INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

[Authority delegated by the Central Government vide notification no. GSR 1316(E) dated 18.10.2017 under section 458 of the Companies Act, 2013 read with rule 2(1)(b) of the Companies (Registered Valuers and Valuation) Rules, 2017]

IBBI/Valuation/Disc./27/2025 26 March 2025

ORDER

This Order disposes the Show Cause Notice (SCN) No. RV-13012/1/2023-IBBI/375/708, dated 20th September 2024 issued to Mr. Veer Singh (RV) under rule 17 read with rule 15 of the Companies (Registered Valuers and Valuation) Rules, 2017 (Valuation Rules). Mr. Veer Singh is registered with IBBI as a valuer of Land and Building (L&B) with the registration number IBBI/RV/02/2019/10554.

1. Issuance of Show Cause Notice (SCN) and hearing before the Authority.

1.1 Rule 17(1) of the Valuation Rules provides that based on findings of an inspection, if the authorised officer is of the prima facie opinion that sufficient cause exists to cancel or suspend the registration of a valuer, it shall issue a SCN to the valuer.

1.2 In this regard, an Inspecting Authority (IA) was appointed to conduct inspection of Mr. Veer Singh in respect of the valuation report submitted by him in the Corporate Insolvency Resolution Process (CIRP) of M/s. Base Corporation Limited (Corporate Debtor/CD).

1.3 Based on the findings in the inspection report, a prima facie opinion was formed that sufficient cause exists to consider actions under sub-rule (5) of rule 17 of the Valuation Rules and accordingly SCN dated 20th September 2024 was issued to Mr. Veer Singh alleging contravention of the rules 8(3)(g) and (j) of the Valuation Rules. Mr. Veer Singh submitted reply to the SCN on 04th October 2024. The matter was referred to this Authority for disposal of the SCN where Mr. Veer Singh availed the opportunity of personal hearing through virtual mode on 06th February 2025.

2. **Examination of contraventions alleged in the SCN**

The contravention alleged in the SCN, the response of RV and the findings of the Authority are summarised as follows:

2.1 **<u>Issue regarding valuation of land situated at Hosur and Solan unit.</u>**

2.1.1 It was observed from the valuation report that Mr. Veer Singh has mentioned the market rate of the land at Hosur unit Rs. 30,00,000/- per acre and at the Solan unit as Rs. 20,00,000/- per bigha. In the case of land situated at Hosur unit, it has been mentioned in the valuation report that the rates have been taken from property dealer and market survey in the local market. In the case of land situated at Solan unit, it has been mentioned in the valuation report that the rate of the land is confirmed from five villagers of nearby village named Nangali and Jatoli. However, Mr. Veer Singh has not supplied any document reflecting the circle rate of the area or any other evidence of market comparable used by Mr. Veer Singh in this regard.

2.1.2 It was further observed from the valuation report that Mr. Veer Singh has mentioned that the land situated at Hosur unit is locked land and therefore to arrive at the fair value, Mr. Veer Singh had discounted the market value of land by 75%. However, the valuation report nowhere states any supporting evidence for such reduction.

2.1.3 This according to the SCN was allegedly in violation of Rule 8(3)(g) and 8(3) (j) of the Valuation Rules.

Submission of the Mr. Veer Singh.

2.1.4 Mr. Veer Singh submitted that in most parts of the country data regarding transactions in property of the kind valued is not publicly available unlike western countries where recent transaction data for any property is available from Government records. Therefore, providing "evidence of market comparable" is not feasible. Mr. Veer Singh further submitted that it is a known fact that circle rate i.e. the minimum value notified by State Governments is for the purpose of collection of stamp duty, the said value at times can be very different from the actual market value of the property.

2.1.5 Mr. Veer Singh submitted that the circle rate for the said properties was computed at the time of conducting the said valuation and was also the part of the working paper. Mr. Veer Singh further submitted the calculations to show as to how trusting the circle rate to be the market value of the units would not result in accurate valuation. Mr. Veer Singh had relied on the Hon'ble Supreme Court's judgement in State of Haryana Vs. Manoj Kumar (Civil Appeal No. 2226 of 2010) and Thakur Kuldeep Singh(D) Lr. & Ors vs Union of India & Ors (8^{th} March, 2010) to rely that circle rates may not reflect the true market value of a property in certain situations.

2.1.6 Mr. Veer Singh submitted that he had personally visited the Hosur unit and went to the land by trespassing on agricultural land and witnessed the land being landlocked and used the valuation methodology learnt by him from the valuation experts. Mr. Veer Singh further submitted that IOV RVF of which he is a member has adopted International Valuation Standard (IVS) and the issued IVS have no guidance for land-locked land. In absence of any such guidance from the Valuation Standard, Mr. Veer Singh had adopted the customary treatment of valuing locked land at the discount rate of the comparable values of and with access to road.

2.1.7 Mr. Veer Singh further submitted that the 75% discounting of land at Hosur unit was taken on the grounds that it was land-locked and had shared extract of the study material based on which Mr. veer Singh had valued the said land. Mr. Veer Singh further relied on the Hon'ble Supreme Court's judgement in the mater of Iyasamy & Anr. Vs. Spl.

Tahsildar, Land Acquisition (30 September 2010), wherein the discounting for land locked land was discussed.

2.1.8 In his additional reply, Mr. Veer Singh has submitted that the market inquiries conducted by him to gather the market rate of the properties formed part of his working papers.

Findings of the Authority.

2.1.9 Rule 8(3) of the Valuation Rules, 2017, requires that a valuer's report must transparently disclose key aspects of the valuation process. Rule 8(3)(g) mandates the valuer to clearly state the nature and sources of information used or relied upon, ensuring that the report is based on verifiable data allowing readers to assess the credibility of the valuation. Further rule 8(3)(j) mandates that the valuer shall mention in his report the major factors that were taken into account during the valuation.

2.1.10 The Authority notes that Mr. Veer Singh had failed to disclose circle rates in the valuation report which are key requirements for valuing real estate unit irrespective of the fact that the circle rates were much less than the market value of the units. The Authority notes that Mr. Veer Singh in his report had adopted the market approach for valuing both the units of land using rates obtained on the basis of market enquiry and market information gathered from the government and other third-party estates websites. The Authority further notes that Mr. Veer Singh in his response has submitted the working papers prepared by him while conducting the valuation of the given lands which provide the details of circle rates preferred by him and the market inquiries made by him. The same should have been made part of the valuation report specially when this private information was being relied upon rather than the publicly available circle rates.

2.1.11 The Authority further notes from the perusal of the valuation report and the submissions of Mr. Veer Singh that he has considered the market rate of land on the basis of interaction with local people. Mr. Veer Singh has provided copy of his working papers which lists out his inquiries, with respect to the market value of lands, with three different people as follows:

Person contacted	**Market Rate**	**Location**	**Remarks/ Details of the Land/ Unique Characteristics**
Mr. Venkatesh	30 lakhs to 32 Lakhs per Acre	Kelamangalam Road	The working note documents the instances of past txns shared by him like 8 Acres land sold 7-8 years back at rate of 28 Lakhs near Dairy Factory having frontage of about 100 Sq. Mtrs.
Mr. Jagesh	28 lakhs to 30 Lakhs per Acre	Kelamangalam Road	The working note documents the that 10-12 Acres NA Land was available for sale as per Mr Jagesh at this price

Kumar Raja	30 lakhs to 32 Lakhs per Acre	1-2 Kms away from site on Kelamangalam Road	The working note documents that 7-8 Acres Land was available for sale as him at this price

2.1.12 The Authority notes from the above that although some indication regarding location of the comparable land was mentioned in the inquiry made from Mr. Venkatesh, the same is not available in other two instances. In absence of the same, it is not clear how these plots can be said to be comparable to the plot of land of CD and how the prices for these plots be then adjusted for valuing the landlocked plot of the CD and therefore the valuation report does not disclose the complete source of information regarding valuation of CDs property and thereby resulting in insufficient compliance with rule 8(3)(g) of the Valuation Rules. Accordingly, the Authority finds that merely mentioning of contact details of the persons interacted with, cannot be said to be sufficient compliance with rule 8(3)(g) of the Valuation Rules.

2.1.13 The Authority further notes that Mr. Veer Singh relied on the Hon'ble Supreme Court's judgment in State of Haryana Vs. Manoj Kumar (Civil Appeal No. 2226 of 2010) and Thakur Kuldeep Singh(D) Lr. & Ors vs Union of India & Ors (8th March, 2010) to rely that circle rates may not reflect the true market value of a property in certain situations. However, the issue in the present case is the absence of any document disclosing the circle rate of the area or any other evidence of market comparable used by Mr. Veer Singh. Accordingly, the cited cases are not relevant to the present matter.

2.1.14 The Authority further notes that Mr. Veer Singh relied on the Hon'ble Supreme Court's judgment in the mater of Iyasamy & Anr. Vs. Spl. Tahsildar, Land Acquisition (30 September 2010), wherein the discounting for land locked land was discussed. However, the issue in the present case is the absence of any supporting evidence for adopting such discounting rate. Accordingly, the cited case is not relevant to the present matter.

2.1.15 In view of the foregoing, the Authority finds Mr. Vipan Kumar in violation of rule 8(3)(g) of the Valuation Rules.

3. Order.

3.1 The valuation report submitted by a Registered Valuer serves as a critical document for the Committee of Creditors to take crucial decision about the resolution plan in CIRP and reserve price of asset during liquidation. The stakeholders decide the course of action based on the valuation report and accordingly the reliability of the valuation report becomes important. Therefore, it is necessary that the valuation report is transparent and complete in itself such that there is clarity to the stakeholders while relying on valuation report and decisions taken are optimal. The valuer must disclose all the relevant and essential information with respect to the valuation of the assets so that this purpose is served.

3.2 In view of the foregoing, after considering the allegations made in the SCN, the detailed reply provided by Mr. Veer Singh and the materials available on record, the Authority, in exercise of powers conferred vide notification of Central Government no. GSR 1316(E) dated 18.10.2017 under Section 458 of the Companies Act, 2013 and in pursuance of rule 15 and rule 17 of the Valuation Rules hereby suspends the registration of Mr. Veer Singh for a period of three months.

3.3 In accordance with provisions of Rule 17(8) of the Valuation Rules, this Order shall come into force after 30 days from the date of issue of this order.

3.4 A copy of this order shall be forwarded to IOV Registered Valuers Foundation where the RV is enrolled as a member.

3.5 Accordingly, the show cause notice is disposed of.

Sd/-

(Sandip Garg)

Whole Time Member
Insolvency and Bankruptcy Board of India

Dated: 26.03.2025

Place: New Delhi