Volume- 3 No. : 05 Pages : 66 ISSN No.2583 5831
Sep - Oct, 2024

IOV RVF

THE Valuer

BI- MONTHLY JOURNAL OF
IOV REGISTERED VALUERS FOUNDATION

Largest, Prestigious and Most Engaging
Registered Valuer Organization

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

Title - IOV RVF THE VALUER
Frequency - BI MONTHLY
ISSN No.- 2583 5831
Publisher - Vinay Goel
Editor-in-Chief - Tanuj Kumar Bhatnagar
Starting Year - 2022
Subject - Valuation
Language - English
Publication - Online
Phone Nos. - 9499491010
E-mail - valuers@iovrvf.org
Website - www.iovrvf.org
Address - Valuers Bhawan, Plot No. 3, Parwana Road, Pitampura, Delhi-110034

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PRINTED & PUBLISHED BY

Vinay Goel on the behalf of IOV Registered Valuers Foundation Valuers Bhawan, Plot No. 3, Parwana Road, Pitampura, Delhi-110034

SKG PRINT MEDIA

CGF-6, Dilkhush Industrial Estate, G.T Karnal Road, Delhi-110033

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Editorial Board

Mr. Vinay Goel

From the desk of
MD & CEO, IOV RVF

To counter Present-Day Professional Challenges in Valuation, this year, we at IOV and IOVRVF are underscoring the theme of **"Empowering Valuers – Integrating Trust"** to highlight the pivotal role the Valuation profession plays in our Hon'ble Prime Minister's vision of achieving **Viksit Bharat@2047**. We know that Valuation is not just a technical process, it is a critical enabler of economic transparency, trust and integrity, all of which are essential for national progress.

Recently, we have also identified an urgent need to bring youth and women to the forefront of the valuation profession. Beyond mere awareness, there is a pressing requirement to equip them with the necessary skills, guidance and opportunities to excel in this field. This is not just an initiative but a strategic imperative to ensure the continued relevance and dynamism of our profession.

Empowering Young Bharat in Valuation:

The future of valuation lies in the hands of the next generation. By offering targeted skills training, ethical guidance and development opportunities, we are committed to cultivate a vibrant, innovative workforce that will drive economic growth and elevate the field of valuation. ***Our goal is to create a new wave of professionals who are not only technically proficient but also embody the highest ethical standards.***

Empowering Nari Shakti in Valuation:

Women's participation is crucial for societal progress and the enrichment of our profession. We are launching initiatives to promote women in valuation through dedicated resources, networking opportunities and career advancement programs. This approach not only enhances the valuation field but also fosters a more inclusive and equitable environment, ensuring that diverse perspectives contribute to the profession's growth.

As the largest frontline regulator registered with IBBI, IOVRVF remains committed to gaining and sustaining the trust and confidence of the registered valuers' fraternity. On a regular basis, we ensure to implement robust measures that empower our members and uphold our regulatory responsibilities. We understand that trust is the foundation of our profession, and we continuously strive to build and maintain it

IOV RVF is also steadfast in meeting the contemporary professional aspirations of its members. We actively pursue initiatives such as publishing insightful articles, digitizing the work of valuers, and adopting cutting-edge technologies to keep our members informed and ahead of the curve. Our comprehensive capacity-building and skill enhancement programs are designed to support continuous professional development, ensuring that our members remain at the forefront of the industry.

Together, we can advance the profession, create lasting impacts and contribute to the realization of a stronger, more prosperous **Bharat.**

Let us continue to empower, innovate, and lead with integrity as we move forward into a future where valuation plays a central role in national development.

Thanks to **Dr. M. S. Sahoo, Former Chairperson, IBBI,** for the insightful discussion focused on advancing the **Valuation profession**.
His valuable input and vision are set to drive significant improvements and elevate the Valuation field.

27 July, 2024

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Mr. Tanuj Kumar Bhatnagar

Editor in Chief, Editorial Board, IOV RVF The Valuer

As we navigate the evolving landscape of valuation, we witness a pressing need for a transformative shift. This shift is driven by the increased participation of all sectors of our generation, particularly focusing on youth and women, recognizing their essential contributions, and fostering an inclusive environment that supports their growth.

In alignment with Skill India, we believe that practical experience, diverse skills, and a broad understanding of market dynamics are just as valuable as technical qualifications for excelling in valuation. Through initiatives like the Valuers Data Interface (VDI), International webinars, our ISSN approved bi monthly journal and Continuing Educational Programs (CEPs), we provideplatforms for valuers members to broaden their skills and expertise.

To support the Viksit Bharat initiative and contribute to India's development, we ensure that the valuation profession aligns with global standards, embraces innovation, and adapts to the rapidly changing digital landscape. Our commitment to professionalism, integrity, and adaptability is key to India's journey towards becoming a developed nation.

We hope this edition inspires you to think beyond boundaries and embrace the evolving landscape of valuation, contributing to a Viksit Bharat.

IOV Registered Valuers Foundation™

KEY PEER REVIEW INSIGHTS FOR ENHANCING VALUATION PRACTICES (FY 2021-2024)

To enhance the integrity of Valuation reports, registered valuers should:

01 Detail data sources and assumptions under clear headings **through documentation.**

02 Disclose conflicts, expert identities, and methodologies **to ensure transparency.**

03 **Adhere to regulatory standards,** enhancing report accuracy and credibility.

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Evolution of Valuation System in United Kingdom

The valuation system of India is highly influenced by British practices, a legacy of the colonial era that continues to shape modern valuation methodologies. This influence can be traced back to the British East India Company's administrative and economic policies, which laid the foundation for a structured approach to land and property valuation in India. Hence, it would not be inconsequential to have a look as to how the valuation system has evolved in UK.

The valuation system in the UK has undergone significant changes over the centuries, reflecting broader economic, social, and political developments. This essay explores the evolution of the valuation system from medieval times to the present day, highlighting key milestones and their implications.

Medieval Period to Early Modern Period

During the medieval period, the valuation of property and goods was primarily based on feudal systems. Land was the main source of wealth, and its value was determined by its ability to produce agricultural output. The Domesday Book, commissioned by William the Conqueror in 1086, was one of the earliest systematic attempts to record and value land holdings in England. It served as a crucial tool for tax assessment and resource allocation, reflecting the agrarian economy of the time.

With the advent of the Tudor period in the 16th century, the valuation system began to incorporate more structured forms of taxation, such as the subsidy rolls. These rolls assessed the value of personal property and income, marking a shift from purely land-based valuations to include personal wealth. This period also saw the beginning of urbanization, which necessitated new approaches to valuing properties in growing towns and cities.

Industrial Revolution and 19th Century

The Industrial Revolution brought profound changes to the UK's economy and valuation system. The rise of industry and commerce required new methods for valuing a wider array of assets, including factories, machinery, and urban real estate. The Rating and Valuation Act of 1836 introduced a more systematic approach to property valuation for local taxation purposes, reflecting the increasing complexity of the economy.

The 19th century also witnessed the introduction of modern statistical techniques and the establishment of professional bodies such as the Royal Institution of Chartered Surveyors (RICS) in 1868. These developments helped standardize valuation practices and ensure greater accuracy and consistency in property assessments. Stamp Duty Act was enacted in 1891, which provided that an instrument chargeable with Stamp Duty may not be registered or used unless it has been duly stamped.

20th Century to Post-War Era

The early 20th century saw further refinements in the valuation system, driven by both legislative changes and economic developments. The Finance Act 1910 introduced the concept of site value rating, aiming to tax land, based on its potential use rather than its current use. This shift was intended to encourage more efficient land use and curb speculative practices.

The aftermath of World War II brought significant changes to the UK's economy and its valuation system. The Town and Country Planning Act 1947 introduced comprehensive land use planning, significantly impacting property valuations. The post-war period also saw the expansion of the welfare state, leading to increased public sector involvement in housing and urban development.

Late 20th Century to Present Scenario

The late 20th century and early 21st century have been characterized by further globalization, technological advancements, and deregulation. These factors have influenced the valuation system in several ways. The introduction of computerized valuation models and Geographic Information Systems (GIS) has enhanced the accuracy and efficiency of property assessments.

The financialization of the economy, marked by the growth of Real Estate Investment Trusts (REITs) and other financial instruments, has also impacted valuation practices. The global financial crisis of 2008 highlighted the importance of robust valuation methodologies in maintaining financial stability, leading to increased regulatory scrutiny and the development of international valuation standards.

Conclusion

The evolution of the valuation system in the UK reflects broader economic, social, and technological changes. From the agrarian-based valuations of the medieval period to the complex, technology-driven assessments of today, the system has continually adapted to meet the needs of a changing society. The future will likely see further innovations, driven by advances in technology, data analytics, and the ongoing globalization of markets. As the valuation system evolves, it will remain a critical component of the UK's economic infrastructure, shaping investment, taxation, and development for years to come.

IOV RVF The Valuer Bi- Monthly Journal, Vol. 03 , Issue-05 Sep - Oct 2024, PP. 16 - 21

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ENGINEERING APPROACHES IN VALUATION OF STRESSED ASSETS

Introduction

Valuation of an asset is principally an economic decision and hence all parameters which affect this decision have to be thoroughly understood and evaluated by a valuer. Interest rates prevalent in the property/real estate market at the time of relevant date of valuation is one such parameter. Similarly, yield or return expected by an investor on his capital investment in an asset is also an equally important aspect of consideration by a valuer, as value of any asset, yielding monthly or yearly income, depends on the rate of interest on investment expected by an investor. The growing real estate market in India, especially post the advent of the Insolvency and Bankruptcy Code (IBC) and the rise in Non-Performing Assets (NPAs) in the banking sector, valuing stressed properties accurately, has become critical for investors, lenders, and stakeholders.

Understanding Stressed Assets

Stressed Assets are typically associated with defaulted loan accounts. The stress could be due to:

- **Loan defaults:** When property owners fail to repay loans, triggering the possibility of foreclosure or auction by banks/financial institutions.
- **Distressed sales:** Properties sold under duress due to financial instability of the owner.
- **Litigation:** Properties tied up in legal disputes that affect their liquidity.
- **Incomplete projects:** Properties in real estate projects, incomplete due to lack of funding, regulatory issues or any other reason.

Stressed Assets are typically associated with defaulted loan accounts. The stress could be due to:

For example, the failing real estate Projects, exacerbated by demonetization, GST, and RERA implementation, saw many developers in India facing liquidity crises, leaving projects incomplete, and even witnessed several of these properties entering the insolvency process, impacting their market value significantly.

Understanding distressed Assets

a) CAUSES

i. Management

- Loss of key staff
- Incompetence/ weak governance
- Increasing tension between directors, shareholders, lenders
- Failed merger/acquisition

ii. Operational

- Production/ product quality issues
- Unhappy customers/ loss of key customers
  Poor financial control
- Supply chain mismanagement
- Stockpile up/ working capital blockage
- Litigation

iii. Funding

- Overleveraging
- Inappropriate financing

iv. External

- Macroeconomic pressures
- Changing markets
- Increasing competition

b) EFFECTS

Financial Symptoms

- Deteriorating financial performance
- Worsening cash flow
- Financial shock
- Default /covenant breach

VALUATION OF DISTRESSED ASSETS

a) Challenges

- Significant Uncertainty
- Non-Availability / Reliability of Data
- No / Limited Comparable
- Compressed Timing Issues

b) Observations

Due to the above-mentioned challenges, following observations were made

- Wide variations in value of Estimates
- Difficult to obtain Financing from such assets
- Higher RISK

What are the stressed assets of Indian banks?

Stressed Assets are similar to Non-Performing Assets (NPA) or Special Mention Accounts (SMA), which include written-off assets and restructured loans. Stressed assets are a strong indicator of the health of the Indian banking system. Predominantly in Indian public sector banks, there has been a massive rise of stressed assets. There are numerous reasons behind this problem, they are, misconduct, mal-intention, governance-related problems, global slow-down, etc.

What is a distressed asset?

We think that an asset is anything of value owned by a person or a business. But, when the person or business needs immediate cash and wants to sell the asset at less than its value, it becomes a distressed asset.

What is the difference between stressed and distressed assets?

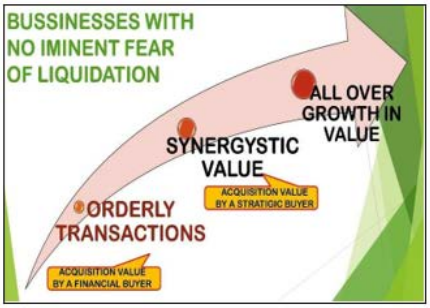
The difference between the two terms lies in the degree of insolvency risk: a company in stress has sufficient liquidity and no imminent insolvency risk, allowing for a more orderly sale process (albeit on a more accelerated timeline than a typical M&A transaction), whereas a company in distress has a greater, more pressing liquidity or insolvency risk that requires a 'fire sale' on an accelerated timetable.

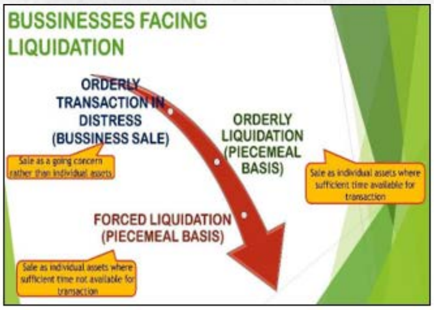
STRESSED	DISTRESSED	INSOLVENCY
Value breaks below the equity	Value breaks below the equity	Company in insolvency process
No immediate default on debt	Actual or imminent debt default	Sale (usually of assets) by office holder
Sufficient liquidity for orderly sale	Uncertain liquidity for orderly sale	

What is the approach of asset valuation?

Asset-based valuation is a form of valuation in business that focuses on the value of a company's assets or the fair market value of its total assets after deducting liabilities. Assets are evaluated, and the fair market value is obtained.

STANDARDS OF VALUE





IVS 104 Bases of Value

In addition to the IVS-defined bases of value listed below, the IVS have also provided a non-exhaustive list of other non-IVS-defined bases of value prescribed by individual jurisdictional law or those recognized and adopted by international agreement:

IVS-defined bases of value:

- Market value (section 30),
- Market rent (section 40),
- Equitable value (section 50),
- Investment value/worth (section 60),
- Synergistic value (section 70), and
- Liquidation value (section 80).

Premise of Value/Assumed Use

A premise of value or assumed use describes the circumstances, stating how an asset or liability is used. Different bases of value may require a particular premise of value or allow the consideration of multiple premises of value. Some common premises of value are:

- highest and best use,
- current use/existing use,
- orderly liquidation, and
- forced sale.

IVS 105 Valuation Approaches and Methods

Consideration must be given to the relevant and appropriate valuation approaches. One or more valuation approaches may be used in order to arrive at the value in accordance with the basis of value. 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:

- market approach,
- income approach, and
- cost approach.

Market Approach Methods

- Comparable Transactions Method
- Guideline publicly-traded comparable method

Income Approach Methods

- Discounted Cash Flow (DCF) Method
- Explicit Forecast Period

Cost Approach Methods

Broadly, there are three cost approach methods:

- **Replacement Cost Method:** a method that indicates value by calculating the cost of a similar asset offering equivalent utility,
- **Reproduction Cost Method:** a method under the cost that indicates value by calculating the cost to recreating a replica of an asset, and
- **Summation Method:** a method that calculates the value of an asset by the addition of the separate values of its component parts.

Conclusion

In conclusion, the valuation of stressed and distressed assets presents significant challenges due to uncertainties, limited reliable data, and compressed timelines. Understanding the differences between stressed and distressed assets, as well as the approaches to their valuation, is crucial for making informed economic decisions. The use of methods under the market, income, and cost approaches help assess the value of these assets, though the process is often complicated by factors such as market conditions, governance issues, and the financial stability of the entities involved. Accurate valuation is essential for stakeholders to navigate the complexities of distressed assets and to make strategic decisions that align with their financial objectives.

IOV RVF The Valuer Bi- Monthly Journal, Vol. 03 , Issue-05 Sep - Oct 2024, PP. 22 - 24

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Provision of Unearned Increase in Leased Property - Understanding & Effects on Property Valuation

Introduction

The term "Unearned increase benefit" typically refers to a rise in value or financial gain that is not directly related to the efforts of an individual or organization. The unearned increase in value of an asset concerning land and real estate highlights the disparities between wealth created through individual effort and that gained from developments.

In this article, we will discuss the Effect of the Unearned increase of an asset in property Valuation.

Appreciation for Real Estate and Property

The value of land or property may increase due to external factors like infrastructure development & improvement in amenities & facilities, growth of an urban area, zoning changes, or general market conditions etc., rather than any improvements made by the property owner. This appreciation results in increasing the Value of the Property and this enhancement is called the - Unearned increase benefits which is without any effort of the Property Owner on their part.

Provision of Unearned Increase

In many government leases, there is a provision for profit sharing in case of Sale or transfer of the lease. State Government or local authority agencies many-a-times give land for development to individual entrepreneurs or a company by creating long-term leases and by charging a premium at market value or less than the market value of the land at a nominal lease rent of Re.1/- per year. Keeping in view a long-term public interest, and because of the development of an underdeveloped area, such leases invariably consist of a clause of payment of unearned increase, in case of sale / transfer / leasehold interest in land.

This means if the Lessee earns profit on land value, by way of such sale, the Lessor/Government or the Leasing Agency would charge a share in profit. The lessor is entitled to the unearned increase i.e., the difference between the premium already paid and the current market value as the value of the land at the time of transfer; the amount to be recovered being at some fixed per cent of the unearned increase.

This is called a premium for transfer or payment of the unearned increase. This amount is worked out at some fixed percentage of the difference between the original premium rate and the prevalent premium rate at the time of the transfer. In most cases, profit sharing is 50 % of the increased value .

Unearned increase - Effect on Valuation

IIf the property under valuation happens to be a lease hold plot, then a certain percentage, as specified in the lease deed of unearned increase (current market rate less premium paid) is also to be deducted from the land value. The provision of unearned increase exists in the lease agreement, and will affect the value of that asset significantly. The lessor is entitled to claim and recover a portion of the certain percentage as specified in the lease deed of unearned increase (the difference between the premium already paid and current market value) payable to the lessor in the event of sale/transfer.

Let us understand this with an example:
If the land was leased in 1985 at Rs.500/sq. m., and the premium rate today is Rs.5,000/sq. m., then the unearned increase charged to the lessee for the assignment would be, say 50% of the difference, i.e., 1/2 x (Rs.5,000 – Rs.500) = Rs 2250/-

In another case,
A lessee has taken land on lease and in the event of sale or transfer by the lessee, a 50% unearned increase is payable to the lessor, and it is a liability that requires to be deducted.

Let us assume that the land was acquired at Rs 10 Lakh and the current market value of the land is Rs 50 Lakh. This gives an unearned increase of Rs 40 Lakh and 50% of the unearned increase = Rs 20 Lakh.

Hence the value of the lessee's interest without considering an unearned increase is say Rs 60 Lakh. Then after considering the unearned increase, it will be Rs 40 Lakh

Very Popular case related to unearned Increase

C.W.T. vs. P. N. SIKAND 1977 AIR 1657, Supreme Court, 1st April 1977

This Appeal raised an interesting question of law relating to the valuation of a leasehold interest in land. When there is a covenant in the lease that the lessee shall not be entitled to assign the leasehold interest without obtaining the prior approval in writing of the lessor and the lessor shall be entitled to, claim and recover from the lessee ascertain the specified proportion of the unearned increase in the value of the land at the time of the assignment. Unearned increase "payable" to the lessor as per the agreement is deductible out of the valuation for leasehold interest.

In this case the assessee holds the leasehold interest on the condition that if he assigns it, 50% of the unearned increase in the value of the land will be payable to the lessor.

Finally, Hon' Court held that in determining the value of the leasehold interest of the assessees in the land for assessment to wealth tax, the price that the leasehold interest would fetch in the open market would have to be reduced by 50%. of the unearned increase in the value of the land, based on the hypothetical sale on the valuation date.

Conclusion

The clause of payment of "unearned increase" is a charge on the land before the transfer is affected and must be, therefore, deducted from the total value of the property.

IOV RVF The Valuer Bi- Monthly Journal, Vol. 03 , Issue-05 Sep - Oct 2024, PP. 25 - 29

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Challenges For Young Valuers & How to Overcome Them

Valuation is a crucial aspect of real estate and asset management. However, young valuers in India face several challenges during site inspections. These challenges can impact the accuracy and reliability of the valuation process. Here are some of the common challenges:

1. Lack of Experience

- **Problem:** Young valuers often lack practical experience, which can lead to difficulties in identifying key factors that affect property value.
- **Impact:** This can result in under- or over-estimation of property values, affecting credibility.

2. Inadequate Knowledge of Local Market

- **Problem:** Understanding the local market dynamics, such as demand-supply conditions, neighborhood trends, and price variations, is critical. Young valuers may not be well-versed in these aspects.
- **Impact:** This can lead to inaccurate comparables and misjudgment of property value.

3. Interpreting Site Conditions

- **Problem:** Accurately assessing the physical condition of a property, including structural issues, legal encumbrances, and environmental factors, can be challenging without experience.
- **Impact:** Failure to recognize these issues can lead to incorrect valuation.

4. Dealing with Data Discrepancies

- **Problem:** Inconsistent or incomplete data from various sources, such as government records, property documents, and third-party reports, can confuse young valuers.
- **Impact:** This can result in conflicting assessments and errors in valuation.

5. Legal and Regulatory Understanding

- **Problem:** The legal landscape in India, including zoning laws, land acquisition regulations, and property rights, is complex. Young valuers may struggle to navigate these regulations effectively.
- **Impact:** Misinterpretation of legal aspects can lead to valuation errors and potential legal disputes.

6. Client Expectations and Pressure

- **Problem:** Young valuers may face pressure from clients to provide valuations that meet their expectations, rather than objective, market-based assessments.
- **Impact:** This can lead to biased valuations and ethical dilemmas.

7. Technological Adaptation

- **Problem:** While technology aids in valuation, such as using GIS, drones, or advanced data analytics, young valuers may find it challenging to effectively utilize these tools.
- **Impact:** Inadequate use of technology can reduce the efficiency and accuracy of the valuation process.

8. Safety and Accessibility Issues

- **Problem:** Site inspections may involve visiting remote or unsafe locations. Young valuers might face difficulties in accessing these sites or ensuring personal safety.

- **Impact:** Limited access can result in incomplete inspections, leading to inaccurate valuations.

9. Time Management

- **Problem:** Valuations often need to be completed within tight deadlines, and young valuers may struggle with time management, especially when multiple inspections are involved.
- **Impact:** Rushed inspections can lead to oversight and errors in valuation.

10. Ethical Challenges

- **Problem:** Young valuers might face situations where they are asked to compromise on ethical standards, such as inflating values for client benefit.
- **Impact:** Compromising ethics can damage professional reputation and lead to legal consequences.

Overcoming challenges in valuation for young valuers in India during site inspections requires a strategic approach that combines education, mentorship, practical experience and ethical practice. Here are some steps that can help:

1. Seek Mentorship and Guidance

- **Join Professional Networks:** Becoming a part of professional organizations like the Institution of Valuers (IOV) or the Royal Institution of Chartered Surveyors (RICS) can provide access to experienced professionals who can offer guidance.
- **Mentorship Programs:** Actively seeking out mentors who can provide hands-on training and advice on best practices during site inspections.
- **Shadowing Senior Valuers:** Spending time on-site with senior valuers to observe how they conduct inspections and handle complex situations.

2. Invest in Continuous Learning

- **Formal Education:** Enroll in courses and certifications related to real estate, valuation, and property law. This can deepen your understanding of market dynamics and legal frameworks.
- **Workshops and Seminars:** Attend workshops, seminars, and webinars on valuation techniques, market analysis, and the use of technology in valuation.
- **Stay Updated:** Regularly read industry reports, journals, and news related to real estate trends, market conditions, and regulatory changes.

3. Develop Local Market Expertise

- **Conduct Market Research:** Invest time in researching local real estate 'markets, including studying price trends, demand-supply factors, and neighborhood characteristics.
- **Field Visits:** Regularly visit different localities to familiarize yourself with various types of properties, construction quality, and neighborhood influences on property value.
- **Networking with Local Agents:** Build relationships with local real estate agents, brokers, and developers to gain insights into market conditions and trends.

4. Enhance Technical Skills

- **Use of Technology:** Learn to effectively use valuation software, Geographic nformation Systems (GIS), and other digital tools that can aid in accurate site assessments
- **Drone and Imaging Technology:** Get trained in using drones or advanced imaging techniques for inspecting large or hard-to-reach properties.
- **Data Analysis:** Improve your data analysis skills to better interpret market data, comparables, and property records.

5. Strengthen Legal and Regulatory Knowledge

- **Study Property Laws:** Take time to study Indian property laws, land acquisition regulations, zoning laws, and other relevant legal frameworks.
- **Legal Consultation:** When in doubt, consult with legal experts or more experienced valuers to ensure compliance with all legal requirements during site inspections.
- **Regulatory Updates:** Keep up with changes in regulations that may impact property valuation, such as new government policies or amendments to existing laws.

6. Improve Communication and Negotiation Skills

- **Client Communication:** Develop strong communication skills to manage client expectations, clearly explaining your valuation process and findings.
- **Ethical Negotiation:** Learn to navigate situations where clients may pressure you to alter valuations, maintaining your ethical standards.

7. Prioritize Safety and Accessibility

- **Safety Precautions:** Always prioritize personal safety during site inspections, especially when visiting remote or potentially unsafe locations.Carry necessary safety gear and inform someone of your location.
- **Access Planning:** Plan your visits to ensure you have all necessary permissions and access to the property. If access is restricted, reschedule the inspection or arrange for alternatives, such as a guided tour by a property manager.

8. Practice Time Management

- **Scheduling:** Plan site visits well in advance, allowing ample time for thorough inspections and follow- up analysis.
- **Task Prioritization:** Learn to prioritize tasks, focusing on critical aspects of the site inspection that most significantly impact the valuation.
- **Avoid Rushing:** Allocate sufficient time for each inspection to ensure no detail is overlooked, even if it means scheduling fewer inspections in a day.

9. Ethical Commitment

- **Adhere to Professional Ethics:** Uphold strong ethical standards by providing unbiased, fact-based valuations, even when faced with pressure to do otherwise.
- **Transparency:** Maintain transparency in your methods and findings, documenting your process and rationale for future reference.

10. Regular Feedback and Reflection

- **Seek Feedback:** After completing valuations, seek feedback from clients, mentors, and peers to identify areas for improvement.
- **Reflect on Experience:** Regularly reflect on your site inspection experiences, noting challenges faced and how they were addressed. This reflection can guide your future inspections.

By actively pursuing these strategies, young valuers in India can gradually overcome the challenges they face during site inspections, leading to more accurate and reliable valuations, as well as professional growth.

IOV RVF The Valuer Bi- Monthly Journal, Vol. 03 , Issue-05 Sep - Oct 2024, PP. 30 - 37

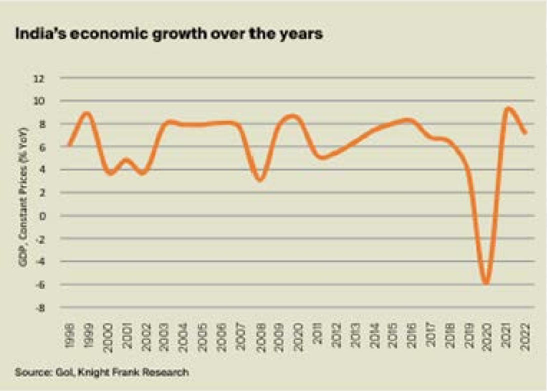
Sudhakar Vijayasarathy

Founder Evalo

THE FUTURE OF VALUATION : EMERGING TRENDS AND OPPORTUNITIES

Om thathpurushaaya vidhmahe suvarna pakshaya dheemahi thanno garuda prajodhayaadhu

INDIA'S ECONOMIC GROWTH & PREDICTION

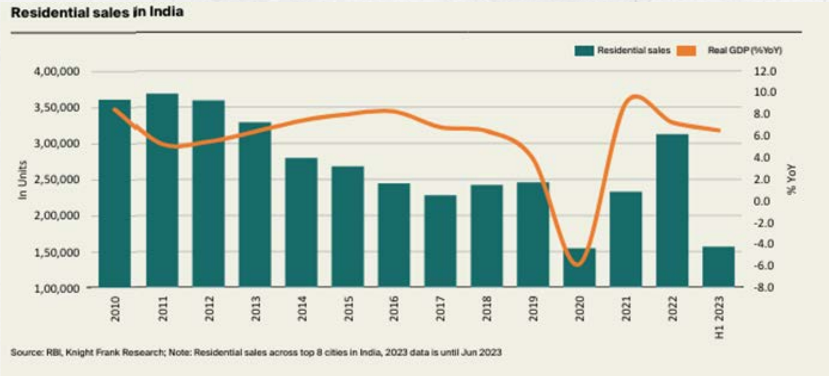


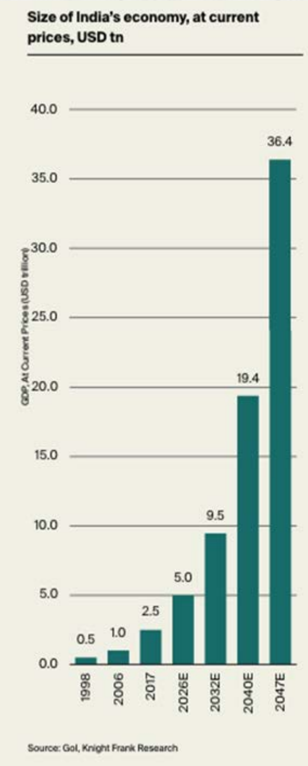
FIFTH LARGEST ECONOMY

Since the introduction of economic reforms and liberalization in 1991, India's economy has transitioned through multiple changes, with broad based developments across various sectors – manufacturing, services, financial and more. In the last 25 years, India's economy has grown at an average real rate of 6%, going through cycles of economic expansion and contraction. The size of the Indian economy has expanded from

USD 0.5 bn in 1998 to USD 3.4 bn in 2022, and is currently positioned as the fifth largest economy globally. emerging as one of the world's largest and fastest-growing economies. In this scenario, increasing the wealth of lower and upper-middle-class investors, several investment sectors offer opportunities to grow wealth over the long term while managing risk.

REAL ESTATE GROWTH & PREDICTION





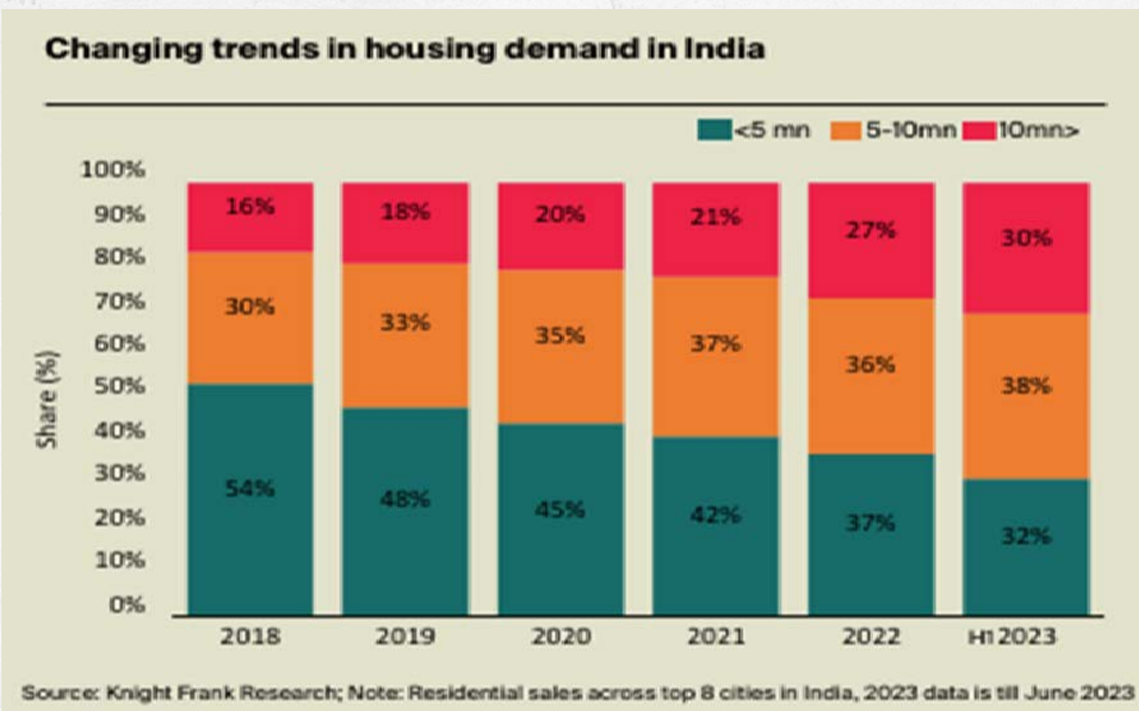
Home • Money & Banking

India's home loan market expected to double to ₹48-lakh cr in 5 years: SBI report

Updated - August 08, 2022 at 03:19 PM. | August 8

India's home loan market, currently valued at 24 lakh crores, is expected to double in the next five years, mirroring the overall trend in the country's aspirations to become a $5 Trillion Economy by then, State Bank of India said in a report.

THE CHANGING TRENDS



India's real estate market thrives on the back of long-term economic performance. Despite challenges like currency depreciation and policy shifts from 2013 to 2017, the sector regained momentum in 2021.Factors such as low interest rates and increased salaries propelled a significant resurgence in residential demand.

KEY OPPORTUNITY

In the coming years, India's economy is set to soar; thanks to factors like a young population, increasing income, and smart government policies.

This growth will touch every sector, including real estate. However, to keep growing steadily, the real estate industry must adapt to economic changes.

As the demand for housing rises, it means more business for the valuation industry. It's essential for us to seize this opportunity, adopt the right mindset, and ensure we have the necessary tools to navigate this shift effectively.

THE TRANSITION TO DIGITIZATION IN VALUATION

The Indian real estate sector has come a long way. Gone are the days when real estate valuation relied on manual processes and tools like typewriters.

The transition to software like Word and Excel revolutionized the industry by streamlining calculations and data management. These tools facilitated faster analysis and reporting, marking a significant improvement in efficiency.

THE RISE OF EFFICIENT SOFTWARE SOLUTIONS

Today, the real estate valuation landscape is witnessing a paradigm shift towards more sophisticated software solutions. These solutions use advanced algorithms, big data analytics, and artificial intelligence to enhance accuracy and speed in valuation processes.

From cloud-based platforms to machine learning models, these tools empower valuers with comprehensive insights and predictive capabilities.

The advent of technology has transformed the industry, making it more efficient and data-driven.

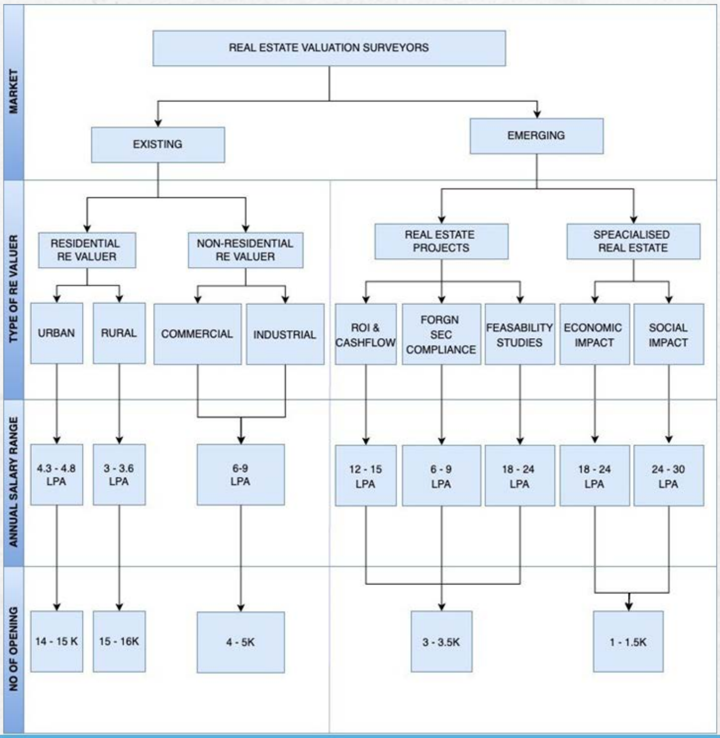
It is the need of the hour to shift from traditional methods and embrace technological proficiency in order to meet the demands effectively.

THE SUPPY-SIDE GAP

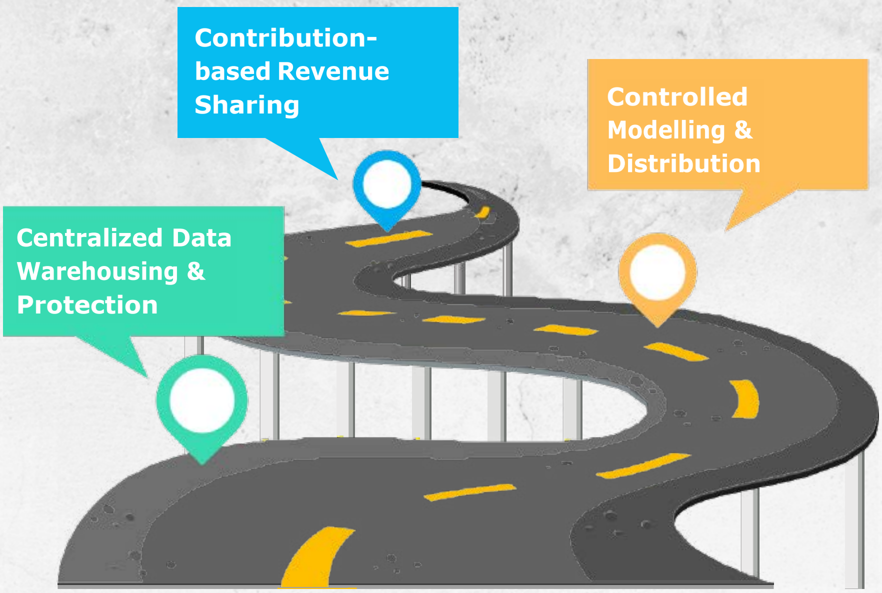
By 2047, the projected housing requirement in the nation is a staggering 230 million, signaling a remarkable surge in demand. However, this soaring demand sharply contrasts with the current supply, underscoring the urgent need for action.

The Valuers' Community comprises two categories: Valuers in Practice and Valuers in Service. The below image illustrates the supply-side gap, also signifying opportunities in the Mortgage Sector for Valuers in Service.

CAREER OPPORTUNITIES FOR REAL ESTATE VALUERS IN SERVICE



A ROADMAP TO READINESS



CENTRALIZED DATA WAREHOUSING & PROTECTION

Centralized data warehousing and protection are fundamental components of the digital ecosystem for valuers, ensuring the secure storage and management of sensitive property data.

By consolidating data into centralized repositories, valuers can streamline operations, enhance data quality, and improve efficiency in the valuation process.

Robust data protection measures, such as encryption and access controls, are crucial for safeguarding the confidentiality and integrity of property information, thereby maintaining compliance with regulatory standards.

Prioritizing data security helps valuers mitigate the risks of data breaches and privacy violations, build trust and confidence among clients and stakeholders

Centralized data warehousing and protection not only facilitate regulatory compliance but also demonstrate the valuer's commitment to safeguarding client data, ultimately contributing to business success and sustainable growth in the digital era.

WHAT IS NEXT

The key aspect of last-mile digitization in Indian valuation involves incorporating regional and localized data sources into digital platforms. These encompass property records, land surveys, government databases, and region- specific market trends.

Through the digitization of such data and its integration into centralized systems, valuers gain access to a more thorough and precise understanding of property values and market dynamics nationwide.

This advancement not only enhances efficiency and accuracy but also contributes to the concept of "Atma Nirbhar" (self-reliance).

ESG FRAMEWORK?

The next big move is not just about upgrading software and automating processes anymore. The genuine catalyst for change lies in the forward- thinking and proactive integration of the ESG framework.

ESG stands for Environmental, Social, and Governance. It's a framework used by companies and investors to evaluate a company's operations and its impact on society and the environment.

THE FUTURE

AI-driven Valuation Models: Machine learning algorithms are increasingly being employed to analyze vast amounts of data and derive precise property valuations. These models factor in diverse parameters such as location, amenities, market trends, and historical data to generate accurate assessments.

Blockchain for Transparency: Blockchain technology is gaining traction in real estate valuation for its ability to provide transparent and immutable records of property transactions. This enhances trust and reduces the risk of fraud, thereby improving the overall credibility of valuation processes.

Virtual Reality (VR) and Augmented Reality (AR): VR and AR technologies are revolutionizing property inspections and visualization. Valuers can now conduct virtual tours of properties and assess them.

The advent of technology has transformed the industry, making it more efficient and data-driven. With rapid advancements in AI, the future of real estate valuation in India holds even more exciting prospects.

CONCLUSION

As the Indian economy continues to flourish, the real estate sector is poised for exponential growth, leading to an increased demand for valuation services. It is important for stakeholders in the valuation industry to equip accordingly and adapt to emerging trends and technologies to meet this growing demand effectively.

One of the key challenges in the Indian real estate market is the supply-demand gap, which underscores the importance of valuers in practice to expand. Embracing data warehousing initiatives will be crucial in consolidating vast amounts of data and facilitating informed decision-making.

Moving forward, the ESG Framework (Environmental, Social, and Governance) is expected to play a significant role in reflecting the industry's evolving priorities towards sustainability and ethical practices.

Things that were unimaginable in the yesteryears are inevitable today.

Unequivocally, the future will be shaped by advanced technologies such as AI models, blockchain, augmented reality (AR), and virtual reality (VR). These innovations hold the potential to revolutionize valuation practices, enhance accuracy, and provide stakeholders with deeper insights into the market.

As the Indian real estate sector continues its upward trajectory, embracing technology-driven solutions and staying attuned to evolving market dynamics will be essential for valuation professionals to thrive in this dynamic landscape.

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Land Monetization: The Key Instrument of Development

The monetization of urban land is gaining traction as governments at the central and state levels seek new revenue streams. This approach involves unlocking the potential benefits of leasing land, which can generate a consistent revenue stream for public sector undertakings and urban local bodies. Additionally, land monetization contributes to planned urbanization, accelerates real estate prospects, facilitates commercial development, boosts tourism, and has positive effects on economic development, employment, and the quality of life for citizens.

One of the key advantages of land monetization is that it allows for the retention of land ownership while realizing market rent. By carefully considering the potential benefits and viability, infrastructure-serviced land can fetch higher value. There is also the option of land exchange or swap with another government entity, providing additional opportunities for optimizing land use.

To ensure a successful land monetization process, it is important to engage all stakeholders and incorporate a commercial aspect to make the project viable and revenue-generating. A crucial step in this process is to map and list vacant lands across the country, making this information available to the public. This promotes transparency and accountability in the land monetization process.

Public-private partnerships (PPP) have emerged as a viable model for land monetization. PPP combines the public interest of the government sector with the professionalism and expertise of the private sector, allowing for efficient and effective development.

However, progress in monetizing commercially viable land has been limited due to the time-consuming approval processes involved with various civic authorities. Address this challenge and take advantage of the post-Covid-19 economic revival, it is important to expedite approval processes and convert this situation into an opportunity to build a self-reliant (Atmanirbhar) Bharat.

Monetization refers to the process of converting something into money or creating revenue-generating activities, services, or assets. In the context of land monetization, it involves capturing the real estate value of public land that is currently idle or underutilized to improve the finances of government bodies and local authorities.

The purpose of land monetization is to unlock the value of public land and generate revenue, while also contributing to urban development. Transparency throughout the process is crucial, and the details of the land to be monetized should be made public. This allows potential bidders, funding agencies, and the public to understand the purpose, intended use, cost of development, and estimated timelines of the proposed project.

An example of land monetization is the initiative taken by the Delhi government, which put up 10 million sq. ft of land for commercial development. This exercise is expected to generate revenue of around Rs 6000 crore and contribute to urban development and job creation.

The Public-Private Partnership (PPP) model has emerged as a viable option for land monetization. It combines the market efficiency, professionalism, and expertise of the private sector with the objectives of the government/public sector. This model facilitates the independent viability of commercial projects and ensures sufficient revenue generation for project shareholders.

The National Asset Monetization Pipeline is an initiative by the Indian government to monetize assets owned by public sector enterprises (PSEs) across various sectors. The aim is to raise resources for future investments and put the generated revenue to public use. Under this pipeline, the government has identified several assets for monetization, including roads, electricity transmission infrastructure, oil and gas pipelines, telecom towers, sports stadiums, and more.

Meet the target of raising approximately Rs 2.5 lakh crore through asset sales, the government has lined up plans to monetize these assets. Some of the specific assets that have been identified for monetization include BPCL (Bharat Petroleum Corporation Limited), CONCOR (Container Corporation of India), Air India, Shipping Corporation of India, Indian Oil, GAIL (Gas Authority of India Limited), Hindustan Petroleum, and others.

In terms of land assets, the Rail and Defence ministries are among the largest government landowners in the country. The Railways alone owns approximately 4.78 lakh hectares (11.80 lakh acres) of land, of which 4.27 lakh hectares are under operational and allied usage, while around 0.51 lakh hectare (1.25 lakh acres) is vacant.

The report also highlights the value of land and building assets identified for monetization in BSNL (Bharat Sanchar Nigam Limited) and MTNL (Maha nagar Telephone Nigam Limited). The total value of assets identified for monetization in BSNL is Rs 67,837 crore, and in MTNL, it is Rs 17,985 crore. The expected revenue from the monetization of these assets for the year 2021-22 is Rs 1,200 crore for BSNL and Rs 300 crore for MTNL.BSNL and Rs 300 crore for MTNL.

The Aviation and Roads ministries are actively conducting the monetization of assets through bidding of airports on a Public-Private Partnership (PPP) basis and highways on a Toll-Operate-Transfer (TOT) basis. The government's goal, as outlined in the Union Budget 2020-21, is to monetize at least twelve lots of highway bundles covering over 6,000 km of roads before 2024.

The government's plan for the monetization of government assets is outlined in the National Monetization Pipeline. This roadmap was introduced by the finance minister in the Union Budget to assess the potential value of underutilized and unused government assets. Several countries, including the United States, Australia, Canada, France, and China, have successfully implemented similar policies.

In India, the concept of asset monetization was proposed first by a committee led by Vijay Kelkar in 2012. The committee suggested that monetization should be used as a key instrument to raise resources for development and to finance infrastructure needs.The need for monetization arises from the increased government spending due to the global pandemic. The total expenditure of the government has exceeded the target, reaching ₹34.50 trillion against the planned ₹30.42 trillion. On the other hand, government revenue is shrinking, leading to a significant increase in borrowing. Total borrowing has more than doubled from ₹7.96 trillion to ₹18.49 trillion. Higher borrowing also results in increased interest costs.

The ratio of interest payment to revenue receipts was 36.3% in 2019-20 and has further increased to 44.5% in the current fiscal year. It is projected to reach an all-time high of 45.3% in 2021-22. With half of the revenue going towards servicing old debts, it becomes crucial to prioritize capital expenditure to revive the economy.

Monetization of government assets provides an opportunity to generate additional revenue and reduce the burden of debt servicing. By unlocking the value of underutilized assets, the government can raise funds for infrastructure development and other priority sectors, which is essential for economic growth and recovery.

The National Infrastructure Pipeline (NIP) was launched by the government with 6,835 projects in December 2019, and it has now been expanded to include 7,400 projects. The NIP sets specific targets for infrastructure development, and the government is committed to achieving these targets in the coming years.

To fund the infrastructure projects, a major increase in funding is required. In the budget for 2021-22, the government has proposed to spend ₹5.54 trillion, which is 34.5% higher than the budgeted amount for 2020-21.

For financing the new infrastructure construction, the government has identified the monetization of government- and public sector-owned assets as an important option. One model for asset monetization being considered is Real Estate Investment Trusts (REITs). Under the REITs model, land assets are transferred to a trust, providing investment opportunities for institutional investors.

Apart from monetization, the government also has the option to lease or rent out assets instead of selling them. The government expects that monetization will generate ₹2.5 trillion in non-debt capital revenue, which can be used for future investments in the sector.

A pipeline monetization plan has been developed by the government for Indian Oil, GAIL, and Hindustan Petroleum, aiming to raise ₹0.17 trillion by selling stakes in these three companies

To effectively manage the task of asset monetization, the government has established an independent commission with the necessary powers and a team of professionals and researchers. This commission is responsible for formulating and implementing the government's asset monetization initiative.

The Department of Investment & Public Asset Management (DIPAM) plays a crucial role in the asset monetization process. The following are the components and broad process involved in asset monetization as per DIPAM:

01. Identification of CPSEs/PSUs/Government Bodies and their Assets: The first step is to identify the Central Public Sector Enterprises (CPSEs), Public Sector Undertakings (PSUs), and government bodies along with their assets that have the potential for monetization.

02. Finalization of Models for Monetization of Identified Assets: After identifying the assets, different models for monetization are finalized. These models can include direct contractual approaches, structured finance approaches, land monetization, and models as per the guidelines of the Department of Public Enterprises (DPE).

03. Transaction Process: Once the models are finalized, the transaction process begins. This involves the implementation of the chosen monetization model, including the preparation of legal agreements, financial evaluations, due diligence, and valuation of the assets.

04. Role of DIPAM: DIPAM plays a crucial role in facilitating the asset monetization process. It provides policy support, coordination, and advisory services to the government and the asset monetization cell. DIPAM collaborates closely with other stakeholders to ensure the smooth execution of the monetization process.

05. Central Public Sector Enterprises: The asset monetization process specifically focuses on Central Public Sector Enterprises (CPSEs) and their assets. These CPSEs are identified as potential sources for generating revenue through monetization.

06. Custodian of Enemy Property of India: The Custodian of Enemy Property of India is also involved in the asset monetization process. It deals with assets that are considered enemy property and can be monetized as part of the overall asset monetization initiative.

The role of valuers is significant in the asset monetization process. They are part of the intermediaries/advisers who provide services to support the Asset Monetization Cell of DIPAM. Valuers play a crucial role in assessing and determining the value of the assets to be monetized, ensuring transparency and fair valuation in the process.

Advisory on

Best Professional Practices in Valuation

IOV and IOVRVF have issued an advisory on **"Best Professional Practices in Valuation"** meticulously crafted under the guidance of the **Valuation Standard Advisory Board (VSAB).**

As an independent Advisory Board, VSAB has played a pivotal role in shaping, standardizing, and adopting Valuation Standards tailored to the Indian context. This manual is the result of extensive deliberations and engagement with the valuation fraternity, aimed at establishing values and ideals to govern the conduct of Valuers in all professional matters.

Through this initiative, we reaffirm our commitment to fostering continuous improvement within the valuation profession. Our goal is not only to elevate individual valuers but also to contribute meaningfully to the collective growth and credibility of the profession and society at large.

Your participation is key in shaping a framework that will guide the Valuers' Fraternity. We encourage you to submit your suggestions, feedback, or comments to **pro@iovrvf.org** for the betterment of the profession.

#EmpoweringValuers #valuationmatters

Best Professional Practices in Valuation

(In the pursuit of excellence, professionalism is not just a practice but a commitment to delivering one's best, consistently and with unwavering integrity)

It is a well-known fact that Valuer's opinions are the basis for the stakeholders to make informed financial decisions for their crucial business activities. Any such reasoned opinion of the Valuers having implications on the value may become the subject of scrutiny. Therefore, opinions of Valuers should be made accordingly with precision and thorough knowledge.

The objective of this manual is summarized in one word "**ACQUIRE"**;

A - Accountable; Adaptable to technology and latest professional developments
C - Confidentiality; Credibility; Consistency
Q - Quality Professional Services
U - Unbiased approach
I - Information independently validated
R - Responsiveness; Reliability
E - Ethical practices; Excellence

A. Valuer while conducting Valuation assignments must adhere to best practices in all the phases of Valuation: -

Phase I **<u>Pre-Valuation:</u>**

A1 Interaction with Clients/Stakeholders

a) Establish clear communications with the client to understand the scope and purpose of the valuation.
b) Instructions accepted by Valuers should preferably be in writing and/or be confirmed in writing by the Valuer with sufficient and relevant detailed and authenticated information & documentation to avoid any misinterpretation.
c) Any variations or extensions of the original instructions should similarly be confirmed in writing.
d) Valuers shall accept assignments according to their competence and availability of expertise only.
e) Engagement Letters or the contracts should clearly define the scope of work, purpose, detailed terms and conditions of engagement including fees, timelines, deliverables etc.

A2 Research and Data Collection

a) Conduct thorough research on the subject property or asset in an unbiased manner.
b) Collect all relevant documents and information required for the valuation
c) When the documents furnished by the client are insufficient, valuer should undertake search on government sites, other authorities to obtain copies of relevant documents.

A3 Decline the unacceptable

A valuer must decline the assignment when it:

a) Affects the valuer's impartial judgement as it hampers the objectivity and independence required for the development and indefensible valuation.
b) Limits the scope of work to such a degree that the assignment results are not credible;
c) Limits the content of a final report in such a manner that results in the report becoming misleading.

A4 Conflict of Interest Check

A Valuer must not advise or represent a client, where doing so would involve a Conflict of Interest or a significant risk of a Conflict of Interest; other than where all of those who are or may be affected have provided their prior Informed Consent. Informed Consent may be sought only where the stakeholders involved is satisfied that proceeding despite a Conflict of Interest:

i. is in the interests of all of those who are or may be affected.
ii. is not prohibited by law.
iii. is not detrimental for the wider interests of the Clients.
iv. will not prevent the valuer from providing competent and diligent advice to those that may be affected.

Phase II <u>During Valuation:</u>

A5 Use of Expert Opinion and Assistance and their disclosures

a) Conclusion Aiding Assistance - In case of limited technical skills, experience, and knowledge to perform all aspects of a valuation assignment, Valuers may seek assistance from domain experts only after assessing the knowledge, skill, and ability of the experts through their: -
   i. Qualification
   ii. No. of years of experience in the respective domain. .
   iii. professional certifications, associations, licenses, and/or professional accreditation of such experts.
   iv. Reputation, standing and testimonials of such experts in the field

b) Non-Conclusion Aiding Assistance - This assistance is provided by the supporting staff who assist the Valuers in their decision-making process without directly forming the conclusion. And as their judgments are the integral part of the overall decision-making process of the Valuers, it is suggested that such supporting staff/assistants shall be trained and certified in the field.

However, the appointment of such Experts providing Conclusion Aiding Assistance and/or Non Conclusion Aiding Assistance shall not involve any Conflict of Interest.

A6 Inspection

a) Conduct a comprehensive inspection of information, documents and data received from the clients and other reliable sources, documenting all relevant details by:

   i. Verifying the physical condition of the property/asset,

ii. Identifying the rights and interests of the client in the property from the documents produced before valuer and all relevant data, documents and information relied upon.
iii. Use a dedicated inspection note template so that notes are structured, and all the required information is included consistently and stored preferably in digital mode.

b) Collate the appropriate relevant inputs from such data for the purpose of Valuation.
c) Conduct site inspection as required.
d) Identify the valuer or his representatives who inspected the site along with client or his representative.

A7 Data Management:

a) Collect and store all relevant information and data required for the Valuation in a proper and secure and confidential manner. (Preferably in digital mode with passwords etc.).
b) Cross-verify the information from multiple sources to ensure accuracy.
c) Employ reliable methods and standards for data analysis.
d) Comply with all the relevant rules, regulations and laws of the land where valuation is being performed.

A8 Professional Judgment:

Render high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment by frequently applying principles to a specific situation and should not be used to overestimate or underestimate the value.

Ensure to remain a fit and proper person including but not limited to the following criteria-

a) integrity, reputation and character,
b) absence of convictions and restraint orders, and
c) competence and financial solvency

A9 Client Communication:

a) Keep the client informed about the progress of the valuation through authentic mode of communication.
b) Address any queries or concerns promptly and transparently thereof.

Phase III <u>Post-Valuation:</u>

A10 Valuation Report

a) A detailed and comprehensive Valuation Report shall:
b) include reference to any relevant assumptions, conditions, requirements, and limitations arising from their instructions or enquiries, or imposed from any other source.
c) accept full responsibility for the content of the reports. Where the report relies on professional opinion from outside experts, the degree of reliance must be indicated.

d) indicate the extent of involvement or the capacity in which the cosignatories are signing the reports.
e) identify the relevant data and information to have the appropriate inputs for the valuation.
f) Valuation reports must convey the following, including but not limited to:

i. agreed scope of the work;
ii. assets and/or liabilities being valued;
iii. the identity of the valuer;
iv. client;
v. intended use;
vi. intended users;
vii. valuation currency(ies) used;
viii. valuation date(s);
ix. purpose of Valuation
x. basis (bases) of value adopted;
xi. approach or approaches adopted;
xii. method or IT Solutions or models applied;
xiii. significant data and inputs used;
xiv. environmental, social and governance inputs used and considered;
xv. significant or special assumptions and/or limiting conditions;
xvi. specify caveats and disclaimers, if any.
xvii. identity of expert/assistance and disclosures of extent of their role in the process;
xviii. value and rationale for valuation;
xix. date of the report (which may differ from the valuation date).

g) If required, keep the scope for review of the report for its accuracy and completeness.

B Documentation:

Maintain thorough and organized documentation of the entire valuation process including adequate file notes, relevant documents which substantiate the Valuer opinions by way of inquiry, objective comparison, deduction and calculation for the prescribed period as required by the relevant Laws. (Preferably in digitized mode using passwords etc.)

B1 Use of Technology – Appropriate IT solutions in communication, data surfing, data storage and assessment in Valuation are suitable for the intended use by the Valuer.

The software's to be used must be licensed and tested on the following aspects to ensure accuracy and reliability of the output: -

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a) Accuracy: free from error and functions in a manner consistent with the objectives of the valuation;
b) Appropriateness: Suitable for the asset and/or liability being valued, given market conditions at the valuation date;
c) Completeness: Addresses all required features and modes to obtain best results in determining the value;
d) Timeliness: Reflects the capability of aligning with other conditions like market conditions;

e) Transparency: All persons preparing and relying on the software must be aware of its usability and terms and conditions of use.

C Ethical Considerations:

Ethical observance by the Valuer while dispensing his services, makes him standout, distinct, prominent and command a demand for his services for a Valuation assignment. A Valuer does a responsible job and is required to observe higher standards of ethical principles than any other professional, by:

a) keeping of the client information and valuation details confidentially.
b) not reproducing any work prepared and presented by any other Valuer, person, body or authority which may create the impression that it is their own.
c) Reference materials with due acknowledgement may be quoted to make the user understand the basis for some of the details given in the report.
d) not contributing to or participating in the development, preparation, or use of a valuation, opinion, or conclusion which reasonable valuers would not believe to be justified.
e) not engaging in misconduct of any kind which involves crime, fraud, dishonesty, or false and ambiguous statements.
f) refraining from associating with valuers not conforming to ethical practice.
g) refraining from commenting on the valuation report/s of another valuer/s except under regulatory requirements.
h) not advertising or soliciting in a manner that is misleading or otherwise contrary to the public interest.
i) Disclosing fees, commissions paid in connection with the procurement of a service, in the report and in any transmittal letter in which an analysis, opinion or conclusion is stated.
j) not preparing, or using in any manner, a resume or statement of qualifications which is misleading.
k) avoiding "mandate snatching" or offering "convenience valuations."
l) not accepting gifts or hospitality that undermines independence as a valuer.
m) not offering gifts, hospitality, or advantages to obtain or retain work or an advantage in the conduct of the profession n.
n) avoiding accepting too many assignments if unable to devote adequate time.
o) not charging success fees as an independent valuer.

D Continuous Learning:

To uphold professional excellence, meet the evolving demands of the valuation landscape and contribute to the advancement of the valuation profession, Valuers must:

a) Stay updated on the latest developments, ensuring their practices are current and relevant.
b) Adapt to changing regulatory frameworks, technological advancements, and emerging valuation approaches.
c) Attend Seminars/training to interact with industry experts, share experiences, and gain insights into diverse valuation practices.
d) Read Journals to acquire knowledge from in-depth articles, case studies, and expert perspectives from the authentic & valid platforms of the field.

Important

UPDATES

International CEP on

"Principles of Determining the Market Value of Hotel Properties"

by Prof. Dr. Werner Pauen

The webinar on **"Principles of Determining the Market Value of Hotel Properties"**, led by **Prof. Dr. Werner Pauen**, **Member, HypZert Professional Group Hospitality**, was held as the **fourth Webinar in the international CEP series** organised by **IOV RVF on 8th July, 2024, from 2 PM to 3 PM**. During this session, Prof. Dr. Pauen emphasised on the various principles, trends and developments in various approaches to determine the **Market Value of Hotel Properties**.

Prof. Dr. Pauen began by **discussing the various hotel classifications**, from **budget economy to upper-midscale**. He highlighted the significant impact of the C**OVID-19 pandemic on the hotel industry in Germany**, detailing how the sector hit rock bottom due to lockdowns and travel restrictions. However, he noted the recovery phase that began in the second half of 2022, supported by state aid provisions and other measures.

He also compared Operating **Leases and Management Contracts**, highlighting the differences between the **German Value Assessment** Method and the **Anglo-Saxon Value Assessment Measure**. He emphasized that a major challenge in hotel valuation is data creation, necessitating expert groups in Germany.

Through the Capitalised Value Income Approach, Prof. Dr. Pauen broke down hotel profits into three main sections:

1. Room revenue.
2. Food and beverage revenue.
3. Other revenue.

In conclusion, he underscored the importance of using **detailed data sheets for accurate Valuation in Germany**. This session provided valuable insights into the evolving dynamics of hotel property valuation.

Snapshot of

Principles of Determining the Market Value of Hotel Properties

Special Webinar held with Global Expert from Germany on 8th July 2024

Mr. Vinay Goel
MD & CEO, IOV RVF

Prof. Dr Werner Pauen
Member, HypZert Professional Group Hospitality

#OneNationOneValuationPolicy

International CEP on
"Valuation of Emerging Technology Companies"
by Mr. Mike Blake

The webinar on "Valuation of Emerging Technology Companies", led by Mr. Mike Blake, BVKey Editor and Advisory Board Member, Business Valuation Institute, UK, and the Founder of High Score Strategies, was held as the fifth Webinar in the international CEP series organised by IOV RVF on 30th July, 2024, from 3:30 PM to 4:30 PM. During this session, Mr. Mike Blake emphasised on the various methods, and approaches of Valuing Start-ups that are currently in use, their future implications, and supported his presentation with numerous examples.

He, in the very beginning of the session, accepted that Valuing Start-ups is difficult, and listed down a number of reasons for the same like its binary nature, and the fact that mere textbook knowledge is simply not sufficient. The most common approach to Value Start-ups, the Income Approach was delved into, analysing both its pros and cons, with some emphasis on the uncertainty caused by discount rates, as much of the risk premium is company-specific, which is subjective in nature, and adds up to 30% for start-ups.

He then deliberated upon how market approach can be used to Value Start-ups, with some meagre drawbacks of the same, and the solution to it being "Calibrated Value to Invested Capital". Throwing light upon Guideline Public Company Method, that could also be used as a tool to value start-ups, Mr. Mike supported it with four reasons:

Data Availability
Relevance
Updated market data
Comprehensible and transparent data

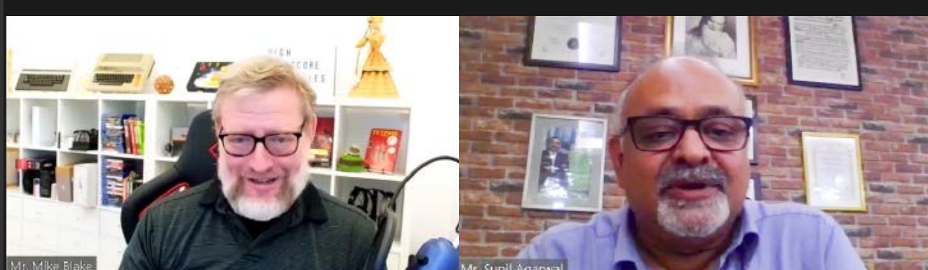
Further discussing the next method that can be used for valuing start-ups, the Transaction Method, Mr. Mike listed its benefits, before discussing about the level and basis of Value in these methods.

He concluded this session by discussing some Alternative Valuation Methods like Risk Factor Summation Method, which uses a proper format, and Venture Capital Method.

Snapshot of

Valuation of Emerging Technology Companies

Special Webinar held with Global Expert from UK on 30th July 2024



Mr. Mike Blake
BVKey Editor and Advisory Board Member, Business Valuation Institute,UK
Founder, High Score Strategies

Mr. Sunil Agarwal
Co - Opted Council Member, IOV
Convener, ICV

#OneNationOneValuationPolicy

Mr Vinay Goel, Hon Gen Secy, IOV and MD & CEO, IOVRVF had a wonderful **lunch-on-meeting** with **Mr. Nick Talbot**, CEO and **Mr. Nicholas Konialidis**, Asia Director from IVSC.

They engaged in a deliberate discussion on the **Future of The Valuation Profession Globally.**

12 July, 2024

Institution of Valuers
ISO 9001:2015 | ISO 26000:2010

55th INDIAN VALUERS CONGRESS IVC-2024 Kochi

International Chamber of Valuers

IOV 18-Member Delegation

Empowering Valuation on the Global Stage

"Strengthening Valuers, Boosting Real Estate Investment, and Contributing to the ***Viksit Bharat Initiative****"*

30th & 31st August

Real Estate Convention, Thailand

IOV Institution of Valuers ISO 9001:2015 | ISO 26000:2010

IOV RVF

Soaring high...

- PHYSICAL CEP ON -

Evidence Based Valuation

20 JULY, 2024

Hotel Plaza, Begumpet, Hyderabad.

hosted by - **IOV Hyderabad Branch**

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IOV RVF

Soaring high...

- PHYSICAL CEP ON -

Valuation of Immovable Properties

17th AUG, 2024

Red Fox Hotel Tiruchirappalli

hosted by - **IOV Tiruchirappalli Branch**

A MILESTONE ACHIEVED!

We successfully held our

FIRST 2-DAYS IN-HOUSE TRAINING

on Basics and Project Valuation

at

IKEA India Private Limited, Bangalore

on 28th & 29th August 2024

Teacher's Day Special

IOV RVF Hosts First-Ever Feedback and Interactive Session

On **Teacher's Day**, September 5th, 2024, IOV RVF organized its first-ever **Feedback and Interactive Session** with I**OVRVF Primary Members** who recently passed the Valuation Exam, along with aspirants aiming to become registered valuers.

During the session, participants engaged in insightful discussions on the **challenges faced** during the valuation exam, shared strategies for success, and explored effective pathways to becoming a registered valuer.

The interactive nature of the event allowed for **open dialogue**, enabling members to share personal experiences and exchange tips, fostering a sense of community and collaboration. The session was **well-attended, highly appreciated**, and praised for its relevance and practical insights.

This initiative marks an important step toward **empowering valuers** and creating a **supportive platform** for those entering the profession, aligning with our ongoing mission of professional development and excellence.

Virtual Session on Unlocking Financing Options for MSMEs

On September 7th, 2024, **Mr. Vinay Goel, MD & CEO of IOV RVF, participated in the Knowledge Series webinar organized by Resurgent India,** alongside esteemed panelists Mr. Ravi Baid (DGM, Central Bank of India), CA Chetan Jagetiya (Director, JJ IPO Advisors Pvt Ltd), and Mr. K K Gupta (Director, Resurgent India Ltd).

During the session, Mr. Vinay Goel emphasized the importance of transparency, credibility, and fact-based reporting in the valuation process. He urged valuers to avoid influenced valuations and to focus on presenting the correct value in their reports. By assigning an accurate value, valuers contribute to the credibility of MSMEs, enhancing their trustworthiness in the financial ecosystem.

He further highlighted that V**aluation serves as a barometer check, reflecting the true financial health of MSMEs based on factual analysis.** This approach not only strengthens the profession but also supports MSMEs in securing financing and driving growth.

IOV Registered Valuers Foundation™

Clarification on VRN and New VRIN Requirements for Valuation Reports

IOVRVF Registered Valuers and Entities are required to continue generating and using the **Valuation Reference Number (VRN) for all valuation assignments, as per IOV RVF's existing practices** in addition to the **Valuation Report Identification Number (VRIN), introduced by IBBI for all IBC-related assignments.**

Both the VRN and the newly introduced VRIN must be mentioned on the front page of the valuation report.

Please ensure compliance with both requirements in all relevant reports moving forward to fulfill the requirements of the half-yearly report (M-4).

TEEJ *Celebration*

7th August

Independence Day
celebration!

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