

**POINTS OBSERVED IN PEER REVIEW  
PROCESS FOR 2022 - 2023**

**CONDUCTED BY RVO ESTATE MANAGER  
AND APPRAISAL FOUNDATION**

## **OBSERVATION IN PEER REVIEW PROCESS - RVO ESMA**

1. In most of the cases Cost Approach being followed and in very few cases no clear indication regarding valuation approach is mentioned.
2. There are improvements in mentioning the IVS i.e. Valuation Standard followed in comparison with last year. General standards and asset standards are to be mentioned categorically.
3. Almost all the cases Caveat, Limitation and Disclosure being mentioned.
4. In most of the cases assumption taken based on the data supplied by the management only.

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5. In most of the cases no attempt was taken to confirm whether or not all assets of the business are free from any encumbrances also regarding title of the assets.

As per Rule background information are also required to be mentioned in the Report.

6. Problem in arriving at liquidation value- It is observed that the liquidation value of all assets are kept in certain percentage of the corresponding fair values of each asset. This flat rate percentage deduction to arrive at the liquidation value and the detailed process of arriving at liquidation value must form part of the report. Though, we understand that it is very difficult to assess the liquidation value of an asset on the date of CIRP commences.

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7. In very few cases Special Assumption been considered (IVS 2, 3.6), which are based on due diligence process and to rely on actual information regarding the matter provided by the clients.
8. Almost all the cases Statutory Compliance been observed.
9. The definition of Fair Value and Liquidation Value do not fall under IVS but defined in IBC. But, overall approach, methodology, assumptions and other premises of value comes under IVS, can be considered as umbrella. So, a valuer should mention in the report that though fair value and liquidation value as defined in IBC are considered, the overall valuation process has been made under the IVS and it's relevant asset and general standard. We understand, that it is difficult to follow IBC and IVS both by the Valuer while doing the valuation process, as the differences of definitions are playing major roll in creating confusion.

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10. The **highest and best use (premises of value from IVS 104)** of an asset is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible. Highest and best use is the use, from a *participant* perspective, that would produce the highest *value* for an *asset*. No report considers HABU.

11. In one case though the purpose of Valuation being mentioned as “Estimation of realizable value of the assets”. As the client requested for the “Realizable Value” But Peer Reviewer unable to make any remark / opinion as the definition not found neither in Glossary of Terms for International Valuation Standard – 2022 or in the IBC. In this type of situations, we suggest that the valuer should understand the real need of the client and should try to educate the relevance of Valuation process.

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12. While Gross Replacement Cost is considered, no annexure is shown as regards to the current value of the similar assets and no annexure was found in the report regarding the current quotation of a similar asset. Even, No derivation or logic or market price quote was evident from the report so that one can judge the logic of the of the value opinion. Using DRC method requires justification. The method can be used only when the market is not available. This Justification is lacking.

13. The valuer may keep track on the job and see how successful is the said value opinion. True professionals should see how closely their opinion on value matches with the verifiable outcome. The verification of the value opinion, in case the verifiable outcome closely matches with the value opinion of a valuer, i.e if the asset sale value matches with the value opinion, the success should be celebrated.

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15. The valuers must understand the nuances between obsolescence and depreciation. They should not consider only the depreciation schedule published by MCA but also the obsolescence factors which can be achieved by experience, knowledge and observation.

16. The assignment/engagement letter must form part of the valuation report and should include the minimum points set forth by the RVO in its sample letter.