

What happens
when your
Finance is your
negotiator

PREQUATE

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About when we
renegotiated the
acquisition price for a
company to 50%

How it began

Ceyes Private Limited is a 13 year old company with SaaS based application in the education space with a team of over 100 employees. **Prequate** was brought in by the **Diez** acquirers to assess **Ceyes** renegotiate the acquisition price.

Ceyes had a good time tested product with great scalability and client delivery spanning several years. Over the next 3 years, they were aggressively expanding their footprint across 2 new countries.

Disclaimer: **Diez** started a limited engagement that allowed **Prequate** to perform a fit assessment, a detailed due diligence of the company and assist in negotiations of the asking price of **Ceyes** for a take over of the company.



the problem set

Prequate developed the acquisition objective for **Diez** and the key expectations of the acquisition. **Prequate** identified the key challenges post merger for integration and possible timeline lapses. The key challenges were:

- > Structuring of the contracts were loose and not capable of renegotiation for future offerings
- > Back end was not capable of being replicated as it followed a client approach
- > Team was mostly new and level of knowledge of product capabilities was low
- > Sales effort was still lead by the CEO

the approach

Prequate performed an analysis of the post merger play of various variables.

- > There needs to be a sensitivity analysis on the probability of contracts not lasting
- > Are there any onerous contracts and hidden liabilities?
- > What builds scale in the company and can these be assessed and valued?
- > What are the hidden costs for management which are not factored at the time of modeling?

action steps

- > *Perform a scalability assessment:* Identify whether the contracts, business and team is scalable and the evaluate the cost of making them
- > *Develop a list of potential liabilities:* Identify hidden liabilities within the system and ascertain possible exposure
- > *Create a list of management vacancy:* Identify and develop a list of management positions required
- > *Breakdown:* Create a fund plan for post merger integration

the results

Prequate worked out the following in under 15 days used for negotiations

- > Possible contract renewal issues costing the company over USD 2Mn
- > Potential IP ownership conflicts from earlier entered licensing deals entered
- > Hidden liabilities exceeding USD 1Mn and lack of arms length in buying transactions
- > Over reporting by cross sell of services and products to win orders
- > Lack of succession for KMP and cost of replacement

- > Completed a Due **Diligence in under 15 days**
- > Identified over **3Mn of leakages** not recorded on books
- > Renegotiated the asking **acquisition price to less than 50%**
- > **Reduced deal negotiation process to 2 weeks** from planned 4 weeks

impact matters

Need more clarity?

Prequate works with organizations to help them understand their environment and do business in a leaner and smarter way.

By helping businesses interpret their surroundings, Prequate helps amplify the impact of their strategies and executional strengths without worrying too much, or with a lot more clarity, as to how their environment may be respond.

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