



**STCI FINANCE LIMITED**

**REQUEST FOR PROPOSAL**

**ENGAGEMENT OF CONSULTANT FOR  
UNDERTAKING EQUITY VALUATION**



## REQUEST FOR PROPOSAL FOR ENGAGEMENT OF CONSULTANT FOR EQUITY VALUATION

### 1. Background

STCI Finance Limited ('STCI' or 'the Company'), is a Systemically Important Non-Deposit Taking Non-Banking Financial Company (NBFC-ND-SI) registered with Reserve Bank of India (RBI), and is presently classified as a Loan Company.

STCI was promoted by Reserve Bank of India in May 1994, jointly with public sector banks and All-India Financial Institutions with the objective of fostering an active secondary market for Government of India Securities and Public Sector bonds. The company was accredited as one of the first Primary Dealers in India in the year 1996. As the leading Primary Dealer in the country, the Company was a market maker in government securities, corporate bonds and money market instruments.

RBI has since divested its holding in two phases in 1997 and 2002 in favour of banks and All India Financial Institutions. At present, Bank of India is the largest shareholder in the Company with 29.95% stake.

With a view to diversify, the Primary Dealership business was demerged into its wholly owned subsidiary, STCI Primary Dealer Limited (STCI-PD) in 2007. Since then, the Company has been undertaking lending and investment activities as a Systemically Important - Non Deposit taking Non Banking Financial Company (NBFC-ND-SI) with main focus on lending and financing activities. Over a period of time, the size of the Company's loan book has grown and lending/financing activity has become its core business. With a view to reflect the widening scope of its business, the name of the Company was changed from Securities Trading Corporation of India Limited to 'STCI Finance Limited' with effect from October 24, 2011.

Subsidiaries:

1) STCI Primary Dealer Limited (STCI PD)

STCI PD is a wholly owned subsidiary of the company established in October 2006, consequent to the hiving off of the Company's primary dealership business. STCI PD currently undertakes market making and trading in government securities, corporate bonds, money market instruments, interest rate swaps and trading in equity (both cash and F&O). STCI PD also participates in underwriting the weekly Government securities auctions as a part of its responsibility.

2) STCI Commodities Limited (STCI Comm.)

STCI Comm. is also wholly owned subsidiary of the Company. STCI Comm. used to provide brokerage, investment and advisory services in Indian Commodities Markets. Since September 2011, management has decided to exit this business and all the operations of STCI Comm. have been discontinued and the company is in the process of liquidating its assets and settle all its liabilities.

For more details about Company and its subsidiaries, please refer to the Company's website:

[www.stcionline.com](http://www.stcionline.com)



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### **2. Objective**

The Company intends undertaking a fair valuation and assessment of its equity shares. To this effect, it is proposed to engage the services of an independent and reputed firm, to act as 'Consultant' for carrying out fair valuation and assessment of company's equity shares, in accordance with the internationally accepted and widely used valuation methodologies. Detailed scope and various segments of the assignment have been described at the Para 3 on Terms of Reference (TOR).

Accordingly, proposals are invited from firms of international repute to act as Valuer for determining the value of equity shares of STCI taking into account its consolidated business and strategic investments.

### **3. Term of Reference (TOR)**

The responsibilities of the Consultant shall involve carrying out the fair valuation of Company's equity shares as per the Terms of Reference (TOR), which shall include, but not limited to the following:

- a) Carrying out fair valuation and assessment of STCI and its equity shares, in accordance with internationally accepted and widely used valuation methodologies for entities engaged in NBFC & PD business.
- b) Carrying out fair assessment of the business plan, future revenue estimates and profitability projections.
- c) Carrying out (i) analysis of revenue and costs; (ii) trend analysis; (iii) industry analysis and assessment of key valuation drivers; and (iv) sensitivity analysis.
- d) In determining the fair value of equity shares of the Company, the Consultant shall consider various methodologies, including, but not limited to Discounted Cash Flow Method, Earnings and Growth Method, Comparable Companies Method and Past Transaction Multiples Method. The merits and demerits of each methodology along with applicability thereof in the valuation of STCI shall also be commented upon.
- e) The Consultant should undertake a comprehensive valuation by one or more methodologies, applying weightages for such methodologies with justification for such weightages;
- f) Compliance with applicable RBI/SEBI guidelines and principles of valuation, if any; and
- g) Rendering such other assistance as may be required in this connection.

Note : The valuer shall also consider the following points while undertaking valuation:

- i. Nature of the business and the history of the Company;
- ii. Economic outlook in general and outlook of the industry in particular;



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- iii. Book value of the Equity Shares and the financial condition of the business;
- iv. Assessment of the loan receivables and various investments of STCI.
- v. Earning capacity of the company;
- vi. Goodwill or other intangible value;
- vii. Market prices of stock of corporations engaged in the same or a similar line of business;
- viii. Contingent liabilities or substantial legal issues, impacting the business;
- ix. Past and recent M&A transactions, to infer fair market value of STCI's business.

#### 4. Deliverables

The valuer will be required to deliver:

- a) A draft report on assessment of present loan receivables and investments which will be discussed with STCI management.
- b) A draft valuation report stating all the assumptions and scenarios which will be discussed with the STCI management.
- c) Final detailed report on the assessment of present loan receivables and investments of STCI.
- d) Final detailed valuation report on fair value of STCI and its equity shares after discussions and observations of STCI management.
- e) Excel based valuation model/workings – editable which can be used by STCI subsequently, capable of running scenarios under different assumptions.
- f) Presentation to the management of the Company justifying the valuation and the underlying assumptions and outcomes.

Please note that the valuation reports shall include, but not limited to the following:

- i. Valuation of equity shares of STCI (standalone and consolidated basis)
- ii. Valuation of strategic investments of STCI
- iii. All the information necessary to allow a clear understanding of the valuation analyses and demonstrate how the conclusions were reached.
- iv. Conclusion and identify the information relied upon in the valuation process.
- v. The valuation approach(es), valuation method(s), and valuation procedures adopted in determining the estimate of value and a description of how they were applied
- vi. Description of the material assumptions applied in the valuation and the basis for those assumptions
- vii. All qualifications that materially affect the conclusion of value or calculated value.

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**5. Time Lines**

The engaged firm is expected to complete the valuation exercise as detailed below:

- a) Preparation of valuation model and submission of draft valuation report not later than 21 days from the Engagement Letter (EL) entered into between the Company and the Consultant for award of assignment.
- b) Issue of final report not later than 5 days from receiving final comments from the Company.

**6. Terms of Payment of Fee**

<b>Sr No</b>	<b>Milestone</b>	<b>Fee Payable (% of Fee as per EL)</b>
1	On acceptance of engagement letter	30%
2	Submission of Draft Valuation Report & Presentation to STCI Management	30%
3	Submission of Final Valuation Report and acceptance by STCI	40%

The payment shall be made, after deduction of applicable TDS within 10 days from the submission of bill.

**7. Eligibility Criteria**

The Bidders must satisfy the following eligibility for the services they intend to provide as per TOR of the RFP, before submitting their proposals:

- a) The Bidder shall be any one of the following, with the constitution being Public/ Private Limited Company, Partnership Firm or LLP:
  - i. SEBI Registered Merchant Banker
  - ii. Financial Advisor
  - iii. Management Consultant
  - iv. Chartered Accountant Firm
- b) The Bidder should have handled and completed at least 1 valuation assignment of a NBFC company with Net Worth of RS.1000 CRS or more during the last 3 years ending 31<sup>st</sup> March, 2016.
- c) The Bidder should have a positive tangible net worth and average audited turnover of not less than INR 20 CRS (Rupees Twenty Crore) from consulting activities/ business in the last 3 (three) years, the latest financial year ending March 31, 2016.
- d) The bidder should have never been blacklisted/barred/disqualified by any regulator/statutory body in India.
- e) Bidding in consortium is not allowed.

Documentary evidence for all the aforementioned eligibility criteria should be duly submitted.



### 8. Submission of Proposal

The proposal is to be submitted in two parts each, contained in separate sealed envelopes viz. (i) Technical Proposal (the techno-commercial offer) and (ii) Financial Proposal (the price/ financial offer). The signed original Technical Proposal shall be placed in a sealed envelope clearly marked **“Envelope I - Technical Proposal”**. Similarly, the signed original Financial Proposal shall be placed in a sealed envelope clearly marked **“Envelope II - Financial Proposal”**. The envelopes containing the Technical Proposal and Financial Proposal shall be placed in an outer envelope and sealed. This outer envelope shall clearly mention the Date, Bidder’s Name and Address and shall be superscribed **“Engagement of Consultant for Undertaking Equity Valuation”**

### 9. Technical Proposal

The Bidders shall submit the ‘Letter of Technical Proposal Submission’ (as per Annexure - I) complete with all technical and commercial details and necessary documents for Eligibility Criteria and Technical Evaluation. The Technical Proposal shall include, but not be limited to, the information as given below:

- a) Bidder’s Profile (particulars of constitution, ownership, main business activities, registration details, size, existence and geographical presence including number of offices and infrastructure, human resources, experience, reputation etc.) Certificate of Registration of Bidder or any equivalent documents should be attached.
- b) Financial soundness of the Bidder (turnover for the last 3 (three) years). This should be supported by enclosing the Audited Financial Statements for 3 (three) years.
- c) Details of experience of the Bidder in valuation of enterprise or assignments similar to the proposed assignment/ job as per TOR for the last 3 (three) years for Indian companies should be provided. The above information should be supported by providing description of assignments including client name, job title, scope of services, date of assignment award and completion, deal size and other key details. Appropriate documentary evidence for the same may be provided as a part of the technical bid.
- d) Details of valuation assignment done for Gol / PSUs / others, with documentary evidence, including contact details, for verification
- e) Sector Expertise, Experience and Understanding of NBFC sector
  - ❖ The valuation transactions handled in the area of NBFC’s.
  - ❖ Exhibit strength/expertise in the areas of NBFC’s, if any.
  - ❖ Indicate work done in the areas of NBFC’s- like advisories, studies or research undertaken.
  - ❖ Research Reports done on the companies operating in areas of NBFC’s.



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- f) Team Qualification & Manpower Commitment to the Deal
- ❖ Details of core team that will be handling the proposed Valuation assignment, their status in the organization, their background, qualification, experience and present addresses, telephone numbers office, residence, mobile, e-mail etc. - hands-on experience should be furnished. Similar details in respect of the supervisory team may be indicated separately.
  - ❖ Details of other professionals who would provide back-up support may also be indicated separately.
  - ❖ An undertaking is also to be given that if during the process, any of the core team members is not available only due to resignation, another person of the similar qualification and experience would be made available with concurrence of the Company.
- g) Further, all documentary evidence for showcasing experience of the bidder as required for Technical Evaluation should be provided.

### **10. Financial Proposal**

The Bidder is required to quote a lump sum fee in INR (Indian Rupees) for the assignment in a separate sealed envelope superscribed '**Envelope II - Financial Proposal**'. The fee quoted by the Bidder should be inclusive of all incidental and other expenditure for execution of the services/ assignments covering all work as mentioned in the RFP/ Terms of Reference, but exclusive of taxes as applicable, in the format as per **Annexure - II** only. Further, the fee quoted should be unconditional.

### **11. Last Date for submission of Proposals**

The interested Bidders may submit their proposal as specified above so as to reach before 6 pm on June 20, 2016 on the following address:

**To,**  
**The Managing Director**  
**STCI Finance Limited**  
A/B 1-802, A-Wing, 8<sup>th</sup> Floor,  
Marathon Innova, Marathon Nextgen Compound,  
Off Ganapatrao Kadam Marg, Lower Parel,  
Mumbai - 400 013.

No proposal will be entertained after the appointed time and date. Company will not be responsible for any postal/courier delay. The proposals received after the appointed time and date will be summarily rejected.



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### **12. Opening of Bids and Evaluation of Proposals**

- a) The opening of the Technical Proposals shall take place at the registered office of the company on June 22, 2016.
- b) After the short-listing of Bidders based on technical evaluation, Qualified interested Bidders, would be required to make a power point presentation of 10 to 15 minutes of their credentials, for the proposed transaction, before Evaluation Committee, in Company's office. The Bidder is also required to indicate brief valuation methodology in the power point presentation to be made before Evaluation Committee, on June 24, 2016.
- c) Evaluation Committee would open the Financial Bids of only short listed Bidders on June 27 2016 at 3.00 PM in registered office of the company. The bidder quoting the lowest financial bid or L1 would be appointed as Valuer for the transaction. For any reason if L1 is disqualified subsequent to assignment of valuation, L2 will be considered for assignment of valuation.

### **13. Proposal Validity**

The Proposals must be valid for a period of 3 (three) months from the date of submission of Proposals.

### **14. Engagement Letter**

STCI shall enter into an Engagement Letter (EL) with the Bidder selected as Consultant for the proposed assignment after completion of the bid evaluation and selection process, within 10 days of the date of completion of evaluation process.

### **15. Undertaking by Bidder**

The Bidders shall furnish the following Undertaking as a part of their Proposal: "We certify that there has been no conviction by a Court of Law or indictment/ adverse order by a regulatory authority for a grave offence against us or any of our sister concerns. It is further certified that there is no investigation pending against us or any of our sister concerns or the CEO, Directors/ Managers/ Employees or our concern or any of our sister concerns. It is certified that no conflict of interest exists as on date and in future if such a conflict of interest arises, we will intimate STCI Finance Limited of the same".

### **16. Conflict of Interest**

The Consultant shall not engage, and shall cause their personnel as well as their sub-consultants and their personnel not to engage, either directly or indirectly, in any business or professional activities which would conflict with the activities assigned to them under this assignment. Further, the Consultant and any of their affiliates shall not get associated as Consultant/ Advisor or in any other capacity for this Transaction with any of the prospective Bidders taking part in the bid process during the currency of this assignment.





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### **17. Confidentiality**

The Consultant shall agree that all confidential information relating to the engagement and disclosed for the purpose of this engagement shall be kept confidential, from the date hereof until the end of a period of 1 year from the date of completion of the engagement or termination of this Agreement, whichever is earlier.

### **18. Other terms and conditions**

- a) STCI reserves the right to reject any or all Proposals without assigning any reason thereof as well as the right to add/ delete/ modify any one or more of the terms and conditions of the RFP. STCI also reserves the right to not to award the assignment to any of the Bidders and may terminate the process at any time without thereby incurring any liability.
- b) STCI reserves the right to discontinue the services of the appointed Consultant for any reason at any point of time, without assigning any reason, in the event the assignment is called off. Further, STCI reserves the right to discontinue the services of the appointed Consultant at any point of time on account of force-majeure or unsatisfactory performance by the Consultant.
- c) STCI reserves the right to withdraw the RFP at any time before signing of a definite Agreement/ Contract (Engagement Letter) for the assignment, without assigning any reason and shall not be held liable for any losses or damages caused by such withdrawal.
- d) The decision of STCI in regard to acceptance or non acceptance of the proposal will be final and binding on the Bidders.

### **19. For any further clarification:**

Email - [response@stcionline.com](mailto:response@stcionline.com)

Telephone - 022 -61425173



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**ANNEXURE - I**

**LETTER OF PROPOSAL SUBMISSION**

Technical Proposal

(On the letterhead of the Bidder)

Date:

To,

The Managing Director  
STCI Finance Limited,  
A/B 1-802, A-Wing, 8<sup>th</sup> Floor,  
Marathon Innova, Marathon Nextgen Compound,  
Off Ganapatrao Kadam Marg, Lower Parel,  
Mumbai - 400 013.

**Ref: Request for Proposal dated June 10, 2016 inviting Technical Proposal for Engagement of Consultant**

**Sub: Engagement of Consultant for Undertaking Equity Valuation**

Sir,

Being duly authorised to represent and act on behalf of..... (hereinafter referred to as "the Bidder"), and having reviewed and fully understood all of the requirements of the Request for Proposal (RFP) provided, the undersigned hereby apply for the assignment referred above.

We certify that we..... (name of the Bidder) satisfy all the eligibility criteria provided in the RFP and we have provided other necessary documents in support of the eligibility criteria.

We hereby declare that our company, firm, our associate/ group firm have not indulged in any such activities which can be termed as the conflicting activities as given in the RFP document. We also acknowledge that in case of misrepresentation of the information, our proposal/ Agreement shall be rejected/ terminated, which shall be binding on us.

We also enclose the Financial Proposal as per Annexure II of the RFP.

Yours sincerely,

Signature

Name (Authorised Signatory)

For and on behalf of

.....



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**ANNEXURE - II**

Financial Proposal

(On the letterhead of the Bidder)

Date:

To,

The Managing Director  
STCI Finance Limited,  
A/B 1-802, A-Wing, 8<sup>th</sup> Floor,  
Marathon Innova, Marathon Nextgen Compound,  
Off Ganapatrao Kadam Marg, Lower Parel,  
Mumbai - 400 013.

**Ref: Request for Proposal dated June 10, 2016 inviting Financial Proposal for Engagement of Consultant**

**Sub: Engagement of Consultant for Undertaking Equity Valuation**

Sir,

I/We have perused the Request for Proposal (RFP) for the subject assignment and other details and am/ are willing to undertake and complete the assignment as per terms and conditions stipulated in the RFP document.

Our consolidated offer, inclusive of all incidental and other expenditure for execution of the services/ assignments covering all work as mentioned in the RFP/ Terms of Reference, but exclusive of taxes as applicable, is as follows:

Fee: Rs. .... (Rupees .....)

This offer is valid for a period of 3 (three) months from the date of submission of Proposal.

Yours sincerely,

Signature

Name (Authorised Signatory)

For and on behalf of

.....