The Institute of
Chartered Accountants of India

Setu for Excellence

Valuation Standards & Practices

An Integrated Reference Manual

ICAI 2-Day Workshop on Valuation Standards & Practices

Bengaluru • 27th–28th February 2026

Bangalore Valuers' Association

2 - Day Workshop on
Simplifying Valuation

Chief Guest

Dr. S K Gupta
Managing Director
ICMAI RVO

12CEP Hours

Organised by
ICMAI RVO
in association with
Bangalore Valuers' Association

Day 1

Topic :

Impact of Contingent Liabilities on Valuation

CA Harish Chander Dhamija
CS, IP , CVA (USA) &RV

Topic :

Valuation for Special Situations- Testing Arm's Length for RPT, Accounting for grant of PSUs

CA Anurag Singal
MBA & RV

Day 2

Topic :

Valuation in the AI Era: Leveraging Excel and AI for Faster, Accurate and Risk Optimized Valuation

CS Chandra Sekhar
ACMA, IP, LLB & RV

Topic :

Impact assessments in valuations

Mr. Arun Ratnam
MBA, B.E

FEE STRUCTURE

FEE FOR BVA & ICMAI MEMBERS (EARLY BIRDS) - RS.6,500/-
FEE FOR NON- MEMBERS (EARLY BIRDS) - RS.8,000/-
(OFFER ENDS ON 31-01-2026)

FEE FOR BVA & ICMAI MEMBERS (REGULAR OFFER) -RS. 8,500 /-
FEE FOR NON-MEMBERS (REGULAR OFFER) - RS.10,000 /-

27th & 28th February , 2026
10:00am to 4:00pm

The wokshop followed by
Lunch

REGISTRATION

The program is open to

BVA Members , ICMAI Members & Non - Members

Kindly complete your registration through the following link

https://bangalorevaluers.org/programs

For Registration Please contact
Vijaya Lakshmi. K
Mob : 8088 383 543

Venue

Vividus Hotel
#3, Kumarakrupa Rd, Madhava Nagar, Gandhi Nagar, Bengaluru, Karnataka 560001

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Chartered Accountants of India

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Preface

The valuation landscape in India is rapidly evolving with increasing emphasis on regulatory compliance, investor transparency, and financial accountability. As valuation professionals, we are expected to navigate this dynamic environment with clarity, competence, and ethical rigor.

This book, **“Valuation Standards & Practices: An Integrated Reference Manual”**, is a direct outcome on full rogale due the knowledge shared during the **ICAI 2-Day Workshop on Valuation”** held in **Bengaluru** in February 2026. It binigs together **rea:**lim-reat-orld seenarios, regulatory guidance, and IVSC.

Each chapter has been curated to reflect:

- **Relevance:** Anchored in Indian laws such as IBC, Companies Act, FEMA, SEBI, and Income Tax Act.
- **Standardization**: Fully aligned with ICAI Valuation Standards and IVSC guidelines.
- **Practical Insight:** Emphasizing case studies, models, and reporting formats used in live assignments.

Whether you are a practicing Registered Valuer, a Chartered Accountant specializing in transaction advisory, or a student preparing for valuation certifications, this book is designed to be your go-to reference.

I hope this work helps raise the bar for valuation quality and consistency across engagements.

[Author’s Name]
Faculty & Curator – ICAI Valuation Workshop
January 2026

Table of Contents

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Chartered Accountants of India

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Topic-wise Index

Chapter	Title	Key Topics Covered
1	**Valuation under Insolvency and Bankrupty Code (IBC)**	• Fair Value, Liquidation Value, ICAI IVS 301, CIRP regulations, RP appointment, DCF
2	**Case Studies on Valuation Reports**	• Valuation report structure, CIRP cases, • Startup ESOPs, Ind AS valuation, red flags
3	**Valuation under Income Tax and Companies Act**	• Rule 11UA, Section 56(2)(viib), ESOP, • M&A under Companies Act, CA certification
4	**Valuation of Intangibles and Brands**	• Brand value, Relief from Royalty, MEEM, • Ind AS 38/113, IVS 210, ICAI IVS 302
5	**Valuation of Startups & ESOPs**	• VC method, DCF, Black-Scholes, 409A compliance, • DPIIT guidelines, FMV under Rule 11UA
6	**Valuation under FEMA and SEBI Laws**	• FDI, ODI, SEBI ICDR/SAST, RBI guidelines, • Merchant Banker reports, Capital Market rules
7	**Understanding Valuation Standards**	• ICAI vs IVSC standards, alignment, differences, • applications, international relevance
8	**Valuation of Real Estate and Land & Building**	• Sales comparison, DRC, Cap Rate method, • IVS 400, Ind AS 113, municipal circle rates
9	**Valuation of Financial Instruments**	• CCDs, OPM, DCF, Fair Value hierarchy, • Ind AS 109/113, hybrid securities, derivatives
10	**Workshop Summary & Integrated Case Simulation**	• End-to-end case study, integrated multi-asset valuation, report alignment, & best practices

Certainly! Here's a **Preface** tailored for your valuation reference book, positioned after the Acknowledgement and before the Index and Table of Contents:

📖 Preface

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- **Relevance**: Anchored in Indian laws such as IBC, Companies Act, FEMA, SEBI, and Income Tax Act.
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I hope this work helps raise the bar for valuation quality and consistency across engagements.

[FCA Chandrasekaran Ramadurai FCMA ACS]
Faculty & Curator – ICAI Valuation Workshop
05, January 2026

Here's a professionally worded **Acknowledgement / Author's Note** you can include at the beginning of the book (after the cover page and before the index and contents):

✍️ Acknowledgement / Author's Note

This professional reference book is a compilation of key insights, concepts, and practical applications from the *2-Day ICAI Workshop on Valuation Standards and Practices*, conducted in Bengaluru on 27th–28th February 2026. It aims to serve as a structured learning and reference tool for valuation professionals, Registered Valuers, Chartered Accountants, and corporate finance practitioners.

I would like to express my gratitude to:

- The **Institute of Chartered Accountants of India (ICAI)** for its continued efforts in building capacity and setting robust standards for valuation practice.
- The speakers, faculty members, and panelists of the workshop for sharing real-world insights and case studies that form the backbone of this book.
- My fellow professionals and learners who inspire continuous improvement in valuation education and practice.

This manual aligns with **ICAI Valuation Standards**, **IVSC guidelines**, and applicable regulatory frameworks to ensure relevance and applicability in Indian and cross-border valuation scenarios.

I sincerely hope this resource contributes to enhancing the quality, consistency, and professionalism of valuation engagements.

[FCA Chandrasekaran Ramadurai FCMA ACS]
Editor & Practising Chartered Accountant
ICAI Valuation Workshop 2026
05, January 2026

Would you like this customized with a specific author/editor name or ICAI RVO branding before I finalize the full document?

Here is a **Topic-wise Index** for your professional valuation reference book, covering all 10 chapters:

📑 Topic-wise Index

Chapter	Title	Key Topics Covered
1	Valuation under Insolvency and Bankruptcy Code (IBC)	Fair Value, Liquidation Value, ICAI IVS 301, CIRP regulations, RP appointment, DCF
2	Case Studies on Valuation Reports	Valuation report structure, CIRP cases, startup ESOPs, Ind AS valuation, red flags
3	Valuation under Income Tax and Companies Act	Rule 11UA, Section 56(2)(viib), ESOP, M&A under Companies Act, CA certification

Professional Reference Book Structure for Valuation Topics

Chapter	Title	Key Topics Covered
4	Valuation of Intangibles and Brands	Brand value, Relief from Royalty, MEEM, Ind AS 38/113, IVS 210, ICAI IVS 302
5	Valuation of Startups & ESOPs	VC method, DCF, Black-Scholes, 409A compliance, DPIIT guidelines, FMV under Rule 11UA
6	Valuation under FEMA and SEBI Laws	FDI, ODI, SEBI ICDR/SAST, RBI guidelines, Merchant Banker reports, Capital Market rules
7	Understanding Valuation Standards	ICAI vs IVSC standards, alignment, differences, applications, international relevance
8	Valuation of Real Estate and Land & Building	Sales comparison, DRC, Cap Rate method, IVS 400, Ind AS 113, municipal circle rates
9	Valuation of Financial Instruments	CCDs, OPM, DCF, Fair Value hierarchy, Ind AS 109/113, hybrid securities, derivatives
10	Workshop Summary & Integrated Case Simulation	End-to-end case study, integrated multi-asset valuation, report alignment, best practices

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Would you like this index included in the front section of the compiled book or as a separate file?

Please list down the functional topics and map each one of them against the ICAI Valuation Standards and IVSC Sandards

Based on the workshop image titled "2 Days Workshop at Bangalore on 27th & 28th February, 2026", here is a mapping of the functional topics listed to the applicable ICAI Valuation Standards (IVS) and IVSC Standards:

Functional Topic	Mapped ICAI Valuation Standards (IVS)	Mapped IVSC Standards
Valuation under IBC	IVS 101, 102, 103, 201, 301	IVS 104 Bases of Value, IVS 105 Valuation Approaches
Case Studies on Valuation Reports	IVS 201, 301	IVS 103 Reporting, IVS 105 Valuation Approaches
Valuation under Income Tax and Companies Act	IVS 101, 103, 302	IVS 104 Bases of Value, IVS 102 Investigations
Valuation of Intangibles and Brands	IVS 103, 301, 303	IVS 210 Intangible Assets
Valuation of Startups & ESOPs	IVS 103, 201, 301	IVS 200 Business and Business Interests

Functional Topic	Mapped ICAI Valuation Standards (IVS)	Mapped IVSC Standards
Valuation under FEMA and SEBI Laws	IVS 101, 103, 201	IVS 104, IVS 102
Understanding Valuation Standards & Key Differences	IVS 101-103 (General Concepts and Approaches)	IVS Framework, IVS 101-105
Valuation of Real Estate and Land & Building	IVS 102, 201, 302	IVS 400 Real Property Interests
Valuation of Financial Instruments	IVS 103, 301	IVS 500 Financial Instruments

This mapping reflects alignment between practical topics discussed in professional settings and the relevant standards from ICAI and IVSC, aiding registered valuers in complying with applicable frameworks. Let me know if you want a visual table for printing or presentation.

Can we start discussing each topic in a professional Valuation reference book

Absolutely, we can begin discussing each of the functional topics from the workshop in a structured, professional valuation reference book format. Here's how we can structure it for each chapter:

Table of Contents

📓 Professional Reference Book Structure for Valuation Topics

Chapter Format Template (for each functional topic):

1. **Chapter Title**
   (e.g., *Valuation under IBC*)
2. **Learning Objectives**
   - Understand regulatory framework and valuation requirements.
   - Identify applicable standards (ICAI & IVSC).
   - Apply valuation methods with relevant case laws or case studies.
3. **Regulatory Context**
   - Overview of laws (e.g., IBC, IT Act, FEMA, SEBI)
   - Regulatory bodies and guidance (e.g., IBBI, MCA, CBDT)
4. **Applicable Valuation Standards**
   - ICAI Valuation Standards (e.g., IVS 103, 201)
   - IVSC Standards (e.g., IVS 104, 200)
5. **Valuation Approaches**
   - Income, Market, and Cost Approaches relevant to the topic
   - Specific methods (e.g., DCF, NAV, Comparable Companies)
6. **Practical Application**
   - Case Study / Illustration
   - Real-world scenarios
   - Key valuation issues and how to address them
7. **Reporting Requirements**
   - Components of a valuation report
   - Disclosures, assumptions, limitations
8. **Professional Judgement & Ethics**
   - Role of valuer's independence
   - Conflict of interest considerations
9. **FAQs and Common Mistakes**
10. **References and Further Reading**

Would you like to start with **Chapter 1: Valuation under IBC**? I can draft the full professional layout based on ICAI Valuation Standards and IVSC guidance.

YES

Great! Let's begin with **Chapter 1: Valuation under IBC**, presented in a professional reference book format:

📘 Chapter 1: Valuation under Insolvency and Bankruptcy Code (IBC)

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1. Learning Objectives

- To understand the valuation framework under the Insolvency and Bankruptcy Code, 2016.
- To identify applicable ICAI and IVSC Valuation Standards in insolvency cases.
- To learn valuation methodologies relevant to CIRP, liquidation, and resolution scenarios.
- To explore real-world application through case studies and practical insights.

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2. Regulatory Context

📜 Relevant Legal Provisions:

- **Insolvency and Bankruptcy Code, 2016 (IBC)**
  - Section 59 (Voluntary Liquidation)
  - Section 53 (Distribution Waterfall)
  - Section 29A, Section 30 (Resolution Plan)
- **IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016**
  - Regulation 27: Appointment of Registered Valuers
  - Regulation 35: Fair Value and Liquidation Value

🏛 Regulatory Bodies:

- **Insolvency and Bankruptcy Board of India (IBBI)**
- **National Company Law Tribunal (NCLT)**

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3. Applicable Valuation Standards

Standard	Name	Relevance
IVS 101	Scope of Work	Engagement Letter, Scope Definition
IVS 102	Investigations and Compliance	Legal, factual due diligence
IVS 103	Reporting	Structure of Valuation Report
IVS 200	Business and Business Interests	Valuation of Companies under CIRP
ICAI IVS 201	Scope of Work, Engagement Terms	Appointment by RP/Liquidator
ICAI IVS 301	Business Valuation	DCF, NAV, etc., used in IBC

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4. Valuation Approaches under IBC

✅ **Cost Approach**

- Useful in liquidation scenarios.
- Based on the Replacement Cost or Net Realisable Value.

✅ **Market Approach**

- Limited use under IBC due to distress and lack of comparable market data.

✅ **Income Approach**

- Discounted Cash Flow (DCF) is often avoided due to uncertainty.
- However, Used in going concern if sufficient data exists.

✅ **Liquidation Value**

- Mandatory to compute per Regulation 35.
- Represents the amount that will be realised on sale of assets if the entity were to be liquidated.

✅ **Fair Value**

- Market-based estimate of the enterprise value on the insolvency commencement date.

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5. Practical Application and Case Study

🔍 **Case Study: CIRP Valuation of XYZ Ltd.**

- Two valuers appointed under Reg. 27.
- Fair Value determined at ₹110 crore; Liquidation Value at ₹80 crore.
- Resolution Plan received for ₹125 crore — acceptable as per Reg. 39.

Key Takeaways:

- Fair Value > Liquidation Value enables successful resolution.
- Both values help CoC in evaluating commercial viability.

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6. Reporting Requirements

- Must be submitted confidentially to the Resolution Professional (RP).
- Report should clearly mention:
  - Assumptions and limitations

- Methodologies used
- Supporting data and expert inputs

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7. Professional Judgement and Ethics

- Independence of Valuer is critical.
- Disclosure of conflict of interest under ICAI Code of Ethics and IBBI guidelines.
- Clear documentation of assumptions and limitations.

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8. Common Errors to Avoid

- Using book values without adjustments
- Overreliance on outdated financials
- Ignoring market conditions during insolvency
- Insufficient documentation

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9. FAQs

Q1: Can a single valuer provide both fair and liquidation value?
A1: Yes, but two independent registered valuers are appointed for cross-validation.

Q2: Is DCF preferred in IBC valuations?
A2: Generally avoided unless business continuity and reliable projections exist.

---

10. References and Further Reading

- ICAI Valuation Standards (IVS 101–301)
- IBBI CIRP and Liquidation Regulations
- IVSC Valuation Standards (IVS 101–500)
- IBBI Circular on Appointment of Valuers
- ICAI Technical Guide on Valuation

Would you like to proceed to **Chapter 2: Case Studies on Valuation Reports** or would you prefer a printable version of this chapter first?

YES

Perfect. Here's a clean, **print-ready version** of **Chapter 1: Valuation under IBC** in a professional book format (without inline guidance notes), ideal for inclusion in a comprehensive valuation reference manual.

📘 Chapter 1: Valuation under Insolvency and Bankruptcy Code (IBC)

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1. Learning Objectives

- Understand the valuation framework mandated under the Insolvency and Bankruptcy Code, 2016.
- Identify the relevant ICAI and IVSC Valuation Standards applicable during insolvency proceedings.
- Apply valuation methodologies suited for distressed or insolvency scenarios.
- Analyze real-world insights through case-based learning.

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2. Regulatory Context

Relevant Legal Framework:

- *Insolvency and Bankruptcy Code, 2016*
  - Section 59: Voluntary Liquidation
  - Section 53: Distribution Waterfall
  - Section 30: Resolution Plan and Evaluation
- *IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016*
  - Regulation 27: Appointment of Registered Valuers
  - Regulation 35: Determination of Fair Value and Liquidation Value

Regulatory Oversight:

- Insolvency and Bankruptcy Board of India (IBBI)
- National Company Law Tribunal (NCLT)

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3. Applicable Valuation Standards

Standard	Description
ICAI IVS 101	Definitions, scope, and engagement terms
ICAI IVS 102	Investigation and compliance requirements
ICAI IVS 103	Valuation approaches and methodologies

Standard	Description
ICAI IVS 201	Detailed scope of engagement and compliance
ICAI IVS 301	Business Valuation under different scenarios
IVSC IVS 104	Bases of Value: Fair Value and Liquidation
IVSC IVS 105	Valuation Approaches and Techniques
IVSC IVS 200	Business and Business Interests

4. Valuation Approaches under IBC

Cost Approach

- Used in asset-heavy and liquidation-based evaluations.
- Appropriate when market comparables are unavailable.

Market Approach

- Limited applicability in IBC due to financial distress.
- Used where transaction data is reliable.

Income Approach

- Discounted Cash Flow Method used cautiously.
- Applicable for going concern assessments with robust projections.

Liquidation Value

- Mandatory per Regulation 35 of IBBI regulations.
- Reflects estimated realizable value if company is liquidated.

Fair Value

- Represents estimated market value on insolvency commencement date.
- Used to evaluate resolution plans and assess viability.

5. Case Study: CIRP Valuation of XYZ Ltd.

XYZ Ltd. underwent Corporate Insolvency Resolution Process. Two valuers were appointed to determine:

- **Fair Value:** ₹110 crore
- **Liquidation Value:** ₹80 crore

A resolution plan of ₹125 crore was received and approved by the Committee of Creditors (CoC), as it exceeded both the fair and liquidation values.

Conclusion:

- Dual valuation approach helped CoC assess recovery prospects.
- Fair and Liquidation values offer crucial benchmarks in CIRP.

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6. Reporting Requirements

Valuation Reports must:

- Be addressed to the Resolution Professional (RP)
- Include methodologies, assumptions, and key findings
- Be submitted confidentially as per IBBI norms
- Include a declaration of independence and professional conduct

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7. Professional Judgement & Ethics

- Valuers must disclose conflicts of interest.
- Independence and neutrality are paramount under IBC.
- All assumptions must be transparent and justifiable.
- Documentation of supporting data and reasoning is mandatory.

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8. Common Errors to Avoid

- Relying solely on book value without adjustment.
- Using outdated or unaudited financials.
- Overstating going concern status.
- Ignoring regulatory or legal precedents.

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9. FAQs

Q: Are DCF valuations permissible under IBC?
A: Only when future cash flows are reasonably estimable.

Q: Can the same valuer provide both fair and liquidation values?
A: Yes, though two independent valuers must be appointed.

Q: Is a valuation report disclosed to all stakeholders?
A: No. It is submitted confidentially to the RP and CoC.

---

10. References

- ICAI Valuation Standards (IVS 101–301)
- IVSC Valuation Standards (IVS 104, 105, 200)
- IBBI CIRP and Liquidation Regulations
- ICAI's Technical Guide on Valuation for IBC
- Relevant NCLT case law on valuation process

Would you like to continue with **Chapter 2: Case Studies on Valuation Reports** in the same format?

YES

Here's the next chapter, formatted professionally for inclusion in a valuation reference book:

📘 Chapter 2: Case Studies on Valuation Reports

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1. Learning Objectives

- Learn the structure and substance of professional valuation reports.
- Understand practical application of ICAI and IVSC Valuation Standards.
- Identify common reporting pitfalls and how to avoid them.
- Explore real-world examples of business and asset valuations under different contexts.

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2. Importance of Valuation Reports

A valuation report is not merely a numerical conclusion—it is a comprehensive document that reflects professional judgment, methodology, regulatory compliance, and transparency. It is central to decision-making in:

- Mergers and acquisitions
- Insolvency proceedings
- Financial reporting
- Regulatory submissions
- Dispute resolution

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3. Applicable Valuation Standards

Standard	Relevance
ICAI IVS 103	Describes valuation approaches and methods
ICAI IVS 201	Scope of work, assumptions, and limitations
IVSC IVS 103	Detailed guidance on reporting format and disclosures
ICAI IVS 301	Business valuation applications
IVSC IVS 102	Due diligence and investigative procedures
ICAI Guidance Notes	Industry-specific reporting formats (e.g., telecom, startups)

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4. Key Components of a Valuation Report

- **Title and Identification**
- **Purpose of Valuation**
- **Valuation Date**
- **Standards Followed (ICAI/IVSC)**
- **Valuation Approaches and Methodologies**
- **Key Assumptions and Limiting Conditions**
- **Business and Industry Overview**
- **Financial Analysis**
- **Valuation Conclusion**
- **Certification and Declaration of Independence**

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5. Case Study 1: Valuation of a Manufacturing Company under CIRP

Scenario:
ABC Ltd., a distressed manufacturer, enters CIRP. The Resolution Professional appoints two registered valuers.

Process:

- Reviewed audited financials (3 years)
- Site visit and asset inspection
- Valuation based on NAV (Cost) and Liquidation Value
- DCF was avoided due to absence of future projections

Outcome:

- Fair Value: ₹150 crore
- Liquidation Value: ₹95 crore

Learning:
The use of NAV and Asset Replacement Cost was justified due to plant-heavy asset structure. The report provided clarity to the CoC.

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6. Case Study 2: Startup Valuation for ESOP Allotment

Scenario:
XYZ Tech, a growth-stage startup, is issuing ESOPs. A valuation is required under the Companies Act and Income Tax Act.

Approach Used:

- DCF under Income Approach
- Market Multiples from comparable startups
- Consideration of risk-adjusted discount rate

Key Challenges:

- Projecting revenue from a new SaaS model
- Adjusting beta and discount rate for startup risk

Outcome:
Equity value determined at ₹120 crore; 409A-compliant report prepared for regulatory filing.

Learning:
Startup valuation requires professional judgement on forecast realism, discount rate adjustments, and market validation.

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7. Case Study 3: Valuation for Financial Reporting (Ind AS)

Scenario:
A listed company revalued its investment property for Ind AS financials.

Methodology:

- Market Approach with Comparable Sales
- Income Capitalization (as cross-check)
- Compliance with Ind AS 113 and ICAI IVS

Outcome:
Value disclosed in notes to accounts, with Fair Value Hierarchy Level 2 classification.

Learning:
Alignment with Ind AS and Fair Value measurement principles is critical. Disclosures must include method, assumptions, and level of hierarchy.

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8. Common Mistakes in Valuation Reports

- Incomplete disclosure of assumptions

- Absence of industry analysis
- Incorrect application of valuation approach
- Copy-paste errors across assignments
- No justification for discount rate or multiple used

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9. Best Practices

- Clearly define purpose and scope
- Always state valuation date and report date
- Include sensitivity analysis where relevant
- Use visual aids (tables, graphs) for clarity
- Provide rationale for approach selection

---

10. References

- ICAI Valuation Standard 103: Valuation Approaches and Methods
- ICAI Valuation Standard 201: Scope of Work and Assumptions
- IVSC IVS 103: Reporting
- ICAI Technical Guide on Valuation Report Disclosures
- IBBI Regulations for Registered Valuers

Would you like to move on to **Chapter 3: Valuation under Income Tax and Companies Act** next?

YES

Here is the professionally formatted version of **Chapter 3: Valuation under Income Tax and Companies Act**, suitable for inclusion in a valuation reference book:

📘 Chapter 3: Valuation under Income Tax and Companies Act

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1. Learning Objectives

- Understand valuation requirements under the Income Tax Act and Companies Act.
- Identify ICAI and IVSC standards relevant to statutory and regulatory valuations.
- Learn commonly used valuation methodologies for share and business valuations.
- Apply valuation norms to ESOPs, mergers, investments, and compliance scenarios.

2. Regulatory Context

📜 Income Tax Act, 1961

- **Section 56(2)(viib):** Taxation of excess consideration for issue of shares.
- **Rule 11UA/11UAA:** Prescribed methods (DCF or NAV) for share valuation.
- **Section 50CA:** Transfer of unquoted shares at less than FMV.
- **Section 45 & 55:** Capital gains valuation.

🏛 Companies Act, 2013

- **Section 247:** Valuation by Registered Valuer.
- **Section 62(1)(c):** Valuation for further issue of shares (preferential allotment).
- **Section 230-232:** Valuation in mergers, demergers, and compromise arrangements.
- **Rule 11UA:** ESOP and sweat equity valuation.

3. Applicable Valuation Standards

Standard	Relevance
ICAI IVS 101	Definitions and engagement requirements
ICAI IVS 103	Guidance on valuation approaches
ICAI IVS 201	Scope of Work, assumptions, reporting
ICAI IVS 302	Intangible Assets (e.g., valuation of brands in transactions)
IVSC IVS 104	Fair Value and Other Bases
IVSC IVS 200	Business and Business Interests

4. Valuation Approaches for Compliance

Net Asset Value (NAV) Method

- Preferred under Rule 11UA when projections are not reliable.
- Adjustments made to book value for fair market measurements.

Discounted Cash Flow (DCF) Method

- Widely used for early-stage companies and for Section 56(2)(viib) compliance.
- Requires credible future projections and rational discounting.

Comparable Company Multiples

- Used for cross-checking under fair value, especially in mergers and investment valuation.
- Requires reliable benchmarking with similar companies.

Asset-based Approaches

- Applied for capital-intensive businesses or non-operating companies.

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5. Practical Applications

◆ **Share Valuation under Rule 11UA**

A private company issuing equity to investors must justify its FMV via DCF or NAV. DCF preferred for startups or growing businesses, while NAV is used where historical earnings dominate.

◆ **Valuation for ESOP/Sweat Equity**

Companies issuing shares to employees use FMV under Rule 11UA. This value determines perquisite taxation and corporate reporting.

◆ **M&A Transactions under Companies Act**

Section 230-232 requires a valuation report from a Registered Valuer for court-approved schemes. It must comment on fairness to shareholders and consider FMV and swap ratios.

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6. Case Study: Valuation of Shares under Section 56(2)(viib)

Company: TechWave Pvt. Ltd.
Transaction: ₹10 crore equity infusion at ₹100/share
Valuation Method: DCF with 15% discount rate
Valuer Conclusion: FMV = ₹104.20/share
Outcome: Justified issue price > FMV; no tax implication under Sec 56(2)(viib)

Learning: Appropriate choice of discount rate, assumption transparency, and ICAI IVS-compliant report ensured tax-safe compliance.

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7. Reporting Essentials

Valuation reports under the Companies Act and Income Tax must:

- Mention purpose (statutory compliance)
- Clearly state valuation date and effective date
- Follow Rule 11UA formats and methodology
- Provide backup workings for all assumptions
- Include independent declaration and valuer registration details

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8. Ethical & Professional Considerations

- Ensure independence when reporting for statutory valuation.
- Conflicts of interest must be declared as per ICAI and IBBI code of conduct.
- Consistency with historical valuations should be reconciled if possible.

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9. Common Pitfalls

- Using book values without adjustment
- Ignoring future potential in DCF estimates
- Poor documentation of assumptions
- Not updating for latest tax and regulatory changes

---

10. References

- ICAI Valuation Standards 2018 (IVS 101–103, 302)
- IVSC Valuation Standards 2022 (IVS 104, 200)
- Income Tax Act, 1961 – Rule 11UA and Section 56
- Companies Act, 2013 – Sections 62, 230-232
- CBDT Notifications on Valuation Rules
- ICAI Guidance Notes on Regulatory Valuations

Would you like to proceed with **Chapter 4: Valuation of Intangibles and Brands** next?

YES

Here is the professionally formatted version of **Chapter 4: Valuation of Intangibles and Brands**, continuing the reference book structure:

📘 Chapter 4: Valuation of Intangibles and Brands

---

1. Learning Objectives

- Understand the concept and classifications of intangible assets.
- Learn applicable standards for valuation of intangibles, including brand value.
- Explore approaches used for valuing intangibles under various regulatory frameworks.

- Apply methods like Relief from Royalty, Multi-period Excess Earnings, and others through practical examples.

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2. Understanding Intangibles

Definition:
Intangible assets are identifiable non-monetary assets without physical substance. They contribute to the long-term value of an enterprise and are often the key differentiator in valuation.

Examples:

- Brands
- Trademarks
- Patents
- Copyrights
- Customer relationships
- Software & algorithms
- Goodwill

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3. Applicable Valuation Standards

Standard	Relevance
ICAI IVS 103	Valuation approaches for intangibles
ICAI IVS 302	Valuation of Intangible Assets
IVSC IVS 210	Specific guidance on Intangible Assets
IVSC IVS 104	Fair Value as basis of value
Ind AS 38 / Ind AS 113	Accounting and fair value measurement of intangibles

---

4. Valuation Approaches

1. Income Approach

- **Relief from Royalty Method:**
  Estimates the value of a brand by computing the present value of royalty payments saved by owning the brand.
- **Multi-Period Excess Earnings Method (MEEM):**
  Used when an intangible generates cash flows distinct from other assets. Common for customer contracts or relationships.
- **With-and-Without Method:**
  Compares cash flows with and without the specific intangible (e.g., license).

2. Market Approach

- Based on recent transactions of comparable intangibles.
- Often constrained due to lack of public data.

3. Cost Approach

- Useful where historical cost or replacement cost is reliable (e.g., internally developed software).

---

5. Case Study: Valuation of a Brand using Relief from Royalty

Company: FoodEx Ltd.
Asset: Brand used for packaged goods in India
Approach: Relief from Royalty

- Royalty Rate: 4% of projected revenues
- Revenue: ₹200 crore (Yr 1), CAGR 12%
- Tax rate: 25%, WACC: 13%
- PV of Royalty Savings: ₹42 crore

Learning:
Use of industry benchmarks for royalty rates and tax-adjusted savings is critical. Sensitivity to WACC and growth is significant in brand valuation.

---

6. Regulatory Use Cases

- **M&A Transactions:** Brand valuation for purchase price allocation (PPA).
- **Financial Reporting:** As per Ind AS 113 and Ind AS 103.
- **Taxation:** Transfer pricing and royalty benchmarking under Income Tax Rules.
- **IBC / Liquidation:** Estimating value of brand for resolution or sale.

---

7. Challenges in Intangible Valuation

- Lack of active markets and comparable transactions
- Subjective forecasts for usage, life, and risk
- Need for industry-specific benchmarking (e.g., pharma, software)

---

8. Best Practices

- Use multiple methods when possible (Income + Market)
- Document source of inputs (royalty benchmarks, discount rate)
- Disclose economic life assumptions clearly

- Justify brand strength using market share, loyalty, or surveys

---

9. Common Mistakes

- Using arbitrary or outdated royalty rates
- Ignoring tax impacts in income approach
- Inconsistent treatment of contributory asset charges in MEEM
- Not aligning method with the asset's characteristics

---

10. References

- ICAI Valuation Standard 302: Intangible Assets
- IVS 210: Intangible Assets
- Ind AS 38 & 113
- OECD Transfer Pricing Guidelines
- ICAI Concept Paper on Fair Value and Discount Rate
- Brand Finance reports and royalty databases

Would you like to continue with **Chapter 5: Valuation of Startups & ESOPs** next?

5

Here is the professionally written and formatted **Chapter 5: Valuation of Startups & ESOPs**, continuing in the valuation reference book style:

📘 Chapter 5: Valuation of Startups & ESOPs

---

1. Learning Objectives

- Understand unique valuation challenges and principles for startups.
- Identify the legal and regulatory framework for ESOP valuation.
- Apply appropriate methods such as DCF, VC Method, and Option Pricing Models.
- Explore real-world cases and best practices in startup and ESOP valuation.

---

2. Startup Ecosystem and Regulatory Context

📜 **Key Frameworks:**

- **Companies Act, 2013**
  - Section 62(1)(b): Issue of shares under Employee Stock Option Scheme (ESOS)
  - Section 247: Valuation by Registered Valuer
- **Income Tax Act, 1961**
  - Rule 11UA: Valuation for shares issued under ESOP
  - Section 17(2): Tax on perquisite value of ESOPs
- **Startup India Policy**: Recognition and tax exemption under DPIIT

🏛 **Governing Institutions:**

- DPIIT (Startup Recognition)
- CBDT (ESOP taxation and FMV)
- SEBI (For listed company ESOPs)

---

3. Applicable Valuation Standards

Standard	Relevance
ICAI IVS 103	Valuation approaches for startups and early-stage companies
ICAI IVS 301	Business Valuation
IVSC IVS 200	Business and Business Interests
IVSC IVS 104	Fair Value, Market Value, Investment Value

---

4. Valuation Approaches for Startups

Discounted Cash Flow (DCF) Method

- Preferred for tech startups with scalable models.
- Requires defensible revenue, cost, and growth forecasts.

Venture Capital (VC) Method

- Back-solves value from expected future exit valuation.
- Popular among angel and VC investors.

Market Multiples Approach

- Used with caution due to lack of listed comparables.
- May use industry benchmarks and valuation reports.

Option Pricing Model (Black-Scholes / Binomial)

- Often used for ESOP valuation under Rule 11UA.

- Appropriate for complex share classes or performance-linked rights.

---

5. Special Considerations in Startup Valuation

- **Lack of Historical Data**: Future cash flows are projections based on founders' vision.
- **Negative Cash Flows**: DCF must reflect long gestation periods.
- **Dilution Sensitivity**: Important in early rounds with convertible instruments.
- **Funding Stages**: Valuation benchmarks shift across Seed, Series A, B, and exit stages.

---

6. Case Study: Startup Valuation Using VC Method

Startup: AgriTechNow Pvt. Ltd.
Funding Round: Series A for ₹5 crore
Projected Exit in Year 5: ₹100 crore
Investor Target IRR: 40%

Post-Money Valuation (Backsolved):
₹100 crore / (1 + 40%)^5 = ₹22.5 crore

Investor Stake:
₹5 crore / ₹22.5 crore = ~22.2%

Learning: VC Method is practical for negotiations and setting equity stakes in funding.

---

7. ESOP Valuation: Method & Taxation

For Unlisted Companies (Rule 11UA):

- **FMV** determined by Merchant Banker or RV
- **Method:** DCF, NAV, or OPM as appropriate
- **Taxation:** Perquisite value = FMV on exercise date – Exercise Price

For Listed Companies:

- FMV = Average of opening and closing price on grant date (recognized stock exchange)

---

8. Reporting and Documentation

- Clear disclosure of assumptions (revenue, discount rate, exit valuation)

- Valuer must be independent with no conflict of interest
- Certification of FMV for ESOP by Merchant Banker (or RV for Company Law)

---

9. Common Pitfalls

- Overly optimistic projections in DCF
- Ignoring economic rights attached to different share classes
- Not updating valuations across funding rounds
- Misapplying OPM without proper calibration

---

10. References

- ICAI Valuation Standard 103 and 301
- IVS 104 and 200
- Rule 11UA and Section 17(2) of Income Tax Act
- DPIIT Notifications on Startup Valuation
- SEBI ESOP Guidelines (for listed entities)
- ICAI Concept Papers and Startup Valuation FAQs

Would you like to proceed with **Chapter 6: Valuation under FEMA and SEBI Laws** next?

YES

Here is the professionally prepared **Chapter 6: Valuation under FEMA and SEBI Laws**, aligned with ICAI and IVSC standards:

📘 Chapter 6: Valuation under FEMA and SEBI Laws

---

1. Learning Objectives

- Understand regulatory requirements for cross-border and capital market transactions.
- Identify applicable methods and standards under FEMA and SEBI guidelines.
- Learn reporting, compliance, and documentation expectations.
- Apply concepts through practical examples and case studies.

---

2. Regulatory Context

📜 Foreign Exchange Management Act (FEMA), 1999

- **Applicable Rules:**
  - FEMA (Non-Debt Instruments) Rules, 2019
  - RBI Master Directions on FDI and ODI
  - Pricing guidelines under Schedule 1 (FDI) and Schedule V (ODI)
- **Valuation Events:**
  - Issue or transfer of shares to non-residents
  - Investment by Indian entities abroad
  - Swap of shares with foreign parties

📜 SEBI Regulations

- **SEBI ICDR Regulations** – Valuation for preferential allotment, rights issue
- **SEBI Takeover Code (SAST)** – Open offer price includes fair valuation
- **SEBI AIF/REIT/InvIT Regulations** – Valuation of units and NAV disclosure
- **SEBI LODR** – Disclosure of valuation reports in corporate actions

🏛 Governing Authorities:

- Reserve Bank of India (RBI)
- Securities and Exchange Board of India (SEBI)
- Authorised Dealer Banks
- Stock Exchanges (for listed entities)

---

3. Applicable Valuation Standards

Standard	Relevance
ICAI IVS 103	Valuation approaches for regulatory pricing
ICAI IVS 201	Scope, compliance and legal framework
ICAI IVS 301	Business valuation methods for FDI/ODI
IVSC IVS 104	Fair Value and Market Value definitions
IVSC IVS 105	Valuation Approaches (DCF, Market, Cost)

---

4. Valuation Approaches under FEMA

Fair Value Determination

- As per internationally accepted methodology (DCF preferred)
- Must be certified by a SEBI Registered Merchant Banker or Chartered Accountant

Pricing Guidelines

- **FDI (Issue of Shares):**
  - Not below FMV

  - Method: DCF for unlisted, SEBI formula for listed
- **ODI (Outbound Investments):**
  - Investment should not exceed fair value of investment abroad
  - CA certification mandatory for valuation

---

5. Valuation under SEBI Framework

- **Preferential Allotment (ICDR):**
  - Pricing for listed companies as per 90/10 trading day average
  - For unlisted acquisitions, fair valuation report needed
- **Takeover & Delisting (SAST & Delisting Regulations):**
  - Determination of floor price
  - Independent valuation to support exit pricing
- **AIF / REIT / InvIT Valuations:**
  - NAV calculated as per SEBI-prescribed valuation norms
  - Periodic valuation by Registered Valuer

---

6. Case Study: FDI Valuation under FEMA

Company: EduSoft Pvt. Ltd.
Transaction: Foreign investor to subscribe to equity shares
Method: DCF based on 5-year forecast

- Discount Rate: 14%
- Terminal Value using Gordon Growth
- FMV determined at ₹42/share

Learning:
Valuation certified by CA as per FEMA. Deal price must be ≥ ₹42/share to comply.

---

7. Documentation & Reporting

- Certified Valuation Report (PDF)
- Supporting working papers and forecast assumptions
- Declaration of method used
- AD Bank filing (FC-GPR, ODI Forms)
- SEBI Filings (in case of listed companies)

---

8. Common Pitfalls

- Using NAV instead of DCF for FDI

- Inadequate sensitivity analysis in valuation
- Outdated or unaudited financials
- Missing regulatory timelines (e.g., FC-GPR within 30 days)

---

9. Professional Ethics and Independence

- Valuer must be independent of the transaction
- No conflict of interest or benefit from valuation outcome
- Adherence to ICAI Code of Conduct and RBI/SEBI compliance norms

---

10. References

- ICAI Valuation Standards 103, 201, 301
- IVSC Standards 104 and 105
- FEMA (Non-Debt Instruments) Rules, 2019
- SEBI ICDR, SAST, LODR Regulations
- RBI Master Directions on FDI/ODI
- ICAI FAQs on Cross-border Valuation

Shall we proceed with **Chapter 7: Understanding Valuation Standards & Key Differences (ICAI vs IVSC)** next?

YES

Here is the next chapter in your professional reference book:

📘 Chapter 7: Understanding Valuation Standards & Key Differences (ICAI vs IVSC)

---

1. Learning Objectives

- Understand the structure and scope of ICAI Valuation Standards (IVS) and IVSC Valuation Standards.
- Identify similarities and key differences in terminology, scope, and methodology.
- Learn how Indian valuers can align global best practices with local regulatory compliance.
- Apply the knowledge to ensure consistency and quality in valuation engagements.

2. Overview of the Standards

Aspect	ICAI Valuation Standards (IVS)	IVSC Valuation Standards (IVS)
Issuing Body	Institute of Chartered Accountants of India	International Valuation Standards Council (IVSC)
Applicability	Mandated for Chartered Accountants (RVs) under Companies Act and other Indian laws	Global framework used internationally in over 100 countries
Coverage	Business, Intangibles, Financial Instruments, Land & Building	All major asset classes including plant, machinery, business, intangibles
Alignment with IVSC	Broadly aligned; customized to Indian regulatory environment	Sets international principles and uniformity

3. Structure of ICAI Valuation Standards (IVS)

Standard Code	Name
IVS 101	Definitions
IVS 102	Valuation Bases
IVS 103	Valuation Approaches and Methods
IVS 201	Scope of Work, Assumptions, Limitations
IVS 301	Business Valuation
IVS 302	Intangible Assets
IVS 303	Financial Instruments

4. Structure of IVSC Valuation Standards

Standard Code	Name
IVS 101	Scope of Work
IVS 102	Investigations and Compliance
IVS 103	Reporting
IVS 104	Bases of Value (Market Value, Fair Value)
IVS 105	Valuation Approaches
IVS 200–500	Asset-class specific standards (e.g., IVS 210 Intangibles, IVS 300 Plant & Machinery)

5. Key Similarities

- Both promote:

- Independence and objectivity
- Transparency in assumptions
- Standardized valuation reporting
- Use of income, market, and cost approaches

- Both require:
  - Clear purpose and scope of engagement
  - Proper documentation and rationale for selected approach
  - Disclosure of limitations and assumptions

---

6. Key Differences

Area	ICAI IVS	IVSC IVS
Jurisdictional Application	Mandatory for ICAI members in India	Global, non-binding unless adopted nationally
Legal Integration	Linked to Companies Act, Income Tax, FEMA, IBC	Not linked to national laws; used by regulators
Industry-Specific Guidance	More specific (e.g., telecom, startups)	More principle-based
Certification Requirement	Registered Valuer under IBBI	Varies; not defined in IVSC

---

7. When to Use Which Standard?

- **Use ICAI IVS:**
  - For regulatory compliance under Indian laws (Companies Act, IBC, SEBI, FEMA, IT Act)
  - When appointed as a Registered Valuer under IBBI
- **Refer to IVSC IVS:**
  - For cross-border transactions or reporting under IFRS
  - When required by multinational clients or global stakeholders

---

8. Harmonizing Both Standards

- ICAI IVS can be interpreted consistently with IVSC IVS for:
  - Bases of value (Fair Value, Market Value)
  - Valuation approaches (DCF, NAV, Comparable Multiples)
  - Reporting format and disclosures
- Valuers in India should mention both standards where international and domestic compliance is required.

---

9. Best Practices

- Keep both ICAI and IVSC standards in your reference library.
- Stay updated with amendments and updates from both bodies.
- Attend CPE programs and workshops by ICAI and RVOs to maintain interpretative clarity.
- When dealing with cross-border deals, use IVSC terminology while aligning with Indian regulatory context.

---

10. References

- ICAI Valuation Standards 2018 (IVS 101–303)
- IVSC Valuation Standards 2022 (IVS 101–500)
- ICAI Concept Papers and Technical Guides
- IVSC Exposure Drafts and Guidance Notes
- SEBI and RBI notifications referencing IVSC/IFRS values

Would you like to move to **Chapter 8: Valuation of Real Estate and Land & Building** next?

YES

Here is the professionally drafted **Chapter 8: Valuation of Real Estate and Land & Building**, continuing the reference book structure:

📘 Chapter 8: Valuation of Real Estate and Land & Building

---

1. Learning Objectives

- Understand the key principles, standards, and methodologies for valuing real estate.
- Learn how to apply ICAI and IVSC standards in land and building valuations.
- Identify factors influencing value such as location, usage rights, and regulatory constraints.
- Examine common methods including sales comparison, income capitalization, and cost approach.

---

2. Scope and Importance

Real estate and land & building assets are commonly valued for:

- Financial reporting (Ind AS 113, Fair Value)
- Lending and mortgage purposes
- Mergers and acquisitions
- Insolvency proceedings
- Stamp duty, taxation, and litigation support

---

3. Applicable Valuation Standards

Standard	Relevance
ICAI IVS 103	General valuation approaches
ICAI IVS 302	Intangible aspects linked to real estate (e.g., rights)
IVSC IVS 400	Real Property Interests
IVSC IVS 104	Bases of Value (Market Value, Investment Value)
IVSC IVS 105	Valuation Approaches (Sales, Income, Cost)

---

4. Classification of Real Estate Assets

- **Land** (with or without development)
- **Buildings** (residential, commercial, industrial)
- **Investment Property**
- **Specialised Assets** (schools, hospitals, religious buildings)
- **Leasehold vs Freehold Property**
- **Agricultural vs Non-agricultural land**

---

5. Valuation Approaches

✅ **Market Approach (Sales Comparison Method)**

- Most commonly used for open-market real estate.
- Requires recent sales data of comparable properties.
- Adjustments made for location, size, age, amenities.

✅ **Income Approach (Capitalization / DCF Method)**

- Used for income-generating properties (e.g., rental buildings).
- Capitalization Rate (Cap Rate) or Discount Rate is applied to net income.

✅ **Cost Approach**

- Based on replacement cost of building less depreciation + land value.
- Useful for special-use or non-income properties.

---

6. Key Factors Affecting Valuation

- Location and accessibility
- Land usage classification (residential/commercial)
- Floor Area Ratio (FAR) / Floor Space Index (FSI)
- Encumbrances, title, or zoning restrictions
- Age and quality of construction
- Market demand and infrastructure development

---

7. Case Study: Valuation of Commercial Building in Delhi

Asset: 5-storey office building
Valuation Purpose: Lending
Method Used: Income Approach

- Gross Annual Rent: ₹1.2 crore
- Operating Expenses: ₹20 lakh
- Net Operating Income (NOI): ₹1 crore
- Capitalization Rate: 8.5%
- Value: ₹1 crore / 8.5% = ₹11.76 crore

Learning: Proper estimation of NOI and realistic Cap Rate critical in commercial valuations.

---

8. Regulatory Considerations

- **IBC:** Liquidation value of real estate for CIRP
- **Companies Act:** Asset revaluation and reporting
- **Ind AS 113:** Fair value hierarchy and disclosures
- **Stamp Duty & Capital Gains:** Transaction valuation must comply with government circle rates

---

9. Common Errors and Pitfalls

- Using outdated comparable sales data
- Ignoring physical inspection or legal encumbrances
- Wrong application of Cap Rates or DRC
- Overstating construction cost or ignoring obsolescence

---

10. Best Practices

- Always conduct a site visit and verify title/legal documents

- Maintain a valuation workbook with clear assumptions
- Reconcile values from multiple approaches when possible
- Follow jurisdictional guidance (e.g., local municipal or revenue rules)

---

11. References

- ICAI Valuation Standard 103 and IVS 302
- IVSC IVS 400: Real Property Interests
- IBC Regulations and Liquidation Guidelines
- Ind AS 113 – Fair Value Measurement
- State Government Circle Rate Notifications

Would you like to proceed with **Chapter 9: Valuation of Financial Instruments** next?

YES

Here is the professionally structured **Chapter 9: Valuation of Financial Instruments**, continuing the reference book series:

📘 Chapter 9: Valuation of Financial Instruments

---

1. Learning Objectives

- Understand the definition and classification of financial instruments.
- Identify the standards applicable for valuation of equities, derivatives, debt instruments, and hybrid securities.
- Learn commonly used valuation methods and models such as Black-Scholes, Binomial, and Discounted Cash Flows.
- Apply valuation concepts under fair value measurement for financial reporting and regulatory compliance.

---

2. What Are Financial Instruments?

Definition (per Ind AS 32):
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Examples Include:

- Equity Shares
- Preference Shares
- Bonds and Debentures
- Convertible Debentures
- Derivatives (Options, Swaps, Forwards)
- Hybrid Instruments (e.g., Compulsorily Convertible Debentures)

---

3. Applicable Valuation Standards

Standard	Relevance
ICAI IVS 103	Approaches and methods for financial instruments
ICAI IVS 303	Dedicated standard for Financial Instruments
IVSC IVS 500	Financial Instruments – global practices
IVSC IVS 104	Fair Value bases
Ind AS 109, 113	Financial Instruments and Fair Value Measurement for accounting

---

4. Valuation Approaches

✅ **Market Approach**

- Used when active market quotes are available (Level 1 or Level 2 Fair Value).
- Applies to traded equity, bonds, or listed derivatives.

✅ **Income Approach**

- **Discounted Cash Flow (DCF):** Used for fixed-income securities or preference shares.
- **Option Pricing Models (Black-Scholes, Binomial):** For ESOPs, convertible instruments, and equity derivatives.

✅ **Cost Approach**

- Rarely used unless no observable input exists and income/market methods are infeasible.

---

5. Valuation Inputs and Hierarchy (Ind AS 113 / IVS 104)

- **Level 1:** Quoted prices in active markets (e.g., listed stocks)
- **Level 2:** Observable inputs (e.g., yield curves, comparable prices)
- **Level 3:** Unobservable inputs (e.g., private equity, complex options)

---

6. Case Study: Valuation of Compulsorily Convertible Debentures (CCDs)

Instrument: CCDs with 3-year maturity
Terms: Convert into equity at a 20% discount to FMV at time of conversion
Method Used: Option Pricing Method + DCF

Steps:

- Project expected FMV at Year 3 using business valuation
- Determine discount rate (WACC)
- Use Black-Scholes to calculate embedded option value

Result: Instrument valued at ₹16.2 crore

Learning: Hybrid instruments require bifurcation into liability and equity components.

---

7. Regulatory Use Cases

- **Financial Reporting:** Ind AS 109, 113 – classification and measurement at FV or amortised cost
- **M&A / Corporate Restructuring:** Share swap ratios must include valuation of instruments
- **FEMA Compliance:** Valuation of preference shares, CCDs issued to non-residents
- **ESOP Valuation:** Black-Scholes valuation for taxation and accounting

---

8. Challenges in Valuing Financial Instruments

- Lack of liquidity and market quotes
- Estimating volatility, interest rates, and credit spreads
- Understanding complex terms in convertible and hybrid instruments
- Aligning fair value with accounting and regulatory treatment

---

9. Best Practices

- Validate all model inputs (volatility, discount rate, beta, etc.)
- Use professional-grade valuation models and ensure documentation
- Clearly classify Level 1/2/3 inputs in reports
- Apply cross-checks using alternate methods where possible

---

10. References

- ICAI Valuation Standard 303: Financial Instruments
- IVSC IVS 500: Financial Instruments
- Ind AS 32, 109, 113
- Black-Scholes and Binomial models
- SEBI Guidelines for ESOP Valuation
- RBI FEMA Valuation Circulars for preference and convertible instruments

---

Would you like to continue with the final chapter in the series: **Chapter 10: Workshop Summary & Integrated Case Simulation**?

YES

Here is the professionally structured **Chapter 10: Workshop Summary & Integrated Case Simulation**, concluding your reference book:

📘 Chapter 10: Workshop Summary & Integrated Case Simulation

---

1. Learning Objectives

- Recap and integrate valuation concepts across various asset classes and regulations.
- Apply end-to-end valuation workflow in a simulated professional scenario.
- Understand the importance of standard compliance, professional judgment, and ethical practice.

---

2. Summary of Key Topics Covered

Topic	Methods / Focus Areas	Standards Applied
Valuation under IBC	Liquidation Value, Fair Value	ICAI IVS 103, 201, 301; IVSC IVS 104, 105
Valuation Reports & Case Studies	Report structure, common mistakes	ICAI IVS 103, 201; IVSC IVS 103
Income Tax & Companies Act	DCF, NAV, Rule 11UA, ESOP taxation	ICAI IVS 301, 302; Ind AS 113
Intangibles & Brands	Relief from Royalty, MEEM	ICAI IVS 302; IVSC IVS 210
Startups & ESOPs	DCF, VC Method, OPM	ICAI IVS 301; Rule 11UA
FEMA & SEBI	DCF, pricing guidelines, takeover valuations	ICAI IVS 103, 301; IVSC IVS 104

Topic	Methods / Focus Areas	Standards Applied
Standards Comparison (ICAI vs IVSC)	Alignment and application contexts	All ICAI & IVSC IVS
Real Estate & L&B	Sales Comparison, Cap Rate, DRC	ICAI IVS 103; IVSC IVS 400
Financial Instruments	OPM, DCF, Market quotes	ICAI IVS 303; IVSC IVS 500

3. Integrated Case Simulation

◆ **Scenario:**

ABC InfraTech Pvt. Ltd. is undergoing CIRP under IBC. The Resolution Professional seeks:

- **Fair Value and Liquidation Value** of the company
- **Valuation of a brand** under a licensing model
- **ESOP pricing** for key employees under revival plan
- **Real estate valuation** for owned commercial buildings
- **Outstanding CCDs** held by a foreign investor

◆ **Steps in Valuation Engagement:**

1. **Engagement Letter:** Define scope under ICAI IVS 201
2. **Information Gathering:** Financials, asset lists, agreements, ESOP plan, CCD terms
3. **Methodologies Applied:**
    - **Liquidation Value:** Cost approach for assets
    - **Fair Value:** NAV + Income-based approach
    - **Brand:** Relief from Royalty
    - **ESOP:** OPM using Black-Scholes
    - **Real Estate:** Income approach with Cap Rate
    - **CCDs:** Bifurcated into liability/equity using DCF + option pricing
4. **Reporting:** ICAI IVS 103 and IVSC IVS 103 reporting framework
5. **Assumptions:** Clearly documented with caveats and sensitivity

4. Output

Component	Value/Conclusion
Fair Value of Business	₹150 crore
Liquidation Value	₹90 crore
Brand Value	₹15 crore (10-year license model)
ESOP FMV	₹112/share
Real Estate Value	₹25 crore (NOI ₹2.1 crore, Cap Rate 8.4%)
CCD Valuation	₹13.6 crore (DCF + Embedded Option)

5. Takeaways from the Simulation

- Multiple standards must be harmonized for different asset classes.
- Professional judgment is key in selecting appropriate models.
- Ethical integrity and independence are non-negotiable.
- Documentation and transparent reporting elevate trust and compliance.

---

6. Final Professional Tips

- Stay updated with both ICAI and IVSC revisions.
- Use sensitivity analysis for assumptions (WACC, growth, multiples).
- Integrate tax, legal, and financial context while valuing.
- Invest in learning valuation tools and analytics models.

---

7. References

- ICAI Valuation Standards 101–303
- IVSC Valuation Standards 101–500
- Companies Act, Income Tax Act, IBC, SEBI & FEMA regulations
- Ind AS 113, 109, 32
- ICAI Guidance Notes, Case Compendiums, and Technical Guides

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Would you like a compiled PDF or document version of all 10 chapters formatted for printing or presentation?

The Institute of Chartered Accountants of India

Setu for Excellence

This comprehensive reference book is designed as an integrated guide for valuation professionals and learners, offering in-depth knowledge aligned with ICAI Valuation Standards, IVSC guidelines, and key Indian regui-tions including IBC, IT Act, Companies Act, FEMA, SEBI, and more.

For more publications, resources, and updates, please visit:

www.icai.org

Valuation Standards Board,
The Institute of Chartered Accountants of India

ICAI Bhawan, A-29, Sector 62, Noida – 201309, India

- Tel: + 91 120-3045961
- Email: **vsb@icai.in**
- Website:**www.icai.org**

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