



IOV RVF THE Valuer

BI- MONTHLY JOURNAL OF
IOV REGISTERED VALUERS FOUNDATION

LARGEST, PRESTIGIOUS AND MOST ENGAGING REGISTERED VALUER ORGANIZATION



REVIEW



Redressal



REFORM



Today is your **opportunity** to
build the tomorrow
you want.

About “IOV RVF 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 the combined efforts of all the authors, 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 pen down thoughts from our Valuer Members in the form of article on different topics, we ensure to enlighten the knowledge of readers in different verticalsof Valuation.

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

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**FROM THE DESK OF MD & CEO
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AR. VINAY GOEL

From the desk of MD & CEO, IOV RVF

"Valuation is neither an art nor a science. It is a craft that can be honed and worked upon" said by Dr. Aswath Damodran, Valuation Guru.

Assessment is the first & most critical tool in crafting valuation. Possession of this capability is required to understand and comprehend the parameters of assessment through analysis of available data and information for their appropriateness as inputs for the purpose of Valuation and creating the narrative. Apart from being qualified, a Valuer is required to develop the skills in crafting a Valuation opinion. Therefore, experience through practising as a Professional in Valuation, becomes vital to be obtained. However, this experience may remain insufficient if it is not backed by critical appreciation of the Valuations undertaken by the Valuers.

In order to establish the exclusive demand for a profession, strong foundation of academic pursuit coupled with self-regulation are required to be in place.

Therefore, to meet the academic requirements and for building capacities, continuous participation in professional educational development programs plays an important role. Apart from this the Self-Regulatory System, in any Profession, can only be ensured through a troika of REDRESSAL, REVIEW AND REFORMS.

Before moving ahead, let's explore the definitions of these terms in general context: -

"Redressal" primarily covers the receipt and processing of complaints; a wider definition includes actions taken on any issue raised to avail services more effectively.

"Review" denotes the examining or considering again of something in order to decide if changes are necessary

"Reform" means the improvement or amendment of what is wrong, unsatisfactory etc. It is generally regarded as antithetical to revolution.

The society or best described as Market of Users of Services, always look forward to get services from Professionals belonging to a Regulated Profession, which is capable to generate confidence for quality services. Valuation, as a Profession is on the threshold of being Regulated by the Authorities interventions, but seeing its vast utilities and growth in the intending markets of users, it is important that Institutional interventions for Self-Regulatory purposes be implied in the Valuation Profession, without waiting for an Authoritative intervention.

Valuation is such kind of a Profession, where a Valuer's opinion becomes a key input during a transaction taking place of any kind involving varied clientele or Stakeholders. All such opinions may have to go through the crucibles of adjudication. But it would be a fortunate

situation if it is preceded by registering the GRIEVANCES against a Valuer for a wrongdoing or mistakes, which may be unintentional or intentional, as the case may be.

At this stage, there is a scope for the Redressal of these Grievances by making necessary rectifications and justifications for the services provided. The process may lead to avoidable conditions to get deteriorated further. Institutional intervention in such instances may provide proper guidance to the Valuer, which may be beneficial not only in the Grievance being Redressed, but also to provide directions and advises for the future working as well.

Setting up appropriate mechanisms to address members concerns, prevent adverse consequences/risks and bring about positive changes in people's lives also give boost to the effective redressal mechanism at Institution level.

In order to gain confidence in Valuation Assignments being undertaken by the Valuers, REVIEWS of the Valuation Reports is another pre-emptive approach for any later day inconvenience and undesirable conditions. Getting the Review may be desired either due to the Grievances from stakeholders or for the self-assessment purposes. Reviews done for the purpose of self-assessment is termed as Peer Review, which is beneficial for early rectifications and improvements in the Professional dispensation at a very early stage negating any potential threat of Grievances being raised. Awareness and demand for the Valuers, whose works have been Peer Reviewed, is growing amongst the Users and other Stakeholders. Thus, it has a potential to create another group of professional reviewers from amongst the Valuer's fraternity.

With the effective redressal and review mechanism, it could be ensured at the Institutional level that the formed policies must keep pace with new ideas about what, when, and how professional can learn and focus on developing their capacities and capabilities to become responsible. Hence, on the basis of Redressal and Reviews, a Valuer takes a path of REFORM, wherein the objectivity of the purpose and profession are met with.

The Valuation professional bodies have larger responsibilities in shouldering all such requirements asked of a Valuer, to educate and upskill its members to respond for changing technologies and evolving market needs. The way forward is to conduct a broad discussion with the members about the services and knowledge fields they believe are on the rise and also those, in decline so that an agenda for change for the short and long term may be comprehended.

The professional institutions must embrace ethics and collective social responsibility, admit information gaps and commit themselves to continuous learning, organisational improvement and pushing the barriers of the body of knowledge. Education has a vital role in the way forward and 'the relationship between the professional bodies, universities, government and other stakeholders is, critical if the profession has to emerge as reflective as well as responsive to the issues and expectations.

We all have to stand up together, commit to ourself that we will use our knowledge as a tool of change for others. Remember that it's not about individual success rather it's about collective prosperity





TANUJ KUMAR BHATNAGAR

NOTE FROM EDITOR IN CHIEF

Redressal:

- Strengthening of Grievance Redressal Mechanism of Institution is one of the key requirements. Timely redressal of grievances is necessary for a citizen friendly institution.
- Grievance redressal mechanism of an organisation is an important instrument to measure its effectiveness as it provides feedback on the working of the organisation. Many a times the grievances are disposed of by certain departments with suggestions to approach another agency or another office. It's important to give valid reasons for closure of grievances. However, in many cases, institutions do not provide any reasons for closure of grievances. At IOV RVF the framework, process, and capacity to handle grievances has been developed by Grievance Redressal Committee.

Handling Grievances:

- Apart from letter, an online portal is available to the public and stakeholders to lodge their grievances related to valuation matters. The grievance is then placed before the concerned committee. Functioning of Grievance Redressal Committee is headed by an Independent Director which refers its findings to Disciplinary Committee, if needed. Committee submits its report to BOD at regular interval for monitoring and evaluation.
- Improvements in portal have been carried out to include (i) opening channels for effective communication, (ii) making the portal user friendly, and (iii) involving stakeholders in the reform process

Review

- An overall review/evaluation of the grievance handling process is need of the day. The review shall also be put on the websites.
- IOV RVF intends to create dashboard for Redressal & Review programme containing certain performance indicators. These indicators may include: (i) average complaints per month, (ii) disposal rate, and (iii) average disposal time.
- Some grievances are received on performance of Valuer members. The grievances are disposed of after deliberating in detail on the matter. Some are forwarded to the Disciplinary Action Committee, if required for further action. IOV-RVF plays an important role of facilitator for grievance redressal in valuation ecosystem with aim to accelerate the pace of reforms.

Reforms:

Reforms are the mandatory practices to be followed by Institution in its operations. Such practices shall be based on the recommendation by reviewing committee on grievances and redressal .





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'REDRESSAL OF GRIEVANCES IN THE VALUATION ECOSYSTEM'

How many of us in the valuer fraternity, have felt that our pent-up grievances remain unanswered or unresolved at various points of time during our career?

Our grievances may relate to any of the following:

- a) Clients' pressure for finalizing a certain value for the asset though it might be grossly incorrect; most often it happens with a few bankers or some private clients who expect the valuers to 'discover' a particular value and avoid any qualifying remarks even if they need to be specified.
- b) Grievances related to one sided agreements that some institutional clients thrust down the throats of valuers who sheepishly agree to these onerous and dangerous clauses for the sake of 'business'.
- c) Grievances related to non-receipt of payments for services rendered.
- d) Grievances related to show cause notices, removal from empanelment and most seriously inclusion of valuers in FIRs, civil and criminal prosecution if there has been some fraud by the borrowers or clients or other stakeholders.
- e) Grievances related to other valuers who deliberately bring out excessively nit-picking type reports to show another valuer in poor light based on a client's specific wish to target the valuer who had earlier assessed the asset.
- f) Excessively low levels of fee which are forced upon valuers who out of sheer need to operate in the field accept it
- g) Grievances against various institutions including the body to which a valuer may belong to.
- h) Any other type of grievance that does not fall into the above categories.
- i) Apart from the grievances which the valuers might be harbouring, at the other end of the spectrum, the users of valuation services too could have some grievances as to the quality of service, incidents of gross professional negligence, unethical and unprofessional services, collusion with others so as to give 'convenient' valuation reports and the like.

These too must be looked into and resolved if possible, for, all of us know, any wound - mental or physical - left festering could hurt or at times turn cancerous. So, it is better to bring it to a closure through a manner which will have to be just and fair.

Hitherto, all the valuers could do was to fret and fume or at best vent it out in the local chapter meetings if the concerned valuer is vociferous enough. Of course no solutions have ever been found by such discussions. Or, the valuer or the user of the service, could write to the institution and expect them to act upon it. But the institutions have their own limitations and unless the issues are grave enough, they would not be able to do much.

It is in this context, the need for a professional body or committee comprising members drawn from different specialties viz. valuers from L&B, P&M and SFA streams, legal experts, ex-bankers, ex-regulators, institutional chiefs and those who could bring different perspectives to analysis and ramifications of various grievances that are aired by the different stakeholders in the valuation field and resolve them to the extent possible, is an idea whose time has come, as the cliché goes.

Such a committee is on a good footing to receive a grievance aired by any stakeholder, do a preliminary analysis to decide if it merits its attention or gets consigned to the dustbin or do a detailed analysis where there is merit, ask for more information or documents, seek clarifications from the parties involved, discuss, debate and decide if there is a wrong doing or violation of an important norm. It can recommend suitable resolution based on its findings. Some more protocols related to this mechanism are being finalized and will be shared with all the stakeholders soon.

The committee has adequate bandwidth to appraise the grievances, be it from the user side or the service provider side and come to fair and just conclusions.

These are the 'why' of formation of such a committee and 'how' of discharge of its duties.

However, let not anyone get an impression that the committee could resolve each and every grievance, however justified it might be, to the fullest satisfaction of the concerned; the committee too will have its limitations in its jurisdiction and reach. However since the committee has been formed with a specific mandate to handle the grievances and try and resolve them, the results are expected to be better than the present mechanisms.

Just like a human being evolves with age and based on experiences gathered, the institution/committee too will have to evolve and find its feet in the course of time, as this is a first-of-its-kind initiative among various valuer institutions. The rules, regulations and operational protocols regarding the redressal mechanism will be finalized in the coming days.

As per the sentiments expressed in the ever-green poem of Robert Frost recounted below, these are early days for the committee and it has just begun its baby steps but the journey is going to be long and eventful!!!

"The woods are lovely, dark and deep, But I have promises to keep, And miles to go before I sleep, And miles to go before I sleep"

The committee has met once and it is to assemble once in three months to take stock and act upon the issues placed before it. Let us give it some more time to get its act together and bring about positive changes in so far as judicious resolution of grievances are concerned!





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REVIEW OF INVESTMENT IN REAL ESTATE

Introduction :

Investment in various sectors in India are:

1. Fixed Deposits or Mutual fund in Banks
2. Share or commodity market in stock exchange
3. Gold
4. Real Estate.

Real estate can be proved to be the best one if you are able to lock your investment amount for long term of more Than Five years. we will discuss and compare it with other ways of investments

Aim and objective : comparison of various types of investment with Real Estate would enable us to make a Very Good financial portfolio. And we can set proportions of the Investments in various available options. Before comparing the investment in Real estate , let us understand how the financial growth is achieved in the investment. Let us consider an example of a plot in residential layout near a city When ever the development starts in the vicinity , even a small residential bungalow/Apartment building etc. adds value to your investment. Thus every individual construction goes on adding some value to your investment in the plot.To achieve good returns , you can observe the temporal development of the city by studying development plan of the town, wherein you can see a pre planned temporal growth of the city.

Apart from Natural rise in inflation index , rate of increase in population density , addition of amenities like school , banks, petrol pump etc...in the near by surrounding also cause rise in the land valuation .

i.e.....

$$\text{rise in value of the plot} = \left\{ \begin{array}{l} \text{natural rise} \\ \text{due to inflation} \\ \text{index} \end{array} \right\} + \left\{ \begin{array}{l} \text{Rise in the value due} \\ \text{to Development of} \\ \text{Amenities in the} \\ \text{surroundings} \end{array} \right\}$$

if these factors are considered against the Investment in Bank Fixed deposits you get simple interest in case of monthly return scheme or compound interest of merely 5 to 6 % ,

Natural rise in inflation index does not cause rise in your basic (principal amount) FD amount. Though , the investment in real estate is not easily liquidable , you can avail loan against mortgage of the property.

Case study:

Considering rise in the rate per sqm of plots in a typical small residential layout on a land bearing s.no. 56/2 , Sundar nagar in Dudhale , Dist. Nandurbar in Maharashtra state, if compared against the investment in gold and Fixed deposits, it shows that % rise in twelve years is 550% in real estate (plots) while that in gold and FD is around 250 to 285 %

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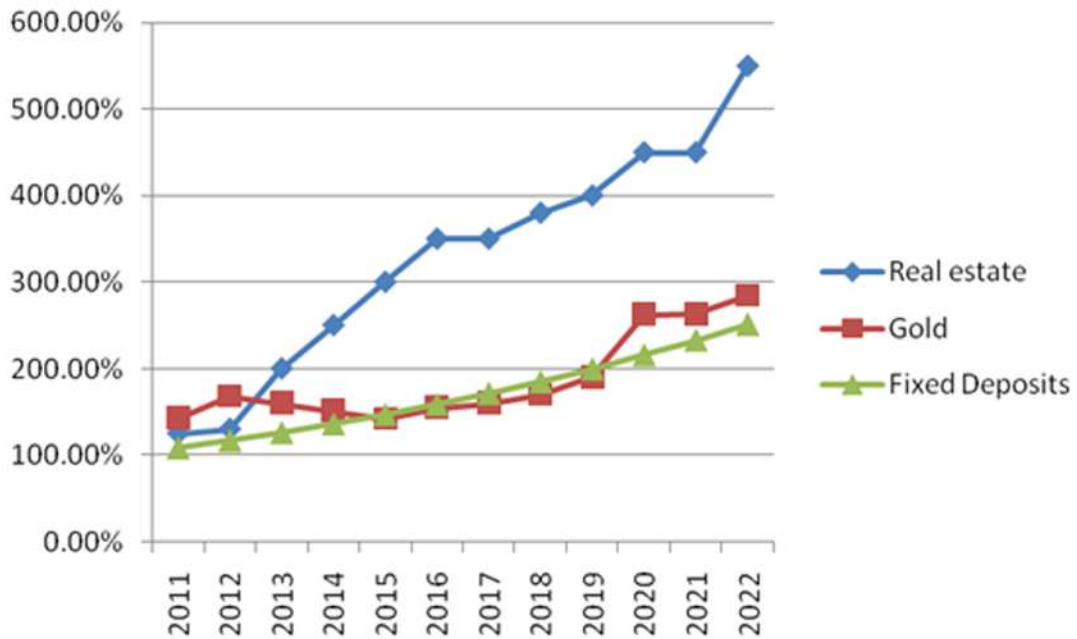
Conclusion :

The amount of return in the real estate is almost twice of that in other types of investments if you study the temporal development and zones in the development plan or regional plans before investing. Even if you need to pay 20% capital gain tax , you are still at good profit . You can make a good pension plan for your future if you start investing money at early stage of your earning. But for this purpose it is advisable to invest in small plots , so that you can get its returns in future in the required small amounts.

Now a days Home loan is available at 6.5 to 7% rate of interest , so it is very advantageous to purchase the home at such low rate of interest , because valuation of your property will increase much more than what you pay for purchasing it along with interest. Table showing comparision of returns from Bank FD , investment in Gold and Investment in real estate.

| sr.no | year | Rate of plot per sqm | cumulative % increase in rate per sqft | gold rates Rs. per 10 Gm | Cumulative % increase in rate per 10 gm of Gold | Fixed deposit pricipal amount at 8% rate of interest | cumulative % rise in FD amount |
|-------|------|----------------------|--|--------------------------|---|--|--------------------------------|
| 1 | 2010 | 1000 | 0.00% | 18,500.00 | 0 | 10000 | 0 |
| 2 | 2011 | 1250 | 125.00% | 26,400.00 | 142.70% | 10800 | 108.00% |
| 3 | 2012 | 1300 | 130.00% | 31,050.00 | 167.84% | 11664 | 116.64% |
| 4 | 2013 | 2000 | 200.00% | 29,600.00 | 160.00% | 12597.12 | 125.97% |
| 5 | 2014 | 2500 | 250.00% | 28,006.50 | 151.39% | 13604.89 | 136.05% |
| 6 | 2015 | 3000 | 300.00% | 26,343.50 | 142.40% | 14693.28 | 146.93% |
| 7 | 2016 | 3500 | 350.00% | 28,623.50 | 154.72% | 15868.74 | 158.69% |
| 8 | 2017 | 3500 | 350.00% | 29,667.50 | 160.36% | 17138.24 | 171.38% |
| 9 | 2018 | 3800 | 380.00% | 31,438.00 | 169.94% | 18509.3 | 185.09% |
| 10 | 2019 | 4000 | 400.00% | 35,220.00 | 190.38% | 19990.05 | 199.90% |
| 11 | 2020 | 4500 | 450.00% | 48,651.00 | 262.98% | 21589.25 | 215.89% |
| 12 | 2021 | 4500 | 450.00% | 48,720.00 | 263.35% | 23316.39 | 233.16% |
| 13 | 2022 | 5500 | 550.00% | 52,690.00 | 284.81% | 25181.7 | 251.82% |

Graph showing yearly cumulative % Rise in the investments



References :

Actual survey of rise in real estate and rates of gold available from net / google search.
Testimonial Note: I am very much thankful to you for giving me an opportunity to express my views by using the platform of IOV RVF journal.





SHARMA DINESH N

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DETAILS OF LEASEHOLD PROPERTIES VALUER SHOULD KNOW FOR VALUATION

Introduction

A Property has a bundle of rights, lease is a part of bundle of rights. Lease can be defined as rightful separation of ownership and possession. The Lease hold property given on rent for a certain period of in which Tenant has limited right i.e. to use the property for a limited period of time . For Using the property Tenants(lessee) has to pay in the form of Lease rent or ground rent which may also include Service/maintenance charges as per terms of lease. Total part of Valuation of leasehold properties is to be discussed in 6 - 7 parts, So This time we will discussing Part II & rest Later on .

Details of leasehold properties Valuer Should Know

To understand lease we must understand relationship between the landlord and the tenant.

Lesser:owner of the land or the land with building, who give away possession of his property, on certain terms and condition.

Lessee:Tenant of the property which belonged to lesser. He holds and uses the property for period stated in Lease Agreement at the agreed terms and conditions set out in Lease Agreement .

Sub Lessee: When in Lease Agreement right is given by lesser to the lessee for subletting of land or land with building to the third person this subtenant is known as sub-lessee. Main lesser in such a case is called head lesser & main Lessee is called head lessee.

Interests of lesser, lessee, sub-lessee: Depending upon the terms and conditions of the lease or sub lease, value of the interest of the different right holders of the property can be estimated. Thus, in a leasehold property, there will be two right holders, lesser and lessee.

Four Types of Leases

There are basically four types of leases, which are mentioned below:

Building Lease: These types of leases are most common in which open plot of land is given on lease by lessor to the lessee for the construction of the building & then for using it. lease period maybe 30 years, 60 years, 99 years or even 999 years. 99 years and more period is called Long Term lease or lease in perpetuity. short terms leases are also popular.

Occupational lease: This lease is for use of land and building together, which belongs to lesser. The lease Period is normally short i.e. 3 ,5 or 10 years. There is usually a clause for renewable lease for further periods.

| Difference between Building Lease and Occupational lease | |
|--|---|
| Building Lease | Occupational lease |
| Vacant land is leased Out. | Land and building are leased out. |
| Rent so collected is called ground rent. | Rent so collected is called Rack rent |
| Lessee have to spent on the construction | Building alreadyconstructed then leased |
| Here Reversion to lesser after long period. | Reversion to lesser after shorter Period. |

Sub-lease: In this type of lease head lesser leases land to head lessee for a fixed lease rent for a fixed period. Head lessee is given right to sub-lease as and when required. Head lessee sub leases the land to sub-lessee for enhanced lease rental but for shorter duration than the period of head lease. Head lessee enjoys the profit rent.

Lease for Life: Under this type of lease, period of lease is fixed as the remaining lifespan of the lessee. The lease period ends on the date of death of the lessee. This type of lease creating life interest is not common in India.

Advantages of being a lessee

Practically he is the one, who enjoys the property. There are several reasons for this enjoyment because instead of paying the entire price for the land he just has to pay a agreed lease rent by doing that he is able to save substantial capital investment on land. Not only this, he also saves a lot of money on stamp duty. The land is his property for the lease period so he can develop the property as per his requirement ofcourse within building bye laws and he can enjoy the further benefits of the land or the property. Ifrequired lessee can extend the lease period with a mutual understanding with lesser. Last but not the least benefit is that if the locality gains more importance, then the lessee's interest goes on increasing with advancement of lease period.

Points to be considered before proceeding with valuation

- whether the lease deed is duly registered.
- Total period of lease and unexpired period.
- Weather lease is renewable onmaturity of lease period .
- The property would revert back to lesser on what condition .
- Covenant concerning status of buildings con structedon the plot.
- Lease rent payable by the lessee and if there periodical increase in lease rent.
- On renewal of lease what will be next period of lease.
- On maturity of lease structure vested with lessor will it be free of cost or onpayment of depreciated cost of building or to be demolished .
- Amount of unearned increase in premium in case of transfer/ assignment of the property during lease period.
- Purpose of the Valuation
- Whether value is required for Lesser, Lessee or sublessee .
- If for check what the right Lessor ,Lessee or Sublessee has.
- If for Lessee check what the right he has.
- Rate of capitalization for lessor and lessee&single rate or dual rate is to be adopted.

Conclusion : With all the above knowledge we (valuer) can perform our professional work with more precision.



EXCEDOR VALUERS PVT LTD.

REGISTERED UNDER LAND & BUILDING AND
SECURITIES & FINANCIAL ASSETS
IBBI/RV-E/02/2020/130

MR. HARSH VARDHAN BHANDARI
REG NO. - IBBI/RV/06/2019/12212

DETAILED PROCEDURE FOR VALUATION OF INTANGIBLE ASSETS IN PURCHASE PRICE ALLOCATION

Introduction:

Ind AS 103 is applicable in case of business combinations. Business combinations are defined as: When a transaction where the assets acquired and liabilities assumed together constitute a business, then such transaction can be identified as a business combination. E.g., Merger, de-merger, slump sale, etc.

Objective of this Ind AS? It is to improve the relevance, reliability, and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. To accomplish that, this Ind AS establishes principles and requirements for how the acquirer:

- a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- b) recognizes and measures the goodwill/ capital reserve acquired in the business combination or a gain from a bargain purchase. and

- c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination .

Recognizing and measuring the Identifiable Assets and Liabilities -

The acquirer shall have to recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, subject to fulfilment of conditions as prescribed.

- i. All tangible assets excluding property, plant and equipment and liabilities assumed shall be recognized at the realizable value.
- ii. All property, plant and equipment and liabilities assumed shall be recognized at the fair market value.
- iii. Further, the acquirer may have to recognize some of the assets and liabilities that were not recognized earlier in the books of acquiree. These consists of intangible assets such as franchises, trademarks, patents, copyrights, mineral rights,

customer contracts or relationships, etc. that grant rights and privileges, and have value for the owner.

Intangible assets are assets in addition to financial and tangible assets and working capital.

Under Ind AS 38 an intangible asset is defined as "An identifiable non-monetary asset without physical substance". From an accounting perspective, it has the following key attributes:

- **identifiability** - they are separable or may arise from contractual or other legal rights,
- **future economic benefits** - their existence depends on expectation of future benefit such as revenue or cost savings or other benefits resulting from their use; and
- **control** - the owner can control the use or restrict the access to the future economic benefit

The following are some of the common types of Intangible Assets which are obtained during a Business Combination:

1. Brand

Brand is derived from consumer perception for that company. It is a value premium which a company receives from its products or services as compared to another product or service in the same industry. Depending on the company, the brand name can be critical to the success of the business. When a company has a positive brand value, customers may be willing to pay a high price for its products, even if they could get the same thing from a competitor for less.

2. Intellectual Property

It is one of the important types of intangible assets, which is a registration of creativity; it might be in technology or design. These are the most valuable assets of any corporation. It is also referred to as inventions or unique designs. The owners legally protect these inventions or designs from outside uses without consent.

The companies should be aware of the value of these intellectual properties the same as another kind of physical property, as the value of the intellectual property are huge when it compares to physical property. There are 4 different types of intellectual property:

i. **Patents:** Protection of new technologies from using or developing by others. For example, Samsung wireless charging technology.

ii. **Copyrights:** Protection of authorship from using and publishing by others; For example, most of the books published in the world cover copyrights, prevent others not to publish without consent of the author.

iii. **Trademark:** Protection brand names, logo, or unique designs of the company. For example, Logos or product designs are protected from trademarks.

iv. **Trade Secrets:** Protection of secret information of a product from using by others.

Research and development (R&D) is another type of intellectual property (IP) and refers to when a company performs research with the goal of developing a new product or solution. IP and R&D go together because the research alone may or may not produce a valuable asset, but the development side will.

3. Customer Contracts / Relationships

A list of the regular / repetitive customers can be considered as an Intangible asset of the company. It takes a long time to build a customer relationship and can have a significant future value for any business because it can help in future segment targeted marketing for new or the same products or services and help in gaining new businesses.

4. Licensing and Rights

These are other kinds of intangible assets that are widely used in business. Licensing and Rights are the agreement between an intellectual property owner and others who are authorized to use those intellectual properties for their business purpose in exchange for an agreed payment, which is called Licensing fee or Royalty. A license gives the holder certain rights of using or generating revenue from someone else, business, or inventions.

5. Non-Compete Agreements

Non-compete agreements may reduce the risk of the acquired business losing customers to the vendor.

They might also prevent the vendor from seeking to recruit key employees of the acquired business, thereby reducing future recruitment, and training costs and improving the retention of know-how within the business. Non-compete agreements may therefore represent future economic benefits in the form of higher sales and lower costs.

Principle for Measurement

The measurement principle used under Ind AS to value an asset is "fair value", which means that it is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions. While it emphasizes a market-based measurement, the use of relevant observable inputs should be used. The underlying aim is to use assumptions that market participants would employ when valuing the asset, including assumptions about risk, restrictions on its sale or use, condition of the asset, geographical use restrictions, etc.

Valuation Approaches and Methodologies

The generally accepted valuation approaches comprise of Market Approach, Income Approach, and Cost Approach. Each approach has its own advantages and disadvantages. Thus, depending on the circumstances of each case; for instance: asset type, information availability and quality thereof, risk characteristics, etc. a particular approach might be used. The selection of the approach and methodology is a process of elimination and often the valuer will use more than one method under different approaches to corroborate or set a guideline for an estimate of the fair value. Moreover, depending on the approach and methodology used, the valuation may be predicated on either historical or prospective financial information along with contemporaneously available market data.

The valuation approaches and key methodologies under each are briefly discussed hereunder:

1) Market Approach: This approach uses market-based indicators of value. It is based on a relative approach and on the premise of efficient markets and supply & demand. It estimates fair value by reference to observable market price data or transactions of comparable intangible assets. However, given that there is no active market for trading in intangible assets,

However, given that there is no active market for trading in intangible assets, comparable transactions may be used under this approach. Market data from market participants is often used in income-based models, such as determining reasonable royalty rates and discount rates.

There are several databases available in the market to get access to some of these information inputs (e.g., www.royaltystat.com, www.up-counsel.com, etc.)

Comparable Transaction Method:

Transactions occurring in a free and open market between knowledgeable and willing buyers and sellers conducted on an arm's length basis can be used to determine benchmark metrics for the purpose of valuing the comparable intangible asset.

While evaluating comparability, factors such as age of the asset, applicability of use, locational / geographical access or use, risk and expected return characteristics, etc. are considered. Typical benchmarks include multiples of revenue or profitability.

However, while an ideal method, it has limited practical applicability. For one, observable market-based transactions of identical or substantially similar intangible assets are often difficult to obtain. Such transactions are generally confidential and often involve other negotiated terms with respect to marketing, financing, use restrictions, etc. which influence price, but the existence of such arrangements is not publicly known. A further limitation is a lack of comparability - by nature, intangible assets usually enjoy unique characteristic, which almost always necessitates adjustments to be made to the benchmark metric.

Consequently, depending on the quality of data, if available, the method is generally used to corroborate the value arrived at under other valuation methods.

2) Income Approach:

The income approach uses estimates of future estimated economic benefits or cash flows and discounts them for the associated time and risks involved to a present value. The method is founded on the principal of anticipation - whether of revenue streams or cost savings or

other economic benefit. Thus, it finds maximum applicability in the valuation of intangible assets such as brands, customer relationships, copyrights, patents, etc. which generate a future income

or cash inflow stream. However, a key area of difficulty under this approach lies in separating the cash flows exclusively pertaining to the asset under valuation from that of the enterprise. The discount factors typically used in such instances are the weighted average cost of capital (WACC), or weighted average return on assets (WARA), or the Internal Rate of Return (IRR) of the investor specific to the asset being valued. Thus, depending on the risk and return profile of the asset, a suitable discount factor would be applied to the cash flow stream to arrive at the present value.

This approach includes the following commonly used methods:

i) Relief from Royalty Method:

The Relief from Royalty method is based on the principle that, if the business did not own the asset, it would have to in-license it in order to earn the returns that it is earning. Alternatively, the business could out-license the asset if it did not wish to use it. Thus, the value of the asset is calculated based on the present value of the royalty stream that the business is saving by owning the asset. Under this method, a royalty that could be expected to be obtained in normal commercial practice is applied to an estimated level of future maintainable sales and the resultant after-tax royalty stream is computed. Such computed after-tax royalty stream is discounted using a relevant discount factor to arrive at the value of the asset. The method is popularly employed in the valuation of intangible assets such as brands, licences and technical know-how, where transacted royalty rates for similar assets are often available. These rates are then adjusted for asset specific risks and returns such as geographical use restrictions, brand recall, etc. to arrive at a suitable royalty rate.

Pitfalls with rules of thumb:

It may be the case that past or current transactions for royalty rates for similar assets may not be available. In such instances, a generally accepted heuristic is the "25%-profit split" method.

The 25% Rule as defined by Goldscheider et al (2002) suggests that a licensee should pay a royalty rate equivalent to about 25 % of the expected profits for the product that incorporates the subject IP. The genesis of the 25 % rule was an observation by Robert Goldscheider that the average royalty from a small sample of licensing agreements for a bundle of IP from one company, Philco, reached in the 1950s was about 25% of operating profit. However, this is not backed by reliable evidence. Empirical evidence suggests extremely wide variation depending on the industry. Nevertheless, it still enjoys wide-spread acceptance. Thus, the valuer should be cautious in its use, and should employ it as a cross-check with suitable up/down adjustment and in addition to other data sources to arrive at an appropriate royalty rate.

ii) Multi-period Excess Earnings Method:

Under the multi-period excess earnings method, the present value of the cash flows generated by, and only by, the intangible asset is considered. In order to arrive at cash flows from the intangible asset only, the cash flows generated by the intangible asset in combination with other assets are reduced by subtracting notional cash outflows for the "contributory" assets (the contributory asset charges). This procedure treats the contributory assets as being leased from a third-party, to the extent necessary for the generation of the cash flows. The method is particularly useful in case the intangible asset being valued is a significant value driver with other assets being secondary in nature to it.

iii) With and Without Method/ Premium Profits Method:

This method measures the economic contribution of the asset by calculating the net present value of the incremental cash flows to be derived from the use of the asset. This method requires the determination of the future cash flows from the existing business with the asset and the future cash flows from a notional business without the asset. Non-compete arrangements are commonly valued using this method.

v) Greenfield Method:

The Greenfield Method estimates the value of the asset based on the discounted cashflows of a notional start-up business with no assets but the subject intangible.

The revenue projections from the identified intangible asset are to be discounted by applying discount rate of such start-up-type discount rate along with incremental risk premium.

3) Cost Approach:

This approach is based on the economic principle of substitution and covers opportunity costs during the stage of development of the asset as well. However, it ignores the amount, duration and timing of future economic benefit arising from the asset. Further, it does not consider the risk characteristics of the asset nor its performance in a competitive environment. Hence, it is not usually useful in valuing assets such as patents, copyrights, brands, etc. which mainly derive their value from their future earning ability. Nevertheless, it is used when either data required under other valuation approaches is not available or the asset is unique or there is no active market for the asset under consideration .

The approach is best used in valuing intangible assets such as technical drawings or internally developed software that do not generate a direct cash inflow stream, or assembled workforce; which although is not separately recognized on the balance sheet, is used to arrive at the fair value of other assets). There are two commonly used methodologies under this approach:

i) Historical Method:

This method considers the historic or suck cost or purchase price to value the asset. This method does not consider future benefits arising out of the use of assets. Hence, it usually is not a good indicator of the true value of the intangible asset.

ii) Replacement Cost Method: The method considers estimating the costs to recreate / replace an asset with equivalent functionality at current prices and costs, including adjustments for factors like physical deterioration and functional / economic obsolescence, wherever applicable. It is based on the premise that a prudent third-party replacement would pay no more for an asset than its replacement cost.

Tax Amortization Benefit (TAB)

Based on the above methodologies, the valuer arrives at the value of an asset on a stand-alone basis, which is its pre-tax value. However, tax jurisdictions allow an intangible asset to be amortized over its useful life.

Conclusion

While it is possible for one method being incorrectly used for the valuation of a specific type of Intangible Asset, there are usually several valuation methods which could be used in deriving an approximate value of the Intangible Asset. The method used generally is based on the reliability and availability of data required for the valuation of the Intangible Asset. Below is the list of the most often methods used in the valuation of Intangible Assets -



| Intangible Asset | Relief from Royalty | Excess Earnings | Cost | Greenfield | With or without |
|-----------------------------------|---------------------|-----------------|------|------------|-----------------|
| Brand | ✓ | | | | |
| Patents | ✓ | | | | |
| Copyright | ✓ | | | | |
| Trademark | ✓ | | ✓ | | |
| Trade Secrets | ✓ | | | | |
| Research and Development | | | ✓ | | |
| Customer Contracts / Relationship | | ✓ | | | |
| Licensing and Rights | | | | ✓ | |
| Non – Compete Agreements | | | | | ✓ |

Illustrative Examples for Stand-alone Intangible Asset Valuation

Assembled Workforce - Replacement Cost Method

| Particulars | INR Mn |
|---|--------|
| Current Annual CTC of Assembled Workforce | 215 |
| Hiring Cost (1 month's CTC) | 18 |
| Training Cost (1.5 month's CTC) | 27 |
| Inefficiency Cost (50% for 2 month's CTC) | 18 |
| Replacement Cost of Workforce | 278 |

Brand Valuation - Royalty Relief Method

(INR Mn)

| Particulars | | 2020 | 2021 | 2022 | 2023 | 2024 | Terminal |
|-----------------------------|------------|-----------|-----------|-----------|-----------|----------|----------|
| Net Sales | | 400 | 750 | 1,100 | 1,400 | 1,600 | 1,680 |
| Pre-Tax Relief from Royalty | 5.00% | 20 | 38 | 55 | 70 | 80 | 84 |
| Income Tax | 34.94% | 7 | 13 | 19 | 24 | 28 | 29 |
| After Tax Royalty | | 13 | 24 | 36 | 46 | 52 | 55 |
| Discounting Factor | 19.50% | 0.84 | 0.70 | 0.38 | 0.22 | 0.16 | 0.16 |
| Growth Rate | 5.00% | | | | | | |
| PV of Cash Flows | | 11 | 17 | 14 | 10 | 8 | 9 |
| Sum of PV of Cash Flows | 60 | | | | | | |
| PV of Perpetuity | 61 | | | | | | |
| Fair Value of Brand | 121 | | | | | | |

- Royalty Rate is based on prevailing rates charged for brand licence by company to franchisees.
- Discount factor is based on company WACC with adjustment for risk premium for asset

Non-Compete Valuation - With and Without Method

INR Mn

| Particulars | | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------------------------|-----------|-----------|-----------|----------|----------|----------|
| Cash flows (with Non-competes) | | 19 | 24 | 32 | 35 | 40 |
| Cash flows (without Non-competes) | | 2 | 5 | 17 | 25 | 33 |
| Difference in Cash flows | | 17 | 19 | 15 | 10 | 7 |
| Discount factor | 17.50% | 0.85 | 0.72 | 0.39 | 0.23 | 0.16 |
| PV of Differential Cash Flows | | 14 | 14 | 6 | 2 | 1 |
| Sum of Differential Cash Flows | 38 | | | | | |
| Probability of competing | 50% | | | | | |
| Fair Value of Non-competes | 19 | | | | | |

Cash flow with Non-compet

| Particulars | | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------------|--------|-----------|-----------|-----------|-----------|-----------|
| EBIT | | 50 | 58 | 65 | 70 | 74 |
| Less: Income Tax | 34.94% | 17 | 20 | 23 | 24 | 26 |
| Net Income | | 33 | 38 | 42 | 46 | 48 |
| Add: Dep | | 2 | 2 | 2 | 2 | 1 |
| Less: Capex | | 12 | 12 | 10 | 10 | 8 |
| Less: Increase in Working Capital | | 4 | 4 | 3 | 2 | 2 |
| Cash flows with non-compet | | 19 | 24 | 32 | 35 | 40 |

Cash flow without Non-compet

| Particulars | | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------------------------|--------|-----------|-----------|-----------|-----------|-----------|
| EBIT | | 20 | 32 | 49 | 56 | 70 |
| Less: Income Tax | 34.94% | 7 | 11 | 17 | 20 | 24 |
| Net Income | | 13 | 21 | 32 | 36 | 45 |
| Add: Dep | | 2 | 2 | 2 | 2 | 1 |
| Less: Capex | | 12 | 12 | 10 | 10 | 8 |
| Less: Increase in Working Capital | | 2 | 6 | 7 | 3 | 6 |
| Cash flows without Non-compet | | 2 | 5 | 17 | 25 | 33 |

- Cash-flows are considered for the period of non-compet
- The *dependency* ratio on the non-compet has been considered to arrive at cash flows with non-compet, which reduces with time as follows:

| Particulars | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------|------|------|------|------|------|
| <i>Dependency Ratio</i> | 60% | 45% | 25% | 20% | 5% |

- A *probability* that the seller may compete of 50% has been considered to arrive at the Fair Value of Non-compet.

Customer Relations – Multi Period Excess Earnings Method

| Particulars | | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
|--|-------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|
| Total Revenue | | 24,00,00,000 | 26,40,00,000 | 29,04,00,000 | 31,94,40,000 | 35,13,84,000 | 38,65,22,400 | 42,51,74,640 | 46,76,92,104 |
| % from repetitive Client Revenue from repetitive customers | | 60% | 33% | 18% | 10% | 5% | 3% | 2% | 1% |
| | | 14,40,00,000 | 8,71,20,000 | 5,27,07,600 | 3,18,88,098 | 1,92,92,299 | 1,16,71,841 | 70,61,464 | 42,72,186 |
| EBIT Margin | | 45% | 45% | 45% | 45% | 45% | 45% | 45% | 45% |
| EBIT margin before considering asset charge | | 6,48,00,000 | 3,92,04,000 | 2,37,18,420 | 1,43,49,644 | 86,81,535 | 52,52,328 | 31,77,659 | 19,22,484 |
| Less: Taxes | 25.17% | (1,63,08,864) | (98,66,863) | (59,69,452) | (36,11,518) | (21,84,969) | (13,21,906) | (7,99,753) | (4,83,851) |
| PAT pre asset charge | | 4,84,91,136 | 2,93,37,137 | 1,77,48,968 | 1,07,38,126 | 64,96,566 | 39,30,422 | 23,77,906 | 14,38,633 |
| Less: Contributory Asset Charge | | | | | | | | | |
| Fixed asset | | 92,69,372.0 | 1,05,29,648.4 | 60,61,510.4 | 35,41,927.1 | 21,03,280.6 | 12,72,484.8 | 7,69,853.3 | 4,65,761.2 |
| Working capital | | (11,60,328.7) | 7,28,388.7 | 2,25,704.4 | 2,62,935.3 | 3,06,045.4 | 1,73,374.7 | 98,216.8 | 55,639.8 |
| Work Force | | 11,45,639.4 | 12,60,203.4 | 6,93,111.9 | 3,81,211.5 | 2,09,666.3 | 1,15,316.5 | 63,424.1 | 34,883.2 |
| Brand | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Content creation | | 1,17,97,158.0 | 1,29,76,873.8 | 71,37,280.6 | 39,25,504.3 | 21,59,027.4 | 11,87,465.1 | 6,53,105.8 | 3,59,208.2 |
| PAT post asset charge | | 2,74,39,295 | 38,42,023 | 36,31,361 | 26,26,547 | 17,18,546 | 11,81,781 | 7,93,306 | 5,23,140 |
| Discounting factor | 18.28% | 0.9 | 0.8 | 0.7 | 0.6 | 0.5 | 0.4 | 0.3 | 0.3 |
| Net present Value | | 2,52,30,322 | 29,86,823 | 23,86,814 | 14,59,601 | 8,07,439 | 4,69,446 | 2,66,433 | 1,48,548 |
| Value of Customer list | 3,38,81,050 | | | | | | | | |
| Fair Value of Customer relation | 3,38,81,050 | | | | | | | | |



INMACS VALUERS PVT LTD.

REGISTERED UNDER PLANT & MACHINERY
AND SECURITIES & FINANCIAL ASSETS
IBBI/RV-E/02/2021/141

COMPANYLAW-CASESTUDY

Company Law – Case Study

| Cadbury India Ltd - Capital Reduction | |
|---|---|
| Facts | Held |
| <ul style="list-style-type: none"> Cadbury obtained 2 valuation reports - Bansi Mehta & Co and SSPA which returned a value of INR 1,1,340 per share for CR Certain minority shareholders took exception to the original valuation price and the Court directed a fresh valuation to be undertaken by an independent firm (EY) as Cadbury sought Court's guidance to settle the dispute The independent firm in the first instance returned a value of INR 1,743 using the CCM method This report was then requested to be updated by using DCF method. The revised value was INR 2,014.5 per share was arrived based on unaudited Sep 2009 numbers after giving equal weightage to CCM and DCF which was upheld by court. | <ul style="list-style-type: none"> Terminal growth rate of 6% while sales and profit were growing at 20% and 40% respectively was justified since a conservative terminal growth is more probable indication of projection. Flat tax rate of 33.99% was considered realistic and fairer even though Company was presently availing various tax breaks Valuer will be justified in falling back on last available PAT in case non-availability of PAT for a given date On the Nestlé's growth rate of 11% - Court opined that product mix, division, process, market etc... differentiate two companies and Nestle operates in much broader spectrum of markets and products than Cadbury and therefore the growth rate cannot be considered an equal. <p>"Before a Court can decline sanction to a scheme on account of a valuation, an objector to the scheme must first show that the valuation is ex-facie unreasonable, i.e., so unreasonable that it cannot on the face of it be accepted."</p> |

Valuation undertaken as per Internationally accepted principles cannot be challenged

Company Law – Case Study

| Hindustan Lever Employees' Union v. Hindustan Lever Ltd - Business Combination | |
|--|--|
| Facts | Held |
| <ul style="list-style-type: none"> The valuer had adopted the combination of three well known methods of valuation to arrive at the exchange ratio of the two companies - Hindustan Lever Limited and Tata Oil Mills Company Ltd. (In brief 'TOMCO'). The ratio of 2:2:1 was concluded for value arrived at under the Income, Market and Asset approach. According to the contention of appellants (from the valuation perspective) – <ul style="list-style-type: none"> A. Valuation of share exchange ratio is grossly loaded in favor of HLL. B. Interest of employees of both the Companies was not adequately taken care of. C. Preferential allotment of shares to Unilever (to maintain majority shareholding) was less than market price, which is not in public interest. | <ul style="list-style-type: none"> The jurisdiction of the court sanctioning a claim of merger is not to ascertain mathematical accuracy of the determination of share exchange ratio has satisfied the arithmetic test. It exercises a jurisdiction found on fairness. What is imperative is that such determination should not have been contrary to law and that it was not unfair for the shareholders of the company which was being merged. The Hon'ble Supreme Court also held <i>"We do not think that the internal management, business activity or institutional operation of public bodies can be subjected to inspection by the court. To do so, it's incompetent and improper and therefore, out of bounds."</i> |

Court is governed by fairness & lawfulness rather than ascertaining mathematical accuracy

Company Law – Case Study

| German Remedies limited - Business Combination | |
|---|--|
| Facts | Held |
| <ul style="list-style-type: none"> Petitioner along with other 3 companies was going to be merged into Cadila Healthcare Ltd. Scheme was approved by shareholders with 99% majority. The Valuation as made considering 3 methods, namely, the NAV, PE Value and the Market Value of the quoted shares. Petitioners raised objections on the Valuation Report stating that it was not legal, proper and accurate and that the swap ratio was unfair and improper. Further, the swap ratio of 8:4 was demanded against the current 7:4. | <ul style="list-style-type: none"> The Court has neither the expertise nor the jurisdiction to delve deep into the commercial wisdom exercised by the creditors and members of the company who have ratified the scheme by requisite majority. The Court had no jurisdiction to interfere in the valuation and swap ratios unless it finds the scheme unjust, unfair and unreasonable. |

High Court to only examine that the scheme is just, fair and reasonable and not contrary to the law

Company Law – Case Study

| Miheer H M a/at/al vs.Ma/at/al Industries Limited -Business Combination | |
|--|---|
| Facts | Held |
| <ul style="list-style-type: none"> Petitioner, a director of the transferor company, raised objections on the Scheme in Gujarat HC which was duly approved by requisite majority of Shareholders of both companies. Earlier, when the same Scheme was being sanctioned by the Bombay HC, being the court of jurisdiction of the transferor company, no such objections were filed by the petitioner. Petitioner raised a point in front of the Courts that the share-exchange ratio was unreasonable to the shareholders of the transferee company. | <ul style="list-style-type: none"> Where a reputed firm of CAs, having considered all relevant aspects and keeping in view accounting principles underlying valuation of shares, suggested an exchange ratio which was found acceptable by Directors of both companies as well as majority of shareholders, it could not be held that exchange ratio was unfair. Jurisdiction of Courts on the matters of Valuation extends to taking cognizance of the fact that the Scheme as a whole is found to be just, fair and reasonable from the point of view of prudent men of business taking a commercial decision beneficial to the class represented by them for whom the Scheme is meant. |

Valuation provided by a reputed CA firm after considering all the relevant aspects and which is acceptable to a prudent men cannot be held to be unfair

Company Law – Case Study

| Dinesh Vrajlal Lakhani V/s Parke Davis (India) Ltd – Business Combination | |
|---|--|
| Facts | Held |
| <ul style="list-style-type: none"> Parke Davis was proposed to be merged into Pfizer pursuant to Scheme of Amalgamation. Court directed a meeting of SHs of Parke Davis be held for approval of Scheme. In the meeting, the petitioner raised a motion to amend the Scheme for changing the swap ratio from 4:9 to 4:6. This motion was held not in order by the Chairman. The petitioner contended that such action by the Chairman invalidated the proceedings of the meetings and consequently the shareholders' approval thereto. | <ul style="list-style-type: none"> Court held that the act of the Chairman was valid since it was not for the petitioner as a shareholder to amend the Scheme. Shareholders of a party to a Scheme could merely approve or reject the scheme and not amend it since the Scheme is devised by mutual agreement to the parties thereto and cannot be modified unilaterally by one of them. Court is neither a valuer nor an appellate forum to reappraise the merits of the valuation. |

Court to ensure that the determination should not be contrary to law or unfair

Company Law – Case Study

Jindal Steel and Power Limited – The Power Hiving Transaction

- In April, JSPL said that it will sell 96.43 percent in Jindal Power Limited, which has an installed capacity of 3,400 MW, to Worldone Private Ltd, wholly owned by JSPL promoter, for a cash consideration of INR 3,015 crore.
- In a report to subscribers, proxy advisory firm Stakeholders Empowerment Services (SES) has questioned the valuation of the deal, particularly in absence of a valuation report, the lack of transparency in the sale process, and financial restructuring in JPL
- According to the proxy advisor, the valuation of JPL would be more than INR 20,000 crore.
- It also raised concerns about the lack of a valuation report.
- The deal was rejected by the shareholders
- JSPL, revisited the drawing board, obtained valuation reports from two reputed independent valuers and fairness opinion upon the reports obtained for valuations of JPL.
- "The enterprise value of INR 9,730 crore for the 3,400 MW assets of JPL is in line with market valuations on a per megawatt basis at INR 2.86 crore per megawatt," said a report by InGovern Research Services, a corporate governance advisory firm.
- In June, the company announced a revision in the offer to INR 7,401 crore and decided to launch an additional transparent competitive bidding process for the proposed stake sale of JPL to win the confidence of the investors.
- Retail and institutional investor advisory firms have given their nod for JSPL to divest its power business Jindal Power Ltd (JPL) to Worldone Private Limited.

Company Law – Case Study

Siemens India – Related Party Transaction

Facts

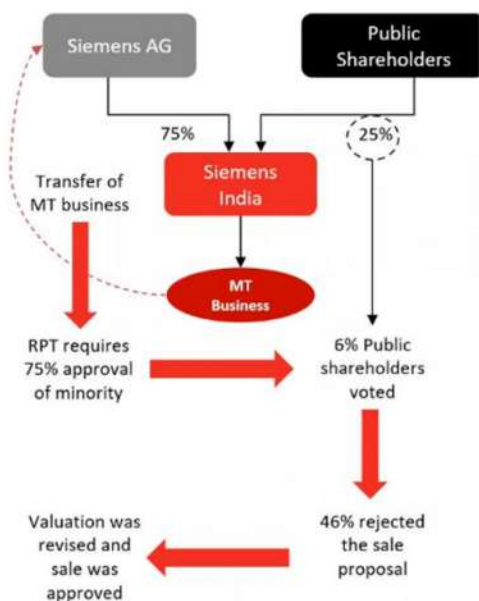
- In August 2014 the Board of Siemens India proposed to sell its metals technology (MT) business at a valuation of INR 8530 mn to its German parent, Siemens AG.
- MT business was to be transferred to a JV of Siemens and Mitsubishi post the above purchase.

Issues

- Valuation at which the MT business is being transferred to Siemens AG was lower than the value at which Siemens AG had earlier sold the business to Siemens India via scheme of amalgamation.
- RPT required the resolution to be passed by 75% of minority shareholders present and voting.
- Minority shareholders rejected the resolution

Outcomes

- Revised offer of INR 10,230 mn (a 20% increase) was considered and approved by the Committee of the Siemens India Board
- In Nov 2014, a revised resolution with far greater disclosures, including the financials of the MT business, reasons for poor performance of the business and an additional Fairness Opinion by ICICI Securities was placed before the minority shareholders. The shareholders approved this resolution.





NEERAJ AGARWAL

REGISTERED VALUER IBBI/RV/03/2020/13032
FCA, REGISTERED VALUER(SFA), LLB, B.COM(H)

REGISTERED VALUER'S ROLE IN THE SCHEME OF RESTRUCTURING

Introduction :

The Ministry of Corporate Affairs(MCA) notified Section 230 sub sections 1 to 10 on 07/12/2016 (sub section 11 & 12 were notified on 3rd Feb, 2020) which provided the powers of companies to make arrangements with creditors and members.

In lay man term the section can be described as a scheme of compromise between:

- (a) Company and its creditors or any class of them;
- or
- (b) Company and its members or any class of them,

A classic example of such arrangement is a company under financial distress converting its existing debts from Bank or Financial Institutions (FI) into Share Capital (Equity or Preference or a cocktail of both). It basically happens when there is clear signal from the borrower/debtor that they are unable to pay the dues and some sort of compromise or adjustment is required between the parties which are not wholly detrimental to the interest of both of them.

This process can also be termed as a Corporate Debt Restructuring (CDR). In this article we will look at the role of Registered Valuer(RV) under the above mentioned scheme.

Definition of Section 230 of Companies Act 2013

This scheme of arrangement/ restructuring is generally proposed by a creditor, a member or the liquidator (if the company is under liquidation proceedings) under section 230[3] to the Tribunal. The Tribunal shall on the merit of the proposal, order a meeting of the creditors or class of creditors, or of the members or class of members, as the case may be, to be called, held and conducted in such manner as the Tribunal directs.- Section 230 (9) of the Act read with Rule 5 of the Rules inter alia provides that NCLT while hearing the application u/s 230 (1) of the Act can dispense the meetings of the creditors in a case where such creditors or class of creditors having at least ninety percent value, agree and confirm, by way of affidavit, to the scheme of compromise or arrangement.

The role of RV in this scheme

Section 230(2) (v) mandates furnishing of Valuation Report by a RV. The valuation report should consist of valuation in respect of the shares, the property and all assets, whether tangible or intangible, movable or immovable of the company. This may entail engaging of different classes of RV which are:

- Land & Building (L&B),
- Plant & Machinery (P&M) &
- Security or Financial Assets (SFA).

The role of RV becomes crucial here as the entire purpose of engaging a RV is to maintain independence, fairness & objectivity in the report. The valuations given by the valuer shall become the bedrock on which the entire restructuring shall rest upon.

The RV even though appointed by the Proposer of the Scheme is expected to be neutral. There have been multiple cases in the past in which valuation reports by the Valuer has been rejected by the NCLT/NCLAT.

Important Factors to consider for valuation

While preparing the valuation report in such type of schemes it is important to see what will be the status of control over the company after the approval of the scheme because in case of dilution of control of the management the value of shares is ideally expected to increase.

These types of schemes are generally pressure points for RV's as the proposer's insistence would be to complete the assignment as soon as possible. The Tribunal can also reject the scheme if it is of the view that the schemes are beneficial to a selected group of people. The RV's are required to mention in details the method and basis used for valuation. Their reports should help the parties to make an informed judgement.

As in with other types of valuations also a RV is expected to reject appointments if these go against the Professional Ethics set by the Valuation Fraternity. The RV can always step back from the assignment if he finds himself in a position or in a potential situation where his integrity is being compromised because even though the scheme is of arrangement and compromise a RV just simply cannot compromise with ethics!

Deciding on the Valuation Method

The valuation method takes a significant role in the scheme. Sometimes in these situations the commonly used method of Discounted Free Cash Flow cannot be used as it is difficult to gauge the future cash flows of the company as in most cases the company has incurred losses and the immediate future is at best shaky and full of potholes.

Practical Scenario

Many Banks are nowadays empanelling RV and, in such cases, Banks prefer the valuation report from their empanelled RV's only.

Such instances can also lead to dispute between if the other parties to the arrangement/ restructuring are not satisfied with the conclusions of the valuation report or they have questions over the integrity of the valuer.

NESL can provide assistance to RV's

RV's cannot simply trust the data provided to them by the management. To ensure accuracy and completeness of data provided to RV, he/she can take the help of an Information Utility (IU). For the said purpose the Insolvency Professional or the Proposer can make an application to the IU. Currently only National E-Governance Services Limited (NESL) has been allowed to act as an IU. An IU is a professional organization (which is registered with Insolvency And Bankruptcy Board of India under Section 210 of IBC, 2016 as per the eligibility criteria prescribed) that will collect financial information, get the same authenticated by other parties connected to the debt & store the same and provide access to the Resolution Professionals, Creditors and other stake holders in the Insolvency Resolution Process, so that all stake holders can make decisions based on the same information.

Current Updates

Recent notification of Section 230(11) of the Act, which provides for takeover in cases of Unlisted Companies) has led to a fear of exploitation of minority shareholders. The provisions allow majority shareholders, holding 3/4th of the shares, in a company to make a takeover offer to acquire any part of the remaining shares, by way of an application before the NCLT. Again, in such a scenario, Valuation reports play an important part in justifying the fair value of the minority shareholders.

Conclusion

The concept of Debt Restructuring is an old concept but the concept of RV is new and as such a RV is required to be cautious while dealing with such assignments and not bow to any coercion or succumb to undue influence



OM PARKASH VERMA

REGISTERED VALUER
IBBI/RV/02/2018/10022
IBBI/RV/02/2019/12230

CONCERNS OF DIFFERENCE IN VALUE, OVERVALUATION AND UNDER VALUATION

Difference in Value concerns to the large variation in value of property estimated by two or more Valuers.

Overvaluation implies assigning an excessive or too high a value on something and the Undervaluation refers to the act of deciding that

something is less valuable than it really is. Sometimes, the lenders – public sector banks mostly – often complain at various forums that due to overvaluation done by the Valuer at the stage of financing, they incurred losses on account of low recovery against outstanding loans.

However, concerns are raised after liquidation of NPA. Such questions are not raised at the stage of funding, i.e. sanction and disbursement of loans.

Though, no valuer can be perfect, they are highly trained professionals with several years of experience and have the required understanding for assigning fair value to any property. Most often than not, the valuers work diligently to make reasonably fair valuation because of the potentially severe consequences of doing their job poorly or by issuing a biased or misleading report.

Still, some biased, misleading valuation reports cannot be ruled out for which likely reasons could be one or more of the following ?

The lender was impressed with borrower and ignored to conduct due diligence of latter's documents, background and credentials, or

The lender ignored the overvaluation knowingly, with a view to meet the loan disbursement targets set by the management, or

The Valuer was keen to oblige the borrower with overvaluation, due to palm greasing by the latter to seek illicit advantage from lender, or

There was collusion of the lender's officials with borrower, and the both misled the Valuer to provide report with higher value to facilitate the borrower with higher than eligible funds, or Lender's official did not perform the personal visit to verify the property's characteristics and its value before release of funds to the borrower

Answer to the above questions would be required to find out whether the lenders' claim to blame the overvaluation of properties by Valuers is the sole reason for accounts turning non-performing or former's losses during liquidation.

Money advanced by Banks is public money and the bank officials are its custodians. Banks seek services of Valuers for fair valuation of borrower's properties before advancing loans. If the Valuer is negligent in conduct of the Valuation, the Banks – after following due process – have the option to blacklist the Valuers for negligence in conduct of valuation besides the option to file criminal cases for fraud or cheating.

However, blacklisting of Valuers by banks, in the past, has been rare, which is enough evidence that blaming Valuers for NPAs is more of a tendency amongst the bankers than the truth. The bank managements are cannot ignore that more bank officials have faced criminal charges for graft or fraud or negligence than an insignificantly small number of the Valuers in the Courts of Law.

Despite blaming and countering it, Differences in Valuation amongst Valuers, Overvaluation and Undervaluation are not uncommon and discussed hereunder:

Difference in Valuation amongst Valuers:
It is not uncommon to find large differences in Value between the reports of different valuers. Recently, a Regulator, during a video conference with some Valuers, was also curious to find out reasons thereof.

The difference or variation in fair value assets can be of two types. One can be difference in fair value between the stage of funding and liquidation. The other could be the variation in fair value done at the same time by different valuers

The former, in most of the times, could be due to genuine reasons, like wear and tear, theft or removal or destruction in natural disaster, of assets financed.

The other, i.e. variation in valuation by different valuers for valuation of assets done at the same time is of vital importance and needs to studied deeper. These could emerge mostly in case of large land parcels or industrial projects, where share of cost of land and buildings is much lower than the machinery.

Usual mode of Valuation of Land is through comparison with recent sale instances, local enquiries or listings, so large differences in value assessment by different valuers for small plots of land would be rare. However in case of large parcels judgment of different valuers on land value may vary, particularly in cases where land use has been changed from agricultural to non-agricultural. The differences could however be in small range, if all valuers adopt the unit measure of land – acre/bigha/sq mt etc – in accordance with the measure which is prevailing in local deals for similar sized land parcels.

However, the field of Plant and machinery is vast with various types of machinery, different specifications, different metallurgy, automation in controls, different quality and quantity of output, technological variations etc, so every machine or plant has to be considered on its merits and shortcomings besides potential profitability from its use, which makes the Valuation of Plant and machinery a very complex and difficult task.

Three approaches of Valuation, i.e. Income, market and Cost approach can be used for machinery valuation but due to limited or no availability of usable data, often, Valuation of machinery is done by Cost approach, wherein Depreciated replacement cost, subject to potential profitability, is considered as Fair Value.

Main factors in cost approach are Replacement Cost of new equipment, Depreciation including obsolescence, and the aspect of potential profitability. Each of the aforesaid factors of Valuation is subjective, as described hereunder:

Replacement cost should ideally be considered on the basis of fresh quotations of same machine or by some adjustment (again subjective) in cost of similar new machine with same utility. But in actual practice, getting fresh quotation is not easy as suppliers usually do not respond to queries from persons other than the potential users. So Valuer has to estimate Replacement cost by applying Cost index for the cost inflation over its age. For domestic equipment, data of wholesale price index is published by the Office of Economic Advisor. Industrial units have mix of various machinery and equipment, therefore cost index is also

applied subjectively. Precise data of import of comparable machinery is rarely available, so its replacement cost assessment becomes subjective.

Depreciation assessment is also subjective. Straight line method or declining balance methods are applied which give different results over short periods, though depreciation for higher age may not have much difference. There is no binding on a valuer to consider a particular method, so it is subjective judgment.

Then there is a factor of Potential profitability. Since valuation exercise does not require assessment of financial viability, judgment on potential profitability is also subjective, which, for machines of obsolete technology, may sometimes lead to higher DRC than prevailing market price of similar used machine.

Despite the difficult and complex exercise of Valuation of Plant & Machinery, valuers integrate information drawn from the verification of machinery & equipment, documents and information collected from owners, operators, market research and analysis of the data by the application of appraisal techniques to form a conclusion.

If impact of all factors considered by one valuer is on higher side while the other has considered the same on lower side the resulting depreciated replacement cost estimated by the two will have wide variation.

Overvaluation:

Overvaluation than real worth of properties causes reduction in security margin against outstanding loan and hence enhanced risk in its recovery. Instances of overvaluation of Land and building are rare but can occur if the data collection of comparable sales and inquiries about market rates are not reliable or not undertaken or non-existent. Sometimes, no sale of property is found to have taken place over last many years in the area, where property is situated, which may impact the perception of different valuers based on the local information. The difference in value in such properties could high too.

More commonly observed overvaluation occurs in plant and machinery. Many borrowers would like to get bills of machinery at higher amount than the actual cost of machinery, some do it to cover their margin against loan, while some may have evil intentions to flee after taking loan. Often, the borrowers or the lenders provide copy of bills of machines to the valuer for conducting valuation.

Overvaluation may happen due to the following:

1 The Valuer bases Valuation on the copies of Bills produced but the Bills were over-invoiced. The over-invoicing may have been done by the Supplier as per instructions of borrower or the latter may have provided fake or forge bills.

2 Discount offers on the List price of machinery by domestic and foreign suppliers, both, are quite common. If the borrower availed the discount in cash and bills were raised on list price, the depreciated replacement cost would be higher. Valuer cannot guess the extent of discount which supplier usually offers, the suppliers usually provide quotation on the list price. Used machinery dealers have knowledge of discounts offered on new machinery purchases and adjust used machinery price accordingly.

3 The depreciation considered by the Valuer for building or machinery is on the lower side than that adopted by the market.

Undervaluation:

Sometimes, estimation of depreciated replacement cost leads to undervaluation, as under:

1 The Borrower seeks funding on existing assets already acquired from own resources and cost capitalized is lower than fair value.

2 Lenders have already put the assets of borrower on auction but did not get any offer. For revaluation, lenders often tell the Valuer beforehand that no offer was received against the previous auction implying that lower value is expected. In subsequent auction on reduced reserve price, if bidders turn up and during competition raise bids higher than original valuation, the Lender blames that Valuer had done undervaluation.

- 3 Many a times depreciated replacement cost of older workshop equipment – indigenous and imported both, injection moulding machine, SS equipment is less than prevailing price of similar used machinery in market.

Checks necessitated:

The Valuer has the responsibility to the Client who trusted the former to provide the Fair Value of property. Some safeguards to avoid over or under valuation could be as under:

- 1 Continuous gaining the knowledge through CEPs, study of changes in development control regulations and zoning, gazette notifications on land use changes, books and publications of CBRE, Cushman & Wakefield, Knight Frank, HVS etc. Valuers of machinery need to be aware of new developments in various sectors, information at websites of industry associations, IBEF, Bloomberg, CRISIL, ICRA, CARE, policy changes for import & export etc.

- 2 In case fresh quotations cannot be obtained within the turnaround time, one can seek help from one's past clients to seek fresh price from suppliers, who usually provide fresh price of the machinery to their clients on phone.

- 3 Suppliers of similar equipment can be contacted but no supplier will help us for being a Valuer, if we cannot convince them that we may be help to them in future. Price of used machinery and scrap can also be found from its dealers.

- 4 Import shipment data displayed at some websites, even if old, can be useful.

Valuer's Expectations:

- 1 Valuers do not claim perfection but they can claim expertise in the field of Valuation because of the accreditations acquired. Lenders must study reports fully to satisfy themselves whether methodology of Valuation process is followed and satisfactory reasoning for deviations has been given. However, if some errors or omissions are observed or suspected, the same should be brought to the knowledge of the Valuer for clarification and reconsideration.
- 2 All banks should follow SBI's practice of assigning valuation through letters besides sending documents to valuer through email. A supportive bonding between them will best serve the purpose of lending and the public interest.



IOVRVF HAS DONE PIONEERING WORK IN FACULTY CREATION



We believe in retaining the best of our talents, who are dedicated and equally passionate to work in the field of valuation, while delivering the best of their knowledge to the valuation aspirants. Therefore, IOVRVF has come up with the idea of retaining the bestest Faculties to go long way to build a strong foundation of trust among the faculties and as the organisation to soar high in the Journey.

We proudly announce our Best 4 faculty members and congratulate them for being an integral part of the institute. We hope that the Distinguished Faculties will showcase their learning's, knowledge and experience to help IOV RVF in achieving its goals and will bring innovation in the valuation profession which will at the end benefit the forthcoming Valuers.



Abhay Kumar

Insolvency Professional, Reg.
Valuer(P&M), Chartered Engineer



Amruta Lomate

B. Arch., M.Arch, M.Sc FIV, Registered Valuer (RV)



Anuradha Gupta

Member Indian council of arbitration
Arbitrator NSE and BSE



Darshana Gajjar

B.E. (Civil); Master of Valuation; FIV



Breaking the boundaries of Covid

Offline CEPs:

Due to the outbreak of Covid-19, The institute was organising the Continuous Education Programmes in online mode only. As the situation in the country is strengthening, we have decided to start with the conventional mode again. Hence, we have re-launched OFFLINE CEP programmes commencing from the date 21st May'2022, on the occasion of Founder's Day hosted by IOV Head Office in New Delhi.

Members participated the session in large numbers and applauded the moderators and the organisers for conducting offline sessions.

After the head office, other branches of IOV have also conducted offline programmes in various cities.

- Legal Workshop Pertaining to Valuations IOV Pune Branch
- New Avenues in Valuation IOV Tirupathi Branch
- Significance Of Valuation in Modern Economy IOV Hyderabad Branch



Offline MEPs:

After Continuous education programmes going offline, there was a high demand for MEPs to be conducted physically. On the basis of recurring demands from the valuers we are inviting members to join us for offline MEP in New Delhi at Mukherjee Nagar for all three asset classes.



IOV Registered Valuers Foundation is back with

Physical Programme (Offline)

50 hours Educational Course (MEP)

Under all 3 Asset Classes (L&B: P&M: SoRFA)

in July 2022, New Delhi

Plot No. 4, 5 and 6, 2nd Floor, Vishal Market, Mukherjee Nagar (West), Delhi – 110 009

| | |
|-----------------------------|---------------------------------|
| BATCH DATES | Tentatively from 15th July 2022 |
| APPLICATION PROCESSING FEES | 2,100/- Rupees (+GST) |
| MEMBERSHIP FEES (ONE TIME) | 5,000/- Rupees (+GST) |
| COURSE FEES | 22,500/- Rupees (+GST) |

Early bird Course fees - 21,000/- Rupees (+GST)

Send your interest by on or **before 30th June 2022** for necessary arrangements

- Limited slots available, registration will be on first come first serve basis.

Feel free to connect with the batch coordinators on:-
91- 8448988773 , 91- 93545 76484 & 91- 8448988771
 Or write an email to:- valuers@iovrvf.org, documents@iovrvf.org



IOV REGISTERED VALUERS FOUNDATION

is pleased to announce

Open House Discussion during

An Online Session on

Interact & Introspect

Once Every Month

Date & time for the session shall be announced accordingly



To uphold the endeavour for the advocacy of Valuation Ecosystem by enhancing the relationship based on SELF LEARNING, SELF REGULATORY & PROFESSIONAL PROMOTION.



All esteemed members of IOV RVF are requested to submit their queries by the end of every month regarding any concern related to valuation.



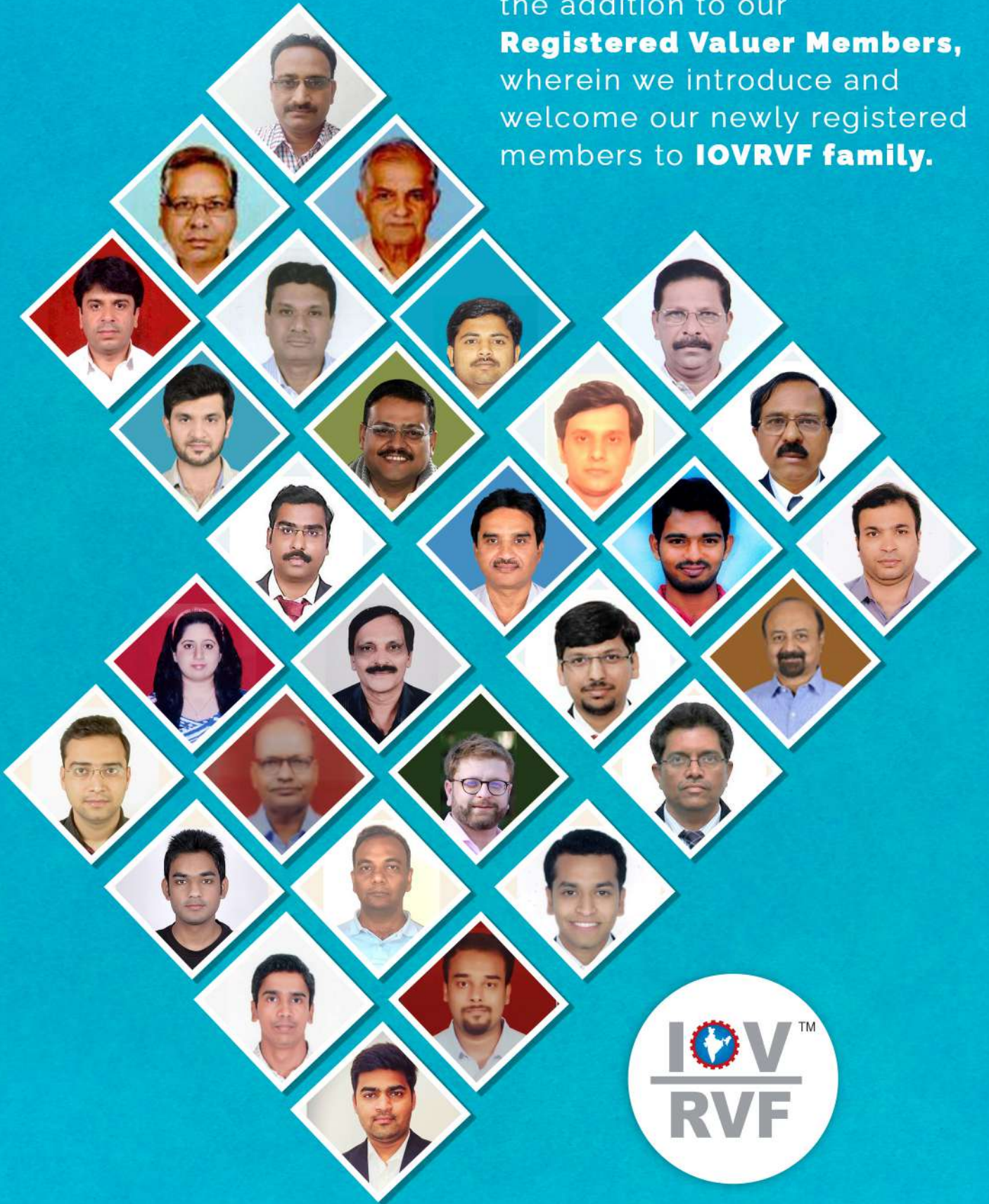
Scan QR code to submit the queries

*We believe in setting the benchmarks to **support and value our members; initiated to create a valuation ecosystem; surpassing our own benchmarks by continuously enhancing the quality of the ecosystem.....***

Feel free to connect with us on

+91- 9499491010 Or write an email to **valuers@iovrvf.org**

We are delighted to proclaim the addition to our **Registered Valuer Members**, wherein we introduce and welcome our newly registered members to **IOVRVF family**.



PEER REVIEW

In pursuant to IBBI directions read with Rules 8 of Companies (Registered Valuers & Valuation) Rules, 2017, IOVRVF process the peer review for the Registered Valuers annually, wherein the expert Panel of Registered Valuers review the Valuation assignments in accordance with the provisions of the Companies Act, International Valuation Standards and other requirements as per the law.

In this regard, IOV RVF gives certification to Registered Valuers whose valuation report has been reviewed and to the reviewers who does the review. The institute has provided great opportunity for all the Registered Valuers to voluntarily nominate their names for the Peer review to improve the quality of their reports and widen the client base by associating with organisations who look for valuers with Peer review certification.

To read in details the Findings of
the Peer Review of Valuation Reports,

Scan the QR Code.....



Working Opportunities for our Valuer Members

| S No | Authority | Purpose | Dates |
|------|---|---|---------------|
| 1 | Bharat Pumps & Compressor Limited | To appoint valuer for determination of fair market valuation of its Technology(Intangible asset/Intellectual property). | 25-04-2022 |
| 2 | GRD Trucks pvt ltd.(Under CIRP) | To appoint Interim Resolution Professional (IRP) to determine fair & liquidation value of assets of the corporate debtor | 28-04-2022 |
| 3 | M/S Nascent Communication Pvt Ltd | To appoint Interim Resolution Professional (IRP) to do valuation as company is undergoing corporate insolvency Resolution process. | 25 March 2022 |
| 4 | State Bank of India | To undertake enterprise valuation of a company having its Registered Office at Bhubneshwar & Engaged in steel manufacturing at orrisa with bank exposure of Rs. 3500 Crs. (approx) | 26-05-2022 |
| 5 | National Academy of Customs, Indirect Taxes & Narcotics (Nacin) | To appoint Govt. approved valuer for Valuation of Old Furniture,Electrical & Electrical Scrap at NACIN hostel premises | 31-05-2022 |
| 6 | Syama Prasad Mookerjee Port, Kolkata | For Empanelment of valuers for 03(Three) years for carrying out valuation of immovable properties at KDS in connection with lease of land with/ without structure / seized goods/ scrap materials from the empanelled valuers of MSTC under category of land & building / land, building & plant-machinery. | 11-05-2022 |
| 7 | New Manglore Port Authority | Appointment of government registered Valuer for valuation of (i) Business Development Center and (ii) Testing Centre Buildings at NMP and thereafter determine the Scale of Rates for allotment of unit spaces in the said buildings on lease/license" | 02-06-2022 |
| 8 | Emkay Automobile Industries Limited | Appointment of the registered valuer for conducting the valuation of the Land and Building. | 22-06-2022 |
| 9 | HALCON (Air & Sea Cargo Complex) | Engagement of Valuers Registered with Chief Commissioner Income Tax Department Under Section- 34AB of Wealth Tax Act,1957 and preferably also with IBBI , for Business Assets Valuation of HALCON. | 13-07-2022 |
| 10 | M/s Fair wealth Housing Private Limited under CIRP | appointment of the Interim Resolution Professional of the corporate debtor for Valuation of Land & Building * | 29-06-2022 |



AMENDMENTS IN VALUATION COURSE UNDER

LAND & BUILDING; PLANT & MACHINERY AND SECURITIES & FINANCIAL ASSETS

In pursuance of the rule 5 (3) of the Companies (Registered Valuers and Valuation) Rules, 2017, the Insolvency and Bankruptcy Board of India, being the Authority comes up with the new syllabus, format, and frequency of the 'Valuation Examination' for all three asset classes to be commenced from 1st July 2022.

At IOVRVF we want to keep our members up-to-date hence, we have got new syllabus updated on our official website. Also we have got the study material printed as per the new updated syllabus.

The updated course material provides a frame work for learning the necessary topics in a way that emphasizes the uniqueness of each topic and each chapter as per the syllabus. The text also lays emphasis on the necessary skills in building and maintaining the Valuation profession in order to make valuations as per the valuation standards and conducting the valuation assignments in the professional and ethical manner.



IOV RVF IN MEDIA

Door Darshan interview – We feel immense pleasure to announce that our MD & CEO and Hony. Gen. Sec, IOV, Mr. Vinay Goel is invited by IBBI for live session on the topic “Valuation under IBC for all three asset classes” to be broadcasted nationwide on Gyan Darshan on 6th July’22. It is proud moment for IOVRVF to get recognition on such a big platform.

Honoured award IOVRVF feels overwhelmed to announce that Dr. Sengupta Vice Chancellor, Techno India University, Chairperson, IOVRVF Governing Board has been awarded with Indian Education & EdTech Award amongst Top 10 Best Vice Chancellors of the year- 2022.



Live Session on

Vinay Goel

Hony. Gen Secretary, IOV
MD & CEO, IOV RVF

BEING ORGANISED BY IBBI
IN ASSOCIATION WITH IGNOU

VALUATION UNDER IBC

- ✔ Land and Building
- ✔ Plant and Machinery
- ✔ Securities & Financial Assets

WEDNESDAY
06 July 2022
03.00 PM - 03.30 PM

REPEAT TELECAST
08.00 PM - 08.30 PM

Channel No.

Airtel - 442, Tata Sky - 755, Sun Direct - 596, Den - 526, In Digital - 297, Hathway 473

Congratulates

Dr Goutam Sengupta

Vice Chancellor, Techno India University
Chairperson, IOV RVF Governing Board

For being honoured with
Indian Education & Edtech Award
as amongst
Top 10 Best Vice Chancellor's of The Year-2022

It is a proud moment for IOV as it has collaboration with
Techno India University



INSTITUTION OF VALUERS

IN ASSOCIATION WITH

CRTE FOUNDATION

IS PLEASED TO ANNOUNCE

**Specialized Certificate Programme -
DCF Technique of Valuation**

programed by



Bureau of
Studies in Valuation

About Course

Special training for Discounted Cash Flow (DCF) Technique of Valuation is a great opportunity for the Valuers fraternity to up skill themselves. The course is designed as an integrated, comprehensive and practical course, which is necessary in the present interconnected world.

Outline of the Course

- 01 Introduction to DCF
- 02 Time Value of Money
- 03 Application of Net Present Value for DCF Applications
- 04 Analyzing Historical Performance and Financial Statement Analysis
- 05 Forecasting Performance and Pro Forma Financial Statements
- 06 Building Enterprise/ Asset DCF Model
- 07 Estimating Terminal Value
- 08 Calculating Free Cash Flows (FCF)
- 09 Cost of Capital (Capital Asset Pricing Model) and Discounting Factor
- 10 Discounting FCF and Deriving Values and Interpreting Results
- 11 Practical Applications
- 12 DCF Models - Applicability and Limitations

Mode & Duration

- The course will be held in Hybrid Mode
- Duration of the course will be 20 hours
- It is a weekend course and will be conducted every Saturday and Sunday

Eligibility

- Valuers from all class of assets (proof of Institutional affiliation)
- Banking Officials
- Post Graduates in Finance, Commerce & Management
- C.A; C.S and I.C.W.A
- Senior officials of Government and Regulatory Bodies
- Industrial representative (CMD, CEO, CFO, Director, GM, Finance heads)

Certification

- Candidates will be provided course completion certificate with due credit point

Course Commencement:

- Tentatively from June 2022. The schedule will be announced soon.

Course Fee

- The fee structure for DCF Technique of Valuation will be as follows: -

| Particulars | (Non-Members) | (IOV & IOVRVF Members) |
|---|-----------------|------------------------|
| Fees For the Course | 25,000 | 25,000 |
| 10% Discount for early bird | (2,500) | (2,500) |
| 20% additional discount for IOV & IOV-RVF Members** | – | (5,000) |
| Payable Fees | 22,500 plus GST | 17,500 plus GST |

For Registration

- Send your interest at edu@iov.co.in by on or before 20th July 2022.

***For availing the discount, members are required to be fully compliant with IOV and IOV-RVF..*

ESSENTIAL INCLUSION IN A VALUATION REPORT TO BE ISSUED BY THE REGISTERED VALUERS UNDER THE IBC OR FOR ANY OTHER PURPOSES:

- 1) Scope of work including Purpose of the Assignment;
- 2) Changes to Scope of work, If any:
- 3) Identity of the Appointing Authority: in IBC Cases i.e. Insolvency Professionals or Board of Directors/client in other cases;
- 4) Identity of the entity whose assets are going to be valued: Name, Registration no. of entity, date of incorporation, authorised and paid up capital, business, location/address of registered Office situated (Recommendatory);
- 5) Identity of the appointed Valuer: Name/address, registration no. with IBBI, C.O.P number and C.O.P expiry date;
- 6) Provisions under which the Valuer is appointed and valuation is done;
- 7) Identity and Background Information of the asset being valued: Class of Asset, details of assets to be valued i.e. name of assets, address and location of assets, quantity of assets etc.;
- 8) List of authenticated documents provided to the valuer;
- 9) Date of appointment;
- 10) Date of Inspection for each and every asset;
- 11) Date of Valuation;
- 12) Date of report;
- 13) Identity of the Authorised representative who identified the site during inspection by the Valuer or his Authorised representative (accompanied by the photographs or any other documentary proof for the purpose of evidence);
- 14) Disclosure of interest of the Valuer in the entity/persons associated with the entity/assets valued;
- 15) A brief of inspection/visit of the site, its related documents and IT information;
- 16) Compliance to Valuation Standards as adopted;
- 17) Nature and Source of information upon which valuer relies: i.e. sourcing from site visits and local information relied upon for the valuation which may be in Public Domain, Govt. Authority etc.;

- 18) Bases of Value i.e. Market Value, Equitable/Fair Value, Orderly Liquidation Value, Forced Liquidation Value based upon the purpose of the valuation;
- 19) Approach(es) and methodology(ies) used for doing Valuation;
- 20) Valuation currency and Jurisdiction: The currency for the valuation and the final valuation report or conclusion must be established;
- 21) Justification for Premise of the Value: highest and best use, current use/existing use, orderly liquidation, and forced sale;

Note: Assumption for the basis of fair/market/liquidation value computation should adopt the premise which serves the underlying principle of IBC i.e. Maximization of asset value.

- 22) Assumption and Special Assumptions for valuation along with its justification;
- 23) What discounting factors are used while doing valuation, if used;
- 24) Restrictions on use, distribution and publication of the report;
- 25) Departures and Deviations found during inspection, doing valuation or any:
 - a) A “departure” is a circumstance where specific legislative, regulatory or other authoritative requirements must be followed that differ from some of the requirements within adopted standards. Departures are mandatory in that a valuer must comply with legislative, regulatory and other authoritative requirements appropriate to the purpose and jurisdiction of the valuation to be in compliance with the adopted standards. A valuer may still state that the valuation was performed in accordance with the adopted standards when there are departures in the circumstances;
 - b) The requirement to depart from the adopted standards pursuant to legislative, regulatory or other authoritative requirements takes precedence over all other IVS requirements;
 - c) A “deviation” is a circumstance where actual and factual position at the site is varied from the documents provided to the valuer;
 - d) Caveats, Limitations and Disclaimers: Refer the IBBI guidelines dated September 01, 2020 i.e. Guidelines on Use of Caveats, Limitations and Disclaimers by the Registered Valuers in Valuation Reports
 - e) Who are the intended users of the report: It is important to understand whether there are any other intended users of the valuation report, their identity and their needs, to ensure that the report content and format meets those users’ needs .
 - f) Valuation conclusion and principal reasons for any conclusions reached;
 - g) Extension of Liability & Confidentiality;
 - h) Exhibits and Annexures.

OFFSITE REJUVENATION CAMP

under the *Employees Welfare Scheme* for its Employees and Management from 1st to 3rd July 2022.



#Best Moment



**WE TOO NEED A
COLLECTIVE BREAK!**

Guidelines to the format of the article to be published in IOV-RVF Bi-monthly Journal

The article sent for publication should confirm to the following parameters to earn CEP Points:

- All the articles needs to be mailed us at pro@iovrvf.org
- The article should be original, i.e., not published/broadcasted/hosted elsewhere including on any website.
- The article should promote continuous professional development of valuation professionals or highlight matters of current interests/challenges to the Valuation professionals.
- The article should be technically correct and sound.
- The length of the article should be **500-1000** words.
- The tables and graphs should be properly numbered with headlines and referred with their numbers in the text.
- The article needs to be in editable format only.
- A case study can be a part of the article but cannot constitute more than 60% of the article.
- The author must disclose all the sources of all the References at the end of the article under the heading "References".
- The author shall check all the grammatical mistakes and spelling errors in the article before sending this to the editor for publication. More than 10% of grammatical/spelling mistakes will lead to rejection of the article.
- Article should be accompanied by a) passport size photograph of the author in JPG format b) a brief bio-data of the author comprising about 150-200 words.
- The copyright of the article published in **IOV-RVF** Bi-monthly Journal shall remain with both the author and the **IOV-RVF**.
- The author has to ensure that given article does not have 'Plagiarism' more than 20%. If published article is affected by more than 20% plagiarism, the editorial board has the right to cancel that article and make a public announcement in that respect in the journal.

Please note that as per the amended IBBI policy, publication of One article in a journal of RVO will be eligible to earn 4 credit hours for Registered Valuers, subject to approval.

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