

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./25/2025

05th March 2025

ORDER

This Order disposes the Show Cause Notice (SCN) No. RV-13012/1/2023-IBBI/377/711, dated 20th September 2024 issued to Mr. Darisipudi Veerraju Rajkumar (RV) under rule 17 read with rule 15 of the Companies (Registered Valuers and Valuation) Rules, 2017 (Valuation Rules). Mr. Darisipudi Veerraju Rajkumar is registered with IBBI as a valuer of Land and Building (L&B) with the registration number IBBI/RV/01/2018/10031.

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. Darisipudi Veerraju Rajkumar in respect of the valuation report submitted by Mr. Darisipudi Veerraju Rajkumar in the capacity of director of Resolute Valuers & Consultants Private Limited for the asset class Land and Building in the Corporate Insolvency Resolution Process (CIRP) of M/s. 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 20th September 2024 was issued to Mr. Darisipudi Veerraju Rajkumar alleging contravention of the rules 8(3)(g), 8(3)(h) and 8(3)(j) of the Valuation Rules, 2017. Mr. Darisipudi Veerraju Rajkumar submitted reply to the SCN on 17th October 2024. The matter was referred to this Authority for disposal of the SCN where Mr. Darisipudi Veerraju Rajkumar availed the opportunity of personal hearing through virtual mode on 21st February 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:

Issue regarding valuation of flat situated in Malad (West), Mumbai:

- 2.1. It has been observed from the valuation report that Mr. Darisipudi Veerraju Rajkumar has mentioned the current market value of comparable flat situated at Malad (West),

Mumbai at Rs.130.20 lakhs. However, Mr. Darisipudi Veerraju Rajkumar has brought down the market value by discounting 25% to Rs.97.22 lakhs to account for depreciation in Mr. Darisipudi Veerraju Rajkumar valuation report. On this depreciated value (DV) of Rs. 97.22 lakhs, Mr. Darisipudi Veerraju Rajkumar has applied a further discount of 25% and calculated the Fair Value (FV) as Rs. 72.91 lakhs. For calculation of the Liquidation Value (LV), Mr. Darisipudi Veerraju Rajkumar has applied an additional 25% discount to the FV and calculated the LV as Rs. 54.68 lakhs.

- 2.2. Accordingly, the final FV and LV calculated by Mr. Darisipudi Veerraju Rajkumar is less by 44% and 58% respectively of current market value of Flat. Mr. Darisipudi Veerraju Rajkumar has applied a cumulative discount that significantly reduced the final valuation without clear justification for each layer of reduction. Further, the computation of DV and FV calculation is not explicitly mentioned in the Valuation Report.
- 2.3. Mr. Darisipudi Veerraju Rajkumar has also not mentioned in the valuation report any reliable and credible documents such as circle rate/ Government Guideline Rate of that area. This becomes more relevant in this case since the LV of the said flat is Rs.54.68 lacs which is almost 25% lower than Government Guideline Rate as has been observed from Mr. Darisipudi Veerraju Rajkumar's reply to the draft inspection report.
- 2.4. Rule 8(3)(g), 8(3)(h) and 8(3)(j) of the Valuation Rules provide that RV shall state the nature and sources of the information used or relied upon, procedures adopted in carrying out the valuation and the major factors that were taken into account during the valuation in his report. This information was not mentioned by Mr. Darisipudi Veerraju Rajkumar in the Valuation Report.
- 2.5. This according to the SCN was allegedly in violation of Rule 8(3) (g), 8(3) (h) and 8(3) (j) of the Valuation Rules.

Submission of the Mr. Darisipudi Veerraju Rajkumar.

- 2.6. Mr. Darisipudi Veerraju Rajkumar has determined the fair value and liquidation value of the property in the valuation report in the following manner :—

J. Current Market Value	Rs.130.20 Lakhs
K. Depreciation in 16 Years	Rs.32.98 Lakhs
L. Depreciated Value	Rs.97.22 Lakhs
M. Estimated Fair Value (75% of Depreciated Value)	Rs.72.91 Lakhs
N. Estimated Liquidation Value (75% of estimated fair Value)	Rs.54.68 Lakhs

- 2.7. In this background, the Mr. Darisipudi Veerraju Rajkumar has submitted his explanation to the allegations made in the SCN and has also given a computation sheet alongwith it, as summarised in the following paragraphs.
- 2.8. The computation sheet as provided by Mr. Darisipudi Veerraju Rajkumar in his submission, as Note-1 of his submissions, is as follows:

Note – 1: Computation of Depreciated Value & Fair Value:

Description	Value	Effective Rate per Sq. Ft	Ref.
Total Area	930 Sq. Ft.	-	-
Current Market Value	Rs. 130.20 Lakhs	Rs.14,000/-	(A)
Depreciated Value	Rs.97.22 Lakhs	Rs.10,450/- Rounded Off	(B)
Fair Value (75% of DV)	Rs.72.91 Lakhs	Rs.7,840/- Rounded off	(C)

While ascertaining the Estimated Depreciated Value as well the Estimated Fair Value of the subject Residential Flat, Mr. Darisipudi Veerraju Rajkumar have considered the price adjustments by taking into account the following factors:

Particulars	Subject Property	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Location of the subject & comparable properties	Bhoomi Classic CHS, Malad (West)	Sadguru Millenium Tower (Borivali East)	Shivalaya CHS, (Borivali East)	Kalpataru Girishikar, (Borivali East)	Jai Shiv Neri CHS, (Borivali East)
Distance from Subject property (KM)	-	7	6	5	6
Ageing in No. of Years	16 years	10 years	10 years	10 years	10 years
Limiting Condition, if any	Under IBC	No	No	No	No
Built Up Area in Sq. Ft	930	610	600	952	565
Listed Price over property portals – INR	-	Rs.95,00,000/-	Rs.85,00,000/-	Rs.1,30,00,000/-	Rs.90,00,000/-
Rate per Sq. Ft – INR	-	Rs.15,574/-	Rs.14,167/-	Rs.13,655/-	Rs.15,929/-
Average Rate Considered for ascertaining the Current Market Value – INR (Rounded Off) – per Sq. Ft (A)					Rs.14,000/-
Price Adjustment for arriving at the Depreciated Value					
Distance from the subject property [PHYSICAL]		10%	10%	10%	10%
Ageing compared to the of the subject property [PHYSICAL]		(15%)	(15%)	(15%)	(15%)

Size of the Comparable properties as compared to subject property [FUNCTIONAL]	(25%)	(25%)	0%	(25%)
Total Price Adjustment	(30%)	(30%)	(5%)	(30%)
Adjusted Rates – INR (Rounded Off)	Rs.10,000/-	Rs.9,000/-	Rs.12,000/-	Rs.11,000/-
Average Adjusted Rate Considered for ascertaining the Depreciated Value – INR (Rounded Off) per Sq. Ft (B)				Rs.10,450/-
% of Rate adopted to Average Market Rate				74.66% (approx..)
Price Adjustment for arriving at the Estimated Fair Value				
Other Limiting Condition, if any – Subject Property is under IBC [ECONOMIC]	(20%)			
Other Macro Economic Factors like excess RE Inventory build-up in metro cities [ECONOMIC]	(5%)			
Total Price Adjustment %	(25%)			
Adjusted Rate Considered for ascertaining the Fair Value – INR (Rounded Off) per Sq. Ft	Rs.7,840/-			
% of Rate adopted to Adjusted Rate Considered for ascertaining the Depreciated Value	75%			

- 2.9. In addition to the above computation sheet, Mr. Darisipudi Veerraju Rajkumar has also provided his detailed explanation with respect to the valuation exercise conducted by him. Mr. Darisipudi Veerraju Rajkumar submitted that as indicated by him in the valuation report, the current market value of the subject flat has been estimated considering the average prevailing market price of comparable properties as available over the public portals, which works out to Rs.130.20 lakhs.
- 2.10. Mr. Darisipudi Veerraju Rajkumar further submitted that the market value of the comparable property corresponds to the value ascertained on the basis of highest and best use principle which is different from the ‘current and existing use’ premise applicable for the valuation of assets of the corporate debtor under CIRP. As such, the market value of similar properties in the same/nearby locality calls for adjustments on account of the following:
- Ageing of the property - Mr. Darisipudi Veerraju Rajkumar submitted that the subject property is 16-year-old as on valuation date as against the properties listed in the public portal which are fairly new. Therefore, the adjustment necessary towards vintage factor (depreciation or physical obsolescence) of the subject property works out to be around 25%. Mr. Darisipudi Veerraju Rajkumar submitted that first adjustment of 25% was necessary to make the current market value of comparable properties to be adjusted to the Depreciated Current Market Value to ensure a proper comparison with the subject property

- (ii) Qualitative adjustments - Mr. Darisipudi Veerraju Rajkumar submitted that the properties listed in the public portals were high rise buildings and have much better amenities and facilities compared to the Cooperative Societies Buildings which have very limited amenities and modest facilities. Further, the Cooperative Society flats require permission from the flat owners' governing body members for transfer/disposal which is a cumbersome process. Considering these aspects, a further discount of 25% has been applied to adjust such qualitative issues while ascertaining the Fair Value of the subject property.
- 2.11. Mr. Darisipudi Veerraju Rajkumar submitted that the depreciated value as indicated in the valuation report, has been determined by applying the Depreciation and Obsolescence adjustments in terms of IVS 105. The Depreciation / Obsolesces adjustments were considered factored in the utilized age of the property, locational attributes /development of the comparable properties, size of the comparable properties etc., which play a crucial role in pricing of property in a specific locality.
- 2.12. Mr. Darisipudi Veerraju Rajkumar further submitted that the depreciated value as determined in the report has solely factored in physical & functional obsolescence. However, to arrive at a fair value under the Insolvency and Bankruptcy Code, it is essential to consider the impact of economic obsolescence as well. In this respect, the premise "Highest & Best Use" may not be applicable for the subject assets as being under CIRP, the asset is subject to certain limitations which includes the following:
- (i) The lengthy process of obtaining necessary statutory approvals, including CoC permission and adjudication orders, can hinder the timely acquisition of the asset.
 - (ii) Since the Corporate Debtor is currently undergoing Corporate Insolvency Resolution Process (CIRP), any potential buyer must acquire this asset as part of a comprehensive resolution plan that includes all other assets of the Corporate Debtor. This means the flat cannot be purchased individually, but only as part of the entire business. Therefore, the market value of comparable standalone flats may not accurately reflect the true value of this asset within the context of the CIRP.
- 2.13. Mr. Darisipudi Veerraju Rajkumar further submitted that during the reporting period i.e. 18-05-2020, there were limitations to comprehensively ascertain the recent observable transactions in substantially similar assets, due to nation-wide lockdown imposed by the Govt. of India for severe impact of Covid – 19, (effective from 25-03-2020). However, a detailed analysis and exercise has been carried out to ascertain the prevailing market rates considered in the report with the observable transactions in substantially similar assets taken place in the nearby vicinity to the subject asset during similar time frame.
- 2.14. Mr. Darisipudi Veerraju Rajkumar further submitted that the 'Govt. Guideline Rate' or circle rate primarily serves as an indicative value for properties under transaction, determined by government authorities for stamp duty computation. However, there is no statutory restriction mandating that properties must be transferred strictly at these rates.

Mr. Darisipudi Veerraju Rajkumar submitted that Circle Rates do not solely determine market value.

- 2.15. Mr. Darisipudi Veerraju Rajkumar submitted that the liquidation value reflects distress sales, where assets are sold urgently, often below market rates due to financial duress. Unlike fair market transactions, liquidation sales do not capture true property worth. Accordingly, Govt. Guideline Rates, meant for stamp duty, cannot determine liquidation value, making both valuations inherently non-comparable.

Findings of the Authority.

- 2.16. The Authority observes that Mr. Darisipudi Veerraju Rajkumar has determined the fair value and liquidation value of the property in the valuation report in the following manner:

J. Current Market Value	Rs.130.20 Lakhs
K. Depreciation in 16 Years	Rs.32.98 Lakhs
L. Depreciated Value	Rs.97.22 Lakhs
M. Estimated Fair Value (75% of Depreciated Value)	Rs.72.91 Lakhs
N. Estimated Liquidation Value (75% of estimated fair Value)	Rs.54.68 Lakhs

- 2.17. Now, based on the submissions of Mr. Darisipudi Veerraju Rajkumar and the computation sheet provided by him, the Authority now proceeds to examine the conduct of valuation by Mr. Darisipudi Veerraju Rajkumar in the following paragraphs.

Calculation of ‘L. Depreciated value’ from ‘J. Current Market Value’

- 2.18. Mr. Darisipudi Veerraju Rajkumar has calculated the depreciated value for the flat as against the current market value as Rs 97.22 lakhs. Although no detailed reasoning has been provided in the valuation report, the statement made therein as – “Depreciation in 16 Years” reflects that the depreciation has been done on account of ageing.
- 2.19. In his submissions to the Authority, Mr. Darisipudi Veerraju Rajkumar has submitted that on account of ageing of the property an adjustment of 25% was applied to the current market value of the comparable properties. However, on perusal of the computation sheet it is observed that Mr. Darisipudi Veerraju Rajkumar has considered the depreciation of market value for the flat in following manner:

Price Adjustment for arriving at the Depreciated Value				
Distance from the subject property [PHYSICAL]	10%	10%	10%	10%
Ageing compared to the of the subject property [PHYSICAL]	(15%)	(15%)	(15%)	(15%)
Size of the Comparable properties as compared to subject property [FUNCTIONAL]	(25%)	(25%)	0%	(25%)

Total Price Adjustment %	(30%)	(30%)	(5%)	(30%)
Adjusted Rates – INR (Rounded Off)	Rs.10,000/-	Rs.9,000/-	Rs.12,000/-	Rs.11,000/-
Average Adjusted Rate Considered for ascertaining the Depreciated Value – INR (Rounded Off) per Sq. Ft (B)				Rs.10,450/-
% of Rate adopted to Average Market Rate				74.66% (approx..)

- 2.20. It is observed that there is difference and incongruity in the valuation report and the submissions of Mr. Darisipudi Veerraju Rajkumar. In the valuation report, Mr. Darisipudi Veerraju Rajkumar has taken the current market value of flat as 130.20 lakhs. Thereafter, he has considered the adjustment to account for the ageing of the flat and after rounding off has come to the adjustment factor of 25% to arrive at the depreciated market value of the CD's flat as Rs.97.22 Lakhs. However, in the computation sheet, Mr. Darisipudi Veerraju Rajkumar has considered other factors such as distance from the subject property and size of the comparable properties to calculate the depreciated value. Further, in the submission made by Mr. Darisipudi Veerraju Rajkumar he has referred to the qualitative adjustments (such as better amenities and facilities in the high-rise buildings as compared to the Cooperative Societies Buildings) for calculation of depreciated market value.
- 2.21. The Authority notes that the explanation of Mr. Darisipudi Veerraju Rajkumar with respect to the adjustment on account of ageing of the flat can be observed in the valuation report. But the other factors mentioned in the computation sheet namely distance from the subject property and size of the comparable properties is not reflected in the facts mentioned in the valuation report.
- 2.22. Further, on perusal of the valuation report, it is observed that the comparable properties considered by Mr. Darisipudi Veerraju Rajkumar had the age description mentioned as greater than 10 years with no upper bound. This implies that the said properties could have been even more than 16 years old. In such background, the adjustment calculation made by Mr. Darisipudi Veerraju Rajkumar as - $16 \text{ (age of flat of CD)} / 60 \text{ (estimated useful life of the flat)} * 100 = 26.6\%$ to arrive at the market value of the CD's flat is improper as such discounting calculation is based on comparable properties being new (zero years old) although these were more than 10 years old.
- 2.23. Therefore, the depreciation of Rs. 32.98 lakhs accounting for 25% of the market value of the comparable property has not been correctly applied.

Calculation of 'M. Estimated Fair Value' as 75% of 'L. Depreciated Value'

- 2.24. It is observed that Mr. Darisipudi Veerraju Rajkumar in his valuation report has considered a discounting of 25% from the depreciated value to arrive at fair value of the property. However, no basis of such discounting has been provided in the valuation report.

- 2.25. On perusal of the computation sheet it is observed that Mr. Darisipudi Veerraju Rajkumar has considered following factors for discounting to arrive at fair value :

Price Adjustment for arriving at the Estimated Fair Value	
Other Limiting Condition, if any – Subject Property is under IBC [ECONOMIC]	(20%)
Other Macro Economic Factors like excess RE Inventory build-up in metro cities [ECONOMIC]	(5%)
Total Price Adjustment %	(25%)
Adjusted Rate Considered for ascertaining the Fair Value – INR (Rounded Off) per Sq. Ft	Rs.7,840/-
% of Rate adopted to Adjusted Rate Considered for ascertaining the Depreciated Value	75%

- 2.26. It is observed that in his submission, Mr. Darisipudi Veerraju Rajkumar has submitted that he has considered the functional and economic obsolescence to arrive at the fair market value. Mr. Darisipudi Veerraju Rajkumar has explained that he had to adjust the depreciated market value to account for the property being under IBC process.
- 2.27. The Authority further notes that Mr. Darisipudi Veerraju Rajkumar had considered the impact of IBC (20% discount) on the value of the property while estimating its fair value. This discounting is not proper as the “fair value” as per regulation 2(1)(hb) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 as reproduced below refers to estimated realizable value of the asset between a willing buyer and a willing seller :-

“fair value” means the estimated realizable value of the assets of the corporate debtor, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion”

- 2.28. The Authority notes that Mr. Darisipudi Veerraju Rajkumar has further applied a discount of 25% to arrive at the liquidation value of the property. This discount appears to be in order as the liquidation value as per regulation 2(k) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 as reproduced below refers to estimated realizable value of the asset in case the corporate debtor was to be liquidated, which encompasses in itself the effect of distress sale of the property:

“liquidation value” means the estimated realizable value of the assets of the corporate debtor, if the corporate debtor were to be liquidated on the insolvency commencement date”

- 2.29. Therefore, the discount on account of IBC process seems justified in case of arriving at liquidation value but not while calculating the fair value of the property. It is noted that this is the approach he has adopted while valuing the land property of the CD at Hosur and Solan wherein he has not applied any discount on account of IBC process for arriving

at fair value. Hence, taking a different approach while valuing the flat does not appear to be proper.

- 2.30. To summarize, the Authority notes that there is incongruity in the valuation report, the submissions and the computation sheet of Mr. Darisipudi Veerraju Rajkumar. On one hand, the valuation report does not give the reasons and basis for arriving at market value, depreciated value and fair value of the property, on the other hand, the detailed explanation and computation sheet provided by Mr. Darisipudi Veerraju Rajkumar for arriving at such depreciated value and fair value of the property are inconsistent.

3. Order.

- 3.1 The valuation report submitted by a Registered Valuer serves as a critical document for the Committee of Creditors to take crucial decision about the resolution plan in CIRP and reserve price of asset during liquidation. The stakeholders decide the course of action based on the valuation report and accordingly the reliability of the valuation report becomes important. Therefore, it is necessary that the valuation report is transparent and complete in itself such that there is clarity to the stakeholders while relying on valuation report and decisions taken are optimal. The valuer must disclose all the relevant and essential information with respect to the valuation of the assets so that this purpose is served. In the present case, it is observed that the valuation report of Mr. Darisipudi Veerraju Rajkumar is silent on the reasons and basis for arriving at different values of the property. Further, the explanation provided now by him for arriving at these values are not consistent.
- 3.2 In view of the foregoing, after considering the allegations made in the SCN, the detailed reply provided by Mr. Darisipudi Veerraju Rajkumar and the materials available on record, the Authority, in exercise of powers conferred vide notification of Central Government no. GSR 1316(E) dated 18.10.2017 under Section 458 of the Companies Act, 2013 and in pursuance of rule 15 and rule 17 of the Valuation Rules hereby suspends the registration of Mr. Darisipudi Veerraju Rajkumar for a period of six months.
- 3.3 In accordance with provisions of Rule 17(8) of the Valuation Rules, this Order shall come into force after 30 days from the date of issue of this order.
- 3.4 A copy of this order shall be forwarded to RVO Estate Managers and Appraisers Foundation where Mr. Darisipudi Veerraju Rajkumar 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: 05.03.2025

Place: New Delhi