

2. **Identifying pain points:** In our last article, we have identified major Pain points for ride hailing service from customer and drivers' perspective. Pain points for startups can be broadly categorized into
 - ⊙ Management Risk.
 - ⊙ Growth of the business.
 - ⊙ Political environment.
 - ⊙ Demand Supply balance.
 - ⊙ Sales and marketing uncertainties.
 - ⊙ Fund raising.
 - ⊙ Market Competition.
 - ⊙ Obsolescence of Technology
 - ⊙ Disputes with service providers and end users.
 - ⊙ Risk of Market Reputation.
3. **Quantifying Probabilities and financial Impact:** Each identified pain point is assigned a probability (e.g., low, medium, high) and accordingly potential financial impact (minor, moderate, significant) is measured for all the pain points individually.
4. **Incorporate potential financial impact:** Identified financial impact is incorporated into the Pre-Money valuation.
 - ⊙ Revenue Valuation method, adjusting the multiplier accordingly.

- ⊙ In Discounted Cash Flow (DCF) models, risks/ Pain pointers are reflected in higher discount rates or reduced terminal growth rates.
- ⊙ In Relative Valuation, risks are considered by applying valuation multiples (e.g., EV/EBITDA) on the lower end of the spectrum compared to peers.

5. **Case Analysis:** Multiple cases are created to showcase various possible outcomes like best case, worst case, and base case.

Conclusion

The Pain point summarization valuation method offers practical way to incorporate start up business uncertainties into valuation. By systematically evaluating potential pain points, investors can achieve a balanced perspective on the company's future, growth, and financial stability. For a company like Ola, UBER this approach ensures a robust and realistic valuation that aligns with its risk profile.

So while this article focuses on perspective, wait for next article, to enter into figures which a valuer likes, by quantifying pain points mathematically.

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Reference website used:-

1. *6 Most Common Startup Valuation Methods-* by Jeff Schmidt

Corporate Corner

Congratulations!!!



Our heartiest congratulations to CMA Sandeep Kumar Jain on being elevated to the position of Executive Director (Finance) in the Maharatna PSU, POWERGRID, with effect from 29th November 2024.

A seasoned finance professional, Shri Jain began his career as a Junior Accountant (F&A) with NTPC, where he served for approximately three years. In 1991, he joined POWERGRID as an Officer (Accounts) and has since gained extensive and diverse experience in various facets of the Finance & Accounts department. His consistent dedication and expertise have significantly contributed to the organization's financial excellence.

We wish CMA Sandeep Kumar Jain, the very best for all his future endeavours.