## APPENDIX-(iii) TO ANNEXURE-4

## FORMAT FOR VALUATION OF CURRENT ASSETS

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(Name & Address, Telephone No. of the valuers)

**SUB: STOCK / BOOK DEBT VALUATION REPORT PERTAINING TO M/S. ..........................................................CONDUCTED BETWEEN ........................ TO .............................**

### A. BORROWER PROFILE

1. Name & Address :

2. Name of the Branch :

   - Details of the limits
   - Date of commencement and date of completion of valuation
   - Last inspection of stock done by __________ on _____ :

3. Sole / MBA/ Consortium :

4 Names of the persons who conducted valuation:

5. Audit based on the stocks / book debts declared by the borrowers in their statement as at ........................ (here specify the date, month and the period covered) :

### B. PHYSICAL VERIFICATION OF STOCKS (RAW MATERIALS, STORES, SPARES, WORK IN PROCESS AND FINISHED GOODS)

1. Description of stock declared: (Here give the major items of materials brand name, quality, whether they are normally used by units with similar activities carried on by the borrower)

| | Value in Rs | Quantity in units |
|---|---|---|
| Opening stock as on | | |
| Purchases | | |
| Used / sold | | |
| Closing stock as on | | |
| | | |

(Furnish the details both in terms of quantity and value. The stock should be valued at cost price or market value, whichever is less).

2. Bifurcation of closing stock at various locations / godowns as declared by the borrower: (including goods lying with the processing / outstation godown, goods in transit, if any).

Where the borrower is having different units / division, division-wise details shall be furnished. Full address of the location of the premises where the stock is held is to be furnished unit-wise, division-wise. If the stock held in any division / location is not verified / valued, the reasons for not verifying and value of such stock should be specified.

| | | Site No. | | Site No. | | Site No. | |
|---|---|---|---|---|---|---|---|
| | | Qty. | Value | Qty. | Value | Qty. | Value |
| a) | Raw Material<br>Less: Unpaid stock<br>Imported<br>Indigenous | | | | | | |
| b) | Work-in-process | | | | | | |
| c) | Finished goods | | | | | | |
| d) | Stores / Spares | | | | | | |
| | TOTAL | | | | | | |

3. Comments on Quantity and value of goods:
(Here specify the major items which constitute more than 5% of total value of stocks, if the number / variety of such materials is innumerable).

4. Details of the goods if any, received: (Amount in Rs)

a) Goods received under LC :
b) Goods received under BG :
c) Goods on consignment basis :
d) Goods on credit purchases :
e) Any other stock not paid for :

f) Others

TOTAL VALUE OF GOODS HELD BY THE BORROWER (IF THERE IS DIFFERENCE IN THE VALUE DECLARED BY THE BORROWER AND ACTUAL STOCK. THE SAME SHOULD BE COMMENTED IN DETAIL)

5. Whether stock received for processing (job work) is included? Whether such goods are separately accounted?

6. Stocks physically verified:

| Location/ Godown | Raw Material | As %age to Total | Stock in process/ semi-finished goods | As %age to Total | Finished Goods | As %age to Total | Stores/ Spares | As %age to Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |

Note: High value items to be checked 100%, medium and low value items could be checked 25% to 50% at random.

(a) Comments on value of old / obsolete goods/ non-usable stocks, non-moving stocks, sales returns, and %age of such stocks to the total stocks:

(b) As per information gathered and to the best of our knowledge, the following stock to be further excluded from the stock declared in Col. No.4 under item No.6 above for the reasons mentioned (This shall include old / obsolete, non-usable and slow moving goods, goods in transit, goods received from others for processing / job work etc.)

(Amount in Rs. lacs)

| Description | Quantity | Value | Reasons for exclusion |
|---|---|---|---|
| | | | |

## C. SYSTEMS OF INVENTORY CONTROL

(a) Observation on the quality of stock (To include method of storage, safety and security protection from rain, sun, moisture, dust, pilferage, etc.)

(b) Observation on market, demand / supply position, future prospects

(c) Observations regarding the movement of stock and holding level of raw materials, work-in-process and finished goods:

(d) Whether consumption of raw materials is commensurate with production activity and other production expenses:

(e) Risk identification and suggestions for risk management:

(f) Comments on inventory control and management systems practiced by the borrower. Comments regarding maintenance of books of accounts, bin cards, procedure adopted for deployment of stocks (FIFO / LIFO), valuation of stock in process and finished goods.

(g) Brief comments on description of production activity, whether there were any special events like, breakdown in production activity, loss of materials and other relevant issues, which are relevant to the financing bank.

## D. METHOD OF COSTING OF RAW MATERIALS, WORK-IN-PROCESS AND FINISHED GOODS

(Comment on valuation method adopted by the company: Valuation is done on the basis appropriate to business carried on by the borrower, applicable accounting standards are followed. Accounting standards followed should be specified).

## E. 1. PLANT LAYOUT AND PLANT MAINTENANCE

(Here comment on functioning of plant and machinery, capacity utilisation, whether any machine is remaining idle for long. Maintenance of the machineries).

2. Insurance coverage — Yes / No

a) Whether the goods are fully insured for all the industry specific risks :

b) Whether the policies are in force :

c) Whether 'Banker's clause' included in the policy :

d) Whether additional risks like / strike, electrical, theft, etc. are included in the policy :

e) Location of goods properly stated in the policy with Door No. / Survey No., Municipal No., etc. :

f) Extent of insurance cover available :

g) Goods sent to the processing units/ sub-contractors; whether insured / transit insurance obtained :

h) Whether any location / godown is not covered in the insurance. Whether any risk is excluded; If so, specify the reasons.

## F. QUALITY CONTROL

[Comment on quality control measures like quality management audit (ISO Audit), internal quality improvement process, R&D orientation].

## G. LABOUR TURNOVER

(Comment on method of measurement of labour turnover: here specify replacement method or separation method, industrial relation and overall position relating to industrial peace).

## H. DRAWING POWER COMPUTATION

(Comment on whether the drawing power is computed as per the norms advised by the bank: whether there is any difference in computation of DP).

Observation as to the marketability / saleability of the stock. (Briefly describe market condition, demand pattern, marketing arrangement, etc.)

Any qualifying comments of the statutory auditors of the company regarding maintenance of books of accounts and accounting policy adopted by the borrower. This should be commented.

## I. VALUATION OF SUNDRY DEBTORS / BOOK DEBTS

(Rs. in lacs)

1. a) Total book debts declared as on ............
   b) Of which bills discounted with the Bank

2. a) Age-wise bifurcation

   Outstanding upto 30 days
   31 days to 90 days
   91 days to 120 days
   121 days to 180 days
   Above 180 days

   b) Details of party-wise outstandings (whether outstanding of any particular debtor is in excess of 5 to 10% of the total debtors)

3. Book debts as percentage to total sales. Cumulative figures should be furnished from the beginning of the financial year till the date of valuation (Cumulative from 01.04.____ to 31.03.______ )

4. Book debts identified as recoverable Rs.
   Doubtful of recovery Rs.

   Bad debts Rs.
   (%age of such doubtful and bad debts should be specifically commented)

5. Collection machinery put in place

6. Whether the borrower has provided for book debts, which are doubtful of recovery?

7. Whether there are any disputes in respect of book debts?

8. Observations as to the quality of book debts.

9. Any discrepancy on verification of the books of accounts?

10. Whether there are inter-firm / intra-firm debtors? Whether all the debtors are arising out of commercial transactions?

11. Comments on Drawing Power against book debts.

12. If the data is stored in computer system, the safety features / measures in force to prevent any manipulative corrections / changes to be commented upon.

## J. GENERAL CHECKLIST

1. Whether the turnover in the account is abnormal, comparable with the past levels / operating levels? Please comment.

2. Whether sale proceeds are routed in the account? Please comment. If not routed, the reasons are to be enquired and commented in the report.

3. Whether purchase commitment is met by issue of cheque on CC / CA? Please comment.

4. Whether the borrower holds stock received for processing (job work) and whether they are separately stored? Please comment.

5. If so, whether it is so declared and deducted from the total stock? Please comment.

6. Whether stock turnover is satisfactory? Please comment.

7. Whether borrower's record maintenance of stock and accounting is satisfactory? Please comment whether there are any deficiencies.

8. Comment on accounts - conduct with other consortium banks / banks under multiple banking arrangements.

9. Comments on accounts with any other banks / any diversion of funds (If no diversion is observed, specific comment should be made).

10. Whether random physical inspection now conducted represent a correction position of the entire stock? Please comment.

11. Whether Bank's hypothecation board is displayed? - Yes/No

12. Whether stocks are properly stored? - Yes/No

13. Whether stock book is maintained up-to-date? - Yes/No
Comment.

14 Whether details of stock, as per Stock Register and Stock Statement tally? Whether value of stock declared in the stock statement tallies with stock declared in the balance sheet and for insurance cover? Please comment.

15. Whether purchase / sale invoices are verified? Whether valuation of purchase is correct? Whether over valuation of purchases is done? Please comment.

16. Whether there are any purchases from allied / sister concerns. Whether all such transactions are genuine? Please comment.

17. Whether there are cash purchases? Whether such cash purchases are proportionate? Please comment.

18. Whether level of sundry creditors is commensurate with past trends? Please comment.

19. Compliance of sanctioned terms with reference to registration of charge on stocks and book debts.

Any other observations on:

a) Verification of invoices
b) Physical verification of stock
c) Stock held with processing / job works or outstation godowns
d) Old, obsolete, non-moving stock

## CERTIFICATE

I/We certify that the valuation of stock and book debts has been done on the basis of accepted accounting principles and those specified by the Bank. I/We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our valuation. In my / our opinion proper books of account as required by law / Bank have been kept by the company so far as it appears from the examination of the books.

___ % of stocks of the finished goods, stores, spare parts and raw materials have been physically verified. I/We certify that the stock and / or book debts position as declared in the stock and / or book debts statement/s as at __________ reflect/s the true and correct picture of the stocks and / or book debts as reflected in the book of the accounts of the borrower company. No material discrepancies have been noticed on physical verification of such stocks and / or book debts as compared to the records.

On the basis of our examination of stock and / or book debts records, I/We am / are of the opinion that, valuation of stock and / or book debts is fairly and properly carried out in accordance with the normally accepted accounting principles and is on the same basis, as in the preceding year.

In my / our opinion and according to the information and explanation given to us, the transactions of purchase and sale of goods in pursuance of contracts/ arrangements entered in the register maintained under Section 301 of Company's Act have been made at the prices which are reasonable having regard to the prices at which transactions of similar goods have been made with other parties.

I / we also certify that market value of stocks and / or book debts offered as security to the Bank is adequate to cover the outstandings after providing for margin as stipulated by the Bank.

I / we certify that to the best of my / our knowledge, the figures, facts and details furnished in this report are true and correct and are compiled after due diligence.

**Place :**
**Date :** **Signature of Auditor**