



WRITING A VALUATION REPORT

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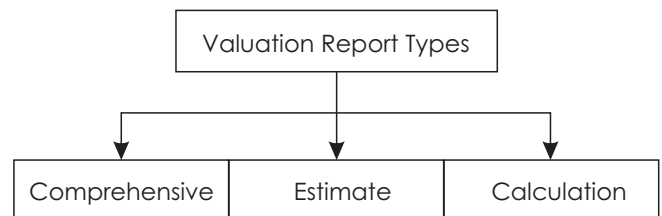


What is a Valuation Report?

- Is there any formal definition for a Valuation Report? Yes.
- CBV Institute Practice Standard No. 110 - VALUATION REPORTS – Para 2 prescribes the following: A Valuation Report is defined as **“any written communication containing a conclusion as to the value of shares, assets or an interest in a business, prepared by a Valuer acting independently.”**

Types of Valuation Reports

- In general practice, there are three types of Valuation Reports.
- These Reports are not only distinguished by the Valuer's scope of review and the amount of disclosure provided, but also by the level of assurance being provided in the conclusion, with a Comprehensive Valuation Report providing the highest assurance and the Calculation Valuation Report providing the lowest.



- **Comprehensive Valuation Report** - a Comprehensive Valuation Report contains a conclusion as to the value of shares, assets, or an interest in a business that is based on a comprehensive review and analysis of the business, its industry, and all other relevant factors, adequately corroborated and generally set out in a detailed Valuation Report.
- **Estimate Valuation Report** - an Estimate Valuation Report contains a conclusion as to the value of

shares, assets or an interest in a business that is based on limited review, analysis and corroboration of relevant information, and generally set out in a less detailed Valuation Report.

- Calculation Valuation Report - a Calculation Valuation Report contains a conclusion as to the value of shares, assets or an interest in a business that is based on minimal review and analysis and little or no corroboration of relevant information, and generally set out in a brief Valuation Report.

Contents of Valuation Reports

- Considering the interests of stakeholders and the need for transparency and principles of good

corporate governance, the under noted matters should compulsorily be covered in the Valuation Report, in a clear, unambiguous and non-misleading manner, consistent with the need to maintain confidentiality. The below-given table compares the minimum contents of the valuation reports prescribed by the Insolvency & Bankruptcy Board of India (IBBI), International Valuation Standards Council (IVSC), Canadian Business Valuators (CBV) Institute, The Institute of Chartered Accountants of India (ICAI), and The Companies (Registered Valuers and Valuation) Rules, 2017

No.	IBBI Guidelines	Rule 8(3)	IVS	ICAI VS	CBV Institute
	Background Information of the asset being valued;	Background information of the asset being valued;	NA	background information of the asset being valued;	A description of the shares, assets or interest in a business being valued
	Purpose of valuation and appointing authority	Purpose of valuation and appointing authority	The purpose	purpose of the valuation and appointing authority	The purpose for which the Valuation Report is being prepared
	Bases of Value;	NA	NA	NA	NA
	Premise of Value;	NA	NA	NA	NA
	Identity of the RV and any other experts involved in the valuation;	identity of the valuer and any other experts involved in the valuation;		the identity of the valuer and any other experts involved in the valuation	The name of the firm responsible for preparing the Valuation Report, as well as the name of the Valuator
	Intended Users of the Valuation;	NA	Intended users	NA	To whom the Valuation Report is being provided
	Disclosure of RV interest or conflict, if any;	Disclosure of valuer interest or conflict, if any;	NA	disclosure of the valuer's interest or conflict, if any	A statement that the Valuation Report was prepared by the

No.	IBBI Guidelines	Rule 8(3)	IVS	ICAI VS	CBV Institute
					Valuator acting independently and objectively
	Date of appointment, valuation date and date of report;	Date of appointment, valuation date and date of report;	The date of the report (which may differ from the valuation date).	date of appointment, valuation date and date of the valuation report	The effective date of the valuation; The date of the Valuation Report;
	Inspections and /or investigations undertaken;	Inspections and/or investigations undertaken;	NA	inspections and/or investigations undertaken;	NA
	Business interest, ownership characteristics;	NA	NA	NA	NA
	Nature and sources of information;	Nature and sources of the information used or relied upon;	NA	nature and sources of the information used or relied upon;	NA
	Significant Assumptions, if any;	NA	The assumptions made,	NA	NA
	Procedures adopted in carrying out the valuation and valuation standards followed;	Procedures adopted in carrying out the valuation and valuation standards followed;	NA	Procedures adopted in carrying out valuation and valuation standards followed;	A statement that the Valuation Report has been prepared in conformity with the Practice Standards of The Canadian Institute of Chartered Business Valuers
	Restrictions on use of report, if any;	Restrictions on use of the report, if any;	Intended use,	Restrictions on use of the valuation report, if any;	NA
	Major factors that were taken into account during valuation;	Major factors that were taken into account during the valuation;	NA	Major factors that were taken into account during the valuation	The Valuation Report shall contain a scope of review that clearly identifies the specific information on which the Valuator

No.	IBBI Guidelines	Rule 8(3)	IVS	ICAI VS	CBV Institute
	Conclusion;	Conclusion;	The conclusion(s) of value and principal reasons for any conclusions reached	Conclusion;	relied to arrive at a conclusion
	Caveats, limitations and disclaimers.	Caveats, limitations and disclaimers	NA	caveats, limitation and disclaimers.	A statement that the Valuator's compensation is not contingent on an action or event resulting from the use of the Valuation Report
	NA	NA	the approach or approaches adopted, the method or methods applied, the key inputs used,	valuation methodology used;	NA
	NA	NA	The scope of the work performed	NA	NA
	NA	NA	NA	NA	The type of Valuation Report being provided (i.e. Comprehensive, Estimate or Calculation Valuation Report)

Comprehensive: all-inclusive, broad, complete, encyclopaedic, exhaustive, extensive, far-reaching, full, global, overall, sweeping, thorough, absolute, blanket, catholic, general, infinite, umbrella, whole, across the board.

In addition to the minimum contents required for all Valuation Reports as noted above, Comprehensive and Estimate Valuation Reports shall also include the following information:

1. A description of the valuation calculations, explaining how the significant components of the valuation calculations were developed, the rationale for each component and the matters considered;
2. Where relevant to the valuation assignment, a full description of the classes of shares and rights attached thereto, where interests other than common shares have to be valued either directly or as part of the overall valuation, the details of any shareholder agreements, voting trust agreements, or other contractual obligations affecting the shareholders should be provided
3. A summary of relevant financial information. This would comprise the most current balance sheet, as

- well as historic income/cash-flow statement information leading up to the valuation date
4. A description of the business being valued, sufficient for the reader to understand the valuation basis and approach adopted, as well as the various earnings/cash flow risk factors present. This would include a narrative description of the business activities, a brief history and a discussion of factors influencing value and
 5. A reference to trading volumes and price ranges, in the case of publicly traded securities.
 6. A Comprehensive Valuation Report shall include in addition to the above A description of the economic context and industry outlook bearing on the shares, assets or interest in a business being valued, taking into account the past and foreseeable future, as well as conditions at the valuation date.

Conclusion:

To arrive at a single conclusion of value, we weighted the multiple valuation methods applied as follows:

Valuation Approach	Valuation Method	Indication of Value	Weight	Weighted Average
Market	Guideline Publicly-Traded	42,00,000	10%	4,20,000
Market	Transactions	45,00,000	10%	4,50,000
Income	DCF	75,00,000	80%	60,00,000
Cost	Summation	17,50,000	0%	0
Total				68,70,000

The Valuation Report shall contain a conclusion as to the value of the shares, assets, or interest in a business being valued. The conclusion of value may be expressed as a single value or a range of values. The conclusion should include a reference to the type of Valuation Report being provided, the Valuer's scope of review, key assumptions relied upon, and any restrictions and/or qualifications in the Valuation Report.

