

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./22/2025

31.01.2025

ORDER

This Order disposes the Show Cause Notice (SCN) No. RV-13012/1/2023-IBBI/369/552, dated 09th August 2024 issued to Mr. Sugumar (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. Sugumar is registered with IBBI as a valuer of Land and Building (L&B) with the registration number IBBI/RV/04/2018/10075.

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. Sugumar in respect of the valuation report submitted by him in the liquidation proceeding of 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 09th August 2024 was issued to Mr. Sugumar alleging contravention of the rules 8(3)(g) and (j) of the Valuation Rules, 2017. Mr. Sugumar submitted reply to the SCN on 23rd August 2024. The matter was referred to this Authority for disposal of the SCN where Mr. Sugumar availed the opportunity of personal hearing through virtual mode 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 was observed from the valuation report submitted by Mr. Sugumar that he mentioned the market rate of the land at Hosur unit as Rs. 20,00,000/- per acre to 25,00,000/- per acre and at the Solan unit as Rs. 18,00,000/- per bigha to Rs. 20,00,000/- per bigha. However, the sources of information relied upon by Mr. Sugumar for arriving at such market rate was not mentioned in the valuation report. Mr. Sugumar did not submit any

document reflecting the circle rate of the area or any other evidence of market comparison used by him in this regard. This is also evident from the fact that Mr. Sugumar did not mention any amount in point number 4 under para 3.1.1 "*Guidelines rate obtained from the Registrar's Office (evidence thereof to be enclosed)*" and left the column blank in the valuation report for both the units.

2.1.2 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. Sugumar.

2.1.3 Mr. Sugumar in his response to the SCN submitted that in the valuation report page No. 5, heading "Nature and Sources of Information" it has been 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 registrar office. Mr. Sugumar also submitted that 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. Sugumar in his response further submitted that the SRO - Solan and Denkanikottai was visited and information pertaining to circle rate for the concerned village was personally collected and the transactions pertaining to comparable lands [comparable lands are situated very closer to the subject property with similar attributes like same village road, distance from main road, agricultural land, differential hilly terrain etc.,] adjacent to the property were also collected.

2.1.5 Mr. Sugumar in his response submitted that the market value as per the enquiry was found to be around Rs. 45,00,000/- per Bigha for properties having access from Ochghat - Kalaghat road and around Rs. 30,00,000/- per Bigha for properties in Nagali village with direct road access and around Rs. 15,00,000/- for properties having no access and located in Nagali village.

2.1.6 Mr. Sugumar in his response further submitted that the market value as per the enquiry was found to be around Rs. 50,00,000/- per acre for properties having access to good frontage from Kelamangalam - Denkanikottai main road and around Rs. 30,00,000/- per acre for properties having no access and land locked but near to Kelamangalam-Denkanikottai main Road and around Rs. 25,00,000/- per acre for properties having no access and located in interior village road.

2.1.7 Mr. Sugumar in his response further stated that the circle rate, encumbrance entries, and guideline values, although publicly available and extensive, did not contribute meaningfully to the market value. Mr. Sugumar believed that including this information could cause unnecessary confusion and potentially mislead readers of the valuation report. This is because many readers might simply compare these values without

understanding the distinctions between guideline value, circle rate, and prevailing market rate. Consequently, Mr. Sugumar deliberately chose to omit these details from the report.

Findings of the Authority.

- 2.1.8 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.
- 2.1.9 The Authority notes that point number 4 of para 3.1.1 of the format of the valuation report prepared by Mr. Sugumar, has the entry "*Guidelines rate obtained from the Registrar's Office (an evidence thereof to be enclosed)*". However, this entry has been left blank for the land at Hosur unit as well as for the Solan unit.
- 2.1.10 The Authority also notes that Mr. Sugumar'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. Sugumar 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. Sugumar 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. Sugumar. The Authority does not accept the submission of Mr. Sugumar that since the said information is already in public domain, the same is not required to be disclosed. The argument of Mr. Sugumar 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. Sugumar 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. Sugumar 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 circle rates.

2.1.13 In view of the aforesaid observations, the Authority finds that Mr. Sugumar 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 India 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: 31.01.2025

Place: New Delhi