Corporate Valuation

Problem 8: R Ltd. is having an issued and subscribed capital of 50,000 equity shares of Rs. 100 each fully paid up. The company's after-tax profit ts for the year 2008-09 amounting to Rs. 30 lakhs. The average present stock exchange price of the company's share is Rs. 190. The Price/Earning ratio of the four listed companies to be used for calculation, their type of business seems to be similar to R Ltd are--

Company	2007	2008	2009
A Ltd	5.7	6.3	7.1
B Ltd	6.4	5.9	6.8
C Ltd	7.4	6.8	7
D Ltd	5	5.9	6.1

Calculate the valuation of business and per share based on average P/E ratio of the industry.

Problem 9: Following Balance Sheet for Clariant Ltd is provided as on March 31.

Liabilities	Rs.Lakhs	Assets	Rs.Lakhs
Share Capital	200	Land and Buildings	80
Reserves and Surplus	80	Plant & Machinery	160
Sundry Creditors & Other Liabilities	60	Short Term Investments	20
		Inventory	40
		Debtors	30
		Cash and Bank Balance	10
	340		**340**

1. Profit before tax for current year is Rs128 lakhs including Rs.8 lakhs as extraordinary income
2. Interest income of Rs.2 lakhs in the current year from investments, is earned by the company.
3. Additional amount of Rs.10 lakhs towards advertising expenditure will be required to be spent.
4. Market value of land and building is Rs.180 lakhs, while that of plant & machinery Rs 200 lakhs.
5. In order to match the revalued figures of these fixed assets, additional depreciation of Rs.12 lakhs is required to be considered.
5. tax rate applicable is 30%; capitalization rate for such businesses is 15%.

Compute the value of business, value of equity and price per share based on capitalization method. Also arrive at the market price per share given the PE multiple of 8 times and 5 times.

Problem 10: Multiplex Ltd is considering a capital project for which the following details are available.

Investment outlay (Rs.lakhs)	5000	Debt Equity Ratio	17.01%
Project Life	4 Years	Deprn	SLM
Salvage Value	0	Tax Rate	40.00%
Annual Revenues	6000	Annual Cost	4000
Cost of Equity	18.00%		
Cost of Debt (post tax)	9.00%		

Compute EVA of the project over its life and NPV of the project.

Problem 11: From the following data available from the books of X Ltd. Calculate the value of its equity shares based on return on capital employed. The market expectation being 16%

Year	Capital employed	Profit
2004 - 05	20	3
2005 - 06	26	5
2006 - 07	33	6
2007 - 08	35	8
2008 - 09	41	11