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"Together, we've grown as a family of

2000+

IBBI REGISTERED VALUERS

and the journey continues."

"Here's to the strength of our community and the promise of better tomorrow."

 www.iovrvf.org

 valuers@iovrvf.org

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

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

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

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E-mail - valuers@iovrvf.org

Website - www.iovrvf.org

Address - Valuers Bhawan, Plot No. 3, Parwana Road, Pitampura, Delhi-110034

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CONTACT US

IOV REGISTERED VALUER FOUNDATION

Valuers Bhawan, Plot No. 3, Parwana Road, Pitampura, Delhi-110034

Email: valuers@iovrvf.org

Website: www.iovrvf.org

Call us : 9499491010

EDITORIAL BOARD

| Position Editorial Board | Name | Email Id | Profile Links | Address |
|--------------------------|--------------------------|--------------------|---|---|
| Editor in Chief | Mr Tanuj Kumar Bhatnagar | dir_tkb@iovrvf.org | https://iovrvfhub.org/tanuj_kumar_bhatnagar | Valuers Bhawan, Plot No. 3, Parwana Road, Pitampura, Delhi-110034 |
| Managing Editor | Mr Nitin Madhusudan Lele | dir_nml@iovrvf.org | https://iovrvfhub.org/nitin_lele | Valuers Bhawan, Plot No. 3, Parwana Road, Pitampura, Delhi-110034 |
| Publisher | Mr Vinay Goel | gensec@iov.co.in | https://iovrvfhub.org/vinay_goel | Plot 3, II Floor, Aggarwal Square, LSC JN of 80Ft Rd, Parwana Road, Pitampura Delhi -110034 India |
| Member | Mr Krishnendu Prasad Ray | cmakpray@gmail.com | https://iovrvfhub.org/krishnendu_prasadray | Valuers Bhawan, Plot No. 3, Parwana Road, Pitampura, Delhi-110034 |
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**From the desk of
MD & CEO, IOV RVF**

VINAY GOEL

I take pleasure to announce that in just five short years, **IOV Registered Valuers Foundation has achieved a remarkable milestone – welcoming the entry of 2,000 Registered Valuers** into our esteemed community of Registered Valuers. Our registered valuers are the embodiment of excellence in their field, ensuring the highest standards of Valuation practice.

This accomplishment is a testament to the dedication, expertise, and unwavering commitment of each one of you.

I would like to extend my heartfelt appreciation to our members, our faculties involved, managing board of Directors and the entire IOV Registered Valuers Foundation community for their dedication, commitment and hard work in achieving this remarkable feat. The commitment to upholding the highest standards of Valuation practice by our esteemed members is truly commendable.

We have not only expanded our numbers but also achieved significant milestones, such as the establishment of a dedicated Bimonthly ISSN approved journal, where valuable insights, research and experiences are shared and archived. This journal is a testament to our commitment to knowledge dissemination and continuous improvement in the field of valuation.

I implore each one of you to actively participate in this journal, sharing your expertise, experiences and innovative approaches to valuation. By doing so, we not only advance our profession but also pave the way for future generations of valuers to learn from our collective wisdom.

With the objective to expand Valuation on a Global Scale and to strengthen international relations among the Global Valuation fraternity, IOV in association with IBBI and IOV RVF Global Valuation Summit is being held on 24th & 25th November, 2023 at CIDCO Auditorium, Vashi, Mumbai. Expert speakers from all over the world will come together and hold technical sessions on various aspects related to the Valuation Profession with respect to the current date and age.

We would also be holding Awards ceremony, an initiative of IOV and IOV RVF for recognizing the efforts of all the Valuation Professionals, who have contributed in an exceptional way in the growth of the Valuation professional.

Let's participate collectively in shaping the future of valuation, leaving a legacy for generations to come.



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

TANUJ KUMAR BHATNAGAR

As we stand on the cusp of a significant milestone, the completion of 2000 Registered Valuers within the IOV Registered Valuers Foundation, we find ourselves at a juncture where the power of collective knowledge and experience is truly remarkable.

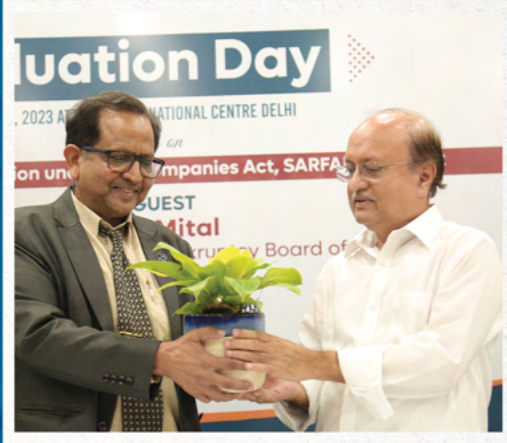
In celebration of this achievement, we are thrilled to introduce this issue of 'The Valuer', which serves as a platform to share insights, research findings and the experiences of our esteemed members. It is a testament to the dedication and unwavering commitment of our growing community of Registered Valuers.

In addition, we are excited to announce our continued association with the Global Valuation Summit, a prestigious event that connects valuation professionals from around the world. This partnership underscores IOV RVF's commitment to expanding the horizons of valuation and fostering international cooperation within the valuation fraternity.

The GVS 2023 at Navi Mumbai promises to be filled with opportunities for learning, networking, and contributing to the field of valuation. All members are welcome to actively participate, share their expertise, and be part of this transformative experience. The editorial team extends heartfelt gratitude to our members, leadership team and the entire IOV RVF community for your dedication and hard work towards achieving this remarkable milestone.

Valuation Day

celebration



18th Oct
2023



Glimpses of...

National Seminar on Bharat@2047: Roadmap for Development

4th Nov 2023  Rajghat

Mr Vinay Goel,
Hon Gen Secretary,
IOV and MD&CEO,
IOV RVF deliberated
on Role of Valuation
and it's Research
towards a Developed
India

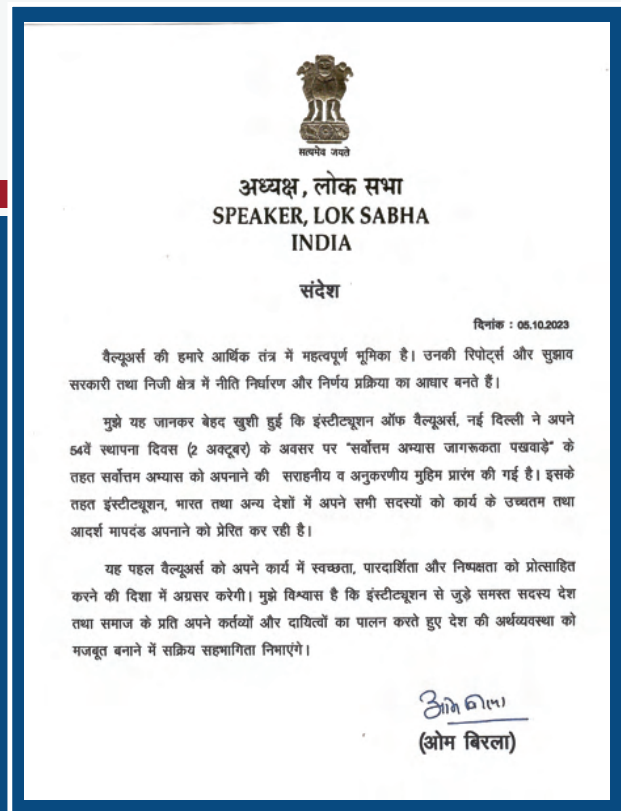


Institution of Valuers is the **Sponsor** for the Event.

IOV TAKES IMMENSE PRIDE IN RECEIVING A HEARTFELT MESSAGE FROM

Hon'ble
SH. OM BIRLA JI
Lok Sabha Speaker

His message is a heart-warming recognition of IOV's Valuers Pledge Initiative, under the Best Practice Awareness Week, to promote Integrity and dedication among Valuers' Fraternity.



**LET'S COLLECTIVELY TAKE THE PLEDGE AND UPHOLD
THE HIGHEST STANDARDS OF PROFESSIONALISM.**

Vox-POPULI





Er. A.SURENDRA VENKATRAMANAN

IOV RVF Membership No:
IOVRVF/M/L&B/13334

B.E., AMIE., C ENG(INDIA)., MISTE.,
MIITArb., PGDUPDL.,

RISKS AND EFFECTS OF A BAD REAL ESTATE VALUATION

INTRODUCTION:

Real estate estimate is calculated before starting the marketing of the property. The estimate provides an approach to the value at which the property could potentially be sold. The estimate is a service offered by real estate professionals, negotiators and real estate agents.

BETWEEN OBLIGATIONS & PRACTICES:

To estimate the value of your property on the market, and then setting its selling price, the first thing is to study the market. That means to look at the prices of other properties offered for sale in the neighborhood or village in order to position you in relation to them. This is called Comparative Method. Be careful to pay attention to all criteria of the property, that is, surface, quality and presence of amenities.

The comparison criteria are sometimes multiple and not always easy to estimate or value due to lack of sufficiently similar properties. In this case, it may be interesting to turn to professionals who will be able to estimate accurately these differences.

CALL ON THE EXPERTS:

A reliable real estate appraisal will help you to get an idea of the price of the property. It must take into account the market situation, the characteristics of the property and its geographical location. The real estate appraisal is an important step in the sales process after the publication of a real estate ad.

RISK OF A MISCALCULATION:

An undervalued property will cost the seller money, in addition to the risk of attracting the attention of the tax authorities. In order to properly estimate a property, it is essential to know the market price. By consulting a real estate professional, sellers increase their chances of making a quick sale. Beware of the rack for mandates and practices by the agents who evaluate your property. The following are some risks of Real estate investments:

- **Market**
- **Structural**
- **Location**
- **Liquidity**
- **Cash flow**
- **Tenants**
- **Vacancies**
- **Property depreciation**

CONCLUSION:

When we do investments in real estate, we need to check the risks in various criteria to avoid miscalculations, as it will affect the property value. This leads the valuation in a bad way. Bad Valuation of property will cause a risky investment.





Bhupendra Pratap Singh

IBBI Registered Valuer

L&B - IBBI/RV/02/2019/11959

Chartered Engineer, MBA (Real-Estate),
Chief Valuer

Cyclicity in the Real Estate Industry: A 2024 Slump on the Horizon

The Indian real estate sector has always been a fascinating and dynamic market, exhibiting its fair share of highs and lows. As 2024 approaches, experts and market analysts are scrutinizing the signs, trying to discern whether another slump is looming on the horizon. The cyclicity of the real estate industry has been a subject of great debate and speculation, as it can significantly impact the economy, investment decisions, and the lives of countless individuals. In this article, we will delve into the factors that suggest a potential downturn in 2024 and what it means for the Indian real estate landscape.

Understanding the Cyclicity of the Real Estate Industry

The real estate sector, like other service or manufacturing sector, operates in cycles, typically influenced by economic factors, government policies, and market sentiment. These cycles consist of peaks, where property prices surge, and troughs, where prices stabilize or even decline. The real estate industry in India has seen several such cycles over the years, with periods of rapid growth followed by market corrections.

The Rise and Fall: Historical Perspective

The market experienced a substantial boom till the year 1999-2000, fueled by economic boom after the 1991 economic reforms and factors such as urbanization, population growth, and beginning of access to housing finance. However, this boom was followed by a stagnation because of the Asian Financial Crisis in Indonesia, Thailand, Malaysia, South Korea, and the Philippines. They saw their currency exchange rates, stock markets, and prices

of other assets all plunge. The GDPs of the affected countries even fell by double digits, which brought about **a correction in property prices in the entire region including India in 2000.**

The Real Estate Boom (2001-2008)

The period from 2001 to 2007 saw a complex interplay of economic factors, financial innovations, and the announcement of JNNURM (Jawaharlal Nehru National Urban Renewal Mission). People began purchasing properties as investments, often with the intention of "flipping" them for a profit. The buzz of the largest IPO of DLF brought the real estate market to its peak. However, triggered by the Lehman Brothers' bankruptcy, the subprime mortgage crisis, and the **global financial crisis of 2008 impacted correction in property prices in India.**

The Real Estate Boom (2009-2016)

The period from 2009 to 2015 was marked by economic growth, increasing middle-class income, and the Indian government's liberalization of foreign direct investment (FDI) norms in the real estate sector. This attracted substantial international investments, fueling property prices. However, rapid construction and an oversupply of properties led to unsold inventory accumulation, putting downward pressure on prices. The sudden announcement of demonetization in November 2016 led to a liquidity crisis in the real estate sector, severely affecting property transactions that often-involved substantial cash payments. **All this led to collapse of property prices in 2016.**

The Real Estate Boom (after 2017)

The market has been witnessing a resurgence driven by various government initiatives, such as "Make in India" and "Smart Cities," increased demand due to the growth of nuclear families, increased transparency, and accountability due to the regulation of developers through RERA. Lower interest rates, although now increasing, and improved infrastructure, such as better roads, public transportation, connectivity, along with the feel-good factor created by the government through various announcements and publicity blitz, looking towards the 2024 general elections have brought property prices to their peak.

2024: Signs of a Looming Slump

As we approach 2024, certain indicators are raising concerns about a potential downturn in the Indian real estate sector. Here are some key factors contributing to this speculation:

Interest Rates:

Fluctuations in interest rates can affect the cost of borrowing and, consequently, the demand for real estate. A rising interest rate environment could deter potential homebuyers.

Global Influences:

Geopolitical tensions due to Russia-Ukraine and Hamas- Israel crisis, international economic trends can spill over into the Indian real estate market, affecting investor sentiment and capital flows.

Economic Uncertainty:

Economic challenges, such as inflation and fiscal deficits, can reduce consumer spending and investor confidence, potentially leading to a slowdown in real estate activities.

Market Saturation:

In some regions, there is a sense of market saturation, with a surplus of unsold inventory. This oversupply can put downward pressure on property prices

Market Saturation:

In some regions, there is a sense of market saturation, with a surplus of unsold inventory. This oversupply can put downward pressure on property prices

What Does It Means for Stakeholders?

For potential homebuyers, a slump in the real estate market can offer opportunities to purchase properties at more attractive prices. However, for developers and investors, it can mean challenges in terms of profitability and return on investment. Real estate developers might need to adapt by focusing on affordable housing, improving project delivery, and ensuring compliance with regulatory requirements. Investors need to be cautious and conduct thorough due diligence before committing their capital.

Conclusion

As we inch closer to 2024, the cyclicity of the real estate industry in India remains a topic of intrigue and speculation. **While historical patterns market correction after every eight years and current indicators suggest the potential for a slump,** it's important to remember that the real estate market is influenced by numerous variables, and predictions are often subject to change. Market players and policy makers should remain vigilant, flexible, and proactive in addressing the challenges and opportunities that may arise in the coming years. In this dynamic environment, staying informed and adaptable is key, as the Indian real estate sector continues to navigate its cyclical journey.



M Mohana Ram

IBBI Registered Valuer

L&B - IBBI/RV/11/2022/14561

M.E (Struc), C.Eng. AMIE, AIV,
C.Eng No: AM3008889

STEPS TO MAKE A TAMPER PROOF VALUATION REPORT

Creating a tamper-proof Valuation Report is essential to maintain the integrity and authenticity of the information provided. Here's a guide on how to create a tamper-proof valuation report in hard copy format:

Document Formatting:

- Use professional document creation software to format the report neatly and consistently.
- Include a cover page with the title "Tamper-Proof Valuation Report" and your company's logo and contact details.

Header and Footer:

- Include a header and footer on each page of the report. This can contain the report title, your company name, and page numbers.
- This helps ensure that even if someone tries to remove or replace pages, the header and footer information will be inconsistent.

Watermarking:

- Add a watermark to each page of the report. This can be the words "Confidential" or "Tamper-Proof" diagonally across the page.
- Watermarks are difficult to remove without leaving evidence of tampering.

Sequential Numbering:

- Number the pages sequentially, including appendices and exhibits.
- Any attempts to insert or remove pages will disrupt the numbering sequence.

Binding:

- Choose a secure binding method like spiral binding or stitching.
- This makes it harder to replace or remove pages without visible damage

Seals and Stamps:

- Use official company seals and stamps on important pages, especially the cover page and the final page of the report.
- This adds an extra layer of authenticity.

Distribution and Tracking:

- Keep a record of who receives a copy of the report and when.
- This helps track the distribution and prevents unauthorized duplication. Send the report to the intended user through E-mail with CC (Carbon copy) or BCC (Blind Carbon Copy) and Registered Post. (Send scanned copy of report in JPEG Format).

Embossed Seals:

- Use an embossed seal on the page of the report. The raised pattern is hard to duplicate and can indicate if someone has tried to tamper with the document.

Micro Printing:

- Use micro printing in areas of the report. This involves printing tiny text or patterns that are difficult to reproduce with conventional photocopying and scanning methods.

Holographic Stickers:

- Place holographic stickers or seals on the report. These stickers are challenging to reproduce and will show signs of tampering if someone try to remove or replace them.

Serialized Pages:

- Apart from page numbering, Number the pages in a unique sequence. If some one tries to replace or add pages, the sequence will be disrupted.

While considering any of these methods, it's essential to factor in the practicality and the level of security required. For highly sensitive documents, combining several methods might be ideal. Remember, while these methods can deter and indicate tampering, no system is entirely fool proof. Always store important documents securely and limited to the indented user.



Om Parkash Verma

IBBI Registered Valuer

L&B - IBBI/RV/02/2019/12230

Master Of Valuation (Real Estate)

VALUATION OF IMPORTED MACHINERY & PROCESS PLANTS

- Machinery and Equipment valuation field is vast. Number and types of machines are huge, if not infinite. There are machines which produce goods, there are others, including tools, which provide services. All these come under the domain of PME valuation.
- Valuation is an act or process of developing an opinion of value. Value can be said to be the monetary worth of the property, goods or services. Valuation can comprise any or all of the following: Determination of Value; estimation of reproduction or replacement cost; earning power of the property.
- With the continuing rise of imports of machinery and equipment into the country, the field of valuation of machinery and equipment has expanded. Data of imports of electrical and non-electrical machinery from 2011 to 2022, as published by RBI is as under:

Value of electrical and non-electrical machinery imported into India from financial year 2011 to 2022
(in billion Indian rupees)



The imports of machinery are on the rise, for which, valuation is necessarily required at the first point of entry into the country, i.e. Customs, however, it brings with it the arduous task of determining fair value of imported machinery and equipment, particularly, in respect of used and refurbished machines.

The Customs Department have their in-house Valuers, but they have also expressed difficulties in conduct fair valuation of the imported machinery. Central Board of Custom's Circular 07/2020 dated 05.02.2020 states that:

For the goods being valued as used second hand machinery, particularly those reconditioned, refurbished, modernized, or otherwise improved prior to their importation into India, it may be difficult to find data relating to sales of such goods to India, which could be considered identical or similar. Basis of subsequent sales of identical or similar goods in India, may also not be possible because the goods being appraised are imported for use rather than for resale

Given the nature of challenges in computing the value of second hand machinery there is need to ensure that the approach applied reflects commercial reality and results in a value which is fair.

For this purpose, the Board decided that Inspection Reports issued by Chartered Engineers, based in the country of sale of the second hand machinery shall be accepted, or Importer shall be free to engage the services of any Chartered Engineer from those empanelled by the Custom House of the port of import

It is obvious from the above, that Valuation of used Plant and Machinery is a tedious exercise. The Valuer has to study not only the new replacement cost or its age or condition or the refurbishments done but also the potential profitability which a Custom officer is unlikely to foresee

Users of Valuation of Machinery and Equipment:

Main users who need the valuation of machinery are Lenders, Resolution professionals & Liquidators; Companies for Merger, acquisition & impairment loss assessment; Stamp duty assessment for Sub-registrar offices, etc.

Most of the times, however, the Lenders need the valuation on the following occasions:

Cost wetting before sanction of loan

(ii) Pre-Disbursement of loan

(iii) Post disbursement periodic valuation

(iv) Settlement of loan

(v) Liquidation

- Valuation during Stage (i) to (iii) are routine exercise and hardly involve any repercussions.
- However, Valuation at stage (iv) and (v), i.e., Settlement or Liquidation is most important, contentious and often debated, as the borrower or the intending buyer would often say that value fixed is higher.

The above situation can often happen, if we base our value estimation on the asked prices of similar machines by used machinery dealers or the various websites dealing in used machinery. These should however be looked from the following perspective:

- Buyer, for own use of second-hand machinery, would normally approach used machinery dealers instead of waiting for some public auction to happen.
- Normally, buyers in auctions of used machinery comprise of dealers of used machinery. They refurbish and recondition to make it suitable for use. It costs additional money.
- The dealer will keep the machine till it is sold. So there is holding cost.
- The above factors inflate the cost of his acquisition. He also has profit motive. Thus, the quoted prices by dealers of used machinery in market are often higher than they can fetch at the place of use – in use or non-functional.

What Information of Machine is Required?

- For Valuation of any imported machinery, new or used, the Valuer / Chartered Engineer would normally need invoice of the machine, if available.
- If invoice is not available, the following information would be sought:

- (i) Name and address of Manufacturer of the machine
- (ii) Year of the manufacture of machinery
- (iii) Specifications / other description of machine, preferably from Manufacturer's plate affixed on the machine
- (iv) Expected life-span based on its inspection.

Approaches to Valuation:

Income Approach

Market Approach

Cost Approach

Data for Income or Market approach is invariably not available, so Cost approach is often applied. It is based on the principle of substitution.

Replacement cost assumes the maximum price of an asset to a knowledgeable buyer to purchase or construct a new asset of equal utility.

Inputs / Replacement Cost:

When the asset is not new, the replacement cost new must be adjusted for all forms of depreciation and obsolescence attributable to the asset as on the date of the valuation.

In its simplest form, the cost approach can be represented as follows:

Cost new – Depreciation = Value

The starting point or basis of the cost approach is reproduction cost (new) or replacement cost (new), or a combination of both.

Replacement Cost Estimation:

Ideal approach would be to obtain fresh quotation of same machine from same manufacturer / supplier, or

If the machine of same specification is discontinued and replaced with new model with better or inferior specifications, quotation for new machine can be used to adjust its price based on the capacity and productivity of new model with that of the machine under valuation. For Domestic machinery, replacement cost can be found out by contacting supplier but it is hardly possible to obtain the same from foreign suppliers within the timeframe afforded by clients for submission of the report.

Sources to get replacement cost:

- Seek quotation from manufacturer or from its local office, if available. Many suppliers seek your profile, which can be provided as an Industrial Consultant Search web for 'used machinery under sale', it often provides quotes of same or similar machines
- Search web for companies who went public for setting up similar projects. Some times, we find data for same machines in their red herring prospectus, though it could be a few years old.
- Search local machinery trading websites- Indiamart, etc.
The old import shipment data at www.zauba.com could also be helpful
Efforts can be made to visit exhibitions of machinery in own and nearby cities
- If previous suggestions do not help, one can use Cost inflation index.
- When applying Cost inflation index, variation in exchange rate of foreign currency be considered.
- For imported machinery, the following cost inflation index are often utilized:
 - Marshall & Swift Index – published by California State Board of Equalisation
 - Producer Price Index for machinery (different lists are available for different equipment) – source Federal Reserve economic data, USA

- Metal and scrap prices can be accessed at MMR review Weekly published in India, if needed.

Other Sources:

- Magazines published by industrial associations – Cement, Steel, Paper. Many of these provide details of project being set up and costs thereof. Websites like India times.com provide, many a times, price of similar new machinery.

Magazines published in India and abroad:

IBEF, CRISIL, ICRA, CARE Reports

PV Magazine for Solar power

Examples are given based on personal experience

So, it is an exercise of - try, try again and get it.

Example:

Mercom website mentioned, "According to one manufacturer, 100 MW solar cell plant calls for investment of Rs. 800 million. However, a 100 MW solar cell facility will not have the economies of scale to compete with imported cell prices, especially Chinese Cells."

Another website, Machinio quoted "Price of a Tabber stringer 4BB, refurbished, ex Germany at Rs. 17,71,091/- in 2021, whereas the same Stringer was imported 7-8 years back for cost in crores of rupees."

- Consideration of Obsolescence is most important. It can be technical – new technology supersedes old one; Economic – loss of value due to external factors like shrink age in demand of product or passage of new legislation or economics of industry; or functional – caused by inefficiency or inadequacy of usefulness, when compared to more efficient or less costly replacement

If market data from sales of certain machines suggests depreciation or obsolescence in excess of the physical deterioration, the difference represents aggregate of functional and economic obsolescence.

Depreciation & Obsolescence:

- Technological developments have led to shortening the useful lifespan of machinery and equipment in various fields and particularly in IT industry, Healthcare sectors, Renewable energy, where the equipments become obsolete quicker than others. Power purchase agreements by Renewable energy sector at rock bottom rates of energy have led to closure and

sale of many smaller thermal power plants at price of scrap. Another impact of technological developments has been reduction in demand and resultant value reduction of equipment of old technology

- Depreciation, other than obsolescence, i.e. loss in value due to usage, wear and tear over time, takes place at different scale for different equipment, based on its demand, the volatility in market price of its material of construction, rate of wear and tear etc. For example, equipment fabricated out of stainless steel and having no or minimum moving parts, like in dairy industry, the rate of depreciation would be low. Consideration has also to be given, whether the wear and tear and value reduction is high initially and at decreasing rate subsequently. In another case, the value reduction could be almost at constant rate. Depreciation should be considered accordingly by declining balance or straight line method.

Traditional approach to deduct depreciation and obsolescence (as per ASA)

- Assume that the following has already been established by the appraiser:

Reproduction Cost New:

1,50,000

Replacement Cost New: 1,40,000

Physical Deterioration : 50%

Functional Obsolescence: 20%

Economic Obsolescence: 10,000

Traditional Cost approach calculations will be as under:

Replacement Cost New : 1,40,000

Less Physical Deterioration @ 50%: - 70,000 70,000

Less functional obsolescence 20%: - 14,000 56,000

Less Economic obsolescence: - 10,000

Replacement Cost New less Dep./Obs.: 46,000

- It is seen from above that physical depreciation, physical and economic obsolescence are deducted in order and are not added together and deducted from replacement cost. The logic behind the sequence is derived from normal life-cycle of machine. When a machine is placed in service, it begins to depreciate. Physical deterioration takes place until something happens in the marketplace or environment to trigger functional or economic obsolescence. New versions of machine cause functional obsolescence and external factors like shift in demand and govt. regulations trigger economic obsolescence, which is last to impact the property.

Valuation of Process Plants:

- Process plants typically utilize complex machines and equipment to convert raw materials into high-value products. Both the raw materials and the finished products

may be global commodities whose price varies based on supply, demand, and competition; thus the industry's economics and the value of the process plants are influenced highly by outside forces, beyond the control of the individual plants. The individual items of machinery and equipment in a process plant tend to lose their identity and are viewed as part of an entire system rather than individual components

- When valuing a process plant, The Valuer must ask: "What would a modern replacement be, what would it cost, and how would its operating expenses differ from those of the subject plant?" The answers to these questions are useful in quantifying functional obsolescence. Economic obsolescence also may exist when raw material prices increase while prices and demand for products produced remain steady or grow at a slower rate, reducing the process plant's profitability. Sometimes sale transactions of similar plants, of higher or lower capacity may also provide useful inputs for valuation.

Fair Value:

More often than not, the Value derived after depreciation and obsolescence, should provide the fair value as on date of Valuation. If date of Valuation is current date or near about it, one can seek price of used machinery from used machinery dealers or the asked price listed at websites, if any, for comparison with one's estimated value. The quotation of seller of used machinery has to be considered with caution, based on self-assessment of additions to its fair value for his profits, refurbishment and holding cost.



Shashi Ranjan

IBBI Registered Valuer

L&B - IBBI/RV/02/2021/14279

B.E.(CIVIL),PGDCM-NICMAR(PUNE)

Chartered Engineer, (Institution of Engineers)

Effect on Land Value due to - Public Utility & Infrastructure

Introduction

A public utility is an entity that provides goods or services to the general public. Public utilities may include common carriers as well as corporations that provide electricity, gas, water, oil, etc. All these things are needed in the day-to-day life of the people. To meet the public requirements the government is developing and expanding infrastructure to meet the modern-day requirements of society and to enhance peoples' living standards. To achieve this, the government needs land parcels for smooth functioning and implementation/development of infrastructures and related projects. The nearby or subject land use may also be affected due to the restriction of the utility owner (authority), concerning the safety of the society. Some laws/acts /rules already exist to restrict activities related to the subject or nearby land use. In this article, we will discuss Govt laws/acts/rules that are affecting the land value. The effects may be positive or negative.

Electrical line passing through

The land is located under high-tension wires, therefore there may be certain restrictions or guidelines that must be followed. There may be limitations on its use according to the easements. For example, you might grow crops or graze cattle, but not be able to erect a structure.

There are certain sections of the Electricity Act, 2003, the Indian Telegraphic Act 1885, and judgments of the Honourable High Court that give a clear idea regarding drawing electricity lines. Compensation for damaged crops/trees of the affected cultivators in the installation of towers for the construction of the

power line and the cost of the areacovered due to the line according to the circle rate shall be given to the landowner. For example, building on the land in a way that could interfere with the safe operation of the power lines may not be allowed. Additionally, there may be rules about the height restriction and horizontal clearance restriction of the proposed building or structure. In most cases, land area under the high-tension wire is not utilised for the development of building flats etc. This area may be utilised as a park, Open space, or garden playing area, keeping the area free for maintenance of electrical lines in future.

The vertical and horizontal safe distances notified by Govt are as follows,

Clearances from Buildings of HT and EHT voltage lines IE Rule 80

| | |
|--|---|
| Vertical Distance | |
| High voltage lines up to 33KV | 3.7 Meter |
| Extra High Voltage | 3.7 Meter + Add 0.3 meter for every additional 33KV |
| Horizontal clearance between the conductor and Building | |
| High Voltage Up to 11 KV | 1.2 Meter |
| 11KV To 33KV | 2.0 Meter |
| Extra High Voltage | 2.0 Meter + Add 0.3 meter for every additional 33KV |

Horizontal clearance between the conductor and Building

| | |
|---|---|
| Over-head Line Across Street | |
| High Voltage | 6.1 Meter |
| Over-head Line Along Street (Parallel To Street) | |
| Low and Medium Voltage | 5.5 Meter |
| High Voltage | 5.8 Meter |
| Over-head Line Without Across or Along Street | |
| Low/Medium /HT line up to 11KV If Bare Conductor | 4.6 Meter |
| Low/Medium /HT line up to 11KV If Insulated Conductor | 4.0 Meter |
| Above 11 KV Line | 5.2 Meter |
| Above 33KV Line | 5.8 Meter + Add 0.3 meter for every additional 33KV |

Clearances from Buildings of low & medium voltage lines (IE Rule 79)

| | |
|--|-----------|
| For Flat roof, Open Balcony, Verandah Roof and lean to Roof | |
| Line Passes Over Building Vertical Clearance | 2.5 Meter |
| Line Passes Adjustment of Building Horizontal Clearance | 1.2 Meter |
| For pitched Roof | |
| Line Passes Over Building Vertical Clearance | 2.5 Meter |
| Line Passes Adjustment of Building Horizontal Clearance | 1.2 Meter |

Hence land value under a high-tension wire has a negative effect

Underground or Overground Pipeline crossing over or near the land

If a land parcel near the underground pipeline carries oil, chemicals, water, gas or other hazardous materials, there may be many restrictions on the construction/ expansion of buildings and activities depending upon the safety policy of the material carried through. Construction of a permanent structure in the ROW is not allowed since it may damage the pipeline and restrict its maintenance activities.

THE PETROLEUM AND MINERALS PIPELINES ACT, 1962.

The activities which are prohibited in the pipeline Right-of-Way (ROW) are

- Any type of digging
- Plantation of trees
- Any type of construction activity
- Burning fires
- Storing materials

Hence it may be detrimental to the value of the land.

Right of Way for Highway

As per current market demand, investment of lands adjacent to State/National High ways is very high and land rates are also greater compared to other parts of the city due to the Commercial Potential, Development Opportunities and Connectivity. Some issues like Noise and Pollution, future road expansion, Local zoning regulations and development restrictions may affect the land value. Hence, there may be an overall beneficial impact on the value of the land.

Land Near Airport

Land parcels near airports may face restrictions on building heights and zoning regulations due to flight path considerations, limiting future development opportunities and expansion plans. Airports contribute to air and noise pollution, which can affect air quality and residents' well-being. The increased air traffic near airports can result in higher emissions, necessitating consideration of potential health and tranquility impacts. On the other hand, commercial activities, and good road connectivity may attract a high land rate. Hence there may be (mixed) impact on the value of the land.

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Land Near Airport

Land near the Army Cantonment area

Land parcels near the Army Cantonment may restrict commercial/residential and other activities compared to other areas of the city and may face restrictions on building heights, zoning opportunities and expansion plans. Hence, there may be an overall negative impact on the value of the land.

Conclusion

The Valuer should be careful during the Valuation of the Land parcel if the subject land or the surrounding area is acquired or used for a specific purpose by Government or any other agencies.





Shivam Srivastava

IBBI Registered Valuer – Land & Building
Protocol Valuers Private Limited

VALUATION OF REAL ESTATE – ENVIRONMENT, SUSTAINABILITY & NATURAL HAZARD RISK

India, blessed with diverse landscapes and climatic conditions, is prone to a wide range of natural disasters, including floods, earthquakes, cyclones, and landslides. These catastrophes not only cause immense human suffering but also have far-reaching implications on various sectors, including Real Estate.

We are lining in Information era of development, where the human wants connectivity as well as peace. Talking about Peace, we mostly look to Upside & search for isolated places at Heights. In last one or couple of decades, we have explored the unexplored part of the country. Subsequently, we have constructed Roads, Communication towers, Tourist villas, Hotels, Restaurants, Shops, and other utilities in our hilly area, i.e., Himalayan ranges located in the state of Himachal Pradesh, Uttarakhand, and Jammu & Kashmir.

The visuals emerging from Shimla, Kullu, Hamirpur & other districts are horrifying. Just like humans have razed the mountains to plains, now the mountains have started pummeling their encroachments into fields. To fulfil this demand, more houses will be built, setting aside all rules & regulations. Even in July, there was severe destruction by rain in Himachal Pradesh, August too has proved dreadful in its passing. While many parts of the country are experiencing below-average rainfall, Himachal Pradesh has been hit with extremely heavy rainfall.

In just 54 days, the state has received as much rainfall as it normally does in 90 days of the monsoon season. In July alone, the state received 115% more rainfall than usual, with a record-breaking 354 mm compared to the average of 165 mm. These heavy rains have caused significant destruction, with residents reporting that they haven't seen such rainfall in decades. Reportedly, residents have seen such rains after many decades. The July rainfall has broken 50-year records. On July 9, Manali, Solan, Rohru, Una, Ghamroor, Hamirpur & Kyelang broke all the old records of a single-day rainfall. Between July 7 and 10, Himachal Pradesh received 223 mm of rain, more than five times the normal amount of 41. mm for those four days. In the past 19 years, except for three separate years, rainfall in the state has been below normal. However, this time, the rains have caused havoc.

According to media reports, over 361 people have died in Himachal Pradesh this year due to the rains. More than 2,000 houses have been completely destroyed, and about 10,000 houses have been partially damaged. Additionally, 300 shops and over 4,700 cowsheds have been destroyed. Between 2017 and 2022, over 8,000 houses were damaged during the monsoon season. On average, Himachal Pradesh receives 730 mm of rain between June 1 and September 30. However, this time, the state has already received 742 mm of rain in just the first 54 days of the monsoon season.

When such a large amount of rainfall occurs in such a short period of time, destruction becomes inevitable. Numerous roads have collapsed in some places, while cracks have appeared in others. Many roads have caved in, and landslides have caused large debris to block roads, leading to closures. In August alone, hundreds of roads had to be closed, with severe destruction occurring in Mandi, where over 200 roads were blocked. The condition of traffic in Himachal Pradesh during this time and the challenges people face in reaching hospitals can only be imagined. Media reports suggest that over thousands of trees have been uprooted. These trees, which play a crucial role in holding the soil together, have become a symbol of the destruction, caused by the rainfall in the state capital.

Natural calamities cannot be simply called 'a curse from above', as the hills have been weakened by construction works bypassing all rules in the name of "development" across the state. We have exploited the natural wealth of the mountains to the hilt. Building pucca houses, people think they will compete with the water flow, but they are now seeing the condition of these cement houses against the stream.

IMPACT OF NATURAL HAZARDS IN REAL ESTATE VALUATION

Physical Damage and Property Loss:

When a natural disaster strikes, it often results in significant physical damage to buildings and infrastructure. This damage directly affects Real Estate Valuation, as the overall condition and structural integrity of properties are compromised. Affected properties may require costly repairs or even complete reconstruction, leading to a decrease in their market value. Property owners and investors can experience significant financial losses as a result.

Disrupted Market Dynamics:

Natural disasters disrupt the normal functioning of Real Estate markets, causing turbulence in buyer-seller transactions and investment patterns. Post-disaster, potential buyers may hesitate to invest in regions prone to such events, resulting in reduced demand and a subsequent decline in property prices. Additionally, the absence of a stable market environment coupled with uncertainties can make it difficult for sellers to accurately price their properties, further impacting overall real estate valuation.

Economic Impact and Infrastructure Constraints:

Natural disasters have severe economic consequences, as they not only destroy physical infrastructure but also disrupt the economic activities of the affected regions. The recovery process entails significant costs, diverting funds away from real estate development and investment. Scarce resources may be prioritized towards rebuilding basic infrastructure rather than enhancing real estate market potential. This slowdown in construction and development projects can lead to a stagnation of property values.

Demand-Shift and Relocation:

In the aftermath of a disaster, some regions may experience a significant population shift as people relocate for safety or economic reasons. This relocation alters the demand-supply dynamics in the real estate market, causing property prices to fluctuate based on the influx or exodus of potential buyers. Areas severely affected by natural disasters may witness a declining population, reduced economic activity, and a subsequent drop in Real Estate valuation.

Addressing the Challenges and Mitigating Potential Risks:

The Indian Government, alongside Real Estate professionals and developers, should adopt effective measures to mitigate the adverse impact of disasters on Real Estate Valuation. Strategies could include:

Enhancing disaster preparedness and risk management, incorporating resilient building designs and promoting the use of eco-friendly materials.

Establishing robust insurance mechanisms to cover property loss and encouraging property owners to insure their assets against natural disasters.

Conducting thorough risk assessments before investing in real estate, considering the vulnerability of the location to natural disasters.

Promoting sustainable urban planning and development practices to reduce the risk and vulnerabilities of buildings and infrastructure.

Conclusion:

Enhancing disaster preparedness and risk management, incorporating resilient building designs and promoting the use of eco-friendly materials.

Establishing robust insurance mechanisms to cover property loss and encouraging property owners to insure their assets against natural disasters.

Conducting thorough risk assessments before investing in real estate, considering the vulnerability of the location to natural disasters.

Promoting sustainable urban planning and development practices to reduce the risk and vulnerabilities of buildings and infrastructure.

We as valuer should keep an eye of following points while estimating market value of any property:

- Analyze the land-level of the properties with respect to the nearby water bodies.
- Study the Geological & Hydrological data to understand about the natural course of river in the area (including seasonal rivers) to identify whether Real Estate property location is in course of river or not.
- Availability of proper Water Drainage system & rain water conservation near the Real Estate area.
- Type of Earth strata & suitability of building structure on it.
- Factors in the impact of the natural hazard in property value instead of relying on only available market deals.

Important
UPDATES





Magnificent years of IOV Registered Valuers Foundation

with more than **2000 Registered Valuers &
35 Registered Valuers Entities**



We are elated to present a plethora of our achievements, in an effort to encapsulate our journey...

IOV RVF is first RVO who has:



- 01.** More than 8000 Members who have completed MEP
- 02.** Launched Mobile App
- 03.** RVs in all 3 classes of assets
- 04.** Started Valuation Reference Number (VRN)
- 05.** Provided Data Storage software to it's members named "Valuation Data Interface"
- 06.** Published Bi-Monthly Journal with ISSN
- 07.** Only RVO to have Faculty Development and Training Program
- 08.** Crossed 2000 Registered Valuers
- 09.** Started CEP Programme
- 10.** Started COP Programme
- 11.** Valuer entity registered with IBBI
- 12.** Started Online Training Programmes at the start of the Pandemic
- 13.** Started the MEP Training in all Asset Classes
- 14.** Provided Valuation training Programmes
- 15.** Issued several self-publications

We have been able to reach this pinnacle of success and growth only because of the undeterred support of our esteemed members

IOV RVF is truly filled with gratitude and would like to thank its precious members for achieving these milestones.





Launch of IOVRVF Special Publication

"Guide on Regulatory Framework and Professional Conduct for Registered Valuers"



This publication presents a wonderful chance for the *valuers' fraternity* to access all relevant information for **Registered Valuers such as **Act, Rules, IBBI Directions, brief of IBBI orders** in a single document.**

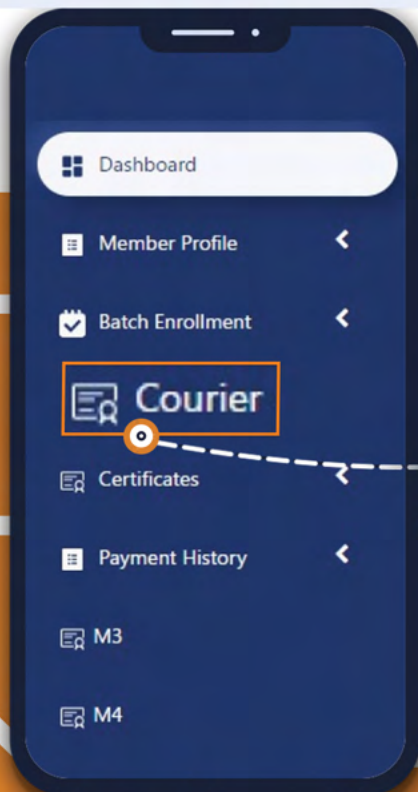
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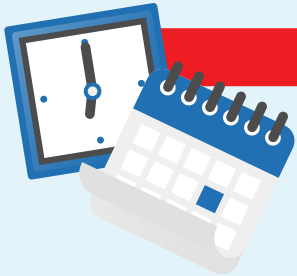
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OCTOBER, 2023

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CANCELLATION OF REGISTRATION OF AN RV DUE TO CONCEALMENT OF A PROFESSIONAL FACT

An appeal has been filed by RV against the order passed by IBBI. It was noted that RV has suppressed fact from IBBI in his application for Registered Valuer. In view of the foregoing, the Appellate Authority did not find any reason to interfere with the IBBI order. Accordingly, the appeal was disposed off and RV's registration "stands cancelled".

"It is the duty of a professional to be responsible, accountable and to maintain integrity without the concealment of material facts which affects their integrity and reflect their inability to adhere to standards of professional ethics".

**TO READ THE DETAILED JUDGEMENT,
SCAN THE QR CODE PROVIDED:**



 www.iovrvf.org






PROUD TO ANNOUNCE
KNOWLEDGE PARTNERSHIP
of
IBBI Registered Valuer Entities (RVEs)
at **Global Valuation Summit**
— 24th & 25th November, 2023 | Mumbai —



We invite others to join us in shaping the future of Valuation.

 contact.gvs@iov.co.in

 www.globalvaluationsummit.com

Capacity Building Measures by IOV and IOV RVF

IOV has started various Specialized Certificate programmes, in accordance with Section 6c under Category VII (B) of its bye laws, to fulfill the requirement of stakeholders:-

1. **“IMPEX Valuation”** focusing on the need of Import Export Valuation requiring by Custom Department.
2. **“DCF Technique of Valuation”**, the important method to understand the valuation process.
3. **Marine Valuation** – to provide practical exposure of fundamental knowledge, approaches, techniques and resources for appraising and evaluating Ships, Boats and H&M of all types.
4. **Insurance Surveyor** –to explore and to up-skill participants in the field of Insurance Valuation and to bring transformation in Insurance Industry
5. **Mine Valuation** – The untapped reservoir of India which requires the proper Valuation to be effective.
6. **Valuation Surveyor**, to nurture and empower the workforce to assist the Valuers in their smooth functioning.
7. **Business, Intangible, and Financial Instruments Valuation (CBIFV)** , specific course to improve employability and strategic decision making.

IOV RVF is also running specific educational programmes for Registered Valuers in the compliance of Companies (Registered Valuers and Valuation) Rules, 2017:-

1. **Mandatory Education Programmes (MEP)** – IOV RVF conducts 50 hours MEP to become a Registered Valuer in any of the asset classes after satisfying the necessary eligibilities as per IBBI.
2. **Continuing Education Programme (CEP)** - Workshop, Conferences, Seminars, Training Programmes, webcast, Refresher Programmes, Certificate Courses, Conventions and Symposia and the like specifically designed to cater to specific learning activity imposing continuous education requirements on valuer members to expand their knowledge base and stay up-to-date on new developments;
3. **Valuation Standards Training** - IOV RVF is the only Recognized Valuer Organization (RVO) who has been conducting this kind of programme to take a significant step towards encouraging widespread compliance of Valuation Standards among valuers. Till date 9 such programmes were held

IOV RVF Awards 2022 - 23

Recognizing Excellence in Valuation and Professionalism

- ★ **Prominent Registered Valuer Entity (RVE) of the year**
- BDO Valuation Advisory LLP
- ★ **Prominent Registered Valuer (RV) of the year**
- Mr Mainak Ghosal
- ★ **Tech Valuer Award** - Mr Virender Kumar Jain
Distinguished Researcher in Valuation - Mr L Balaji
- ★ **Key Contributor in the field of Valuation** - Mr Tanuj Kumar
- ★ **Exemplary Women in Leadership** - Ms Amruta Lomate
- ★ **Eminent Educators in Valuation**
 - Mr Vineesh Vidhyadharan
 - Mr M Addaikalavan
- ★ **Exemplary Contribution in Article Writing**
- Mr N. K. Rajkumar

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