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**CHARTERED ACCOUNTANTS**

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**Uses of Valuation for SME's**

Business Valuation is the act or process of determining the value of a business enterprise or ownership interest therein. SME sector has witnessed dynamic mergers and acquisitions in the recent past. Different reasons, why SME are in need of the valuation can be summarized as follows –

- **Sale or Purchase of a Business or business stake** – A valuation can assist business owners in determining the value of their business so as to maximize value when considering a sale, merger, acquisition, joint venture or strategic partnership.
- **Dispute resolution** – In case of commercial or contractual disputes, before taking any stand on the dispute, it is necessary to determine the potential stake involved where valuation will play a critical role. This can range from Partnership Disputes, family owned business or company disputes etc.
- **Private Equity** – Now a days, many SME's are approaching / being approached for Private Equity. While doing so, internal valuation exercise can become an important home wok for negotiating with the Private Equity Players.
- **Succession Planning** – Valuation is also of crucial importance in case of succession planning of SME's as well. Succession Planning may involve – succession to family members or succession to employees or even succession to outsiders.
- **Valuation for legal purposes** –Valuation is also necessary for various legal purposes viz. Gift of unquoted equity shares (under Income Tax) or issue of sweat equity (under Companies Act etc)
- **Valuation for Accounting Purposes** – In case of intangible assets, in order to decide the value to be put in the Balance Sheet or for determining the impairment loss suffered in respect of any asset or a cash generating unit. Even after the acquisition of business, valuation si necessary to determine the Purchase Price Allocation.
- **Valuation of brands** – Several SME's have established their brand in the market. In order to decide about the business investments, making decisions on licensing of the brand, using brands for securitization of debt facilities or for allocating marketing expenditure according to the benefit each business unit derives, branch valuation is of utmost importance.
- **Franchisee Agreements or Royalty Decisions** – Valuation also plays an important role in determining and negotiating amounts or considerations in case of Franchisee Agreements or Royalty Decisions.
- **Other purposes** – Other purposes may include valuation of Patents, Trademarks or Valuation of Innovations or Valuation for internal management purposes etc.