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Valuation profession: an overview & insights

Preamble:

The valuation is not an innovation subject, but lot of advanced techniques are evolved in valuation field, as the technology is changing rapidly. The valuation profession in India is having an history of more than 50 years. Lot of changes are going in valuation profession, with remarkable transformation. There was no proper recognition for valuers in many nations. In India long back, the income tax department has given registration for valuer under different category as per Wealth tax act 1957 under Sec 34 AB. Recently, the Govt. of India has introduced 'Valuers examination under Valuers Registration Rules 2017 as per companies Act 2013 and start giving' Valuer Registration from 2018, on three asset categories, i.e. i) Land & Building ii) Plant & Machinery iii) Securities & Financial Assets, Also introduced valuation standards (IVS) for all asset class. But the implementation of 'Valuers Act' is still under process and once it is done valuation profession will be the 6th profession in India to get statue recognition with charter status. The valuation is a multidisciplinary subject of diversified nature. Hence needs proper course & specialized training process to upgrade the valuers in the profession as it also envisages, the valuers to update with latest advanced techniques in valuation on par with global standards. The standards in profession will imparts responsibility and ethical values in profession. In developed countries, the property appraisers are trained with basic degree in valuation. But in India, the basic qualification for property valuer is technical degree, with clearance of regd. valuers exam, to practice as Regd. Valuer.

New Transition Era in Valuation profession:

Due to the impact of technological advancement in valuation profession which also witnessing the changes and posing new challenges in valuation profession throughout

the world. Many countries have still no proper channel to stream line this profession, right from basic education to proper recognition with uniform global standards. The IVS standards are pivotal base to bring uniform standards in the profession & to meet global challenges and to impart benchmark changes with professional dignity & are diversified through accepted principles and methodologies with different 'Basis of value' in accordance with purpose of valuation, since valuation is needed for many purposes including 'Fiscal purpose' to meet necessary statutory requirements and for all other general purposes.

The globally accepted approaches and methodologies are being recognised & developed with necessary techniques to confront the global challenges and to meet requirement of stake holder at large with lot of responsibility on valuers. The other nations are also developing the profession in tune to meet their needs. In developed countries the availability of market data & information made available easily for professionals. But in India, it is still challenging task for valuers to ascertain required data/information in complex market situation with lack of evidences. Appraisers has to involve in thorough market survey to avail required information from various sources.

After 50 years, the new transition era has began in valuation profession and all efforts are in process to stream line the profession with uniformity.

Indian market Analysis & Challenges:

The Indian Real estate market is entirely different from other global markets. Since Indian market is volatile, uncertain and unpredicted due to many problems. The market data/information is not easily available in India, due to white & black transaction occurring in order to avoid multiple taxes, the properties are being registered for guideline value fixed by Govt., but the real market value is entirely different. There is no yardstick to measure black money component and really it is difficult task for valuers, due to lack of evidences on real market value transactions achieved in the market from time to time. However there some other means of informations, data's & tools are used to correlate nearer & comparable market value of assets by applying different market techniques through application of valuation matrix process by applying proper & appropriate weightages for different attributes associated with assets in the market. Hence average weighted 'market value' is assessed under market approach.

The identification of right property and to understand the legal rights inherited with the asset is the first & foremost duty of valuer, before marching to assessment process. The rights & interest in the real property is more important in valuation process, rather than estimating the value of mere brick & mortar. The rights & interests in the real property derives legal benefits and are to be valued as accordingly.

Need for Valuation:

The different stake holders and other statutory bodies needs to measure the real 'market value' and hence it is the duty of valuers to meet their requirements, as it is a challenging task in complex Indian market to compute the evidence based market value, rather than mere estimated market value on hypothetical basis. The advanced techniques like 'weightage score technique', Regression analysis, Residual technique under development method by applying HABU, etc. and other principles of valuation will helps the valuers to arrive at proper justified market value of the asset as on that date with proper reasoning there on.

The application of different techniques through adoption of valuation standards in proper manner in the value assessment process will definitely help the appraisers to achieve goal in arriving at the right value judgement with precise decision at right time.

Valuation is judgement of valuer:

The valuation of any asset for any purpose is like delivering judgement of its concluded value of the asset with justified facts and evidences. The consistency and transparency are vital factors in profession.

The value judgement is a professional judgement of the valuer based on the skills and expertise knowledge of the valuer. The valuation excise is inherently subjective in nature. Hence first it becomes important for any valuer to carry out due diligence, right from physical inspection, data collection, procuring information & evidences, and based on surrounding developments, study of local market, and proper market survey to arrive at justified conclusion through comprehensive approach. The object in achieving the success in profession is encompassed through skill and efficiency of the valuer.

The transparent & unbiased report produced by valuer will meet the need of relevant stakeholders, as the economic outcome hinges upon the value as contained in the report.

Conclusion:

Accordingly the concluded report should contain needed clarity with precise object of fulfilling the purpose. From reading the valuation report, it should be apparently clear that document being read does not pertain to the realm of fiction, on the contrary it has to made abundantly clear that the document and findings are based on scientific scrutiny of corroborative evidences and facts on ground. So any valuation assessment benefit factors used will potentially remain under shroud of mystery. Hence, the valuers shall think wisely, act sensibly and assess the value judicially.