

INTERNATIONAL BUSINESS VALUERS ASSOCIATION

Preliminary Analysis of Valuation Reports by the Committee of Experts

INTRODUCTION

The valuation reports of Registered Valuers were reviewed and the following finding and suggestions were 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.

ASSET CLASS- LAND & BUILDING

OBSERVATIONS:-

- In the summary report, the value is said to be reported in cr., however, decimal is not inserted and the value is in INR
- The report uses the heading 'valuation of land' which is incorrect as the subject property is an under-construction building.
- Fair value as per IFRS is not required as the subject valuation is for IBBI, CIRP Process. Hence fair value and liquidation value as per IBC need to be mentioned.
- The cost approach includes the valuation of land and building separately and then adding the two to find a fair valuation. However, the value of land is not calculated which should be on the basis of a comparable approach and then the value of the building should be added.

- The value of the building is said to be calculated on the basis of replacement cost. However, the replacement value of the basement and stilt floor is not taken into account. Also, the built-up area on each floor should be taken for replacement value calculation rather than flat areas. The basis of discounting factor is not shown.

SUGGESTION:-

Another approach for the valuation of the under-construction building could be the DCF method.

ASSET CLASS- SECURITIES OR FINANCIAL ASSETS

OBSERVATIONS:-

- In the history section, it is mentioned that company may touch INR 10 Million turnover in 2021-22. Whereas in cash flow when we see revenue of 3 months Jan-March 2022 it is 10 Million. So looks like some inconsistency.
- Financials for the period April to December 2021 are not mentioned anywhere as the valuation date of 31 Dec 2021 then those numbers are important to display.
- The appointment letter ideally should be from the Board of Directors.
- The valuation standard ideally should be IVS instead of the ICAI RVO standard.
- In the market approach, it is mentioned that no comparable transaction happened in this sector whereas many transactions happened in the edtech sector like Byjus, Unacademy, White hat, Vedantu, etc.....a note could be made that the size of these transactions is not matched so we ignored it.
- In 2022 cash flows tax is wrongly computed, in loss the tax cannot be cash receipt.
- The growth of 2022 to 2023 is huge – a rationale should be there in the working paper of the valuer as to how these are coming.
- Considering it is FCFE – then no repayment of debt was considered In cash flows. In no. of shares, we have written – equity + preference + ESOP – whereas in FS there are no preference and ESOP.