

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./21/2025

31.01.2025

ORDER

This Order disposes the Show Cause Notice (SCN) No. RV-13012/1/2023-IBBI/368/551, dated 09th August 2024 issued to Mr. S.J. Ranganatha (RV) under rule 17 read with rule 15 of the Companies (Registered Valuers and Valuation) Rules, 2017 (Valuation Rules). The Insolvency and Bankruptcy Board of India (IBBI/Board) has been delegated by the Central Government to perform the functions of the Authority under the Valuation Rules. Mr. S.J. Ranganatha is registered with IBBI as a valuer of Land and Building (L&B) with the registration number IBBI/RV/04/2018/10069 on 28th September 2018.

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. S.J. Ranganatha in the liquidation of Base Corporation Limited (Corporate Debtor/CD).
- 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 09th August 2024 was issued to RV for contravention of the rules 8(3)(g) and (j) of the Valuation Rules, 2017. The written reply was sought from Mr. S.J. Ranganatha and an opportunity of personal hearing was accorded to him. Mr. S.J. Ranganatha had submitted reply dated 23rd August 2024 to the SCN. The matter was referred to this Authority for disposal of the SCN where Mr. S.J. Ranganatha availed the opportunity of personal hearing on 08th 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 Issue regarding valuation of land situated at Hosur and Solan unit.

- 2.1.1 It is observed from the valuation report that Mr. S.J. Ranganatha has mentioned the market rate of the land at Hosur Unit as Rs. 21,00,000/- per acre to 25,00,000/- per acre and at the

Solan Unit as Rs. 19,00,000/- per bigha to Rs. 20,00,000/- per bigha. However, the sources of information relied upon by RV for arriving such market rate is not mentioned in the valuation report. RV has also not supplied any document reflecting the circle rate of the area or any other evidence of market comparable used by him in this regard.

2.1.2 It is observed that Rule 8(3)(g) and 8(3)(j) of the Valuation Rules provide that Mr. S.J. Ranganatha 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 the report. This according to the SCN is allegedly in violation of Rule 8(3) (g) and 8(3) (j) of the Valuation Rules.

Submission of Mr. S.J. Ranganatha.

2.1.3 Mr. S.J. Ranganatha in his response submitted that in the valuation report it is clearly mentioned that the market enquiry was conducted from the stakeholders of the market like owners of the surrounding properties, common people in surrounding area, brokers, document writers and people in the registered office. Moreover, the internet was also used to search the market information from Government registration department and revenue department web sites and third-party real-estate websites.

2.1.4 Mr. S.J. Ranganatha in his response further submitted that in 'valuation of the subject property', with reference to land situated at Hosur unit Section 5.4- page numbers 26 - 2nd paragraph and with respect to the land situated at Solan unit 2nd paragraph page numbers 15 - of the valuation report prepared by RV, RV had mentioned "the details of inspection which includes the interaction with various market players including the owners of the surrounding properties, real estate brokers, government offices, and end-users of properties for market transactions or properties for sale and its prices, that has an impact on the basis for estimation of value".

2.1.5 Mr. S.J. Ranganatha in his response further submitted that he has visited the SRO – Denkanikottai and SRO - Solan personally and collected the information pertaining to the guideline value for all survey numbers and collected transactions pertaining to comparable lands [Comparable lands are situated very nearer to the subject property with similar nature/ properties like land locked nature, agricultural land, distance from main road, dry lands, etc.,] adjacent to the property.

2.1.6 Mr. S.J. Ranganatha in his response submitted that the Guideline values of all survey numbers are collected as well as the documents/sale deeds registered related to the lands situated nearby/comparable to the subject property for the period one year prior to the Liquidation commencement date and 6 months after were perused and as per the same details have been found/recorded. The Guideline values and encumbrance entries are public documents which are available in Tamil Nadu Government website i.e. www.tnreginet.net for the land situated at Hosur and the notification no. SDM/SLN/SDK/2022, Dated: 01/04/2022, issued by The Collector, sub-division Solan, District Solan, Himachal Pradesh for the land situated at Solan.

2.1.7 Mr. S.J. Ranganatha in his response also submitted that since the information/data and details of the guideline values and circle rates with respect to the land rates are very exhaustive and not nearer or not relevant to the actual prevailing market rate/value, and if the same is mentioned in the report, it could have been led to confusion and mislead the user of the report, therefore, Mr. S.J. Ranganatha decided to not mentioned the same in his report.

2.1.8 Mr. S.J. Ranganatha in his response further submitted that the guideline value or circle rate is only for the purpose of collection of stamp duty and registration charges and has got no bearing on the fair market value, and it do not reflect the actual value in the market. The circle rate or guideline values are lesser than the actual /prevailing market value whereas, the market value is determined by the market forces of supply and demand and its reflects the current conditions in the real estate market. The guideline value or circle rates are same for all type of properties (marketable and non-marketable) i.e., clear title properties, the properties in litigation, the properties which doesn't have accessibility/Land locked properties tandem plots etc., and often due to policy decisions of the state governments the guideline value/circle rate is kept constant for many years, Hence the guideline value/circle rate doesn't reflect the actual rate/value in the prevailing market.

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.

2.1.10 The Authority also notes that Mr. S.J. Ranganatha 's submission that the circle rate, encumbrance entries, and guideline values, being publicly available and extensive, did not contribute meaningfully to the market value, since Mr. S. J. Ranganatha believed that including this information could cause unnecessary confusion and potentially mislead readers of the valuation report because many readers might simply compare these values without understanding the distinctions between guideline value, circle rate, and prevailing market rate. Consequently, Mr. S. J. Ranganatha deliberately chose to omit these details from the report.

2.1.11 The Authority is of the view that proper and adequate disclosure of the circle rate, encumbrance entries, and guideline values is essential for stakeholders to understand and appreciate the methodology adopted by Mr. S.J. Ranganatha. The Authority does not accept the submission of Mr. S.J. Ranganatha that since the said information is already in public domain, the same is not required to be disclosed. The argument of Mr. S.J. Ranganatha that mentioning such information could have created confusion in the mind of public is also not acceptable. Rather the adequate disclosure would have facilitated the concerned stakeholder in taking a well-informed decision if such information could have been mentioned.

2.1.12 The Authority notes that Mr. S.J. Ranganatha had failed to disclose circle rates 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. S.J. Ranganatha 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 the RV in his response has submitted the working papers prepared by him while conducting the valuation of the given lands which given the details of market rates obtained by him and its specific sources. 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 rates.

2.1.13 In view of the aforesaid observations, the Authority finds that Mr. S.J. Ranganatha has contravened Rule 8(3)(g) of the Valuation Rules, which require that a valuer must clearly state in their report the nature and sources of information used or relied upon considered during the valuation. Adhering to these requirements is essential to uphold the accuracy and credibility of the valuation, ensuring that stakeholders can fully understand and trust the methodology employed by the valuer.

3. Order.

3.1 The valuation report is based on the professional opinion of the valuer backed by his expertise and skills. Therefore, a valuation report is inherently subjective in nature. However, it must be kept in mind that the reliability of the valuation report decreases with increase in subjectivity. Therefore, it is necessary that all the relevant information considered by the valuer during the conduct of valuation are disclosed in the valuation report itself. The report must clearly state the nature and sources of the information for establishing the reasonableness of valuation estimate provided by him.

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 therefore disposes of this SCN with the direction to be more careful in preparation of the valuation report and ensure that all the relevant information, including the nature and sources of information considered by him, must be disclosed in the valuation report.

3.3 In terms of the directions in para 3.2 above, this Order shall come into force with immediate effect.

3.4 A copy of this order shall be forwarded to IIV Registered Valuers Foundation where Mr. S.J. Ranganatha 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: 31.01.2025

Place: New Delhi