

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./23/2025

21st February 2025

ORDER

This Order disposes the Show Cause Notice (SCN) No. RV-13012/2/2023-IBBI/365/416, dated 19th July 2024 issued to Mr. Sujit Shrikant Joglekar under rule 17 read with rule 15 of the Companies (Registered Valuers and Valuation) Rules, 2017 (Valuation Rules). Mr. Sujit Shrikant Joglekar is registered with IBBI as a valuer of the asset class- Land and Building with the registration number IBBI/RV/07/2018/10056, Plant and Machinery with the registration number IBBI/RV/07/2018/1450 and Securities and Financial Assets with the registration number IBBI/RV/07/2019/12133.

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 the valuation report submitted by Mr. Sujit Shrikant Joglekar (hereinafter also referred as “Registered Valuer” or “RV”) in the liquidation process of East Coast Energy Private Limited (Corporate Debtor/CD) to examine compliance with section 247 of the Companies Act, 2013 read with relevant provisions of the Valuation Rules.
- 1.3 Based on the findings of the inspection, 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 19th July 2024 was issued to the RV for contravention of rules 8(3)(g) and (j) of the Valuation Rules and clause 6 of Model Code of Conduct for Register Valuers. The RV submitted his reply to the SCN on 02nd August 2024.
- 1.4 The SCN, reply of the RV and other material available on record was referred to this Authority for disposal of the SCN. The RV availed the opportunity of personal hearing before this Authority on 26th December 2024. Further, the RV submitted additional written submissions on 03rd January 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 Issues regarding Valuation of Current/Non-Current Assets:

- 2.1.1 It has been observed from the valuation report that RV has assigned zero value to current assets such as bank deposits, current investment, short term loan etc. Further, RV has mentioned in his report that no information was provided by the CD and had assigned zero or very minimal value in comparison to substantial book value to following items:
- a) Valuation of term loan & advances of Rs.494.40 crore considered as zero value.
 - b) Current investment of Rs.14,68,500 considered zero value.
 - c) Cash & bank balances of Rs.1 0.13 crore considered Rs.0.31 crore.
 - d) Short term loan of Rs.57.04 crore considered zero value.
 - e) Other CA of Rs.5.48,584 considered zero value.
- 2.1.2 It is mentioned in the SCN that the RV in his reply to draft inspection report (DIR) had submitted that “.....*In the absence of any credible data, it was not possible for us to comment on likely recoverability of these amounts. Hence, the liquidation value, was considered as Nil.*”
- 2.1.3 The SCN further states that the reply of the RV indicates that he had only relied upon non-submission of documents from management for assigning such low valuation and have not exercise proper care due diligence and independent professional judgement. Further the SCN also alleges that the RV has also not done any independent verification from relevant sources of information.
- 2.1.4 This according to the SCN is allegedly in violation of Rule 8(3)(g) of the Valuation Rules and clause 6 of Model Code of conduct for Register Valuers provided in Annexure I of Valuation Rules.

Submissions of the RV

- 2.1.5 The RV in his reply has submitted that the CD was admitted to CIRP in April 2018 and was under liquidation when he was appointed, and it was confirmed to him by the Liquidator's office that from the date of commencement of CIRP till the date of RV's report there have not been any recoveries of advances made or any capital assets received against Capital advances given by the CD. The RV further submitted that no data and details on whether part deliveries of capital assets were made against these capital advances was made available from the Liquidator office.
- 2.1.6 The RV in his reply submitted to the DC, provides the following explanations: -
- a) **Current Investments:** This pertains to investment in National Saving Certificate. Similar to LTL&A, details or scanned/ photocopy of NSC was not available for verification.
 - b) **Cash and Bank Balance:** It was confirmed by the Liquidator office that they do not have any cash balance and hence based on this confirmation, it was valued as Nil. The liquidator office had access to Current accounts and balances therein were confirmed and hence valued in full. The details pertaining to margin money against LC such as Bank account number, LC copy etc was not available from Liquidator office. Also details on whether the issuing Bank had adjusted the margin money

against any outstanding bill from a supplier was also not known. This lack of data was sufficient to assign Nil value, especially since the CD was to be liquidated.

- c) **Short Term Loans and Advances:** These entries pertain to amounts given to employees, suppliers, security deposits, prepaid expenses and TDS. As mentioned in RV's report, 1) Data on these advances with supporting back up was not available from Liquidator's office and 2) The project implementation had halted in 2015 and there was no activity on plant site thereafter. In view of this the RV formed the opinion that the probability of recovery of these amounts was unlikely and hence they were assigned Nil value.
- d) **Other Current Assets:** This amount pertains to interest accrued on Bank Deposits. The liquidator's office did not provide any data such as copy of FDR, account details etc. The RV has recorded in his report, that normally money in banks is considered as fully recoverable, but due to lack of credible data he has assigned nil value.

2.1.7 The RV in his reply submitted that he had requested the Liquidator for copies of financial statement as on liquidation commencement vide email dated 16th March 2020 and the copies of financial statement for FY 2018-2019 and 2019-2020. The RV further submitted that since, this period coincided with the lock-down, instead of a personal meeting, as part of valuation of financial assets, telephonic discussion was had with the Liquidator team to ascertain availability of information on financial assets of the CD. During the discussion, it was confirmed by the liquidator's office that besides the financial statements they do not have any supporting data relating to financial assets.

2.1.8 The RV in his reply further submitted that in addition to the above during discussion, RV was advised to review notes to the account specifically note no. 38 in both financial statements viz. FY 2018-19 and FY 2019-2020 to reconfirm the fact that apart from bank balance in current account, the liquidator's office does not have any supporting data relating to other financial assets.

2.1.9 The RV has asserted that the liquidator represents the present management of the CD and had confirmed that entries in the books were unsupported without any further or additional information available to analyse and therefore, in the absence of any credible data, RV was of the opinion that ascribing liquidation value to such Bank statement entries would debilitate the process of liquidation and hence most financial assets were assigned nil value.

2.1.10 The RV submitted that the final report prepared was based on the confirmation provided during the discussion, the RV had with the Liquidator's office and upon reviewing a) disclosure in Form G and b) Note No. 38 of the financial statements.

Findings of the Authority.

2.1.11 The Authority notes the submission of RV that he had requested the Liquidator for copies of the financial statements and it was confirmed from the Liquidator that besides the financial statements there were no supporting data relating to financial assets. However,

on perusal of the communications of RV with the liquidator, as submitted by the RV post personal hearing, the Authority observes that the RV has nowhere sought the details regarding the current assets of the company. The relevant portion of the communication is as follows:

Best MULYANKAN -Sujit

From: Liquidator Eastcoast <liquidatoreastcoast@bdo.in>
Sent: 17 March 2020 16:18
To: sujit@mulyankan.com
Cc: dp195709@gmail.com; Vinod Bental; Devendra Prasad; Narendra Gannamani; Tushar Hatkar
Subject: RE: REVISED - Quotes Invited for Valuation Services - East Coast Energy Pvt. Ltd.
Attachments: Assets & Liabilities on LCD.xlsx; Land Doc 10.75 AC.PDF; Colony Title DD.pdf; Land Doc 2050 AC.PDF

Dear Sir

With reference to your below email and our telecom today please find our replies in blue fonts against each point in your below email

Thanks & Best Regards

Team Liquidator

From: Best MULYANKAN Consultants Ltd. BMCL <best@mtnl.net.in>
Sent: 16 March 2020 13:30
To: Tushar Hatkar <TusharHatkar@bdo.in>
Cc: dp195709@gmail.com; Vinod Bental <VinodBental@bdo.in>; Devendra Prasad <devendraprasad@bdo.in>; sujit@mulyankan.com
Subject: REVISED - Quotes Invited for Valuation Services - East Coast Energy Pvt. Ltd.

Attention: This email was sent from someone outside of BDO India. Always use caution when opening attachments or clicking links from unknown senders or when receiving unexpected emails.

Sir,

Thank you for your mail ..

As desired, please find attached scan copy of following documents:

- Non-Disclosure Agreement executed on stamp paper of Rs. 600/-
- Declaration regarding independence on letter head.
- Three Certificates of Registration under IBBI.

We will require the following information to complete the exercise;

1. Copy of Balance sheet as on the date of Liquidation. *(Provisional Balance Sheet attached)*
2. A broad list of machine has been provided, but it does not mention machine make/ capacity/ specifications. We will require a complete Inventory of Plant and Machinery available at site with available invoices/ specifications. *(detailed breakup not available)*

3. Land area has been provided. However, we will require land title deeds/ Allotment letters to understand covenants in agreement. *(Attached)*

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4. Details of Approvals obtained to set up the Power plant viz. MOEF/ Pollution Control Board, etc. *(Not Available)*
5. Copy of DPR submitted to lenders that is prepared before setting up power plant. *(Not Available)*
6. Copy of approved plans for the structure erected on site from competent authority. *(Not Available)*

We have coordinated with Mr. Narendra from Hyderabad office and inspection of plant and machinery is scheduled on 19th and 20th of this month. We will undertake land and building inspection next week after getting the above details.

Regards,

Ms. Geeta S.M.

for Sujit S. Joglekar, Registered Valuer,

"ADITYA" Building, 1st floor, Junction of N.S. Phadke Marg and Telli Galli,

Opp. Flyover Apartment, Andheri (East), Mumbai - 400 069.

PHONE: 2684 1836, 2684 1839

EMAIL: valuation@mulyankan.com AND best@mtnl.net.in

- 2.1.12 The Authority notes that the reply of the RV reflects that he had asked the liquidator regarding financial information of the CD. The relevant portion of the reply of the RV is as hereunder:

Cash and Bank Balance: It was confirmed by the Liquidator office that they do not have any cash balance and hence based on this confirmation, it was valued as Nil. The liquidator office had access to Current accounts and balances therein were confirmed and hence valued in Full. The details pertaining to margin money against LC such as Bank account number, LC copy etc was not available from Liquidator office. Also details on whether the issuing Bank had adjusted the margin money against any outstanding bill from a Supplier was also not known. This lack of data was sufficient to assign Nil value, especially since the CD was to be liquidated.

- 2.1.13 The above reply categorically asserts that details pertaining to margin money against LC, such as Bank account number, LC copy, etc. was not available from Liquidator office. Also details on whether the issuing Bank had adjusted the margin money against any outstanding bill from a supplier was also not known. However, the RV has not been able

to show any communication in which he had asked these details from the liquidator or even suggested to the liquidator that these details may be obtained from bank. The email communications between the RV and liquidator (as shared by the RV) reflects that the RV has sought only copy of balance sheet of the CD as on liquidation commencement date. The RV has not produced any evidence to reflect his efforts in ascertaining the information regarding the current assets of the CD as mentioned in the SCN, viz., current assets, term loans and advances, short term loans, etc. Further, the Authority notes that the RV has ascribed nil value to the book entry of interest accrued on bank deposits without providing any plausible justification even though it is an asset which can be easily tracked. Although it is mentioned in the valuation report that the data on bank deposits and interest accrued thereon was not available with the Liquidator's office, the RV has failed to establish the due diligence and efforts made by him to get this data.

- 2.1.14 Accordingly, the Authority notes that the RV has not conducted adequate and necessary due diligence in conducting the valuation of these assets.

2.2 Issue regarding valuation of steel material:

- 2.2.1 It has been observed from the valuation report that one of the assets of CD is approximately 40,000 MT of old equipment of the plant mostly comprising of steel materials. These assets were valued by RV for Rs. 140.07 crore. It has been observed that RV has valued these assets without any basis or documentary evidence. RV has also nowhere mentioned the market rate of steel or steel mint price prevailing in the area in his valuation report.
- 2.2.2 It is mentioned in the SCN that the RV in his reply to DIR had submitted that “.....In your reply to the draft inspection report, you had submitted that “...we do agree with the IA's observations that to present a speaking report and to add more credibility to our value opinion, we should have recorded the source of information and cited references of above publications in their report, which was lacking ...”
- 2.2.3 The SCN further states that Rule 8(3)(g) and 8(3)(j) of the Valuation Rules provide that RV shall state the nature and sources of the information used or relied upon and the major factors that were taken into account during the valuation in his report.
- 2.2.4 This according to SCN is allegedly in contravention of Rule 8(3)(g) and 8(3)(j) of Valuation Rules.

Submission of the RV

- 2.2.5 The RV in his reply has submitted that he never tried to sidestep the issue of sharing the documentary evidence, however, the RV did not realize that it was lacking on his part to not have cited names of reference publications used for arriving at the scrap rate.
- 2.2.6 The RV in his reply further submitted that on the basis of RV's association with metal scrap trade, as detailed below, he firmly believed that though not recorded, his conclusion was based on sound and credible data:

- a. The RV is also a promoter director of one of the Inspection and Certification Agency mandated by Director General Foreign Trade (DGFT, India) for certification of Import Scrap, HMS-1, HMS-2 and non-ferrous. As part of certification, RV is required to validate the import prices and even test the scrap using Spectrometers and Radiation meters.
 - b. RV is the member of Metal Recycling Association of India (MRAI), the premier Industry body representing India's metal recycling Industry and its varied Stakeholders.
 - c. RV also at times refer to publications of private companies such as Cost Masters, which periodically publish the Cost Monitor Report for Ferrous and Non-Ferrous Metal products,
 - d. The RV has in-house data available for sale of scrap through online forward auctions on portal IndiaAuction.com.
- 2.2.7 The RV in his reply has submitted that it is owing to this association with metal scrap trade that RV had access to prevailing market rates on metal scrap that was taken cognizance of before arriving at the value steel lying at site. The RV in his additional submissions as submitted that he has relied on the publications such as 'Metal Price Monitor' published by The Engineering Export Promotion Council, a non-commercial and non-profit Organisation set up under Ministry of Commerce, Government of India.
- 2.2.8 The RV in his reply has submitted that the liquidation value in the report denotes the net amount accruable to the seller and includes cost of dismantling, transportation, etc. As such the average rate considered for the material on site was estimated at Rs. 35/- per kg and therefore, considering the total estimated weight of 40,000 tons, the liquidation value was estimated at Rs. 140,00,00,000/- (Rupees One Hundred Forty Crore Only).
- 2.2.9 The RV in his reply has submitted that he does agree that reproducing names of above publications would have instilled more clarity into his report. Further, he has taken due note of this lacuna and assure the Authority that the same will not be repeated in his future reports.

Findings of the Authority

- 2.2.10 The Authority notes the submission of the RV that the rate of material taken by him for the purpose of his valuation was based on publications such as Metal Price Monitor. The Authority notes the submission of the RV with respect to the price of the materials as reproduced below:

“d. As can be seen from the table and graph above we note that

- a. Rates for Heavy melting scrap (HMS): ranges between Rs.28/- to Rs.32/- per Kg*
- b. Rates for structural steel (Channel, Angle sections etc): ranges between Rs.40/- to Rs.44/- per Kg.*

e. The liquidation value in the report denotes the Net amount accruable to the seller and includes cost of dismantling, transportation, etc. As such the average rate considered for the material on site was estimated at Rs. 35/- per kg.

f. Considering the total estimated weight of 40,000 tons, the Liquidation Value was estimated at ` 140,00,00,000/- (Rupees One Hundred Forty Crore Only)."

2.2.11 The Authority observes from the perusal of the valuation report (page 28) that the material was in the form of recoverable structural steel of approximately 40,000 MT. Hence, the relevant rates should be between Rs. 40 to 44 per Kg. However, RV has not given any justification as to why he has considered the rates for heavy melting scrap (HMS) which ranges between Rs. 28 to Rs. 32 per kg while valuing the referred materials of the CD. He has also now submitted that this rate of Rs. 35 per kg after factoring in cost of dismantling, transportation, etc. However, there is no such indication in the valuation report regarding the same. From the examination of valuation report and explanation now offered by the RV, it appears that this explanation is given as an afterthought as there is no coherent linkage between the documents now given with the facts mentioned in the valuation report and also there is no coherent linkage of the rates adopted by him with the rates of steel given in the Metal Price Monitor. The RV is required to disclose the sources of information in the valuation report, which in the present case the RV has failed to do.

2.2.12 Accordingly, the Authority finds the RV in violation of rule 8(3)(g) of the Valuation Rules which specifically mandates the RV to state the source of information relied upon by the RV in his valuation report.

3. Order

3.1 The valuation report submitted by an RV 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 RV 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 the RV 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. Sujit Shrikant Joglekar for a period of six 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 Mr. Sujit Shrikant Joglekar 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: 21st February 2025

Place: New Delhi