Volume- 2 No. : 03 Pages : 56 ISSN No.2583 5831
May-June, 2023

THE Valuer

BI- MONTHLY JOURNAL OF
IOV REGISTERED VALUER FOUNDATION

Largest, Prestigious and Most Engaging
Registered Valuer Organization

THEME:

Valuation - Gathering Momentum

FRAME OF REFERENCE

CREDITS

EDITOR **Tanuj Kumar Bhatnagar**

COMPILATIONS **Sohale Gupta**

DESIGNING **Manisha Sen**

ABOUT THE Valuer

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

This journal is 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 upcoming developments in the valuation field.

Technical Journal for the Valution Profession

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

PRINTED & PUBLISHED BY

Vinay Goel on the behalf of IOV Registered Valuers Foundation Plot No. 3, Parwana Road, Adjacent to Bal Bharti Public School, Pitampura, Delhi-110034.

SKG PRINT MEDIA

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

CONTACT US

IOV REGISTERED VALUER FOUNDATION

Plot 3, II Floor, Aggarwal Square, LSC JN of 80Ft Rd, Parwana Road, Pitampura Delhi -110034 India

Email: valuers@iovrvf.org **Website:** www.iovrvf.org **Call us :** 9499491010

EDITORIAL BOARD

From the desk of
MD & CEO, IOV RVF

VINAY GOEL

The reliance on Valuation professionals is growing with increasing demand from government/ semi-government or other users, which lead to acquire knowledge by the fraternity on many other important subjects along with intensive experience. Towards achievement of this objective, **2nd batch of "DCF Technique of Valuation"**, the important method to understand the valuation process, is being started by IOVRVF from first week in May. Along with the specialized knowledge, the RVs can also earn 10 CEPs.

As it is our endeavor to provide the registered valuer members with best of the quality services with a mindset of shouldering their concerns as a family, IOV **RVF has launched a "Valuer's Data Interface (VDI)", a Data Management Tool,** which shall be able to assist them for storing their all data and information in systematic manner with ease of collating, analyzing and verifiable with the data provided by the clients/other sources. **This tool which will be providing free of Cost** to our Registered Valuer.

I am also pleased to announce that, IOV is organising 2nd **"GLOBAL VALUATION SUMMIT" (GVS) on the occasion of 54th Indian Valuers Congress (IVC) at MUMBAI on 24th and 25th of November 2023 in association with IOV REGISTERED VALUERS FOUNDATION (IOV RVF).**

During previous IVC and GVS, much have been deliberated upon shaping up the Valuation Eco system, its transformation, development and expansion. Now, the time is ripe when deliberations during this summit be focused on the Global Outreach of Valuation Profession, hence this year theme of GVS will be **"Mapping the Momentum and Global Outreach of Valuation Profession".**

Our belief is that our efforts will go a long way in ensuring a bright and sustainable future for the noble Profession of Valuation, which has become indispensable in the emerging Economic sphere with the kind of response and support extended by the Valuers across India.

Azadi Ka Amrit Mahotsav

IOV

IOV RVF

G20 भारत 2023 INDIA

INSTITUTION OF VALUERS

in association with

IOV REGISTERED VALUERS FOUNDATION

is pleased to announce

GVS 2023

Global Valuation Summit

Envisioning Valuation: Global Outreach

at
Mumbai

on
24th 25th
November
2023

Hosted By
Mumbai & Pune Branches

+91 99907 78615
www.institutionofvaluers.net

IOV REGISTERED VALUERS FOUNDATION

is pleased to **LAUNCH**

VALUERS DATA INTERFACE (VDI)

A Data Management Tool
(Eco Friendly Platform)

Enabling Valuers to store data/informations of Valuation Assignments

- in their own secured from infringement storage space
- for the ease in collating and analysing to produce quality valuation reports
- in defined but flexible formatted templates as per Rules Regulations and Standards
- enjoying freedom from anxiety of losing or forgetting the data whenever required

FREE OF COST

FOR IOV RVF FULLY COMPLIANT REGISTERED VALUER MEMBERS

AT SUBSIDIZED COST FOR OTHER REGISTERED VALUERS

**ACCESS WILL BE GRANTED SOON.....
STAY TUNED......**

Editor in Chief,
Editorial Board,
IOV RVF The Valuer

Tanuj Kumar Bhatnagar

As the process of valuation becomes increasingly complex and specialized, there has been a growing reliance on valuation professionals. These professionals are typically trained in one or more of disciplines like engineering, finance, laws, accounts and other related fields. They have the expertise needed to accurately determine the value of assets.

One reason for the growing reliance on valuation professionals is the complexity of the valuation process. Valuation requires a deep understanding of technical and financial aspects, economy, market trends, and other relevant data. For many investors and businesses, this level of expertise is beyond their scope, making it necessary to rely on professionals who have the necessary skills and knowledge.

Another reason for the growing reliance on valuation professionals is the need for objective and unbiased valuation. When valuing an asset, it is important to ensure that the process is free from any conflicts of interest or biases. Valuation professionals are trained to remain objective and provide independent analysis, which is important for ensuring that the valuations are accurateand reliable. objective and provide independent analysis, which is important for ensuring that the valuations are accurateand reliable.

As markets become more global and interconnected, investors need to have a deep understanding of the factors that affect asset values. The high level of uncertainty has led to complex interdependencies and business risks. In addition, the growing use of technology in the valuation process has increased the need for professionals who can interpret and analyze large amounts of data. Valuation professionals can use sophisticated digital systems and analytical techniques to accurately determine the value of assets.

Additionally, the reliance on valuation professionals has grown in response to increased scrutiny from regulators and investors. In recent years, there has been a greater emphasis on transparency and accountability in financial reporting. This has led to increased demand for reliable valuations, which in turn has led to a greater reliance on valuation professionals.

Vox
POPULI

IOV RVF THE VALUER Bi- Monthly Journal, Vol. 02 , Issue-03 May - June 2023, PP. 10- 12

VR. AVESH PRASHAR

IBBI/RV/02/2020/13618
B.Arch., Member COA, IGBC-AP

Real Estate Valuations - Past, Present, Future and Way Forward for Young Valuers in India

INTRODUCTION

Real estate valuation is an integral part of the real estate industry, which plays a crucial role in determining the value of properties. The valuation of real estate assets is critical to making informed decisions about buying, selling, and investing in the real estate market. In India, the real estate sector has witnessed tremendous growth in the past decade, and as a result, the demand for professional real estate valuers has increased significantly. In this article, we will discuss the past, present, future, and the way forward for young valuers in India.

PAST

The real estate industry in India has been evolving for centuries, and so has the valuation methodology. The traditional method of valuation involved a simple process of determining the land's value based on the local market rates and multiplying it by the land area. This method was mainly used for agricultural land and was not suitable for valuing developed properties.

The advent of the industrial revolution and urbanization in India led to a shift in the valuation methodology.

The demand for developed properties increased, and so did the complexity of the valuation process. The traditional method was replaced by the income capitalization approach, which involved calculating the property's income potential and capitalizing it based on the prevailing market rates.

The income capitalization approach was widely used until the mid-20th century when the cost approach became more popular. The cost approach involved calculating the replacement cost of the property, including the land value,construction cost, and other associated costs. This method was more accurate and suitable for valuing developed properties.

PRESENT

In the present day, real estate valuation in India has become more complex and sophisticated due to the growth of the real estate sector. The demand for professional valuers has increased significantly, and the valuation methodology has evolved accordingly. The three main methods of valuation used in India are the income capitalization approach, the cost approach, and the sales comparison approach.

The income capitalization approach involves calculating the property's income potential and capitalizing it based on the prevailing market rates. This method is mainly used for valuing commercial properties such as office buildings, shopping malls, and hotels.

The cost approach involves calculating the replacement cost of the property, including the land value, construction cost, and other associated costs. This method is suitable for valuing developed properties such as residential apartments and houses.

The sales comparison approach involves comparing the property being valued with similar properties that have recently been sold in the same area. This method is mainly used for valuing residential properties such as apartments and houses.

FUTURE

The real estate industry in India is expected to continue its growth trajectory, and the demand for valuers is expected to increase. The government has introduced various policies to promote the real estate industry, such as the

Affordable Housing Scheme and the Smart Cities Mission. These policies are expected to increase the demand for real estate properties, and there will be need for valuers to carry out valuations of these properties. The valuation profession is expected to become more specialized, and there will be greater use of technology in the valuation process. The use of Artificial Intelligence (AI) and Machine Learning (ML) is expected to make the valuation process more accurate and efficient.

THE WAY FORWARD

The real estate sector in India is expected to grow significantly in the coming years. According to a report by the National Real Estate Development Council (NAREDCO), the sector is expected to reach USD 1 trillion by 2030.

This growth presents significant opportunities for young valuers in India. However, they must be prepared to face the challenges that come with the growth.

IOV RVF THE VALUER Bi- Monthly Journal, Vol. 02 , Issue-03 May - June 2023, PP. 13- 15

BHUPENDRA PRATAP SINGH

IBBI/RV/02/2019/11959
Chartered Engineer, MBA (Real-Estate)

Assets sold by Banks under Sarfaesi Act To recover their dues from Npas are Turning out to be "Lemons"

George Akerlof's 1970 paper "The Market for Lemons: Quality Uncertainty and the Market Mechanism" addresses the issue of uncertainty surrounding the quality of goods and how it can lead to degradation in the market. Akerlof explains how information asymmetry between buyers and sellers can result in only low-quality products, known as "lemons," being traded. In the United States, a "lemon" is a term used to describe a car that is found to be defective after purchase. Akerlof, along with Michael Spence and Joseph Stiglitz, was awarded the Nobel Prize in Economics in 2001 for their analyses of markets with asymmetric information.

Asymmetric information is common characteristic of many markets, where one side possesses significantly more information than the other. Akerlof's "lemon theory" suggests that in the used car market, sellers typically possess more information about the quality, defects, and actual value of the vehicle compared to buyers. Consequently, buyers may not be willing to pay more than the average price of a car, even for a premium quality vehicle. Five years following the publication of Akerlof's paper, the United States enacted a federal "lemon law" that granted purchasers the right to have defects repaired, receive replacement, or obtain a refund.

To recover their lent amounts from non-performing asset (NPA) accounts, banks sell or auction the properties mortgaged to them under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002.

The assets sold by banks are an example of the market for lemons. When taking mortgages of assets, banks conduct proper due diligence to ensure full information about any liability related to the property and obtain non incumbrance or lien on the property through their lawyers and other due diligence agencies. However, while selling the properties under the SARFAESI Act, banks show their ignorance about any liability on the property and put a condition in their auction/sale notice that states, "the property is being sold with all existing and future encumbrances/liabilities, whether known or unknown to the bank.

The authorized officer/secured creditor shall not be responsible in any way for any third party claims, rights, or dues". In many cases, it has been found that after the sale of assets, claims from land owning agencies, industrial development authorities, municipal authorities, and group housing societies from the period prior to the sale come up.Therefore, due to the uncertainty of any future liability, buyers are not willing to pay the market value, and instead offer to buy at a discount.

There are several thousand assets related to NPA accounts that have been in the physical possession of banks for sale for years. However, banks are not able to find buyers for these assets, and as a result, the condition of these assets is rapidly deteriorating due to a lack of maintenance and neglect. Recently, I came across a similar property that is publicly available on the bank's website.

The property in question is a 1725 sq ft Flat No. 1708 on the 17th floor of KSN Square, Plot No. 12, 13 & 14, Sector 3, Vasundhra, Ghaziabad, U.P. The bank has been in possession of this property for over four years, and despite advertising it for sale several times in leading newspapers, they have been unable to find a buyer willing to meet their reserve price of Rs. 60.00 lakh. Currently, the bank is still searching for a buyer. However, if we look for flats in the same society for purchase on various property portals such as 99acres, Magicbricks, or NoBrokers, the I

IOV RVF THE VALUER Bi- Monthly Journal, Vol. 02 , Issue-03 May - June 2023, PP. 13- 15

isted prices range from Rs. 90.00 lakh to Rs. 130.00 lakh. The reason behind this disparity is that the bank or seller of the property is not disclosing any liabilities in their sale notice, and they have put the condition that any liability, even from the period prior to the sale, shall be the responsibility of the buyer.

To address the issue of uncertainty and information asymmetry in the market for assets sold by banks under SARFAESI, it may be necessary to introduce amendments to the Act. Currently, banks selling these assets disclaim any liability for encumbrances or claims that may arise after the sale, which pcreates a disincentive for buyers to ay the market value for the assets. As a result, banks are often unable to recover the ful value of the asset and end up with non-performing assets that deteriorate in value over time. An amendment to SARFAESI that grants purchasers the right to claim any liability from the seller/bank for the period prior to the transaction date could help to mitigate these risks and ensure that buyers are willing to pay a fair price for the assets. By creating a more transparent and equitable market, such amendments could help to reduce the prevalence of "lemons" and promote a healthier

IOV RVF THE VALUER Bi- Monthly Journal, Vol. 02 , Issue-03 May - June 2023, PP. 16- 21

VR. C. S. JOSHI
IBBI/RV/02/2018/10250
P&M Registered Valuer with IBBI, Engineer for valuation of Plant & Machinery

Valuation – Gathering Momentum

INTRODUCTION:

In the last century the world followed globalization pattern and started sourcing products and services where those are available at cost-effective rates. This resulted in very complex supply-chain across the globe and China emerged at the manufacturing hub of the world. Along with other countries in the world, Indian economy has sustained a major blow due to COVID-19 situation. COVID-19 affected China the most and due to their political situation and bamboo veil world was not aware of the severity, but countries across the globe could make out that China has been affected badly due to huge disruptions in the supply chain.

World wanted a dependable, open and reliable manufacturing hub to substitute the Chinese manufacturing hub.

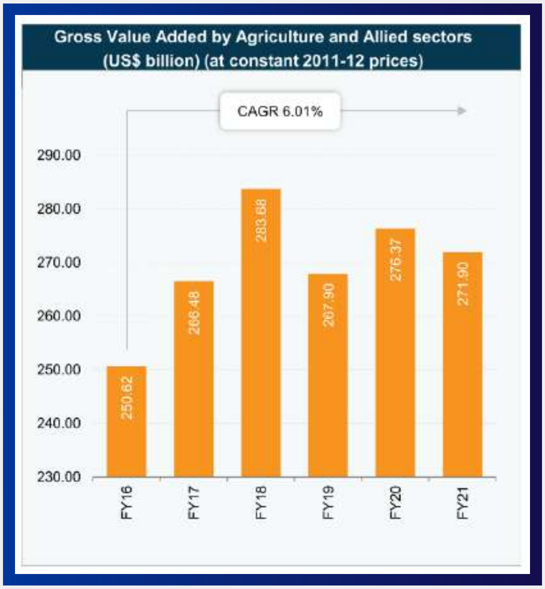
Post COVID-19 situation, the world and India were re-starting from the brief pause where the major stumbling block was Russia-Ukraine war and as the world was grapping with high energy, food grain, fertilizer costs, India due to its good relations with Russia getting cheaper oil and that too in Indian Rupees, due to green revolution ample food grains. India has huge market of its own and all this resulted in Indian economy to grow at rapid pace than the world. Bigger economy means more factories, more money and hence more chances of valuation. Let's discuss this in detail.

GROWTH OF INDIAN ECONOMY:

Indian economy grew at a rate of 8.8% in Financial Year 2021-22 and 6.6% in FY 2022-231. During the same period, the per capita GDP grew by 8.3% and 7.0% respectively. This means that there is more money available with average Indian citizen for their disposal giving rise to more consumption and hence more growth. This demand growth also needs to be supported by supply growth to meet the demand supply gap. In order to get the supply growth, all three sectors i. e. Primary (agriculture), Secondary (manufacturing) and Tertiary (services) need to grow. Let's see how this is happening.

GROWTH IN PRIMARY SECTOR:

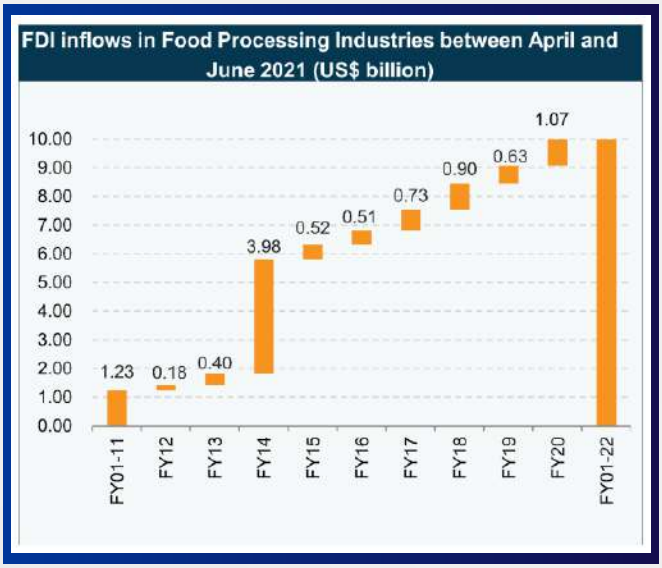
India has the second-largest arable land resources in the world. With 20 agriclimatic regions, all 15 major climates in the world exist in India. The country also possesses 46 of the 60 soil types in the world. Another favourable condition being Strategic geographi location and proximity to food importing nations favour India in terms of exporting processed foods2 . Both these conditions lead to increasing farm mechanizations (there was highest sales growth rate for tractors post COVID19 situation).Following chart shows that there is continuous growth in agriculture and allied sectors at a CAGR of 6.01%. This has given a solid base for growth of other sectors depending upon this primary sector.



Due to this high growth in agriculture sector,valuation opportunities in that sector would increase such as valuations of:

- Agricultural land,
- Plantations,
- Agricultural machinery,
- Agro-industries, etc.

This opportunities growth would lead to more potential and hence there is more FDI inflow in this sector as given below:



areas where more than 5 million manufacturing establishments are running already. This will be an alternative available to the new generation of farmers. Government aims to achieve 25% GDP share and 100 million new jobs in the sector by 2022. The manufacturing sector of India has the potential to reach US$ 1 trillion by 20252as given below:

Due to more FDI, those companies would look at valuations from reliable third parties and hence growth for valuations in primary sector would be there.

GROWTH IN SECONDARY SECTOR:

Organised manufacturing is the biggest private sector employer in India. Overall, more than 30 million people are employed in the sector (organised and unorganised) and will become the engine of growth as it tries to incorporate the huge available workforce in India, most of who are semi-skilled. The sector will push growth in the rural

Policy support for growth of manufacturing sector by government of India as follows. Under the PLI scheme, the government plans to create global manufacturing champions across 13 sectors and has allocated ~Rs. 1.97 lakh crore (US$ 27.13 billion) over the next five years (starting FY22). In September 2021, the government approved PLI scheme worth Rs. 26,058 crore (US$ 3.53 billion) for auto industry and drone industry to boost India's manufacturing capabilities. In May 2021, the government approved a PLI scheme worth Rs. 18,000 crore (US$ 2.47 billion) for production of advanced

chemical cell (ACC) batteries; this is expected to attract investments worth Rs. 45,000 crore (US$ 6.18 billion) in the country, and further boost capacity in core component technology and make India a clean energy global hub. The PLI for semiconductor manufacturing is set at Rs. 760 billion (US$ 9.71 billion), with the goal of making India one of the world's major producers of this crucial component.
All the above lead to Monthly PMI always recording more than 50% (that is increase in production compared to the last month) from July 2021.

More PMI means that there would more supply of manufactured goods to meet the increasing demand. This would lead to manufacturing sector becoming more vibrant and cash reach leading to taking up expansion projects by taking loans from banks or financial institutions leading to more work for valuers. Due to the above PMI chart, we can see that some manufacturing companies would become stronger and that would lead to more mergers and take-overs for consolidating market position. This would also lead to more opportunities for valuers.

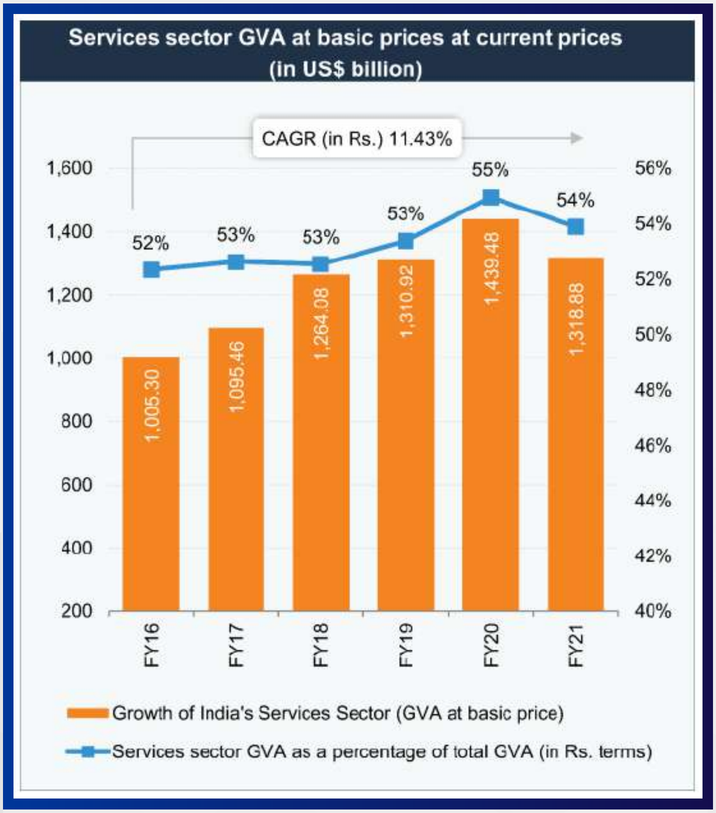
GROWTH IN TERTIARY SECTOR:

a. The services sector of India remains the engine of growth for India's economy and contributed 53% to India's Gross Value Added at current prices in FY21-22 (as per advance estimates). In the healthcare sector, the telemedicine market is driving growth with the increasing demand for remote consultation. By 2025, the telemedicine market in India is expected to reach US$ 5.5 billion. To build IT capabilities and competitive advantage over international players, Indian companies plan to deploy ~10 cloud platforms to drive business transformation in sectors such as retail, telecommunication and insurance, which is expected to boost growth in the IT & BPM sector4.The above was possible due to competitive advantages due to growing participation PPP and large pool of skilled man-power, especially in the areas of IT & BPM available at a relatively low cost and a rapidly increasing youth population looking to migrate from agriculture to other sectors.

From the above chart, we can see that India's services sector has grown at a rate of 11.43% CAGR.

This growth is bringing in foreign currency into India as seen in the following table. This net income of foreign currency increases the disposable income in the hands of the people employed in this and allied industries giving rise to more demand for primary and secondary sectors.

So due to increase in Tertiary sector growth rate, the primary and secondary sector of India are growing leading to more opportunities for valuers.



Sector	Indicators	Unit	Period					
			2009-10	2017-18	2018-19	2019-20	2020-21	2021-22
IT- BPM	IT- BPM service revenues	US$ billion	64	167	181	191	177.9*	-
	Exports	US$ billion	50	126	136	147	149.1*	-
	Domestic	US$ billion	14	41	45	44	28.9*	-
Aviation	Airline Passengers (Total)	Million	77.4	308.8	204.2	341.05	115.7	106.5*
	Domestic	Million	45.3	243.3	275.21	274.50	105.6	95.6*
	International	Million	32.1	65.5	69.48	66.54	10.1	10.9*
Telecom	Telecom Connections (wireline and wireless)	Million	621.3	1,206.2	1,776.75	1,177.02	1,181	1,180.8*
Tourism	Foreign Tourist Arrivals	Million	5.2	10.5	10.6	10.89	799.3	810.1*
	Foreign Exchange earnings from tourism	US$ billion	11.1	28.8	27.7	29.96	2.74*	-
Shipping	Gross tonnage of Indian shipping	Million GT	9.7	12.6	12.7	12.7	6.96*	-
	No. of ships	Numbers	998	1,382	1,405	1,431	13	12.96 (till August 2021)

GROWTH IN TERTIARY SECTOR:

In a way COVID-19 situation has created many opportunities for India for her primary, secondary and tertiary sectors leading to export growth from these sections. Also due to the vast and varied resources available inside India, her own market size is growing. All these have created more disposable income at the hands of the citizens of India leading to more real estate sales and hence more valuation opportunities. It has also increased manufacturing activities leading to companies going in for expansion more and hence more valuation opportunities in those sectors as well. So overall for next few years there would be growth in valuation industry of India.

IOV RVF THE VALUER Bi- Monthly Journal, Vol. 02, Issue-03 May - June 2023, PP. 22- 29

VR. KRISHNENDU PRASAD RAY

B.COM, LL.B, PGDBL, PGDADR, MBA(Finance), FCMA, FICA, FIV

Valuation of Companies under the Companies Act, 2013: Related Issues

ABSTRACT:

The introduction of Section 247 in the company's act, 2013 recognizes valuation job and the valuation profession in a different dimension. This brings a new area in the valuation professional opportunity in the country. This paper will narrate laws, rules and regulations that are at play, in relation to the valuation of companies after the enactment of companies' act, 2013.

Key words: Valuation, assets & liabilities, shares & debentures, securities, regulations.

INTRODUCTION

It is the Companies Act, 2013 which recognizes that the valuers play an important role inthe corporate world. Once, the valuation job was done the Chartered Accountants or other professionals or experts as specified under the various acts and rules: FEMA, 1999 or regulation under the Income Tax Act, 1961 etc. Later, the concept & rationale behind introducing the registered valuers arise on account of the following:

1. Lay down the criteria for registration, rights & duties of the valuer,
2. Approach and methods to be used by the registered valuers,
3. The style & contents of the Valuation Report,

4. Set the valuation standards,
5. Regulation for the profession required bring to maintain transparency and better governance principles during a valuation exercise.

The following action opens a new area in the valuation profession.

1. Introduction of Section 247 of Chapter VXII of the Companies act, 2013 for the matters requires valuation, and
2. Introduction of the Companies (Registered Valuers & Valuation) Rules, 2017.

Section 247 of the said act provides that only the registered valuers with the requisite qualifications & experience are authorized to do valuation work in respect of any property i.e., shares, stocks, debentures, securities, goodwill or any other assets of a company under the provisions of the act, and in such a manner and terms and conditions etc. and as specified and as may be prescribed by and appointed by the audit committee or by the board of directors of that company. The prescribed guidelines are as follows:

a. Qualifications & experiences as prescribed for the registered valuers for different classes of assets valuation under the Companies Act, 2013,

b. Prescribed rules under the Insolvency and Bankruptcy Code, 2016, and

1. For example,

In respect of valuation of land & building, the registered valuers must be either a graduate or a post graduate in civil engineering, architecture or town planning with minimum of 3 to 5 years of

2. experience,

In respect of valuation of plant & Machineries, the registered valuers must be either a graduate or a post graduate in Mechanical or Electrical engineering, with minimum of 3 to 5 years of experience,

3. In respect of valuation of securities & financial asserts etc. the registered valuers must be either a Chartered Accountants, or a Cost Accountants or a Company Secretaries or an MBA(Finance) with minimum of 3 to 5 years of experience after acquiring the qualification. [1]

1Companies act-2013, Companies (Registered Valuers and Valuation) Rules, 2014

IMPORTANCE OF VALUATION OF ASSETS

The issue and transfer of both equity shares and the other related securities involves the valuation of the respective company.
The principles and rules relating to valuation of companies involves various laws, rules and accounting etc. The valuation job of a company invites compliance of various statutes, regulations and many other critical activities like:

a. The law ensures that companies do not short-change their existing shareholders by issuing securities below their fair market value,
b. The Reserve Bank of India (RBI) has issued a number of rules and regulations in order to regulate the inflow and outflow of funds,
c. Foreign Exchange Management Act, 1999(FEMA) regulates the non-residents 's outflow/ inflow of foreign exchange on account of the following reasons so that:

1. Non-residents underpay for the Indian securities, or
2. Non -residents do not sell the Indian securities to Indian residents at a price exceeding their fair market value.

d. The Securities and Exchange Board of India (SEBI) is entrusted to prevent investors, especially retail investors, from being offered securities at a value higher than the applicable fair market value,
e. Income tax authorities is entrusted to ensure the fair valuation of securities that are issued or bought orsold in order to prevent evasion of tax.
f. Provisions under the Insolvency & Bankruptcy Code, 2016 prescribes valuation report from a registered valuer.

VALUER: VALUE & VALUATION

It is imperative to study the valuation report of the particular organisation / company before investing in the said company and the valuation task involves the analysis of the following while valuing the company:

a. Economic worth of the company's business,
b. Asset's base of the company, c .
Current financial health,
d. Prospect and future of the company,
e. The industry scenario and the economy of the country

Valuation is essential not only for the company itself but also it is also essential to its investors.

Valuation helps a company to track its progress, to measure its performance and finally helps to take steps against its competitors. Valuations helps the investors to determine the worth of potential and current investments.
Investors will try to sell their high valued securities and buy the low valued instruments in order to earn more out of their investments in securities.

Valuation of a public company is more convenient than a private company because the data and information readily available for a listed company than for a private company because the private companies do not publish their report on their financial statements.
Moreover, there is no standardized stock exchange for private companies. Therefore, it isn't easy to ascertain the market price and capitalization of the company in respect of private companies.

Section 247 of the Companies Act provides that:
"(1) Where a valuation is required to be made in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provision of this Act, it shall be valued by a person having such qualifications and experience, registered as a valuer and being a member of an organisation recognised, in such manner, on such terms and conditions as may be prescribed and appointed by the audit committee or in its absence by the Board of Directors of that company."2

Hence, a registered valuer in the valuation process ensures that the value as determined is accurate and reliable.

a. Valuation report under the Companies Act, 2013 The Companies Act, 2013 requires a valuation report from a registered valuer in the following situations:

Section 42 of the Companies Act, 2013:
In respect of the private placement of securities, Rule 12(5) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 prescribes that the valuation

2Companies (Registered Valuers and Valuation) Rules, 2017

Section 62(1) (c) of the Companies Act, 2013:

In respect of the issues of preferential shares, Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014 prescribes that if the consideration for the securities being issued is not in cash, then as per Rule 2(d)(xii) of the Share Capital and Debentures Rules, a valuation report for such consideration is also required.

Section 55 of the Companies Act, 2013:

In respect of the issue of preferential shares by a listed company, the price of the shares needs to be determined by the valuation report but for repeat issue which is as per the second provision to the Rule 13(1) of the Share Capital and Debentures Rules, no further valuation report is required.

Section 52 of the Companies Act, 2013:

While issuing the sweat equity shares to directors/ employees at a discount or for consideration other than cash, as per Section 52 of the Companies Act read with Rule 8 of the Share Capital and Debentures Rules, a valuation report is required for the intellectual property rights or of know how or value additions for which the sweat equity shares are to be issued.

Rule 16(1)(c) of the Companies (Share capital & Debentures) Rule, 2014:

While buy back of shares, where the shares of companies are not listed on a recognised stock exchange, when the valuation of shares are to be purchased, the same requires valuation by the registered valuer.

Rule 2 (c) (ix) & Rule 6(1) of the Companies (Acceptance of Deposit) Rule, 2014:

The secured debentures once valued by the registered valuer will be excluded from the definition of deposits.

Section 177 (4)(vi) of the company's act, 2013:

The vigil mechanism shall provide for adequate safeguards and provide for direct access to the Chairperson of the Audit Committee or the Director nominated to play the role ofAudit Committee, as the case may be. The valuation of assets with reference to Audit Committee shall be done by the registered valuer.

Rule 6 of the Companies (Acceptance of Deposits) Rules, 2014:

The amount of such deposits and the interest payable thereon shall not exceed the market value of such assets as assessed by a registered valuer.

Section 192 of the Companies Act:
No company can enter into an arrangement with a director or any director of a holding or subsidiary or associate company, in terms of the following situations:

1. Such person acquires or is to acquire assets for consideration other than cash from the company, or
2. When a company acquires or is to acquire assets for consideration other than cash from such person

Section 230 of the Companies Act, 2013:
While any corporate debt restructuring under the said Act is proposed, then a valuation report of the company by the registered valuer is essential in respect of the shares and all the assets and the properties whether the same are tangible or intangible, movable or immovable etc.

Section 232 of the Companies Act, 2013:
In case of any merger or amalgamation of any two or more companies under the said act. Section 232(2) of the said act provides that a report of the expert with regard to valuation is required to be circulated where an order has been made by the Tribunal under section 232(1) of the act, merging companies or the companies in respect of which a division is proposed.

Section 281 (1) (a) of the company's act, 2013:
In case of liquidation case of winding up of a company, the valuation of assets to be done by the registered valuer for submission to the liquidator. For the acquisition of any stake held by minority shareholders and for a Company Liquidator appointed by the National Company Law Tribunal (NCLT) pursuant to or in connection with the winding up of a company to submit a report to the NCLT regarding the assets of the company, under Section 281 of the Companies Act

Section 236(2) of the Companies Act:
In case of acquisition of shares of a company and the acquirer is a

person, or group of persons under section 236(1) shall offer to the minority shareholders of the company for buying the equity shares held by such shareholders at a price determined on the basis of valuation by a registered valuer in accordance with the rules as may be prescribed.

Section 305(2)(d) of the company's act, 2013:

During declaration of insolvency and proposal of voluntary winding up has been made by the company, the same must be accompanied by the valuation report by the registered valuer.

Section 319(3)(b) of the company's act, 2013:

In case of sale of property of the company in consideration of shares by the liquidators, any member of the transferor company who did not vote in favour of the special resolution and expresses his dissent in writing to the company liquidator, may require the liquidator to purchase his interest at a price to be assessed by the agreement or by the registered valuer.[3]

VALUATION REPORT

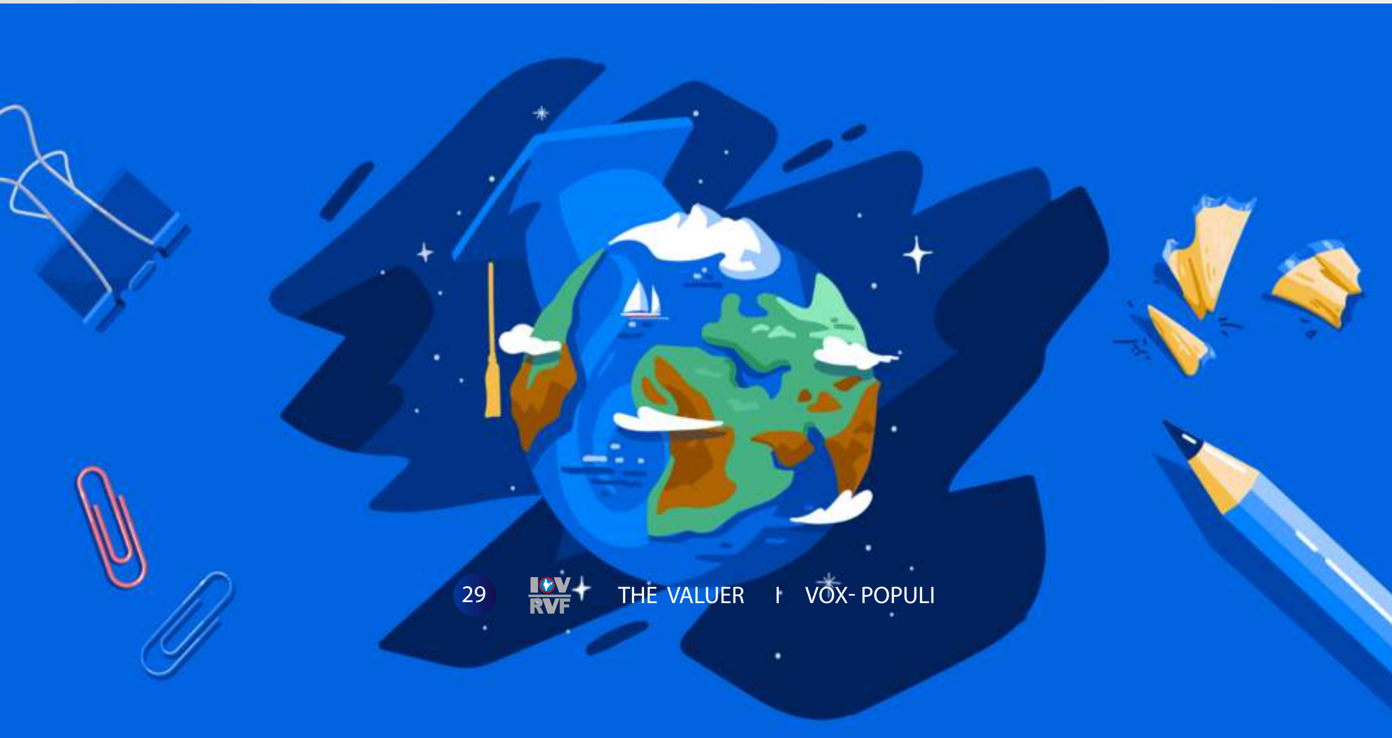
a. The details of the company under valuation;
b. Background information of the asset under valuation;
c. Purpose & object of valuation; Appointing authority for the appointment of valuer;
e. Detail's identity of the valuer;
f. Specify that any other experts are involved in the valuation process;
g. Disclosure of the valuer's details i.e., any interest/conflict, if any in relation to the company;
h. Date of appointment of the valuer;
i. The date of valuation completed and date of the report submitted;
j. Sources of information and other details in connection with valuation process;
k. Methodology and Procedures adopted while carrying out the valuation process;
l. Assumptions;
m. Valuation standards followed;
n. Major factors which influenced the valuation process;
o. Caveats, limitations and disclaimers etc.[4]

CONCLUSION

The role of valuers in the business valuation process plays a very vital rolenot only to the management of a organisation but also to the investors and other various authorities. Hence, the valuers act either negligently or failed to consider all the required criteria / formalities as per the Companies Act,2013 while determining the value of shares, then the related person and the authorities has the right to sue the valuer for any losses caused by the wrong valuation of shares. In normal practice, the Tribunal does not intervene with the act of expert valuers. Once, the value is contested, there must be sufficient evidence in order to establish that is required to prove that the valuation is incorrect.5 Hence, for valuation purposes, the registered valuers with requisite qualifications & experience are needed for a fair and accurate assessment of the assets.

The law states that the Valuer should exercise due diligence while performing the task of valuation. The due diligence should be categorically and specifically defined in terms of additionalsteps a valuer needs to follow before taking up the valuation task of a company. Although, the due diligence is a very broad term and imply various types of due diligence e.g., tax matters,financial issues or commercial issues etc which need specific expertise and the valuer requires to build up qualifications, knowledge and expertise before taking up the aluation task of a business enterprise.

4 Companies (registered valuers and valuation) rules, 2017



IOV RVF THE VALUER Bi- Monthly Journal, Vol. 02 , Issue-03 May - June 2023, PP. 30- 35

MR. MAINAK GHOSAL

B.COM, LL.B, PGDBL, PGDADR,
MBA(Finance), FCMA, FICA, FIV

A STUDY ON THE ROLE OF VALUATION IN INSURANCE INDUSTRY OF INDIA

INTRODUCTION

The Insurance Regulatory & Development Authority of India (IRDA) recently issued a press release that IRDA is set on a mission for insurance for all by 2047 and has since been taking proactive steps to achieve the objective. Moreover, the IRDA said that India is set to become the 6th largest insurance market by 2032 from the 10th largest currently but the country needs to infuse Rs.50k crores of capital per year to its insurance industry [1]. Also Rs.50k crores of capital is needed every year to double its penetration rate in this country.

Looking at the facts, the Economic Survey released by the Government of India on 31st Jannuary, 2023 records that overall insurance penetration in India has risen from 2.7% in 2000 to 4.2% in 2020 but dipped in 2012 to 3.2%.However, this dip may be attributed to the Covid 19 pandemic which had turned most of the assets to non performing ones.

To delve deeper, Insurance Penetration rate in Eastern Zone is about 2.8% but is low considering all India average being 3.8%.It is reported that countries like Taiwan(14.8%) & SouthAfrica(12.2%) along with the developed countries like USA(11.7%) & UK(11.1%) fare much better than us. In order to increase the penetration, there is a dire need of regular discussion & adoption of new technologies based on socio-economic conditions, adopting regional language in writing claim settlements, language policies, renovation in operation of Arbitration, Consumer forum judgement, Ombudsman operation as well as out of court claim redressal & assistance so that present LEVEL OF TRUST between the Insured & Insurer can be increased thus in turn increasing the penetration rate of the Eastern Zone[2]. But herein the question arises – What is Valuation & how it is related to Insurance?

According to Henry A. Babcock', " Valuation is determination of the money value, at some certified date, of the property rights encompassed in an ownership". The term monetary value would refer to a market in which goods & services are available through a certain mechanism. The principle of indemnity value applies here wherein the insured after the loss is placed in the same financial position which he enjoyed before the loss. Here the loss means – financial & measurable loses only but only to the extent of insurable interest. The insurable interest is defined as the legal right to insure arising out of a financial relationship recognised under the law between the insure & the subject matter of insurance. It may be noted that the insurable value is the full value of the interest at the inception of the insurance.

Brief Discussion

Improvement is essence of growth and that is possible by attempting to increase the penetration rate. The meaning of penetration rate should be made clear. The definitionitself shall spell out duties & responsibilities of Insurers, Intermediaries like Brokers, Agents, Surveyors and institutions like Banks. The penetration rate is a non-unit scalar measurement and is defined as Penetration Rate = (Number of Customers)/(Size of Target Customers) x 100 The ideal market penetration rate in domestic segment should be 2% to 6%(which includes intangible products also) & for industrial segment minimum is 10% & can be up to 25%. Government is slowly moving towards the regime of NO TAX DEDUCTION & the industry must gear up to face the future challenges. Already, FM has announced the inthe last Budget 23' to increase in the slab limit to Rs7 Lakhs where no deduction can be claimed & the new tax regime has been made a default. It's a matter of discussion & research as to how the consumer will react in the new scenario and what should be the next action plan of Insurance Companies. Recently while speaking at CII Insurance & Pension Summit the IRDA Chairman Mr.Debashish Panda asked the players to engage with the housing regulators to try and make property insurance compulsory, or impress upon the need for property insurance with the Union Housing Ministry.

He said that the insurers will have to go beyond the present distribution managements with scheduled commercial banks, and have bancassurance arrangements with non-bank lenders, co-operative banks & also payment aggregators. Time has come when we need to increase the awareness level of consumers & convince them about the protection aspects of insurance rather than focussing on taxation benefits. Panda also asked the insurers to create grievance redressal cells with separate set of officials in place. So, the mindset of the agency force needs to be changed 180° and they must convince customers to buy insurance as a protection product rather than an investment product [1]. Thisprotection gap opens a new world of possibilities for insurtech start-ups to develop new insurance products grounded in technology says Mr. Arup Chatterjee ,Principal Financial Sector Specialist, Asian Development Bank.

As already discussed, the issues of Eastern Zone is that it comprises of states like West Bengal, Orissa, Assam, Jharkhand & Bihar.70% of population in these states live in villages & live on agricultural incomes. In villages, there are mostly small units of agriculture based such as cold storage, rice mill whose income states that there are conversion units of unbranded FMCG products & consumer eatables by conversion of agricultural produce like mango, pine apple, tomato & they mostly cater niche market. Some advanced villages have Gobar Gas Plants. Most of the population are not engaged in agriculture or partly agriculture activities but are engaged in trading businesses.

They are dealers of pesticides, cement, bricks, steel materials whose controlling offices maybe outside the state but they operate as SSUs (Small Scale Units).In reality farmers have two wheelers while goods carriers have vehicles such as Light Weight Model Tractors, etc. Electrical Substations are Government or Big House controlled & have their discussion centres at cities while small captive units for power generation exist in big villages.

In Eastern India, the loss making perils that mostly affect the domestic segment in nonurban segments having future potential are health related issues, fire, theft/burglary, Act of God (frequent occurrence like Cyclones, etc.),riot & breakdowns while allied infrastructures under Pradhan Mantri & State Government Schemes which are traditionally executed through civic bodies/ Panchayet via local contractors there are various fixed assets like Houses, Road, Sewerage Pipeline & Overhead Water Tank Projects, small span Bridges, River Protection Projects[2]. Take the case of Housing, which is the historically most popular insurance product amongst the fixed assets. Conventionally speaking, be it any parts of India, many land lords do not insure their house against the risk of fire, flood, earthquake etc. Even the owners who insure the house against such perils, they under insure their houses, not intentionally but out of ignorance and carelessness. However, the valuer should estimate and allow appropriate and adequate insurance premium in every case, as an outgoing in the interest of safety and continuity of rental income in future, from the house.

Generally, fixing of the insured sum for buildings and plant & machinery is not a simple task. There are four accepted standard valuations namely – (i) Original Value, (ii) Written Down Value(Original Cost - Depreciation) (iii) Market Value or Fair Market Value and (iv) Reinstatement Value. Insurance on any of the first two values shall result in 'underinsurance' hence it is arranged either on Market Value or Reinstatement value Generally, fixing of the insured sum for buildings and plant & machinery is not a simple task. There are four accepted standard valuations namely – (i) Original Value, (ii) Written Down Value(Original Cost - Depreciation) (iii) Market Value or Fair Market Value and (iv) Reinstate ment Value. Insurance on any of the first two values shall result in 'underinsurance' hence it is arranged either on Market Value or Reinstatement value.

The bases of Reinstatement Value are as follows-

- It is the Sum insured to represent replacement cost of same type or kind of the property.
- Review of sum insured on each renewal – Revaluation or with the help of RBI index.
- Slight modification of principle of 'Indemnity' as insured gets 'new' in place of 'old'- without application of depreciation.
- Reinstatement of property lost is must, otherwise claim is to be settled on market value basis.
- Condition of Average still applicable, therefore sum insured to be fixed carefully. And the Reinstatement Value Clauses are as follows
- Applicable to Building, Machinery & Fixed Assets only
- Insured to opt for this clause
- Sum insured to represent replacement cost of same type or kind of the property
- In case of claim, replacement by same type or kind of the property, improvements not paid for
- Depreciation is not applicable
- Reinstatement of property lost is must, otherwise claim is to be settled on market value basis
- Condition of Average is applicable
- Reinstatement to commence and carried out with reasonable dispatch,
- To complete within 12 months or agreed extended period, provided insurer's liability is not increased
- Reinstatement at another site is permitted with no increase in liability

CONCLUSIONS

There exists a great deal of confusion regarding which value to choose, what are the logical bases for choosing that value and what are the relevant clauses for the chosen value. Herein the role of insurance brokers, surveyors & agents and their constraints under present situation & regulation in respect of increasing penetration with revamp ing the present eco system like consumer redressal, grievance cell, Ombudsman operation, Arbitration procedure as well as Private claim redressal & closing communication gap with solicitation should be well addressed. So, there is an increasing need to train the insurance agents along with effective day to day monitoring & operation of BIMA SUGAM portal with a one-stop destination for all insurance needs, providing services like buying insurance policies, portability facilities, change of insurance agents and settling of claims[3].

IOV RVF THE VALUER Bi- Monthly Journal, Vol. 02 , Issue-03 May - June 2023, PP. 36- 37

MR. MAYUR MUKATY

IBBI/RV/02/2020/13085
IBBI Registered Valuer - Plant and Machinery

PLANT AND MACHINERY VALUERS MAY FACE SEVERAL PRACTICAL PROBLEMS ON SITE (IBC CASES)

• LIMITED ACCESS:
The valuer may have difficulty accessing some areas of the property, especially if the location is a Non-operational factory or facility due to unavailability of key, Un availability of authorized person on site etc This can limit their capacity to inspect and evaluate certain assets.

So that valuer must be to ensure a complete examination, the valuer may ask to enter all parts of the site, even those that are forbidden. To help them reach certain locations, they can also ask the staff at the factory or facility for assistance. sought by the valuers.

• LACK OF INFORMATION:
The valuer might not have full access to data on the assets under evaluation, such as maintenance logs, repair histories, or user manuals. It may be difficult to appropriately appraise the assets as a result.

The valuer can request additional information from the plant or factory personnel or the asset owner, such as maintenance records, service history, or operating manuals. They can also conduct research to gather more information on the assets being valued by Micro detailing on site of fetching Machine technical specification, Motor ratings, gear type, IP Rating, Process flow,

• TIME CONSTRAINTS:

Particularly if the valuation is a component of a bigger project or transaction, the valuer can be under time pressure to finish it. This can make it challenging to carefully check and appraise all of the on-site assets.

To overcome this situation the valuer can schedule their site visit in advance and provide enough time for the appraisal procedure, which includes inspection and valuation. To ensure a correct assessment within the time limits, they can also work quickly and prioritise the most important assetsto remember ABC Rule / 80:20 Rule

• SAFETY CONCERNS:

When examining specific assets, such as large machinery or dangerous materials, the valuer may need to follow stringent safety procedures. As a result, the appraisal procedure may take longer and cost more overall. By following stringent safety procedures while examining certain assets, the valuer may place a high priority on safety. They can also ask employees of the plant or factory who have been trained to handle dangerous chemicals or operate large machinery for assistance.

• ENVIRONMENTAL FACTORS:

When evaluating some assets, the valuer may need to take environmental aspects like temperature, humidity, or vibration into account. This may have an effect on the valuation's correctness and necessitate more research or testing.

When determining the worth of particular assets, the valuer may include environmental aspects liketemperature, humidity, or vibration. In order to assure a proper appraisal under certain environmental circumstances, they might additionally do further analysis or testing.

IOV RVF THE VALUER Bi- Monthly Journal, Vol. 02 , Issue-03 May - June 2023, PP. 38- 39

ER. A. SURENDRA VENKATRAMANAN
IOV RVF Membership No: IOVRVF/M/L&B/13334
B.E.,AMIE.,C ENG(INDIA)., MISTE.,PGDUPDL.,

Challenges to the Valuer (Valuation Professional)

This article is only explaining the challenges to the valuation professionals. I am new to this field, but I already experienced these things when I am approaching for valuation to the professionals. Valuation professionals are act as economic agents that take several financial decisions on the basis of value of an asset.

The Main challenge for the valuation professionals lies in developing a deeper understanding of market globalization and better analytical skills with a view to assessing accurate values.

Valuation professionals are facing lot of challenges while they are working in field, whether it is natural issues or a created one. While creating a proposal for loan with high value but actual procurement is from cheap source through imported. Valuers have to face client's hidden intentions and some information's which may create an issue to both the valuer and client. Clients use to put their pressure on professionals to get the reports faster with providing minimum level of documents.

Valuation professionals are facing lot of challenges while they are working in field, whether it is natural issues or a created one. While creating a proposal for loan with high value but actual procurement is from cheap source through imported. Valuers have to face client's hidden intentions and some information's which may create an issue to both the valuer and client. Clients use to put their pressure on professionals to get the reports faster with providing minimum level of documents. Everyone have to understand the analysis way of each valuer will get change based on their experience and exposure.

When making or analyzing a property the professional need time to study the things to do the report clearly without any flaws, but in this situation client need to get their final report in a urgent way. In this condition the working environment of a valuer is getting pressurized. One of the main challenges is getting payments from clients. This situation may arise for lot of valuation professionals. Sometimes they have to minimize the fees to get continuous orders. While making reports the valuer should visit the proposed site directly for confirmation.

Sometimes this may not happen because the pressure of clients and sometimes valuer also not able to visit the site because of distance.

While dealing with property of political persons, valuer has to do some adjustments without any exemptions. That situation is totally a forced thing/situation. Client need single valuer for all valuation like L&B, P&M etc., But rules and regulations won't permit to do these things, it surely create major problems to valuation professional. These are some challenges a valuer has to face and facing in current situations. We have to avoid these things to do our service good and well.

Important

UPDATES

REGISTED VALUER

To create ease for Registered Valuers of IOVRVF
"CERTIFICATE OF MEMBERSHIP AND PRACTICE ("COMP")" is being issued to our Registered Valuer Members from 1st April 2023

It is our endeavor to provide you with best of the quality programmes with a mindset of shouldering your concerns as a family, like: -

1. **Your Capacity Building**

   - Soon going to provide you **"Valuer's Data Interface (VDI)"**, your own Data Management Tool at highly subsidized cost

     This tool shall be able to assist you in your works by creating storage space of your own to store all data and information in systematic manner with ease of collating, analyzing and verifiable with the data provided by the clients/other sources.

   - Offering **CEPs** by conducting several programmes on regular basis with range of contemporary and relevant topics.

     The speakers for these programmes are expert and renowned faculties selected with care on the basis of your feedbacks along with other criterion. The credit points allotment scheme is robust and efficient with open feedback.

2. **Your urge for simplification and ease in managing your requirements through**

   - Exclusive IOV RVF Hub Portal and Mobile App
   - Exclusive platform to fill Compliance Forms such as M3 & M4 and collect VRN (Valuation Report Number) with ultimate operational ease
   - Providing IOV RVF professional Whats app Groups for members to discuss and share their concerns
   - Special discounts offered in fees for the specialised educational course/ programmes

3. **Your yearning for growth in professional careers are met with through**

   - Providing information to our members regarding various tenders/opportunities at Ministries/Banks/PSUs/Companies at regular intervals.
   - Advocacy at Large scale through regular representation/ suggestions being submitted by us to the Central and State Level Government/PSUs for the promotion of valuation and valuers' services
   - The list of IOVRVF compliant members being shared with Banks/Autonomous Bodies at regular intervals, which gives them priorities in working opportunities
   - Empanelment letters being offered to members as and when desired
   - Compliant members have the opportunity to provide their valuation reports for Peer Review, not only to improve the quality of reports but also to widen base of the clients
   - Great opportunity to apply for the faculty retainership Programme and research works to become IOVRVF MEP/ CEPs Speakers/Writers.

4. **Your due recognition amongst professionals is our achievement**

- Diligent members are being awarded by the IOV RVF management annually
- Compliant members names are being publicized on IOV RVF website and other forums
- Providing platforms such as ISSN equipped journals to exhibit your expertise, webinars, workshops, seminars and participation in various committees etc for networking and growth in your base as a Valuation Professional.

Therefore, it's time to continue your patronage by completing your compliances and paying the Annual fee for obtaining COMP. This will encourage us to further increase the facilities and services to our esteemed members.

For any further details, please feel free to contact us at +91-8448974571, 8448988774 or write to us at monitoring@iovrvf.org

Note- "COMP", one single certificate is being issued in place of two different certificates i.e. Certificate of Membership ("COM") and Certificate of Practice ("COP"), which were issued till March 31, 2023 shall stand VOID w.e.f April 01, 2023.

Thanks and Regards
(sd/-)
IOV RVF Team

IOV Registered Valuers Foundation™

(Section 8 Company Incorporated under the Companies Act, 2013)
CIN : U93090DL2017NPL327392

PRIMARY MEMBER

It is our endeavor to provide you with best of the quality programmes with a mindset of shouldering your concerns as a family, like: -

1. Convenient Platform to become Valuer

   - IOV RVF issues Membership Certificate to the members along with a quality 50 hours Training programme to procure Course Completion Certificate.
   - Recorded Videos and best of the Study Materials prepared by eminent writers/faculties are available at IOV RVF Portal for unlimited access
   - On time active assistance including course training, IBBI Valuation Examination, Registration with IBBI as Registered Valuer
   - IOVRVF updates Mock Test/ Question Banks at regular intervals for revision
   - Exemptions in Annual Primary Membership Fees with adjustment provisions accordingly
   - Free of cost unlimited access to Study Circles and Refresher courses
   - Unlimited "Doubt sessions with Faculty"

2. Simplifying with ease in managing your requirements through

   - Exclusive IOV RVF Hub Portal and Mobile App
   - Providing IOV RVF professional Whats app Groups to members to discuss and share your concerns with us
   - Special discounts offered in fees for the specialised educational courses/ programmes

3. Your yearning for growth in professional careers are met with through

   - Providing information to our members regarding various tenders/opportunities at Ministries/Banks/PSUs/Companies at regular interval
   - Advocacy at Large scale through daily representation/ suggestions being submitted by us to the Central and State Level Government/PSUs for the promotion of valuation and valuers services

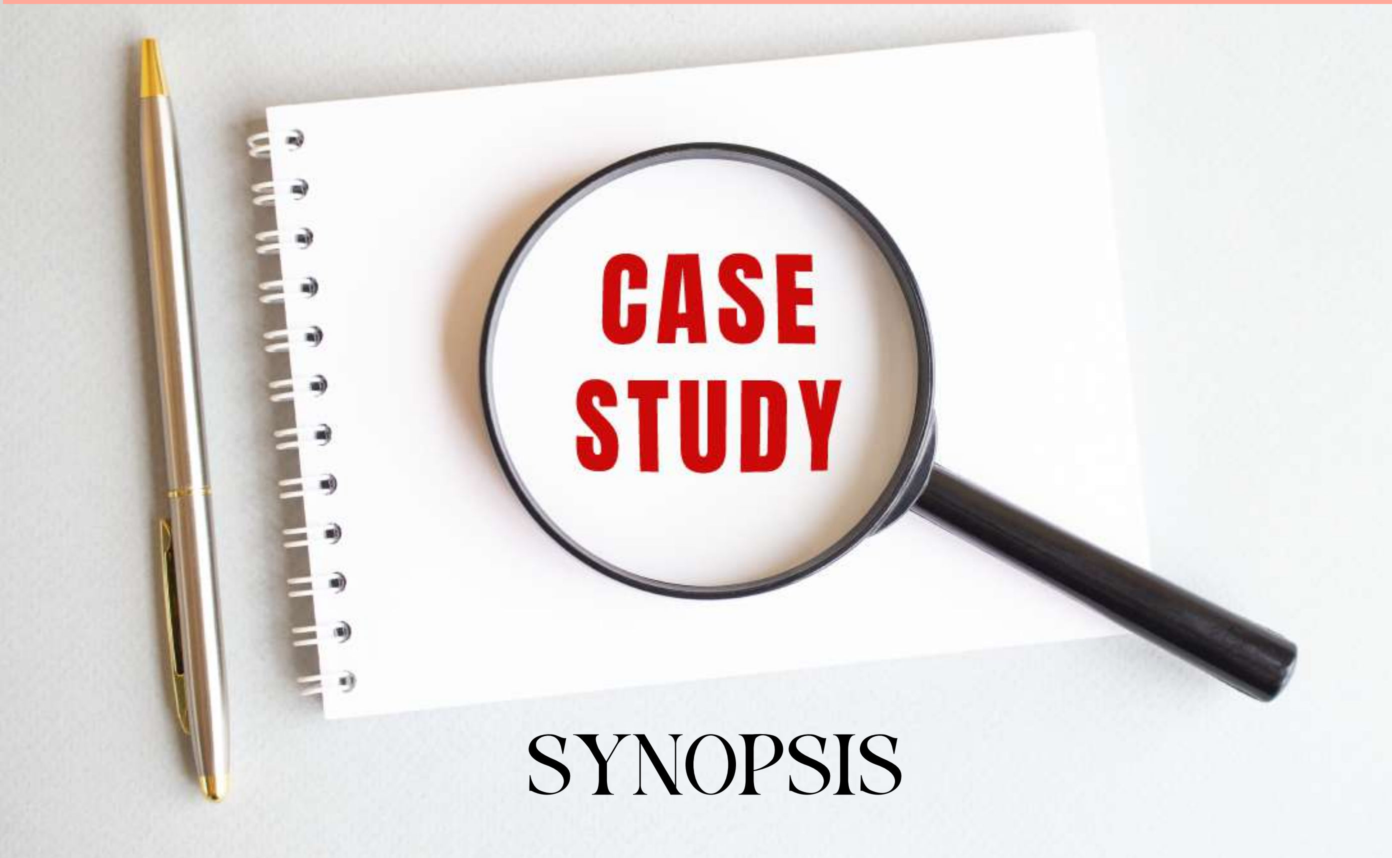
4. Your due recognition amongst professionals is our achievement

   - Diligent members are being awarded by the IOV RVF management annually
   - Providing platforms such as journals to exhibit your expertise, webinars, workshops, seminars and participation in various committees etc for networking and growth in your base as a Valuation Professional.

Therefore, it's time to continue your patronage by paying the Annual Primary Membership fees and encourage us to further increase the facilities and services to our esteemed members.

For any further details, please feel free to contact us at +91-8448974571, 8448988774 or write to us at monitoring@iovrvf.org

Thanks and Regards
(sd/-)
IOV RVF Team



SYNOPSIS

BRIEF FACTS:-

An Inspecting Authority (IA) was appointed to conduct inspection of the valuation report submitted by Mr. Debasish Ghosh ("RV") bearing IBBI Registration no. IBBI/RV/01/2019/11265. On the basis of the findings of inspection SCN dated 24th January 2023 was issued to RV and sought for his written reply and offered him an opportunity of personal hearing. Mr. Debasish Ghosh responded to the SCN on 7th February 2023, and the matter was referred to the Authority for disposal of the SCN.

Mr. Debasish Ghosh availed the opportunity of personal hearing on 10th April 2023. The SCN alleged following contraventions by Mr. Debasish Ghosh with regard to his valuation report.

- Non-Indication of Specific Valuation Standards adopted in the valuation Report.
- Non-inclusion of justification for estimates made in Valuation Report.
- Estimation of FMV and LV in respect of Non-Productive Assets.

Submissions made by the RV:-

In response to the show cause notice served upon the RV,

1. The RV has submitted that while disclosure of the particular valuation standard is mandatory, specific paragraph of the valuation standard being followed in not a statutory stipulation. The RV has further submitted that he had done valuation by following International Valuation Standard (IVS) and the same has been disclosed in page no 3 of the valuation report in point no 4. Also, the disclosure regarding the "Cost approach" adopted for carrying out the valuation has also been disclosed in page no 6 of the valuation report in paragraph "Notes" in 2nd sub para. These according to the RV are adequate to cater the requirements of law.

2. The RV submitted that the non-productive assets could not be valued individually as the original procurement or installation dates were not made available to him and no detailed list of the assets were made available to him. He stated that the site guide could not show each and every item of Furniture & fixture and office equipment, and did not give any list.

Therefore, it was not possible to identify all the individual assets in the group.

3. The RV further submitted that on physical inspection, it was found that the all NPA assets were lying as if in scrapped condition and vehicles and other such non-productive assets were covered with vegetation and jungles, where many such assets were found in rusted condition.

4. Thus, he submitted that the assets were in such a bad condition that he could not place even the salvage value of 5% on the original cost. He submitted that, rather, it was decided to place a value around 2% on the original cost, which means (Total Fair value / Total original cost) = approx. 2%. However, the same figure incidentally became 5% of the W.D.V., therefore, it was written as 5% of W.D.V.

5. The RV submitted that he did not receive any detailed asset list from the corporate debtor. The RV only received a list of machinery sectional blocks, e.g., "cement mill section", "limestone crushing section" etc. with original cost and year of installation of that particular block. The RV estimated the replacement cost as per IVS 2017 page no 79 para 70.2 (a) by using cost 5 inflation index and made it clear in the report in page number 6 under
"Notes".

6. The RV has assured that despite the constraints, during valuation, he took care of techno economic factors to arrive at the fair value.

FINDINGS OF THE AUTHORITY

On perusal of the valuation report, the Authority observes that the valuation report nowhere discusses the condition of the assets and the RV has only provided the estimates of valuation of such assets along-with the discounting figures applied on the assets. It is pertinent to note that the SCN does not raise question on the methodology applied by the RV in estimating the value of the assets.

The RV has liberty to adopt the cost approach to estimate the value of plant and machinery assets in accordance with International Valuation Standards. However, by not mentioning the details of the assets including present condition, which forms the basis of his estimation, the RV is in violation of sub rule 3(j)of Rule 8 of the Valuation Rules.

ORDER:-

The estimates of the value of assets in a valuation report are based on the professional opinion of the valuer and therefore is subjective in nature. The valuer has liberty to exercise his professional judgment to choose any appropriate method for valuation of assets, in accordance with any internationally accepted valuation standards. However, the valuer has a parallel duty to disclose in his valuation report, all the material information, including valuation standards adopted by him, the conditions of the assets being valued, the assumptions made by the valuer for such assets, the basis of discounting taken for the assets, etc. Such disclosures are necessary for the sake of transparency of the valuation report. A transparent valuation report not only holds the valuer accountable for his work, but also enhances the trust of the stakeholders on the valuation report.

2. In view of the foregoing, after considering the allegations made in the SCN, the limited reply provided by the RV and the materials available on record, the Authority in exercise of powers suspends the registration of Mr. Debasish Ghosh for a period of six months to serve as deterrent for being cautious about dealing

SYNOPSIS

BRIEF FACTS:-

An Inspecting Authority (IA) was appointed to conduct inspection of the valuation report submitted by Mr. Shyamal Mukherjee ("RV") bearing IBBI Registration no. IBBI/RV/05/2019/12237. On the basis of the findings of inspection SCN dated 18th January 2023 was issued to RV and sought for his written reply and offered him an opportunity of personal hearing. Mr. Shyamal Mukherjee responded to the SCN on 25th January 2023, and the matter was referred to the Authority for disposal of the SCN. Mr. Shyamal Mukherjee availed the opportunity of personal hearing on 3rd April 2023 where on his request, time was granted to submit additional documents. Mr. Shyamal Mukherjee submitted additional documents on same day. The SCN alleged following contravention by Mr. Shyamal Mukherjee (RV) with regard to his valuation report.

1. Assumption while calculating the Valuation of Inventory in Valuation Report.

SUBMISSIONS MADE BY THE RV

The RV has submitted that the cost of the inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realisable value in consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. So, the obsolete inventory should be adjusted and price should be reduced accordingly. Due to lack of information, inventory was valued on the basis of assumption.

FINDINGS

The Authority has perused the allegations made in the SCN, the reply of the RV on the SCN and the additional submissions made

FINDINGS OF DISCIPLINARY COMMITTEE:-

The Authority after careful perusal of the contraventions alleged in the SCN and the reply of the RV, observed that RV has neither countered the allegations made in the SCN nor provided any justification as to how his valuation report is in compliance with the applicable provisions of Valuation Rules. A valuation report is expected to be a complete document in itself carrying all the basis of estimates provided for valuation, for the benefit of stakeholders. The plea of RV with regard to lack of understanding about the report writing procedure and the necessary elements to be included in the report, during the early stages of the Valuation rules, cannot be accepted as rule 8(3) of the Valuation rules explicitly provides the minimum content to be mentioned in a valuation report.

ORDER

The Authority has perused the contraventions alleged in the SCN and the reply of the RVon the same. It was observed that the RV had neither countered the allegations made in the SCN nor provided any justification as to how his valuation report is in compliance with the applicable provisions of Valuation Rules. Accordingly, the Authority in the exercise of powers suspended the registration of Mr. Asim Maity (RV) for a period of six months to serve as deterrent for being cautious about dealing sensitive nature of valuation exercise under the aegis of IBC with due diligence and care.

SYNOPSIS

BRIEF FACTS:-

An Inspecting Authority (IA) was appointed to conduct inspection of the valuation report submitted by Mr. Shyamal Mukherjee ("RV") bearing IBBI Registration no. IBBI/RV/05/2019/12237. On the basis of the findings of inspection SCN dated 18th January 2023 was issued to RV and sought for his written reply and offered him an opportunity of personal hearing. Mr. Shyamal Mukherjee responded to the SCN on 25th January 2023, and the matter was referred to the Authority for disposal of the SCN. Mr. Shyamal Mukherjee availed the opportunity of personal hearing on 3rd April 2023 where on his request, time was granted to submit additional documents. Mr. Shyamal Mukherjee submitted additional documents on same day. The SCN alleged following contravention by Mr. Shyamal Mukherjee (RV) with regard to his valuation report.

1. Assumption while calculating the Valuation of Inventory in Valuation Report.

SUBMISSIONS MADE BY THE RV

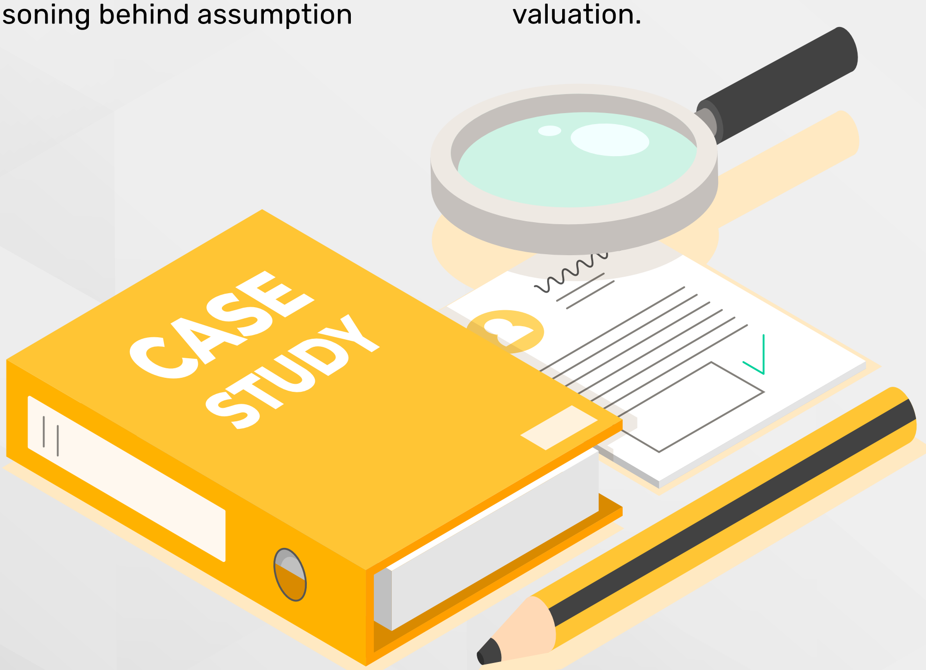
The RV has submitted that the cost of the inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realisable value in consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. So, the obsolete inventory should be adjusted and price should be reduced accordingly. Due to lack of information, inventory was valued on the basis of assumption.

FINDINGS

The Authority has perused the allegations made in the SCN, the reply of the RV on the SCN and the additional submissions made by him post his personal hearing on 3rd January 2023. The Authority has not found, either in the valuation report or in the calculation sheet, the basis of the assumption made with respect to the realisable value of the inventories. The Authority finds that valuation exercise, has not been done in a scientific manner and fails to set out all the necessary information behind the valuation estimate provided by the valuer.

ORDER:-

Reasoning behind assumption while making applicable a particular discount rates has to be sound and backed by theevidence on ground. Analysis is completely lacking and fails to establish deterioration in value of the stock is in anyway linked to time led actual bio-degradation of the paper stock. Keeping in view that the case in point has been first assignment of Mr. Shyamal Mukherjee and furthermore, as he has accepted his mistake, the Authority is inclined to take a lenient view warns Mr. Shyamal Mukherjee to be cautious and transparent while conducting valuation.



Call on Meeting

A call on meeting with **Mr Vinit Goenka, Spokesperson, BJP Delhi Pradesh** held on **4 April 2023 at New Delhi. Mr Vinay Goel, Hony Gen Secy, IOV and MD & CEO, IOVRVF** had lively interaction with him regarding the future of **Valuation Profession.** Mr Goel also seeks his valuable guidance for the way ahead, for which Mr Goenka agreed to participate.

Institutionalising Inclusive Initiatives

IOV RVF™

Congratulates

OUR

29th Registered Valuers Entity

INN TECH
GLOBAL VALUERS

IBBI/RV-E/2/2023/186

On getting **Registered with IBBI**,
under all 3 asset classes
Land & Building, Plant & Machinery and
Securities or Financial Assets.

IOVRVF welcomes you onboard to join this journey as a Registerd Valuer Entity

www.iovrvf.org valuers@iovrvf.org

IOV | IOV RVF™

#vision2047

INDIA WILL HAVE MORE VALUERS

In the next 10 -12 years than it has had in the past 50 years

Together, We make it Happen!!

www.institutionofvaluers.net I www.iovrvf.org

CONTACT US

WRITE TO US ON
valuers@iovrvf.org

CALL US AT
valuers@iovrvf.org

VISIT US AT
www.iovrvf.org I www.iovrvfhub.org

IOV REGISTERED VALUERS FOUNDATION

Plot 3, II Floor, Aggarwal Square,
LSC JN of 80Ft Rd, Parwana Road, Pitampura
Delhi -110034 India