IOV
RVF

WHY IOVRVF IS THE BEST

- **CONTINEOUS EDUCATION PROGRAM (CEP)**
  IOVRVF is the first RVO to hold CEP for its members
- **CERTIFICATE OF PRACTICE (COP)**
  IOVRVF is the first RVO to start COP and issue the same
- **COMPANY POLICIES**
  IOVRVF is the first RVO to prepare and upload all the company policies on the website
- **REGISTERED VALUERS**
  IOVRVF is the first RVO whose candidates have cleared and have been registered as Registered Valuers

1st Registered Valuer is from IOVRVF

- **50 HRS. MANDATORY EDUCATIONAL PROGRAM**
  IOVRVF is the first RVO to start 50 hours MEP in India, in all three asset classes

Soaring high...

IOVRVF NEWSLETTER

VOL.4 / 26th April 2019

WEBSITE

https://www.iovrvf.org

REGISTER ONLINE

https://iovrvf.org/student_membershiplogin

LIKE OUR PAGE ON FB

https://www.facebook.com/valuers.iovrvf.9

OUR HEAD OFFICE

IOV-REGISTERED VALUERS FOUNDATION
Plot No.3, 2nd Floor, Aggarwal Square,
LSC JN, 80 Ft Rd, Parwana Road, Pitampura
Delhi - 110034

GET ASSISTANCE

valuers@iovrvf.org I 9315124957

OPEN LETTER

MR. VINAY GOEL
MANAGING DIRECTOR & CEO
IOVRVF

The RVOs were formed to principally work as an arm of the Authority (IBBI). They have been entrusted with the job of getting the Valuers registered by the IBBI and monitoring their conduct and performance in accordance with the Rules. As per this Valuers are subject to a two-tier, regulation environment i.e., self-regulation where they are enrolled with an RVO as a member, and thereafter registered with the IBBI as a valuer. This combines the benefits of statutory regulation and self regulation and promotes the reliability on the Valuers by the stakeholders and the fraternity as a whole.

Now, with effect from 1st February 2019, every valuation required under the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016 needs to be conducted by valuers registered with the authority (IBBI). It is directed that with effect from 1 February, 2019, no IP shall appoint a person other than a RV to conduct any valuation under the Code or any of the regulations made there under.

The role and relevance of the RVOs and the Registered Valuers has increased over the time, the stakeholders are very closely watching and relying on the RVOs and Registered Valuers. We should self regulate our actions and conduct as we have the collective responsibility to build and preserve the reputation and the future of the Valuation profession. We together have the responsibility on our shoulders to nurture the valuation profession and make it most valued and respected profession.

I am elated to inform that 50% of the total Valuers registered by IBBI till date are the members of IOV- RVF and this has been possible only with the great efforts and contributions made by the IOV-RVF and IOV together as a team.

I wish that IOV- RVF shall continue to hold the flagship of the Valuation Profession and its Valuer members at all times, by continuously supporting each other and reaching great heights in the years to come.

COURSE MATERIAL UPDATED

We have updated our course material which has been prepared in accordance to the syllabus prescribed by IBBI and for the sole purpose of being the referral study material to the 50 hours Mandatory Education Programme. These books have already been introduced in the batches conducted after 1st of April 2019.

OUR CURRENT BATCHES

JAIPUR / NASHIK / DELHI / HYDERABAD / COCHIN

APRIL MONTH

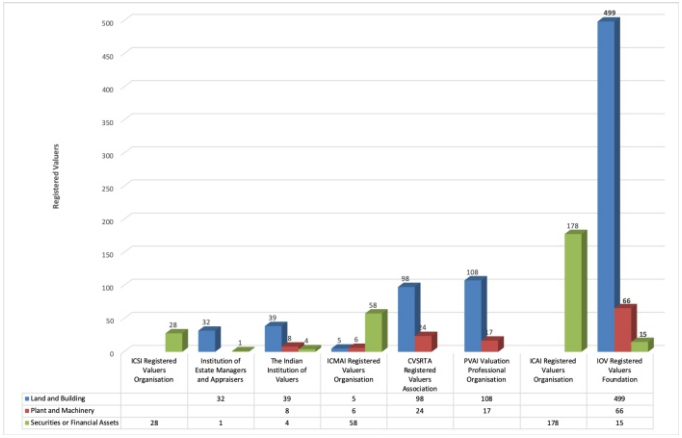
Highest number of Student Enrolled in a month
930 students in July 2018

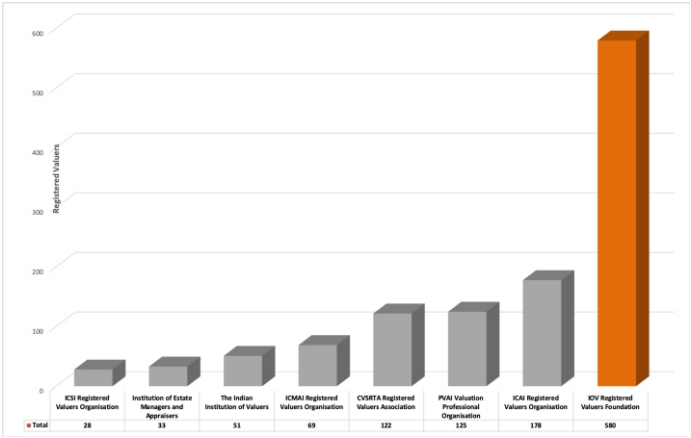
Highest number of Students Trained
532 Trained in August 2018

Highest number of batches
21 batches conducted in July 2018

Highest Registered Valuers registered
143 registered as Registered Valuers in March 2019

ACHIEVEMENTS





Graph (1) Vis-à-vis other RVOs, Asset Class wise
Graph (2) Vis-à-vis other RVOs

(as on 31st March 2019)

ARTICLES

ISSUES IN VALUATION OF A DISTRESSED INFRASTRUCTURE PROJECT

Distressed assets are, as the name suggests, distressed. These assets are unable to earn enough revenue to service their debt (claims of the financial creditors), to pay the dues to the vendors (operational creditors) and dues to employees/workmen. There is one class of distressed asset which is distressed project. It could be a stranded power project, steel project or any other infrastructure project. This article discusses the issues in valuation of a distressed small hydro power project.

How Such Projects are Conceptualized?

These projects are analyzed independently on their own merit. Project feasibility and financial modeling are carried out with the available inputs and suitable assumptions. The metric such as Net Present Value (NPV), Internal Rate of Returns (IRR), and Payback period are calculated. In case the results of the feasibility analysis meet the criteria of the promoter/investor, the project is given green signal and the execution work starts. Such projects are typically executed through formation of a special purpose vehicle (SPV). Financing of these projects is usually done on non-recourse basis.

Why Such Projects Get Distressed?

There are several risks to consider for these projects. The project could go haywire if proper risk assessment is not carried out and risk management plan is not prepared. The project could get distressed due to the following reasons in particular;

1. Land acquisition problems (All the required land couldn't be acquired in time)
2. Environmental clearance issues
3. Financial closure not happening within time
4. Project execution issues such as schedule and cost overruns
5. Unexpected events such as safety issues (accident), geological risks and local unrest
6. Lack of long term FSA (fuel supply agreement)
7. Lack of long term sale agreement

Case Study of a Distressed 15 MW Hydro Power Project

Let's us take the case of a 15 MW hydro power project. The estimated capex = Rs 120 Cr, Debt:Equity = 3:1 and the debt repayment period = 15 yrs. The feasibility analysis of the project had yielded the following financials for the project;

NPV = 37.6 Cr, Project IRR = 15.3%, Equity IRR = 29.8 %, Payback Period = 5.1 yrs

The construction work on the project had achieved ~ 25% completion and thereafter the work stopped at site due to various reasons. The lender took over the equity of the promoter and carried out a fresh feasibility analysis.

Challenges in Revival of the 15 MW Hydro Project

Now, assume that the project got delayed by two years and post delay, it would take two years to bring it to 100% completion. There would be cost overruns due to this delay on account of material and labor cost going up. The following additional implications would be there due to this delay;

- Need for revival of all the old EPC contracts
- Need for revival of the FSA and PPA (Power purchase agreement)
- Settlement of unpaid & disputed claims
- Mobilization of disbanded manpower

All the above tasks are challenging and require concerted efforts of the new promoter, the regulatory authorities and the project management team to commission the project.

Revised Financials of the 15 MW Hydro Project

The revised estimated capex = Rs 160 Cr, the new repayment period = 15 – (2+2) = 11 yrs. This revised capex includes the interest component for the delay period of two years. The new valuation yields the following results;

NPV = Rs 1 Cr, Project IRR = 11.2%, Equity IRR = 14.3%, Payback Period = 6.75 yrs

Valuation Approach

Here, the income approach of valuation has been followed and DCF method is applied. DCF method is based on many assumptions which might/might not be realized on ground. This project, being distressed in nature, requires a sound strategy for project revival and efficient execution to get commissioned and yield positive NPV for the stakeholders.

Key Learnings for Revival of the Distressed Project

We can see above that NPV gets reduced from Rs 37.6 Cr to Rs 1 Cr due to the delay. Thus, the project would become unviable if it gets delayed and the capex gets increased. Also, poor 'Plant load factor' (PLF) would lead to lower generation and hence, lower revenue. Therefore, good operation and maintenance (O&M) is integral to the viability of the project.

Thus, reviving a distressed project not only calls for restructuring of the SPV and its finances; but also requires a sound project management plan and efficient execution. These inputs (good project management, capable team for execution and O&M) then become the differentiator between a distressed project which yields the desired rate of return for the investor and a distressed project which remains distressed and destroys value.

Written by:
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NEW PROVISIONS IN COMPANIES ACT 2013

Until Mar 2018, the Valuers were recognized only under wealth tax act under section 34AB. There was no formal training or specialized education to Valuers but the whole process was based on experience. With growing need of specialized training and education, the profession was brought in the preview of law with duty along with responsibility along with punishments. This was done under Companies Act 2013.

As per companies' rules 2017, a valuer of land and building should be graduate engineer or architect or equivalent with 5 years experience or a member of professional institute (AMIE) established under the act. The authorities (IBBI) shall conduct the examination after 50 hours training through registered valuers organization (RVO) to test knowledge, skills, values and ethics based on the syllabus. After passing the examination and after registering with IBBI and after taking certificate of practice a valuer will be allowed to do the practice.

A valuer shall maintain the record for at least 3 years, comply with the code of conduct, He/she will make valuations as per internationally accepted valuation standards or standards adopted by RVO.

What should a valuation report contain

- Background information of asset
- Purpose of valuation and appointing authority
- Identity of valuer and experts involved
- Disclosure of interest or conflict
- Date of appointment, valuation date and report date
- Inspections and investigations
- Sources of information relied upon
- Valuation standards followed
- Restrictions on use of report
- Major factors in valuation
- Conclusions
- Caveats, Limitations and disclaimers

What is an RVO about

- Registered under section 25 of companies' act 1956 or section 8 of companies' act 2013.
- Conducts educational courses in valuation
- Grants membership and certificate of practice after training.
- Enforces a code of conduct
- Provides continuous education
- Monitors and reviews the functioning including the quality of service of Valuers
- Have a mechanism to address grievances and conduct disciplinary proceedings

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CONTINEOUS EDUCATION PROGRAM (CEP)

The IOV-RVF shall hold sufficient number of CEP programs on PAN India basis, through IOV to enable its Valuer members to participate and earn mandatorily required 16 CEP credit hours in each financial year.

The IOV-RVF recommends the organizer should seek the presence of the representatives from IBBI, representatives from the Industry Associations, Stakeholders including Insolvency Professionals, Body corporate like private and public companies, insurance companies, Financial Institutions including banks, Non Banking Financial Companies, educational & professional Institutes etc., to interact with the Registered Valuer Members, to create awareness regarding the regulated environment of Valuation Profession and the requirements there under and to introduce the Registered Valuers Members of IOV-RVF with the stakeholders for the valuation assignments.

The mandatory CEP hours can be earned by the Registered Valuer Members through participating in:

Phase I

Class room training & education sessions and other live events including but not limited to conferences, seminars, forums, lectures, symposium, conclave, workshops, case study presentations, group discussions, Professional members' meet, etc.

Phase II

- Internet-based courses, webinars and podcast.
- Writing technical training material, publishing a book, writing technical articles on the subject of valuation for the journals.
- Reading, reviewing and editing of the contents of the such publications
- Completion of a recognized degree/diploma course on the subject of valuation for any asset class
- Attending Committee Meetings of IOV-RVF

Topics covered in a COP Training

Applicable Laws and Regulations

- Companies Act, 2013
- Companies (Registered Valuers & Valuation)

Rules, and regulations made their under from time to time.
- Insolvency & Bankruptcy Code, 2016
- Valuation standards as prescribed in the Rules and adopted by IOV-RVF.
- Rules and procedures regarding transactions with the stakeholders and third parties.
- Regulations/bye-laws of IOV-RVF
- Insurance Law/Rules
- Relevant SEBI Rules & Regulation
- Guidelines and valuation methodology, issued by Banks & Financial Institute, RBI, Non Banking Financial Institute, State Financial Corporations.

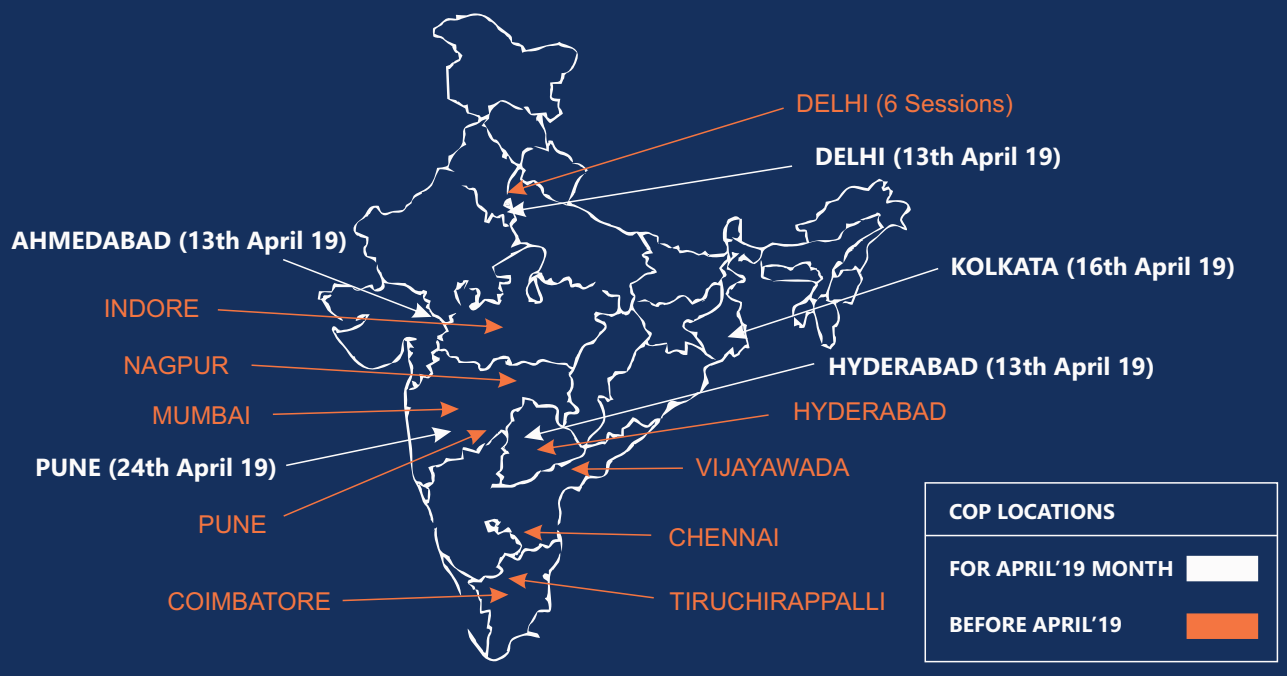
- **Professional Standards of Practice**
- Code of conduct of the Valuers
- IOV_RVF's Standards of Professional Conduct
- Disciplinary sanctions for violations
- Valuer as expert witness in the court of law
- Cross Examining a Valuer
- Peer review of Valuation practice and Valuation report of Valuers

Ethical Practices and Guidelines
- Corporate governance
- Best practices accepted nationally and internationally.
- Due diligence in Valuation

Valuation
- Concept and fundamentals of valuation.
- Valuation Standards
- Valuation Report Writing
- Generally accepted Techniques of Valuation
- Advance techniques of Valuation
- Industry specific Valuation Practices
- Mass appraisal techniques
- Cross Border/ international Valuation practices

TRAINING FOR COP

Topics	MODE
Session 1: Introduction to companies act &IBC	Faculty Session
Session 2: Valuation Under Companies Act	Video Interactive Session
Session 3: Case Study : Valuation Under Companies Act	Video Interactive Session
Session 4: Valuation Under IBC	Video Interactive Session
Session 5: Case Study :Valuation Under IBC	Video Interactive Session
Session 6: Concluding Session	Interactive session with faculty



CREATING MEMORIES AT WORK

FAREWELLS . BIRTHDAYS . FESTIVALS

HOW TO REGISTER

To attend our 50 hours MEP, register **ONLINE.** Please visit:

https://iovrvf.org/student_membershiplogin

Fill in the details:

Mobile number, Email - ID, and choose a password **>** Enter **>** Fill the form **>** Pay Registration Fees of 2,500/- **>** SUBMIT

Your acknowledgement number will be generated which you need to share with us for further assistance.

Communication Team

9315124957

I am really thankful and appreciate the entire IOVRVF's team(especially - communication team) for it's cooperation and relentless efforts put in right from the day of enrollment to finally getting us registered as IBBI registered valuers.

Priyan Mathew Paul, RV

I Land & Building Valuer from Kurnool, representing IOV Tirupati Branch as Secretary express my sincere thanks and indebtedness to IOV RVF for having given me the opportunity to attend first batch 50 hours MEP classes at Vijayawada, by means of which I could gain knowledge and insight into the subjects related to Valuation. The MEP classes, the interactive sessions and the material given was more informative and useful.

Dr G V Nagalingeswar Rao, RV

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Anuj Kumar, RV