Financial Instrument Valuation

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Financial instruments are classified into three major categories: Equity, Debt and Derivatives

1. **Equity**: Equity instrument represents the ownership interest in issuer entity. Equity shares are classified as ordinary equity and preference equity.

   Ordinary Equity: An ordinary share represents equity ownership in a company and entitles the owner to a vote in matters put before shareholders in proportion to their percentage ownership in the company. Ordinary equity holders do not have any predetermined dividend.

   Preference Equity: Preference share entitles owner predetermined dividend. These types of shares have preference at the time of dividend payment and liquidation over common shares.

2. **Debt**: A debt generally refers to money owed by one party, the debtor, to a second party, the creditor. Debt is generally subject to contractual terms regarding the amount and timing of repayments of principal and interest. Debt can be issued in several forms like bonds, debentures, commercial papers, bank loans, etc.

   Non-Convertible Debt: Most fixed income instruments are non-convertible pure debt instruments. These securities promise a fixed periodic coupon payment over a predetermined period of time and the return of your principal at the time of expiration.

   Convertible Bonds: A convertible bond is like a conventional bond,
except that it can be converted into the issuing company's equity. Convertible bonds usually carry a lower interest rate than an equivalent conventional bond issued by the same firm to compensate added benefit of conversion.

Foreign currency convertible bonds (FCCBs) are a special category of convertible bonds. FCCBs are issued in currencies different than issuing company's domestic currency. Indian companies are increasingly issuing FCCBs to take benefit of interest arbitrage.

3. **Derivatives:** A derivative is a financial instrument, whose value is derived from some underlying source such as bond, stock, currency, commodity, interest rates etc. Derivatives instrument is an effective risk management tool to hedge the financial uncertainty. There are three classes of derivatives contracts: forwards & Futures, Options and Swaps.

**Complexities in Financial Instrument valuation:**

Securities valuation means determining the market value of equity instruments (viz. common stock and preferred stock), debt instruments (viz. bonds and bills of exchange), derivatives (viz. options and futures) issued by government agencies, financial institutions and corporate organizations.

Among the main factors driving the securities market value there are liquidity, demand and supply of similar instruments, stock market rates of similar securities, present value of future cash flows etc.

**Role of RBSA in financial instrument valuation:**

The procedure of **financial instrument valuation** may be intricate and complex. Choice of the most appropriate approach, model and assumptions is reliant on having sufficient knowledge of the operational and financial guidance of the business and the industry in which instrument belongs. The Financial Advisory Services experts at RBSA Advisors offer a blend of accounting, valuation and financial reporting and industry savoir-faire to assist you in financial instrument valuation.

**We have provided Valuation services for various Financial Instruments and Derivatives including:**

- Listed & Unlisted stock valuation
- Thinly traded stocks of public listed companies
- Bond valuation
- Options, Warrants, Grants and Rights and other derivative valuation
- Futures & Options and Forward Contracts
- Liability Valuation

**Credentials:**

**Following are select credentials in Valuation of Financial Instruments:**

- Financial Advisory Services for Valuation of Equity Shares of UFO Moviez India Ltd. for ESOP purposes.
- Valuation of Equity shares for ESOP purpose for Sure waves Media Tech Private Limited.
- Valuation of FCCB of Reliance Power for Financial Reporting Purposes under IFRS.

**RBSA Services**

- Valuation for Fema
- Valuation for Funds
- Valuation for Tax
- Valuation of Brand
- Valuation of Equity
- Valuation of Good Will
- Valuation of Patent

**Valuation**

- Business Valuation
- Valuation of Brands, Intangible Assets & Intellectual Property
- Valuation of Financial Securities, Instruments & Derivatives
- Valuation of Industrial Assets, Plant & Machinery
- Valuation of Real Estate
- Valuation of Infrastructure Assets & Specialized Assets
- Purchase Price Allocations for Mergers & Acquisitions
- Impairment Studies for Tangible Assets
- Impairment Studies for Intangible Assets & Goodwill
- Mines, Mineral Advisory and Valuation
- Valuation of ESOPs and Sweat Equity
- Valuation for Tax, Transfer Pricing and Company Law Matters
- Fairness Opinions
Investment Banking

- Mergers & Acquisitions
- Transaction Structuring & Advisory
- Due Diligence – Financial, Tax and Business
- Fairness Opinion
- Corporate Finance Advisory
- Corporate Restructuring, Business Reorganization
- Partner Search and Joint Ventures

Advisory Services

Financial Advisory for Dispute & Litigation

- Valuation & Financial Advisory Services
- Loss Assessment, Damages & Loss of Profit Analysis
- Independent Expert testimony
- Anti-trust & Competition Advisory
- Post-Acquisition Disputes, Joint Venture & Shareholder Disputes
- Civil & Construction Disputes, Real Estate Disputes
- Environment Damage Assessment
- Intellectual Property Rights Dispute
- Forensic Audit

Strategic & Risk Advisory Services

- Techno Economic Feasibility Studies
- Economic Viability & Financial Appraisal
- Business Plan Preparation

Real Estate Advisory Services

- Financial Modeling and Highest & Best Use Studies
- Investment Related Due-Diligence Exercises

Infrastructure Advisory Services

- Bid Advisory and Bid Process Management
- Preparation of Information Memorandums
- Preparation of Detailed Project Reports
**Technical Assurance Services**

- Technical Due Diligence Reviews for Mergers & Acquisition
- Lender's & Investor's Engineer Services
- Independent Engineer's Services
- Technical Opinion and Audits
- Chartered Engineer's Opinion & Certification
- Project Cost Investigations & Forensic Advisory
- Project Appraisal and Monitoring

**International Reach**

- Australia
- Bahrain
- China
- Europe
- Germany
- Hong Kong
- Sri Lanka
- India
- Japan
- Kuwait
- Oman
- Qatar