

All India Institute of Registered Valuers Organisation

(Formerly known as All India Institute of Valuers Foundation)

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PRELIMINARY REPORT PREPARED BY THE COMMITTEE OF EXPERTS

Findings & Suggestions as per Review Reports:

- 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:

The following aspects need to be considered during the preparation of a valuation report:

1. Purpose of the valuation exercise

It must clearly state the reason for which the valuation exercise is being done like:

- ❖ Consummation of certain transactions like acquisition, disposal, merger, amalgamation
- ❖ Internal decision making/Corporate Governance
- ❖ Regulatory Compliance: Companies Act, SEBI Regulations, Income Tax, Wealth Tax, FEMA, etc.
- ❖ Fund Mobilisation - both equity and debt
- ❖ Disputes (within and outside the courts)
- ❖ Borrowing and lending decisions
- ❖ Insolvency and Bankruptcy proceedings

2. Background of the company

The report must provide the company details:

- ❖ Introduction – Name of the company which intends to value ,its registered address, its corporate identification number (CIN)
- ❖ The company's existing capital structure as on valuation date.
- ❖ The management structure of the company

3. Appointing authority

The Valuation report must specify the following information

- ❖ Details regarding Appointing Authority of valuer
- ❖ Date of Appointment of the Valuer
- ❖ Specify the valuation date and date of report
- ❖ Terms and conditions of engagement must be mentioned in the report.

4. Identity of the valuer

The report must provide information related to the appointed registered valuer and any other experts involved in the valuation.

- ❖ Name of Registered Valuer (RV)/ Registered Valuer Entity (RVE)
- ❖ IBBI Registration Number
- ❖ Type of Asset class
- ❖ Details of any other experts involved in the valuation exercise i.e, name of experts, qualification of expert. etc.

5. Intended Users of the Report

- ❖ The valuation report should be confidential and should be prepared exclusively for the company.
- ❖ The report should not be circulated or reproduced to any other person for any purpose other than as mentioned above, without the prior consent of the valuer.

6. Scope of Work

- ❖ A detailed description regarding the procedures followed to form an opinion on the fair value of the Company.
- ❖ Disclose about the sources of information followed to form an opinion on fair value.

7. Procedures adopted in carrying out the Valuation

- a) **Process Flow** : Receipt of proposal for valuation includes
- ❖ Discussion with the management and acceptance of the proposal
 - ❖ Receipt of intimation about appointment and acceptance of proposal
 - ❖ Execution of valuation engagement letter and providing the checklist for required information, documents, and record
 - ❖ Receipt of information, documents as per the checklist
 - ❖ Cross verification of data with concerned officials of the company for clarifications/explanations.
 - ❖ Determining valuations approach, techniques, and methods in compliance with applicable standards
 - ❖ Valuation synthesis & revisiting the assumptions and decision made
 - ❖ Report preparation and its validation.

b) **Limitation of Verification:**

- ❖ The valuation report and analysis are subject to the assumptions and limiting conditions

8. Compliance with Valuation Standards and Valuation Basis

- ❖ The Valuation report are in conformity with the "ICAI Valuation Standards" (IVS) issued by the Institute of Chartered Accountants of India.
- ❖ In addition to the general standards/ guidelines of the IVS, the report specifically complies with ICAI Valuation Standard.
- ❖ Details relating to Base & Premise for Valuation has to be mentioned in the report.

9. Valuation Approaches

- ❖ In order to value the Company, there are different kind of approaches to valuation to be followed.
- ❖ Both internal and external factors, which influence the value of the Company should be reviewed, analyzed, and interpreted. Internal factors included financial position and results of operations of the Company. External factors included, among other things, the status of the economy and the position of the Company relative to the industry.
- ❖ Review and analyze several methods and their results to determine which methods would generate the most reasonable opinion of value of the Company's operations as on the Valuation date.

10. Valuation Methodologies

- ❖ There are several commonly used and accepted methods for determining the value of the company.

11. Conflict of interest

- ❖ Disclaimer regarding conflict of interest to be given in the report, showing that the valuer is giving an unbiased report.

12. Caveats, Limitations and Disclaimers

- ❖ An adherence must be given to Rule 8 'Caveats, Limitations and Disclaimers" while preparing the report.
- ❖ The report is subject to the assumptions and limiting conditions:
- ❖ The Valuation Report is been prepared in compliance with, and meets the reporting requirements of the ICAI Valuation Standards.
- ❖ The Valuation Report has been prepared in full compliance with all applicable central and state regulation and laws unless otherwise specified.
- ❖ Mention that the report is neither an offer to sell, nor a solicitation to buy securities, and/or equity in, or assets of, the Company

13. Conclusion

- ❖ The report should highlight important issues in valuation.
- ❖ The report should give an opinion on fair value of the company based on procedures followed

Date: April 30, 2022

Place: New Delhi