HOW TO BECOME REGISTERED VALUER WITH IBBI?

Section 247 of the Companies Act, 2013

Section 247 of the Companies Act, 2013 came into force with effect from October 18, 2017. It details with Companies (Registered Valuer & Valuation) Rules, 2017

Valuation is required to be made in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a company or its liabilities.

Valuation shall be done by a person having prescribed qualification and experience, registered as a valuer and is a member of RVO.

Designated Authority

- Ministry of Corporate Affairs (MCA), vide notification dated October 18, 2017, has delegated the power and functions vested with Central Government under section 247 of the Companies Act, 2013 to the **Insolvency and Bankruptcy Board of India (IBBI)**, in exercise of power under section 485 of the Companies Act, 2013.
- Accordingly, IBBI is the "authority" to perform the functions under the rules.

Insolvency and Bankruptcy Board of India (IBBI)

- All the details regarding RVOs (Registered Valuer Organisations), RV (Registered Valuers), IP (Insolvency Professionals) and are mentioned on their website.
- https://www.ibbi.gov.in
- As on today 16 RVOs and 5243 RVs are present all over india.
- Few RVOs details in all three class of assets.

RV and RVO

RV

[Rule 2(1)(j)]

- RV means the person **registered with IBBI** in accordance with the Companies (Registered Valuers and Valuation) Rules, 2017 ("Rules")
- Eligible RVs are: Individual, partnership firm and Company

RVO

[Rule 2(1)(h)]

- RVO means a registered valuer organization recognized under rule 13(5)
- Not for profit Company (Companies Act)/ professional institute established by an act of parliament/ society (Society Registration Act)/ Trust (Indian Trust Act)

For Society & Trust: till 17th October, 2018, should be converted or registered as **section 8 company**, with governance structure and bye laws specified in **Annexure-III.**

For section 25 company and section 8 company: till 17th October, 2018 shall have the governance structure and incorporate in its bye laws the requirements specified in Annexure-III.

Details of RVOs

S. No.	RVO Recognition Number	Name of RVO	Asset Class
1	IBBI/RVO/2017/001	RVO Estate Managers and Appraisers Foundation	Land and Building
			Plant and Machinery
			Securities or Financial Assets
2	IBBI/RVO/2017/002	IOV Registered Valuers Foundation	Land and Building
			Plant and Machinery
			Securities or Financial Assets
3	IBBI/RVO/2018/003	ICSI Registered Valuers Organisation	Land and Building
			Plant and Machinery
			Securities or Financial Assets
4	IBBI/RVO/2018/004	IIV India registered Valuers Foundation	Land and Building
			Plant and Machinery
			Securities or Financial Assets
5	IBBI/RVO/2018/005	ICMAI Registered Valuers Organisation	Land and Building
			Plant and Machinery
			Securities or Financial Assets
6	IBBI/RVO/2018/006	ICAI Registered Valuers Organisation	Securities or Financial Assets
7	IBBI/RVO/2018/007	PVAI Valuation Professional Organisation	Land and Building
			Plant and Machinery
			Securities or Financial Assets

Eligibility for RVOs

S. No.	Particulars
1.	**Conducts educational courses in valuation** for individuals who may be its valuers members
2.	**Grants membership or certificate of practice** to individuals who possess the prescribed qualification and experience.
3.	Lays down and enforce a **code of conduct** for valuer members
4.	Provide for **continuing education** of Individuals
5.	**Monitors and reviews** the functioning of valuers
6.	Has a **mechanism to address grievances and conduct disciplinary proceedings**
7.	governance structure and bye laws specified in Annexure-III (Professional Institutes are exempted from this requirement.)

Process of recognition

Application for recognition

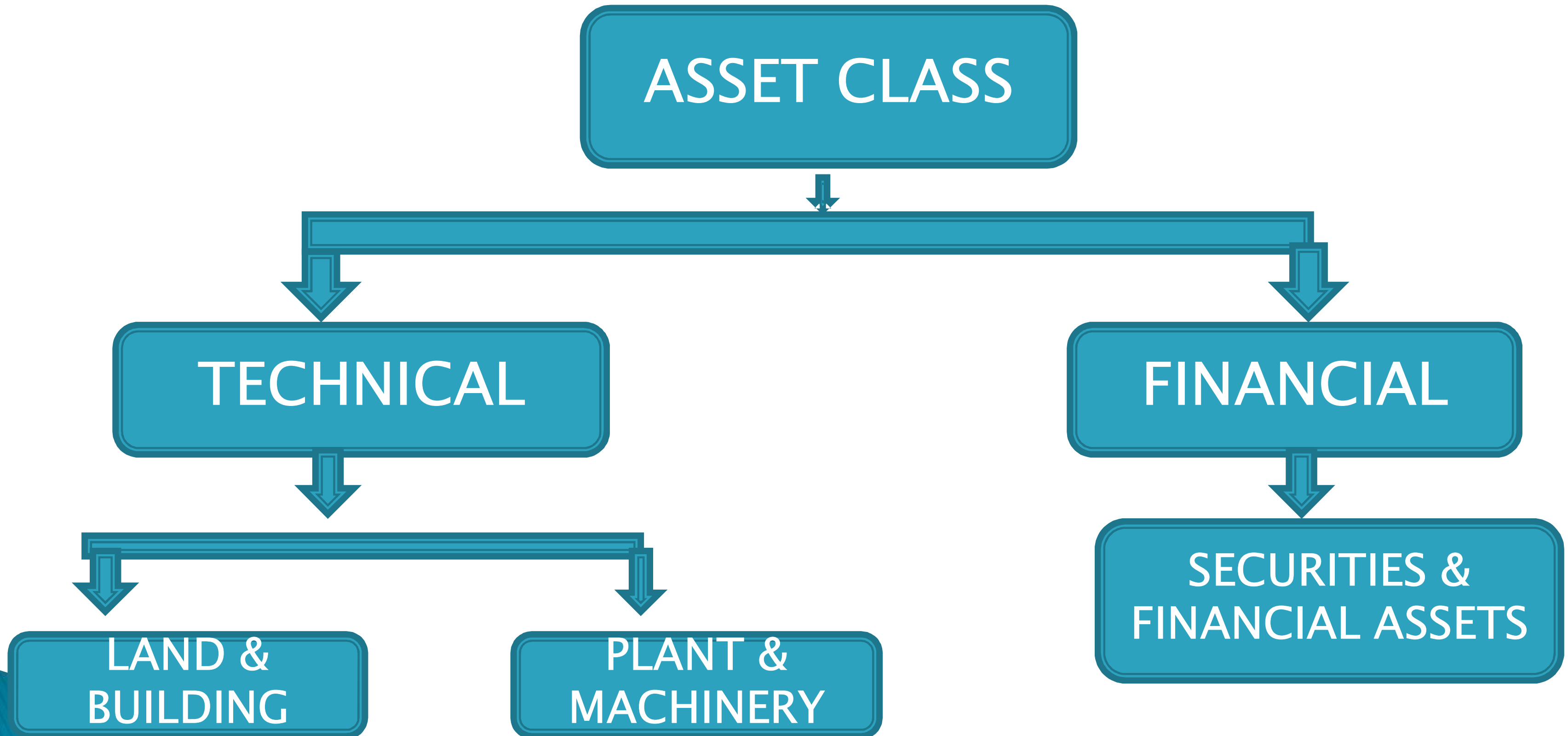
- If the organization qualifies the eligibility criteria it may apply for recognition as RVO in Form E to IBBI for asset class or classes.

Certificate of Recognition

- If IBBI is satisfied that the applicant is eligible, then it may grant certificate of recognition.

Asset Class

- Asset Class is divided into 2 parts Technical And Financial.



Valuation for Assets Class

- A- Land & Building - (Civil Engineering)
- B- Plant & Machinery- (Mechanical or Electrical Engineering)
- C- Securities and Financial Assets - (CMA, CS,CA, MBA, PGDFM, M Com)

Eligibility Criteria and qualification for Registration of valuers

- Qualification and experience (Rule 4)

S. No.	**Qualifications** (*from University or Institute established, recognised or incorporated by law in India*)	**Experience** (in the specified discipline)
1.	**PG degree/ PG diploma** in specified discipline	Minimum **3 years**
	OR	
2.	**Bachelor's degree or equivalent** in specified discipline	Minimum **5 years**
	OR	
3.	Membership of a professional institute established by an act of parliament and having qualification mentioned at (1) and (2) above	Minimum **3 years** after such membership

Specified Discipline means specific discipline which is relevant for valuation of an <u>asset class</u> for which the registration/ recognition is sought under these rules.

Rule for Examination

Format of Examination

- **A**. The examination is conducted **online** with objective multiple-choice questions
- **B**. The duration of the examination is **2 hours**;
- **C**. A candidate is required to answer all questions;
- **D**. Wrong answer attracts a **negative mark of 25%** of the marks assigned.
- **E**. Candidate needs to secure **60%** of marks for passing;
- **F**. Successful candidate is awarded a certificate by the Authority;
- **G**. Candidate is issued a temporary mark sheet on submission of answer paper; and
- **H.** Candidate may use a non-memory based calculator. No mobile phone is allowed.

Frequency of Examination

- **A**. The examination is available from a number of locations in the country
- **B**. The examination is available on every working day
- **C**. A candidate needs to provide **PAN** and **Aadhaar** to enrol for the examination.

Registration

- **A.** The educational course for the asset class shall be delivered by the RVO in not less than **50 hours**.
- **B.** Candidate having the required qualification and experience and having completed the education course specified above shall be eligible for registration as a valuer on passing the valuation examination of the asset class conducted by the Authority.
- **C.** The educational course will **be reviewed on a yearly basis**.

Valuation Examination- Assets Class- Securities or Financial Assets

- **Syllabus (100 marks) and 50 hrs of Training**

S.No	Content
A	Micro Economics
B	Finance
C	Professional Ethics and Standard
D	Financial Statement analysis
E	General Law and Judicial Pronouncement
F	Overview of Valuation
G	Valuation Approach and Methodology
H	Valuation Application
I	Law and Regulation relevant to financial assets Valuation
J	Case Studies

Macro Economics

- National Income Accounting
- Basics of Fiscal Policy
- Basics of Monetary Policy
- Understanding Business cycles

Finance

- Basic Concepts of Finance
- Decisions in Finance
- Financial Markets and Securities Markets

Professional Ethics and Standards

- - Model Code of Conduct as notified by MCA
- - Other Engagement Considerations

Financial Statement Analysis

- Assets, Liabilities, Income and Expenses
- Performance Analysis, Capital Structure Analysis
- Credit Analysis
- Cash Flow Analysis

General laws and Judicial Pronouncements

- **Indian Companies Act 2013 (Registered Valuers & Valuation Rules, 2017)**
- **The Sale of Goods Act, 1930**
- **The Transfer of Property Act, 1882**
- **Indian Stamps Act, 1899**
- **Income Tax Act, 1961**
- **Insolvency and Bankruptcy Code, 2016**
- **SEBI Regulations**
- **RBI and FEMA Regulations**

Overview of Valuation

Meaning of Value, Premise of Valuation ,Purpose of Valuation, Valuation Engagements ,Valuation Process ,Valuation Report , Documentation

Valuation Approaches and Methodologies

- Income Approach
- Market Approach
- Cost Approach

Valuation Application

- **Equity / Business Valuation**
- **Fixed Income Securities**
- **Option Valuation**
- **Valuation of other Financial Assets and Liabilities**
- **Intangible Assets**
- **Situation Specific Valuation (Liquidation, Forced sale, Insurance, Angel Investors)**

Checklist indicating Eligibility for RV (Individuals)

S. No.	Particulars
1.	Possess the qualifications and experience as prescribed
2.	Has passed the valuation examination
3.	Is a valuer member of the RVO and should also be recommended by it
4.	Is not minor
5.	Is a person resident in India
6.	Has not been declared to be of unsound mind and is not an undischarged bankrupt or has not applied to be adjudicated as a bankrupt
7.	Has not been convicted by any competent court (Imprisonment for more than 6 months/ moral turpitude) and a period of 5 years has not been elapsed.
8.	Has not been levied a penalty u/s 271J of the IT Act
9.	Is a fit and proper person.

Checklist indicating Eligibility for RV (Partnership entity/ Company)

S. No	Particulars
1.	Objects should be to render professional or financial services including valuation services.
2.	Company should not be subsidiary, joint venture or associate of another company or body corporate.
3.	**all the directors or partners to be registered valuer** (*where directors or partners are less than 3*) or **3 directors/ partners** to be registered valuer (*where directors or partners are more than 3*)
4.	atleast one of the directors/partners should be a registered valuer for the asset class, for the valuation for which it seeks to be a registered valuer.

Process of Registration

Application for Enrolment as a member with RVO

- Individuals eligible to be registered as registered valuer with IBBI can make an application to RVO.

Valuation Examination

- Individuals who possess the prescribed qualification and experience and have completed their educational courses as member of RVO can appear for exams.

Application for Certificate of Registration

- Eligible Individuals, partnership entities, companies may apply for the registration in Form A and Form B to the IBBI.
- If IBBI is satisfied, it may grant applicant Certificate of registration .

Valuation Requirements under Various Act :-

- Valuation under Companies Act, 2013
- Valuation under Insolvency & Bankruptcy Code (IBC)
- Valuation under FEMA
- Valuation under Income Tax Act
- Valuation under Securities & Exchange board of India
- Valuation under Indian Accounting Standard

Purpose of Valuation

Business Valuation	Regulatory	Intangibles	Financial Reporting
Restructuring	FEMA	Purchase / Sale	Purchase Price Allocation
Purchase / Sale of shares / business	Income Tax Act	Hypothecation	Private Equity/ Venture Capital Funds
Litigation / Family Settlements	SEBI Regulations	Accounting for purchase	Financial Instruments
Fund raising	Companies Act	Impairment	Ind AS reporting – Fair Value / Impairment

REGISTERED VALUERS

- RVs **cannot conduct valuation** of the assets or class(es) **of assets other than for which it has been registered**.
- RV **may obtain inputs** for his valuation report or get a separate valuation for an asset class conducted **from another RV.**

Thank You

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