



Solution :

Value of Startup after 7 years	USD 1 Billion
Value of startup today @ IRR of 25%	USD 1000 Million / (1.25) ⁷
Value of startup today @ IRR of 25%	USD 209.7152 Million
Post money valuation today	USD 209.7152 Million
Less: Investment made	USD 3 Million
Pre- money valuation today	USD 206.7152 Million
Stake of VC firm as on date (3/ 209.7152)	1.43%

29. Illustration

Compute EVA of A Ltd. with the following information:

All Figures - ₹ Lac

Profit and Loss Statement		Balance Sheet	
Revenue	1000	PPE	1000
Direct Costs	-390	Current Assets	300
Selling, General & Admin. Exp. (SGA)	-200		1300
EBIT	410	Equity	700
Interest	-10	Reserves	100
EBT	400	Non-Current Borrowings	100
Tax Expense	-120	Current Liabilities & Provisions	400
EAT	280		1300

Assume Bad Debts provision of ₹ 20 Lac is included in the SGA, and same amount is reduced from the trade receivables in current assets.

Also assume that the pre-tax Cost of Debt is 12%, Tax Rate is 30% and Cost of Equity (i.e., shareholder's expected return) is 8.45%.

(ICAI SM, RTP Nov'24, MTP Sept'23)

Solution :

Assumption 1 : Provision given is Pre tax

Particulars	Amount
EVA	= NOPAT × (1 - tax) - capital charge
EBIT	410
Add : Pre-tax Non-cash prov. for debtors	20
NOPAT	430
Existing PBT	400
Existing tax expense	120
Existing tax rate	= 120/400 = 30%
NOPAT = EBIT × (1 - tax)	= 430 × (1 - 30%) = 301
WACC	
Kd pre tax	12%
Tax rate	30%
Kd post tax	= 12% × (1 - 30%) = 8.40%
Ke	8.45%

