

**Preliminary Review of Valuation Reports**  
**Findings and Suggestions – Asset Class - Land & Building**

The few members valuation reports reviewed and following finding and suggestions given for the improvements in the valuation report of the Registered Valuers.

The Review and analysis were undertaken based on the present regulation Rule 8 of Companies (Registered Valuers and Valuation) Rules, 2017 mandates every Registered Valuer to comply with valuation standards as notified by the Central Government. The peer review conducted and presented by IIV-RVF in IBBI during Feb 2020 also taken into consideration for the review.

As per the rule we need to follow the standards as mentioned in the C (RVV) R 2017.

(a) Internationally accepted valuation standards;

(b) Valuation standards adopted by any registered valuers organization

Accordingly, IVS 2020 guidelines also considered for the review. All valuers require to aware of the IVS 2020 basics on

IVS Framework

IVS General Standards

IVS Asset standards

The Valuation report to state with the following

- Background information on the asset being valued:

The report to address the background information on the asset to be valued like scope, purpose, location,

- Purpose of valuation and appointing authority;
- Identity of the valuer and any other experts involved in the valuation;
- Disclosure of valuer interest or conflict, if any;
- Date of appointment, valuation date and date of report;
- Inspections and/or investigations undertaken;
- Nature and sources of the information used or relied upon;
- Procedures adopted in carrying out the valuation and valuation standards followed;
- Restrictions on use of the report, if any;
- Major factors that were taken into account during the valuation;
- Conclusion; and
- Caveats, limitations, and disclaimers to the extent they explain or elucidate the limitations faced by valuer, which shall not be for the purpose of limiting his responsibility for the valuation report.

The following are the findings & suggestions from the analysis and review of the Reports.

**Findings:**

- Vague or undetailed scope (of work summary)
- Insufficient explanation of supporting evidence
- lacking explanation of how the methodology was applied to the subject property
- Inconsistencies, contradictions within the report
- Assumptions not clearly stated
- Errors in grammar, math, logic

**Suggestions:**

- (a) Scope and purpose of the report to be given clearly
- (b) Sources of information to be mentioned
- (c) Approach and Methodology to be detailed in the report (IVS 105)
- (d) The report should specify the Basis of value
- (e) Sec 35 of IBBI (CIRP) Regulations, 2016. Definition of "Fair Value" and "Liquidation Value" should be provided in the Report and since the corporate debtor is under CIRP, the report should consider Ongoing Liquidation Value Basis.
- (f) Departure – Deviation from IVS standard is permitted under limited cases like legislative, regulatory authorities, local bye-laws and
- (g) Date of order, Date of the report, inspection date, and valuation date to be carefully mentioned as required.
- (h) Source of information and Documents collected to be mentioned in the report.
- (i) Location GPS and site photos to be attached mentioning the view.
- (j) In the preparation of a valuation report, the valuer shall not disclaim liability for his/its expertise or deny his/its duty of care, except to the extent that the assumptions are based on statements of fact provided by the company or its auditors or consultants or information available in the public domain and not generated by the valuer. (Annexure 1- Model code of Conduct for RV Professional competence and due care (9)) Hence valuers required care to prepare his report.
- (k) Valuation sheet prepared to be without any arithmetical error and steps to be very clear and easily understandable to the end-user.
- (l) Comparable sale evidence to be attached if available.

The sample Check List for Inspection and collection of datas are enclosed below for information.

- a. Land and Building
- b. Land Only

Hope this will be more useful to the valuers of Asset class Land & Building.

**Preliminary Review of Valuation Reports**  
**Findings and Suggestions – Asset Class – Plant & Machinery**

The few members valuation reports reviewed and following finding and suggestions given for the improvements in the valuation report of the Registered Valuers.

The Review and analysis were undertaken based on the present regulation Rule 8 of Companies (Registered Valuers and Valuation) Rules, 2017 mandates every Registered Valuer to comply with valuation standards as notified by the Central Government. The peer review conducted and presented by IIV-RVF in IBBI during Feb 2020 also taken into consideration for the review.

As per the rule we need to follow the standards as mentioned in the C (RVV) R 2017.

(a) Internationally accepted valuation standards;

(b) Valuation standards adopted by any registered valuers organization

Accordingly, IVS 2020 guidelines also considered for the review. All valuers require to aware of the IVS 2020 basics on

IVS Framework

IVS General Standards

IVS Asset standards

The Valuation report to state with the following

- Detailed information on the asset being valued:

The report to address the detailed information on the asset to be valued like scope, purpose, Life.

- Purpose of valuation and appointing authority;
- Identity of the valuer and any other experts involved in the valuation;
- Disclosure of valuer interest or conflict, if any;
- Date of appointment, valuation date and date of report;
- Inspections and/or investigations undertaken;
- Procedures adopted in carrying out the valuation and valuation standards followed;
- Restrictions on use of the report, if any;
- Major factors like Purpose, Life were taken into account during the valuation;
- Conclusion

The following are the findings & suggestions from the analysis and review of the Reports.

**Findings:**

- Vague or undetailed scope (of work summary)
- Insufficient explanation of supporting evidence
- lacking explanation of how the methodology was applied to the subject Assets.
- Inconsistencies, contradictions within the report
- Assumptions not clearly stated
- Errors in grammar, math, logic

**Suggestions:**

- (a) Scope and purpose of the report to be given clearly
- (b) Sources of information to be mentioned
- (c) Approach and Methodology to be detailed in the report
- (d) The report should specify the Basis of value
- (e) Sec 35 of IBBI (CIRP) Regulations, 2016. Definition of "Fair Value" and "Liquidation Value" should be provided in the Report and since the corporate debtor is under CIRP, the report should consider Ongoing Liquidation Value Basis.
- (f) Departure – Deviation from IVS standard is permitted under limited cases like legislative, regulatory authorities, local bye-laws and
- (g) Date of order, Date of the report, inspection date, and valuation date to be carefully mentioned as required.
- (h) Source of information and Documents collected to be mentioned in the report.
- (i) Photos of the captioned Assets to be attached.
- (j) In the preparation of a valuation report, the valuer shall not disclaim liability for his/its expertise or deny his/its duty of care, except to the extent that the assumptions are based on statements of fact provided by the company or its auditors or consultants or information available in the public domain and not generated by the valuer. (Annexure 1- Model code of Conduct for RV Professional competence and due care (9)) Hence valuers required care to prepare his report.
- (k) Valuation sheet prepared to be without any arithmetical error and steps to be very clear and easily understandable to the end-user.
- (l) Comparable sale evidence to be attached if available.

The sample Check List for Inspection and collection of data's are enclosed below for information.

- c. Invoices of the Plant / Machinery
- d. Photographs of the Plant / Machinery
- e. Expected future life of the Plant / Machinery

Hope this will be more useful to the valuers of Asset Class Plant & Machinery.

**Preliminary Review of Valuation Reports**  
**Findings and Suggestions – Asset Class – Securities or Financial Assets**

The few members valuation reports reviewed and following finding and suggestions given for the improvements in the valuation report of the Registered Valuers.

Review of the Valuation Reports was mainly based on but not limited to Rule 8 of the Companies (Registered Valuers & Valuation) Rules, 2017.

Important Findings of the Review Reports are as follows:

For asset class Securities or Financial Assets

- Past history of the company should be disclosed in the report to substantiate the professional judgement, especially when the company is listed and/or Multinational company.
- In case of Multinational company audited financials should be commented in line with AS 21 (consolidation of Holding, Subsidiaries & Associate companies, section 441 read with section 444 of the Companies Act, 2006, of UK.
- Where Key Managerial Person (KMP) is playing major role in valuing the shares, comments and its impact, if any, on valuation should be mentioned in the report.
- In case the company is Wholly Owned Subsidiary (WOS), Valuation Report should mention the layers of share holding to substantiate the beneficial owner and at least minimum of one layer should be mandatorily mentioned as per Valuation Rules.
- In case IVS are followed for valuation methodology, Valuation Report shall have the mention some details as required in the particular IVS. For e.g., in case IVS 105 has been followed, the report should have a mention of following as part of selection process:
  - Appropriate bases of valuation determined by terms & purpose of valuation
  - Respective strength and weakness of possible valuation approaches and methods
  - Appropriateness of each method in view of the nature of assets and the approaches or methods used by participants in relevant market.
  - Bases of Valuation not arrived as per Valuation Standards for liquidation value.
  - Stereo type notes have been given for all Assets.
  - Mere percentage has been applied.
  - Figures are computed based on provisional balance sheets.
  - Valuation Reports does not mention of Liabilities.
  - Margin money with bank has been mentioned as NIL. Since no creditors can be settled as on date of CIRP other than through water fall line of settlement. Hence, margin money lying in bank cannot be directly settled and shall be made available to RP for settlement under waterfalls.
  - No mention of Valuation Standards.
  - No statement or disclosure on conflict of Interest is specifically mentioned.
  - Some important dates are missing.

- Some important sources for ownership not indicated.
- Indicated, basis of choosing any particular method and not considering other method missing.
- Purpose of Valuation is mentioned however name of appointing authority is not mentioned.
- No mention of restrictions on use of the report, if any.
- Partly indicates the major factors that were taken into account during the valuation.
- Conclusion is not provided.
- There is no mention of caveats, limitations and disclaimers in the valuation report.
- The Valuation Report lays emphasis on technical aspects of valuation while missing out on many critical inputs which are mandatory for making and IVS compliant report Or C(RVV)R-2017 Compliant Report.

#### Suggestions of the Reviewers:

- The Report should identify the Registered Valuer. There should be a para of identity of valuer and other experts (if any) involved or assisted by.
- Basis (Premise) of value should refer IBBI (CIRP) Regulations, 2016.
- Definition of "Fair Value" and "Liquidation Value" should be provided in the Report.
- Since the corporate debtor is under CIRP, the report should consider Ongoing Liquidation Value Basis.
- Disclosure/disclaimer should not mention "Validity of Report is 3 years from the date of Report", as this provision is the requirement to maintain records for 3 years and not validity of Report or validity of valuation.
- The valuer shall not disclaim liability for his/its expertise or deny his/its duty of care, except to the extent that the assumptions are based on statements of fact provided by the company or its auditors or consultants or information available in public domain and not generated by the valuer.
- Valuation Report should mention about the liabilities also, since valuation of liabilities are more crucial for a company under liquidation to map the available liquidation value of assets for settlement of creditors under water fall mode. The liquidation value is the minimum value to be arrived to settle operational creditors.

Hope this will be more useful to the valuers of Asset Class Securities or Financial Assets.