75.3x
Force Motors		1,298	1.32	1,713	919	2,632	4,420	240	-37	0.6x	11.0x	-46.2x
Olectra Greentec		650	8.21	5,340	-115	5,224	986	138	57	5.3x	37.9x	93.4x
Tata Motors-DVR		246	50.85	12,504	74,209	86,713	2,49,795	34,933	-13,395	0.3x	2.5x	-0.9x
Ashok Leyland		142	293.61	41,751	24,794	66,545	38,397	31,047	717	1.7x	2.1x	58.2x
High										5.3x	38.0x	93.4x
75th Percentile										1.6x	31.1x	43.5x
Average										1.6x	16.7x	-2.1x
Median										0.9x	9.7x	-21.5x
25th Percentile										0.7x	4.0x	-45.2x
Low										0.3x	2.1x	-75.3x
Tata Motors Compara	able Valuatio	ns								EV/Revenue	ev/ebitda	P/E
Implied Enterprise Val	lue									2,97,269,6	3.01.806.4	1.85.437.0

Net Debt Implied Market Value Shares Outstanding	582.8	596.5	246.1
Net Debt	332.14	332.14	332.14
	1,93,584.6	1,98,121.4	81,752.1
implied Enterprise value	1,03,685.0	1,03,685.0	1,03,685.0
Implied Enterprise Value	2,97,269.6	3,01,806.4	1,85,437.0

Source: The Valuation School, Screener.in

Undervalued Undervalued Overvalued

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Relevant Valuation Workings extracted from the Valuation Model / Equity Research Report

on

Asian Paints



Weighted Average Cost of Capital

All figures are in INR unless s		•	tax rate should	d have				
Peer Companies		been 25.	168%					
			\		Deb	t/ Debt/	Levered	Unlevered
Name	Country	Total Debt	Total Equity	Tax Rate ¹	Equit	y Capital	Beta ²	Beta ³
			•	N				
Asian Paints	India	1,865.6	2,69,222.9	30.00%	0.69	% 0.69%	0.93	0.92
Berger Paints	India	1,633.9	55,919.9	30.00%	2.92	% 2.84%	0.89	0.87
Kansai Nerolac	India	314.3	20,637.9	30.00%	1.52	% 1.50%	0.88	0.87
Akzo Nobel	India	73.3	10,476.1	30.00%	0.70	% 0.69%	0.38	0.38
Indigo Paints	India	11.9	5,092.9	30.00%	0.23	% 0.23%	0.69	0.69
			Average	30.00%	1.21	% 1.19%	0.75	0.75
			Median	30.00%			0.75	0.75
	Pre-tax cos	st of debt	weatan	50.0070	0.70			0.07
	cannot be	less than				Estimated		
Cost of Debt	risk free ra	te			Cost of Equity	Beta of 1.8 Paints' ow		
						levered be	-	
Pre-Tax Cost of Debt			6.86%		Risk Free Rate	levered be		7.23%
Tax Rate			30.00%		Equity Risk Pre	mium		8.18%
Post-tax Cost of Debt			4.80%		Levered Beta ⁴			1.88
					Cost of Equity			22.63%
Capital Structure					Levered Beta			
		Current	Target		Comps Mediar	Unlevered Be	eta	0.87

	_	Current	Target
Total Debt	1,865.6	0.69%	1.19%
Market Capitalization	2,69,222.9	99.31%	98.81%
Total Capitalization	2,71,088.4	100.00%	100.00%
Debt / Equity		0.69%	1.21%

1. Tax Rate considered as Marginal Tax Rate for the country

2. Levered Beta is based on 5 year monthly data

3. Unlevered Beta = Levered Beta/(1+(1-Tax Rate) x Debt/Equity)

3. Levered Beta = Unlevered Beta/(1+(1-Tax Rate) x Debt/Equity)

Comps Median Unlevered Beta	0.87
Target Debt/Equity	1.21%
Tax Rate	30.00%
Levered Beta	1.88

Weighted Average Cost of Capital

Cost of Equity	22.63%
Equity Weight	98.81%
Cost of Debt	4.80%
Debt Weight	1.19%

WACC

22.42%

Ridiculously High WACC due to Beta

THE VALUATION SCHOOL



Calculation of PV of FCFF	Mar-22A	Mar-23F	Mar-24F	Mar-25F	Mar-26F	Mar-27F
EBIT	4,228.89	5,106.38	6,165.96	7,445.40	8,990.32	10,855.81
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
EBIT(1-T)	3,171.67	3,829.79	4,624.47	5,584.05	6,742.74	8,141.85
Less: Reinvestment Rate	47.82%	48.15%	48.48%	48.81%	49.14%	49.14%
Free Cash Flow to Firm (FCFF)	1,655.13	1,985.88	2,382.64	2,858.54	3,429.36	4,140.95
Mid Year Convention		0.5	1.5	2.5	3.5	4.5
Discounting Factor		0.904	0.738	0.603	0.493	0.402
PV of FCFF		1,794.87	1,759.14	1,724.04	1,689.58	1,666.58

Expected Growth	20.75%
Terminal Growth	5.38%
WACC	22.42%

Calculation of Terminal Value

FCFF (n+1)	5,000.19
WACC	22.42%
Terminal Growth Rate	5.38%
Terminal Value	29,350.58

Calculation of Equity Value Per Share

PV of FCFF	8,634.21
PV of Terminal Value	11,812.54
Value of Operating Assets	20,446.75
Add: Cash	864.33
Less: Debt	776.00
Value of Equity	20,535.08
No of Shares	95.82
Equity Value Per Share	214.31
Share Price	2810
Discount/Premium	13.11x

Terminal Value has been estimated basis very high reinvestment rate (last forecast year) without ensuring its alignment with terminal growth rate. Leading to a very depressed equity value as compared to current share price.

Implied EV/EBITDA multiple at the terminal value is less than 2.5x.

THE VALUATION SCHOOL

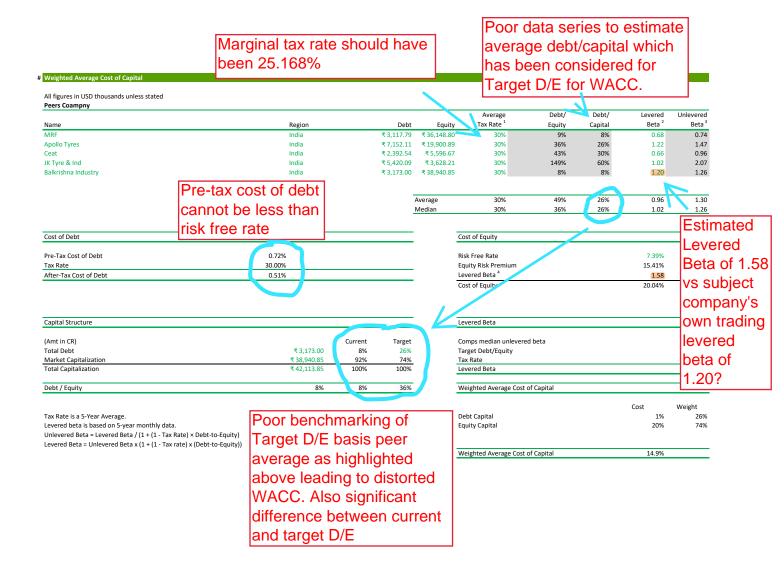


Calculation of Pre-Tax Cost of Debt

Total Debt	1,865.6
Interest TTM	128.0
Pre-Tax Cost of Debt	6.86%

Very poor way of estimating pretax cost of debt without any analysis. One formula for all situations.

Relevant Valuation Workings extracted from the Valuation Model / Equity Research Report on Balkrishna Industries



BIT 1,992.00 2590.86 3369.75 4382.80 5700.40 ax Rate 25% 25% 25% 25% 25% AT 1,494.00 1943.14 2527.31 3287.10 4275.30 einvestment Rate 102.00% 114.50% 127.00% 139.50% 51.68% ree Cash Flow to Firm -29.88 -281.76 -682.37 -1298.40 2065.83 Mid Year Convention 0.5 1.5 2.5 3.5 Niscounting Factor 0.933 0.812 0.707 0.615 V of FCF -262.86 -554.09 -917.64 1270.74 xpected Growth Rate 30% 4% 920.92 8121 802.25484 VACC 14.9% 5.80% 4% 920.92 8121 802.25484 VACC 14.9% 5.80% 1231/2628 1039.7414 7% 1567 2185 1277.228 Calculation of Equity Value V of FCFF -463.84 5% 1073.06806 920.99812 reminal Value 18175.02 128.50 1277.228 <th>#</th> <th>Calculation of Fr</th> <th>ee Cash Flow</th> <th>of Firm</th> <th></th> <th></th>	#	Calculation of Fr	ee Cash Flow	of Firm		
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remium/Discount 149%	Equity Value Per Share	792.47				
remium/Discount 149%	Current Market Dries Sha	1070				
	(in times)	2.57				

Amt in Crore Comparable Company Valuation

			Mar	ket Data			I	inancials		١	Valuation	
Company Ti	cker	Share Price	Shares Outstanding	Equity Value	Net Debt	Enterprise value	Revenue	Ebitda N	leticome	EV/Revenue	EV/EBITDA	P/E
Balkrishna Inds		2,062	19.33	39,857	3,121	42,979	9,817	2,418	1,172	4.4x	17.8x	34.0x
MRF		87,231	0.42	36,637	2,937	39,574	22,472	2,371	594	1.8x	16.7x	61.7x
Apollo Tyres		335	63.51	21,266	6,071	27,338	23,899	2,709	791	1.1x	10.1x	26.9x
CEAT		1,395	4.05	5,649	2,356	8,005	11,032	764	75	0.7x	10.5x	74.9x
JK Tyre & Indust		166	24.62	4,082	5,244	9,326	14,324	1,110	190	0.7x	8.4x	21.5x
Goodyear India		1,079	2.31	2,491	-378	2,114	2,873	195	107	0.7x	10.8x	23.4x
TVS Srichakra		2,780	0.77	2,141	692	2,833	2,972	176	63	1.0x	16.1x	33.7x
Dolfin Rubbers		128	1.00	128	11	139	84	6	3	1.7x	24.2x	46.2x
Birla Tyres		4	14.26	63	1,152	1,215	1	-14	-487	980.0x	-84.4x	-0.1x
Krypton Industri		21	1.47	30	10	41	36	9	5	1.1x	4.5x	6.5x
Innovative Tyres		2	1.80	4	37	42	52	-49	-59	0.8x	-0.9x	-0.1x
High										980.0x	24.2x	74.9x
75 percentile		Wide va	riation in r	nultiple	es (verv	diverse)	. No ben	chmark	ina	1.7x	16.4x	40.1x
Average		has bee				u		er man		90.4x	3.1x	29.9x
Median										1.1x	10.5x	26.9x
25 Percentile		Valuatio	n has bee	n done	e basis i	the media	an multip	le.		0.8x	6.5x	14.0x
Low		Conclus	ion has be	en ma	ade abo	ut over-v	aluation	or unde	er-	0.7x	-84.4x	-0.1x
Comparable Company Valuation		valuation	n by comp	aring t	he subj	ect comp	any's ow	n multi	ple			
Implied Enterprise Valve		land med	lian peer r	nultipl	e withou	ut analysi	ing the re	easons	tor –	11,083	25,339	34,655
Net Debt		diverger	ice in mult	iples.						3,121	3,121	3,121
Implied Equity Value				·						7,962	22,218	31,534
Shares Outstanding										19	19	19
Implied Share Value										412	1,149	1,631

Overvalued Overvalued Overvalued

Relevant Valuation Workings extracted from the Valuation Model / Equity Research Report on ITC Limited

# Weighted Average Cost O	of Capital								to estimate
All Figures are Stated In IN # Peer Comps	IR Unless Statea	l Otherwise	1	inal tax rate 25.168%	should h	ave	has be	e debt/cap en conside D/E for W	
						Debt/	Debt/	Leveraged	Unleveraged
Name Of The Companay	Со	untry	Total Debt	Total Equity	Tax Rate ¹	Equity	Capital	Beta ²	Beta ³
ITC	Inc	dia	306.04	552583.3	30%	0.06%	0.06%	0.83	0.83
IWPC	Inc	dia	79.18	204.4	30%	38.74%	27.92%	0.38	0.65
VST Industries	Inc		0					0.62	0.62
NTC Industries	Inc		6.6						
Golden Tobacco	Inc	dia	2.33	87.24	30%	2.67%	2.60%	0.84	0.86
Poor Selection of				Average	30%	9%	7%	0.60	0.66
Comps for	Ridic	ulous Pr	e-tax	Median	30%				
diversified ITC		of debt o	f			370	370	0.02	0.03
# Cost Of Debt	25.4	1%			Cost Of Eq	uity			
Pre-Tax Cost Of Debt			> 25.41%		Risk Free F	Rate			7.19%
Tax Rate			30.00%		Equity Risl	Premium			9.62%
post Tax Cost Of Debt			17.79%		Levered B				0.68
					Cost Of Eq	uity			13.68%
# Capital Structure					Levered B	eta			
	Cu	rrent	Target		Comps Me	dian Unlivere	ed Beta		0.62
Total Debt	306.0	0.06%	7.20%		Target Del	ot / Equity			7.20%
Market Capitalisation	552583.3	99.94%	92.80%		Tax Rate	- 			30.00%

Total Capital

Debt / Equity

552889.3

100.00%

0.06%

100.00%

7.75%

Levered Beta

0.68

Weighted Average Cost Of Capital

Cost Of Equity	13.68%
Equity Weight	92.80%
Cost Of Debt	17.79%
Debt Weight	7.20%
WACC	13.98%

Notes

1. Tax Rate Considered as Marginal Tax Rate for the Country

2. Leveraged Beta is Based on 2 Year Weekly Data

3. Unlevered Beta = Levered Beta/(1+(1-Tax Rate)*Debt/Equity)

4. Levered Beta = Unlevered Beta*(1+(1-Tax Rate)*Debt/Equity)

Discounted CashFlow Valuation - ITC LTD

Mar-23 A	Mar-24 E	Mar-25 E	Mar-26 E	Mar-27 E
26491.79	27536.784	28622.99875	29752.06	30925.659
30.00%	30.00%	30.00%	30.00%	30.00%
18544.253	19275.749	20036.09912	20826.442	21647.961
10.30%	10.30%	10.30%	10.30%	10.30%
16634.36964	17290.483	17972.47529	18681.368	19418.221
	0.5	1.5	2.5	3.5
	0.937	0.822	0.721	0.633
	16195.790	14770.422	13470.499	12284.980
3.94%				
20184.19				
13.98%				
6.25%				
261280.529				
e				
56721.690				
165299.70				
222021.39		umptions lead	ding to depi	ressed equ
4880.19				
38.00	1			
226863.58				
226863.58 1247.09	K			
	K			
1247.09	K			
	18544.253 10.30% 16634.36964 3.94% 6.25% 0.63 13.98% 6.25% 20184.19 13.98% 6.25% 261280.529 261280.529 261280.529	18544.253 19275.749 10.30% 10.30% 16634.36964 17290.483 0.5 0.937 16195.790 3.94% 6.25% 0.63 13.98% 6.25% 20184.19 13.98% 6.25% 261280.529 261280.529 261280.529 261280.529	18544.253 19275.749 20036.09912 10.30% 10.30% 10.30% 16634.36964 17290.483 17972.47529 0.5 1.5 0.937 0.822 16195.790 14770.422 16195.790 14770.422 3.94% 6.25% 13.98% 13.98% 13.98% 20184.19 13.98% 13.98% 13.98% 261280.529 261280.529 Poor assumptions lead value.	18544.253 19275.749 20036.09912 20826.442 10.30% 10.30% 10.30% 10.30% 16634.36964 17290.483 17972.47529 18681.368 0.5 1.5 2.5 0.937 0.822 0.721 16195.790 14770.422 13470.499 3.94% 6.25% 13.98% 6.25% 0.63 13.98% 20184.19 13.98% 56721.690 165299.70 22021.39 Poor assumptions leading to deprivalue.

Relevant Valuation Workings extracted from the Valuation Model / Equity Research Report on Titan Company Limited

TITAN COMPANY LTD.

Marginal tax rate should have

Weighted Average Cost of Capital

(All the values are in INR- Crores unless stated otherwise)

² been 25.168%

				Debt/	Debt/		Levered	Unlevered
Name of Company	Country	Total Debt	Total Equity	Equity	Capital	Tax Rate⁺	Beta ²	Beta
Fitan Company	India	9367.00	270646.05	3.46%	3.35%	30.00%	1.19	1.16
Kalyan Jewellers	India	4295.49	22722.97	18.90%	15.90%	30.00%	0.81	0.72
Rajesh Exports	India	724.01	14916.53	4.85%	4.63%	30.00%	0.65	0.63
/aibhav Global	India	193.32	6525.13	2.96%	2.88%	30.00%	1.24	1.21
Thangamayil Jew.	India	568.36	3486.69	16.30%	14.02%	30.00%	0.72	0.65

Average

Median

	Pre-tax cost of debt
	cannot be less than
Cost of Debt	risk free rate
Due Teu Cast of Dalat	2.670/
Pre Tax Cost of Debt	3.67%
Tax Rate	30.00%
Post Tax Cost of Debt	2.57%

Capital Structure

	_	Current	Target
Total Debt	9367.00	3.35%	8.15%
Market Capitalization	270646.05	96.65%	91.85%
Total Capital	280013.05	100.00%	100.00%
Debt/ Equity		3.46%	8.88%

Cost of Equity

9.30%

4.85%

Cost of Equity	22.41%
Levered Beta ^⁴	0.76
Enterprise Risk Free Rate	(23.45%)
Risk Free Rate	40.25%

8.15%

4.63%

30.00%

30.00%

Ridiculous Assumptions

0.87

0.72

0.92

0.81

Levered Beta

Levered Beta	0.76
Target Debt to Equity Ratio	8.88%
Tax Rate	30.00%
Median Comps Unlevered Beta	0.72

Weighted Average Cost of Capital

WACC	20.80% WACC	
Equity Weight	^{91.85%} Ridiculously High	
Cost of Equity	22.41%	
Debt Weight	8.15%	
Cost of Debt	2.57%	

TITAN COMPANY LTD.

Calcualtion of PV of FCFF	2023A	2024F	2025F	2026F	2027F
EBIT	₹4,441.00	₹ 4,907.75	₹ 5,423.55	₹ 5,993.57	₹ 6,623.49
Tax Rate	30.00%	30.00%	30.00%	30.00%	30.00%
EBIT(1-T)	₹ 3,108.70	₹3 <i>,</i> 435.42	₹ 3,796.49	₹ 4,195.50	₹ 4,636.45
Less: Reinvestment Rate	98.45%	81.40%	68.61%	59.02%	30.25%
Free Cash Flow to Firm (FCFF)	₹ 48.05	₹ 638.88	₹ 1,191.53	₹ 1,719.16	₹ <u>3.2</u> 33.92
Mid Year Convention		0.5	1.5	2.5	3.5
Discounting Factor		0.910	0.753	0.624	0.516
PV of FCFF		₹ 581.29	₹ 897.49	₹ 1,071.98	₹ 1,669.36

10.51%
6.10%
20.80%

Calcualtion of Terminal Value				
FCFF (n+1)	₹ 3,573.81			
Terminal Growth	6.10%			
WACC	20.80%			
Terminal Value	₹ 24,318.73			

Calcualtion of Equity Value Per Share

	•	
PV of FCFF	₹ 4,220.11	
PV of Terminal Value	₹ 12,553.38	
Value of Operating Assets	₹ 16,773.50	
Add: Cash	₹1,343.00	
Less: Debt	₹ 7,494.00	
Equity Value	10622.4956	
No. of Equity Shares	88.78	
Equity Value Per Share	₹ 119.65	
Current Stock Price Premium/Discount	₹ 3,049.00 25.48x)<

Scenario Analysis - Value of Operating Assets						
	2.00%	3.00%	5.00%	6.10%	9.00%	
10.00%	₹ 27,280.20	₹ 30,574.49	₹41,116.24	₹51,522.85	₹ 1,88,700.77	
14.00%	₹ 19,593.50	₹ 20,991.08	₹24,717.96	₹27,572.10	₹ 41,116.24	
19.00%	₹ 15,071.92	₹ 15,750.15	₹17,397.30	₹ 18,520.94	₹ 22,668.18	
20.80%	₹ 14,032.91	₹ 14,584.20	₹ 15,896.10	₹ 16,769.82	₹ 19,854.07	
25.00%	₹ 12,241.01	₹ 12,605.60	₹ 13,444.15	₹ 13,980.99	₹ 15,750.15	

Scenario Analysis - Equity Value Per Share						
	5.00%	6.00%	6.05%	6.10%	8.00%	
10.00%	₹ 393.85	₹ 497.75	₹ 504.32	₹ 511.07	₹1,017.24	
14.00%	₹209.14	₹ 238.00	₹ 239.63	₹ 241.29	₹ 324.58	
19.00%	₹126.68	₹ 138.10	₹ 138.71	₹ 139.33	₹167.16	
20.80%	₹ 109.77	₹ 118.65	₹ 119.13	₹ 119.61	₹140.59	
25.00%	₹ 82.15	₹87.62	₹87.91	₹88.20	₹ 100.48	

Terminal Value has been estimated basis very high reinvestment rate (last forecast year) without ensuring its alignment with terminal growth rate. Leading to a very depressed equity value as compared to current share price.

Implied EV/EBITDA multiple at the terminal value is less than 3.0x.

Very high reinvestment rates (net of depreciation) during explicit period.

TITAN COMPANY LTD. Poor selection of comps for CCM /

(All amount ar in INR- crs)
Comparable Company Valuation

Relative Valuation

		Market Data						Valuations					
Company	Ticke		Shares Outstanding	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA	Net Income	EV/ Reven	ue EV/	/EBITDA P/E	
Titan Company		₹ 3,079.40	88.78	₹ 2,73,389.13	₹ 8,024.00	₹ 2,81,408.87	₹ 43,029.00	₹ 5,187.26	₹ 3,240.00	6.5	54x	54.25x	86.85x
Kalyan Jewellers		₹ 227.85	103.01	₹ 23,470.83	₹ 3,313.61	₹26,783.37	₹ 15,114.55	₹ 1,214.67	₹467.72	1.7	77x	22.05x	57.26x
Rajesh Exports		₹ 487.35	29.53	₹ 14,391.45	(₹ 1,372.34)	₹ 13,017.15	₹ 3,75,881.02	₹ 1,619.05	₹ 1,469.90	0.0)3x	8.04x	8.86x
Vaibhav Global		₹ 442.05	16.53	₹ 7,307.09	(₹ 45.90)	₹7,261.09	₹2,720.90	₹ 248.84	₹ 115.13	2.6	57x	29.18x	63.07x
Thangamayil Jew.		₹ 1,257.90	2.74	₹ 3,446.65	₹ 491.97	₹ 3,943.54	₹ 3,289.60	₹ 212.59	₹ 119.36	1.2	20x	18.55x	33.04x
Senco Gold		₹ 404.55	7.77	₹ 3,143.35	₹ 747.33	₹3,889.19	₹4,077.40	₹ 347.87	₹ 158.48	0.9	95x	11.18x	24.54x
Goldiam Intl.		₹ 126.05	10.90	₹ 1,373.95	(₹ 103.31)	₹ 1,270.32	₹518.05	₹116.76	₹81.13	2.4	15x	10.88x	15.66x
PC Jeweller		₹ 26.75	46.54	₹ 1,244.95	₹ 3,694.32	₹ 4,939.28	₹1,992.94	₹ 212.53	(₹ 449.25)	2.4	18x	23.24x	-10.99x
Asian Star Co.		₹ 755.00	1.60	₹ 1,208.00	₹ 309.59	₹ 1,518.35	₹4,137.73	₹ 141.90	₹ 84.92	0.3	37x	10.70x	17.88x
D. P. Abhushan		₹ 433.50	2.23	₹966.71	₹ 105.46	₹ 1,070.21	₹ 2,013.27	₹81.63	₹ 48.02	7 0.5	53x	13.11x	22.29x
High										6.5	54x	54.25x	86.85x
75th Percentile										2.4	17x	22.94x	51.21x
Mean										1.9	90x	20.12x	31.85x

wean		1.90X	20.12X	31.85X
Median		1.49x	15.83x	23.41x
25th Percentile		0.95x	11.18x	17.88x
Low	Wide variation in multiples (very diverse). No benchmarking	0.03x	8.04x	-10.99x
Median 25th Percentile Low Wide variation in multiples (very diverse). No bench has been done. Titan Company Comparable Valuation Implemented Enterprise Value Net Debt Valuation has been done basis the median multiple Conclusion has been made about over-valuation of the conclusion has been made about over-valuation over-valuation over-valuation over-valuation ov	has been done.			
Implemented Enterprise Value	· · · · · · · · · · · · · · · · · · ·	₹ 63,915.62	₹82,114.33	₹ 83,884.27
Net Debt	Conclusion has been made about over-valuation or under-	₹ 8,024.00	₹ 8,024.00	₹ 8,024.00
Implemented Equity Value	valuation by comparing the subject company's own multiple	₹ 55,891.62	₹74,090.33	₹ 75,860.27
Shares Outstanding		88.78	88.78	88.78
Implied Value Per Share		₹ 629.55	₹ 834.54	₹ 854.47
(Source: Screener.in , The Valuation School)		Overvalued	Overvalued	Overvalued

Relevant Valuation Workings extracted from the Financial Modeling and Valuation Report on

Adani Enterprises Limited

THE VALUATION SCHOOL

Marginal tax rate should have Weighted Average Cost Of Capita

All figure are in INR unless stated been 25.168%

Comparable Companies Beta

	Peer Comps			•		-			
Very Poor	· · · · ·				•	Debt/	Debt/	Levered	Unlevered
Selection of	Name of the comp	Country	Total Debt	Total equity	Tax Rate ¹	Equity	Capital	Beta ²	Beta ³
					4				
Comps. They are	Adani Enterp.	india	53,200.5	,	30.00%				
	Aegis Logistics	india	1,923.9	15,005.7	30.00%	54.00%	11.36%	0.72	0.52
as different as	Redington	india	3,320.8	15,357.4	30.00%	48.00%	17.78%	1.00	0.75
	MMTC	india	202.5	6,565.5	30.00%	14.00%	2.99%	1.04	0.95
Ichalk and cheese.	Redtape	india	80.7	6,368.9	30.00%	17.00%	1.25%	0.33	0.29
				Average	30.00%		9.36%	0.77	0.57
	1 / Y			Median	30.00%	48.00%	11.36%	0.76	0.52

Cost Of Debt	
Pre-Tax Cost of Debt	7.77%
Tax Rate	30.00%
Post Tax Cost of Debt	5.44%

Risk Free Rate	7.19%
Equity Risk Premium	8.25%
Levered Beta ⁴	0.66
Cost of Equity	12.66%

Ca	nital	Structure
La	pitai	Structure

- - - -

		Current	Target
Total Debt	53,200.5	13.42%	9.36%
Market Capitalization	343,091.4	86.58%	90.64%
Total Capital	396,291.8	100.00%	100.00%
Debt / Equity		15.51%	10.33%

Notes:

1) Tax rate considered as marginal tax rate for the country 2)Levered beta is based on 5 year monthly data 3)Unlevered beta = levered beta /(1+(1-tax rate)*debt/equity) 4)Levered beta = Unlevered beta* (1+(1-tax rate)*debt/equity)

Levered Beta

Cost of Equity

Comps Median Unlevered Beta	0.52
Target Debt/Equity	10.33%
Tax Rate	30.00%
Levered Beta	0.66

Weighted Average Cost of Capital	
Cost of Equity	12.66%
Equity Weight	90.64%
Cost of Debt	5.44%
Debt Weight	9.36%
WACC	11.99%

THE VALUATION SCHOOL

EBIT 7,483.88 7,778.74 8,085.23 8,403.79 8,734.89 9,079.05 Tax Rate 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 26.335.5 25	Calculation of PV of FCFF		Mar-22A	Mar-23E	Mar-24E	Mar-25E	Mar-26E	Mar-27E	
Tax Rate 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.00% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.01% 25.05									
EBT(1-T) 5,612.91 5,834.06 6,063.92 6,302.84 6,551.17 6,809.29 Less: Reinvestment Rate 21.89% 32.18% 42.48% 52.277% 63.07% 63.07% Free Cash Flow To Firm (FCF) 4,384.38 39.56.48 3,488.04 2,976.55 2,419.35 2,514.67 Mid Year Convention 0.5 1.5 2.5 3.5 4.5 Discounting Factor 0.945 0.844 0.754 0.673 0.601 PV of FCF 3,738.75 2,943.30 2,242.86 1,627.88 1,510.92 Expected Growth 3.94% 5.38% 2,633.5 25,161.7 24,153.4 23,289.2 Galculation of Terminal Value 2,613.75 1.99% 12.99% 13,99% 23,338.2 26,333.5 25,161.7 24,153.4 23,289.2 VACC 10.99% 11.99% 12.99% 13,99% 26,333.5 25,161.7 24,153.3 23,289.2 Terminal Growth Rate 5.38% 26,353.5 25,161.7 24,153.3 23,289.2 26,353.5 25,161.7 24,153.3 23,289.2 Y of FCF									
Less: Reinvestment Rate 21.89% 32.18% 42.48% 52.77% 63.07% 63.07% 63.07% Free Cash Flow To Firm (FCFF) 4,384.38 3,956.48 3,488.04 2,976.55 2,419.33 2,514.67 Discounting Factor 0.945 0.844 0.754 0.673 0.601 PV of FCF 3,738.75 2,943.30 2,242.86 1,627.88 1,510.92 Expected Growth 3.94% 5.38% 0.673 0.601 0.945 0.673 0.601 PV of FCF 3,738.75 2,943.30 2,242.86 1,627.88 1,510.92 Expected Growth 5.38% 363.35 25,161.7 24,153.4 23,289.2 Ferminal Growth Rate 5.38% 26,353.5 25,161.7 24,153.4 23,289.2 Terminal Growth Rate 21,806.27 5.38% 26,353.5 25,161.7 24,153.3 23,289.2 7.38% 26,353.5 25,161.7 24,153.3 23,289.2 2,389.2 2,353.5 25,161.7 24,153.3 23,289.2									
Free Cash Flow To Firm (FCFF) 4,384.38 3,956.48 3,488.04 2,976.55 2,419.35 2,514.67 Mid Year Convention 0.5 1.5 2.5 3.5 4.5 Discounting Factor 0.945 0.844 0.754 0.673 0.601 PV of FCF 3,738.75 2,943.30 2,242.86 1,627.88 1,510.92 Expected Growth 5.38% 3,94% Very high reinvestment rates (net of depreciation) during explicit period. Calculation of Terminal Value 11.99% 12.99% 13.99% 13.99% FCF (n+1) 2,613.75 11.99% 26,533.5 25,161.7 24,153.4 23,289.2 Terminal Growth Rate 5.38% 26,353.5 25,161.7 24,153.4 23,289.2 Terminal Growth Rate 21,806.27 7.38% 26,353.5 25,161.7 24,153.3 23,289.2 Calculation of Equity Per Share 13,102.11 2,418.36 2,373.69 26,353.5 25,161.7 24,153.3 23,289.2 V of FCFF 12,063.71 PV of FCFF 13,102.11 2,613.75 2,5165.83 2,535.5 2,5161.7 24,153.3	. ,								
Mid Year Convention 0.5 1.5 2.5 3.5 4.5 Discounting Factor 0.945 0.844 0.754 0.673 0.601 PV of FCFF 3,738.75 2,943.30 2,242.86 1,627.88 1,510.92 Expected Growth 3.94% 5.38% Very high reinvestment rates (net of depreciation) during explicit period. Calculation of Terminal Value 2,613.75 11.99% 12.99% 13.99% FCFF (n+1) 2,613.75 11.99% 26,353.5 25,161.7 24,153.4 23,289.2 Gassa 5.38% 26,353.5 25,161.7 24,153.4 23,289.2 Terminal Growth Rate 5.38% 26,353.5 25,161.7 24,153.4 23,289.2 Terminal Value 21,806.27 7.38% 26,353.5 25,161.7 24,153.3 23,289.2 Calculation of Equity Per Share 13,102.11 Value of Operating Assets 25,165.83 25,161.7 24,153.3 23,289.2 Cash 5,373.69 13,02.11 Value of Operating Assets 25,165.83 25,161.7									
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Expected GrowthTerminal Growth3.94% 5.38% WACCCalculation of Terminal Value2,613.75 11.99%FCFF (n+1)2,613.75 11.99%WACC11.99%Terminal Growth Rate5.38% 5.38%Terminal Value21,806.27V of FCFF12,063.71 13,102.11PV of FCFF12,063.71 13,102.11Value of Operating Assets25,165.83 25,165.83Add: Cash Less: Debt5,373.69 114.05Add: Cash Less: Debt5,373.69 114.05Value of Equity Value PE Share-91.92 2,507.70Share Price2,507.70Negative Equity Value?	DV of ECEE			2 720 75	2 042 20	2 242 96	1 6 7 7 99	1 510 02	
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FCFF (n+1) 2,613.75 11.99% 12.99% 13.99% WACC 11.99% 26,353.5 25,161.7 24,153.4 23,289.2 Terminal Growth Rate 5.38% 26,353.5 25,161.7 24,153.4 23,289.2 Terminal Value 21,806.27 7.38% 26,353.5 25,161.7 24,153.3 23,289.2 Calculation of Equity Per Share 7.38% 26,353.5 25,161.7 24,153.3 23,289.2 Calculation of Equity Per Share 7.38% 26,353.5 25,161.7 24,153.3 23,289.2 Vo of FCFF 12,063.71 PV of Terminal Value 13,102.11 Value of Operating Assets 25,165.83 Add: Cash 5,373.69 41,023.00 Value of Equity value as compared to current share price. Value of Shares 114.05 114.05 Implied EV/EBITDA multiple at the terminal value is less than 2.0x. Equity Value Per Share 91.92 2,507.70 Negative Equity Value?	Calculation of Terminal Value			ī		Sensitivi	tv Analysis		
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Terminal Value21,806.276.38% 2,353.526,353.5 2,5,161.724,153.3 2,4,153.323,289.2 2,3289.2Calculation of Equity Per SharePV of FCFF12,063.71 13,102.11PV of Terminal Value13,102.11 13,102.11Value of Operating Assets25,165.83 2,5165.83Add: Cash5,373.69 14,023.00 Value of SharesLess: Debt41,023.00 10,483.48 No of SharesNo of Shares114.05Equity Value Per Share-91.92 2,507.70Share Price2,507.70	Terminal Growth Rate	5.38%		5.38%	26,353.5	25,161.7	24,153.4	23,289.2	
Terminal Value21,806.277.38%26,353.525,161.724,153.323,289.2Calculation of Equity Per SharePV of FCFF12,063.71PV of Terminal Value13,102.11Value of Operating Assets25,165.83Add: Cash5,373.69Less: Debt41,023.00Value of Equity-10,483.48No of Shares114.05Equity Value Per Share-91.92Share Price2,507.70				6.38%			· · ·		
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Volue of Operating Assets15,102.11Value of Operating Assets25,165.83Add: Cash5,373.69Less: Debt41,023.00Value of Equity-10,483.48No of Shares114.05Equity Value Per Share-91.92Share Price2,507.70Negative Equity Value?		12,063.71		ensur	ina its a	lianment	with termi	nal arowt	h rate
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Less: Debt 41,023.00 Value of Equity -10,483.48 No of Shares 114.05 Equity Value Per Share -91.92 Share Price 2,507.70				comp	ared to	current s	hare price		
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Equity Value Per Share -91.92 Share Price 2,507.70			/				unple at t		a value is
Share Price 2,507.70 Negative Equity Value?	No of Shares	114.05	K	less t	han 2.0>	κ.			
Share Price 2,507.70 Negative Equity Value?	Fauity Value Per Sharo	01.02		L					
Share Price 2,507.70	Lyuny value rei silare	-51.92							_
	Share Brice	2 507 70		Neg	ative Eq	uity Valu	e?		
				L					
	Discount/Premium	-27.28X							

	Poor selec Relative V	tion of compa aluation	s for CCN	Λ/							
Comparable Company Valuation											
Company Ticker	Share Price	Share Outstanding	Aarket Data	Not Dobt	Enterprise Value	Revenue	Financials EBITDA	Net Income	EV/Revenue	Valuation EV/EBITDA	P/E
Company Ticker	r Share Price	Share Outstanding	Equity value	Net Dept	Enterprise value	Revenue	EDITDA	Net income	Ev/Revenue	EV/EBITDA	P/E
Adani Enterp.	2,496	114.00	284,516	-47,827	332,342	121,572	30	332,312	2.7x	10957.5x	0.9x
Aegis Logistics	369	35.10	12,962	-659	13,621	8,492	15	13,606	1.6x	921.6x	1.0x
Redington	157	78.16	12,240	-1,370	13,610	83,761	6	13,604	0.2x	2257.1x	0.9x
Redtape	464	13.82	6,414	-55	6,468	1,468	26	6,443	4.4x	250.9x	1.0x
MMTC	42	150.00	6,225	1,143	5,082	3,528	11	5,071	1.4x	474.9x	1.2x
Rain Industries	157	33.63	5,288	-7,702	12,990	20,915	4	12,985	0.6x	2979.3x	0.4x
High									4.4x	10957.5x	1.2x
75th percentile									2.5x	2798.8x	1.0x
Average									1.8x	2973.6x	0.9x
Median									1.5x	1589.3x	0.9x
25th percentile	Distant				tinles No.b.		which as	7	0.8x	586.6x	0.9x
Low	Ridicul	ous EV/EBIT	DA and I	/E IVIUI	tiples. No be	encnma	rking		0.2x	250.9x	0.4x
	has be	en done.									
Adani Enterprises Comparable Valuation		ion has been	done bas	sis the i	median mult	iple.			EV/Revenue	EV/EBITDA	P/E
Implied Enterprise Value									185,047	48,204	259,960
Net Debt		udents have	iu iuea M	mat tile	y are using.				-47,827	-47,827	-47,827
Implied Market Value	— L								232,874	96,031	307,787
Share Outstanding									114.00	114.00	114.00
_											
Implied Value Per Share									2,042.75	842.38	2,699.88

Source: The valution school, Screener.in

Overvaluted Overvaluted Undervaluted

Relevant Valuation Workings extracted from the Valuation Model / Equity Research Report on Asian Paints

Weighted Average C	ost of Capital											
All figures are in INR. Unless S	Stated	Marginal to been 25.1		should h	nave					Return on Markets		
Peer Comps		DCCH 20.1	0070							neturn on markets		
				•		Debt/	Debt/	Levered	Unleverd		Year	Annual
Name of the comp	Ticker	Country	Total Debt	Total Equity	Tax Rate ¹	Equity	Capital	Beta ²	Beta ³		2000	-14.65%
				. ,	X						2001	-16.18%
Asian Paints		India	1865.6	278315.6	30.00%	0.67%	0.67%	0.93	0.92		2002	3.25%
Berger Paints		India	1633.9	58910.4	30.00%	2.77%	2.70%	0.90	0.88		2003	71.90%
Kansai Nerolac		India	314.3	20791.6	30.00%	1.51%	1.49%	0.88	0.87		2004	10.68%
Akzo Nobel		India	73.3	10075.2	30.00%	0.73%	0.72%	0.38	0.38		2005	36.34%
Indigo Paints		India	11.9	5404.8	30.00%	0.22%	0.22%	0.67	0.67		2006	39.83%
											2007	54.77%
											2008	-51.79%
	Pre-tax	cost of deb	ot	Average	30.00%	1.18%	1.16%	0.75	0.74		2009	75.76%
	cannot	be less tha	n	Median	30.00%	0.73%	0.72%	0.88	0.87		2010	17.95%
			·· .								2011	-24.62%
	risk free	erale									2012	27.70%
Cost of Debt					Cost of Equity						2013	6.76%
		2	A						/		2014	31.39%
Pre-tax Cost of Debt			6.86%		Risk Free Rate				7.23%		2015	-4.06%
Tax Rate			30.00%		Equity Risk Pren	nium			8.18%		2016	3.01%
Post Tax Cost of Debt			4.80%		Levered Beta 4				0.88		2017	28.65%
					Cost of Equity				14.42%		2018	3.15%
											2019	12.02%
											2020	14.17%
Capital Structure					Levered Beta						2021 2022	24.12% 4.32%
		Current	Torget		Comps Median	Unloyarad	Poto		0.87		2022	4.32%
Total Debt	1865.6	0.67%	Target 1.16%		Target Debt/ Eq		Deld		1.17%	Average Return		15.41%
Market Capitalization	278315.6	99.33%	98.84%		Tax Rate	uity			30.00%	Dividend Yield		1.44% ¹
Total Capital	278313.0	100.00%	100.00%		Levered Beta				0.88	Total Market Return		1.44% 15.41%
Debt/Equity		0.67%	1.17%		Weighted Avera	age Cost of	Capital					
					Cost of Equity				14.42%			
Notes:					Equity Weight				98.84%			
 Tax rate considered as margine levered beta is based on 5 year 	,	ry			Cost of Debt				4.80%			
3. Unlevered Beta = Levered beta	•	auitv)			Debt Weight				4.80%			
4. levered Beta = Unlevered beta					Dest Weight				1.1070			
					WAAC				14.31%			

DCF Calculation

Calculation of PV of FCFF	Mar-22A	Mar-23E	Mar-24E	Mar-25E	Mar-26E	Mar-27E
EBIT	4,228.89	5,106.38	6,165.96	7,445.40	8,990.32	10,855.81
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
EBIT(1-T)	3,171.67	3,829.79	4,624.47	5,584.05	6,742.74	8,141.85
Reinvestment Rate	47.82%	48.15%	48.48%	48.81%	49.14%	49.14%
Free Cash Flow to Firm (FCFF)	1,655.13	1,985.88	2,382.64	2,858.54	3,429.36	4,140.95
Mid Year Convection		0.5	1.5	2.5	3.5	4.5
Discounting Factor		0.935	0.818	0.716	0.626	0.548
PV of FCFF		1,857.42	1,949.53	2,046.12	2,147.40	2,268.37

Expected Growth	20.75%
Terminal Growth	5.38%
WAAC	14.31%

Ser

Calculation of Terminal Value		
FCFF(n+1)	5,000.19	
WACC	14.31%	
Terminal Growth Rate	5.38%	
Terminal Value	55,990.84	

Sensitivity Analysis

	12.00%	13.00%	14.31%	15.00%
3.00%	55557.71	50001.94	44210.38	41668.28
4.00%	62502.42	55557.71	48498.49	45456.31
5.38%	75531.63	65619.34	55993.21	51977.07
6.00%	83336.56	71431.34	60170.80	55557.71

Very high reinvestment rates (net of depreciation) during

explicit period.

Terminal Value has been estimated basis very high reinvestment rate (last forecast year) without ensuring its alignment with terminal growth rate. Leading to a very depressed equity value as compared to current share price.

Calculation of Equity Value Per Share

PV of FCFF	10,268.83
PV of Terminal Value Value of Operating Assets	30,671.25 40,940.08
Add: Cash	864.33
Less: Debt	776
Value of Equity	41,028.41
No. of Shares	95.99
Equity Value Per Share	427.43
Share Price Dicount/Premium	2891.1 6.76X

Amount in Crores

Comparable Company Valuation

			Market Data					Financials			Valuation		
			Shares	Equity		Enterprise							
Company	Ticker	Share Price	Outstanding	Value	Net Debt	Value	Revenue	EBITDA	Net Income	EV/Revenue	EV/EBITDA	P/E	
Asian Paints		2885	5 95.92	276734	1,001.2	277735	33594	6383	3811	8.24	43.36	72.62	
Berger Paints		589	97.14	57249	1,320.9	58570	10312	1547	895	5.55	37.01	63.99	
Kansai Nerolac		378	3 53.89	20343	208.3	20552	7346	735	391	2.77	27.69	51.98	
Akzo Nobel		2313	3 4.55	10526	(-384.3)	10141	3718	520	314	2.83	20.22	33.49	
Indigo Paints		1158	3 4.76	5513	(-87.8)	5425	1036	176	118	5.32	31.30	46.78	
										7			
High										8.2x	43.4x	72.6x	
75 Percentile				lin inn elli		n i di iana a				5.6x	37.0x	64.0×	
Average		vvia	e variation	in multi	pies (ve	ry alverse). NO DE	encnma	arking	4.9x	31.9x	53.8×	
Median		has	been done							5.3x	31.3x	52.0×	
25 Percentile		Valu	ation has l	neen do	ne hasi	s the med	ian mult	tinle		2.8x	27.7x	46.8>	
Low										2.8x	20.2x	33.5>	
		Con	clusion has	s been r	nade ab	out over-	valuatio	n or un	der-				
Cipla Comparable Valuation		valu	ation by co	mparing	g the su	bject com	pany's d	own mu	ıltiple 📃	EV/Revenue	EV/EBITDA	P/E	
		and	median pe	er multi	nle with	out analys	sing the	reasor	s for				
Implied Enterprise Value					•	out analy.	sing the	100301		178725.6	199752.1	199080.9	
Net Debt		dive	rgence in r	nultiples	S.					1001	1001	1001	
Implied Market Value										177724	198751	198080	
Shares Oustanding		L								95.92	95.92	95.92	
Implied Value Per Share										1852.8	2072.0	2065.1	

Source : The Valuation School, Screener.in

Overvalued Overvalued Overvalued

Relevant Valuation Workings extracted from the Valuation Model / Equity Research Report on Tata Motors

Poor data series to estimate average debt/capital which has been considered for Weighted Average Cost of Capit Marginal tax rate should have Target D/E for WACC.

Comporable Companies Beta Peer Comps Debt/ Debt/ Levered Unlevered Total Debt Total equit Tax Rate 1 Equity Capit | Beta 2 Beta 3 Name of the comp Country Tata Motors india 134,113.4 224,882.6 30.00% 59.64% 37.36% 1.14 0.81 Hero Motocorp india 567.5 58,494.1 30.00% 0.97% 0.96% 0.81 0.81 TVS Motor Co. india 22,375.6 63,729.9 30.00% 35.11% 25.99% 0.89 0.71 Eicher Motors india 288.4 91,635.9 30.00% 0.31% 0.31% 1.19 1.19 Bajaj Auto india 124.2 130,600.4 30.00% 0.10% 0.10% 0.67 0.67 0.84 Average 30.00% 1.08% 1.06% 1.00

Median

30.00%

Levered Beta

1.13%

Cost Of Debt	
Pre-Tax Cost of Debt	7.77%
Tax Rate	30.00%
Post Tax Cost of Debt	5.44%

been 25.168%

THE VALUATION

SCHOOL

All figure are in INR unless stated

Cost of Equity	
Risk Free Rate	7.21%
Equity Risk Premium	8.23%
Levered Beta 4	1.05
Cost of Equity	15.82%

1.11%

1.00

0.81

Capital Structure			/
		Current	Target
Total Debt	134,113.4	37.36%	1.06%
Market Capitalization	224,882.6	62.64%	98.94%
Total Capital	358,996.0	100.00%	100.00%
	Poor benchr		•
1) Tax rate considered as 2)Levered beta is based of	above leadir	nighlig ng to c signi etwee	hted listorted ficant

Comps Median Unlevered Beta	0.81
Target Debt/Equity	1.07%
Tax Rate	30%
Levered Beta	1.05

Weighted Average Cost of Capit	al
Cost of Equity	15.82%
Equity Weight	98.94%
Cost of Debt Debt Weight	5.44% 1.06%
WACC	15.71%

Calculation of PV of FCFF	Mar-22A	Mar-23E	Mar-24E	Mar-25E	Mar-26E	Mar-27E
EBIT	2.101.68	2.226.31	2,358.33	2,498.18	2.646.32	2,803.25
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
EBIT(1-T)	1,576.26	1,669.73	1,768.75	1,873.63	1,984.74	2,102.44
Less: Reinvestment Rate	-0.19%	12.78%	25.75%	38.71%	51.68%	51.68%
Free Cash Flow To Firm (FCFF)	1,579.21	1,456.34	1,313.36	1,148.29	959.03	1,015.90
Mid Year Convention		0.5	1.5	2.5	3.5	4.5
Discounting Factor		0.930	0.803	0.694	0.600	0.519
PV of FCFF		1,353.90	1,055.23	797.37	575.55	526.92

Expected Growth	5.93%
Terminal Growth	5.38%
WACC	15.71%

WACC	15.71%
Terminal Growth Rate	5.38%
Terminal Value	6,851.62

PV of FCFF	4,308.96
PV of Terminal Value	3,553.76
Value of Operating Assets	7,862.73
Add: Cash	40,669.19
Less: Debt	139,677.00
Value of Equity	-91,145.08
No of Shares	357.83
Equity Value Per Share	-254.72
Share Price	616
Discount/Premium	-2.42x

Sensitivity Analysis				
	14.51%	15.71%	16.71%	17.71%
3.38%	8,155.7	7,861.9	7,649.3	7,460.6
4.38%	8,155.7	7,861.9	7,649.3	7,460.6
5.38% 6.38%	8,155.7 8,155.7	7,861.9 /,861.9	7,649.2 7,649.2	7,460.6 7,460.6
7.38%	8,155.7	7,861.9	7,649.2	7,460.6

Terminal Value has been estimated basis very high reinvestment rate (last forecast year) without ensuring its alignment with terminal growth rate. Leading to a very depressed equity value as compared to current share price.

Implied EV/EBITDA multiple at the terminal value is less than 2.0x.

Negative Equity Value?

THE VALUATION SCHOOL

		Market Data						Financials			Valuation	
Company	Ticker	Share Price	Share Outstanding	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA	Net Income	EV/Revenue	EV/EBITDA	P/E
Ashok Levland		186	293.61	54,729	28,974	83,703	42,894	1,173,525		2.0x	0.1x	28.4
Tata Motors-DVR		400	50.85	20,345	74,209	94,554	249,795	256,242	-13,395	0.4x	0.4x	-1.5
Olectra Greentec		1,193	8.21	9,793	-34	9,759	1,026	607,963	68	9.5x	0.0x	143.4
Force Motors		3,378	1.32	4,459	813	5,272	5,546	53,916	219	1.0x	0.1x	20.4
SML ISUZU		1,313	1.45	1,904	259	2,163	1,953	40,066	49	1.1x	0.1x	38.6
High 75th percentile Average Median 25th percentile Low	ha	s been d	ion in multipl one. as been don			·	marking	3		9.5x 1.7x 2.5x 1.0x 0.8x 0.4x	0.4x 0.1x 0.1x 0.1x 0.1x 0.0x	143.4 36.1 41.3 24.4 19.1 -1.5
Tata Motors Comparable Valuation Implied Enterprise Value Net Debt Implied Market Value Share Outstanding	Co va an	onclusion luation b d mediar	has been don has been m y comparing peer multip in multiples.	ade abou the subje	t over-v ct com	/aluation or pany's own i	multiple			EV/Revenue 387,178 97,098 290,080 332.15	EV/EBITDA 183,222 97,098 86,124 332.15	P/ 364,111 97,093 267,011 332.11
Implied Value Per Share										873.34	259.29	803.9

Source: The valution school, Screener.in

Undervaluted Overvaluted Undervaluted