Findings of the Peer Review Workshop
(14th February 2020)

PEER REVIEW WORKSHOP

A peer review workshop was conducted by IBBI in association with ICAI RVO. MD/CEOs of eleven RVOs participated and made presentations on key findings emerging out of the peer review undertaken by them. Summary of findings during the peer review of valuation reports are provided below:

GENERAL OBSERVATIONS

1. Scope of work being vague and requisite details were found missing.
2. Insufficient explanation of supporting evidence.
3. An explanation on methodology applied to arrive at specific valuation was not provided.
4. Errors in numerical calculations and mismatch in logical sequencing.
5. Inconsistencies and contradictionswere observed in various parts of the same report.
6. Assumptionswere not clearly articulated.
7. Important sources for land ownership werenot indicated.
8. In some cases, though purpose of valuation was mentioned, however, name of appointing authority was not mentioned.
9. Some references to important dates were missing.
10. There were no mention of caveats, limitations and disclaimers in the valuation report.
11. The major factors that were taken into account during the valuation not fully indicated.
12. Conclusion was not provided.
13. No mention of restrictions on use of the report, if any.
14. Notes to the report are identical across all asset categories.
15. Figures were computed based on provisional balance sheets.
16. The reports do not confirm having ‘Considered’ all three generic approaches to value and do not cite reasons for ‘selection’ of any particular method or for ‘disregarding’ any approach.
17. Valuation Reports do not make reference to outstanding liabilities.

DISCLAIMERS AND DISCLOSURES

1. No standardization in the disclosures observed.
2. Past history of the company should be disclosed in the report to substantiate the professional judgement, especially when the Company is listed and/or is a Multinational Company.
3. In case the company is a wholly Owned Subsidiary (WOS), Valuation Report should mention the layers of shareholding to substantiate the beneficial owner and at least minimum of one layer should be mandatorily mentioned as per Valuation Rules.
4. There should be a para of identity of valuer and other experts (if any) involved or assisted by.
5. Definition of "Fair Value" and "Liquidation Value" should be provided in the Report.
6. Since the corporate debtor is under CIRP, the report should considerLiquidation Value on ‘goingconcern’ basis.

7. Disclosure/disclaimer should not mention "Validity of Report is 3 years from the date of Report", as this provision is the requirement to maintain records for 3 years and not validity of Report or validity of valuation.
8. The valuer shall not disclaim liability for his/its expertise or deny his/its duty of care, except to the extent that the assumptions are based on statements of fact provided by the company or its auditors or consultants or information available in public domain and not generated by the valuer.
9. A statement explicitly restricting the end use of the report to intended user and for intended purpose only was missing in many valuation reports.
10. Statement or disclosure on conflict of interest needs to be specifically mentioned.

VALUATION STANDARDS

1. Most valuation reports lacked an explicit declaration regarding compliance with the specific Valuation Standards.
2. Among the RVOs only ICAI has prescribed valuation standards for the asset class Securities or Financial assets. Some reports do refer to this. However, other RVOs have prescribed International Valuation Standards mostly IVS. Many of the reports do not refer to the valuation standard so adopted.
3. Scope of work was not provided in detail in engagement letter or in the Valuation Report.
4. In a few cases, it was observed that basis of valuation was not as per valuation standards.

CONCLUSION

It was decided that the outcomes of theworkshop, where certain common mistakes/errors by the RVs were identified, must bedisseminated by way of hosting the same on the websites of respective RVOs. Further all the RVs must be sensitize about the common mistakes with a view to stop reoccurrence of such mistakes and thereby improving quality and standard of the valuation reports.

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