



भारतीय दिवाला और शोधन अक्षमता बोर्ड
Insolvency and Bankruptcy Board of India

Information Brochure : Registered Valuers – Aiding value maximisation



“A Profession is a disciplined group of individuals who adhere to ethical standards and who hold themselves out as, and are accepted by the public as possessing special knowledge and skills in a widely recognized body of learning derived from research, education and training at a high level, and who are prepared to apply this knowledge and exercise these skills in the interest of others.”

-Australian Council of Professions, 2003.

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A. Introduction:

A market economy relies heavily on the value of underlying assets while finalising various economic decisions. In general, the market discovers the price of an asset on which it is exchanged. However, such a discovered price is very context-specific and often may not reflect the true worth of the asset. It is also neither feasible nor desirable to pass the asset to the market to discover its worth. Therefore, the worth of an asset is estimated in a simulated market condition, which is the value of the asset, which reflects the accurate worth of the asset than the price. This process is called valuation, and which requires specific skill sets. The professional who carries out the valuation exercise is called a valuer.

It is expected that the value of an asset, as arrived at by a valuer, must reflect its true worth and should be more authentic than the price. For example, a wrong valuation under CIRP may lead to liquidation of an otherwise viable company which may be disastrous for the economy. This requires professionalism on the part of the valuer, employing attributes of skill, integrity, impartiality, fairness, and due diligence, etc. The valuer should also continuously improve his skills in parity with the dynamic market conditions, as the market relies on his opinion for economic decision making.

An Institutional framework comprising three key elements namely, standards for valuation, development of profession and regulation of the profession of valuers, also instils confidence of the stakeholders in the profession. Though desirable, such regulatory mechanism to oversee the regulation and development of valuation profession and the professionals were non-existent until the notification of the Companies (Registered Valuers and Valuation) Rules, 2017 (Valuation Rules) on 18th October 2017 under section 247 of the Companies Act, 2013. The profession, until then, was mostly unregulated or loosely regulated. Different statutes requiring valuation also restricted the role to the prescription of indigenous requirements. Although many attempts were made in the past to bring in the valuation profession under the umbrella of a comprehensive legislation, these endeavours were stuck up at various levels due to many reasons.

While such attempts were on and off, enactment of the Companies Act, 2013 provided section 247 that has since paved the way for the development of valuation as a statutory regulatory profession. The Central Government made rules under section 247 of the Companies Act, 2013, and by virtue of the powers under section 458 of the Act, the Government delegated its powers to the Insolvency and Bankruptcy Board of India (IBBI) to implement the statutory mandate under the Act.

The Government specified IBBI as the “authority” to perform the functions under the Rules. This delegation of powers by the Government provided the IBBI functions relating to regulation and development of valuation profession. It is the mandate of IBBI to conduct either its own or through designated agency, valuation examination for one or more asset classes. As the specified authority, IBBI is also empowered to determine the syllabus for various valuation specific subjects or asset classes for conducting valuation examination. It has also been empowered to constitute expert committees to make recommendations for the purpose.

As specified authority, the IBBI grants certificate of registration to individuals as registered valuers for the relevant asset classes. It has also been assigned the task of recognising registered valuer organisations (RVOs), which would function as front-line regulators to develop and nurture the profession.

B. Regulatory Structure

The Valuation Rules establish a two-tier structure for regulation and development of registered valuers (RVs). Considering the previous efforts of self-regulatory organisations in organising and developing the profession namely Registered Valuer Organisations (RVOs) have been recognised as self-regulating professional entities, with clear functions as front-line regulators for the valuation professionals. The primary responsibility of the RVOs is capacity development of their valuer members.

RVOs as Front-Line Regulators

A company registered under section 25 of the erstwhile Companies Act, 1956 or section 8 of the Companies Act, 2013 or a statutory professional institute regulating any profession, is eligible to be recognised as an RVO, subject to the meeting of other eligibility conditions prescribed under rule 12 of the Valuation Rules. The organisation and functions of RVOs are guided by the Model Bye-Laws prescribed under the Valuation Rules. The RVOs perform various developmental functions such as conducting educational courses in valuation, laying down and enforcing code of conduct for its members and providing continuing professional education (CPE) to its valuer members, etc.

As prescribed under rule 12 of the Valuation Rules, RVOs conduct educational courses in valuation, in accordance with the syllabus determined by IBBI, for its members. The mandatory 50 hours educational courses are delivered by RVOs in classroom/virtual mode.

For continuous professional development of its members, CPE has been implemented as a planned and systematic attempt to introduce, review, or alter the competencies and thereby improve the performance of valuation professionals. This meets post-registration professional developmental needs of a professional. A professional valuer is required to update his skills and knowledge on a continuous basis by undertaking CPE to remain relevant to the needs of the market. The IBBI and RVOs, in their regulatory roles, ensure that the valuers continuously unlearn, learn and relearn, and provide opportunities for such learning. In the wake of the COVID-19 situation, online delivery of educational courses and CPE has also been allowed by the IBBI.

As per clause VIII of the Model Bye Laws prescribed under the Valuation Rules, all RVOs have a monitoring policy to monitor the professional activities and conduct of its members. Valuer members are also required to submit information about ongoing and concluded assignments as registered valuers, to the RVOs.

As on March 31, 2022, there are 16 RVOs recognised all over the country. 13 of them are recognised for all the asset classes, 1 is recognised for 2 asset classes and 2 RVOs are recognised for single asset class. The details of RVOs can be accessed at <https://www.ibbi.gov.in/service-provider/valuer-organisations>.

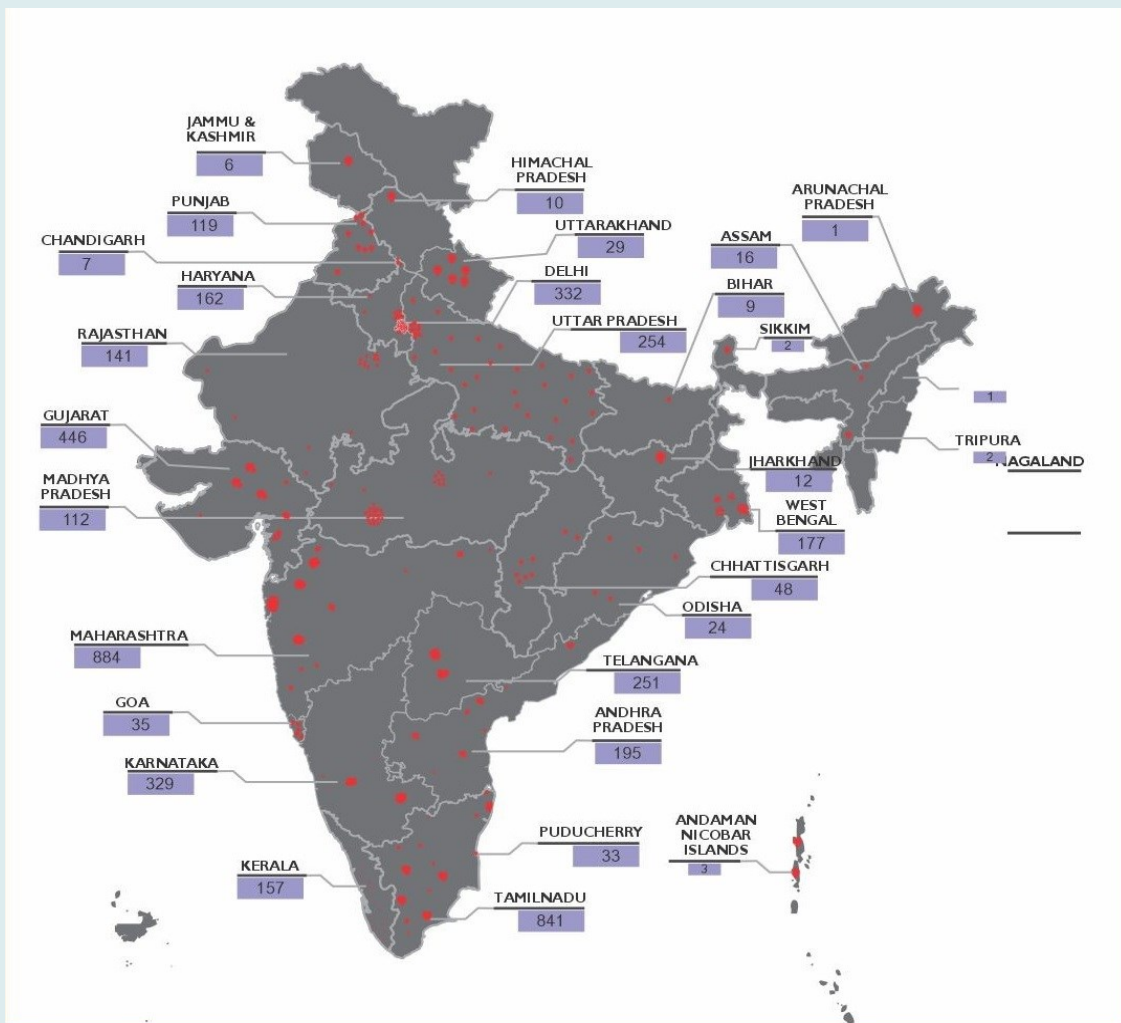
IBBI as Principal Regulator

As the authority under the Valuation Rules to undertake various functions prescribed therein, IBBI's functions, inter alia, include conducting of valuation examination, registration of eligible individuals as RVs, recognition of registered RVOs and monitoring the conduct of RVs and RVOs. Valuation examinations in all the 3 asset classes, namely, Land and Building, Plant and Machinery, and Securities or Financial Assets commenced from March 2018, followed by registration of valuers from June 2018. In pursuance of rule 12 of the Valuation Rules, IBBI has been determining syllabus for educational courses in valuation and reviewing the same from time to time.

RVs

Section 247 of the Companies Act, 2013 prescribes valuation of assets in respect of stocks, shares, securities or goodwill or any other assets or net worth of a company or its liabilities under the Act shall be undertaken only by RVs. The registration of RVs is undertaken by IBBI, under the Valuation Rules. An individual, a registered partnership entity or a company (not being a subsidiary or a joint venture or an associate of another company /body corporate) is eligible to be a registered as an RV. The process of registration of individuals, inter alia, requires membership of an RVO and passing of asset-class specific valuation examination, after undertaking mandatory education course imparted by the RVO. Pursuant to passing of the valuation examination, the individual, within 3 years of the passing of valuation examination, may make an application (recommended by his RVO) for registration as a valuer.

A geographical distribution of RVs as on March 31, 2022 is presented below:



C. Asset Classes

The Valuation Rules prescribe registration of valuers in the following 3 asset classes:

- i. Land and Building;
- ii. Plant and Machinery; and
- iii. Securities or Financial Assets.

Annexure-IV of the Valuation Rules further prescribes eligibility criteria of educational qualifications and professional experience for each asset class.

D. Eligibility for registration as RV

Registration of a Valuer is based on pre-defined entry norms, as under:

For Individuals –

Rule 3(1)(k) of the Valuation Rules, inter alia, mandates, fit and proper criteria for an individual to be an RV. Further, passing of valuation examination, educational / professional qualifications and professional experience, etc., prescribed under rule 4 r/w Annexure-IV of the Valuation Rules are necessary for registration as such.

Eligibility qualification and Experience for Registration as Valuer [As per Annexure-IV of the Valuation Rules]

Asset Class	Eligibility	Experience in Specified discipline
	Qualifications	
Plant and Machinery	(i) Graduate in Mechanical, Electrical, Electronics and Communications, Electronics and Instrumentation, Production, Chemical, Textiles, Leather, Metallurgy, or Aeronautical Engineering, or Graduate in Valuation of Plant and Machinery or equivalent;	(i) Five Years
	(ii) Post Graduate in above courses.	(ii) Three years
Land and Building	(i) Graduate in Civil Engineering, Architecture or Town Planning or equivalent;	(i) Five years
	(ii) Post Graduate in above courses and also in valuation of land and building or Real Estate Valuation (a two-year full-time post-graduation course)	(ii) Three years.
Securities or Financial Assets	(i) Member of Institute of Chartered Accountants of India, Member of Institute of Company Secretaries of India, Member of the Institute of Cost Accountants of India, Master of Business Administration or Post Graduate Diploma in Business Management (specialisation in finance).	(i) Three years
	(ii) Post Graduate in Finance	(ii) Three years

Note- The eligibility qualification means qualification obtained from a recognised Indian University or equivalent whether in India or abroad.

For Entities –

A partnership firm registered under the Indian Partnership Act, 1932 or a limited liability partnership registered under the Limited Liability Partnership Act, 2008, or a company is eligible for registration as a valuer, subject to other conditions stipulated under rule 3(2) of the Valuation Rules. It prescribes that the entity must have been set up for the objects only for rendering professional or financial services including valuation services. In the case of a company, it shall not be a subsidiary, joint venture or an associate of another company or body corporate.

E. Valuation Examination

Individuals, who possess the required qualifications and experience and have also completed their educational courses as member of an RVO are required to qualify the valuation examination for registration as an RV with IBBI. The valuation examination is conducted for 3 asset classes namely, Land and Building, Plant and Machinery and Securities or Financial Assets, to test the professional knowledge, skills, values and ethics in respect of valuation of the respective assets. The examination is based on multiple choice questions with negative marking. Successful candidates, those securing 60 marks or above out of 100 marks, are being issued a certificate by the IBBI, within 30 days of passing the examination.

F. Scope of Valuation for a Registered Valuer

As mandated under section 247 (1) of the Companies Act, 2013, where a valuation is required to be made 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 provisions of the Act, it shall be valued by an RV.

In addition, valuations under Insolvency and Bankruptcy Code, 2016 (IBC) are also required to be undertaken by RVs. With effect from 1st February 2019, all valuations under the Act and IBC are to be undertaken only by RVs.

G. Valuation Standards

The Valuation Rules provide for notification of valuation standards based on the recommendation by the Committee to advise on valuation matters, as may be constituted by the Central Government under rule 19 of the Valuation rules. However, pending notification of the same, an RV is required to undertake valuation as per:

- a. Internationally accepted valuation standards;
- b. Valuation standards adopted by any Registered Valuers Organisation (RVO).
