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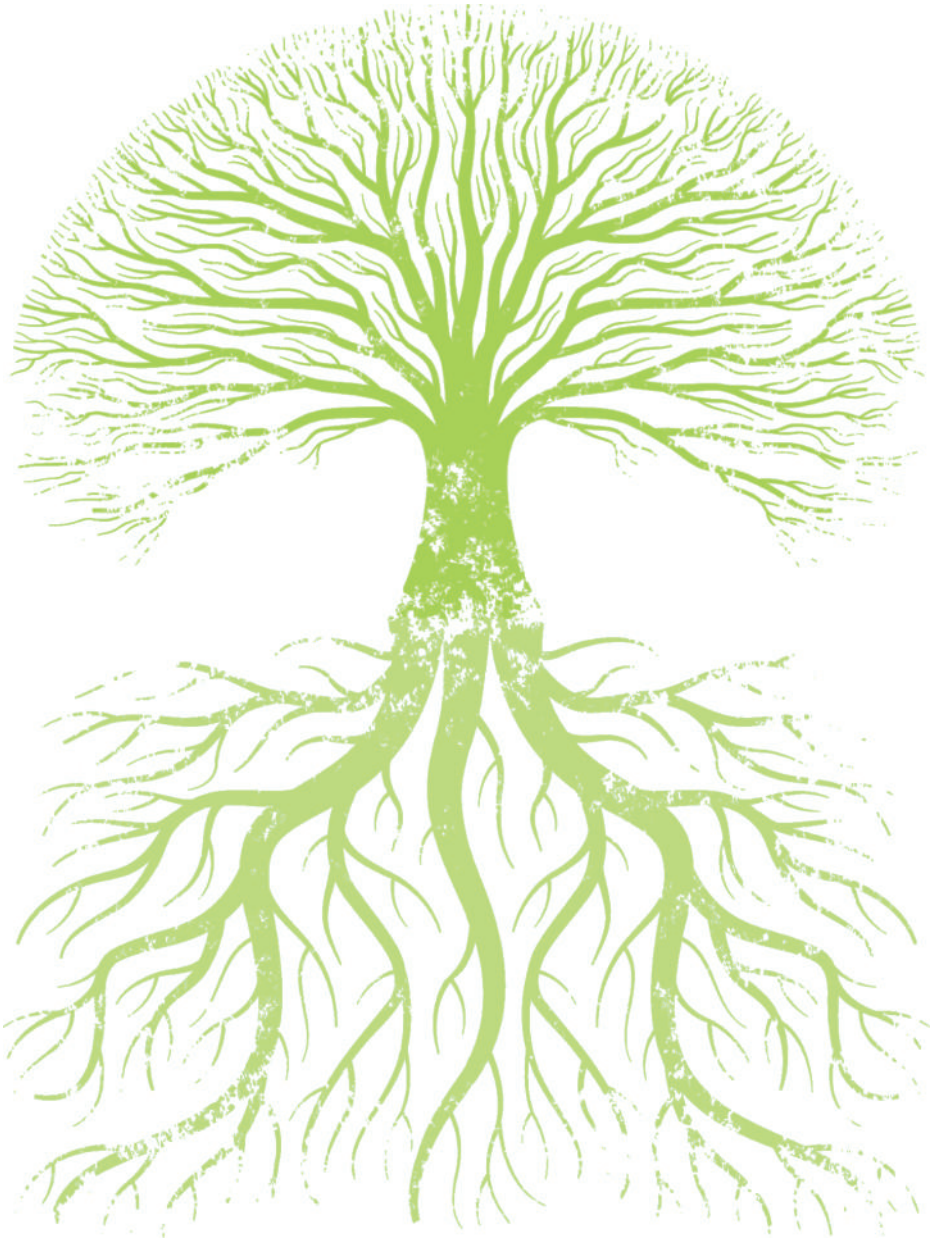
Valuer's Bulletin

BI-MONTHLY JOURNAL OF ASSESSORS & REGISTERED VALUERS FOUNDATION

TECHNOLOGY AND INNOVATION IN VALUATION FOR SUSTAINABLE DEVELOPMENT



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CONNECTING THE UNCONNECTED

VALUER'S BULLETIN

Valuer's Bulletin is a peer-reviewed journal whose principal aim is to foster dialogue and innovation among valuers in the relative field. Since day one, Assessors and Registered Valuers Foundation has been at the forefront of the effort to bring fresh ideas and energy which can benefit our members and fellow valuers fraternity. This journal is one of such efforts.

The journal addresses a broad spectrum of concerns, suggestions and a wide range of perspectives, shared and proposed by the valuers and for the valuers.

Through this journal, we wish to reach out and connect with the valuers in India, and all over the world to exchange their thoughts and work together towards the betterment of the valuers fraternity.

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DEAR VALUERS

We invite you to share valuation-related articles, current valuation news, any interesting case study, sample of your valuation report, or maybe a short write-up about your experience during any assignment that can be of interest to valuers/readers. Your submission will be shared with your name, qualification details, photo, and email id.

Registered Valuers can also share their profile, or the details of your firm/entity, explaining the nature of work, to connect as a reference to the readers for any assignment(s) in future.

BASIC PARAMETER FOR A SUBMISSION INCLUDES

- The article should be original, and not published elsewhere before submitting to AaRVF.
- The article is mandatorily to be focussed on valuation/valuers/current challenges faced by valuers/solution or suggestion//benifiting information for aspirants or professionals.
- The length of an article can vary between one to four pages of editable World file, in Arial font, font size nine (9).
- The images/graphs are to be shared separately in good resolution, JPEG format or PNG and properly named in coordination to the title given in the article.
- In suitable cases, a detailed list of Reference must be shared as a 'source' of the article.
- A passport size photograph in JPEG format; along with a short profile and email id is to be shared along with the article, by the writer.
- The article published in 'Valuer's Bulletin' will be a copyright of the author and the AaRVF.

Submission, queries Or suggestions can be emailed to us on:

editor@aarvf.org

INNOVATE. STAY CREATIVE.

WHAT'S INSIDE

The Assessors and Registered Valuers Foundation (AaRVF) and the International Valuation Standards Council (IVSC) are two influential organizations at the forefront of promoting excellence, consistency, and transparency in valuation practices worldwide. IVSC's relentless commitment to advancing global valuation standards has had a significant impact on the valuation profession and its role in driving economic growth and sustainable development.

The V20 Valuation Summit and Conference, now scheduled for October 27th, 28th, and 29th, 2023, is poised to become a landmark event that convenes valuation professionals, policymakers, industry leaders, and experts from around the globe. With a paramount focus on the theme "Empowering Global Valuation Practises for a Sustainable Future," the V20 group promises to serve as a catalyst for transformative discussions, profound knowledge sharing, and fruitful collaboration.

The V20 Valuation Summit brings together leaders from the valuation community to brainstorm, address critical global issues, and generate recommendations for the G20 groups to consider at the global level. This collaborative effort between the V20 and the G20 groups will strengthen the impact and influence of the valuation community in shaping economic policies, fostering market stability, and promoting sustainable development on a global scale.

During the summit, the V20 group will delve into various topics of utmost importance, including data transparency, valuation standards, capacity building, and the pivotal role of valuation in achieving sustainable development goals. Through collaborative sessions and knowledge sharing, the V20 group will have the opportunity to explore challenges, exchange valuable experiences, and contribute to the advancement of valuation practices on a global scale.

The V20 Conference is an integral part of the V20 Valuation Summit. It is designed to provide participants with a comprehensive understanding of the evolving landscape and equip them with the knowledge and tools necessary to navigate the complexities of the valuation industry. Renowned experts from various countries will take the stage to deliver impactful keynote addresses, engaging panel discussions, and interactive sessions. These discussions delve into a wide range of subjects, including emerging valuation practices, disruptive technologies, regulatory advancements, and global market trends. Through these engaging conversations, participants gain profound insights into the dynamic nature of valuation and the factors that shape its future.

The conference also highlights research presentations, showcasing cutting-edge studies and scholarly work in the field of valuation. Researchers and academics present their findings, insights, and methodologies, providing attendees with a deeper understanding of the latest advancements and trends in valuation research. These presentations stimulate intellectual curiosity and promote the application of evidence-based approaches to valuation practises.

MD'S SPACE

EMPOWERING GLOBAL VALUATION PRACTISES FOR A SUSTAINABLE FUTURE.

We extend a cordial invitation to valuers, registered valuers, stakeholders, financial institutions, government officials, academics, students, and professionals from myriad backgrounds to actively participate in the V20 Valuation Summit and Conference. Join us alongside professionals with esteemed designations such as RICS (Royal Institution of Chartered Surveyors), ASA (American Society of Appraisers), IVSC (International Valuation Standards Council), AI (Appraisal Institute), TEGoVA (The European Group of Valuers' Associations), and other globally recognised valuation and insolvency designations.

Mark your calendars for October 27th, 28th, and 29th, 2023, as these dates mark a pivotal moment in the global valuation community. Join us at the V20 Valuation Summit and Conference, where ideas collide, innovation thrives, and lasting connections are forged. Together, we will empower global valuation practices, shape the industry framework, and leave a lasting impact on the valuation profession. Don't miss this extraordinary opportunity to be part of the transformation. Register now and secure your place in shaping the future of valuation.

Together, let us empower global valuation practices for a sustainable future.

For more information visit www.valuation20.org

SAURABH GUPTA

MANAGING DIRECTOR (MD, AARVF)

CHIEF EXECUTIVE OFFICER (CEO)
G&G SKILLS DEVELOPMENT PVT. LTD.

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CAO'S VIEW

Being in an RVO, we come up with various discussions revolving around valuation and valuers in India. Inspired by the same, today, I would like to share my view on measures to improve valuation under the Insolvency & Bankruptcy Code in India.

One aspect of measures to improve valuation under IBC is the introduction of a standardized approach to valuation through the IBBI (Insolvency and Bankruptcy Board of India) registered valuers. This ensures that the valuers follow a uniform approach and adds transparency to the valuation process. Another aspect is the requirement for mandatory disclosure of financial details and information to potential buyers, which helps in achieving a more accurate and fair resolution proposal/liquidation bid for distressed assets. These measures aim to improve the efficiency and effectiveness of the insolvency resolution process.

To improve recovery under the Insolvency & Bankruptcy Code, measures such as introducing a structured bidding process, strict guidelines for valuers, and a transparent and independent valuation mechanism can be implemented. The transparency in the process can be improved by publishing the valuation reports on the official website of the Insolvency & Bankruptcy Board of India, after the mandatory period of confidentiality. Additionally, there can be a provision for periodic review of the valuations and the valuers' performance (This is already provided for, by a review mechanism). This would lead to a fair and accurate valuation of the distressed assets and boost investor confidence in the resolution process.

A structured bidding process in resolution involves soliciting bids from multiple parties interested in acquiring a company or asset. This process typically begins with a confidential information memorandum that provides potential buyers with relevant information about the target company, including financial statements, operational metrics, and market positioning. Bids are then submitted by interested parties and evaluated according to a set of predetermined criteria, such as price, terms, and fit with the seller's strategic goals. The process typically culminates in negotiations with the top bidders, and the final selection typically being made by the seller.

A transparent and independent valuation mechanism refers to a system or process that objectively assesses the value or worth of a particular asset, security, or investment. The mechanism operates without biases or undue influence from stakeholders or parties with vested interests in a particular outcome. Transparency ensures that the valuation process is open and accessible to all stakeholders, while independence guarantees that the valuation is free from conflicts of interest or perceived coercion. Such a mechanism is crucial to promoting fair and accurate pricing, reducing risks, and ensuring investor confidence.

Furthermore, the present bidding process for valuation assignments raises concerns regarding the selection of valuers for the job. The selection method lacks clarity in determining the capabilities of the valuer and is heavily skewed towards the lowest bid. There should be

weightage given to factors such as the valuer's credentials, academic knowledge, and number of prior valuations conducted. These factors should be considered alongside the cost when selecting a valuer. This is also in line with the QCBS system included in the Govt's procurement policy for procurement of services from experts.

The issue of payment to valuers becomes challenging when dealing with insolvent companies that are not in the Corporate Insolvency Resolution Process (CIRP). To address this, a financial intermediary maybe viz. Non-Banking Financial Company (NBFC) should be appointed by the Insolvency and Bankruptcy Board of India (IBBI) to fund the CIRP process, which includes the valuation. This can alleviate the payment problem and ensure a smooth resolution process for insolvent companies.

AaRVF is committed to sharing new ideas and innovations with our registered valuers in order to continuously improve the valuation standard process. We believe in fostering a collaborative environment where all parties can contribute to driving industry progress and ensuring high-quality valuations. Our goal is to provide our valuer members with the latest tools, resources, and insights to enhance their skills, knowledge, and expertise as they serve their clients and the wider market. With a shared commitment to excellence, we can continue to raise the bar for valuation standards and drive greater confidence in the profession.

RAHUL SHARMA

CHIEF ADMINISTRATIVE OFFICER
(CAO, AARVF)

IMPROVING VALUATION UNDER THE INSOLVENCY & BANKRUPTCY CODE

TECHNOLOGY AND INNOVATION IN VALUATION FOR SUSTAINABLE DEVELOPMENT

VIEWPOINT

A GLOBAL PERSPECTIVE

LIM HWEE HUA

VICE CHAIR
IVSC BOARD OF TRUSTEES

FORMER FINANCE MINISTER
SINGAPORE

HARNESSING THE POWER OF INTERNATIONAL VALUATION STANDARDS FOR A RESILIENT ASIA

Asia's rapid and transformative growth has secured its position as a formidable force in the global economy. Its diverse and dynamic economies, each with her unique strengths and challenges, play an increasingly significant role in shaping the world's economic landscape. The advent of technology and its wide application to every facet of our lives, and therefore businesses, is unmistakable. This shift necessitates a consistent and reliable framework to facilitate cross-border investments, enhance financial stability, and foster transparency. Enter the International Valuation Standards (IVS).

In recent years, we've observed a remarkable uptake of IVS across Asia, signifying a clear direction towards alignment in valuation approaches. Countries like Indonesia have already integrated IVS into their legislation, while the Singapore Exchange (SGX) has incorporated them into parts of its issued rules. In Hong Kong, the IVSC has been actively working with the Financial Reporting Council (FRC) to develop business valuation, further emphasising the region's commitment to IVS. There's also increasing enthusiasm for a global valuation framework in India, signaling an encouraging trend towards uniformity.

Additionally, the IVSC's collaboration with Asia-Pacific Economic Cooperation (APEC) finance ministers has been pivotal in advancing common valuation standards across the region. This collaboration underscores the immense potential of IVS as a unifying framework that can accommodate the diverse range of economies in Asia.

As Vice Chair of the International Valuation Standards Council (IVSC) Board of Trustees, I am a firm advocate for the adoption of robust and implementable IVS across Singapore and the wider Asia region.

The opening of the IVSC Asia Office in Singapore in 2022 was a significant milestone that highlighted the growing demand for global valuation standards in the region. It further underscored Singapore's growth as a hub for business and intangible assets valuation. The Asia office now plays a critical role in developing these standards, leading the IVSC's engagement with Asia-based entities, and helping to shape the future of the valuation profession.

In a bid to keep pace with the ever-evolving economic environment, the IVSC is currently embarking on a consultation to update the IVS. The objective of this process is to ensure that these standards remain relevant, adaptable, and effective in the face of rapid technological advancements and shifting global priorities.

Among the proposed changes are the introduction of new chapters on data and the incorporation of Environmental, Social, and Governance (ESG) considerations. Both of these enhancements promise to boost the applicability and utility of the IVS for the Asia region.

In today's digital economy, data is king. As decision-making becomes increasingly data-driven, the inclusion of new chapters on data in the IVS will empower stakeholders across Asia to harness the power of data with confidence, thereby facilitating more informed and effective valuations.

Moreover, the integration of ESG considerations into the IVS mirrors the growing emphasis on sustainable and responsible investment practices worldwide. With these new standards, stakeholders in Asia will be equipped with a comprehensive framework to assess the long-term value and resilience of their investments. This aligns perfectly with the region's broader commitment to sustainable development.

TECHNOLOGY AND INNOVATION IN VALUATION TO FOSTER SUSTAINABILITY

ANA CALDEIRA MARTINS

Introducing the concept of sustainable development, the Brundtland report of the United Nations World Commission on Environment and Development (1987) described it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" and enables people, now and in the future, to achieve a satisfactory level of social and economic development and human and cultural fulfilment, while at the same time making reasonable use of the earth's resources and preserving species and natural habitats.

The three pillars The Sustainable Development Goals – SDGs (1 - 17) of the UN's 2030 Sustainable Development Agenda rest on the three pillars of sustainable development – social, economic, and environmental, consolidated in the 2015 Global Agenda, to which more than 190 countries have signed up.

Sustainable economic development can be achieved at the global level by means of acceptance and implementation of the SDGs. Sustainable innovation combines the principles of sustainability with the creative process to develop disruptive technological solutions. The deliverables of innovative technologies, such as increased energy efficiency, reduced greenhouse gas emissions through the use and storage of renewable energy, "green buildings" and sustainable mobility, represent essential tools for implementing the SDGs.

In industry, traditionally manufactured and processed products can be replaced with information and communications technology (ICT) and other technological solutions can be introduced to reduce emissions and waste.

Ana Caldeira Martins REV-PME is a Member of the European Plant, Machinery & Equipment Valuation Standards Board.

The European Group of Valuers' Associations (TEGOVA) is a pan-European association of professional bodies setting European Valuation Standards (EVS) for real estate, business and plant, machinery & equipment valuation and awarding Recognised European Valuer (REV) status for elite valuers.

Figure (1)

Source: SDG Compass - The guide for business action on the SDGs - United Nations

In Europe, implementation of the SDGs has led to the development and updating of applicable laws and regulations, driven by the European Green Deal.

The final goal of the Green Deal is to achieve decarbonization by 2050 in the European Union and its sphere of influence. Buildings, with their huge potential for decarbonization, are a key focus.

Buildings in Europe account for 36% of GHG emissions and 40% of final energy consumption over their lifetime, including the production of raw materials, construction, technical installations, maintenance, and dismantling.

One of the pillars of the European Green Deal, the EU Energy Performance of Buildings Directive (EPBD), sets out the minimum requirements applicable to the design and renovation of buildings and presents the method of determining their energy performance.

The energy class of a building, expressed by the numerical indicator of primary energy use in kWh/m2 per year, is recorded in a document known as the Energy Performance Certificate (EPC). This indicator is determined on the basis of calculated or actual energy consumption and should reflect typical energy consumption for heating and cooling of spaces, domestic hot water, ventilation, in-built lighting installations, and lifting systems, as well as other technical building systems. In the image below, which represents energy performance levels, the classification "A" should correspond to buildings with zero emissions, while the classification "G" corresponds to the 15% worst-performing buildings in any given EU member state.

The measures imposed by the EU Directive include:

- Each country's 15% worst energy-performing buildings – identifiable as belonging to the lowest EPC class ('G') – must be renovated in phases to higher classes;
- Solar rooftop installation for all buildings except existing residential.
- New buildings must be zero-energy.
- Construction materials for new buildings must be obtained by means of sustainable processes;
- Air-conditioning, ventilation and water heating systems should preferably be supported by alternative energy sources and, in the case of support from direct systems, by systems with no direct greenhouse gas emissions (i.e. which do not emit those gases on site);
- In-built lighting systems must meet the minimum illumination and power density requirements.
- Mechanical access systems such as lifts and escalators must meet minimum energy efficiency requirements;
- Building Automation and Control Systems (BACS) must ensure technical management of the operation of all the building's equipment, including rationalization of energy use, through incorporating building digitization solutions.

Figure (2)
Levels of energy performance.
Source: REHVA, Federation of European Heating, Ventilation and Air Conditioning Associations

- Buildings must have electric vehicle charging system infrastructure.

By way of example, the two tables (below), taken from the Portuguese transposition of the previous EPBD, show the minimum energy efficiency requirements for BACS and mechanical access systems.

Minimum energy efficiency requirements for BACS systems, according to Standard EN 15232.

Date requirement applied	**Energy efficiency class**
Entry into force of this decree	Class B.
As of 01st Jan 2025	Class A.

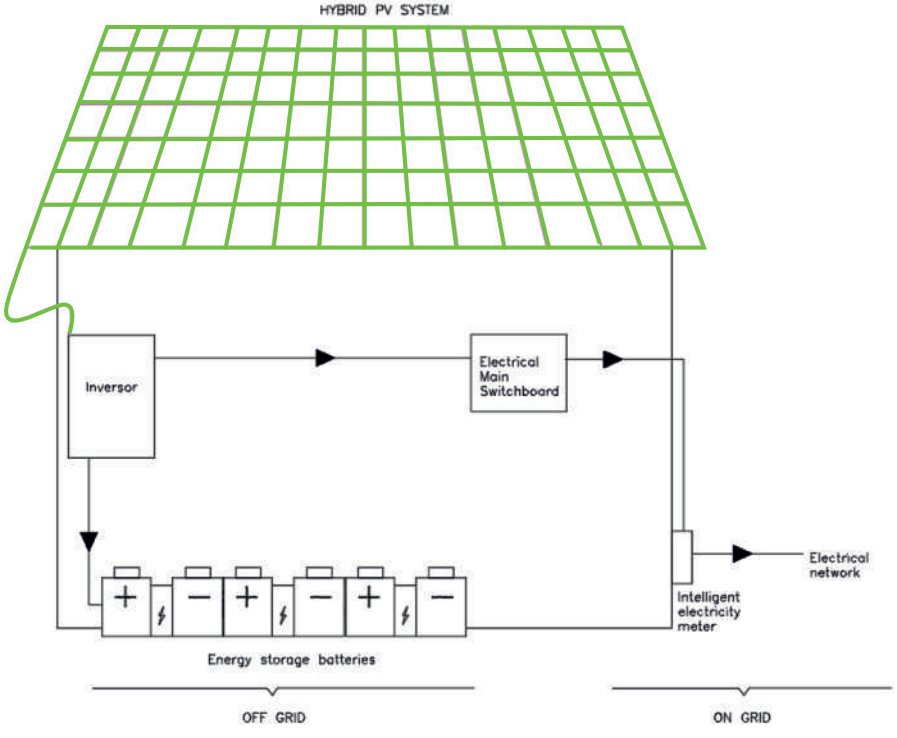
Minimum energy efficiency requirements for all categories of lifts, escalators and moving walkways, according to Standard ISO 25745.

Type of Equipment	***Min. Energy efficiency class***	***Methodology***
Lifts	B	ISO 25745-2
Hydraulic Lifts	C	ISO 25745-2
Escalators & moving Walkways	A	ISO 25745-3

Technology comes alongside and very often ahead of legislation, offering various solutions to achieve these objectives.

ENERGY GENERATION

Solar photovoltaic panels stand out amongst the available equipment for passive energy production. Energy is produced by conversion of the solar energy hitting the photovoltaic panel composed of semiconductor materials, by means of the photoelectric effect on the photovoltaic cells. The electricity produced by the solar panel generates direct current (DC) which is converted into alternating current (AC) through an inverter. In this way, the electricity may be used by domestic appliances, whether consumed directly or injected into the grid, or stored in solar batteries for later consumption. There are different types of photovoltaic cells, depending on the nature and characteristics of the materials used. The most widespread technology currently on the market relies on crystalline silicon, which in turn is subdivided into poly-crystalline and mono-crystalline. There are also other types of solar panels, such as thin-film panels, which can easily be incorporated into other components,



such as tiles, glass, stonework, etc. Depending on the material used, we may find thin-film panels of amorphous silicon (a-Si), cadmium telluride (CdTe), copper, indium, gallium, and selenium (GIS/CIGS), or organic photovoltaic cells (OPC). Whatever the solution, the aim will be greater production of passive energy incorporated in the design and orientation of the building.

PASSIVE HVAC SYSTEMS

Passive heating and/or cooling systems use alternative energy, including equipment powered by geothermal energy, free energy from the ground, aerothermal energy drawing on existing thermal energy in the air, or solar energy based on using solar radiation to heat water. The equipment available on the market is briefly described below:

- Solar thermal collectors

for heating and domestic hot water (DHW). These systems comprise the solar panel, the hot water accumulation tank, the pumping system and the respective piping and accessories. The operation of this system is based on solar radiation which, on hitting the solar collector, heats the solar fluid which will heat the water inside the tank. This system may be supported by active heating systems such as heat pumps;

- Geothermal energy systems

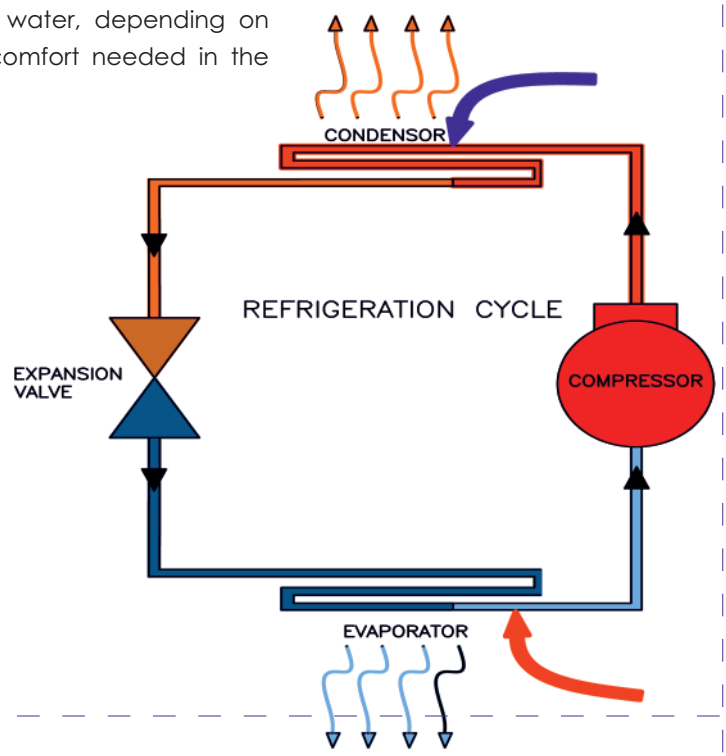
Heat pumps for heating, cooling and domestic hot water using geothermal energy. The geothermal energy systems consist of capturing free energy from the ground, benefiting from a constant temperature of approximately 16°C throughout the year;

- Aerothermal energy systems

Heat pumps for heating, cooling and DHW using aerothermal energy. Aerothermal energy is a renewable energy which draws thermal energy from the air and transfers it inside the home to provide heating, cooling and domestic hot water, depending on the level of comfort needed in the home.

HEAT PUMPS

Heat pumps are an efficient way of improving the energy efficiency of air conditioning equipment. Their operation is based on the application of a refrigeration cycle, a highly energy-efficient system. Heat pump units are characterized by the circulation of a fluid (refrigerant gas) in a closed system, achieved by means of its expansion in the expansion valve and subsequent compression taking place in the compressor. Energy exchange occurs in the coils found in the system (condenser and evaporator).



In the evaporator, there is an exchange of energy between the refrigerant and the environment through the process of heat transfer by cooling the space. In the condenser the process is the inverse, releasing heat to the environment and heating it. In the image below we can see the representation of the described refrigerating cycle.

The energy efficiency of a heat pump unit is defined by its ability to generate the same amount of energy for cooling or heating with fewer natural resources, i.e., less energy.

The terms COP (Coefficient of Performance) and EER (Energy Efficiency Ratio) define the heating and cooling efficiency of heat pumps. Their result is determined by the ratio of heating or cooling provided by a heat pump unit to the amount of electricity supplied to generate it.

$$COP = \frac{\text{Heating Capacity (kW)}}{\text{Consumed Energy (kW)}} = \frac{4\ (kW)}{1\ (kW)} = 4$$

$$EER = \frac{\text{Cooling Capacity (kW)}}{\text{Consumed Energy (kW)}} = \frac{4\ (kW)}{1\ (kW)} = 4$$

That is, if a heat pump delivers 4 kW of heat with 1 kW of electricity supplied, its COP is 4.0. Similarly, if a heat pump delivers 4kW of cooling with 1 kW of electricity supplied, its EER is also 4.0.

The higher the COP and EER, the higher the energy efficiency of the equipment.

Apart from very high energy efficiency, heat pumps also have the advantage of not emitting greenhouse gases on site.

BUILDING AUTOMATION AND CONTROL SYSTEMS – BACS

BACS are a priority system for ensuring a building's energy efficiency by rationalising its energy consumption. BACS encompass all the equipment, software and engineering services contributing to the economical, safe, and energy-efficient operation of technical building systems.

The automation system must ensure:

- continuous, comparative monitoring, recording and analysis of buildings' energy consumption and energy efficiency, so as to obtain information on actual or potential energy performance.
- communication and interaction between all the technical systems.
- BACS must monitor the technical building systems, determining their efficiency classification according to the number of functions they cover, including, inter alia, control of heating, cooling, domestic hot water, ventilation and lighting systems, solar protection devices and management systems.

This article has focused on some of the challenges and goals of specific relevance to the European building stock. Commitments to sustainable development should also make zero-energy status achievable at global level.

The paradigm shift we are seeing will undoubtedly have a transformational impact on the building sector, with new architectural and construction solutions and technical installations very different from those we find today.

Similarly, asset valuation must support and meet the needs of the various stakeholders with assurance and the ability to understand the consequences of the ongoing changes.

HEMA MADHUKAR

HEAD - SOLUTION STRATEGY
5GX GLOBAL FINTECH

Anyone looking to buy a new property must have looked for properties that match their preferences on the Internet. This simple act brings both buyers and sellers of real estate to access information and consult with each other.

In today's digital age the role of technology has transformed businesses from a back-end enabler to an evolving tech-enabled market.

DIGITALLY EMPOWERED REAL ESTATE ECOSYSTEM

DIGITAL MORTGAGE TRANSACTIONS HAVE GAINED MOMENTUM

Digital mortgage transactions have gained momentum post covid. As per the KPMG report, 2021 was the year of recovery for real estate in India. Home sales and new launches both registered a boost, with new housing supply standing at 65,211 units by the third quarter—an increase from the 19,865 units launched in the third quarter of 2020.

The pandemic created a huge demand for residential properties in tier 2 cities. Further, infrastructure development, planned connectivity, and ease of living are some of the key features attracting home buyers to these places, which is expected to lead to the sector's growth.

The affordable housing space, benefiting from government incentives, will also be an important contributor to demand. Luxury projects, on the other hand, received a positive boost from increased purchasing power on the back of a rise in unicorns and the booming IT sector.

DIGITAL CHANNELS

72% Prefer to fill out the application online

70% Prefer to submit documents online

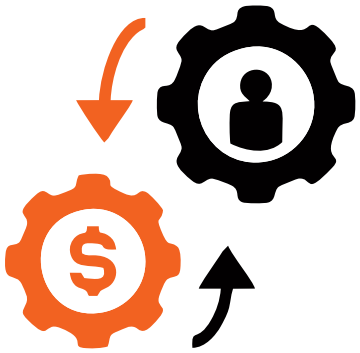
(According to Fannie Mae Survey)

THE DEMAND AND SUPPLY MISMATCH

The uncertainties caused by the pandemic have accelerated a lot of new trends such as 3D Virtual House Tours, Augmented Reality, Conversational AI, IoT, Big Data, Blockchain, Drone Inspection, and the list goes on.

The post-pandemic real estate market is Bright and Technology is helping it Flourish.

While the markets flourish with Technology, we cannot deny the fact that there is a gap between demographics and regions to access similar modern tools and technology.



THE DIGITAL DIVIDE

The Indian home loan sector is severely impacted by "THE DIGITAL DIVIDE".

To illustrate these better, let's look at a real-life example of an individual who goes for a personal loan, he gets the loan disbursed in less than 5 seconds, but when the same individual decides to take up a home loan, he needs to wait anywhere between 53-57 days.

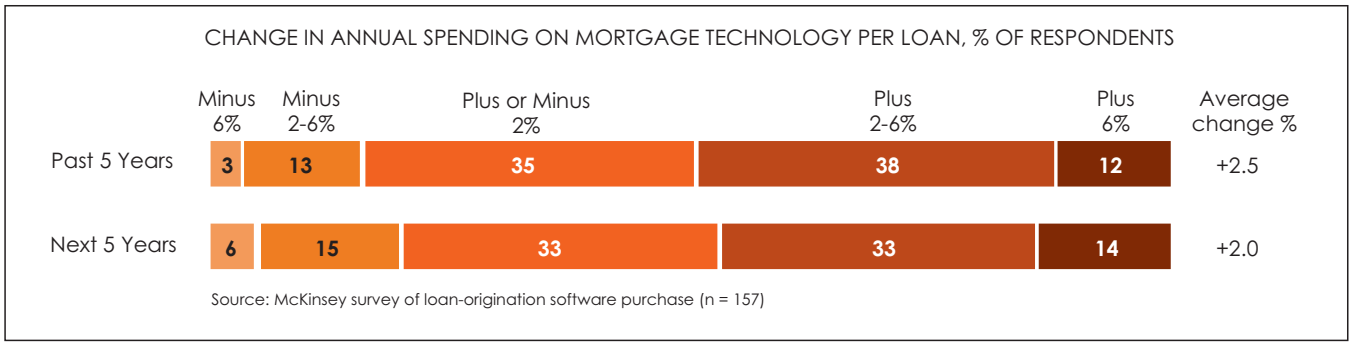
The Financial Institution/lender who can establish the identity, intention, and capability of the individual within

a few seconds for a personal loan, needs so many days to establish the ownership, compliance, and valuation of the Property (Home) to disperse the Home Loan.

The primary root cause for the delay lies in asynchronous, manual, and semi-automated processes involved in the Real Estate Valuation Process.

We at 5gX Global Fintech are insanely passionate about solving this puzzle with the help of cutting-edge technological tools and digital solutions.

HARNESSING TECHNOLOGY IN REAL ESTATE



TECHNOLOGY IMPROVES EFFICIENCY

One of the main reasons to adopt technology is that it increases efficiency. It can help reduce, and eliminate duplications and delays in the workflow.

TECHNOLOGY IMPROVES DECISION MAKING

Technology does not just gather data but actually interprets it. This allows for making smarter decisions. Data is at the heart of every sound decision and technology can provide valuable insights that might otherwise be missed.

TECHNOLOGY KEEPS OPERATING COSTS LOW

In Real Estate Business, where TIME is money, Technology significantly reduces time.

Consequently lowering labor and energy, ergo reducing operational cost.

AUTOMATION SIMPLIFIES BACK OFFICE OPERATION

Some tasks are often fairly easy, straightforward, and repetitive in nature. These time-consuming tasks are huge opportunity for automation.

When you turn these kinds of tasks over to automation, you're putting human labor to work in areas where it really needs.

A person may find it draining to do the same thing over and over again, but technology can perform repetitive tasks with consistent quality and efficiency.

TECHNOLOGY & INDIAN VALUERS

Slowly but steadily Indian valuers are catching up with the global trend and have actively adapted digital tools and technology to digitize and automate the valuation process.

To start with, Indian valuers use advanced software like Evalo to digitize the Valuation reports and have crossed the 1 Million mark and are setting new benchmarks.

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Most of today's homebuyers and sellers are digital natives. As per the National Association of Realtors Survey, Millennials made up the largest share of home buyers at 43%.

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Our founder, Mr. Sudhakar Vijayasarathy, envisions a "Transparent Real Estate Ecosystem," and all our products are created, crafted, and distributed with this overarching goal in mind.

Success in the digital marketplace will depend largely on Consumers, Lenders, Lawyers, Valuers, and other industry stakeholders coming together and working closely for a better home buying and selling experience.

DOUGLAS KRIESER
ASA, FRICS

MANAGING DIRECTOR
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ABSTRACT

Many different concepts are taught in the various principles of valuation courses, webinars, seminars, articles, and textbooks published by the ASA. In practice, appraisers typically only use a portion of them, which may vary from project to project. The following case study of a valuation of a distribution center (DC) for ad valorem tax purposes incorporates a significant number of different concepts into one project.

SUBJECT ASSET DISCUSSION

The subject distribution center (SDC) was built in late 2002 and opened for business in January 2003. The applicable valuation date was January 2010 and all of the data and dollar amounts are therefore as of that date.

MULTIPLE APPRAISAL CONCEPTS: APPRAISING A DISTRIBUTION CENTER

Valuing the SDC turned out to be a surprisingly fun project. To develop a credible opinion of value for such a variety of equipment and processes required a level of research, sleuthing/interviewing, engineering analysis, and conceptual application that are not usually necessary to other appraisal assignments. Appraisers rarely have the opportunity to incorporate so many different tools and concepts into one valuation.

The following table outlines the specifications of the SDC.

Table 1. SDC Assets

Total building size	576,408 SQ FT
Total dedicated to warehouse/sorter	497,664 SQ FT 50,
Hang/Ready to wear mezz (not being utilized)	688 SQ FT
Offices/Lunch rooms/Locker rooms	28,056 SQ FT
Store capacity	110 STORES
Expanded store capacity 1	150 STORES
Rated sorter capacity 2	15,600 CARTONS

1 Would require adding additional sorters, conveyers, and other equipment

2 Based on a standard box size of 20" square. Due to a variety of issues including carton size and weight variance, jams, recirculation, "no reads," and other issues, a DC typically cannot ship the actual capacity for which it is rated.

Based on a review of three years of utilization data and interviews with appropriate client personnel, it appeared that the maximum utilization of the SDC (based on two shifts per day and a five-day-per-week operation with planned peak operations) was 49% of the rated surge capacity.

The utilization varied with factors such as store demand, percentage of recirculation, the percentage of no-reads, case jams, and other factors. The busiest time of the year is typically August to December when the stores are stocking up for the back to school and Christmas seasons. Other busy times of the year included brief peak periods (1–2 weeks) around other heavy shopping times, including spring sales and holidays such as Valentine's Day. The light time of the year was typically January to July.

The SDC typically operated two eight-hour shifts per day, five days per week. As of February 2010 (the closest date to the valuation date for which statistics were available) there were 193 employees, equating to 166 full-time equivalent (FTE) positions.

There was a total of approximately

68,580 linear feet (12.99 miles) of conveyor, including powered-rollers conveyors, free-roller conveyors, powered-belt conveyors, skate-wheel conveyors, curves, and other miscellaneous conveyors.

There were six Rapistan model 2420 shoe sorters of various lengths and one ABC Co/Siemens Gen III pop-up sorter primarily dedicated to the pack-to-light (PTL) operations.

OBSOLESCENCE DISCUSSION

The SDC was considered an old-style system because of its layout and technology.

The layout of the SDC was inefficient by 2010 standards. The more efficient layouts of more modern DCs allowed for fewer conveyors, more energy efficiency, higher output, and a much smaller footprint.

The following table shows a comparison of the subject SDC, built in 2022, to two other more recent Distribution Centers (Dcs).

Some of the major areas where the newer systems are more efficient and cost effective are discussed below. Some discussions have been summarized from the original report and some minor issues have been left out for brevity.

RECEIVING

The SDC had mostly manual receiving lines and only four single-automated Print and Apply (P&A) lines. Newer technology utilized dual-automated P&A stations.

The 2008 DC had 10 dual P&A systems. Dual-automated P&A systems can each service two doors and cut down on manual handling and labeling of cartons.

The benefits of newer P&A systems include:

- Reduced labor requirements
- Increased accuracy
- Increased speed (almost double)

Updating the SDC to dual P&A lines would take a significant expense in both control hardware and software.

The SDC also had narrow collector beds, which allowed only one out of every four receiving lines to load at any given time, causing backups.

The newer DCs each had two wider collector beds, which allow almost continual operation of the incoming receiving lines.

The benefits of newer collector systems include:

- Increased accuracy
- Increased speed

SHIPPING / SHIPPING SORTERS

The shipping sorters installed at newer DCs had a very different layout from those at the SDC. The SDC used four sorters to service the 110 shipping docks. These were in an L-shaped configuration along the west and north walls of the building.

Newer designs used two double-length sorters with each set of two shoe sorters along the outside wall above the shipping docks opposite of those docks serviced by the sorter. The shipping feed lines then cross down to

Table 2. SDC Compared with Two Distribution Centers

Specifics	2002 SDC	2008 DC	Size Difference	2006 DC	Size Difference
Capacity	110 stores	150 stores	40 stores	110 stores	0 stores
Building Size	576,408 sq ft	328,000 sq ft	45% smaller	365,000 sq ft	35% smaller
Conveyers	12.99 miles	9.25 miles	30% less conveyor	6.69 miles	50% less conveyor

the shipping doors.

The benefits of newer shipping systems include:

- Less floor space required
- More staging of product
- Less backing up of sorter
- Less recirculation which increased speed and accuracy

The newer sorter installations incorporated automatic speed controls which varied the speed of the sorters based on incoming carton spacing, size, and so on. When there was nothing coming, the sorter slowed down to conserve energy. When cartons started to arrive, the sorter varied the speed in order to make the most efficient use of the space and time between cartons. This saved energy as well as increased throughput.

The scanning tunnels at the SDC were obsolete and company personnel indicated that they could no longer find service parts. Therefore, the scanners would be replaced in the near future.

Data gathered from company personnel indicated that the cost to replace each of the sorter tunnels (with scanning technology) was $56,000, and the cost for a new P&A tunnel was $27,000.

OTHER FACTORS

Newer systems integrated a Graphical System Monitor Interface (GSMI) into the control system. More efficient than visual identification, GSMI allowed issues such as jams or backups to be identified and mediated quickly. Without GSMI, the system could be damaged or, at best, shut down entirely to find and correct processing issues. GSMI allowed operators to be proactive and to avert potential problems, increasing productivity and efficiency. It also gathered useful real-time data useful for the efficient operation of the sorter and better control of the energy usage of the system.

Based on the utilization data provided, it appeared as though the actual potential maximum capacity of the SDC is 49% which equates to 7,644 Cartons Per Hour (CPH) (15,600 CPH x 49%). As of the valuation date, the SDC appeared to be running at 38% utilization which equates to 5,928 CPH (15,600 CPH x 38%). Based on this data, the SDC appeared to be running at approximately 78% (5,928 CPH/7,644 CPH) of actual potential maximum capacity.

There are other obsolescence factors associated with the layout and footprint of the building, such as lower building and building maintenance costs and lower energy usage associated with the building size. These were not considered as they were deemed to be real estate related and not equipment related.

SPECIFIC VALUATION PROCESS

This case study valuation process incorporated a significant number of concepts appropriate for appraising the SDC, and other assets for ad valorem tax purposes. Although the valuation date is 2010, the concepts and application as outlined in various ASA references: principles of valuation courses, webinars, seminars, articles, and textbooks remains the same.

REPLACEMENT COST AND EXCESS CAPITAL COST

Based on its design when compared to newer DCs such as the 2006 DC (which serviced the same number of stores) and the 2008 DC (which was designed to service 40 additional stores), the SDC had excess capital cost associated with the additional length of conveyors required (and associated additional control system, supports, walkways, and so on), additional flats lines required, additional PTL lines, and additional air compressor horsepower required to run the system.

In addition, there were excess capital and operating costs associated with the additional building space required. We did not consider the costs associated with the additional building space since we considered these costs to be real estate related.
The original equipment manufacturer

(OEM) indicated that the cost (as of the valuation date) to build the SDC sorter system (equipment only) as it was would be as follows:

Table 3. SDC Replacement Cost

Mechanical Hardware	$9,625,364
Control Hardware	$1,354,034
Mechanical Engineering	$784,839
Controls Engineering	$954,587
Computer Engineering	$97,199
Project Management	$374,318
Mechanical Installation	$3,131,368
Electrical Installation	$1,210,464
Freight	$626,069
TOTAL	**$18,158,243**

The cost to build the 2006 DC as of the valuation date (which has the same capacity as the SDC) would have been as follows:

Table 4. 2006 DC Replacement Cost

Mechanical Hardware	$8, 297, 165
Control Hardware	$699, 751
Mechanical Engineering	$554, 212
Controls Engineering	$601, 253
Computer Engineering	$76, 937
Project Management	$295,302
Mechanical Installation	$2, 285, 721
Electrical Installation	$1,048,200
Freight	$622,287
TOTAL	**$14,480,829**

The additional $3,677,414 for the SDC in the data above was deemed to be excess capital costs which would not be incurred if the subject retailer were to build a DC with the same store capacity today.

In addition to the equipment supplied by the OEM, additional equipment was purchased by the SDC which had a replacement cost new (RCN) of $1,797,000 as of the valuation date.

As such, the total RCN as of the valuation date for the subject asset was $16,278,000 ($14,481,000 + $1,797,000).

The hang/ready to wear equipment was not being utilized and thus the cost of this equipment was removed from the RCN to arrive at $16,233,000.

Adding in applicable sales tax (to the RCN of the equipment only) we arrived at a total RCN of $17,197,000.

PHYSICAL DETERIORATION/ DEPRECIATION

The SDC system exhibited physical deterioration and depreciation due to its age and the need to replace obsolete equipment such as the scan tunnels.

Data gathered from the subject retailer and OEM indicated that the normal useful life (NUL) for a sorting system was typically 15–20 years.

Based upon this data and an analysis of subject retailer recent DC remodels and other data, we settled on an NUL of 16 years.

As of the valuation date, the SDC had been in operation for seven years (2010 - 2003) . There had not been any significant additions to the SDC sorter system since it was originally built. The only significant expenditures had been for maintenance and repairs. There had been no major upgrades or rebuilds of the system as a whole.

Data obtained from the subject retailer indicated that annual maintenance and repair expenses had been less than 1% of the RCN.

The sorter system at the SDC had been used as designed and had not been subject to unforeseen climates or other hazards that would significantly increase the physical deterioration. Additionally, it had been operated within the expectations of hourly operations and had not been operated significantly more or less than anticipated when installed.

Based on all of the data listed above, we concluded that the actual age of seven years was also the effective age (EA).

Utilizing the 7-year EA and 16-year NUL we arrive at 44% depreciated (or 56% good).

Physical depreciation can have both curable and incurable components.

Our interviews and research indicated that the SDC had the following curable components:

- Replacing the five sorter tunnels at a cost of $56,000 each ($280,000 total)
- Replacing the four P&A tunnels at a cost of $27,000 each ($108,000 total)
- Hardware and software upgrade for the Sort Direct system at $125,000

As such, the total curable physical depreciation was $513,000 ($280,000 + $108,000 + $125,000).

Subtracting the curable depreciation from the RCN we get $16,684,000 ($17,197,000 - $513,000).

We then took the $16,684,000 and multiplied it by the 56% good in order to arrive at $9,343,000.

FUNCTIONAL OBSOLESCENCE

The primary functional obsolescence attributable to the SDC was due to the excess capital costs and the layout of the system. This was taken into account when using the 2006 DC cost new instead of the subject cost new as the starting point of our analysis.

However, the SDC suffered from additional functional obsolescence in the form of excess operating costs in the areas of excess electricity costs and excess labor costs.

Data obtained from the OEM indicated that newer systems that incorporate an energy management system reduce the energy requirements of a similar sorter system by approximately 6%.

Based upon an analysis of the electrical energy expenditure for the SDC in 2009, we concluded that it cost $321,000 to operate the system on an annual basis.

Using the $321,000 and the indication that a more modern system is 6% more energy efficient, we got $19,260 ($321,000 x 6%; rounded to $19,000) spent on excess electrical energy annually.

As of the valuation date, the SDC required 166 FTE employees to operate on two shifts. The newer 2006 DC required 160 FTE employees to operate similar shifts. Thus there were six extra employees required.

Based upon an analysis of client-supplied data, we estimated the annual pay for each employee was $27,000, which came to an annual excess labor cost of $162,000.

Therefore, the excess electricity and labor costs totaled $181,000 ($19,000 + $162,000) in excess operating expenses annually.

Given the client income tax rate of 37.5%, we tax effected the total as follows:

$181,000 x 37.5% = $67,875 (rounded to $68,000).

Therefore, the total after-tax excess electricity and labor costs was ($181,000 - $68,000=) $113,000 on an annual basis.

Utilizing a client rate of return of 10% and a nine-year remaining useful life (RUL), we obtained a present value factor of 5.76.

Using this present value factor and the total annual excess operating cost we got a total functional obsolescence penalty of $650,880 ($113,000 x 5.76; rounded to $651,000).

Subtracting the $651,000 functional obsolescence penalty from the results of our RCN less physical depreciation noted above we arrived at $8,692,000 ($9,343,000 - $651,000).

ECONOMIC OBSOLESCENCE

The SDC suffered from economic obsolescence in the form of excess electric utility rates compared to other Dcs.

In this case, the difference in utility rates was caused by an external factor (the pricing charged by the utility from which they purchase the electricity) and not an inefficiency within the system. For this reason, the excess electricity cost was considered to be economic obsolescence

and not functional obsolescence.

After investigating various data provided by the client as well as applying a present value factor technique similar to the above discussion under functional obsolescence, we arrived at a total penalty of $288,000.

Subtracting the $288,000 economic obsolescence penalty from the results of our RCN less physical depreciation and functional obsolescence noted above we got $8,404,000 ($8,692,000 - $288,000).

INUTILITY

Inutility (or a lack of utilization) can be a sign of either functional or economic obsolescence. In the case of the SDC, inutility most likely indicated a combination of both functional and economic obsolescence.

When a company begins designing a distribution center, the main factor which needs to be considered is the total number of stores that will be serviced from that particular distribution center. The number of stores to be serviced directly impacts the number and size of the sorters required, the number of conveyors required, and other requirements.

Therefore, any difference in store number will directly impact the cost to build a distribution center. The store number is the main metric by which to measure the cost of any particular distribution center.

In order to calculate the exponent or scaling factor, the following data from the 2006 DC and the 2008 DC was utilized:

Rated Store Capacity of 2006 DC = 110 stores

Rated Store Capacity of 2008 DC = 150 stores

RCN of 2006 DC = $14,481,000 (OEM supplied equipment, etc. only)

RCN of 2008 DC = $19,179,000 (OEM supplied equipment, etc. only)

Using the data above we arrived at an exponent or scaling factor of 0.91.

Earlier in this report, it was stated that the SDC was operating at approximately 78% of actual potential maximum capacity.

Using the formula:

Inutility % = [1-(Capacity B/Capacity A)x] x 100

And substituting the appropriate numbers, we got:

Inutility % = [1-(0.78)0.91] x 100

Inutility % = [1-0.80] x 100

Inutility % = [0.20] x 100

Inutility % = 20%

As such, the inutility penalty was $1,680,800 ($8,404,000 x 20%; rounded to $1,681,000).

Subtracting the $1,681,000 from the $8,404,000, we calculated a conclusion of $6,723,000.

CONCLUSION

It is not often that appraisers get to incorporate so many different tools and concepts into one valuation. It typically happens only when valuing a larger process-type facility and then, only if the adequate information can be gathered from the client. As it turned out, we obtained a significant amount of cooperation from both the client and their suppliers. This particular project was extremely fun (as much fun as an appraisal can be) because it required a significant amount of research, sleuthing/interviewing, engineering analysis, and other skills which are not often required in as much depth as in this assignment.

The good news is that this level of detail and research ended up saving the client a significant amount of money on an annual basis.

ABOUT THE AUTHOR

Douglas Krieser, ASA, FRICS, is Managing Director at Valcon Partners, LTD.

He has served as ASA International President, Chair of the Board of Examiners, and on the MTS Committee, as well as other committees and task forces for ASA and the Appraisal Foundation.

Doug has contributed to many value-related publications and ASA textbooks, has written and taught ASA courses and webinars, and has presented at national conferences.

He has performed and supervised valuations for financial reporting, ad valorem tax, and litigation purposes throughout the United States, Europe, Asia, and South America, and has testified in Federal Bankruptcy Court, various State tax courts (and other jurisdictional settings), and other courts regarding a variety of topics including ad-valorem tax.

Reference:

This article was previously published in ASA's Q1 2023 issue of the MTS Journal and reprinted in AaRVF's journal with permission.

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FOREIGN DIRECT INVESTMENT

INTRODUCTION

Foreign direct investment (FDI) is an ownership stake in a foreign company or project made by an investor, company, or government from another country. Generally, the term is used to describe a business decision to acquire a substantial stake in a foreign business or to buy it outright to expand operations to a new region. FDI is a key element in international economic integration because it creates stable and long-lasting links between economies

Companies or governments considering a foreign direct investment (FDI) generally consider target firms or projects in open economies that offer a skilled workforce and above-average growth prospects for the investor. A key feature of foreign direct investment is that it establishes effective control of the foreign business or at least substantial influence over its decision making.

WHEN FDI IS ALLOWED IN INDIA

- The government began liberalising FDI during 1980-91 with the Industrial Policy Statements of 1980 and 1982 followed by the Technology Policy Statement in 1983.
- This period also witnessed a considerable degree of trade liberalisation in terms of reductions in tariffs and the shifting of many import items from licensing to open general license (OGL) category. During the first half of the 1990s, FDI emerged, for the first time, as a preferred route for mobilising financial resources over loans and other forms of financial channels.
- Foreign equity up to 51 per cent was permitted under the automatic approval route by the RBI in specified industries producing intermediate and capital goods.
- FDI was considered as an instrument to bring in foreign technology not available domestically and which subsequently replaced the phrase 'indigenous' by 'sophisticated and high technology'.

ADVANTAGES OF FOREIGN DIRECT INVESTMENT

1. Economic growth: The creation of jobs is the most obvious advantage of FDI, one of the most important reasons why a nation (especially a developing one) will look to attract foreign direct investment. FDI boosts the manufacturing and services sector which results in the creation of jobs and helps to reduce unemployment rates in the country. Increased employment translates to higher incomes and equips the population with more buying powers, boosting the overall economy of a country.
2. Human capital development: Human capital involved the knowledge and competence of a workforce. Skills that employees gain through training and experience can boost the education and human capital of a specific country. Through a ripple effect, it can train human resources in other sectors and companies.
3. Technology: Targeted countries and businesses receive access to the latest financing tools, technologies, and operational practices from all across the world. The introduction of newer and enhanced technologies results in company's distribution into the local economy, resulting in enhanced efficiency and effectiveness of the industry.
4. Increase in exports: Many goods produced by FDI have global markets, not solely domestic consumption. The creation of 100% export oriented units help to assist FDI investors in boosting exports from other countries.
5. Exchange rate stability: The flow of FDI into a country translates into a continuous flow of foreign exchange, helping a country's Central Bank maintain a prosperous reserve of foreign exchange which results in stable exchange rates.

6. 6. Improved Capital Flow: Inflow of capital is particularly beneficial for countries with limited domestic resources, as well as for nations with restricted opportunities to raise funds in global capital markets.

7. 7. Creation of a Competitive Market: By facilitating the entry of foreign organizations into the domestic marketplace, FDI helps create a competitive environment, as well as break domestic monopolies. A healthy competitive environment pushes firms to continuously enhance their processes and product offerings, thereby fostering innovation. Consumers also gain access to a wider range of competitively priced products.

DISADVANTAGES OF FOREIGN DIRECT INVESTMENT

1. Hindrance of domestic investment: Sometimes FDI can hinder domestic investment. Because of FDI, countries' local companies start losing interest to invest in their domestic products.

2. The risk from political changes: Other countries' political movements can be changed constantly which could hamper the investors.

3. Negative exchange rates: Foreign direct investments can sometimes affect exchange rates to the advantage of one country and the detriment of another.

4. Higher costs: When investors invest in foreign counties, they might notice that it is more expensive than when goods are exported. Often times, more money is invested into machinery and intellectual property than in wages for local employees.

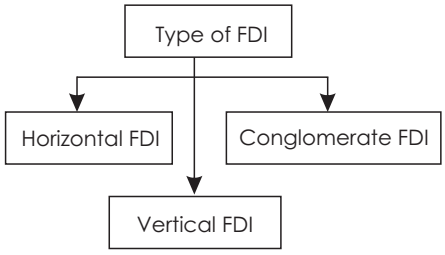
5. Economic non-viability: Considering that foreign direct investments may be capital-intensive from the point of view of the investor, it can sometimes be very risky or economically non-viable.

6. Expropriation: Constant political changes can lead to expropriation. In this case, those countries' governments will have control over investors' property and assets.

7. Modern-day economic colonialism: Many third-world countries, or at least those with history of colonialism, worry that foreign direct investment would result in some kind of modern-day economic colonialism, which exposes host countries and leave them vulnerable to foreign companies' exploitation.

TYPES OF FOREIGN DIRECT INVESTMENT [FDI]

Foreign direct investment can be classified into horizontal, vertical, and conglomerate. The types of FDIs are segregated on the basis of the companies that the investors are investing in. Walk through the illustrated points to get complete details of the types of FDI.



1. Horizontal FDI: It is a type of investment in which the company makes investment only in the company running their type of business in foreign. Example – If any sportswear company wants to make investments, they will only invest in any other sportswear company in another country rather than in any other sector. It's called horizontal investment.

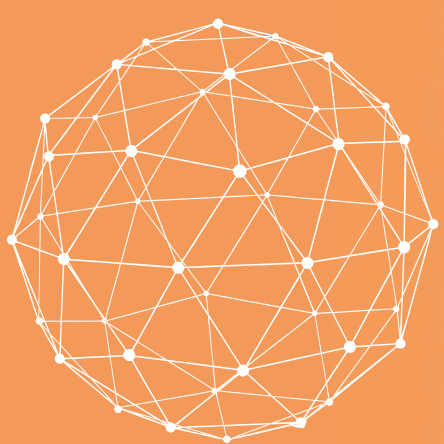
2. Vertical FDI: In this type of investment, the company

makes the investment in another company dealing with a complementary type of business. For example, Suppose company X wants to invest in any company in the form of FDI. In that case, they will invest in a company selling raw materials required by company X, called a vertical investment.

3. Conglomerate FDI: In this type of investment, the company could invest in any firm, business, or startup, even if it is not from the same industry. FDI investment will make a huge opportunity for the business to explore the new area and gain experience in different fields.

CONCLUSION

The net amounts of money involved with FDI are substantial, with more than $1.8 trillion of foreign direct investments made in 2021. In that year, the United States was the top FDI destination worldwide, followed by China, Canada, Brazil, and India. In terms of FDI outflows, the U.S. was also the leader, followed by Germany, Japan, China, and the United Kingdom.



INDUSTRY UPDATES GLOBAL

IVSC

UPDATES

IVSC LAUNCHES PUBLIC CONSULTATION ON PROPOSED CHANGES TO INTERNATIONAL VALUATION STANDARDS

ENHANCING VALUATION STANDARDS TO STRENGTHEN GLOBAL FINANCIAL SYSTEM

The **International Valuation Standards Council (IVSC)** is pleased to announce the launch of a **12-week public consultation on the proposed changes to the International Valuation Standards (IVS)**. The consultation, commencing on 28 April 2023, invites input from a diverse range of stakeholders, including industry professionals, regulators, investors, financial institutions, and other parties involved in the preparation, review, or reliance on valuations, to ensure comprehensive perspectives are considered in refining the IVS. The consultation seeks feedback aimed at enhancing the clarity, usefulness, and overall effectiveness of the IVS in promoting consistency and confidence in global valuations.

The proposed changes have been developed by the IVSC's Standards Review Board and Technical Boards, which consist of leading valuation experts from around the world, working together to enhance the standards. These updates take into account various factors, such as ongoing **changes in global markets** and **valuation practices**, increasing **use of technology** and **data sources**, growing demand for **clarity in valuation processes**, and the need to address **new types of assets and liabilities**, including environmental, social, and governance (ESG) factors.

Key updates proposed in the **Exposure Draft include**:

- A more **structured approach**

aligned with the valuation process.

- Additions or **expansions to requirements for data and inputs**, valuation models, quality controls, and documentation.
- **Reorganisation of certain requirements** and information to improve applicability, readability, and flexibility.
- **Clarification of roles and responsibilities** of parties involved in valuation, such as service organisations and specialists.
- Substantial revisions and **enhancements to IVS 500** Financial Instruments.

The IVSC welcomes stakeholders' perspectives on the proposed updates, whether they are brief or extensive; whether they express approval, disapproval, or neutrality.

Each piece of feedback contributes to the refinement of the standards, ensuring they align with global best practices and meet the needs of valuation professionals and all who depend on valuations.

Here are some key resources:

- **Download the Exposure Draft** documents and provide your feedback through our online form here: https://www.ivsc.org/consultations/ivs-exposure-draft-for-consultation-2023/
- **Access the presentation slides** from the webinar here: https://www.ivsc.org/pdfviewer/ivs-exposure-draft-consultation-2023-webinar/
- Watch a **replay of the webinar** here: https://vimeo.com/ivsc/ivs-consultation2023?share=copy
- **Stay informed** about this consultation and future IVSC updates by registering here: http://eepurl.com/gpEA-D

The consultation period concludes on 28 July 2023.

Following the consultation, the **next edition of the IVS is expected to be published in January 2024**, with an effective date of July 2024.

UPDATES

RAYMOND MORAN

ASA, MRICS
CHAIR, iiBV
MARKETING COMMITTEE

There are several items of interest regarding the **International Institute of Business Valuers (iiBV)** and its member organizations that may interest **Assessors and Registered Valuers Foundation** (AARVF) members, and we're pleased to have the opportunity to share these in this **Valuer's Bulletin**.

These include our newest member organization, the Business Valuation Institute of the United Kingdom; the global need to attract university students to the valuation profession, where the University Challenge program developed by the **Chartered Business Valuation Institute (CBV Institute) in Canada** is a great example of a successful program; an update on artificial intelligence by Business Valuation Resources; the ASA's Accredited Member designation program; an article on valuing identifying and determining obsolescence; and the start of the iiBV monthly webinar series. We'll discuss each in the following paragraphs.

BVIUK

The **Business Valuation Institute UK (BVIUK)** was founded on 1st January 2023, as a response to an identified gap in the UK business valuation market. Their motto is: Connecting Experts, Teaching Excellence. The aim was to create and establish a virtual platform of business valuation resources, with particular emphasis on offering networking opportunities to high-profile BV professionals, and on high quality teaching.

The founders of BVIUK had four main objectives:

1. To open a stagnated and sleepy British BV market to the innovations, techniques, and opportunities from the US and Canada.
2. To make BV resources more easily available to anyone passionate about business valuation – from academics and high-level practitioners, to students and enthusiasts.
3. To introduce the UK market to BV learning opportunities in form of expert-led webinars, expert-written articles, videos, interviews, and panel discussions. In due course, we plan to offer fully accredited training in business valuation, leading to the successful candidates achieving worldwide recognised BV credentials.
4. To improve the quality of business valuation practice in the UK.

After only four months of existence, BVIUK has become a clear leader in

the UK business valuation market, offering services not previously available in the country. Since its inception, BVIUK established its presence with a modern, dynamic, interactive platform of resources (available to view at www.bviuk.com), as well as in social media. Notable accomplishments include their rapidly expanding subscriber list to their newsletter, active social media presence through LinkedIn, support from global organizations including the IVSC, iiBV, ASA, NACVA, GACVA, and BVR; and the creation of their Expert Network, providing resources for BVIUK's successful webinars.

At the end of last year, CBV Institute https://cbvinstitute.com/ held a very successful Business Valuation Challenge (BV Challenge), with teams from 19 Canadian business schools competing for cash awards for 1st, 2nd and 3rd places. Nineteen teams comprised of two to four undergraduate students from across the country were given the opportunity to compete with students from other business schools in a test of their business valuation skills. A total of 57 students participated in this inaugural case competition.

The winning team from the Haskayne School of Business, University of Calgary was awarded $10,000. Second and third place received $5,000 and $2,500, respectively. In addition to the monetary award, members of the first-place team from Haskayne received complimentary enrolment to Level 1 in the CBV Program of Studies.

The business valuation case study was developed by a team of highly respected CBVs and refined for an undergraduate student audience. All participants had the opportunity to attend a training session to learn the basics of business valuation that was then applied to the case study.

"I would like to take this opportunity to congratulate the members of the first-place team from Haskayne, along with those who placed second and third," said Dr. Christine Sawchuk, President and CEO, CBV Institute. "With demand for CBVs at an all-time high, the BV Challenge is an excellent opportunity to introduce undergraduate business students to our rapidly expanding and evolving profession.

"We are already looking forward to hosting next year's competition, BV Challenge 2023."

Our colleagues at Business Valuation Resources https://www.bvresources.com/ recently published an article by Jim Aldering, Aldering Gives Some Insights Into AI and BV, discussing how artificial intelligence is already in use by the valuation profession, with its usage and implementation growing weekly. Aldering gives examples including the Internal Revenue Service in the United States using an AI application to assist in identifying complex partnership structures that could lead to the discovery of noncompliance; ChatGPT being used with Excel; usage by Big-4 accounting firms; and an AI – powered tax help service nicknamed TaxGPT that understands tax questions. The topic is one of global interest, and one we'll revisit shortly.

Valuation designations are usually granted by local valuation organizations such as the AaRVF, incorporating local legal rulings and guidelines, regulatory and practice issues. Many valuers work in cross-border engagements and assignments, and are looking to supplement their local designation with global best practices and procedures. This knowledge can be demonstrated to clients and peers through designations from global organizations, such as the iiBV member VPO's. One of them, The ASA

https://www.appraisers.org/ is a co-founder of the iiBV and is a multi-discipline, non-profit, international organization of professional appraisers representing all appraisal disciplines: Appraisal Review and Management, Business Valuation, Gems and Jewelry, Machinery and Technical Specialties, Personal Property and Real Property. Their mission is to foster the public trust of their members and the appraisal profession through compliance with the highest levels of ethical and professional standards.

The ASA is over 80 years old, has 5,000 members worldwide, and is active within the global valuation profession.

Recognizing the need for an improved process, the ASA recently streamlined the requirements for the Accredited Member (AM) designation in an effort to encourage increased global involvement and education. The requirements include completion of iiBV education courses 101

Principles of Business Valuation, 102 Income Approach and the International Cost of Capital, 103 Business Valuation Comprehensive Case Study, and 104 Advanced Topics in Business Valuation; submit a copy of your university degree; demonstrate 2 years of full-time valuation experience for the AM designation; and submit the application forms. They have deleted the requirement to submit sample valuation reports for review. The process of obtaining the Accredited Member designation is discussed in a recent video with Trey Stevens, an ASA and iiBV Instructor, member of both organizations' education committees, and past Chair of the ASA Board of Examiners.

Membership in the ASA, and holding The AM and/or ASA designations are very complimentary to the Registered Valuer designation and benefits available to Indian valuers through the AaRVF, as ASA membership is further demonstration of your commitment to professional standards and ethics, and access to a global network of thought leadership, best practices, and fellow member experts offering expanded client referrals and/or career advancement opportunities. Current topics under discussion include Environmental, Societal and Government (ESG) and incorporating those issues in valuations; brand value; and goodwill and impairment. Together with the AaRVF, we'll be announcing additional details of how AaRVF members can obtain the Accredited Member designation.

The ASA also contributed an article by Douglas Krieser, ASA, FRICS, on Multiple Appraisal Concepts: Appraising a Distribution Center, discussing how obsolescence can be identified and measured through concepts including thorough due diligence of the subject and current standards; replacement cost and excess capital costs; physical deterioration/depreciation; functional and economic obsolescence and inutility. These concepts are presented in a case study illustrating how these can be brought into a specific valuation.

Finally, we wanted to mention that the iiBV and its member organizations are looking forward to commencing monthly webinars with the AaRVF, on topics ranging from regulatory to technical, as issues from its member organizations of interest to Indian valuers regarding real estate, plant machinery and business valuation. We look forward to launching this program, and hope to see you there.

AARVF UPDATES

FLASH BACK

MANASI MEWARI

GENERAL MANAGER, AARVF
(PROJECT MANAGEMENT, CORPORATE IDENTITY AND COMMUNICATIONS)

CREATIVE DIRECTOR
EDITORIAL BOARD (AARVF)

"AaRVF is committed to harnessing the power of creativity, and together we can make a positive impact to create a better world for us all."

Creativity is the key to sustainability, growth, and progress. It is the driving force behind innovation and allows us to create new solutions for the challenges that we face. In a world where competition is fierce, creativity helps us to stand out and enables us to bring unique perspectives and ideas to the table, which can lead to breakthroughs and advancements that benefit society as a whole.

At AaRVF, creativity has always been at the **core of our values**. We believe that by fostering a culture of innovation, we can create a better future for ourselves and the world around us. In the past financial year, we have **undertaken several initiatives that highlight our commitment to creativity and sustainability**.

Looking ahead, we have **ambitious plans for the future**. We are investing in research and development to come up with such avenues that are not only innovative but also sustainable for the valuer's fraternity.

We are collaborating and networking with like-minded organizations that can work together towards a common goal to promote sustainable practices.

We are excited to **showcase** here, our **recent and upcoming activities** to give you a glimpse of what AaRVF is working on.

We invite our readers to join our creative journey and contribute to our mission of creating a sustainable and innovative future. Whether you want to become a **faculty**, **speaker** at one of our professional events (CEPs), **write** for our journal, or suggest innovative steps for us to take this financial year, we welcome your involvement and input.

Share your thoughts with
Manasi.mewari@aarvf.org

AaRVF marked its **second anniversary** with great zeal, hosting a comprehensive 9-day web series, taking place from the 21st to the 30th of March in 2023; featuring experts from the valuation field.

The series culminated with a one-day special session on **'Survival of the fittest', on 31st March 2023**. The event

Nicolas Konialidis, Director for Asia at International Valuation Standards Council (IVSC), visited AaRvF in New Delhi on May 15, 2023. During his visit, he discussed about International Valuation Standards Council (IVSC) and the need of global valuation standards for the RVOs and valuers in India for maintaining consistency and professionalism. A photo was clicked with Director, IVSC (center) and the team as a souvenir of his visit.

was entirely virtual and was witnessed by 200 participants, which is a full house event.

The inaugural session was graced by the presence of **Shri Manishkumar M. Chaudhari**, Chief General Manager - IBBI, Mr. **Nelson Macwan**, Practicing Valuer – Real Property & PME and **Dr. Vikram Gupta**, Director - AaRVF.

The entire program was handheld by our directors and senior experts, as event moderators, Mr. **Sandip Deb** and **CA Dr. Gopal Krishna Raju**. Ar. **Nilesh Suchdev** also incredibly moderated engaging all the participants in an interactive session.

The program was very well designed with choicest of speakers and senior experts of the valuation field, including Mr. **Sunil Bhor**, President - PVAI, Mr. **Raymond Moran**, Chair Marketing Committee-iiBV, Mr. **A V Manjunath**, Mr. **Suvasish Paul**, VP-Institution Of Surveyors, Mr. **Appandairajan**, Mr. **Subash C Sabat**, Mr **K S Venkatakrishnan**, Mr. **P K Ranganathan**, CS **V V Sampath**, Mr. **Sanjay Patel**, Mr. **T S Chandrasekhar**, Mr. **Vr NA Arunn**, Dr. **Ashok Nain**, Ex- President & Fellow Emeritus, Institution Of Surveyors, Mr. **Ashok Kelkar**, Immi. Past President, Practicing Valuers Association (India).

The entire program was for fourteen (14) credit points for valuers.

It has been a motivational few months for Mr. Saurabh Gupta, who is recently (May 2023) got appointed as a **member of Board** in the International Institute of Business Valuers or **iiBV**.

In June 2023, he receives another promotion as a **Managing Director of AaRVF**. He previously held the position as an independent director.

His contribution to the expansion of AaRVF is something we eagerly anticipate.

About the Authors...

B KANAGA SABAPATHY

Shri. B. Kanaga Sabapathy is a senior valuer, with more than 40 years of experience in valuation of immovable properties.

He is a registered valuer of Central Board of Direct Taxes under Black Money Act and Wealth Tax Act. He was the National Vice - President of Institution of Valuers (India) for 11 terms. He has authored 37 books out of which 31 are about valuation of immovable properties. He has so far written 848 articles about valuation.

He has given lectures in more than 250 seminars which include National, International and Global level seminars. So far, he has conducted 103 seminars / webinars in valuation at Tiruchirappalli.

He is the recipient of 19 awards. He has visited 52 countries.

He strongly believes in "Let the knowledge spread", and it shows in his active participation in the seminars conducted nationwide.

R. JAYARAMAN

Shri R Jayaraman, Registered Valuer under Wealth Tax (C-I /393/1997-98), born in Karur, Tamil Nadu State India, graduated in civil engineering from Regional Engineering College, Trichy in the year 1976.

He started as Site Engineer with BHEL, Trichy; also joined Alkali & Chemicals Limited, Tutucorin as a junior engineer, and later joined a civil construction firm as a resident engineer in the construction of chemical industries in and around Cuddalore and Pondicherry. Later in 1997, when Shri B Kanakasabapathy introduced him in the valuation field, he started practicing in bank valuation and specialization in Tax valuations.

He has published few books on IBBI Exam Study materials and MCQs, Tax Valuation for Capital Gains, and also on Tax Valuation on Cost of Construction.

As a faculty, he is very active and has participated in many seminars and presented articles in the seminars, all over India.

Study Material *for*

VALUERS

Written by:

B. KANAGA SABAPATHY

R. JAYARAMAN

ASSESSORS AND REGISTERED VALUERS FOUNDATION

IBBI/RVO/2021/016

FIRST PHYSICAL WORKSHOP FOR VALUERS

Assessors and Registered Valuers Foundation (AaRVF) held its **first physical Workshop on Valuation** in Bengaluru, Karnataka, India on April 9, 2023 with **Shri B. Kanaga Sabapathy**, **Shri R. Jayaraman**, and **Mr. K.S. Nagarajaiah** as speakers.

The workshop was for six hours and featured discussions on topics such as:

- Valuation for banks - Primary, Collateral & SARFAESI
- Valuers in criminal proceedings
- Adjustments Principles and Procedures in Market Approach with Practical Case Studies
- Capital Gains
- Section 50C of Capital Gains.

Shri B K Sabapathy and Shri R Jayaraman has converted their session content in the form of Study Material for valuers, and is now available on the AaRVF website under **AaRVF Updates > Digital Library > Publication.**

The study material serves as a valuable resource for those in the valuation profession.

MEMORANDUM OF UNDERSTANDING [MOU]

AaRVF expresses immense excitement to share the information regarding it's recent **Memorandum of Understanding** (MOU) signed with Banking Finance and Insurance Institute of Nepal on the 23rd of April 2023.

Assessors and Registered Valuers Foundation is a non-profit organization under section 8 of the Companies Act, 2013 created to make valuation education accessible and affordable to all aspirants in India and to enable them to practice valuation as Registered Valuers.

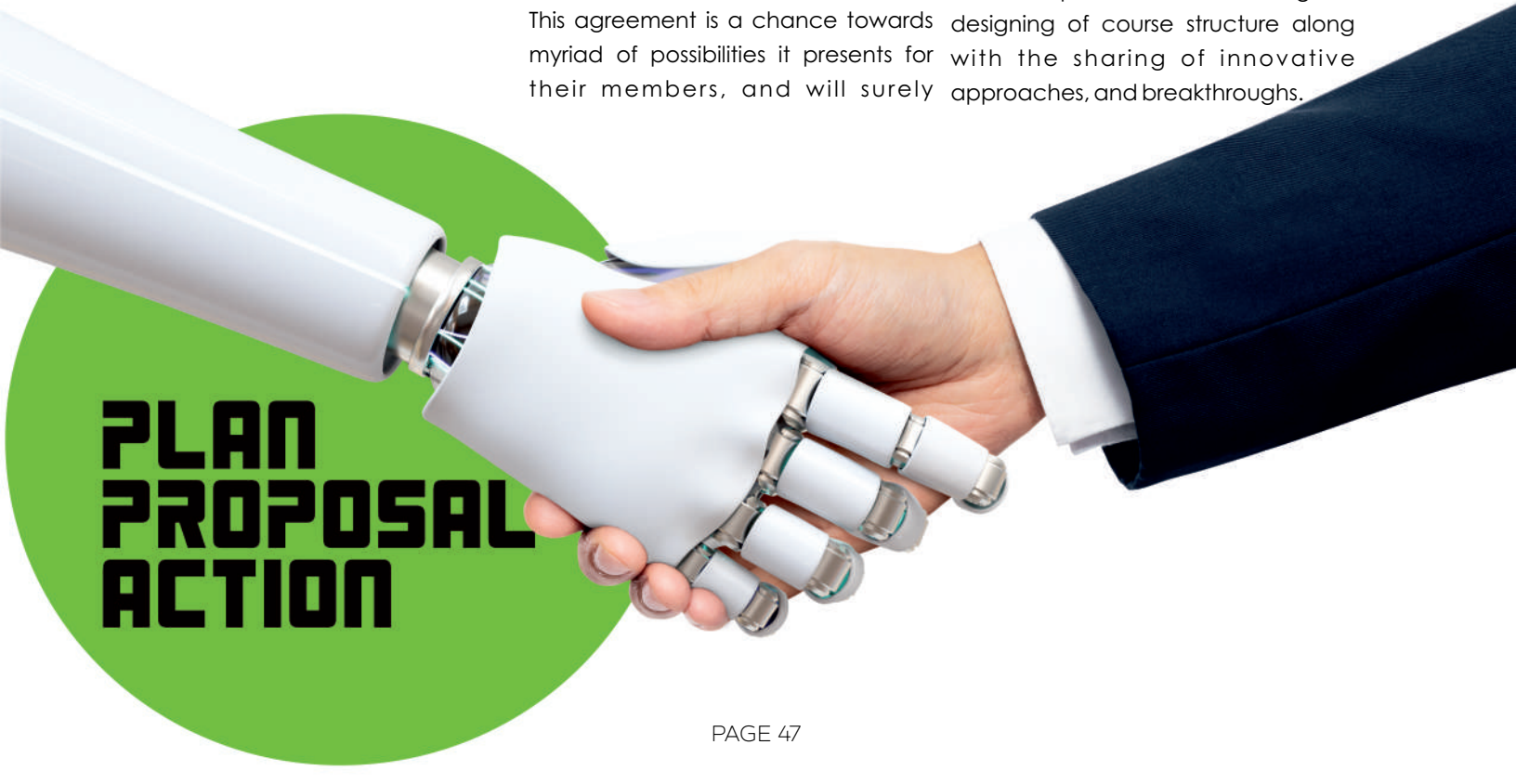
Banking Finance and Insurance Institute of Nepal (BFIN) is established with the main objective to offer training, workshop, and seminar and enhance the knowledge, skill, and capabilities of the employees of the financial sector and other stakeholders, conduct research, placement services, and consulting to strengthening the financial sector, offer specific accredited courses and creating data bank for the use of banking community and help strengthen the financial system in Nepal.

The purpose of this MOU is to impart training and education to valuation professionals, including the exchange of ideas related to new methodologies, developments, and learnings in the field of valuation in both countries, and much more.

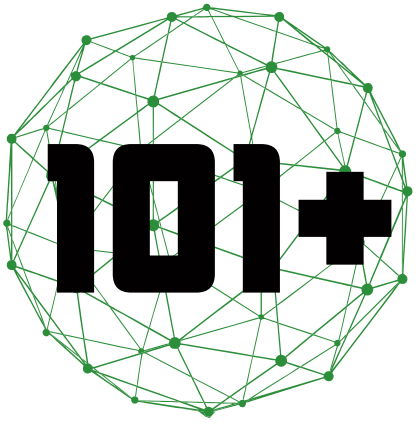
This agreement is a chance towards myriad of possibilities it presents for their members, and will surely strengthen the prospects of both organizations in coming months.

It is not to be missed that recently AaRVF has signed two other MOUs as well, one with the **Nepal Valuers Association (NVA)**, Kathmandu, signed on the 08th of January 2023 during the Real Value Conference, at Chennai, Tamil Nadu (India) and the other is signed between the Assessors and Registered Valuers Foundation (AaRVF), India, **International Institute of Business Valuations (iiBV)**, Canada, and **G&G Skills Developers Private Limited (G&G)**, India on the 06th Day of September 2022.

The purpose is to impart basic, and advanced training programs for valuation professionals, including the designing of course structure along with the sharing of innovative approaches, and breakthroughs.



AARVF 'S REGISTERED VALUERS COUNT REACHED



*** AS PER THE RECORDS TILL MAY 2023**

AaRVF's registered valuers have reached 3 digit count which indicates that the organization has a high level of demand for its services and a solid reputation in the industry. With a team of skilled and experienced professionals, As the organization continues to grow and expand, it will likely attract even more talented valuers and cement its position as a top player in the valuation field.

JUNE MONTH WEBINARS

DETAILS	DATE	TOPIC	SPEAKER	TIME	CEP POINTS	FEE
ONLINE WORKSHOP	09 10 16 17	Valuers Guide to: 1) Inspections 2) Significant Information 3) Valuation & Measurement Standards 4) Valuation Comparable-Analysis & Reporting	Ar. Nilesh Suchdev	04:00 05:00 PM	Four (4) CEP Points	600 +GST
Webinar	17	Acts, Rules, Standards And Report Writing	Er. Sanjay Patel	10:00 11:00 AM	One (1) CEP Point	100 +GST
Web Series	TO BE ANNOUNCED		CA Dr. Gopal Krishna Raju		Ten (10) CEP Points	

Call the Coordinator for details: **78381 48370**

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FEE DETAILS

One Time Admission Fee	Rs. 15,000/-
Annual Membership Fee is now	***FLAT Rs. 20,000/-**

(For one or more asset class)

** which is reduced from 25,000/- for the first asset class and 10,000/- for second asset class.*

PLEASE NOTE: All the above fee is excluding GST.
GST shall be charged as applicable (current GST rate is 18%)

For more details, feel free to connect on:
info@aarvf.org

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WHY TO CHOOSE JOIN AaRVF

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- Eminent faculties who guide you with live sessions and provide you notes + PPTs to practice
- Team of coordinators for Step-to-Step assistance
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WHAT MAKES US UNIQUE

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783 814 8370

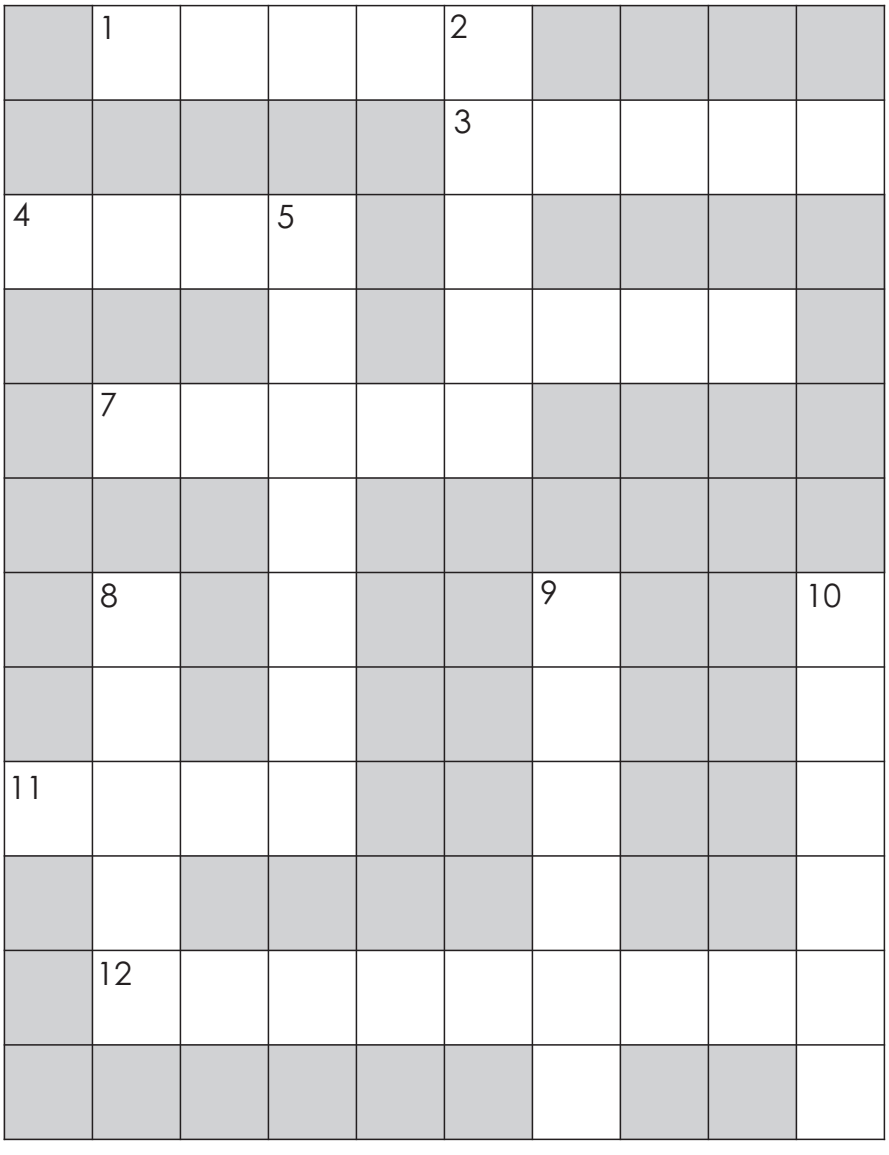
CROSSWORD PUZZLE - 1

Crossword puzzles can be an effective and enjoyable way to learn and reinforce concepts and terminology. They engage your brain in a fun and interactive manner, making the learning process more enjoyable and memorable.

By playing crossword puzzles in valuation, you can enhance your understanding of key terms, definitions, and concepts related to valuation methods and other relevant topics. It encourages you to think critically, recall information, and make connections between different concepts.

Furthermore, crossword puzzles provide a context for actively using and applying your knowledge, which can lead to better retention and understanding of the subject matter. They challenge you to think creatively and solve problems by recalling and applying your knowledge in a structured and engaging format.

Overall, playing crossword puzzles in valuation can be an effective educational tool that combines learning with entertainment, making it an enjoyable and efficient way to enhance your understanding and retention of valuation concepts.



CLUES

ACROSS

1. This value represents the value of old materials in a building, less the cost of demolition. (5)
3. The acts prevailing in the locality affect the market value of the property. This statement is _____. (5)
4. The market value of a plot is comparatively ____ if it is perpendicular to the road (for sentimental reasons). (4)
6. It is the expenditure to produce a commodity having value. (4)
7. _____ is a function of time, place and purpose. (5)
11. The value of certain plots is comparatively ____ if it is a corner plot and there is no restriction on FSI and usage. (4)
12. It is the rate of the land which is recorded in the register of the registrar's office and used to determine the stamp duty at the time of registration of the documents. (9)

DOWN

2. It is the cost of a commodity plus an additional reward to the producer for his labour and capital. (5)
5. It is the value of machinery realised on sales when its useful span of life is over, but still, it has not become useless. (7)
8. Guideline value plays an important role while certifying market value for security purposes to banks. This statement is _____. (5)
9. Value is determined in the open market by forces like _____ and demand. (6)
10. This value is the sum the property will fetch if sold in the open market. (6)

ANSWER KEY

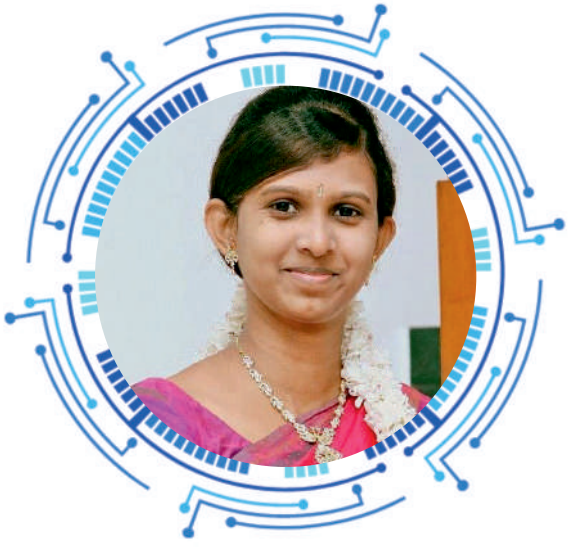
ACROSS

1. SCRAP
3. RIGHT
4. LESS
6. COST
7. VALUE
11. MORE
12. GUIDELINE

DOWN

2. PRICE
5. SALVAGE
8. WRONG
9. SUPPLY
10. MARKET

A new PUZZLE section has been introduced in AaRVF's Bi-Monthly Journal 'Valuer's Bulletin' and interested contributors can send their entries to editor@aarvf.org.



B.K. ARUNA

B.E., D.Arch (Hons.)., A.I.V., M.I.E., C.E., M.I.S.T.E.
REGISTERED VALUER & CHARTERED ENGINEER
AUTHOR OF THE BOOK: "LET US REFRESH OUR KNOWLEDGE"

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