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IBBI Reg. No.: IBBI/RV/02/2018/10303 & 10304

Vadodara

SAMPLE VALUATION REPORT ON VALUATION OF PLANT & MACHINERY OF M/S GOLDCO INDIA LIMITED UNDER INSOLVENCY RESOLUTION PROCESS FOR CORPORATE PERSONS (IBC 2016)

1.0 INTRODUCTION

This report is taken up at the instance of the duly appointed Mr. Ajitabh Bachchan, Registration No. IBBI/IPA-0xx/IP-N00yyy/2018-19/1x3yz as Resolution Professional (RP) under the order passed by the NCLT, Ahmedabad with reference order No. CP(IB)No. 3xx/NCLT/AHM/202y on dd.mm.202y to initiate the corporate insolvency process of the company M/s. GOLDCO India Limited having registered office at Plot No 2, GIDC Estate, Palxxxx, Dist- yyyyy, State of Gujarat hereinafter referred to as the company.

2.0 SCOPE OF WORK (AS PER IBC 2016)

2.1 Identify the Valuer

Mr. R. K. Patel is B.E. (Mech.), M.E. (Mech.), Master of Science in Real Estate Valuation, Cost Accountant and Insolvency Professional. He is having more than 38 years of industry experience.

2.2 Nature Of Valuation Work

- a) To determine the FAIR VALUE and LIQUIDATION VALUE of all the TANGIBLE ASSETS of the company. For this purpose, the Fair Value and Liquidation Value shall have the meaning assigned to it in Regulation 2 (1) (hb) and Regulation 2 (1) (k) respectively of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016. This terms are defined in the said Regulation as below:

According to Regulation 2 (1) (hb): "**Fair Value**" means the estimated realizable value of assets of the corporate debtor, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion.

According to Regulation 2 (1) (k): "**Liquidation Value**" means the estimated realizable value of the assets of the corporate debtor, if the corporate debtor is to be liquidated on the insolvency commencement date.

- b) The **Fair Value** and **Liquidation Value** as specified in the above paragraphs shall be computed in accordance with the internationally accepted valuation standards, after physical verification of the inventory and the fixed assets of the

company included in the scope of work.

- c) In this connection refer the Regulation 35 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations,2016.
- d) Valuation report shall state that the specific international valuation standards adopted in the valuation of each class or type of assets.
- e) To provide us a certificate as per the format provided in Annexure-2 of the letter of appointment.

2.3 Asset to Be Valued

- 1) Plant & Machinery as detailed at schedule

2.4 Schedule:

The report duly signed and stamped in tightly sealed cover addressed to the initiating learned IRP/RP/Liquidator, as the case may be. Confidentiality of the contents of the report shall not part to any person other than the person legally entitled to receive the report as per registration no.35(3) of the code.

2.5 Disclosure

Neither the valuer nor any employee/associate of him or his firm or has any current or Contemplated future financial interest in the property appraised.

2.6 Client

The client of this valuation report is duly appointed Resolution Professional (RP) Mr. Ajitabh Bachchan, Registration No. IBBI/IPA-0xx/IP-N00yyy/2018-19/1x3yz.

2.7 Other intended users

Apart from the client, there is no other intended user of this valuation report.

2.8 The Valuation Currency

The valuation currency of this assignment is INR (Indian Rupee).

2.9 Purpose of Valuation

The purpose of this valuation exercise is to arrive at fair value and liquidation value of the said assets.

2.10 Basis/bases of value used

The basis of valuation exercise to determine fair value and liquidation value having meaning assigned to it in regulation 2 (1)(hb) and regulation 2 (1)(k) represents of the IBBI (Insolvency Resolution Process For Corporate Persons) Regulation, 2016

Regulation 2 (1) (hb) defines “Fair Value” :

“Fair Value” means the estimated realizable value of assets of the corporate debtor, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion.

Regulation 2 (1) (k) defines “Liquidation Value”:

“Liquidation Value” means the estimated realizable value of the assets of the corporate debtors, if the corporate debtor is to be liquidated on the insolvency commencement date.

It is also said that fair value and liquidation value shall be computed in accordance to the Internationally Accepted Valuation Standards. Present IVS 2017 are in force. Thus the base of value of this valuation exercise has been chosen following IVS 104.

According to IVS 104.10.1 Bases of value (sometimes called standards of value) describe the fundamental premises on which the reported values will be based. It is critical that the basis (or bases) of value be appropriate to the terms and purpose of the valuation assignment, as a basis of value may influence or dictate a valuer's selection of methods, inputs and assumptions, and the ultimate opinion of value.

IVS 104.20.1(a) provides us with the following IVS-defined bases of value:

1. Market Value (section 30),
2. Market Rent (section 40),
3. Equitable Value (section 50),
4. Investment Value/Worth (section 60),
5. Synergistic Value (section 80),
6. Liquidation Value (section 80) and
7. Fair value (international financial reporting standards) (section 90)

According to IVS 104.20.2 Valuers must choose the relevant basis (or bases) of value according to the terms and purpose of the valuation assignment. The valuer's choice of a basis (or bases) of value should consider instructions and input received from the client and/or its representatives

In this case, the client has specifically assigned the job to the valuer to estimate the fair value and liquidation value of the assets. Therefore, the relevant basis of value of this assignment should be "**Fair Value**" and "**liquidation value**".

IVS 2017 (section 80) defines "Liquidation Value" is the amount that would be realized when an asset or group of assets are sold on a piecemeal basis. Liquidation Value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation value can be determined under two different premises of value:

- a) An orderly transaction with a typical marketing period (see Section 160), or
- b) A forced transaction with a shortened marketing period (see Section 170).

IVS 2017 (section 90) defines fair value as per international financial reporting standards. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2.11 Valuation Dates

- | | | |
|---------------------------------|---|------------|
| 1) The date of valuation | : | dd.mm.202y |
| 2) The date of inspection | : | dd.mm.202y |
| 3) The date of valuation report | : | dd.06.2021 |

2.12 The nature and extent of the valuer's work and any limitations thereon

Client has not submitted any legal document in support of his ownership of the subject assets but instructed the valuer to estimate the values of the assets. Therefore, this report doesn't have any scope of due diligence of any kind of the ownership documents.

2.13 The nature and sources of information upon which the valuer relies

Investigations for this valuation exercise are carried out according to IVS 102.20. Investigations made during the course of this valuation assignment have been appropriately carried away for the purpose of the valuation assignment and the basis (es) of value. Sufficient evidences have been assembled by means of inspection, inquiry, computation and analysis to ensure that the valuation is properly supported.

2.14 Significant assumptions and/or special assumptions

All significant assumptions and special assumptions have been reported separately.

2.15 The type of report being prepared

The valuation report shall be communicated through tightly sealed cover to the IRP/RP/Liquidator, as the case may be.

2.16 Restrictions on use, distribution and publication of the report

The publication of this valuation report in whole or in part, or any reference hereto or to the valuation figures contained herein, or to the name and professional affiliation of this valuer without the written approval of the valuer is completely prohibited. However the concerned IRP/RP/Liquidator is free to use the report strictly for the purpose which is legally authorized to him.

2.17 Compliance Statement

This valuation report has been prepared in accordance with IBC 2016 AND Regulations there under and International Valuation Standards, 2017.

3.0 PURPOSE OF VALUATION

The purpose of this valuation is for in accordance with and pursuant to the provisions contained in the IBC, 2016.

4.0 DESCRIPTION OF THE PROPERTY

As per Appendix/ Annexure to the report.

5.0 THE APPROACH/ES ADOPTED

IVS 105 provides us with different approaches and methods of valuation. Consideration must be given to the relevant and appropriate valuation approaches. The three approaches described and defined below are the main approaches used in valuation. They are all based on the economic principles of price equilibrium, anticipation of benefits or substitution.

The principal valuation approaches are:

- (a) Market approach,

(b) Income approach, and

(c) Cost approach.

The goal in selecting valuation approaches and methods for an asset is to find the most appropriate method under the particular circumstances. No one method is suitable in every possible situation. The selection process should consider, at a minimum:

- a) the appropriate basis(es) of value and premise(s) of value, determined by the terms and purpose of the valuation assignment,
- b) the respective strengths and weaknesses of the possible valuation approaches and methods,
- c) the appropriateness of each method in view of the nature of the asset, and the approaches or methods used by participants in the relevant market, and
- d) the availability of reliable information needed to apply the method(s).

In our case we have considered the following points while selecting the best approach(es) or method(s) of valuation:

1. The basis of value chosen is Market Value basis
2. According to the terms of assignment as well as from our physical inspection of the property under question together with the availability of evidences, we opine that the premise of value, in this case, should be Highest and Best Use. According to IVS 104.140.1, *Highest and best use* is the use, from a participant perspective, that would produce the highest value for an asset. According to IVS 104.140.2, the highest and best use must be physically possible (where applicable), financially feasible, legally allowed and result in the highest value. According to IVS 104.140.5, The determination of the highest and best use involves consideration of the following:
 - a. To establish whether a use is physically possible, regard will be had to what would be considered reasonable by participants.
 - b. To reflect the requirement to be legally permissible, any legal restrictions
- 3.

on the use of the asset, need to be taken into account as well as the likelihood that these restrictions will change.

- c. The requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical participant, after taking into account the costs of conversion to that use, over and above the return on the existing use.
4. The properties under question are assets not in use under insolvency proceedings.
5. Reasonable numbers of comparable on transactions of assets in the vicinity of every property under question are available. These are asking prices in property sites viz. www.magicbricks.com, www.realestateindia.com & Govt department website.
6. The building was constructed for specific industry only. It is to be put in other intended use the prospective buyer will need to make huge changes in the building.
7. The P & M is in place but not in use since long. If the intending buyer thinks to use for the same product line then it will fetch fair value, after considering cost of renovation, overhauling, servicing testing and commissioning cost. If no buyer available for same product line, then the assets will not fetch the liquidator value.
8. According to IVS 105.60.1, the cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.
9. According to IVS 105.40.1, the income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.
10. According to IVS 105.20.1, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

11. Considering all the above mentioned criteria of our questioned property and the applicability of different approaches as guided by International Valuation Standards, to our opinion, the market value of the property can be estimated by the application of **Market Approach**.

6.0 THE METHODS APPLIED

There are often different methods available for determination of the value of a property. The most appropriate method should be chosen with reference to the nature of asset and the data available. The method chosen should not be for finding out the highest or the lowest value but for arriving at the most reasonable value. In *Debi Prosad Poddar v. CWT* [1988] 109 ITR 860 (Cal) the High Court after making this observation with reference to the catena of decisions on the factors germane to the valuation of immovable property analyzed in the judgment, had this to say:

“Which one of the various methods would be suitable for a particular case must depend upon the nature of the property, the purpose for which the property is used and several other objective factors, viz., the time when the valuation is made, the prospect of buying and selling in respect of the property at the relevant time and also special features in respect of the property, if there be any. Taking all these factors into consideration it is, therefore, necessary to determine which one of the various methods will be most suitable to reach as accurate as possible guess as to the valuation on the valuation date.

Another factor that has to borne in mind is that such a method should be preferred which has more objective reliable data to rely upon than more subjective opinions. For instance if there are more objective data available to work out in respect of one method more reliable than another then that method for a particular asset should be preferred. If, however, there is any objective reliable evidence of any transaction of sale of land or a property or an asset similar in quality or of the same type an in approximately same time then that would, however, provide more reliable method to follow.”

In this case for estimation of fair value of the property/Assets under question by Market Approach, we have adopted **market inquiries**.

7.0 THE KEY INPUTS USED

The following are the key inputs used for this valuation exercise:

- a. Site visit, inspection of assets, their conditions, etc.
- b. Market enquiries
- c. Website of OEM & Indiamart.com etc.
- d. Customs Valuation Rules, <https://www.cbic.gov.in>; etc.

8.0 ASSUMPTIONS, SPECIAL ASSUMPTIONS AND LIMITATIONS

8.1 Assumptions

- 8.1.1 The character of all the assets are “marketable” in nature
- 8.1.2 There are willing buyers in the market to buy these assets.
- 8.1.3 No litigation is pending in any court of law in India on the questioned plots, except proceedings under IBC2016.
- 8.1.4 No contamination is there in the soils of these lands.

8.2 Special Assumptions

Where assumed facts differ from those existing at the date of valuation, it is referred to as a “special assumption”. Special assumptions are often used to illustrate the effect of possible changes on the value of an asset. They are designated as “special” so as to highlight to a valuation user that the valuation conclusion is contingent upon a change in the current circumstances or that it reflects a view that would not be taken by participants generally on the valuation date.

- 8.2.1 The asset statement submitted by the client is true in all respect and the respective appendices/ annexures prepared / adjusted as the assets found at place during physical inspection.
- 8.2.2 There is no encumbrance in any of the property and if there is so, can be removed without any hindrance.

8.3 Limitations

- 8.3.1 The Valuer renders no opinion as to legal fee or title; it is assumed to be marketable. Prevailing leases, liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property was appraised as though free and clear, under responsible ownership, and competent management.
- 8.3.2 All estimates of value are presented as the valuer's considered opinion based on information obtained during the investigation and do not represent an offer to buy or sell.
- 8.3.3 Testimony or attendance in court by reason of this valuation is not a requirement of this engagement, unless such arrangements have been made in advance and the client is ready to pay the fees against such expert service.
- 8.3.4 This report must be used in its entirety. Reliance on any portion of the report independent of others may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone without approval from the author.
- 8.3.5 All information presented in this report is true and accurate to the best of the valuer's knowledge and belief.
- 8.3.6 The effective date of the valuation sets the basis of value, which is based on the purchasing power of the Indian Rupee as of that date.
- 8.3.7 The purpose of the valuation also sets the basis of value; this valuation report shall not be used for any other purposes apart from that mentioned in this report.
- 8.3.8 This valuation report may give completely different result if any of the above mentioned assumptions found to be not true.

9.0 Valuation Results

Fair Value and the **Liquidation Value** of assets (Plant & Machinery) of M/s. GOLDCO India Limited undergoing corporate insolvency process under the NCLT, Ahmedabad

passed reference order no. CP(IB)No. 3xx/NCLT/AHM/202y on dd.mm.202y are opined to be **Rs. 360,68,97,000/-** and **Rs. 215,32,24,000/-** as detailed at relevant **appendices/ annexures** as **summarized** below:

SR NO	ASSET CLASS	FAIR VALUE (INR)	LIQUIDATION VALUE (INR)
1	PLANT & MACHINERIES -INDEGENOUS	2,369,640,000	1,451,404,000
2	PLANT & MACHINERIES -IMPORTED	1,121,080,000	642,692,000
3	COMPUTERS & SOFTWARES	52,757,000	19,161,000
4	FURNITURES & FIXTURES	54,239,000	33,702,000
5	VEHICLES	9,181,000	6,265,000
		3,606,897,000	2,153,224,000

10.0 Certificate of Method and Type of Value

IN THE MATTER OF:

VALUATION OF THE ASSETS OF M/s. GOLDCO India Limited

I have carried out the valuation of the Plant & Machinery and Other Assets (Specify) of the Corporate Debtor, viz. M/s. GOLDCO India Limited (In CIRP) and have submitted our Report dated dd.06.2021.

In the said valuation assignment, I was asked to provide an estimation of the FAIR VALUE and the LIQUIDATION VALUE, with meaning of these terms in Regulations 2 (1) (hb) and 2 (1) (k) of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 as amended till date.

Again, I have carried out the valuation to determine the FAIR VALUE and the LIQUIDATION VALE computed in accordance with internationally accepted valuation standards, after physical verification of the inventory and assets of the corporate debtor.

I certify that these valuations are carried out as per the provisions contained in the Insolvency and Bankruptcy Code, 2016 and Regulations thereto. The method and mode of valuation carried out are stated herein this report at relevant Paras.

Place: Vadodara
Date: dd.06.2021

R. K. Patel
IBBI Regn. No. IBBI/RV/02/2018/10303&10304

Encl.
Appendices/ Annexures