

1.0. Preamble

Law and property form a very close relationship as the nature of property attracts lot of common interest and greed in its environment. As property is scarce entity which does not expand and has no exact shape and which is subjected to natural disaster, the right beneficiary in the form of entity makes law application necessary and appropriate. It has to be implemented with right spirit and intention.

Uncertainty of property valuation is exceptionally high due to the characteristics of real estate in lack of uniformity, very high imperfection, low efficiency and human behaviours. The level of uncertainty depends on the degree of market development in a given country, including the legal system and market transparency and education of property valuers. The level of uncertainty rises during periods of high volatility in the real estate markets.

Techno-legal matters over real estate are for a number of disputes can occur on social, technical, economical and legal aspects of the property such as purchase or sale, collaterals, mortgage, boundary disputes, trespass, nuisance, encroachment, transferring property, rent fixation, division of property and land acquisition etc.

A set of rules in terms of laws and acts are drafted in any country for smooth functioning of its judicial system for issues related to real estate. Indian judicial system refers to a number of standard laws and acts specially drafted for land and buildings. A detailed study of few such acts applicable to Indian real estate sector is carried out.

2.0. Constitutional and Administrative Law

2.1. The Indian Constitution

The Constitution of **India** provides the right to property. Article 19 guaranteed that all citizens have the right to acquire, hold and dispose of property. Article 31 stated that "no person shall be deprived of his property save by authority of law."

2.2. Indian Contract Act, 1872

The Act as enacted for General Principles of Law of Contract, Contract relating to Sale of Goods, Special Contracts- Indemnity, Guarantee, Bailment & Pledge, Contracts relating to Partnership and Power of the law to enforce the performance of an agreement is termed as its legal enforceability.

2.3. The Indian Easements Act, 1882

An act to define and amend the law relating to easement. Any customary right in and over immovable property by any one may possess irrespective of other immovable property. All types, for limited time or on condition, restrictive of certain rights and license are defined.

2.4. Indian Evidence Act, 1872 (2003)

Contains a set of rules and associated issues governing acceptability of evidence in Indian Courts. Evidence governs the use of testimony, exhibits, documentary material, or demonstrative evidence, which are admissible in a judicial or administrative proceeding

3. Property Law

3.1. Government Grants Act, 1875

Assigning of Government Owned Lands - Government Barren lands assigned to a person through issue of legal revenue record making him as owner or granting him permission to develop the properties.

3.2. Succession Act

More fully described in the Personal Law - Laws of Inheritance (Indian Succession Act, 1925, Hindu Succession Act, 1956, as amended in 2015, Muslim Personal Law (Shariat) Application Act, 1937)

3.3. Indian Limitations Act, 1963

An Act amended the statute of limitations. Laws of Prescription - If a tenant or a trespasser of the property having an adverse possession or holding or enjoyment of the property for more years – minimum 12 years and above will be called as acquisition of ownership by prescription

3.4. Transfer of Property Act, 1882

Under 137 Sections of the Transfer of Property Act, set of definitions have been elaborated for Transfer of Movable & Immovable Properties, Sale, Mortgage, Lease, Exchange, Gift and actionable claims, outlining the corporeal and incorporeal ownership, bundle of rights and ownership form. It further explains, on the rights and interests of Mortgagor and Mortgagee, buyer and seller in sale, exchange, charge and gift.

4.0. Acts relating to Assets transfer

4.1. The Indian Stamp Act, 1899

For the charging of stamp duty levy on instruments recording transactions

4.2. The Registration Act, 1908

Having the object of proper recording, registering and preserving the instruments or documents. Power of Attorney: A power of attorney (P o A) is a written instrument empowering a specified person to act for and in the name of a person executing it. In other words, a power of attorney is an authorization to act on someone else's behalf in a legal or business matter.

5.0. General Acts relating to Property

5.1. Land Acquisition Act, 1894 and the Right to Fair Compensation and Transparency in the Land Acquisition, Rehabilitation and Resettlement, Act 2013 (LARAR)

When the Government requires land for its purpose or for others' purpose, they acquire the land. This Act is to regulate land acquisition and lays down the procedure and rules for granting compensation, rehabilitation and resettlement of affected persons.

5.2. Real Estate (Regulation & Development) Act, 2016 (RERA)

An Act of Parliament of India, which seeks to protect home buyers as well as help the real estate industry in boosting investments. This act known is implemented to ensure transparency, efficiency, protecting the interest of the consumer and also to hear grievances in real estate sector.

5.3. Slum Areas (Improvement and Clearance) Act 1956

An act to provide to the improvement of lower income group and clearance of slum areas and for the protection of tenants

5.4. Environment (Protection) Act 1986

It authorizes to protect and improve environmental quality, control and reduce pollution from all sources, and prohibit or restrict the setting and /or operation of any industrial facility on environmental grounds. The Act is an "umbrella" legislation which contains the Clean Air Act, Clean Water Act, Safe Drinking Water Act, Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation, and Liability Act / Superfund Amendments and Reauthorization Act (CERCLA/SARA).

5.5. Forest (Conservation) Act of 1980

The Forest (Conservation) Act, 1980 an Act of the Parliament of India to provide for the conservation of forests and for matters connected therewith or ancillary or incidental thereto. An Act to consolidate the law relating to forests, the transit of forest-produce and the duty leviable on timber and other forest-produce.

5.6. Property Tax Act

Property tax is levied on the ownership of any 'real property'. In India, property tax is levied on all real estate, which consists of improvements made to land, such as buildings or land attached to buildings. Each State in India has different Act for taxation.

5.7. Benami Transactions (Prohibition) Amendment Act, 2016;

Benami Transactions (Prohibition) Act, 1988 is an Act of the Parliament of India that prohibits certain types of financial transactions. The act defines a 'benami' transaction as any transaction in which property is transferred to one person for consideration paid by another person.

5.8. Foreign Exchange Management Act, 1999, FEMA - Foreign Exchange Management (Acquisition & Transfer of Immovable Property) Regulations, 2000 and FDI guidelines for real estate

Under the Consolidated Foreign Direct Investment Policy (FDI Policy), foreign investment in the real estate sector in India is permitted under the Automatic route under which neither RBI nor government approval is required for the investment, subject to compliance with the prescribed parameters and the FDI Policy or the Government route which requires a prior permission of the RBI or the government for the investment.

6.0. Acts and Codes related Industrial units & buildings

6.1. Special Economic Zones Act, 2005

An Act to provide for the establishment, development and management of the Special Economic Zones for the promotion of exports and for matters connected therewith or incidental thereto. (1) This Act may be called the Special Economic Zones Act, 2005. (2) It extends to the whole of India.

6.2. Factories Act, 1978

An Act to consolidate and amend the law regulating labour in factories. The Act is to ensure adequate safety measures and to promote the health and welfare of the workers employed in factories. The Act makes provisions regarding employment of women and young persons (including children and adolescents), annual leave with wages etc.

6.3. National Building Bye-Laws, Codes & Municipal and local laws

The **National Building Code** of India (NBC), a comprehensive building Code, is a national instrument providing guidelines for regulating the building construction activities across the country. **IS code of practice** for the design for any type of building structures. And for the composition of materials used. It gives the serviceability requirements to be fulfilled in the design. Example: IS 875–1984: It is the Indian Code of practice for Design

Loads for Building and Structures. **Municipal Law** is the law specific to a particular city or county (known legally as a "municipality"), and the government bodies. 74th Amendment and Municipalities in India, known as Nagarpalika Act, in 1993, has given constitutional status to the municipalities and brought them under the justifiable part of the constitution.

7. Personal Law

7.1. Laws of Inheritance

(Indian Succession Act, 1925, Hindu Succession Act, 1956, as amended in 2015, Muslim Personal Law (Shariat) Application Act, 1937). All provides the definition of Will. Codicil, and Probate. Minor means any person subject to the Indian Majority Act, 1875 (9 of 1875), and "minority" means the status of any such person; Privileged will (section 66) Un Privileged will (section 65), Revocation of codicil (section 70)

8.0. Banking Law

8.1. Reserve Bank of India Act, 1934

Reserve Bank of India Act, 1934 is the legislative act under which the Reserve Bank of India was formed. This act along with the Companies Act, which was amended in 1936, were meant to provide a framework for the supervision of banking firms in India. The RBI can accept deposits from the central and state governments without interest. It can purchase and discount bills of exchange, from commercial banks and foreign exchange from banks and sell it to them. It can provide loans to banks and state financial corporations. It can provide advances to the central government and state governments. It can buy or sell government securities. It can deal in derivative, repo and reverse repo.

8.2. Banking Regulation Act, 1949

The Act gives the Reserve Bank of India (RBI) the power to license banks, have regulation over shareholding and voting rights of shareholders; supervise the appointment of the boards and management; regulate the operations of banks; lay down instructions for audits; control moratorium, mergers and liquidation; issue directives in the interests of public good and on banking policy, and impose penalties. The Banking Regulation (Amendment) Bill, 2017, seeks to amend the Banking Regulation Act, 1949 to insert provisions for handling cases related to stressed assets.

8.3. Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDDBFI)

Debt Recovery Tribunals were established to facilitate the debt recovery involving banks and other financial institutions with their customers. After this Recovery of Debts due to Banks

and Financial Institutions Act (RDDBFI), DRTs were set up. The leading issue related to DRTs is the slow process of resolution. The new Insolvency Bankruptcy Code, give powers to DRTs to consider cases of Bankruptcy from individuals and LLPs. The Recovery of Debts due to Banks and Financial Institutions Act, 1993 (RDDBFI Act) and the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) were enacted for expeditious recovery of loans of banks and Financial Institutions (FIs).

8.4. SARFAESI Act, 2002

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (**SARFAESI**) Act, 2002 is a legislation that helps financial institutions to ensure asset quality in multiple ways. It allows banks and other financial institution to auction residential or commercial properties (of Defaulter) to recover loans. It empowers Banks and Financial Institutions to recover their non-performing asset (NPA) loan dues without the intervention of the Court. RBI is the regulator for these institutions. SARFAESI Act is enacted in addition to DRT (RDB Act). The minimum debt amount eligible for recovery under SARFAESI is 1 lakh. The amendment to this Act is to provide for a central database of security interests created on property rights, and for matters connected therewith or incidental thereto.

9. Tax Law

9.1. Income Tax Act 1961

Income Tax Act, 1961 is an act to levy, administrate, collect and recover Income-tax in India. It came into force from 1st April 1962. Income-tax Act has provided separate provisions with respect to levy of tax on income received in advance as well as the income with respect of which the amount has not yet been received. Act establishes and governs the taxation of the incomes (Income from salaries, business, profession, rental income, capital gains, shares and stocks and other sources) of individual, AOP, LLP, Companies and others. Only in this Act, the Fair market Value is being defined.

9.1. Companies Act, 2017

The Act pertaining to Regulation of incorporation of companies, responsibility, directors and dissolution. The Companies (Amendment) Act, 2017 which was passed by the Lok Sabha on July 27, 2017 and by the Rajya Sabha on December 19, 2017, has received the assent of the President of India on January 3, 2018 and subsequently published in the Gazette of India. rectifying omissions and inconsistencies in the Act. In order to facilitate ease of doing

business, thereby bringing change to the Companies Act, 2013, with respect to structuring disclosure and compliance requirements for the companies and also for recategorization of certain offences.

9.2. Insolvency and Bankruptcy Code, 2016

The Government started giving directions with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. These directions are issued without prejudice to issuance of specific directions, from time to time, by the Reserve Bank to banks, in terms of the provisions of Section 35AA of the Banking Regulation Act, 1949, for initiation of insolvency proceedings against specific borrowers under the Insolvency and Bankruptcy Code, 2016 (IBC).

The **Insolvency and Bankruptcy Board of India (IBBI)** is the regulator for overseeing insolvency proceedings in India. It was established on 1 October 2016 and given statutory powers through the Insolvency and Bankruptcy Code. It covers Individuals, Companies, Limited Liability Partnerships and Partnership firms. The new code will speed up the resolution process for stressed assets in the country. It attempts to simplify the process of insolvency and bankruptcy proceedings. It handles the cases using two tribunals like NCLT (National company law tribunal) and Debt recovery tribunal.

It enforces rules for processes, namely, corporate insolvency resolution, corporate liquidation, individual insolvency resolution and individual bankruptcy under the Code. It has recently been tasked to promote the development of, and regulate, the working and practices of, IPs, IPAs. It has also been designated as the 'Authority' under the Companies (Registered Valuers and Valuation Rules), 2017 for regulation and development of the profession of valuers in the country.

The Companies (Registered Valuers and Valuation) Rules, 2017, notified in exercise of powers conferred by section 247 read with sections 458, 459 and 469 of the Companies Act, 2013, define a Valuer and lay down rules governing a Valuer including Eligibility, Qualification and Registration of Valuer. A registered valuer is a person registered with the Authority in accordance with the Companies (Registered Valuers and Valuation) Rules, 2017.

10.0. Value Definition

10.1. Fair Value Definition

Fair value can be referred to the **actual worth of an asset** that will be derived fundamentally by using mathematical methods like DCF, NPV etc., and cannot be determined by any of the factors of market forces. Fair value is most commonly used in income generating assets like

stock markets, etc., instead of any another valuation method. There will be an accuracy in asset valuation. It will reflect measure of the method utilized. The fair value mostly remains the same and it will not fluctuate more frequently when one compares fair value to market value. Fair value is a globally accepted measure and is accepted to International Standards.

IBBI: In exercise of the powers conferred under sections 5, 7, 9, 14, 15, 17, 18, 21, 24, 25, 29, 30, 196 and 208 read with section 240 of the IBC, 2016 (31 of 2016), the IBBI hereby makes the following Regulations, (Vide Notification No. IBBI/2016-17/GN/REG004, dated 30th November, 2016, published in the Gazette of India, Extraordinary, Part III, Sec.4, vide No. 432, dated 30th November, 2016 (w.e.f. 01-12-2016)., namely-

Under Chapter I / Preliminary / 2. Definitions (hb), “**Fair value**” means the estimated realizable value of the assets of the corporate debtor, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion.

Under Chapter IX / Resolution Plan / 35. 39[Fair value and Liquidation value. (39Substituted by Notification No. IBBI/2017-18/ GN/ REG024, dated 6th February, 2018 (w.e.f. 06-02-2018). Prior to this substitution, Regulation 35 stood as under: -) **Liquidation value** is the estimated realizable value of the assets of the corporate debtor if the corporate debtor were to be liquidated on the insolvency commencement date.

10.2. Market Value Definition

Market value can be solely determined by the market forces of the factors like economic factors demand and supply, physical factors like location, shape, etc., legal factors and social factors. It is the value that is not through fundamental determination. Market value of the asset is not used as commonly valuation method by most of the companies due to its loopholes, limitations and shortcomings. Market value can be determined by demand supply which the market forces and often it will fluctuate more. Market value generally not used and accepted globally.

10.3. IVS Value Definition

10.3.1. IVS-Defined Basis of Value – Market Value Section 30

30.1. Market Value is the estimated amount for which an *asset* or liability *should* exchange on the valuation date between a willing buyer and a willing seller in an arm’s length

transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

10.3.2. IVS Section 90 IFRS 13 Other Basis of Value – Fair Value (International Financial Reporting Standards)

90.1. IFRS 13 defines **fair value** as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

10.3.3. IVS-Defined Basis of Value – Liquidation Value Section 80

80.1. Liquidation Value is the amount that would be realized when an *asset* or group of *assets* are sold on a piecemeal basis. Liquidation Value *should* take into account the costs of getting the *assets* into saleable condition as well as those of the disposal activity. Liquidation Value can be determined under two different premises of value:

- (a) an orderly transaction with a typical marketing period (section 160), or
- (b) a forced transaction with a shortened marketing period (section 170).

10.3.4. Premise of Value/Assumed Use Section 130

130.1. A Premise of Value or Assumed Use describes the circumstances of how an *asset* or liability is used. Different bases of value *may* require a particular Premise of Value or allow the consideration of multiple Premises of Value. Some common Premises of Value are:

- (a) highest and best use **Section 140**, (b) current use/existing use **Section 150**, (c) orderly liquidation **section 160**, and (d) forced sale **section 160**.

140.2. The highest and best use *must* be physically possible, financially feasible, legally allowed and result in the highest value. If different from the current use, the costs to convert an *asset* to its highest and best use would impact the value.

150.1. Current use/existing use is the current way an *asset*, liability, or group of *assets* and/or liabilities is used. The current use *may* be, but is not necessarily, also the highest and best use.

160.1. An orderly liquidation describes the value of a group of *assets* that could be realized in a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis.

160.2. The reasonable period of time to find a purchaser (or purchasers) *may vary by asset type and market conditions.*

170.1. The term “forced sale” is often used in circumstances where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers *may* not be able to undertake adequate due diligence. The price that could be obtained in these circumstances will depend upon the nature of the pressure on the seller and the reasons why proper marketing cannot be undertaken. It *may* also reflect the consequences for the seller of failing to sell within the period available. A “forced sale” is a description of the situation under which the exchange takes place, not a distinct basis of value. If an indication of the price obtainable under forced sale circumstances is required, it will be necessary to clearly identify the reasons for the constraint on the seller, including the consequences of failing to sell in the specified period by setting out appropriate assumptions.

10.4. Definition of ‘Fair Market Value’ – Income Tax

As per S.2 (22B) of the Income Tax Act, 1961, unless the context otherwise requires, the term “fair market value”, in relation to a capital asset, means-

- i) the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date; and
- ii) where the price referred to in sub-clause (i) is not ascertainable, such price as may be determined in accordance with the rules made under this Act.

Also, as per Explanation under Section 56(2)(vii)(c), the “fair market value” of a property, other than an immovable property, means the value determined in accordance with the method as may be prescribed.

11. Standards & Valuation Formats

A Standard is a combined answer to a regular problem. Standard is an instruction, a manual to tell you to do something in a way that you will have the regularity in the result. Standards are documented agreements containing safety or technical specifications or other precise criteria to be used consistently such as rules, guidelines, or definitions of characteristics for materials, products, processes and services. In many cases, they provide uniformity which

allows worldwide acceptance and application of a product or material. Standards help to remove technical barriers to trade, leading to new markets and economic growth for the industry. The present Government is setting up a new Indian Valuation Standards in correlation to the IVS standards to suit our Indian requirements.

Indian banking Association, leading all financial institutions, tends to revise the valuation procedures periodically by standard formats. Most of the financial institutions, aware of the International Valuation Standards Codes. The Indian banking Association as well as all the financial institutions vary their formats to suit to their requirements. Thereby, the valuers are put in to hardship to necessarily follow these instructions and are not functioning their role s per rules laid in the International Valuation Standards Codes. Central Board of Direct Taxes, under The Ministry of Finance, has provided a template 'Form O-1' which was used as a guideline and in 2009. CBDT with the help of CPWD issued 'Guidelines for Valuation of Immovable Properties 2009', but that was mandated only for the valuations done under the Acts pertaining to Central Board of Direct Taxes.

The Companies (Registered Valuers and Valuation) Rules, 2017, in Rule 18, it prescribes the Valuation Standards. The Central Government shall notify and may modify (from time to time) the valuation standards on the recommendations of the Committee set up under rule 19.

Rule 19 (1) The Central Government may constitute a Committee to be known as "Committee to advise on valuation matters" to make recommendations on formulation and laying down of valuation standards and policies for compliance by companies and registered valuers. This committee is being set up to make recommendations on formulation and laying down of valuation standards and policies for compliance by companies and registered valuers. The committee is expected to come up with the report and Valuation Standards soon. Work is in progress for Indian Valuation Standards, which will be aligned with International Standards. **Till the time the Indian Valuation Standards is finalized, the "Committee to advice on valuation matters" has recommended use of International Valuation Standards prescribed by IVSC.**

Rule 8 (3) (h) states the valuer shall, in his report, must state the procedures adopted in carrying out the valuation and valuation standards followed; Rule 8 prescribed that, the registered valuer shall, while conducting a valuation, comply with the valuation standards as notified or modified under rule 18: Hence it is mandatory for registered valuer to comply with the valuation standards as notified under rule 18. However, the Valuation Standards are not

yet notified under Rule 18. Till Valuation Standards as per rule 18 are being notified a valuer shall make valuations as per-

- (a) Internationally accepted valuation standards;
- (b) Valuation standards adopted by any registered valuers' organization.

Present Scenario of Reporting Formats: The present format indicates that, the valuers have to follow the procedure for real estate valuation in conformity to the General Standards and Assets Standards as per IVSC. In our country, the black money market (parallel economy) is more than the real economy, and assets transaction is more in parallel economy. Hence, deciding on the market value is the real challenge for valuers. The format given by these institutions for valuation of different asset classes are inconsistent to the basic principles of premises valuation adopted in the General Standards IVS 103 Reporting as per IVSC.

IVS 103 Reporting – Section 20. General Requirements

20.1. The purpose of the valuation, the complexity of the asset being valued and the users' requirements will determine the level of detail appropriate to the valuation report. The format of the report should be agreed with all parties as part of establishing a scope of work (see IVS 101 Scope of Work).

20.2. Compliance with this standard does not require a particular form or format of report; however, the report must be sufficient to communicate to the intended users the scope of the valuation assignment, the work performed and the conclusions reached.

20.3. The report should also be sufficient for an appropriately experienced valuation professional with no prior involvement with the valuation engagement to review the report and understand the items in paras 30.1 and 40.1, as applicable.

As against this, the banks specify and prescribe for assets with land and building, a simple format, which can be used for Cost Approach method only. And this is not acceptable as per IVSC Standards. Both the Income Approach method and market approach method are not finding a place in these bank formats.

Valuation is the process of adopting a price on the property. The value of businesses, personal property, intellectual property, and real estate are all commonly determined through the practice of valuation. More than one valuation method exists but each one must take future earnings into account if it is an income generating one.

The financial institutions have never understood the IVSC nor they are reluctant in adopting such standards. The valuation based on lease deeds, trust deeds, non-marketable properties and of other similar nature, could not find a place in these types of formats. The

valuers are agitated, while reasoning out the lacuna in these types of formats. They simply follow the formats and when the NPA level increases, the Banks in order to save their faces, place the valuers in a precarious situation.

12. Approaches

Theory recognizes three approaches to valuation: the income-based approach, asset-based approach, and the market approach. The income approach is the most commonly used and is based on an entity's estimated future income stream. The asset-based approach is based on a straight forward determination of the collective value of an entity's assets. The market approach is a hybrid form of the earlier two. Using the market approach usually involves utilizing some market multiple of assets and income.

Liquidation Approach—This method assesses the property value by gauging its value under stress. This method is further divided into forced liquidations (as in bankruptcies) and orderly liquidations. Values are typically figured higher in the latter instances. Asset-based lenders and banks tend to favor this method, because they view the liquidation value of an asset to be the only valuable collateral to the loan. It is important to recognize and deal properly with certain intricacies and standards in the field of valuation. Discount on lack of marketability, comes into play in situations where the asset owner's ability to readily sell his asset is questionable.

When determining valuation of a property, the standard of value must be clearly defined. That is, it must be clear whether the valuation is based on book value, fair market value, liquidating versus going-concern value, investment value, or some other definition of value. Defining the standard of value is important because of adjustments that are necessary under some, but not all, of these standards.

13. Conclusion

The legal definition of the asset under examination is an important factor in any valuation. The focus of the valuation must be clearly identified.

Our profession has undergone many changes in last few years. Every valuer is facing lot of changes, challenges and unrest which prevails in our profession. Our responsibility and expectations are more and it is increasing day by day. Our only options are limited to upgrading our knowledge and skills. Hope we will come out of the uphill task and prove ourselves in improving our economy and place our nation to fly high.

COMPREHENSIVE FORMAT FOR VALUATION OF ASSETS UNDER COMPANIES ACT FOR REGISTRAR OF COMPANIES, FIXED ASSETS REVALUATION OF THE COMPANIES, AMALGAMATIONS & DEMERGERS, LIQUIDATIONS - AS PER IVSC STANDARDS

Ref: -----M-20/01/201--

CERTIFICATE OF VALUE

Date- .

1. (This certificate is issued for a specific purpose only. It is subject to Standard Disclaimer Clause and Declaration and Statement of Limiting Conditions as are recorded in chapter 7)

2. Under instructions from -----, I have taken an inspection of the ----- premises on -----

3. Purpose of Valuation

To estimate the Fair Market value / Orderly Liquidation Value / Force Liquidation value / Realizable Value of the office / residential house / industrial unit premise comprising of the SF No / TS No / Block / Ward/ Village / District, located at -----Road in ----- Town

4. Valuation

I hereby certify that, the assets, more fully and particularly so described in Part ----- and Annexure ----- of this certificate, have been assessed by us, for the purpose recorded herein above and in our considered opinion, it is valued at

Fair value	Rs -----/- (Rupees -----Only)
Orderly Liquidation Value	Rs -----/- (Rupees -----Only)
Force Liquidation value	Rs -----/- (Rupees -----Only)
Realizable Value	Rs -----/- (Rupees -----Only)

Note: **The above value will change according to the purpose** (Fair Market value/ Fair value / Orderly Liquidation Value / Force Liquidation value / Realizable Value / Forced sale value / distress sale value), **place and time period**

Signed /

Table of Contents

Chapter 1. Introduction,

Chapter 2. Scope of Work (AS PER IVS 101)

Chapter 3. Basis / Bases of value used

- Chapter 4. Valuation Approach Adopted
- Chapter 5. Inputs used
- Chapter 6. Specifications
- Chapter 7. Assumptions, Special Assumptions and Limitations
- Chapter 8. Valuation Certificate
- Chapter 9. Declaration
- Chapter 10 Enclosures

Chapter 1

Introduction

1. Intended Use: Estimate the Fair Market value/ Fair value / Orderly Liquidation Value / Force Liquidation value / Realizable Value / Forced sale value / distress sale value of the office / residential house / industrial unit premise comprising of the SF No / TS No / Village / District entire located at -----Road in -----

2. Intended User: -----

3. Asset's Owner: -----

4. Client: -----

5. Classification of Asset: office / residential house / industrial unit

6. Asset's Address: SF No / TS No / Village / District entire located at -----Road in -----

7. Asset's Description:

8. Valuation Dates

Date of valuation: -----

(Note: In NCLT cases, “**Fair value**- exchanged on the insolvency commencement date)

The date of inspection: -----

The date of Valuation report: -----

9. Valuation Currency:

The valuation currency of this assignment is Indian Rupee.

10. Nature & Extent of Work (Any Limitations thereon)

Only the Balance sheet of the firm was provided for the financial years – or any available source of information,

Structural drawings of the buildings / structures are not available hence detail engineering description of the structures cannot be provided in the report.

11. Nature & Sources of Information

Investigations for this valuation exercise are carried out according to IVS 102.20. Investigations made during the course of this valuation assignment have been appropriately carried away for the purpose of the valuation assignment and the basis of value. Sufficient evidences have been assembled by means of inspection, inquiry, computation and analysis to ensure that the valuation is properly supported. The following are the nature and sources of information upon which the valuer relied upon:

1. www.tnregistration.gov.in
2. Copy of Registered Deed of Modifications of Mortgage by Deposit of title deeds No ----- dated -----
3. Balance sheet of the firm for the financial years ----- or **any available source of information**
4. Market survey for the rental income in the neighborhood

12. Significant Assumptions and/or Special Assumptions

All significant assumptions and special assumptions have been reported separately

13. Type of Report being prepared

The valuation report shall be communicated through hard copy.

14. Use & Publication Restrictions of Report

The publication of this valuation report in whole or in part, or any reference hereto or to the valuation figures contained herein, or to the name and professional affiliation of this valuer without the written approval of the valuer is completely prohibited.

15. Compliance Statement

This valuation report has been prepared in accordance with IVSC, 2017. This Valuation assignment has been attempted by using applicable standard valuation techniques and is in conformity with the requirements of the IVSC Standards and Code of Professional Ethics. This valuation is exclusive of the value of movable equipment, trade fixtures and personal property and is limited to the real property only.

Chapter 2

Scope of Work (As Per IVS 101)

1. Valuer Identity

-----, Registered Valuer - u/s ----- of ----- Act, (Registration No -----), is the valuer who is responsible to complete this assignment. A graduate in Civil Engineering. Fellow and Approved Valuer of Institution of Valuers, (India). (No. F -----)

2. Disclosure

Neither the valuer nor any employee has any current or contemplated future financial interest in the property appraised.

3. Client

Mr -----, IRP (IBBI / IPA--- / IP N---- / 2016-17 / -----) in the matter of M/S -----
---Private Limited, ----- Road, ----- Pin code .is the client of this valuation report.

4. Other Intended Users

Apart from the client, the other intended user of this valuation report can be M/S ----Bank, the financial creditor who has filed an application No CP/------(IB)/20-- against M/S -----
---Private Limited in NCLT, Division Bench, Chennai

5. Valuation Purpose

The undersigned. Is retained by -----to estimate the Fair Market value / Orderly Liquidation Value / Force Liquidation value / Realizable Value of the office / residential house / industrial unit premise of the subject property as on the effective date of valuation.

Note: This valuation is exclusive of the value of movable equipment, trade fixtures and personal property and is limited to the real property only.

6. The Asset & Scope

Land measuring ----- acres in New SF No -----, -----village, ----- Taluk, -----
--District with postal address M/S -----Private Limited, -----Road, ----- Town, ---
District- ---pin code, together with a factory buildings, ancillary buildings and utility structures
To perform this valuation, I have undertaken the following scope of services:

1. Inspected the subject property and the surrounding area.
 2. Reviewed Socio-cultural Aspects trends that has an impact on the subject property.
 3. Reviewed zoning regulations, the restrictions or limitations applicable to the subject property.
 4. Reviewed the sale and Leave License Agreements of commercial office spaces in the neighbor-hood.
 5. Considered the Highest and Best Use of the subject property.
 6. Estimated the value of the subject property by means of the Income Capitalization and Market Analysis.
 7. Concluded to a final value estimate.
-

Chapter 3

1. Basis/Bases of Value Used

The base of value of this valuation exercise has been chosen from the following IVS 104. According to IVS 104.10.1 Bases (sometimes called standards of value) describe the fundamental premises on which the reported values will be based. It is critical that the basis (or bases) of value be appropriate to the terms and purpose of the valuation assignment, as a basis of value may influence or dictate a valuer's selection of methods, inputs and assumptions, and the ultimate opinion of value.

2. Definition of Value for this Specific Purpose

This exercise is to assess the Fair Market value / Orderly Liquidation Value / Force Liquidation value / Realizable Value of the office / residential house / industrial unit of the property premises as on the effective date of valuation.

IVSC 30.5. The nature and source of the valuation inputs must be consistent with the basis of value, which in turn must have regard to the valuation purpose. For example, various approaches and methods may be used to arrive at an opinion of value providing they use market-derived data. The market approach will, by definition, use market-derived inputs. To indicate Market Value, the income approach should be applied, using inputs and

assumptions that would be adopted by participants. To indicate Market Value using the cost approach, the cost of an asset of equal utility and the appropriate depreciation should be determined by analysis of market-based costs and depreciation.

IVSC 30.6. The data available and the circumstances relating to the market for the asset being valued must determine which valuation method or methods are most relevant and appropriate. If based on appropriately analyzed market-derived data, each approach or method used should provide an indication of Market Value.

3. Bases of Value

(a) IVS-defined bases of value:

1. Market Value (section 30),
2. Market Rent (section 40),
3. Liquidation Value (section 80).

Opinion: According to IVS 104.20.2 Valuers must choose the relevant basis (or bases) of value according to the terms and purpose of the valuation assignment. The valuer's choice of a basis (or bases) of value should consider instructions and input received from the client and/or its representatives. In our case, the client has specifically assigned the job to the valuer to estimate the fair market value and liquidation value of the asset under question. Therefore, the relevant basis of value of this assignment must be "Market Value" and "Liquidation Value".

30. IVS-Defined Basis of Value – Market Value

IVSC 30. Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

40. IVS-Defined Basis of Value – Market Rent

IVSC 40.1. Market Rent is the estimated amount between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

IVSC 40.6. In calculating Market Rent, the valuer must consider the following:

(a) in regard to a Market Rent subject to a lease, the terms and conditions of that lease are the appropriate lease terms unless those terms and conditions are illegal or contrary to overarching legislation, and

(b) in regard to a Market Rent that is not subject to a lease, the assumed terms and conditions are the terms of a notional lease that would typically be agreed in a market for the type of property on the valuation date between market participants.

80. IVS-Defined Basis of Value – Liquidation Value

IVSC 80.1. Liquidation Value is the amount that would be realized when an asset or group of assets are sold on a piecemeal basis. Liquidation Value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity.

Liquidation Value can be determined under two different premises of value:

(a) an orderly transaction with a typical marketing period (**section 160**), or

(b) a forced transaction with a shortened marketing period (**section 170**).

IVSC 80.2. A valuer must disclose which premise of value is assumed.

IVSC 150. Premise of Value – Current Use/Existing Use

IVSC150.1. Current use/existing use is the current way an asset, liability, or group of assets and/or liabilities is used. The current use may be, but is not necessarily, also the highest and best use.

IVSC 160. Premise of Value – Orderly Liquidation

An orderly liquidation describes the value of a group of assets that could be realized in a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis. The reasonable period of time to find a purchaser (or purchasers) may vary by asset type and market conditions.

IVSC 170. Premise of Value – Forced Sale

The term “forced sale” is often used in circumstances where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers may not be able to undertake adequate due diligence. The price that could be obtained in these circumstances will depend upon the nature of the pressure on the seller and the reasons why proper marketing cannot be undertaken. It may also reflect the consequences for the seller of failing to sell within the period available.

A forced sale typically reflects the most probable price that a specified property is likely to bring under all of the following conditions: consummation of a sale within a short time period. The term **Realizable value** is defined as the gross estimated amount, as of a specified date, that can be specified date in cash terms or equivalent to cash which could be typically realized from a sale, after reasonable exposure to find a purchaser for the property being offered on **as is and where** is basis. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions:

1. The amount realized would be **net** of all the incidental expenses associated with selling viz. Stamp Duty, Registration Charges and Transfer charges to the Society Or any other Statutory etc.
 2. Payment is made in terms of cash in Indian Rupees OR in terms of financial arrangements comparable thereto;
-

Chapter 4

1. Valuation Approach Adopted

IVS 105 provides us with different approaches and methods of valuation. Consideration must be given to the relevant and appropriate valuation approaches. The three approaches are the main approaches used in valuation. They are all based on the economic principles of price equilibrium, anticipation of benefits or substitution. The goal in selecting valuation approaches and methods for an asset is to find the most appropriate method under the particular circumstances. No one method is suitable in every possible situation.

In our case the valuer has considered the following points while selecting the best approach or method of valuation:

1. **The basis of value chosen is Market Value basis by Guideline publicly-traded comparable method.** This method utilizes information on publicly-traded comparable that are the same or similar to the subject asset to arrive at an indication of value. The prevailing market value is guided by reviewing the sale of commercial office spaces in the neighbourhood.
2. According to the terms of assignment as well as from physical inspection of the property under question together with the availability of evidences, I opine that the premise of value, in this case, should be Current / Existing Use.
3. **According to IVS 104.150.1, being the manufacturing process is for ingot steel, the limitation is for the current use / existing use for the asset and liability. Hence the basis of value chosen is Market Value basis.**

4.. The prevailing market rent is by reviewing the Leave License Agreements of commercial office spaces in the neighborhood. Most of the agreements are contractual and oral agreements and are subject to for a shorter period only. The prevailing market rent varies with purpose and business type. This property is located in an unregulated market area.

5. In the subject asset, the owner is occupying the entire property, and hence a notional rental value has to be considered

6. The property is under the physical possession of -----Private Limited, and ----- Bank Ltd -----Branch has taken symbolic possession of the unit.

7. Neither any comparable sale transactions within 500 m. radius of the property nor any lease transaction evidences of spaces are available for a prior period of 3 years in the vicinity.

8. Being a factory premises, neither detail of architectural / layout plans nor any structural building plan made available to the valuer.

According to IVS 105.60.1, the cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

According to IVS 105.20.1, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

Other Market Approach Considerations

IVSC 30.16. Anecdotal or “rule-of-thumb” valuation benchmarks are sometimes considered to be a market approach. However, value indications derived from the use of such rules should not be given substantial weight unless it can be shown that buyers and sellers place significant reliance on them.

IVSC 30.17. In the market approach, the fundamental basis for making adjustments is to adjust for differences between the subject asset and the guideline transactions or publicly-traded securities. Some of the most common adjustments made in the market approach are known as discounts and premiums.

Considering all the above-mentioned criteria of the subject property and the applicability of different approaches as guided by IVSC, to my opinion, the market value of the property can

be estimated by the application of both market approach and cost approach with proper weightage.

2. The Methods Applied

There are different methods for determination of the value of a property. The most appropriate method should be chosen with reference to asset's nature and data available and it should not be for finding out the highest or the lowest value but for arriving at the most reasonable value.

For estimation of land fair market value under question by Market Approach, the valuer has adopted Comparable Transaction Method. also known as the guideline transactions method (**IVS 105.30.1**), utilizes information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

For estimation of market value of the buildings and ancillary structures in the property under question by Cost Approach, we have adopted Replacement Cost Method.

According to **IVS 105.70.2 & 3**, generally, replacement cost is the cost that is relevant to determining the price that a participant would pay as it is based on replicating the utility of the asset, not the exact physical properties of the asset. Usually replacement cost is adjusted for physical deterioration and all relevant forms of obsolescence. After such adjustments, this can be referred to as depreciated replacement cost.

Chapter 5

1. The Input Used

The following is the key input for land considered for this valuation exercise:

1. www.tnreginet.gov.in

The market value for the purpose of Registration of the property with following details have been obtained from the official website of the Registration Department, Government of Tamil Nadu. It is fair to mention that, the Government of Tamil Nadu by way of its Policy measures, has abruptly reduced the guideline value from 09.06.2017 by 33 1/3%. The website details for the land value before 09.06.2017 and after 09.06.2017 has been shown as an annexure. It may be noted that, the last revision was carried out in 01.04.2012 and later reduction in guideline value given from 09.06.2017. It is not generally revised every year. As per the official website of the Registration Department, Government of Tamil Nadu for these survey numbers- Guideline rate / per acre: Rs -----/- from 01.04.2012 to 08.06.2017 and Guideline rate / per acre: Rs -----/- from 09.06.2017

The Guideline value is less when compared to prevailing market value. Guideline value is the minimum rates for registration of properties, are so evaluated and determined by expert committees, as per statutory procedure. The Government is fixing the guideline value on an ad-hoc method and not for a specific property. It is thus evident that for the purposes of determining market value, guideline value fixed by Collector for the purposes of stamp duty would not be a relevant material unless such determination is under a statutory obligation and after following a prescribed procedure. The Fair Market value may vary based on demand and on the willing buyer and willing seller.

2. Adoption of Weightages

The guideline rate for registration of property by the registration department for fixation of stamp duty will give a basic picture about the market rate at that place. But this will not be the exact present market value. The present market value may fluctuate in correlation with the guideline rate, depending upon the location, shape, size, usage for a specific purpose, future expectation, development of land with the prevailing rules and regulations. The valuer has to take all in to account with local market rate enquiries and determine the land market rate with due adjustments.

Land has innumerable characteristics of attributes. These attributes can be the deciding factor to have precise market on the property value. When comparing the sales instances these attributes decides the market value of a specific property. These attributes will change from locality to locality depending upon the local market. Therefore, a detailed market study and surveys and appropriate local enquiry on these attributes before deciding on the market value has to be done. In most cases, however, valuers generally consider four principal aspects of real estate and infrastructures like roads, drainage, electricity, and communications and compare between them to arrive at a valuation conclusion.

3. Adoption of Land Rate

These attributes are based on the economic, physical, social and legal factors or location, size, time aspect, age and physical state of the property including the infrastructures provided in the subject property are compared with those of the subject property. Relevant factors are found out and weightages are given.

The principle of addition or deduction in the land value covered by the comparable sale is thus adopted in order to arrive at the market value of this subject land. In applying the principle, it is necessary to consider all relevant facts. It is not the extent of the area covered

under valuation, is the only relevant factor. The subject land area, it is fully developed having all amenities and situated in an advantageous position, and has in its vicinity roads, drainage, electricity, communications etc. and fully comply with the specific usage for the manufacturing activity. This tract of land, because of in an advantageous position, is capable of being used for a specific purpose and also situated in a developed area with little or no requirement of further development, the principle for the purposes of comparison is not warranted.

And also, there is no sale instances available in the vicinity for more than 5 years prior to this inspection date. So, the sales comparison cannot be adopted. Only source of authenticated market value is to be carried out.

4. Adoption of Building Plinth Area Rates

The plinth area rates for the buildings are derived from TN PWD of 2018-2019 & CPWD Plinth area rates 2012 for the technical specifications, location and type of structures. The depreciation of structures is as per the norms and also depending upon the deterioration and present conditions

Chapter 6

Specifications

6.1. Land Characteristics

- | | | |
|---|--|---|
| 1 | Location of the Property | Adjacent to -----Steel Rolling Mills P Ltd and nearer to ---- College, ----- in ----- Village, ----- Road |
| 2 | Land soil Type | Hard soil land |
| 3 | Independent access | Yes |
| 4 | Planning area/zone | Village Panchayat / Non planning Area |
| 5 | Descriptive account of location of property - social structure, population, social stratification, regional origin, economic level, location of slums, squatter settlements etc. | |

The property is 9 Kms from -----Town in ----- Road, in ----- villager. The location of the property is an agricultural belt with lesser population, lower income group, with adequate civic amenities.

- | | | |
|---|---------------------|----------------------------------|
| 6 | Water supply | Bore well water supply available |
| 7 | Sewerage/sanitation | Open sanitation - septic tank |

8	Storm water drainage	Nil
9	Electricity	Available
10	Road and public transport	Available
11	Marketability	Fair
12	Scarcity	Nil
13	Demand and supply	Moderate
14	Comparable sale prices	Market rate - Rs 10 lakhs to Rs 15 lakhs / acre

2. Land Description

Document Referred

Registered Deed of Modifications of Mortgage by Deposit of Title Deed No -----of -----
 ----dated ----- & Sale Deed No -----/ ----- dated -----

Boundaries Description

North	South	East	West
-------	-------	------	------

Extent

As Per Document

As Per Site Measurements

Discrepancies Recorded

Road Access: Locked / Direct / indirect

3. Land Valuation

Location and Description of Property Premises

Location: Area and Neighbor-hood

The economic vitality of the surrounding area and the immediate neighbor-hood encompassing a property often impacts the property's status, image, class and style of operation and sometimes its ability to attract and properly serve a particular market segment. This section reviews the subject property's neighbor-hood and evaluates any pertinent location factors that have a bearing on its value.

1. The Subject land is at Door No -----, -----Road, -----SF No ---, Ward ---, Town /village / city, Taluk, District, Pin code

2. The said land admeasures ----- square meters and is owned by M/S -----
 ---, and -----is a company incorporated under Company's Act in India to establish and developed -----Pvt Ltd in -----

3. In the year-----, the owner received formal recognition as an industrial premise, vide (Building plan Approval LP/ DCTP / -----Corporation / ----village panchayat for construction

of ----- building with a plinth area of ----- square metre. The Plan Approval is valid for -
----- from -----to -----.)

4. The building is a ----- storied, and developed as manufacturing unit for ingot steel. And christened as of ---- Pvt Ltd

5. The neighbor-hood is referred to, as in a village and the land is classified as agricultural -
-----in a remote area (area location),

6. Infrastructure facilities are well-developed in this part of the village. The asphalt-paved roads in the area operate a minimum of ----- lanes of traffic. Access to public transport system is good. The bus services connecting the neighbour-hood to the entire city operate at regular intervals. The railway stations for this area is ----- Town about 30 to 40 minutes'

7. Having said this it is important to note that the economic recession experienced on a national and local level did have a negative impact on social, economic, governmental and environmental influences and concurrently on the property values. Future growth in real estate values within this area is viewed to be at a much slower pace than in the past years.

8. With effective alternative industrial units available in this area, the demand and the propensity for buying these types of industrial units has drastically reduced. The sharp fall in the comparable sales, is also a reflection of the down trend / recession in real estate properties or less buyers in these types of power-oriented manufacturing units.

9. The other important parameter to be given due cognizance is the Security aspect, especially since the property under question is the power-oriented manufacturing unit.

Extent of land considered for valuation ----- in acres

Method adopted

Market Approach method

Land use

Ingot Steel manufacturing unit

Guideline rate / per acre: Rs ----- per acre from 01.04.2012 to 08.06.2017 and Rs --
-----/- per acre from 09.06.2017

After careful consideration of these factors and other attributes the land rate of the subject property as discussed in previous chapters, on the information provided to me and the market research and survey conducted by me, it is assumed at Rs -----/- per acre. The prevailing market rate nearby in this area by local enquiries is Rs ----- lakhs. So, it is safe to assume and adopt at Rs ----- per acre

Market rate adoption per acre

Rs ----- per acre

LAND VALUE

Rs 55,40,000

CHAPTER 7**ASSUMPTIONS AND LIMITATIONS****1. ASSUMPTIONS**

For the purpose of this Valuation Report it is assumed:

1. That the legal description is correct,
2. That the title to the property is legally sufficient and is assumed to be good and marketable.
3. That there are no encumbrances or defects of title except for the mortgage. The unit is already mortgaged to ----Bank Ltd, ----- Branch. The Photostat copies of the documents received from ----Bank Ltd, ----- Branch for carry out this valuation exercise are treated as copies of document - vide Registered Deed of Modifications of Mortgage by Deposit of Title Deed No ----- dated -----
4. We assume no liability as a result of matters of legal character affecting the property such as title defects encroachments liens overlapping boundaries / partition walls, agreements and easements rights.
5. That there are no structural conditions, which are not apparent. It is assumed that there are no hidden or unapparent conditions of the subsoil or structure that would render it more or less valuable. No responsibility is assumed for such conditions or for engineering that might be required to discover such factors.
6. The guideline rate obtained from the official website of the Registration Department, Government of Tamil Nadu for these survey numbers are considered as the basis for valuing the fair value of land

The Guideline value is less when compared to prevailing market value. Guideline value is the minimum rates for registration of properties, are so evaluated and determined by expert committees, as per statutory procedure. The Government is fixing the guideline value on an ad-hoc method and not for a specific property. It is thus evident that for the purposes of determining market value, guideline value fixed by Collector for the purposes of stamp duty would not be a relevant material unless such determination is under a statutory obligation and after following a prescribed procedure. The Fair Market value may vary based on demand and on the willing buyer and willing seller.

1. The present use of the property is for manufacturing Ingot steel only.
2. The maximum width of the abutting road of the property is 30 feet.
3. The permissible FSI is well within the prescribed limit in the plot.

4. Life of RCC load bearing structure is 60 years
5. Life of AC sheet sheds is 40 years
6. Construction cost of structures are derived based on CPWD / TN PWD plinth area rates norms adjusted with the technical specifications of existing structures

2. SPECIAL ASSUMPTIONS

Where assumed facts differ from those existing at the date of valuation, it is referred to as a “special assumption”. Special assumptions are often used to illustrate the effect of possible changes on the value of an asset. They are designated as “special” so as to highlight to a valuation user that the valuation conclusion is contingent upon a change in the current circumstances or that it reflects a view that would not be taken by participants generally on the valuation date. Due to the factors and other attributes detailed in above chapters, the land rate in the subject property, is assumed at Rs -----/- per acre. The prevailing market rate nearby in this area by local enquiries is Rs ----- lakhs. So, it is assumed and adopted at Rs ----- per acre

3. LIMITATIONS

1. The Valuer renders no opinion as to legal opinion or title; it is assumed to be marketable. Prevailing leases, liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property was appraised as though free and clear, under responsible ownership, and competent management.
2. All estimates of value are presented as the valuer’s considered opinion based on information obtained during the investigation and do not represent an offer to buy or sell.
3. Testimony or attendance in court by reason of this valuation is not a requirement of this engagement, unless such arrangements have been made in advance and the client is ready to pay the fees against such expert service.
4. This report must be used in its entirety. Reliance on any portion of the report independent of others may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone without approval from the author.
5. All information presented in this report is true and accurate to the best of the valuer’s knowledge and belief.
6. The effective date of the valuation sets the basis of value, which is based on the purchasing power of the Indian Rupee as of that date.

7. The purpose of the valuation also sets the basis of value; this valuation report shall not be used for any other purposes apart from that mentioned in this report.
8. This valuation report may give completely different result if any of the above-mentioned assumptions found to be not true.
9. All the above calculations are subject to the assumptions, special assumptions and limitations stated in chapter 6 of this valuation report.
- 10. Validity of this report is Three months only.**
-

CHAPTER 8

VALUATION CERTIFICATE

8.1. GENERAL ABSTRACT

Land Value	Rs -----
Building & Ancillary structures	<u>Rs -----</u>
FAIR VALUE	Rs -----

“**Fair value**” means the estimated realizable value of the assets of the corporate debtor, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion.

8.2. CERTIFICATE

It is hereby certified that in my opinion

FAIR VALUE	Rs -----
ORDERLY LIQUIDATION VALUE (SECTION 160)	Rs -----
FORCED LIQUIDATION VALUE (SECTION 170)	Rs -----

CHAPTER 9

DECLARATION

I hereby declare that:

Information provided is true & correct to the best of my knowledge & belief. Analysis & conclusions are limited by reported assumptions and conditions. I have no direct or indirect interest in the above property valued.

I have visited the subject property on 18.01.2019 with Mr -----, ----Bank Ltd, ----- Branch and on the date of inspection, in the presence of Mr -----owner’s representative on -----

I have submitted my Valuation Report directly to Mr -----, IRP (IBBI/IPA----/IP-N-----/2016-17/-----) for M/S -----Private Limited, ----- Road, -----, ----- Pincode

Enclosures:

1. TN Registration Website Guideline rate
2. Site plan & Building location plan
3. Google map for location with latitude & longitude
4. Photo exhibits for all buildings& ancillary structures and roads

Conclusion

All the three approaches have been considered in this valuation as per the theory. To suit the present status, legality, basis and methods, it is opined that the cost approach found to be the fit and proper for analysis of the Fair Value of the asset of the corporate debtor, on the insolvency commencement date. And this approach based on a straight forward determination of the collective value of an entity's assets, the Cost Approach method is utilized. Since this asset value is under stress, Liquidation Approach is used to find out the value on liquidation on the insolvency commencement date.
