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BENCHMARKING WITH THE USE OF A LIVE INDIAN DATABASE

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❖ Approaches to conducting a screening within a database:

1. *Top-down approach / deductive approach:*

Screening begins with the widest possible set of companies that operate in the same sector of activity

2. *Bottom-up approach / additive approach:*

Screening begins with the inclusion of known third party comparables

- Often both approaches are combined during screening process

❖ Functional profile of the tested party:

Indian company engaged in ITeS outsourcing business

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❖ Selection of quantitative criteria:

Filter	Significance / Reasoning
Net worth > 0	To eliminate companies suffering chronic losses
1 < Sales < 500	To eliminate start-ups and companies enjoying economies of scale advantages due to sheer size
Net Fixed Assets / Sales < 200%	To eliminate companies other than in service industry (Ratio measures a company's ability to generate sales from fixed-asset investments)
RPT / Sales < 10%	To eliminate companies whose net income may be influenced by their related party transactions

★ Thank You ★