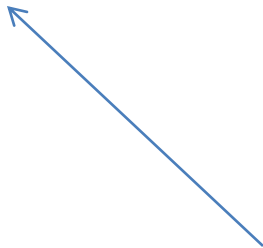
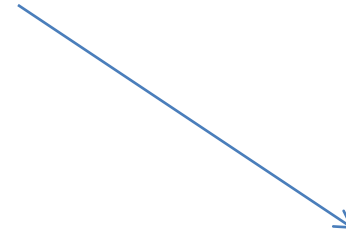
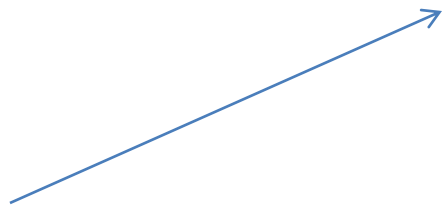


# ***Overview of Valuation Opportunities for SMPs***

***Sumit Dhadda***

B.Com, FCA, DISA, DIRM, CAMS, CCA  
Insolvency Professional, Registered Valuer

# My journey so far



Do we value all transactions?

# Can we value Taj Mahal



Can we value CA degree/firm



# Valuation Approaches

Kal

Aaj

Kal

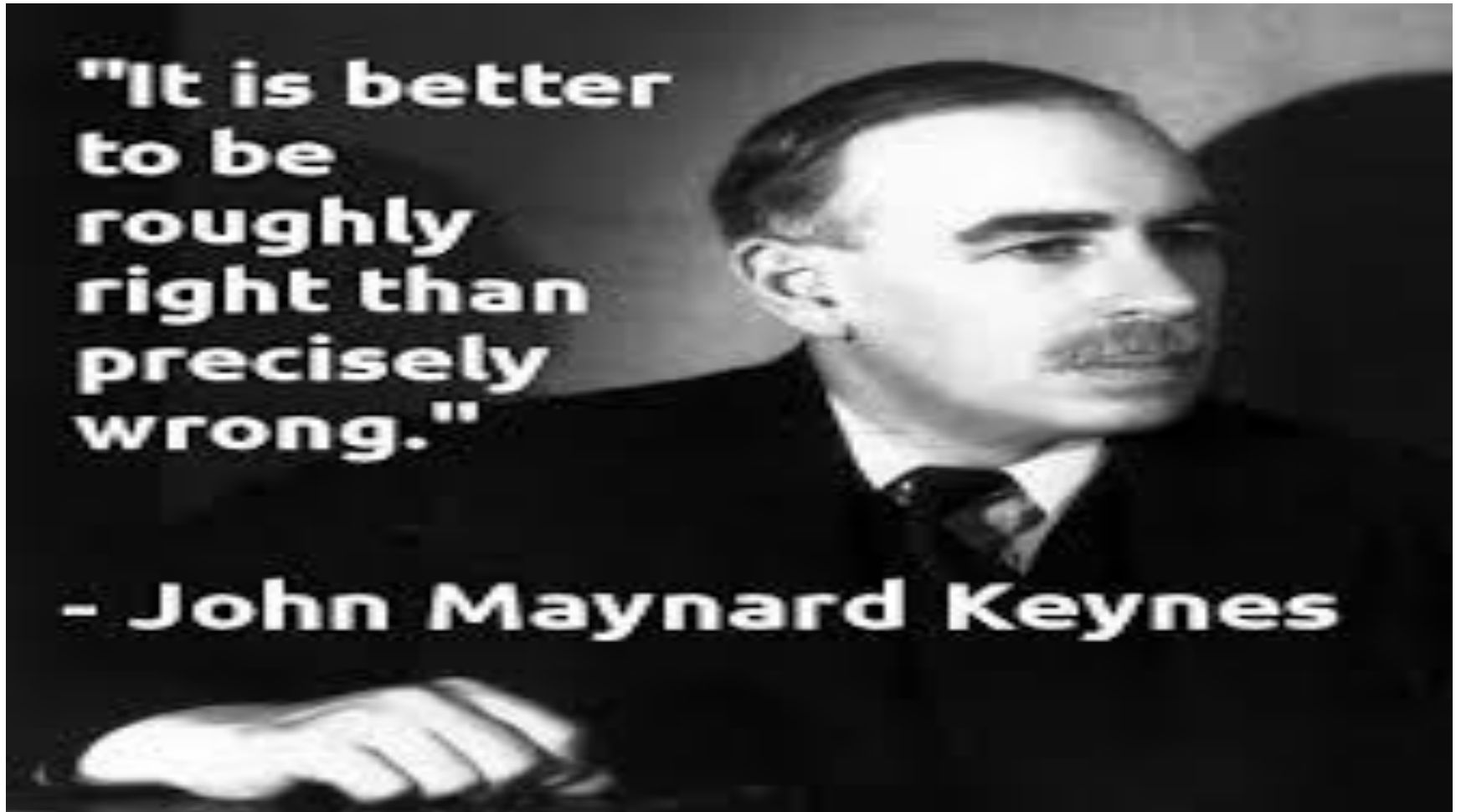
Cost

Market

Income

Why we need Valuation?

# We need Valuation because.....





# 'Need of Valuation' ?

## Transactions

- Mergers / Acquisitions
- Investment
- Fund Raising
- Sale of Businesses
- Dispute Resolution

## Regulatory

- Companies Act
- Income Tax
- SEBI
- RBI
- IBC
- Court litigation - divorce

## Financial Reporting

- Fair Value (Ind AS)
- ESOP
- Purchase Price Allocation
- Impairment



**Enter into new field**

# Registered Valuers

As at 10 September 2020

## Individuals – 3,314

- Securities or Financial Assets – 1,206
- Land and Building – 1,750
- Plant and Machinery - 358

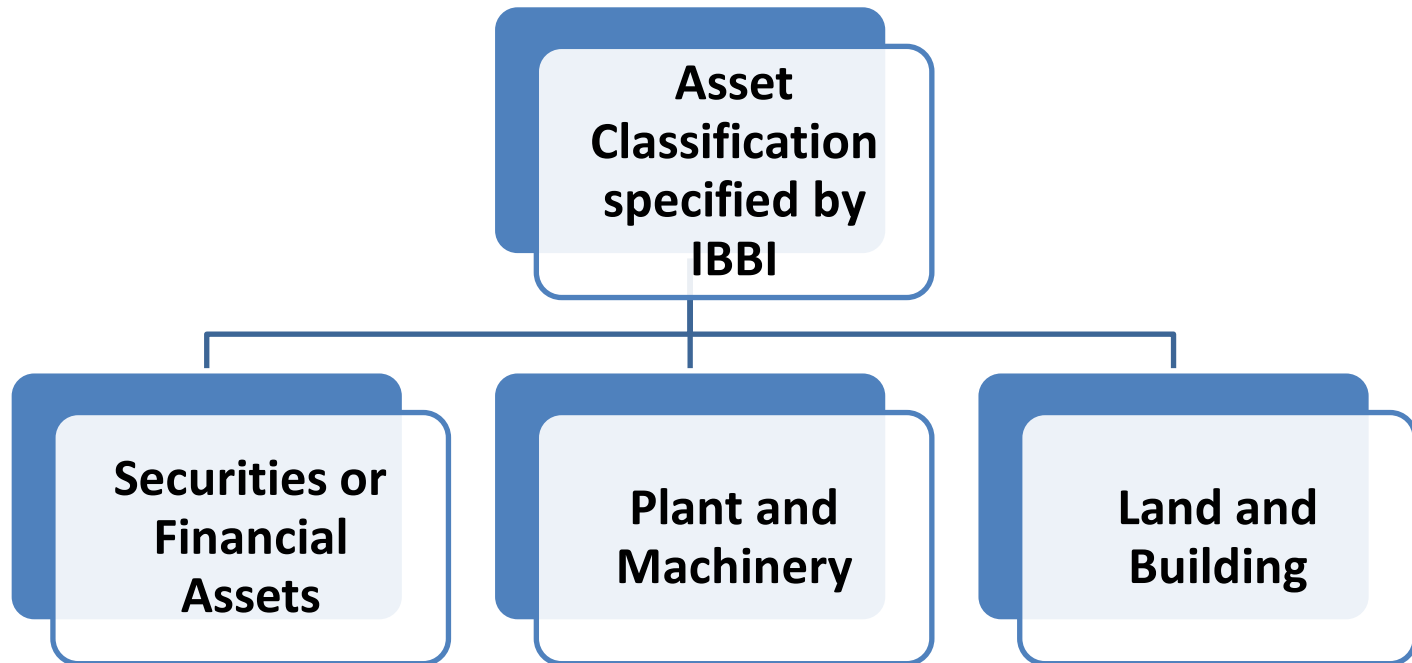
**Registered Valuer Organisation – 14**

**Registered Valuer Entities – 26**

# Registered Valuers Organisation

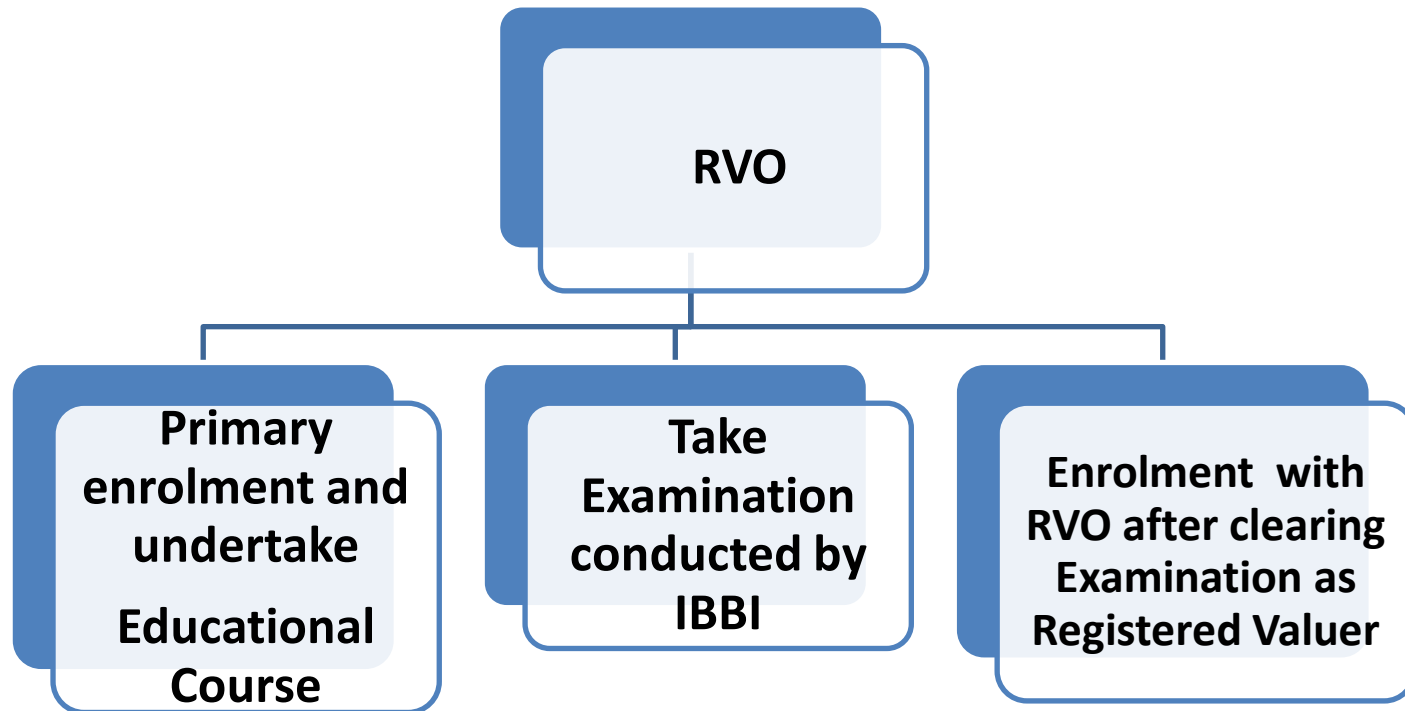
Registration no.	Name of RVO	Asset Class
IBBI/RVO/2017/001	Institution of Estate Managers & Appraisers	LB, PM & SFA
IBBI/RVO/2017/002	IOV Registered Valuers Foundation	LB, PM & SFA
IBBI/RVO/2017/003	ICSI Registered Valuers Organisation	LB, PM & SFA
IBBI/RVO/2017/004	The Indian Institution of Valuers	LB, PM & SFA
IBBI/RVO/2017/005	ICMAI Registered Valuers Organisation	LB, PM & SFA
<b>IBBI/RVO/2017/006</b>	<b>ICAI Registered Valuers Organisation</b>	<b>SFA</b>
IBBI/RVO/2017/007	PVAI Valuation Professional Organisation	LB, PM & SFA
IBBI/RVO/2017/008	CVSRTA Registered Valuers Association	LB, PM
IBBI/RVO/2018/009	Association of Certified Valuators & Analysts	SFA
IBBI/RVO/2018/010	CEV Integral Appraisers Foundation	LB, PM
IBBI/RVO/2018/011	Divya Jyoti Foundation	LB, PM & SFA
IBBI/RVO/2020/012	Nandadeep Foundation	LB, PM & SFA
IBBI/RVO/2020/013	All India Institute of Valuers Foundation	LB, PM & SFA
IBBI/RVO/2020/014	International Business Valuers Association	LB, PM & SFA

# Classes of Assets



- CA, CS, ICWA, MBA can register only in SFA

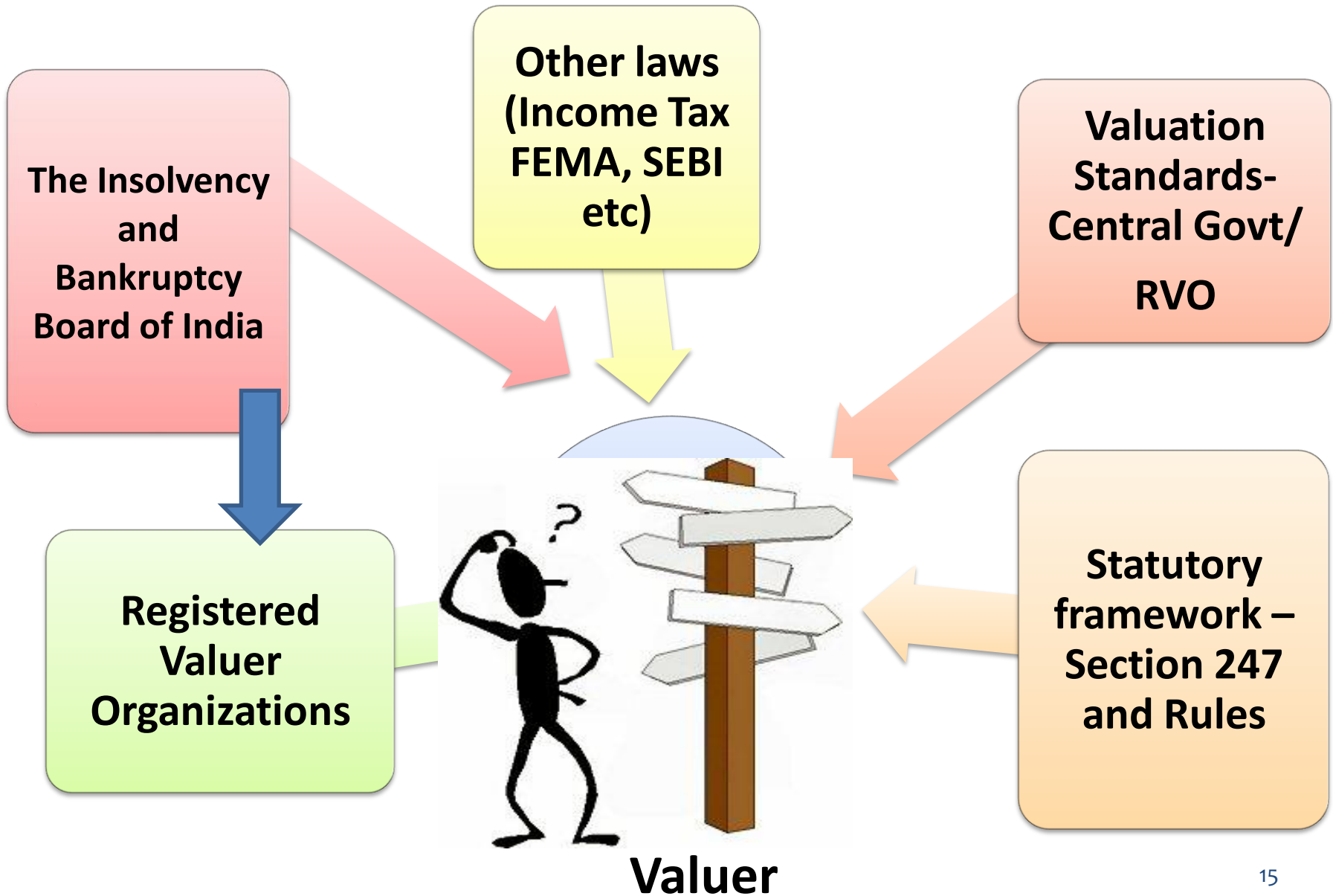
# Membership Recognition



50 hours compulsory training to be eligible to take examination to become Registered Valuer.

Post Qualification Training & Issue of COP

# Valuation Environment



# Current Position

- Companies Act – Only Registered Valuer
- IBC - Only Registered Valuer (2 in each case)
- SEBI – CA/MB mainly accepted, Limited recognition of RV (REIT & InVIT)
- Income Tax – Only CA/MB
- RBI/FEMA – Only CA/MB



# Opportunity under Companies Act

Registered Valuer Report required in following sections as per Companies Act, 2013

S. No.	Section	Particulars
1	39 (4)	Allotment of Securities for consideration other than cash
2	54(1)	Issue of sweat equity shares
3	62(1)C	Valuation report for further issue of share capital
4	67(3) (b)	Issue of shares on preferential basis.
5	73	Acceptance of deposits – secured by charge of any assets
6	177(4) (vi)	Audit Committee to insist for valuation of assets wherever necessary
7	192(2)	Valuation of assets involved in arrangement of non-cash transactions involving directors
8	230(2)(c) (v)	Valuation of shares, property and assets of the company under a scheme of corporate debt restructuring

# Opportunity under Companies Act

Registered Valuer Report required in following sections as per Companies Act, 2013

Sl. No.	Section	Particulars
9	230(3)	Valuation report along with notice of creditors/shareholders meeting –under scheme of compromise/arrangement
10	232(2)(d)	Merger & amalgamation of Company
11	232(3)(h)	The valuation report to be made by the tribunal for exit opportunity to the shareholders of transferor company – under the scheme of compromise/arrangement in case the transferor company is listed company and the transferee company is an unlisted company
12	236(2)	Valuation of equity shares held by the minority shareholders
13	247	<b>Reg. Valuer report is required when valuation is to be done in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a company or its liabilities under the provision of this Act.</b>
14	281(1)	Valuing assets for submission of report by liquidator to NCLT

# Valuation Opportunity in IND AS

- **Ind AS 113** - Dedicated Standard on “**Fair Value**” Measurement – in line with global equivalents – IFRS 13 and ASC 820 (US GAAP). Covers Financial Reporting.
- **Fair Value is a market-based measurement, NOT an entity-specific measurement.**
- **Specific Standards for specific issues**
  - Ind AS - 109, 107 and 32 : Financial Instruments (Assets & Liabilities)
  - Ind AS - 102 : Share based payment
  - Ind AS - 103 : Business Combination
  - Ind AS - 38 : Intangible Assets
  - Ind AS - 16 : Property Plant & Equipment
  - Ind AS - 36 : Impairment of Assets

# Registered Valuer opportunity in IBC 2016

## Insolvency & Bankruptcy code 2016

- Reg. 27 the resolution professional shall within 7 days of his appointment, appoint two registered valuers to determine the fair value

-And when there is significant difference in valuation then IRP to appoint **3rd registered valuer**

-And take average of two closest values

# Mandatory Registered Valuer

## Mandatory

- Companies Act
- IBC
- SEBI – REIT & Invit



## Non Mandatory

- ➔ SEBI
- ➔ Income Tax Act
- ➔ RBI/FEMA
- ➔ Banks

**OPTIONAL**

# Draft Valuers Bill, 2020

(Journey from **one section** to **Full Act**)



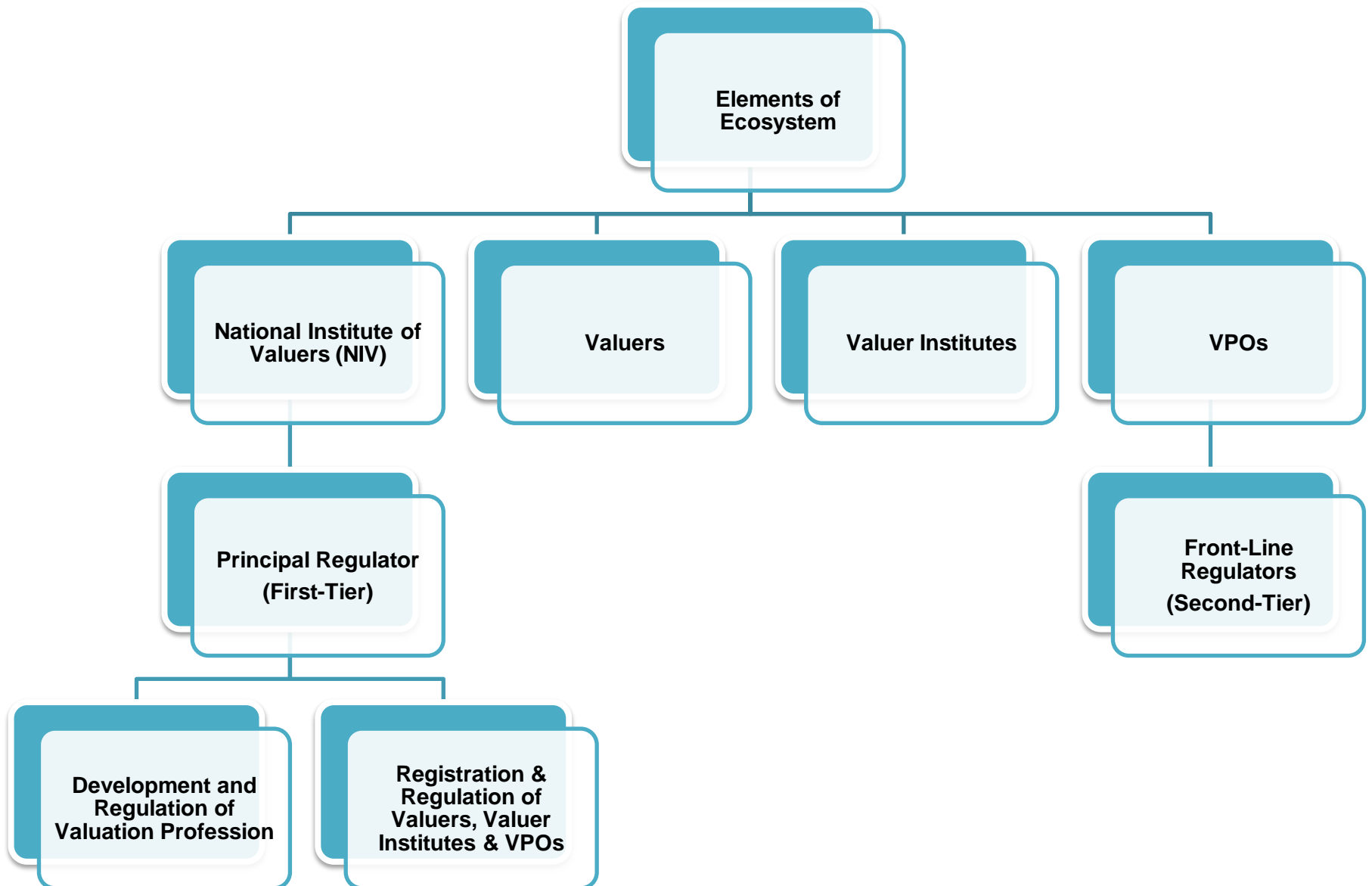
# Hope for Valuers

## Scope:

- Valuations under the Companies Act, 2013 and the IBC to be mandatory to begin with
- **Framework should cover valuations under other laws (14 acts) in a phased manner in due course**
- To name a few – Banking, Income tax, SARFAESI, FEMA, SEBI, Black Money Act, LLP

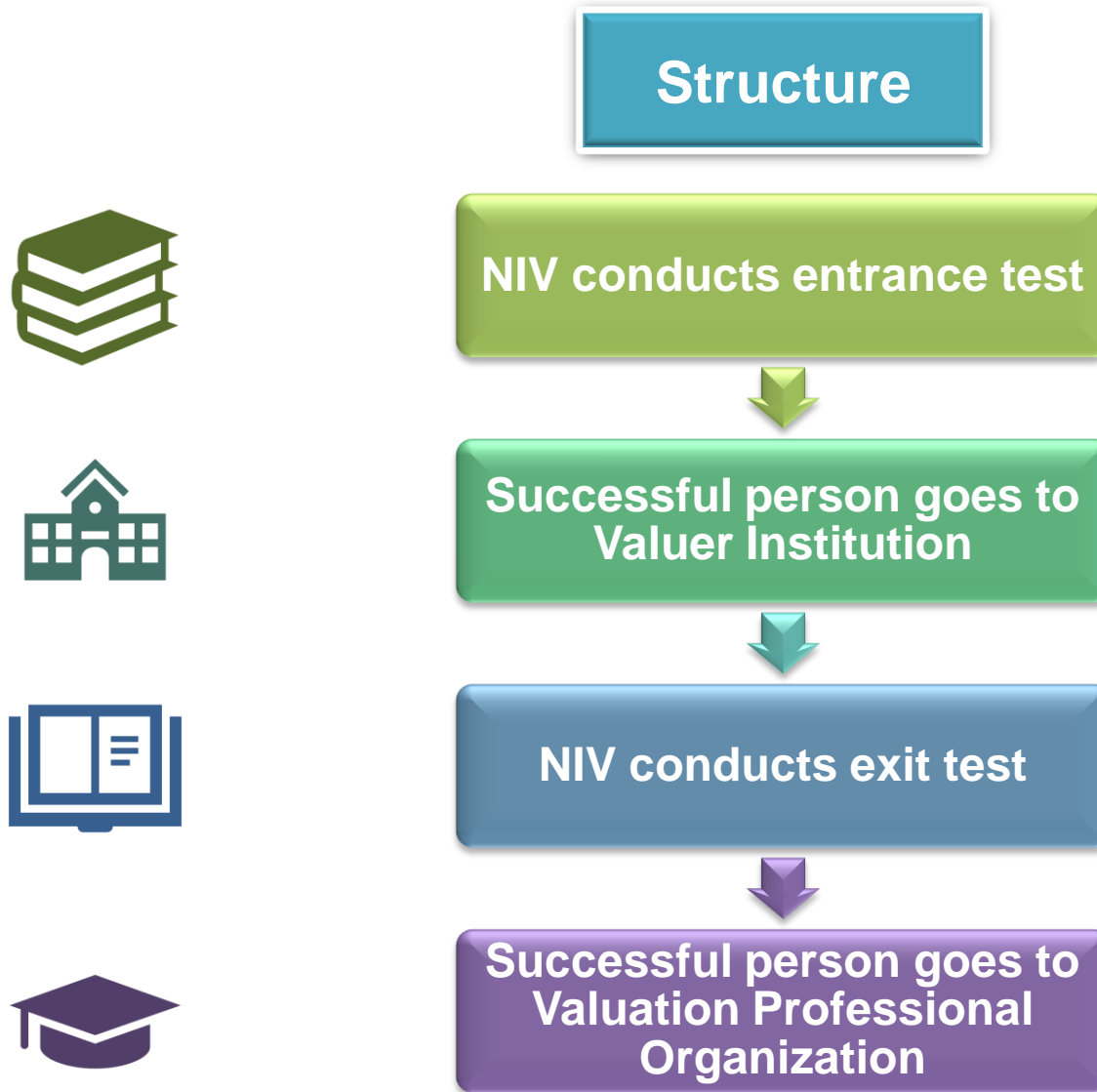
# General

## Proposed Structure:





# Development of Profession



Source:

- Report of CoE to Examine the Need for an Institutional Framework for Regulation and Development of Valuation Professionals, Volume I
- Presentation on the Draft Valuers Bill, 2020 by Valuer Division, IBB

# Registered Valuer

- **Starting Point – Section 247 of Companies Act, 2013**
- **Applicable Rules – Companies (Registered Valuers and Valuation) Rules 2017**
- **Regulating the profession of Valuation in India for Standardization and Transparency**
- **As of now, covers Companies Act, Insolvency and Bankruptcy Code (IBC) & SEBI**

# Latest Development by IBBI

- **Guidance Note on Caveats, Limitations, and Disclaimers**
- Caveats are warnings or cautions to the client/user of services
- Limitation is a restriction on the scope of the RV"s work
- Disclaimer is statement denying responsibility intended to prevent civil liability arising for particular acts or omissions.

# **Price or Value**

**Valuer is interested in Value, Client is inclined to pre-conceived Price.**

“

**Price is what you  
Pay, Value is what  
you get”**

**Warren Buffett**



**“Valuation  
is what people  
are willing to pay.”**



Cameron Windevoes

**Zoom Media or Zoom Technologies**

# Flipkart

- May 2014 - \$ 2.6 billion
- July 2014 - \$ 7.1 billion
- Dec. 2014 - \$ 11.5 billion
- July 2015 - \$ 15.2 billion
- July 2016 - \$ 8.8 billion
- Aug. 2016 - \$ 11.55 billion
- Nov. 2016 - \$ 5.6 billion

**2017 – Loss 245 cr      USD 7.6 bn val.**

**2018 – Loss 2063 cr      USD 20 bn val.**

**2019- +5K Crore loss**

# PayTm

- June 16 - \$ 2.3 billion
- Sep. 16 - \$ 4.8 billion
- May 17 - \$ 7 billion
- Aug. 18 \$ 10 billion

**2017 – 890 cr. Loss**

**2018 – 1491 cr. Loss**

**2019 – 3960 cr. Loss**

**\$ 16 billion**

11:03

4G+ 84%



## Tweet



**Harsh Goenka**

@hvgoenka



If I travelled in an Ola taxi and stayed in an Oyo hotel and paid through my Paytm card, I would have increased the losses of all the three companies. Still trying to fathom the premise, the more the losses higher the market capitalizations.

Perhaps I am too old world !!!

6:55 PM · 24 Nov 18



# Valuation issues

- Bias in valuation
- Uncertainty in estimates, macroeconomics
- Valuation process – Blackbox models
- Information overload
- Insufficient documentation for professional judgement/fair value conclusion
- Lack of professional skepticism when reviewing management's prospective financial information
- Human error – in punching data

Particulars		CY Proj	Projections	Projections
		Mar-16	Mar-17	Mar-18
NOPAT				
Add: Depreciation		-71.3	32.5	66.2
Less: Incr in WC		40.3	121.6	98.5
Less: Incr in Capex		56.1	42.3	27.5
FCFF		800.0	5.0	5.0
		-887.1	106.8	13.2
WACC	10.00%			
Discounted Years			1.0	2.0
Discounting Factor			0.9	0.8
Discounted Free Cash Flow			-806.5	88.3
Terminal Growth Rate	2.00%			
<b>Enterprise Value</b>	<b>656.0</b>			
Add: Cash	3.7			
Less: Debt	-21.0			
Less: Preference Capital	-			
<b>Equity Value (Post Money)</b>	<b>680.7</b>			
<b>Equity Value (Pre Money)</b>	<b>680.7</b>			
Equity Value per share (INR)	68.07			
No. of Equity Shares (Rs. 10)	21,000			
Value/per share (FV Rs. 10)	3,242			

“Nowadays people  
know the price of  
everything and  
the value of  
nothing.”

- Oscar Wilde

*Thank You!*

**Sumit Dhadha**

**Dhadha.sumit@gmail.com**

**Contact: 9571704444**