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IOV RVF

# THE Valuer

BI- MONTHLY JOURNAL OF
**IOV REGISTERED VALUER FOUNDATION**

Largest, Prestigious and Most Engaging
Registered Valuer Organization

GVS 2023 Global Valuation Summit

*Envisioning Valuation: Global Outreach*

# FRAME OF REFERENCE



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# ABOUT THE Valuer

With the view to keep the members and valuation aspirants updated, IOVRVF has come up with publishing the Journal 'IOV RVF The Valuer'.

This journal is a result of the combined efforts of all the authors, and fellow members who make this journal worth-reading.

It is pertinent to mention that in the content of this Journal, we bring diversity in the themes to keep our reader motivated. With the penned-down thoughts from our Valuer Members in the form of article on different topics, we ensure to enlighten the knowledge of readers in different verticals of Valuation.

As IOV-RVF always follows futuristic approach in their working, we will keep on updating the Journal with the upcoming developments in the valuation field.


**Technical Journal for the Valution Profession**

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# EDITORIAL BOARD

## From the desk of MD & CEO, IOV RVF

# VINAY GOEL

With the objective to create a diverse and inclusive platform for discussions, knowledge-sharing and networking within the Valuation community, IOV RVF, apart from holding online CEPs frequently, has started to organize physical CEP. The same are being hosted by IOV Branches at different parts of India. These programmes are not only serving as opportunities to enhance participants' understanding of valuation practices, but alsofoster connections among professionals from different regions:-

- Seminar on Valuation Principles - A Narrative – Hyderabad – 28 April 2023
- Valuation- Unfolding the Avenues - Delhi - 20 May 2023
- Current Trends in Valuation – Mysore – 24 June 2023
- Emerging Trends in Banking Valuation – Indore – 29 June 2023
- Intricacies in Banking Valuation – Tirupati – 30 July 2023
- Valuation of Immovable Properties – Tiruchirappalli – 12 August 2023
- Valuation: Changing Frontiers – Rajkot – 26 August 2023
- Valuation of all type of Assets – Lucknow – 24 September 2023

**Apart from this for the Promotion of Valuation Profession, IOVRVF has taken following initiatives:-**

★ The Valuation Standard Advisory Board (VSAB) of IOVRVF organized First Residential Specialized Training on Valuation Standards on 2nd and 3rd September 2023 at Coimbatore, in association with IBBI. Mr Satish Sethi, ED, IBB, I was the Chief Guest and Mr B Sanakaranarayan, GM, IBBI and Mr Gugan Ilango, President, CREDAI Coimbatore, were the Guest of Honour.

IOV RVF is the only Recognized Valuer Organization (RVO) who has been conducting this kind of programme, which is 9th program in this series, aiming to take a significant step towards encouraging widespread compliance of Valuation Standards among Valuers. The core objective of these two-day weekend programmes is to ensure that the Valuers Fraternity receives the maximum benefit and exposure from this comprehensive training on why, how and when to comply with the standards in Valuation.

- With the objective to Digitize the Valuation Profession and by playing a part in propelling India towards Development through the Digital India Initiative, IOV RVF has designed a software named as Valuers Data Interface (VDI), a data management tool which shall be able to assist Valuers in storing all their data and information in systematic manner, with ease of collating, analyzing and verifying the data provided by the clients/other sources. The same is being offered to all our Compliant Registered Valuer Members in their portal, free of cost.

- Recently IOV RVF has drafted a "Guide on the Regulatory Framework and Professional Conduct for Registered Valuers", which encapsulates a holistic understanding of the regulatory landscape for Valuation, weaving together the pertinent Act, Rules and directives laid down by the IBBI. In addition to the legislative framework, this compilation also includes a brief of recent orders by IBBI ensuring that the reader is equipped with the latest developments in the field of Valuation. This publication will be available soon to the Valuers Fraternity.

Lastly, I would like to suggest my valuers that, don't limit your potential to produce only the Valuation Report. Rather, start leveraging your Valuation expertise. Position yourselves as trusted advisors who provide valuable insights and strategic guidance to your clients. For this, the valuer's fraternity needs to stay informed, embrace technology and continuously develop their expertise to thrive in the dynamic landscape of Valuation consulting.

## Editor in Chief, Editorial Board, IOV RVF The Valuer

# TANUJ KUMAR BHATNAGAR

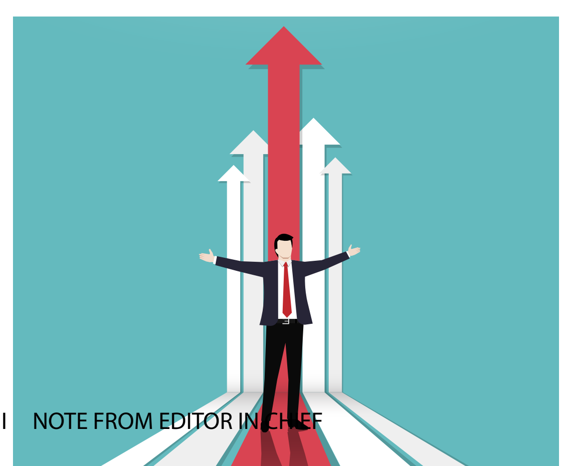
Valuation isn't merely about numbers; it's about deciphering the story they tell. It's about uncovering the essence of assets, unraveling the intricacies of markets and quantifying intangible worth. From real estate to intellectual property, from financial instruments to industrial assets, Valuation navigates the intricate labyrinth of value determination.

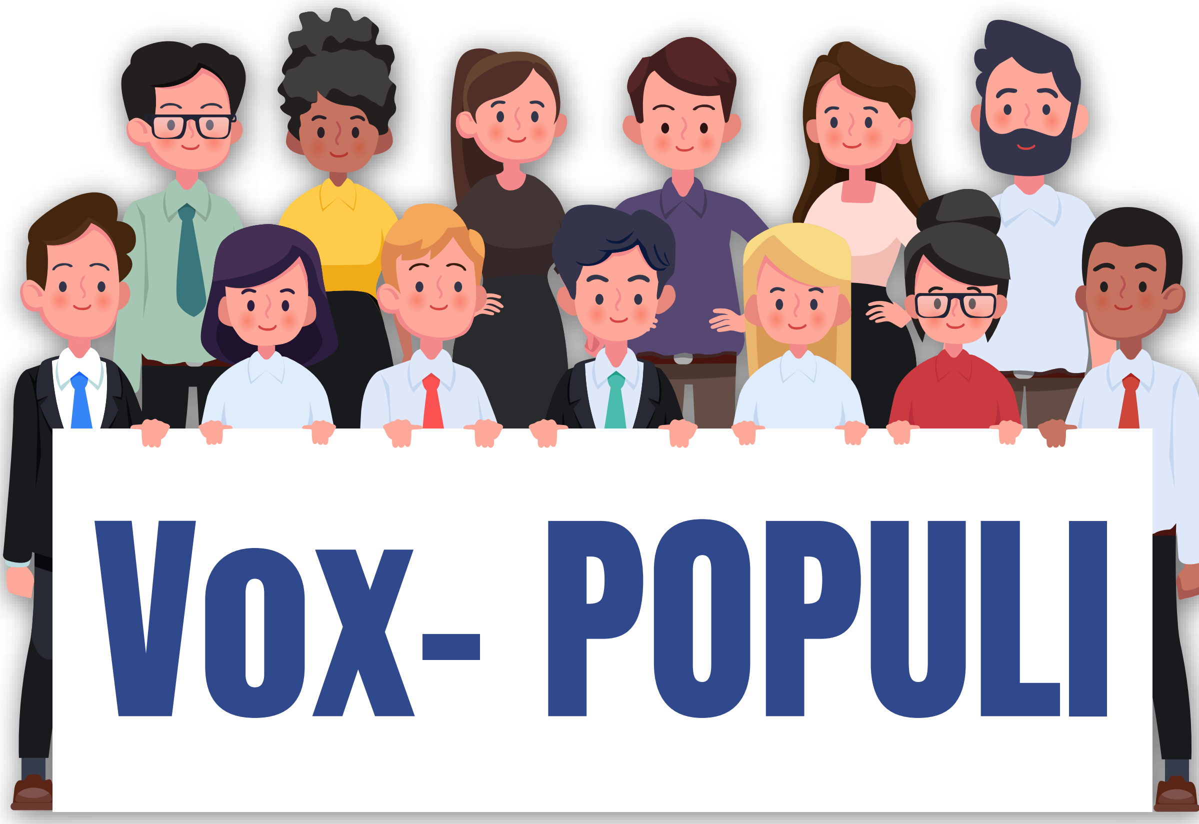
As we stand at the crossroads of economic transformation and technological revolution, the role of Valuation has never been more crucial. Valuers are at the forefront of guiding investments into sustainable ventures, navigating the uncharted waters of intangible assets and embracing innovation without compromising accuracy.

We celebrate the Valuers who go beyond numbers, who understand the heartbeat of businesses, and who contribute to the financial ecosystem's stability. We delve into the fusion of technology and tradition that is propelling Valuation into new frontiers, bringing artificial intelligence and big data to the valuation table.

In this editorial, we invite you to explore the world of Valuation – a realm where numbers and narratives converge. We invite you to envision a profession that shapes economies, influences decisions and safeguards the essence of fairness.

Here's to unlocking the power of valuation – a profession that shapes the present and forges the future.

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# VALUATION OF A STERILISATION PLANT USING GAMMA IRRADIATION

**INTRODUCTION:-**

We, the Plant and Machinery valuers, receive request from clients for carrying out Valuation of Plant and Machinery used in a unit having very restricted technology. In such cases, before carrying out the valuation, first we need to understand the technology then only we would know the importance of each of the plant and machinery item used in that unit and carry out correct and precise valuation of those plant and machinery items. In this article, I have tried to discuss valuation of a unit which uses gamma irradiation process, which is a very restricted technology not only in India but across the world. May be this article can help valuers who receive such kind of valuation requests from their clients.

**WHAT IS GAMMA IRRADIATION:**

As we are aware, that radioactive materials emit mainly three types of radiations which are important to us[1] viz:

**Alpha Rays, Beta Rays and Gamma Rays.** So let's understand Gamma Rays further.

**GAMMA RAYS:** These are electromagnetic rays like sunlight having very high energy but no mass. Hence they can penetrate into our bodies.

Depending upon the energy levels of gamma rays lead or concrete walls as thick as 2 meters are required to minimise the radiation effect (some gamma rays still pass from these walls). High exposure to gamma rays lead to cancer and related ailments.

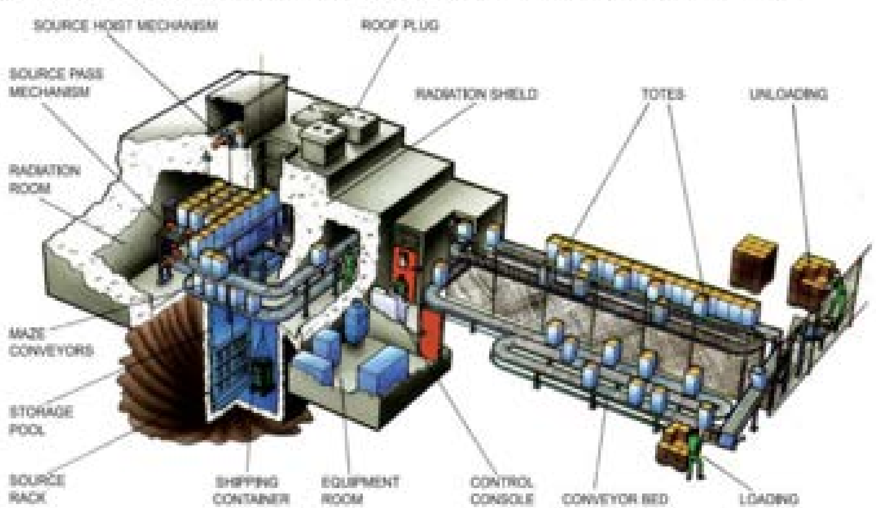
## GAMMA IRRADIATION PROCESS:

The gamma irradiation process uses Cobalt 60 (Co60) radiation to kill microorganisms on a variety of different products in a specially designed cell. Gamma radiation is generated by the decay of the radioisotope Co60, with the resultant high energy photons being an effective sterilant. A key characteristic of gamma irradiation is the high penetration capability, which allows for delivery of target radiation dose to areas of products that may be higher in density[2]

## GAMMA IRRADIATION UNIT SET UP:

To construct the gamma irradiation unit/plant, first and foremost is, permission from Atomic Energy Regulatory Board (AERB) is a must and then as per the strict guidelines of AERB4 the construction of the irradiation plant can be started. Due to the high radioactivity involved during the operations, there are very few vendors in India who possess the technology to build Gamma Irradiation plant. Again all these vendors are certified and monitored by AERB for their respective area of expertise and the irradiation plant owner have to purchase the products and services directly required for the irradiation plant from these vendors only.

**Schematic Diagram of the Gamma Irradiation Plant (P & M Items):**



So as can be seen from the above schematic diagram, the plant and machinery valuer has to carry out Valuation of not only the movable items such as conveyors, totes, etc. but also of the encasing concrete structure (the way we carry out valuation of machinery foundation), water well used to cool down the Co60 source, etc. Once we understand the technology, then the Valuation becomes a straight-forward process.

Due to high radiation activity inside the actual radiation chamber, anybody including the plant and machinery Valuer cannot go inside the plant for inspection while the plant is in operation or Co60 source is there inside the chamber. So the valuer has to trust various measuring units installed inside the chamber to measure the irradiation severity of working of the plant and above schematic diagram only.

**VALUATION APPROACH:**

Let's discuss about the Valuation approach which can be followed for these kind of plants:

This is a restricted technology as per Indian Parliament act and hence cannot be easily purchased / sold in the market freely. To use this technology, first license need to be procured from AERB. To establish the plant again license is required from AERB.

- The gamma ray source (Co60) is purchased from the sales & marketing arm of Nuclear Power Corporation. To transport the Co60, special vehicles are needed and considering the residual irradiation danger from these special vehicles, generally the transportation happens in the night. To reduce the transportation hazards, these plants are located close to Atomic Power Plants.

- Once the Co60 source is purchased, it continuously emits Gamma rays and hence for economical operations the manufacturing plant has to run 24 X 7 X 365 days. Any stoppage would lead to reduction in the utilisation of the Co60 source. So the plant load factor has to be very high and it is an important factor for economical operations of the plant.

- To operate the plant, important operators have to be AERB certified (very skilled and certified man-power is required).

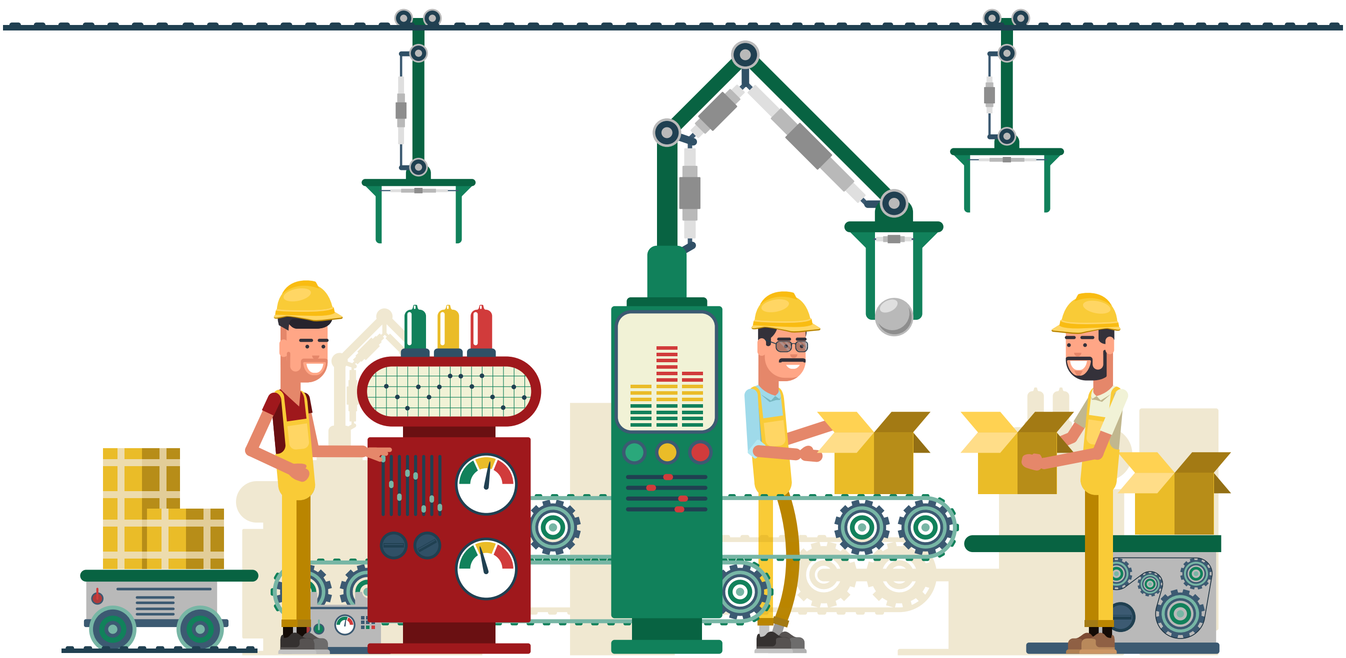
- Due to irradiation danger, the plants need to be operated in sparsely populated areas which is close to Co60 source, where getting AERB certified operators could be an issue.

So from the above, we can conclude that cost approach is the best approach for Valuation of these Gamma Irradiation plants (unless they are running successfully, in which case income approach can be used). Market approach cannot be used as these plants cannot be easily purchased or sold (without licenses).

Since this is a restricted technology, getting comparative quotations for carrying out the valuation using cost approach is a difficult task. So we have to go with limited sources available in the market including requesting the plant owner to get the current prices of all the plant and machinery items.

**CONCLUSIONS:**

This is a very restricted technology and hence before carrying out the valuation of the plant, it is absolutely essential to note as to what all plant and machinery items are going inside the plant, understand the technology and also understand the market potential and then carry out the valuation in an informed way.



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Samyak Sanghvi

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# CHALLENGES TO VALUATION PROFESSIONALS

**Introduction: Importance of Valuation professionals in the financial landscape:**

Valuation professionals play a pivotal role in the financial landscape, providing expertise and analysis that underpin critical investment decisions. Their work involves determining the fair value of assets, businesses, and securities, which in turn influences capital allocation, mergers and acquisitions, financial reporting, and regulatory compliance. However, the field of valuation is not without its challenges, which can impact the accuracy and reliability of valuation outcomes.

They hold a crucial position in the financial ecosystem, as their assessments and analyses serve as the foundation for various transactions and investment strategies. The valuation process involves assessing the intrinsic worth of assets, which enables investors, businesses, and institutions to make informed decisions based on fair market value.

Valuation professionals are essential in capital markets, where accurate valuations are necessary for pricing securities, determining investment strategies, and managing risk. Investors rely on their expertise to assess the attractiveness of investment opportunities and ascertain the potential returns and risks associated with those investments. Similarly, businesses and corporations need reliable valuations to support decision-making regarding capital structure, mergers and acquisitions, and financial reporting.

Moreover, regulatory bodies often mandate the use of valuation professionals for compliance purposes. Valuations are integral to financial reporting standards, such as International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP), which require fair value measurements for certain assets and liabilities. Valuation professionals ensure compliance with these standards, providing transparency and accountability in financial reporting.

Valuation professionals face the challenge of operating in an evolving regulatory environment. As regulations change and become more stringent, valuation professionals must stay updated with the latest standards and guidelines to ensure compliance and maintain the integrity of their work.

**"Evolving Regulatory Environment":**

Valuation professionals operate within a dynamic regulatory landscape that significantly influences their practices and standards. Understanding and adapting to evolving regulations is crucial to ensuring compliance and maintaining the quality and credibility of valuation outcomes.

The Valuation profession is subject to constant regulatory changes that impact the methodologies, standards, and disclosure requirements for conducting valuations. Regulatory bodies and accounting standards setters, such as the International Valuation Standards Council (IVSC) and the Financial Accounting Standards Board (FASB), continually revise and update their guidelines to enhance consistency, comparability, and transparency in valuation practices.

Valuation professionals must stay abreast of these changes and effectively implement them in their Valuation processes. This includes understanding the implications of new regulations, such as the impact on valuation inputs, the need for additional disclosures, or adjustments to Valuation models and methodologies. Failure to adapt to regulatory changes can lead to noncompliance, reputational risks, and potential legal consequences.

Navigating international standards and jurisdiction-specific requirements can be particularly challenging for Valuation professionals operating across borders. Valuation standards and practices can vary across different countries, requiring professionals to have a comprehensive understanding of the applicable regulations in each jurisdiction.

Moreover, evolving regulations also introduce complexities in valuing certain assets or transactions. For instance, changes in Fair Value Measurement Standards may impact the Valuation of complex financial instruments, such as derivatives or structured products. Valuation professionals need to continuously update their knowledge and expertise to address these challenges effectively.

**"Subjectivity and Bias":**

Valuation professionals often encounter challenges related to subjectivity and bias, as the valuation process involves numerous judgment calls and assumptions. Valuation is inherently subjective, as it requires professionals to make judgments and assumptions based on available information and analysis. These subjective elements can introduce biases that may influence the valuation outcomes. It is essential for valuation professionals to be aware of these biases and actively manage them to ensure accurate and unbiased valuations.

Cognitive biases, such as anchoring bias, confirmation bias, or overconfidence, can significantly impact the valuation process. For example, anchoring bias occurs when valuation professionals fixate on initial information or data and fail to adequately adjust their valuations when new information becomes available. Confirmation bias, on the other hand, can lead to selectively interpreting data or seeking information that confirms preconceived notions about the value of an asset.

To mitigate biases, valuation professionals employ various techniques. One common approach is to form valuation teams or committees, encouraging diverse perspectives and independent checks and balances. By incorporating multiple viewpoints, professionals can reduce individual biases and enhance the objectivity of the valuation process.

Transparency and documentation are crucial in managing subjectivity. Valuation professionals should clearly articulate the assumptions, methodologies, and data sources used in their analysis. This transparency allows stakeholders to understand the reasoning behind the Valuations and make their assessments.

Additionally, professional ethics and standards play a significant role in mitigating subjectivity and bias. Valuation professionals are expected to adhere to a code of conduct that emphasizes objectivity, independence, and integrity. Following professional guidelines, maintaining independence, and disclosing potential conflicts of interest help ensure the integrity of the Valuation process.

Training and professional development also play a vital role in addressing subjectivity and bias. Valuation professionals should undergo continuous education to enhance their skills in critical thinking, data analysis, and decision-making. This ongoing training helps professionals recognize and manage biases, employ rigorous analytical techniques, and make well-informed valuation judgments.

In conclusion, subjectivity and bias present significant challenges to valuation professionals. By acknowledging the inherent subjectivity in the valuation process, implementing strategies to mitigate biases, and upholding professional ethics, valuation professionals can enhance the objectivity and reliability of their valuations. Transparent documentation, diverse perspectives, and ongoing professional development are key factors in managing subjectivity and ensuring high-quality valuation outcomes.

**Lack of Transparent Data:**

Valuation professionals often face challenges related to the availability and transparency of data. Limited access to accurate and reliable data can significantly impact the accuracy and reliability of valuation outcomes.

Accurate and reliable data is essential for conducting robust valuations. However, valuation professionals often encounter challenges related to the lack of transparent data. This can be attributed to various factors, including data gaps, inconsistencies, and limited disclosure by market participants.

Valuation professionals rely on data from various sources, such as financial statements, market transactions, industry reports, and economic indicators. However, these sources may not always provide complete or easily accessible data, leading to data gaps. For example, when valuing a privately held company, limited financial information may be available, making it challenging to accurately estimate its value.

Data inconsistencies can also arise when different sources provide conflicting information or when data quality varies across different periods or jurisdictions. Valuation professionals need to carefully assess the reliability and accuracy of the data they use and make appropriate adjustments or corrections when necessary.

Another challenge is the limited disclosure of sensitive or proprietary information by market participants. This can be particularly relevant when valuing assets or businesses involved in competitive industries or where confidentiality is a concern. Valuation professionals must navigate these limitations by employing estimation techniques, benchmarking against comparable data, or relying on expert judgment.

To address the lack of transparent data, Valuation professionals often employ alternative data sources and estimation techniques. This can include utilizing market research, industry data, and economic indicators to supplement limited or unavailable data. Additionally, valuation professionals may rely on indirect Valuation methods or develop sophisticated models to estimate values based on available information.

In conclusion, the lack of transparent data poses challenges for valuation professionals. They must navigate data gaps, inconsistencies, and limited disclosure to ensure accurate and reliable Valuations. By employing alternative data sources, estimation techniques, and expert judgment, Valuation professionals can mitigate these challenges and make well-informed decisions based on the best available information.

**"Complex Financial Instruments and Assets":**

Valuation professionals encounter challenges when valuing complex financial instruments and assets. The unique characteristics and intricacies of these assets require specialized knowledge and methodologies to accurately assess their fair value. Valuation professionals often face complexity when valuing financial instruments and assets that possess unique features or structures. These can include derivatives, structured products, intangible assets, and other sophisticated financial instruments.

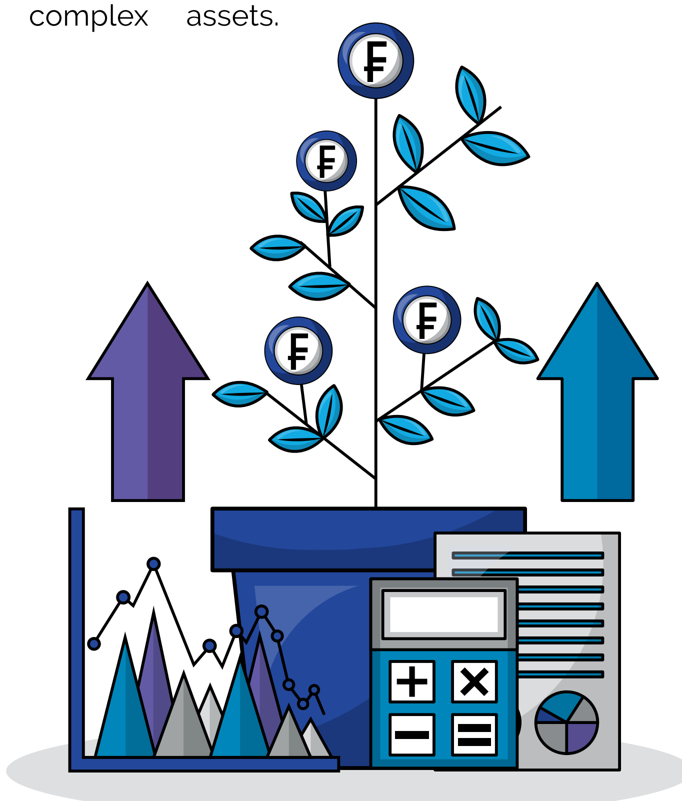
Complex financial instruments, such as options, swaps, or convertible securities, often require specialized valuation models and expertise. The valuation of these instruments involves considering factors such as underlying asset prices, interest rates, volatility, and contractual terms. Valuation professionals must have a deep understanding of these instruments' mechanics and be skilled in applying appropriate valuation methodologies.

Structured products, such as collateralized debt obligations (CDOs) or mortgage-backed securities (MBS), present additional challenges. These products often contain multiple layers of cash flows and complex risk profiles, making their valuation intricate. Valuation professionals need to assess the underlying assets, cash flow streams, and market dynamics to accurately determine their fair value.

Intangible assets, such as patents, trademarks, or customer relationships, pose unique challenges in valuation. These assets lack a physical presence, making their valuation subjective and reliant on factors like future cash flows, competitive landscape, and industry trends. Valuation professionals must employ appropriate methodologies, such as the income or market approach, and consider legal and regulatory considerations to value these intangible assets.

Valuation professionals address the challenges of complex financial instruments and assets by leveraging specialized knowledge, advanced modeling techniques, and expert judgment. They may use option pricing models, simulation methods, or Monte Carlo simulations to capture the complexities of these instruments accurately. Additionally, staying updated with industry trends, regulatory changes, and best practices is crucial to effectively navigate the valuation of complex assets.

In conclusion, the Valuation of complex financial instruments and assets requires specialized knowledge, methodologies, and expertise. Valuation professionals must possess a deep understanding of these instruments' mechanics, apply appropriate valuation models, and consider various factors to accurately assess their fair value. Staying informed, leveraging advanced modeling techniques, and continuously upgrading skills are essential to successfully tackle the challenges associated with valuing complex financial instruments and assets.



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# EMPOWERING REAL ESTATE MARKETS: UNVEILING THE ROLE AND EVOLUTION OF RERA

**Introduction:**

The real estate sector, characterized by its potential for growth and investment, has long been a cornerstone of economic activity. However, it has also been plagued by issues of opacity, unreliability, and a lack of accountability, causing concerns for both buyers and investors. In response to these challenges, the Real Estate Regulatory Authority (RERA) has emerged as a transformative force, reshaping the way real estate transactions are conducted and instilling a sense of empowerment and trust among stakeholders. By championing transparency, accountability, and fairness, RERA has embarked on a journey that has farreaching implications for the future of real estate markets. This article delves into the pivotal role of RERA and traces its evolution, offering insights into a future where the real estate landscape is characterized by empowerment and reliability.

**Introduction:**

The birth of RERA marks a turning point in the real estate sector. For years, buyers have grappled with uncertainties arising from incomplete information and unreliable project timelines. Fraudulent practices further undermined the industry's credibility. RERA, as a response to these issues, has positioned transparency as its bedrock principle. By mandating that developers provide comprehensive and accurate information about their projects, RERA ensures that potential buyers have access to all relevant details – from approvals and project plans to construction quality and possession timelines. This newfound transparency is a gamechanger, allowing buyers to make well-informed decisions and eliminating the shadows of uncertainty that have plagued real estate transactions.

**The Birth of RERA: Bringing Transparency to the Forefront**

The birth of RERA marks a turning point in the real estate sector. For years, buyers have grappled with uncertainties arising from incomplete information and unreliable project timelines. Fraudulent practices further undermined the industry's credibility. RERA, as a response to these issues, has positioned transparency as its bedrock principle. By mandating that developers provide comprehensive and accurate information about their projects, RERA ensures that potential buyers have access to all relevant details – from approvals and project plans to construction quality and possession timelines. This newfound transparency is a gamechanger, allowing buyers to make well-informed decisions and eliminating the shadows of uncertainty that have plagued real estate transactions.

**The Evolution of RERA: Building a Strong Foundation**

Since its inception, RERA has evolved from being a regulatory entity to a dynamic force shaping the contours of real estate markets. Its role goes beyond enforcement; it catalyzes positive change. RERA's introduction of project registration and mandatory escrow accounts addresses the longstanding issue of fund diversion. Developers are now required to deposit a certain percentage of the project cost into an escrow account, ensuring that funds are used exclusively for that project's development. This step curtails financial irregularities and promotes timely project completion. Additionally, RERA's commitment to timely possession guarantees and construction quality raises industry standards and shifts the focus from mere promises to tangible outcomes.

Furthermore, RERA's establishment of efficient dispute resolution mechanisms provide an accessible alternative to lengthy court proceedings. This approach expedites conflict resolution and reduces the burden on the legal system, reinforcing RERA's role as a facilitator of fairness and accountability.

## Challenges and Opportunities: A Glimpse into the Future

Despite RERA's commendable achievements, challenges remain on the path to a fully empowered real estate sector. Stricter penalties for non-compliance can act as a deterrent, ensuring that developers adhere to regulations and ethical practices. The integration of advanced digital infrastructure can modernize RERA's operations, making processes smoother and more accessible for all stakeholders. Collaborative efforts between RERA authorities and consumer advocacy groups can enhance consumer education, enabling buyers to exercise their rights effectively. To ensure consistent benefits across regions, uniform implementation of RERA regulations is crucial. Additionally, extending RERA's scope to post-possession phases, focusing on maintenance and promised amenities, will fortify consumer protection, especially after the property has been acquired.

## Conclusion: A Transformed Future Beckons

RERA's journey is a testament to the transformative power of regulatory bodies. It has changed the narrative of the real estate sector, from one tainted by uncertainty to a realm characterized by empowerment and certainty. As RERA continues to evolve, its impact will resonate throughout real estate markets. Transparency, accountability, and fairness will become intrinsic to the industry's fabric, enabling aspiring homeowners to invest confidently and investors to participate in ventures built on trust. RERA's role and evolution highlight the potential of regulatory bodies to champion the interests of the people, creating a more promising and equitable future in the world of real estate. In an era defined by RERA's principles, the real estate landscape can thrive on the foundation of transparency, empowerment, and reliability

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# INCEPTION & SOME BASICS IN VALUATION

**What is "Valuation " ? What is "Value" ?. And How are they defined?**
**How the word "Value " existed in the Human society Or in the Market ?.**

The word "Value" has been in existence as a part & parcel of our human society in the form of exchange of goods amongst the people right from the starting of civilization, thousands of years back. The humans started exchanging their goods with other goods following some exchange process as was in vogue then i.e adopting some means of measurements and standards. They started analyzing which goods/commodities were having high & less demand or importance.

When the goods/commodities were exchanged in term of commodity, the concept of "Value" came in to existence . The "Value" in the swapping or exchanging of goods depended upon how that particular good/commodity was being used, required in the market and its availability, demand & supply , etc.

The word **VALUE** in valuation plays a major role in deciding the purchasing or selling power of any property. A professional approach is being followed in deciding the Value in terms of money. Valuation report is the result of Technological, Financial, Economical and Legal viability of any asset, & such report makers are called Valuers.

The Valuers should be well versed in the above fields to render professional services with utmost accuracy.

**The essential elements of a "Value" are:**

Utility , Scarcity, Demand &
Transferability.
Lee Coca had once said, " Value has a Value only if it is Valued".
On similar lines, it can be said that" Property has a Value if it is properly Valued by the Valuer".

**VALUATION SERVICES OFFERED TO DIFFERENT DEPARTMENTS:**

Income Tax department .
Financial Institutions.

As we generally see, majority of the Valuers are rendering services to financial institutions /Banks as the volume of work is more , whereas a few of them are rendering services to income tax departments.

**Income Tax Valuation:**

In Income Tax Valuations, certain standard procedures have to be followed. Mostly , these Valuations are done by Land & Building method for the cost of the construction cost of the building the capital gain tax .

**Financial Institutions/Banks:**

All financial institutions are lending loans for different purposes ie, Property purchasing , Residential, commercial & industrial building constructions, working capital, ODs, Mortgage, Business Loans, etc., by taking Movable/ Immovable properties as securities from its clients.
It is to be noted that while doing the Valuation for financial institutions , all Valuers should focus on mainly one point, i.e., whether it is resalable. If so, what could be the realizable value? The resalability and realizability of any property is very important while doing property valuation for the financial institutions. The Valuation reports issued by the Valuers should be realistic & safe guard the interests of the financial institutions. The properties specially land & building are real properties but not imaginary or futuristic. What is the property value as on date , is important to the financial institutions but not a futuristic value. Other methods may also be adopted to cross check the values ofproperties.

It is always better to adopt Land& building Method of Valuation for the secured loans to the financial institutions as it is always safe to both parties and is appreciated. What best we can do to arrive at the land and building Values in the open market is very important. Some times, evidence based information relating to the purchase and selling of immovable properties may not be available .

In such cases, we have to derive the market rates, etc, from other methods.

- **HOW TO ARRIVE AT A REASONABLE LAND RATE/ MARKET RATE**:

**Example:**

Let us take a shop in a commercial complex on the ground floor, having 875 sq,ft built up area, with a UDL of 16.66 s,yds. and the property is located at Abids.

The shop is fetching monthly rental Rs. 75 /Sft (as prevailing market rate as per the rental agreement ). The local open market land rate per Sq,yd on main road is Rs.4 to 5 lakh/Sq,yd in the local enquiry. The prevailing market rates of commercial shops are ranging about Rs.15000/ Sft. The prevailing Rentals are ranging from Rs. 60/Sft to Rs.80/Sft. Generally the yield from the commercial properties lies between 8% to 10%.

### BY LAND BUILDING METHOD

| Description | Extent of land | Unit | Rate/ unit | Value(Rs.) |
|---|---|---|---|---|
| UDL | 16.66 | Sq.yds | 4,00,000.00 | 66,64,000-00 |
| Building | 875 | Sq.ft | 1500 | 13,13,000-00 |
| Total value | | | | 79,77,000-00 |

### BY RENTAL METHOD

| Description | Area | Unit | Rate/ unit | Yearly rent | Multiplication Factor | Total value |
|---|---|---|---|---|---|---|
| Shop | 875 | Sq,ft | Rs.75 | Rs.78,75,500 | 12.5(Y.P) | 98,44,000.00 |

### BY COMPARATIVE SALES METHOD

| Description | Area | Unit | Rate /Sft | Value of property |
|---|---|---|---|---|
| Shop | 875 | Sq.ft | 15000 | 1.31, 25, 000.00 |

***So let us now check the values obtained under three different methods and arrive at a decision.. Generally, for commercial properties, the yield/rate of return is taken between 6% to 8%.***

**As per L&B Method mentioned above:**

Market Value = Rs. 79,77,000/-
Rate worked out
(Composite) = Rs.79,77,000/875 =Rs.9,117/Sft
Rate of return = 8%(expected)
Rent
( worked out) = Rs.60/Sft
Land Rate
( Taken) = Rs.4,00,000/Sq.yd

**As per Rental Method mentioned above:**

Market Value = Rs. 98,44,000/-
Rate worked out
(Composite) = Rs.98,44,000/875 =Rs. 11,250/Sft
Rate of return = 8%(expected)
Rent( as per the agreement) = Rs.75/Sft
Land Rate
( worked out ) = Rs.5,12,000/Sq.yd.

**As per Comparative Sales Method mentioned above:**

Market Value = Rs. 1,31,25,000/-
Rate
(Composite) = Rs. 15,000/Sft
Rate of return = 8%(expected)
Rent
( worked out) = Rs.100/Sft
Land Rate
( worked out ) = Rs.7,10,000/Sq.yd
( worked out ) = Rs.5,12,000/Sq.yd.

***From all the above calculations, you can choose a reasonable and near to realistic Rate.***

***In the present case, as mentioned above:***

The Land Rate range can be taken as = Rs. 4. Lks/Sq.yd to Rs. 5.0 Laks/Sq.yd
The Comparative Sale Rate can be taken as = Rs. 9,100/Sft to, 11000/Sft
Rental Rate may be taken as = Rs. 60/Sft to Rs.70/Sft

**INTERMEDIATE ESTIMATION REPORTS** :

Generally, when we go for site visit, the buildings are either fully completed or under construction. Let us see, how to calculate on percentage basis, the value of completed portion of the buildings. Banks are lending construction loans and asking the valuers to submit the value of the completed works. Valuers inspect the site and take all required measurements of building works, and issue stage wise reports.

**Generally, this stage wise report will be split into following categories.**

- Foundations
- RCC frame work
- Brick work / joinery/ Plastering & Finishings
- Flooring / Dadoing (Tiles wall)
- Services( water & drainage ,Electrical Connection,)

- Facilities & Amenities (items such as Compound wall, B/w, Sump, OH tanks, ExternalWater&Drainage works, Pavings & Gate) are coming under extra works, and will not come under plinth area.

**The building Expenditure, 60% will be for materials and 40% for the labour.**

**The cost of each item works roughly as follows:**

It shows in the form of percentage of the cost of the building for a single story house as follow.

- Excavation and concrete foundation, columns, slabs beams = 23%.
- Plinth completed =5%
- Superstructure with plastering Complet =25%
- Flooring completed =6%
- Joinery works completed =15%
- Internal internal finishing completed =6% External finishes is =3%.
- Water supply plumbing completed =4%
- Sanitary CP fittings works =8%
- Electrification is =5% .Total =100%.

## VALUATION OF PLOTS /LANDS

In Valuation work, we come across different types of properties. In this, for instance, small open plots to large extent of plots /lands. While doing Valuation for lesser extent of plots, the Rate per sq.yd will be high, when compared to larger extent plots/land. For Smaller extents of plots such as 100 to 300 Sq.yds, the marketability & resaleability will be easy and it will take less time to sell when compared to higher extent of plots. Whereas in larger extent of plots , the Marketability and resalability is not that easier when compare to small plots. This is because , up to 300 square yards plots are normally affordable for maximum buyers and 300 to 500 sq.yds and above are not affordable by maximum buyers, as a result of their financial restrictions, etc.

The affordability depends upon the buyers financial capacity. In general calculations, 60% people are middle class. About 20% are poor and the remaining 20% of people are rich . So, in general , the market transactions (sales and purchase) are maximum targeted by 60% of middle class people/buyers. When the things are going beyond the capacity of a common man, they will migrate to other places to take properties falling in their budget . Hence , when the selling rates are affordable by 60% of public , then the marketability, re-salability & relizability percentage will also be good. So, the Valuer has to carefully analyze and observe the local conditions , type of inhabitants , rental values, amenities & facilities, business establishments, business type, etc, and then come to a conclusion to consider the land rates and buildings per sq.ft rates.

When the Agricultural lands are converted into Non-Agricultural Lands, normally, the land extents are shown in sq.yds. in the registered documents. Just because of this conversion, we can't straight away adopt per sq.yd rate which may give incorrect /erroneous market value. This is because, there is a difference between a developed land / layout and undeveloped land/layout. Development method should not be taken for undeveloped land & larger extents of land, for Bank Valuation purpose. It is to be noted that the Valuers have to enquire, if any similarly placed open lands (non converted or un-developed) are available for sale in the neighborhood area . If any such sale instances are available, then they have to just add conversion charges to the prevailing land rate, taking all relevant factors in to consideration. Always consider less rates per square yard for the larger extents of lands/plots when compared to smaller plots. Large extent of land in acres , even if converted into non-agriculture land , consider only acre rate, not sq.yd rate. Don't consider 2600 sq.yrds per acre as per HMDA permitted norms area with local market rate of per sq.yd., which is actually undeveloped physically . Don't consider sale deed rate. Instead, inspect the site and enquire about the local prevailing market rates for Valuation

For example, if a 150 square yards plot/ land is being sold for a market rate of Rs.45000 / sq. yd, then the market value will be Rs.67,50,000/-. If the same rate is applied for a plot/land of 5000 sq.yds , the total value of the property becomes 22.50 crores, which is not at all realistic figure/value. The buyers for plots of 150 sq.yds will be more, when compared to 5000 sq.yds plots/lands. So , the marketability, re-salability and realizability will not be that easier for larger extents of lands/plots. Therefore. less buyers will come forward to purchase 5000 square yards land @ 45000/ sq.yd. Hence, suitable deduction shall be made for larger extents of plots/lands. The buyers will calculate for their investment in terms of yield, through property.

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# IMPORTANT PROVISIONS OF INCOME TAX ACT IMPACTING VALUERS AND VALUATION OF SHARES AND SECURITIES

**INTRODUCTION:-**

Valuation under Income Tax is often quoted as the numbers ahead of the story-telling whereas other forward looking valuations often dwell more on stories which are supported by numbers. This is often seen as at time of assessment, the Income tax officer has the luxury of last 2/3 years financials whereas not so in case of the valuer projecting the same at that point in time when he values the asset.

**BACKGROUND:-**

There have been many areas where the Income tax valuation rules were either impractical or ambiguous leading to lot of litigation, for e.g. requirement of audited accounts on date of transaction in certain cases whereas statutorily audit is only an annual exercise.

Coupled with this fact since time immemorial, there have been various ways in which assesses tried to plan or dodge income tax some legal as in tax planning, while others taking the unscrupulous form of tax evasion. This took various forms such as multiple layer subsidiary companies of a holding company, lack of transparent structure of formation, holding shares of property company as opposed to holding property itself all designed to minimise taxes or stamp duty or in few cases to evade taxes etc. Towards plugging these loopholes, Government did lot of amendments and is still amending every year in particular the Income tax sections/rules. For example the rules for determining FMV were notified under Finance Act, 2010, wherein Section 56(2) clause (viia) was introduced to include receipt of shares also as a mechanism for taxing shares transferred without adequate consideration, even angel tax was sought to be introduced, though later it was withdrawn only to be made applicable to only residents later on. The valuation rules were sought to be amended recently to include 5 more methods in addition to the Net Asset Value method the mainstay method under Income tax and DCF method, being only allowed hereupto. Also angel tax on non-residents was again proposed to be introduced in 2023 to make them on par with residents

**NEED:-**

For completion of assessment of a taxpayer or for purpose of determining value of any capital asset, Income Tax Authorities seek to arrive at the Fair Value of any capital asset. In such a case, the tax authorities can make a reference to the valuation officerfor ascertaining the value of the capital asset.

- Section 55A Provision relating to the power of the tax authorities for making a reference to the valuation officer for ascertaining the value of a capital asset.

- Section 142A section 142A also empowers the Tax Authorities to make a reference to a Valuation Officer. The Assessing Officer for the purposes of assessment or reassessment can make a reference to a Valuation Officer to estimate the value, including fair market value, of any asset, property or investment.

- "Valuation Officer" same meaning as in clause (r) of section 2 of the Wealth-tax Act, 1957 (*) Other important definitions:-

The word fair value means the expected value a willing buyer expects to get from a purchase transaction juxtaposed with cost is the price which he has to pay for getting such value.

“Fair Price” means a price that a willing purchaser would pay to a willing seller for a property having due regard to its existing condition, with all its existing advantages and its potential possibilities when laid out in the most advantageous manner excluding any advantages due to carrying out the scheme for the purpose for which the property is acquired - Raghubans Narain Singh Vs. State of UP 1967 AIR 465 SC

2 (22B) FMV in relation to a capital asset means, (i) the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date; and (ii) where the price referred to in subclause (i) is not ascertainable, such price as may be determined in accordance with the rules made under this Act;

**SNAPSHOT of inter-play of important sections of Income tax and valuation rules.**

| SR NO | Income tax section | Reference | Particulars | How valued |
|---|---|---|---|---|
| (1) | Section17(2)-Explanation | Sweat Equity/ ESOP shares | Excess of FMV over purchase price as on date of allotment | FMV to be determined as per Rule 3(8)-Equity Shares:- and 3(9)-Other securities~ |
| (2) | Capital gains on sale of ESOP-Section 45 | Sweat Equity/ESOP shares | On Sale of Shares more than one year holding- Long term/ Else Short term | In case of (listed securities- market price and unlisted- equity-transfer value) as on date of transfer less FMV as on date of exercise (as in (1) above). |
| (3) | Capital Gains on transfer of unlisted shares of any company-Section 56(x)(c) | Transfer of unlisted whether Foreign Co or Indian Co Shares at a price lower than FMV or without consideration. Not applicable for gifts of shares from a )Relative, b)Marriage gifts c)Will /inheritance | On difference between FMV (as per Rule 11U/11UA(1)(c)(b)) and transfer price if transfer price is lower. This rule is despite FMV obtained under FEMA matching the transfer price in case of foreign Co shares. In hands of receipient upto Rs.50000 exempt. | Section 50CA -the value to be determined as per the Income Tax Rules as per Section 11UA/11 UAA which prescribe valuation methodology for arriving at fair value (FMV) of immovable property, jewellery, shares – both quoted and unquoted etc (specified assets) ^, for the purposes of anti- abuse provision contained in 56(2)(x)(c) known as Adjusted NAV method* (Base NAV as calculated in (5)(1)(a) below) For Indian Coshares-Audited balance sheet as on valuation date and for Foreign Co the balance sheet as on valuation date audited by auditor of company if any, appointed under laws in force of the country in which the entity is registered/ incorporated. |

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**Fair Market Value – Listed and Unlisted Shares**

Rule 3(8)– FMV listed equity shares on exercise date- If listed on any recognized stock exchange as per section 2(f) of the Securities and Contract Regulation Act = average of opening and the closing price. If listed more than one exchange = average of opening and the closing price on the recognised stock exchange having highest trading volume. While taking either the opening or the closing price, the first settlement or the last settlement, both 'buy' and 'sell' quotes are available. Where no trading, closing price on the recognised stock exchange or recognised stock exchange with highest trading volume - closest date immediately before exercise date. Closing price but not average of opening and closing price considered for regularly traded shares.

Rule 3(9) -FMV Unlisted and other securities on the date of exercise – If unlisted or listed outside Indianot treated as listed on recognised stock exchange and treated as unlisted shares. The FMV -Valuation as determined by Category 1 Merchant Banker (registered with SEBI). FMV either on the exercise date but not more than 180 days any case of the valuation date.

**Fair value of specified assets**

**Jewellery/Artistic work –** Price it would fetch if sold in open market on the basis of the valuation report obtained from a registered valuer.

**Fair market value of shares and securities -** the method as provided in pt 5(1).

**Immovable property -** The value adopted/assessed/assessable by any Government authority for purpose of stamp duty payment.

**Concluding Summary:-** Valuations under the Income Tax Act, mostly with few exceptions as enlisted above are as per a strait jacket formula and while these may not be suitable for all valuations as the valuation art v science arguments illustrate a minimal random probability that 2 valuers will have exact same values. However, for standardizing purposes and to have accurate assessments without scope for bias, it's quite acceptable that the numbers are placed ahead of story writing in the Income tax valuation rules and these do serve a basic purpose for the Income Tax department in that it is aiding the valuation officer as and when need be to stand without fear or fervor. Even so, most of these definitions which could not stand up to the test of time are being amended and lately the trend is of more and more methods being allowed to give expression to the valuers' apple v apple comparisons. This is a welcome trend!

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# IMPORTANT POINTS TO BE CONSIDERED DURING THE VALUATION OF LEASE PROPERTY (GOVT. AS LESSOR) AND ITS EFFECT ON VALUE

**INTRODUCTION:-**

The State/Central Government considers industrial growth as a means to mitigate poverty and unemployment. Development of industry, trade and service sectors promotes higher capital formation, improves per capita income level, and absorbs surplus workforce Almost every state or central govt is setting up a new policy for encouraging industrial/-SEZ/IT/ITE development to enhance the social and economic status of the society & in the overall growth of the country.

To realize these benefits and expedite socio-economic changes, the State/centre accords top priority for industrial/-SEZ/IT/ITE development. In the process, to achieve this Govt is providing industrial land on lease to set up industries or for other purposes as per their policy.

In this article, we will discuss the points to be kept in mind while doing the Valuation of long-term Lease State/central/Authority Govt. Property for a specific purpose.

**LEASEHOLD PROPERTY:-** The real property interest or rights over the property or possession right are mainly three types i.e., absolute (complete ownership) or

time-bound (lease) and maybe non-possessive. (Right to pass).
Among the above three types, lease property has so many factors which are affecting the overall Value. Valuation of leasehold property may be a complicated job, but with a few crucial points kept in mind, it can be made a whole lot easier. When a lessor (owning the property) gives the right to use the possession of the property to the lessee (tenant) for a specific time period on agreed terms and conditions (lease contract) is known as leased property or leasehold property. Leasehold interest Is the right to use the possession of the property by the lessee at the given term and conditions mentioned in the contract between the lessor and lessee. A leasehold interest is usually subject to the payment of annual rent and to observe terms and conditions i.e. covenants contained in the lease agreement/deed.

Type of lease

Following are the few types of leases, in term of property valuation practice

- Building Lease
- Occupational lease
- Sublease
- Long-term lease for a specific purpose. (e,g. Govt land for Industry, SEZ

**1. BUILDING LEASE –** Land provided by the lessor to the lessee for construction of the building and returning back the land to its original condition to the lessor after expiring the lease period as per terms and conditions.

**2. OCCUPATION LEASES-** Land and building are leased to the lessee for occupation as per agreed terms and conditions. This may be a medium or long-term lease with revision in rent as per agreed terms and conditions.

**3. SUBLEASES-** The property may sublet or sublease to a third party as per agreed terms and conditions between the lessor and head lessee.

**4. Leases for life or perpetual basis or Long-term lease for a specific purpose –** A lease is provided for a long period for a specific purpose. In this type of lease Govt mainly provides the land for industrial development to set-up Industries or SEZs for start-ups etc. Land is provided, keeping in view long-term public interest, and in view of desire for the development of underdeveloped areas in the municipal area or out side the municipal area as per the policy. This type of lease mostly for a long period may be of 99 years as per agreed terms and conditions between the lessor and lessee.

**Valuation of Lease Property by the Govt./Authority (as Lessor)**

**FACTORS AFFECTING THE VALUE**

Allotment letter – Each industrial area will be formed on commercial viability basis with proper access, adequate water, power and other essential facilities. Plots/land/Buildings will be allotted only after the complete development of the industrial area. The interested party will approach Govt/Authority and based on the qualification criteria the letter will be issued by the competent authority to the lessee regarding the allotment of the property after fulling the terms and conditions set by the Authority/lessor.

Allotment letters generally consist of the following.

1. Initial terms and conditions,
2. lease period
3. Lease renewal condition
4. Purpose of the allotted land
5. Payment terms
6. Annual Rent
7. Terms condition related maintenance fees.
8. Default conditions
9. Exit condition
10. Govt policy related to allotted land
11. Govt Compliance during the use of property
12. Standard terms and conditions.
13. Time schedule to fulfil the purpose of the allotted land.
14. Rights of the lessor and lessee.
15. Restricted activity if any.
16. General safety condition of the surrounding area.

Above-mentioned conditions give a major impact on the value of the leased land. For example, if the lessee does not fulfill the terms and conditions related to the renewal, then the value of the property will have a negative impact.

**LEASE CONDITION –** After fulfilment of initial terms and conditions of the allotment letter like payment of fees etc contractual agreement come into the picture as the written contract between lessor and lessee. lease deed may be converted into an absolute sale deed before the time frame. The lessee deed shall be registered with all terms and conditions agreed upon by both the party within the mentioned time period. There may be a chance for some addition of clauses above the allotment letter. Hence, registered lessee deed is the most important document for the Valuation of the lessee property.

**FULFILMENT OF PAYMENT CONDITION-** The payment of all the annual/monthly fees, statutory fees and others shall be in line with the agreed term and conditions.
If some default occurs from the lessee then the default condition is triggered and lessee rights may be affected which may impact the Value of the Property.

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**FULFILMENT PAYMENT CONDITION-** The payment of all the annual/monthly fees, statutory fees and others shall be in line with the agreed term and conditions. If some default occurs from the lessee then the default condition is triggered and lessee rights may be affected which may impact the Value of the Property.

**PURPOSE OF THE LEASE –** In most cases, Govt provides the lease of the land/Building for specific purposes under SEZ, Industrial development and local development schemes. Hence Purpose of the lease is to be checked and if does not fulfil the land use for the specified purpose then the lessor may seize the lessee's rights and impact of the this may have an adverse effect on the Valuation.

**Approval of building design and factory design and the start of Production -** To fulfil the purpose of the necessary approval for the building/factory plan, the Design shall be obtained within the stipulated time period as mentioned in the lease allotment letter/deed. The impact of any delay may affect the Production start date as per lease conditions or deviation from the agreed terms and this may give a bad impact on the Value of the property Permission & compliance from all authorities (NGT, Pollution board, fire etc) is also checked properly for compliance and any deviation may impact the Value of Land/Buildings.

**Lease renewal/conversion in the absolute sale deed –** The lease renewal or conversion in the absolute sale deed within the mentioned time period is necessary. Any deviation in renewal gives a negative Value to the leased property.

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# ENGINEERING ECONOMY FACTORS AND ITS SPREAD SHEETS

**INTRODUCTION:**

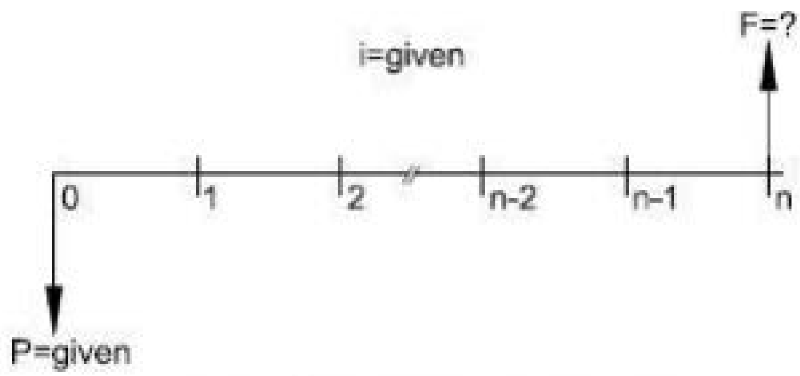
The cash flow is fundamental to every economic study. Cash flows occur in many configurations and amounts – isolated single valuers, series that are uniform, and series that increase or decrease by constant amounts or constant percentages. This chapter develops derivations for all the commonly used engineering economy factors that take the time value of money into account.

The Various Engineering economy factors (Valuation Tables) are

- Single Amount Factors (Future - F and Present - P)
- Uniform Series Present worth Factor ( Present - P)
- Capital Recovery Factor (Uniform Series –A)
- Sinking Fund Factor (Uniform Series – A)
- Uniform Series Compound Amount Factor (Future – F)

**Single Amount Factors (F/P and P/F)**
**Future Amount – F/P**

The most fudamental factor in engineering economy is the one that determines the amount of money F accumulated after n years (or period) from a single present worth P, with interest compounded one time per year (or period).




(a) - Graphical representation

Equation with Factor Formula, $F=P(1+i)^n$

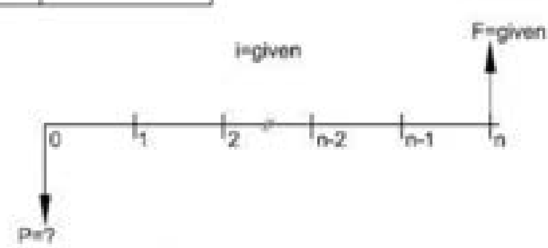
F = Future amount, P = Present amount, i = interest rate per year, n = Number of years. The factor $(1+i)^n$ is called the single payment compound amount factor.

Using Spread Sheet

| Excel Function | | |
|---|---|---|
| F | = FV (i%,n,,P) | |
| Example | | |
| P = 200 | i=10% | n=3 |
| F | =FV(10%,3,,200) | |
| F= | 266.20 | |

**Present Amount – P/F**

Reverse the situation to determine the P value for a stated amount F that occurs n periods in the future.




(b) - Graphical representation

Equation with Factor Formula, $P = F\,(1+i)^{-n}$ or $P = F\left[\frac{1}{(1+i)^n}\right]$

F = Future amount, P = Present amount, i = interest rate per year, n = Number of years.

The factor $(1+i)^{-n}$ is called the single payment Present worth factor.

Using Spread Sheet

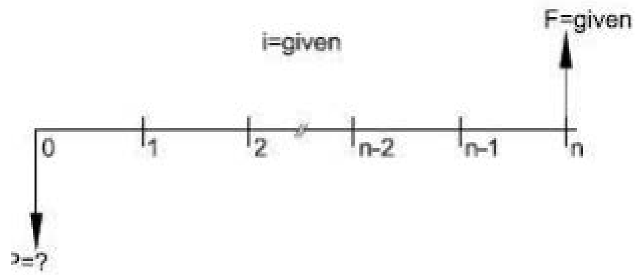
| Excel Function | | |
|---|---|---|
| P | = PV (i%,n,,F) | |
| Example | | |
| F = 200 | i=10% | n=4 |
| P | =PV(10%,4,,200) | |
| P= | 136.60 | |

**Uniform Series Present worth Factor (P/A)**

Uniform Series Present worth Factor (P/A)The equivalent present woth P of a uniform series A of end of period cash flows (investment) for n years and for given interest rate i

**Present Amount – P/F**

Reverse the situation to determine the P value for a stated amount F that occurs n periods in the future.




(b) - Graphical representation

Equation with Factor Formula, $P = F\,(1+i)^{-n}$ or $P = F\left[\frac{1}{(1+i)^n}\right]$

F = Future amount, P = Present amount, i = interest rate per year, n = Number of years.

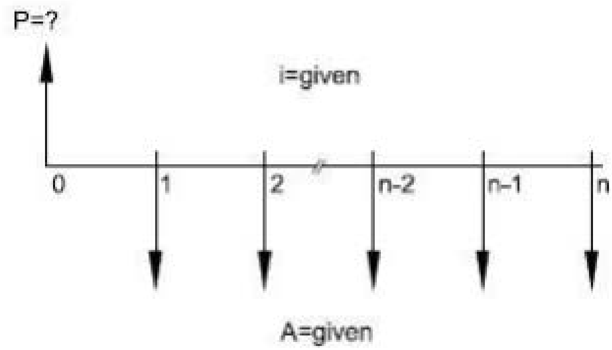
The factor $(1+i)^{-n}$ is called the single payment Present worth factor.

Using Spread Sheet

| Excel Function | | |
|---|---|---|
| P | = PV (i%,n,,F) | |
| Example | | |
| F = 200 | i=10% | n=4 |
| P | =PV(10%,4,,200) | |
| P= | 136.60 | |

**Uniform Series Present worth Factor (P/A)**

The equivalent present woth P of a uniform series A of end of period cash flows (investment) for n years and for given interest rate i




(C) - Graphical representation

Equation with Factor Formula, P=A $\left[\frac{(1+i)^n-1}{i(1+i)^n}\right]$

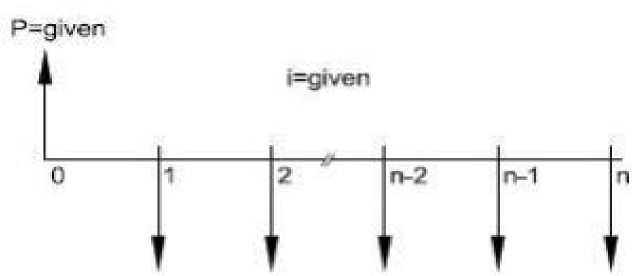
A = Uniform Series amount, P = Present amount, i = interest rate per year, n = Number of years.

The factor $\left[\frac{(1+i)^n-1}{i(1+i)^n}\right]$ is called the uniform series Present worth factor.

| Excel Function | | |
|---|---|---|
| P | = PV (i%,n,A) | |
| Example | | |
| A = 50 | i=10% | n=5 |
| P | =PV(10%,5,50) | |
| P= | 189.54 | |

**Capital Recovery Factor (A/P)**

The present worth P is known and the uniform series amount A is sought. The first A value occurs at the end of period 1, that is, one period after P occurs.




Equation with Factor Formula, $A = P\left[\frac{i(1+i)^n}{(1+i)^n-1)}\right]$

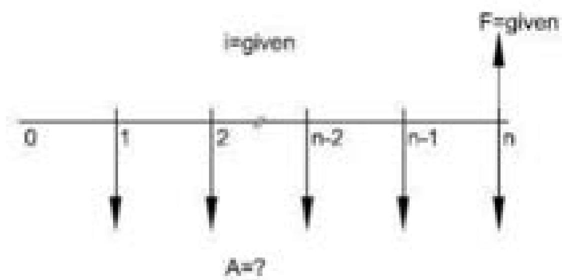
A = Uniform Series amount, P = Present amount, i = interest rate per year, n = Number of years.

The factor $\left[\frac{i(1+i)^n}{(1+i)^n-1)}\right]$ is called the Capital recovery factor(CRF) and it calculates equivalent uniform annual worth A.

Using Spread Sheet

| Excel Function | | |
|---|---|---|
| A | = PMT (i%,n,p) | |
| Example | | |
| P = 200 | i=10% | n=5 |
| A | =PMT(10%,5,200) | |
| A = | 52.76 | |

**Sinking Fund Factor (A/F)**
For a given future amount F, i, and n the equivalent uniform annual series A is determined by



(e) - Graphical representation

Equation with Factor Formula, $A = F\left[\frac{i}{(1+i)^n-1}\right]$

A = Uniform Series amount, P = Present amount, i = interest rate per year, n = Number of years.

The factor $\left[\frac{i}{(1+i)^n-1}\right]$ is called the Sinking fund factor

Using Spread Sheet

| Excel Function | | |
|---|---|---|
| A | = PMT (i%,n,F) | |
| Example | | |
| F = 305.26 | i=4.5% | n=5 |
| A | =PMT(4.5%,5,305.26) | |
| P= | 55.80 | |

**Uniform Series Compound Amount Factor(F/A)**
For a given uniform series A, i, and n the equivalent future worth of the uniform series F is determined by

Equation with Factor Formula, $F = A\left[\frac{(1+i)^n - 1}{i}\right]$

A = Uniform Series amount, P = Present amount, i = interest rate per year, n = Number of years.

The factor $\left[\frac{(1+i)^n - 1}{i}\right]$ is called the Uniform series compound amount factor

Using Spread Sheet

| Excel Function | | |
|---|---|---|
| F | = FV (i%,n,A) | |
| Example | | |
| A = 50 | i=10% | n=5 |
| F | = FV (10%,5,50) | |
| F= | 305.26 | |

Important

# UPDATES

# Valuation Standard Advisory Board (VSAB) Of IOV RVF

## First Residential Specialised Valuation Training Programme

**Date**
02nd & 03rd September, 2023

**Venue**
Karl Kübel Institute for Development Education (KKID), Coimbatore


# PHYSICAL CEPs

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Insolvency and Bankruptcy Board of India

Global Valuation Summit

Envisioning Valuation: Global Outreach

# Technical Session of GVS...

## GLOBAL RECOGNITION OF THE VALUATION PROFESSION

It is crucial for ensuring credibility, consistency and trust in the valuation practices worldwide. Standardized practices, professional qualifications, robust regulations and ethical conduct are several important factors that contribute in achieving this recognition.

## EVOLUTION OF ESG IN VALUATION

The evolution of Environmental, Social, and Governance (ESG) factors in valuation represents a transformative shift in how the financial industry assesses and values companies and assets. As ESG awareness continues to grow, the valuation profession isadapting to provide more comprehensive and informed insights to investors, stakeholders, and decision-makers.

## FUTURE AVENUES IN VALUATION

The field of valuation is continually evolving and expanding presenting exciting opportunities for professionals. As technology, regulations and market dynamics evolve, new avenues are emerging within the valuation sector. Valuers who adapt to these changes and cultivate expertise in emerging areas will position themselves for success in this dynamic landscape.

## UNDERSTANDING VALUATION REQUIREMENT AS PER REGULATORY LAWS

Valuation is a crucial aspect of financial transactions and asset management and it is governed by regulatory laws and standards to ensure transparency, accuracy and fairness. Compliance with these regulations not only safeguards valuers against legal issues but also contributes to the overall financial stability and integrity of the economy.

## APPLICABILITY OF UNIFORM VALUATION STANDARDS – CASE STUDIES

Uniform Valuation Standards are a set of guidelines that standardize the valuation process across different asset types and industries. They play a crucial role in ensuring uniformity and reliability in valuation practices across diverse asset-types and industries. These standards offer a structured framework for valuers, enhancing the transparency and credibility of valuation outcomes.

## ADVENT OF TECHNOLOGY IN VALUATION

The advent of technology has revolutionized the valuation industry, making it more datadriven, efficient, and responsive to market dynamics. Valuers who embrace these technological advancements are better equipped to provide accurate and valuable assessments in an increasingly digital world.

CERTIFICATE

OF APPRECIATION

PROUDLY PRESENTED TO

IOV and IOV RVF

FOR SUCCESSFULY UPLOADING A SELFIE,
AN INITIATIVE BY THE MINISTRY OF CULTURE TO MARK **AZADI KA AMRIT MAHOTSAV**

# Independence Day *Celebration*

# UNITED BY ONE *Colour!*

THE EMPLOYEES OF IOV, IOV RVF,
ORGANISED A PINK DAY,
IN THE CRAZE OF THE MOVIE,

*Barbie.*

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# Impact of G20 Summit 2023 on Valuation Profession in India

The 18th G20 Summit of 2023 has concluded in New Delhi, India, signifying the country's first G20 summit. The summit's theme, "Vasudhaiva Kutumbakam," meaning "One Earth, One Family, One Future,", is drawn from the ancient Sanskrit Words of the Maha Upanishad. The theme highlights the value of all life and their interconnectedness on the planet Earth and in the wider universe-human, animal, plant and microorganisms. The theme emphasizes LiFE (Lifestyle for Environment),

Though G20 primarily focuses on broader economic and policy issues, India's participation in the G20 indirectly benefits the Valuation field in several ways:

1. **Economic Growth:** G20 discussions on global economic stability and growth can have a positive impact on India's economy, leading to increased demand for Valuation services, especially in areas like mergers and acquisitions (M&A) and asset Valuation.

2. **Foreign Investment:** G20 membership enhances India's attractiveness as a destination for foreign investment. This can lead to increased cross-border transactions and a greater need for Valuation expertise to assess the value of assets and businesses involved.

3. **Financial Stability:** G20 discussions on financial regulations and stability contribute to a stable financial environment. This stability is crucial for the valuation field, as it relies on accurate and stable financial data for assessments

4. **Infrastructure Development:** G20 initiatives often focus on infrastructure development, which can lead to increased investment in construction projects. Valuation professionals play a key role in assessing the value of these infrastructure assets.

5. **Trade Opportunities:** G20 discussions on international trade can lead to expanded export opportunities for Indian businesses. Valuation services are essential in determining the value of goods and services traded internationally.

**6. Policy Learning:** India can learn from the Valuation practices and standards of other G20 countries, leading to improvements and harmonization of valuation practices in line with international norms.

**7. Capacity Building:** Through G20 initiatives, India can access capacity-building programs and technical assistance in the field of valuation, leading to a more skilled and knowledgeable valuation workforce.

**8. Sustainable Development:** G20 discussions on sustainable development and environmental initiatives can create opportunities for valuation professionals in areas like environmental impact assessments and the valuation of green assets.

**9. Technology Transfer:** Collaboration within the G20 can facilitate technology transfer in various industries, including valuation. This can lead to the adoption of advanced valuation tools and methodologies.

**10. Global Best Practices:** India can align its valuation standards and practices with global best practices, enhancing the credibility and professionalism of the valuation field in the country

Conclusively, we can definitely claim with pride, that this global summit was a breakthrough event for India, and embarked India's footprints on a world-wide level. This summit reintroduced India at a whole new level, as a well-equipped and competent global leader, which is on the road to be at par with the other countries, claimed as "Global Superpowers".



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