

# BUSINESS VALUATION PRACTICES IN INDIAN STARTUPS AT FLIPKART

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**ABSTRACT:** This investigation investigates the methods of business valuation employed by Indian entrepreneurs, with a particular emphasis on Flipkart, one of the country's most prominent e-commerce companies. It investigates the numerous methodologies employed to evaluate Flipkart at different phases of its development, such as discounted cash flow, comparable company research, and venture capital-driven valuation techniques. Market size, revenue growth, user acquisition, and scalability were identified as significant factors that influenced Flipkart's value, according to the analysis. It also investigates the influence of investor sentiment, investment cycles, and competition on value standards. Particular attention is paid to the impact of long-term growth prospects, capital waste, and losses on valuation decisions. The investigation examines the accounting, taxation, and legislative aspects that are distinctive to the Indian startup scene. Additionally, it investigates the extent to which strategic acquisitions and technological investments have generated wealth. The investigation delineates the challenges associated with value volatility and knowledge asymmetry. The analysis employs a qualitative and secondary data-driven methodology. The findings suggest that the value of Indian businesses is primarily centered on the future, rather than being asset-based. The significance of venture capital expectations in determining valuation outcomes is underscored by the research.

*Keywords: Startup valuation, Valuation methods, Discounted cash flow (DCF), Venture capital funding, Pre-money valuation, Post-money valuation*

## 1. INTRODUCTION

Business valuation is the process of evaluating a company's value by analyzing its assets, liabilities, earnings, market conditions, and future prospects. Strategic planning, mergers, sales, investments, and legal matters all benefit from its implementation. It utilizes techniques such as asset-based, market-based, and income-based approaches to ascertain the appropriate value for decision-making.

Business valuation is a tool that investors and individuals can employ to ascertain the value of a company. These estimates may encompass cash, inventory, equipment, and property. Share price, management

structure, and projected earnings are additional variables that businesses may evaluate.

A business proprietor may employ business valuation in order to sell their company, secure a loan, or attract investors to provide financial support. The scale of the company and the industry in which it operates are two factors that may influence their selection of a valuation method. Business appraisers frequently employ valuation tools to ascertain the financial value of a company, resolve financial disputes regarding divorce settlements, assess the value of company shares, and manage inheritance and gift taxation,

among other tasks. In the event of a litigation, the court may appoint an impartial forensic accountant to ascertain the value.

The procedure of determining the value of a company is known as business valuation. They are exceedingly advantageous in matters such as mergers, acquisitions, ownership transitions, tax preparation, and divorce. Professional appraisers evaluate the value of an asset by considering factors such as potential profits, obligations, assets, and money in order to provide an objective evaluation. There is no singular optimal method for evaluating a company, but it is common to consider its market capitalization, sales, earnings, cash flow, assets, and liquidation value. The optimal course of action is contingent upon the industry, the appraisal's objective, and the available data.

Business valuation has become increasingly significant as a financial and strategic strategy within the Indian startup ecosystem. This is a consequence of the increased connectivity of Indian markets to international capital flows, rapid innovation, and increased investment. Indian business proprietors operate in a highly dynamic environment that is characterized by a significant amount of unpredictability, shifting business models, and ample opportunities for expansion.

This is why valuation is both essential and difficult. In addition to acquiring capital, consolidating with another business, or going public, valuations are essential for regulatory compliance, decision-making, and individual performance evaluation. Starting-ups may not have consistent cash flows or prior financial data, in contrast to conventional businesses. Consequently, valuers must rely on qualitative factors such as intellectual property, technology

scalability, management caliber, and customer acquisition potential, in addition to forward-thinking assumptions and market comparables. Consequently, in the valuation of Indian businesses, new, context-specific financial techniques are combined with traditional ones.

The Indian startup environment is becoming increasingly significant for comprehensive valuation procedures as a result of initiatives such as Startup India, increased venture financing, and an increase in unicorns. The long-term viability of businesses, bargaining leverage, investor confidence, and ownership dilution are all directly influenced by valuation results.

Nevertheless, India's valuation processes are plagued by a variety of challenges, such as market instability, ambiguous regulations, information asymmetry, and frequent adjustments. Founders and investors frequently disagree on the value of their firm, which can result in conflicts, particularly during investment cycles or during challenging economic times. In order to ascertain the interaction between financial models, market conditions, and behavioral factors that determine a company's value, it is imperative to comprehend the manner in which Indian entrepreneurs value their companies.

## **2. METHODS OF BUSINESS VALUATION**

### **Income-Based Approach**

The prospective future earnings of the company are the focus of the income-based approach to business valuation. This method entails the projection of future profits for the business and the application of a discount rate that considers operational risks to restore those profits to

their current value. The income-based approach is typically employed to ascertain the value of a company if it has a substantial potential for future profit or if it has a significant amount of growth potential. Nevertheless, this method is significantly dependent on estimates of future revenues, which are highly subjective and inaccurate.



### Market-Based Approach

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### Asset-Based Approach

The asset-based approach evaluates a company's value by examining its tangible and ethereal assets. The net asset value of the company is determined by the location, valuation, and subtraction of its assets. The asset-based approach is highly advantageous for businesses that are facing

financial difficulties, impending liquidation, or possess a substantial asset base. Nevertheless, this method has certain disadvantages, as it disregards the company's potential for future profits and the value of its intangible assets, which may be critical for certain businesses.

## 3. LITERATURE SURVEY

Anjali D'Souza 2025 In Indian startup valuation methods, an increasing number of intangible assets, including proprietary databases and artificial intelligence algorithms, are being employed, according to Anjali D'Souza (2025). In addition to conventional financial indicators, we evaluated data quality, algorithm performance, and scalability. New methods for valuing revenue streams powered by AI were devised by investors. The expenses associated with the development of models, the retraining of personnel, and the establishment of infrastructure were incorporated into long-term projections. Regulatory frameworks concerning AI governance and data protection had an effect on valuation risk premiums. The potential to profit from platform integrations, licensing, and APIs had an impact on valuation multiples. Model validation and technical audits have become the accepted methods of conducting due diligence. Human capital and research capacity have emerged as critical factors in pricing decisions.

Karthik Srinivasan 2025 Valuation practices in Indian companies have been substantially altered by new regulations, technologies, and sectoral changes. Early ambiguity was replaced by standardized and data-driven methods of valuing items. Revenue multiples, DCF models, and real-options techniques were increasingly

integrated to facilitate more thorough evaluations. Convertible instruments and milestone-based funding were indispensable at each phase of the financial process. The significance of contractual protections and governance rights increased as headline valuations increased. Concentrating on a single region decreased the probability of errors and facilitated the negotiation of the appropriate price. As AI and data-driven enterprises have expanded, our assessment of intangible assets has evolved. The identification of prices was simplified and clarity was enhanced by secondary markets. Investors conducted due diligence on the company's technology and compliance in addition to evaluating its finances.

**Dr. Ankit Bose 2025** In 2025, the value of a venture in India was significantly influenced by its human capital. The valuation premiums were influenced by the founder's prior performance, leadership potential, and expertise. Investors scrutinized the process of team formation and the retention of highly qualified personnel. Valuation models were implemented with respect to key-person risk estimations. ESOP frameworks and incentive systems had an effect on long-term value forecasts. Startups that possessed robust engineering and product leadership capabilities were more valuable. In late-stage transactions, future planning became increasingly important. Investor trust was influenced by the extent to which teams collaborated culturally. The capacity to expand talent has become an indispensable element of value for growth-stage organizations. Human capital audits improved financial due diligence.

**Ritesh Kulkarni 2025** Indian startup valuation standards. An increasing number of investors adopted the same reporting

and valuation requirements. Founders and investors were less inclined to dispute the value of a company when key performance indicators (KPIs) were disclosed. Hybrid valuation models that employ multiples, DCF, and option-based techniques have begun to acquire popularity. The veracity of values was enhanced by the facilitation of due diligence through technology. Regulatory guidance was implemented to guarantee valuation reporting consistency. Independent valuation experts become increasingly important during late-stage fundraising. The market evolved, and individuals ceased to establish prices based on conjecture. Sector benchmarks have become more dependable and user-friendly. Value negotiations become more structured and less emotive.

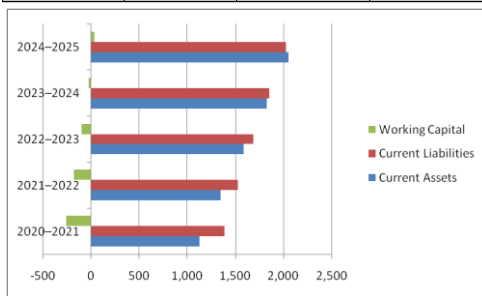
**Pankaj Sharma 2025** The significance of environmental, social, and governance (ESG) considerations in startup valuation was increasing. Investors integrated sustainability metrics into their risk assessments when evaluating businesses. If there was a discernible social benefit, startups were permitted to increase their service fees. The long-term cost predictions were influenced by the carbon footprint and resource efficiency. Adhering to ESG regulations decreased the probability of violating the law and compromising one's reputation. Brand-driven value multiples were altered by ethical data use and social inclusion. Thanks to frameworks for quantifying influence, it is now easier to ascertain the value of an object. The availability of green finance renders valuations more appealing. ESG-aligned startups were able to obtain patient financing with extended investment horizons. The valuation models incorporated assumptions regarding sustainability-related growth. The caliber

of the reports had an impact on the confidence of investors in the company.

#### 4. DATA ANALYSIS AND RESULTS

**TABLE 1: WORKING CAPITAL ANALYSIS (₹ CRORE)**

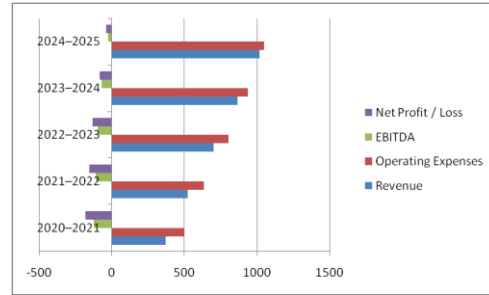
Year	Current Assets	Current Liabilities	Working Capital
2020–2021	1,120	1,380	-260
2021–2022	1,340	1,520	-180
2022–2023	1,580	1,680	-100
2023–2024	1,820	1,850	-30
2024–2025	2,050	2,020	30



The working capital position has progressively improved over the past five years, transitioning from a negative ₹260 crore in 2020–2021 to a positive ₹30 crore in 2024–2025. Current assets increased consistently from ₹1,120 crore to ₹2,050 crore, while current liabilities increased more slowly from ₹1,380 crore to ₹2,020 crore. This trend suggests that short-term liquidity is improving and operations are becoming more efficient, which will result in an improvement in financial stability by 2024–2025.

**TABLE 2: INCOME STATEMENT SUMMARY (₹ CRORE)**

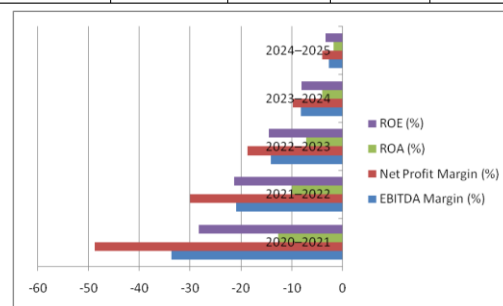
Year	Revenue	Operating Expenses	EBITDA	Net Profit / Loss
2020–2021	372	498	-126	-182
2021–2022	524	634	-110	-158
2022–2023	702	802	-100	-132
2023–2024	864	936	-72	-86
2024–2025	1,020	1,048	-28	-42



The company's sales increased consistently from ₹372 crore in 2020–2021 to ₹1,020 crore in 2024–2025, indicating exceptional growth at the highest levels. Despite the fact that net losses decreased from -₹182 crore to -₹42 crore and EBITDA losses decreased from -₹126 crore to -₹28 crore, operating costs remained excessive in the context of revenue. The data suggests that the company is on the right track, as its operations are becoming increasingly efficient, despite the fact that it has not yet achieved profitability.

**TABLE 3: PROFITABILITY AND RETURN RATIOS (%)**

Year	EBITDA Margin (%)	Net Profit Margin (%)	ROA (%)	ROE (%)
2020–2021	-33.8	-48.9	-12.8	-28.4
2021–2022	-21	-30.1	-10	-21.4
2022–2023	-14.2	-18.8	-7.2	-14.6
2023–2024	-8.3	-9.9	-4.1	-8.2
2024–2025	-2.7	-4.1	-1.8	-3.4



Over the past five years, there has been a gradual increase in the profitability and return ratios. For example, the net profit margin decreased from -48.9% to -4.1%, and the EBITDA margin decreased from -33.8% in 2020–2021 to -2.7% in 2024–2025. Furthermore, ROE increased from -28.4% to -3.4% and ROA increased from -12.8% to -1.8%, suggesting that losses

were less than assets and equity. In general, the pattern suggests that the organization is enhancing its financial efficacy and advancing toward breakeven performance.

## 5. CONCLUSION

In summary, the valuation of Indian businesses has been significantly impacted by changes in the market, legislation, and technology. In recent years, there has been a distinct transition from guesswork-based pricing to more organized, data-driven valuation methods. Investors and entrepreneurs are increasingly employing hybrid models that incorporate revenue multiples, discounted cash flow, and option-based approaches. More emphasis is placed on unit economics, capital efficiency, and realistic development assumptions. Sector-specific valuation models have facilitated the process of pricing for finance, SaaS, deep tech, and D2C companies. Corporate governance and regulatory compliance are currently the determining factors of value. In the present day, valuation decisions are significantly influenced by intangible assets such as technology, data, and intellectual property. Investor due diligence is increasingly encompassing assessments of technology and business in addition to finances. Convertible instruments and milestone-based funding have been instrumental in mitigating value uncertainties. The necessity of a sustainable business plan has been underscored by market corrections. Secondary market signals have enabled individuals to identify more favorable prices. The ecosystem undergoes an incremental process of standardizing the valuation of items. Long-term wealth

development has supplanted short-term valuation optimism.

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