

Need for Uniform Valuation Standards

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'Timely resolution is very important. I'd request you to ensure that the resolutions are done in time, not just for the regulatory requirement but also because it will result in better valuation going forward.'

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In a global world, rigorous, understandable and universal financial information significantly influences the proper functioning of markets and economic growth conditions. The question whether markets are efficient and if not, where the inefficiencies are located, is central for the assessment of the performance of the economy. The onset of corporate distress is one such situation which enables the identification of market inefficiencies by the regulator. In this regard, it is often crucial to ascertain the value of a distressed company in attempting business valuations, whether carried out for adjudicatory purposes or otherwise. The process of 'valuing' the company and its business units help in the identification of sources of economic value creation and destruction within the company. Those interested in the company's undertaking require this information to determine what should be done with the company's business, and how the value in the company's estate should be distributed amongst them.²

In this context, an understanding of the mechanisms of corporate valuation is an indispensable requirement. The valuation approaches and methodologies aim to establish an economic value of assets and liabilities or of the entire entity or selected businesses, as appropriate, as required by the Regulation. The firm's estimated value regulates the value of the assets to be distributed among insolvency claimants and drives projected pay-outs and recoveries.

Valuation is a vital component of much financial information that is relied on by investors or otherwise used to support decisions in the financial markets. This includes financial reporting, managing the solvency of financial institutions, supporting lending or other investment decisions and the pricing of units in collective investment schemes. It is critical to resolution execution. A robust valuation contributes to the effectiveness of resolution actions, including the legitimacy and soundness of the decision, and the achievement of the resolution objectives. To be robust, a valuation must rely on the timely provision of high-quality data and information to the valuer. To ensure this, there is a need to enhance institutions' preparedness in the course of the resolution planning phase.

¹ Deputy Governor, Reserve Bank of India

² Crystal, M. & Mokal, R. (2006). The Valuation of Distressed Companies - A Conceptual Framework, Part II. *International Corporate Rescue*. 3.

Valuations form a key part of publicly traded companies' audited accounts, which should provide transparency and comparability in relation to the fair value of assets and liabilities, and therefore, can impact companies' share prices. A consistent approach to performing quality valuations is of interest to anyone with a pension or investment in real property or publicly traded shares, and more broadly society who wish to see financial market stability, because of the link to a stable economy in different tax jurisdictions, as well as in connection with the determination of global transfer pricing arrangements.

Valuations also have a significant impact on the transfer of intellectual property rights between related parties in different tax jurisdictions, as well as in connection with the determination of global transfer pricing arrangements.

NEED FOR STANDARDS FOR VALUATION

Given the high positive correlation between an accurate valuation and the effectiveness of the resolution action(s), including safeguarding of public money, the valuation methods should identify the data and information needs that in principle ensure the performance of a definitive valuation. Besides being a complex process and exercise, valuations are required for various purposes and periods making it more challenging. Therefore, the need for standards in valuation is based on accepted and robust principles and methods were put in place in different countries to serve the various sectors of the economy, especially, financial, banking and taxation.

Standards provide a benchmark to the professionals to ensure uniformity in approach and quality of valuation output. They encourage 'best practices' and fairness in valuation services. They endorse credibility, relevancy and transparency of valuation information. Furthermore, they augment quality, consistency, comparability and uniformity of valuation practice. To enhance reliance on the valuation amongst stakeholder, they boost market knowledge and understanding and expand corporate governance. In this way, they improve public confidence in valuation and improve market efficiency.

Pertinently, a standard helps in the identification of or development of globally accepted principles and definitions. They also play a significant role in the promulgation of considerations for undertaking valuation assignments and reporting of valuations. Additionally, their import can be felt in specific matters that require consideration and methods commonly used for valuing different types of assets or liabilities.

It is noteworthy that advanced economies could develop standards for valuation due to their inherent advantages like a transparent and stringent regulatory mechanism. However, for other developing and underdeveloped economies, due to their inherent weaknesses, opaque markets and incoherent regulatory mechanisms, standardisation has been big challenge. The presence of standards in the developed world provided courts and adjudicating mechanisms a robust system to adjudicate and settle valuation disputes. The absence of standards led to inconsistency in adjudication of disputes. Also the transformation of markets from the traditional less active ones to fast track high volume transaction markets has led to need for higher level of competence among valuation professionals and expertise in the judiciary which is found wanting and such a situation has led to inconsistencies in valuation, especially in the developing economies. This has led to significant system problems

necessitating an immediate need for putting in place standards and regulatory statutes.

In the twentieth century, global trade in the form of cross border business and finance had been consistently growing due to economic growth across the world. Standardisation of transactions and valuation of assets were increasingly felt in cross border transactions. This created stakeholders in businesses and finances including valuers, investors, government and regulatory bodies. There was a need for a convergence on various aspects of businesses and finances, especially the value and principles of computing values and reporting them at appropriate financial reports of the firms for stability of the financial system. This was the first step towards standardisation.

The consensus between international forums in the valuation field, since 2004, has focussed on developing valuation standards that would clarify the measuring of market (fair) value for tangible and intangible assets. The Toronto Agreement³ asks for valuation professional bodies to work together with the legislative and regulatory bodies in order to clinch the simplification and convergence of financial reporting standards.⁴ These valuation professional bodies have shown their support for the action undertaken by the International Valuation Standards Council (IVSC) and the International Accounting Standards Board (IASB) in this respect.

There is a clear public interest need for globally consistent valuation standards for a multitude of purposes, not just for financial reporting, but also to support secured lending decisions, for tax reporting, litigation support and transaction support etc. However, globally, there are significant inconsistencies in valuation standards. Furthermore, some countries have established valuation professional organisations (VPOs), which have a sophisticated approach to standards, and some other countries have either no VPOs or VPOs with very little or no valuation standards in place.

ECONOMIC DISASTERS CAUSED BY POOR VALUATION STANDARDS

An inflated valuation may cause project cost to rise making it difficult to supply goods and commodities in the face of global competition even within the country's own territorial jurisdiction. Further, a poor valuation may cause a steep rise in the number of non-performing assets (NPAs) of banks and financial institutions. The poor standards of secured lending, valuations had led to serious economic disasters in several countries in the past. The most recent of such disasters was caused by the poor valuation standards in sub-prime lending by banks in the United States (US) that led to a total global meltdown in 2008. The banks in the US advanced loans for sub-prime mortgages indiscriminately without carefully examining the repayment capacity of the borrowers.

In the US, the residential real estate market had never witnessed a downturn since 1989. This convinced the banks about the certainty of recovering their advanced amounts in case of default by the borrowers because they anticipated that the growth in the price of the mortgaged property will be sufficient to recover the loan amount. But the residential market was soon flooded due to a glut of real estate development. Unfortunately, the real estate valuers and other stakeholders of the mortgaged properties were unable to foresee this. As borrowers defaulted, the banks started to sell off the mortgaged properties through foreclosures. But the sale of the foreclosed properties failed to achieve the expected price and so the banks were

³ Sayce, S. & Connellan, O., (2005). Convergence of valuation standards, *Property Management*, 20 (4), Business Source Premiere Database.

⁴ Adela, Deaconu., Silvia, Cristina Nistor., Filip, Crina., & Cuzdriorean, Dan. (2010). Measuring the Convergence Degree between Accounting and Valuation Standards: Case Study on Intangible Assets, *International Journal of Business Research*, 10 (2).

unable to recover their advances and pay off the depositors' money. The bank failures sent a chain of reactions across the country and the globe as everyone was eager to withdraw funds from all investments. The share markets across the worlds crashed because of globalisation and the entire world was in the midst of an economic disaster.

Similar chain of events had also been witnessed elsewhere earlier. In 1997, the Bank of Thailand collapsed under its property loans due to poor valuation standards in a similar fashion and that again caused the crashing of share markets of the south-east Asian region including the countries like South Korea, Indonesia, Malaysia and others. Again, due to globalisation, the impact of this also affected the US and Russia.

A look, further backward down the history, would indicate that similar collapse of property market occurred in 1973 when commercial rent freeze was introduced by the UK government to check inflation. The real estate valuers were unable to foresee the eventual effect that it would bring on the property market and the British economy as a whole. The prices of the developed commercial properties were unable to take off and the developers could not lease their developed properties at even break-even prices. The developers were, therefore, unable to repay their loans from the banks and a number of banks collapsed as a result putting the economy in turmoil.

CLASSIFICATION OF VALUATION STANDARDS

The objective of valuation standards is to standardise the various principles, practices followed by registered valuers or valuation professionals in valuation of assets and liabilities. They can be classified into:

- Principles-based or rules-based standards;
- International or local standards.

Principles-based standards present general, broad norms of conduct. They emphasise expected outcomes. Firms have to reverse engineer what they need to do to meet these expectations and document to the regulator and the court how their actions achieve this. A rules-based standard uses detailed, prescriptive norms of conduct. Rules-based systems emphasise what firms must do to comply. The regulator must forward engineer the implications of compliance for the intended regulatory outcomes.

International standards are followed worldwide. Local standards are limited to the country specific. The following two standards have a worldwide following:

- International Valuation Standards (IVS) issued by the IVSC; and
- The Royal Institution of Chartered Surveyors (RICS) Red Book.

Both IVS and the RICS Red Book command great respect among the users of valuation.⁵

INTERNATIONAL VALUATION STANDARDS

IVS are issued by IVSC, which is 'the independent global standard setter for valuation practice and the valuation profession.'⁶ It is a non-government organisation having 141 members and

⁵ RICS Research, The Role of International and Local Valuation Standards in Influencing Valuation Practice in Emerging Practice in Emerging and Established Markets, March 2014.

⁶ <https://www.ivsc.org>

sponsors.⁷ The current set of IVS 2017 has two parts: the *General Standards*: IVS 101 to IVS 105 (principles applicable to all asset classes)⁸ and the *Asset Standards*: IVS 200 to IVS 500 (principles applicable to specific asset classes).⁹ The coverage of asset classes in IVS has been expanding over the years. Additional standards are required in a number of asset classes of interest to India including standing crops, plantations, livestock, precious metal, precious stones, antiques, and mines, minerals and quarries.

Adoption of IVS by countries

Many countries have been adopting IVS as national standards, for example, Romania, South Africa, Turkey, Abu Dhabi, Bahrain, Dubai and Philippines. IVS has been adopted as national standards with amendments to meet requirements of national legislation by Australia and New Zealand. Professional organisations have adopted part or all IVS for their members in many countries including China and Hong Kong. IVS has been used in IFRS Model Financial Statements published by two of the Big Four accounting firms, Deloitte and EY.¹⁰ The European Banking Authority (EBA) references IVS in a new valuation handbook for central banks and prudential regulators across the EU.¹¹

In December 2018, global real estate firm Newmark Knight Frank became the first such corporate member of the IVSC, signalling a commitment to international standards and valuation professionalism.¹²

THE RICS RED BOOK

RICS is an independent professional body established in 1868 and it has a UK Royal Charter. According to its website, ‘The Charter means that important changes to our constitution – its bye-laws–have to be ratified by the UK Government, through the Privy Council, even after they’ve been approved by a majority of our members voting at a general meeting.’¹³

RICS Red Book adopts and applies IVS. RICS supports and contributes to the development of IVS. It is a sponsor of the IVSC. IVS is appended to the RICS Red Book as part of the agreement between the IVSC and RICS to align their standards. RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure.¹⁴

RICS has technical standards as well as rules of conduct for members and rules for the conduct of business firms.¹⁵ RICS certifies valuer credentials and sets valuation standards. Being a self-regulatory body, it regulates the conduct of its members.

⁷ IVSC, Annual Report, 2018-19 p. 8.

⁸ IVS 101 Scope of Work, IVS 102 Investigations and Compliance, IVS 103 Reporting, IVS 104 Bases of Value, IVS 105 Valuation Approaches and Methods

⁹ IVS 200 Business and Business Interests, IVS 210 Intangible Assets, IVS 300 Plant and Equipment, IVS 400 Real Property Interests, IVS 410 Development Property, IVS 500 Financial Instruments; New set of IVS will be effective from January 31, 2020.

¹⁰ Deloitte, International Financial Reporting Standards (IFRS) Model Financial Statements (2018), <https://www.iasplus.com/en/publications/global/models-checklists/2018/ifrs-mfs-2018>; Ernst & Young, Good Group (International) Limited, Illustrative consolidated financial statements for the year ended December 31, 2017, [https://www.ey.com/Publication/vwLUAssets/ey-ifrs-ctools-good-group-2017/\\$File/ey-ifrs-ctools-good-group-2017.pdf](https://www.ey.com/Publication/vwLUAssets/ey-ifrs-ctools-good-group-2017/$File/ey-ifrs-ctools-good-group-2017.pdf)

¹¹ *Supra* note 7 at p. 7

¹² *Id.* at p. 21

¹³ Official website of the RICS; The Privy Council is the mechanism through which interdepartmental agreement is reached on those items of Government business which, for historical or other reasons, fall to Ministers as Privy Counsellors rather than as Departmental Ministers. <https://privycouncil.independent.gov.uk>

¹⁴ RICS Valuation – Global Standards 2017: India National Supplement, (July 2019). <https://www.rics.org>

¹⁵ IVSC Consultation Paper, *Structure and Scope of the International Valuation Standards* Response of the RICS, October 1, 2014.

RICS Valuation–Global Standards, commonly known as the Red Book, were first published in 1976. The current version is the one published in 2017.

The RICS Red Book also includes *Valuation Practice Guidance–Applications (VPGA)*. These are advisory. Among the topics covered are valuation for specific purposes and valuation of certain specific asset types. Departures are allowed by RICS from its global standards to meet local statutory or regulatory requirements. These are called ‘National Association Valuation Standards’. In the event of conflict between these standards, the National Association Valuation Standards take precedence and may not be interpreted as imposing a lesser standard than the global standards.

In view of the flexibility described above, national association valuation standards have been published in Brazil, Canada, Cyprus, France, Germany, Greece, Hong Kong, Poland, Portugal, Russian Federation, and Sweden.

In July, 2019, RICS issued RICS Valuation–Global Standards 2017: India national supplement 2019. These are effective from July 2019.¹⁶ This national supplement sets out supporting guidance for members on the application of RICS Valuation–Global Standards, 2017 (Red Book Global Edition) to valuations undertaken subject to Indian jurisdiction. It places fresh emphasis on the fact that the content is supplemental to that in Red Book Global Edition, and not in substitution for it. This removes the need for an overall Introduction reproducing that in Red Book Global Edition. Specific standards that apply in India – VPGAs:

- Ind VPGA 1 Valuations for financial statements;
- Ind VPGA 2 Valuations for secured lending;
- Ind VPGA 3 Valuations for taxation purposes;
- Ind VPGA 4 Valuations for determining the compensation to be paid for the compulsory acquisition of land by the government;
- Ind VPGA 5 Valuations of properties under the Insolvency and Bankruptcy Code, 2016 (Code);
- Ind VPGA 6 Valuations for Real Estate Investment Trusts (REITs).

STATUS OF VALUATION STANDARDS IN SELECT COUNTRIES

Over the years, more countries have been moving towards IVS or are planning to do. China is good example of a major country choosing to work with the IVS instead of developing its own standards. US has decided to work with the IVSC for converging local standards with IVS.

The Table below details the valuation standards followed in different jurisdictions across the world:

¹⁶ *Supra* note 14

S. No.	Country	Standard followed by Appraisers	Remarks
1.	US	Uniform Standards of Professional Appraisal Practice (USPAP), IVS and the AICPA Statement of Standards for Valuation Services No. 1. ¹⁷	USPAP are not created as International Standards. The Appraisal Foundation (TAF) does not require compliance with USPAP.
2.	UK	Besides the Red Book, the UK National Supplement is followed	UK National Supplement contains standards and guidance applications.
3.	Canada	Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)	CUSPAP endorse IVS as an authority promoting worldwide acceptance of standards for property valuation and are compliant with IVS. ¹⁸
4.	Australia & New Zealand	Australia & New Zealand Valuation Standards set by the Australian Property Institute (API) and the Property Institute of New Zealand (PINZ).	Australian Property Institute (API) requires mandatory training in IVS. ¹⁹
5.	Singapore	Valuation Standards issued by Singapore Institute of Surveyors and Valuers (SISV)	SISV is a member of IVSC and the World Association of Valuation Organisations (WAVO), headquartered in Singapore. ²⁰
6.	Hong Kong	HKIS Valuation Standards 2017 issued by the Hong Kong Institute of Surveyors (HKIS)	HKIS Valuation Standards 2017 were issued following two global valuation standards that became effective on 1 July 2017 IVS 2017 and the RICS Red Book 2017 ²¹
7.	China	China Valuation Standards (CVS)	Issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers (BVAEAP), a government body. The new Malaysian Valuation Standards comes with seventeen standards and two introductory chapters.
8.	Malaysia	Malaysian Valuation Standards	Issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers (BVAEAP), a government body. The new Malaysian Valuation Standards comes with seventeen standards and two introductory chapters.
9.	Philippines	Philippines Valuation Standards	Issued by the Philippine Government. Philippines becomes the latest APEC country to adopt IVS in new valuation laws. ²²

VALUATION STANDARDS: INDIAN SCENARIO

The importance of valuation and its recognition in the financial world in situations of buyout, mergers or insolvency is increasing in the Indian economy. In addition to the statutory requirements, valuations are required for a number of other purposes such as for obtaining bank loans, financial reporting, mergers and acquisitions, compulsory acquisitions, REITs, property tax assessment, and registration fee and stamp duty determination, family

¹⁷ Technical Advisory Service for Attorneys (TASA), Every Attorney Should Know About Appraisal Report Critique, <https://www.tasanet.com/Knowledge-Center/Articles/ArtMID/477/ArticleID/1251476/Every-Attorney-Should-Know-About-Appraisal-Report-Critique>

¹⁸ Official website of the Appraisal Institute of Canada, <https://www.aicanada.ca/>

¹⁹ Australian Property Institute (API), Valuation and Property Standards, <https://www.api.org.au/valuation-and-property-standards>

²⁰ Official website of the World Association of Valuation Organisations (WAVO), www.wavoglobal.org; According to WAVO's website, "WAVO members are located from around the world from South-East Asia (Singapore), to Asia (Hong Kong, Korea and China), Australasia (Australia and New Zealand) to Europe (Romania, Germany, Portugal) and in America (United States and Mexico).

²¹ Hongkong Institute of Surveyors (HKIS), (2017). HKIS Valuation Standards, 2017, https://www.hkis.org.hk/ufiles/HKIS-VS2017_rev2.pdf

²² *Supra* note 11

settlements, contractual disputes, and intellectual property disputes. It is also required under various Securities and Exchange Board of India (SEBI) regulations including those for REITs, mutual funds and takeovers. Moreover, IRDAI has requirements for valuation of securities held by insurers for net asset value (NAV) calculation. Valuation is also required under various provisions of the Income Tax Act, 1961 and Wealth Tax Act, 1957.²³ The Reserve Bank of India (RBI) too has valuation requirements for issue and transfer of shares where non-residents are involved. However, in the absence of any statutory mandate and local valuation standard issued by any regulatory authority, the valuers generally have been following the IVS General Standards with or without minor modifications or the RICS Red Book.

Under the Companies Act, 1956, there was no provision for conduct of valuation by complying with the prescribed / notified standards. Valuers use to give their opinion without following any particular standards. The Institute of Chartered Accountant of India (ICAI) has issued ICAI valuation standards in August 2018 and the Centre for Valuation Studies, Research and Training Association (CVSRTA) has issued draft valuation standards. However, there is no track record of their application and they do not cover all asset classes.

With the enactment of the Code, the importance of valuation has become noticeable. Fair value and liquidation value requirements are prescribed under the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016. Section 59 of the Code requires valuation for voluntary liquidation. Valuation is required for financial reporting purposes under the Companies (Indian Accounting Standards) Rules, 2015.

Besides the Code, the registration of valuers under section 247 of the Companies Act, 2013 is flagged as an important milestone for the valuation profession. Section 247 provides for valuation by registered valuers where a valuation is required under the provisions of the Act. With the Government realising the need for regulating the valuation professionals and valuation professional organisations, this is increasingly cited as the first step towards a comprehensive regulatory mechanism for such professionals. Only with the notification of this provision that most of the valuation fraternity realised the existence of IVS and the reform in the valuation profession suddenly started taking shape. In no time, it became 'a reform for the regulator as well as regulated'. Prior to the notification, there was no provision for doing valuation as per valuation standards. Valuers of big firms only used to follow IVS or the RICS Red Book or a mix of both.

It bears emphasis that in pursuance of Rule 19 of the Companies (Registered Valuers and Valuation) Rules, 2017, the Central Government has, on April 23, 2018, set up a 'Committee to advise on Valuation Matters'. This Committee has been tasked with making recommendations on the formulation and laying down of valuation standards and policies for compliance by companies and registered valuers. The Committee has submitted its first report to the Central Government in the month of February, 2019 and is expected to come up with a further report on valuation standards in due course.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Registered Valuers and Valuation) Rules, 2017 (the Rules) on October 18, 2017. The relevant provisions in this

²³ Valuation under the Income Tax Act, which is being conducted as per the Income Tax Valuation Rules. (their application is limited solely to valuation for tax purposes), CPWD's *Guidelines for Valuation of Immovable Properties* published in 2009 and the Indian Banks Association's publication *Handbook on Policy, Standards and Procedures for Real Estate Valuation by Banks and HFLs in India* published in 2009. (these publications are more in the nature of rules and application guidance and less in the nature of standards and principles)

regard are those as contained in rule 2 (i) (Definition),²⁴ rule 8 (Conduct of Valuation),²⁵ rule 18 (Valuation Standards)²⁶ and rule 19 (Committee to advise on Valuation Matters).²⁷ These Rules apply for valuation 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 provision of the Act or these rules. The Central Government has designated the Insolvency and Bankruptcy Board of India (IBBI) as an Authority under the Rules. IBBI, upon designation as an Authority, demonstrated the highest commitment for establishment and regulation of the unregulated profession so far. Very swiftly, it started registration of registered valuers organisations (RVOs) and commenced the online examination on March 31, 2018 and then the registration of valuers.

REGULATORY GOALS AND CHALLENGES

Acceptance of any new regulatory mechanism is difficult in the society as challenges are always there. The Central Government (Regulator) and IBBI (Authority) faced many hurdles. To overcome these, minor amendments in the Rules were made. It was clarified by an amendment that conduct of valuation under any other law than the Companies Act, 2013 or the Rules by any person shall not be affected by virtue of coming into effect of the Rules. Valuer Organisations existing prior to enactment of section 247 (Societies/Associations) came forward proactively and others by follow up have put steps together with the Regulator.

The Regulator (Central Government) has shown keen interest in fulfilling its duty. It announced the formation of an Institute for Valuers on the lines of other three Professions (i.e. CA, CS, CWA) in the first National Seminar of Valuers, organised by IBBI on June 8, 2019. Further, the Government announced the constitution of a Committee of experts to examine the need for an institutional framework for regulation and development of valuation professionals by an order dated August 30, 2019.

IBBI as an 'Authority'²⁸ has been pro-active in organising various conferences, seminars and webinars for creating awareness about the profession. Some of the RVOs have shown great interest in knowledge building and sharing. Participation of large number of valuers in various programmes across the country shows that the Authority has been successful in creating awareness and has left an impact about the acceptance of a regulated mechanism. For example, participation of approximately 150 valuers from across the country in a two-days programme conducted by an RVO in association with the IBBI exclusively on valuation standards on August 31, 2019 and September 1, 2019 at New Delhi shows the eagerness of the valuers to adopt the new valuation standards, as and when notified by the Central Government in near future. There has been unprecedented cooperation and partnership between the

²⁴Valuation standards' means the standards on valuation referred to in rule 18;

²⁵ A registered valuer shall, while conducting a valuation, comply with the valuation standards as notified or modified under rule 18: Provided that until the valuation standards are notified or modified by the Central Government, a valuer shall make valuations as per:

(a) internationally accepted valuation standards;
(b) valuation standards adopted by any RVO.

²⁶ The Central Government shall notify and may modify (from time to time) the valuation standards on the recommendations of the Committee set up under rule 19.

²⁷ The Central Government may constitute a Committee to be known as 'Committee to advise on valuation matters' to make recommendations on formulation and laying down of valuation standards and policies for compliance by companies and registered valuers.

²⁸ Under section 2 (1) (b) 'authority' means an authority specified by the Central Government under section 458 of the Companies Act, 2013 to perform the functions under these rules

Authority and stakeholders with the motive to take a leap towards the development of this profession.

It is also relevant to mention here that 'valuation' has been attributed a higher weightage by the Adjudicating Authority. For example, in *Binani Cements Ltd.*,²⁹ the National Company Law Tribunal (NCLT), Kolkata Bench raised questions on the authenticity of the valuation of stressed assets, done by the resolution professional.

CONCLUSION

Valuation standards have a significant role to play in helping to regulate professional practice at national, regional and global levels, promote professional ethics, integrity, impartiality and trust in valuer activities. Many Governments and professional bodies are responding to international pressure to regulate the valuation profession by reviewing the regulatory environment, valuer training and compliance with standards. At a global level, the IVSC has become the recognised body that produce the IVS. However, despite the existence of these Standards there is considerable variation in how local standard engage and comply with the accepted principles laid out in the IVS. This is further compounded by diverging bases of value and methodologies that are being adopted for valuation across the world. The different interpretation of concepts such as market value, differing valuation approaches adopted as well as the lack of qualified valuers continue to represent major challenges across both mature and emerging markets.

Valuation as a field is gaining importance and is considered as one of the most critical areas in finance and is increasingly utilised in buying/ selling, insolvency resolution, merger and acquisitions. It is an inexact science requiring both objectivity and subjectivity. Hence, professional judgment of the valuer is critical in valuations. It plays an important role in the insolvency resolution regime where fair and liquidation value must be ascertained by the Resolution Professional through the Registered Valuers.

One of the key reasons of regulating this domain was to bring consistency and uniformity. Different valuers have been taking different assumptions which may lead to drastic differences in value conclusion. In many cases, valuation also lacks uniformity and generally accepted global valuation practices. The standards provide a benchmark to the professionals to ensure uniformity in approach and quality of valuation output.

Recognising the need to have consistent, uniform and transparent valuation policies and harmonise the diverse practices in use in India, uniform valuation standards having international recognition are required. Simultaneously, the valuation standards should be consistent with the Indian legislative, regulatory or other authoritative requirement. However, credible valuation standards setting is not something that can be achieved unilaterally, it requires extensive collaboration between standard setters; a willingness to compromise and a shared aspiration to enhance and empower the profession in the public interest.

²⁹CP (IB) No. 359/KB/2017