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ARTIFICIAL INTELLIGENCE IN VALUATION: A GLOBAL PERSPECTIVE FOR INDIAN VALUERS

Introduction

The valuation profession, like many others, is at a critical turning point, where conventional approaches intersect with the revolutionary capabilities of Artificial Intelligence (AI).

Valuation - the process of determining the economic worth of an asset, business, or property, has traditionally relied on human expertise, manual data analysis, and standardized methodologies. However, AI's ability to process vast datasets, identify patterns, and generate predictive insights is revolutionizing this domain.

For Indian Valuers, particularly those registered under the Insolvency and Bankruptcy Board of India (IBBI) and Recognised Valuer Organisations (RVOs), embracing AI is not merely an opportunity but a necessity to remain competitive in a dynamic global landscape.

This article explores the transformative role of AI in valuation from a global perspective, with a focus on its relevance for Indian Valuers. It examines how AI enhances valuation accuracy, efficiency, and scalability, while addressing challenges such as data quality, regulatory compliance, and ethical considerations. By drawing on global trends and local nuances, the article aims to provide Indian Valuers with actionable insights to leverage AI effectively.

The Evolving Foundations of Valuation

Valuation has traditionally been anchored in three core approaches: the cost approach, which estimates the expenditure required to replace or reproduce an asset; the market approach, which derives value from comparable transactions; and the income approach, which discounts projected future cash flows to present value. These methodologies continue to serve as the bedrock of professional valuation, though they rely heavily on historical data, human

judgment, and static assumptions. However, these methods can be limited by human bias, incomplete data, and the inability to process real-time market dynamics.

However, the increasing complexity of global markets, the rising significance of intangible assets, and the need for real-time, data-driven insights have highlighted the limitations of purely manual valuation methods. Artificial Intelligence provides a ground breaking solution, enhancing traditional methods with greater accuracy, scalability, and contextual insight. It empowers Valuers to navigate complex assignments more efficiently, delivering deeper, more reliable insights in an increasingly dynamic environment.

AI in Valuation: A Primer

In the valuation context, AI refers to technologies that replicate or augment human analytical capabilities. These systems excel at learning from historical data to identify trends, processing unstructured information such as reports or social media, forecasting future scenarios through predictive analytics, and simulating multiple outcomes under varying assumptions. Rather than replacing core valuation principles, AI enhances their application by streamlining data integration, reducing processing times, and enhancing the rigor of decision-making. When used responsibly, AI enables valuers to provide more precise and timely insights, as long as it is combined with strong domain expertise and rigorous oversight.

Case Illustration: Valuing Retail Property

To demonstrate AI's practical application, consider a hypothetical case of valuing a retail property in Delhi's Connaught Place. The property, a 2,000 sq. ft. shop, has a rental income of INR 50 lakh per annum. Using a traditional income approach, the valuation might proceed as follows

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Capitalization Rate}}$$

Assuming a cap rate of 8%, the value is:

$$\text{Rs.}5000000/.08 = \text{Rs.}62500000/-$$

Now, an AI model, trained on Delhi's rental trends, footfall data, and economic indicators, predicts a cap rate of 7.5% due to rising demand. It also adjusts for lease term risks, estimating a value of

$$\text{Rs.}5000000/0.075 = \text{Rs.}66666667$$

The AI models higher valuation reflects market optimism, which is to be verified through discussions with local brokers. This quantitative example shows how AI can refine inputs, but human judgment remains essential for validation.

Comparison – Traditional Vs AI-Enhanced Valuation

Feature	Traditional Valuation	AI-Enhanced Valuation
Data Processing	Manual, time-consuming	Automated, large-scale, real-time
Inputs	Historical financials	Structured + Unstructured data (e.g., social media, satellite)
Decision Making	Human judgment	Data-driven insights + Human validation
Turnaround	Days to weeks	Hours to days
Subjectivity/ Bias Risk	High	Reduced (but algorithm bias risk exists)
Cost	High (human time intensive)	Moderate to high (setup + licensing)
Regulation Compliance	Manually ensured	Built-in compliance checks

While AI can significantly enhance valuation processes, it is not infallible. In a valuation assignment for an automotive components manufacturer, an AI tool projected a high enterprise value based on optimistic sector recovery assumptions post-pandemic. However, further engagement with lenders and a review of the company's credit rating reports revealed that crucial factors—such as persistent raw material cost inflation and export restrictions—were overlooked. This case underscored that AI outputs must be critically assessed and not accepted at face value. Rather than replacing professional judgment, AI should serve as a catalyst for deeper inquiry and more informed decision-making.

Global Applications of AI in Valuation

A 2023 study by Xval highlights that AI improves risk management, resource optimization, and productivity, leading to higher valuations as companies are perceived as more stable and efficient. The study notes that AI could boost corporate productivity by up to 40% by 2035, underscoring its transformative potential.

In real estate, Automated Valuation Models (AVMs) are revolutionizing the sector in advanced markets like the United States, United Kingdom, and Australia. These models analyze historical transaction data, property characteristics such as size and location, macroeconomic trends, and even advanced inputs like aerial imagery or traffic patterns. In the US, platforms like Zillow and Redfin provide instant property estimates, while CoreLogic supports mortgage and tax assessments. The UK's Royal Institution of Chartered Surveyors (RICS) has issued comprehensive guidelines on AVM usage, emphasizing transparency and validation. In India, proptech platforms like Magicbricks and Housing.com are introducing consumer-facing AVMs, but professional-grade models for institutional or insolvency-related valuations remain underdeveloped.

In business and equity valuation, AI is streamlining complex processes and enhancing due diligence. By automating Discounted Cash Flow (DCF) and comparable company analyses, extracting insights from earnings calls and annual reports, and monitoring sectoral trends in real time, AI empowers valuers to deliver deeper insights. Globally, private equity firms and investment banks leverage platforms like PitchBook and CB Insights for deal screening and exit strategy

planning. In India, where the Insolvency and Bankruptcy Code (IBC) governs distressed asset resolution, AI can support valuers by analyzing resolution plans, benchmarking recovery rates, and simulating liquidation outcomes based on historical National Company Law Tribunal (NCLT) data, thereby enhancing efficiency and decision-making.

The valuation of intangible assets- such as brands, patents, and trademarks- is inherently subjective, but AI offers tools to bring greater objectivity. By analyzing licensing agreements, assessing brand value through social media sentiment, evaluating patent strength via citation and litigation trends, and quantifying digital asset usage, AI is transforming how intangibles are valued. Global platforms like PatSnap and EverEdge exemplify this shift. In India, where intellectual property is increasingly critical in sectors like technology and pharmaceuticals, AI can enhance valuations under SEBI or RBI frameworks, ensuring compliance and precision in complex assignments.

Environmental, Social, and Governance (ESG) factors have become integral to valuation, influencing risk profiles and investor decisions. AI enables valuers to parse ESG-related data from corporate disclosures, sustainability reports, and news, while quantifying risks through adjusted discount rates or premiums. In India, the Business Responsibility and Sustainability Reporting (BRSR) framework underscores the importance of ESG integration. AI can assist Valuers in aligning with these mandates, particularly in sectors like energy, infrastructure, and manufacturing, where ESG considerations significantly impact asset values.

Global Lessons for India

Global markets offer valuable lessons for India's valuation profession. In the United States, widespread adoption of AVMs and business intelligence platforms has positioned the country as a leader in AI-driven valuation. The Securities and Exchange Commission (SEC) is actively examining AI's impact on financial advice, emphasizing the need for transparency and accountability. In the United Kingdom, RICS provides a robust framework for AVM usage, balancing innovation with ethical considerations, and AI is widely applied across real estate, financial services, and cultural asset valuation. In China, government-backed AI initiatives are driving advancements in

real estate, infrastructure, and technology valuation, with courts increasingly accepting AI-generated reports, reflecting high trust in standardized models. The European Union prioritizes ethical AI, mandating transparency for high-risk applications like valuation, while fostering a vibrant market for AI-driven tools in M&A and fintech.

In India, AI adoption in valuation is still in its early stages but gaining momentum. Proptech platforms are introducing simplified AVMs, and financial institutions are exploring AI for non-performing asset (NPA) resolution. RVOs are fostering awareness through workshops, but challenges persist, including limited access to standardized datasets, the need for explainable AI models to build stakeholder trust, and the importance of maintaining professional skepticism to critically evaluate AI outputs. India's opportunity lies in developing localized AI models tailored to unique asset classes, such as MSMEs, agricultural land, and renewable energy projects, supported by RVOs and strategic partnerships with domestic technology providers.

Challenges for Indian Valuers in Adopting AI

Despite its potential, adopting AI in valuation poses challenges for Indian Valuers. Key Challenges include:

1. Data Quality and Availability

AI relies on high-quality, comprehensive data to produce accurate valuations. In India, data on property transactions, financial performance, and market trends is often fragmented or incomplete, particularly in rural areas. A 2017 study by ResearchGate notes that the lack of updated information is a significant barrier to AI adoption in property valuation in Nigeria, a challenge that resonates with the Indian context.

2. Awareness and Training

Many Indian Valuers lack awareness of AI-driven valuation methods. A 2017 study by Abidoye and Chan in Nigeria found that professional bodies and educational institutions in Nigeria were partly responsible for low adoption rates, a situation mirrored in India. Valuers need training in AI tools and techniques to integrate them effectively into their practice.

3. Cost of Implementation

Developing and deploying AI solutions, such as Computer-

Aided Valuation (CAV) systems, can be costly. A Malaysian study cited in ResearchGate (2017) highlights high development costs as a barrier to CAV adoption, which is relevant for Indian valuers operating in resource-constrained environments.

4. Regulatory and Ethical Concerns

AI-driven valuations must comply with Indian regulations, such as those set by the IBBI. Additionally, ethical concerns like data privacy, algorithmic bias, and transparency are critical. For instance, AI models trained on biased datasets may undervalue properties in certain regions or demographics, leading to unfair outcomes. A 2025 study in Scientific Reports emphasizes the need for ethical frameworks in AI development to ensure alignment with societal values.

5. Resistance to Change

Traditional valuers may resist adopting AI due to familiarity with conventional methods or fear of job displacement. The JLL MENA white paper (2024) notes that AI is often perceived as an existential threat to jobs involving repetitive tasks, which may create reluctance among Indian valuers.

Regulatory and Professional Imperatives

Globally, bodies like RICS, the International Valuation Standards Council (IVSC), and the International Financial Reporting Standards (IFRS) Foundation are shaping the responsible use of AI in valuation. In India, the IBBI and RVOs must take the lead by developing AI-specific practice guidelines, establishing Self-Regulatory Organisations (SROs) to evaluate model ethics, and creating training programs to enhance digital literacy and AI proficiency among valuers. Collaboration with technology providers and regulators will be critical to align AI adoption with India's valuation standards and compliance requirements, ensuring that the profession remains robust and credible.

The Future of Valuation in India

The future of AI in valuation in India is promising, driven by technological advancements and supportive government policies. India's National AI Strategy, led by NITI Aayog, emphasizes AI for social good, aligning with valuation needs in sectors like agriculture, healthcare, and retail. By 2030, India aims to be among the top three countries in AI research and application, creating opportunities for Valuers to adopt cutting-edge tools.

However, realizing this potential requires addressing challenges like data quality, training, and regulatory compliance. Indian valuers must stay abreast of global trends, such as the integration of AI with block chain for secure data handling or the use of NLP for sentiment analysis in business valuation. By combining global best practices with local expertise, Indian Valuers can position themselves as leaders in AI-driven valuation.

The Road ahead for Indian Valuers

As the global valuation ecosystem continues to evolve, Indian Valuers are standing at the threshold of a transformative era. Artificial Intelligence presents both challenges and unprecedented opportunities. Embracing AI today means preparing for a future where valuations are not just faster, but smarter, fairer, and more transparent. With thoughtful adoption, continuous learning, and ethical application, Indian Valuers can lead the next chapter of the profession—one that balances innovation with integrity.

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