



# Divya Jyoti Valuers Foundation



## VALUER INSIGHTS

### JOURNAL



**Divya Jyoti Valuers Foundation**  
Registered Valuers Organisation

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Dear Readers,

Welcome to the 2nd edition of Valuer Insights, the e-journal by Divya Jyoti Valuers Foundation. We have launched this platform for meaningful discourse, knowledge exchange, and professional enrichment in the field of valuation. At Divya Jyoti Valuers Foundation, we're committed to excellence, integrity, and continuous learning. Through Valuer Insights, we aim to showcase our expertise and foster collaboration within the valuation community. This 2nd issue features articles, and case studies,

exploring valuation methodologies, industry trends, and regulatory updates. We invite you to engage with us, share your experiences, and contribute to the collective knowledge in valuation. As we embark on this journey, we extend our gratitude to our contributors, supporters, and readers. Let's illuminate the path forward and elevate the profession of valuation together.



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## From The Desk Of Chairman

I am immensely delighted while writing my message for 2nd issue of our E Magazine.

Valuers are crucial in the economy, business and corporate world as they provide objective assessment of asset value, enabling informed decision making in various financial and business contexts. The Valuations conducted by them, play a vital role in understanding a company's worth for mergers and acquisitions, to aiding in corporate restructuring and managing risks for investors.

With so much of trust imposed on the valuers, ethical behavior and compliance with rules are imperative for them.

Ethical behaviour and compliance establish a foundation of trust with clients, stakeholders and the public.

Professionals who adhere to ethical standards are seen as more trustworthy and credible, which can lead to increased loyalty and positive word of mouth referrals. A strong ethical reputation can attract new clients, investors and partners.

Compliance with rules and regulations is essential to avoid legal repercussions, fines and other penalties. Ethical behaviour helps to proactively identify and mitigate potential risks, such as conflicts of interest. It helps to earn for the professionals a good rating in audit/inspection.

Ethical guidelines provide a framework for making sound judgements and decisions in professional practice. Professionals are more likely to make decisions that are fair, just and in the best interest of their clients when they are guided by ethical principles.

Ethical behavior and compliance demonstrate commitment to long term sustainability, as it helps to build and maintain a strong reputation and a positive relationship with stakeholders.

Ethical behavior and rule compliance are not just legal requirements but essential aspects of professional practice. They contribute to more trustworthy, fair and just society. The culture of ethical behavior and compliance must be encouraged and promoted.

S P Sharma

**(Non executive Chairman and Independent Director)**

Divya Jyoti Valuers Foundation RVO



## From The Desk Of CEO

It gives me a great pleasure to write a message for 2nd issue of our e magazine.

Our organization is one of the 15 frontline regulators for valuers. It is responsible for oversight of the registered valuers, including their development and regulation. The valuation profession like any other profession is constantly evolving due to technological advancement, shifting market conditions, customer needs and revision in standards rules and laws.

These changes necessitate, need for continuous learning and therefore the professionals engaged in valuation profession need to update themselves on regular basis.

Continuous learning allows individuals to expand their knowledge base, develop new skills, and enhance their overall capabilities, leading to personal satisfaction and professional fulfillment.

In competitive environment, staying ahead requires constant commitment to learning. By embracing new processes, methods and regulatory updations, we can maintain a competitive edge and differentiate ourselves from the competition.

The ability to learn and adapt to change is crucial for fostering innovation and remaining agile in a dynamic marketplace. It also helps to identify new opportunities and new approaches.

We encourage everyone and particularly our members to embrace the spirit of continuous learning. We organize online Continuous Education Programmes (CEPs) for valuers which are convenient and economical and are attended by them in very good numbers. Members and other valuers can attend the CEPs as and when they are organized.

Let us continue to foster a culture of continuous learning by sharing knowledge, embracing growth and innovation in this fast changing world.

Sarita Singh

**(Chief Executive Officer)**

Divya Jyoti Valuers Foundation RVO

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IBBI/RV/11/2022/14967

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## CHALLENGES FOR YOUNG VALUERS

Valuation is one of the important requirement of real-estate and asset management, and new entrant to valuation profession in India face several challenges during site inspections. These challenges can impact the accuracy and reliability of the valuation process. Here are some of the common challenges:

### 1. Lack of Experience

□ Problem: Young valuers are generally not well experienced and thus face challenges in discovering key factors which affect property value.

□ Impact: This can result in under- or over-estimation of property values, affecting credibility of the profession.

### 2. Knowledge of Local Market

□ Problem: Local market is very dynamics, such as demand-supply conditions of the property, neighborhood trends, and price variations are very critical. Young valuers may not be well-versed in these aspects.

□ Impact: This can lead to inaccurate comparables and misjudgment of property value.

### 3. Site Conditions Information

□ Problem: Correctly evaluating the physical condition of real estate including structural integrity, clarity of title of the property and environmental factors can be difficult to access without experience.

□ Impact: Failure to recognize these issues can lead to incorrect valuation for purpose.

### 4. Dealing with Data Discrepancies

□ Problem: Inconsistent or incomplete data from various sources, such as government records, property documents, like deed, layout, map, completion certificate, and third-party reports, can confuse young valuers.

□ Impact: This can result in conflicting assessments and errors in valuation.

### 5. Legal and Regulatory Understanding

□ Problem: •Laws relating to zoning plan, building rules, property rights and land acquisition in different parts of country are different. Young valuers may struggle to navigate these regulations effectively.

□ Impact: Misinterpretation of legal aspects can lead to valuation errors and potential legal disputes.

### 6. Client Expectations and Pressure

□ Problem: Young valuers face pressure from customers to make valuations that favour them (customers) rather than a correct or upright valuation based on market assessment.

□ Impact: This can lead to distorted valuation and moral and ethical conflicts.

### 7. Technological Adaptation

□ Problem: Young valuers are not able to make use of technology like GIS, Digital map, Jamabandi sites and latest machines like drones or data analytics due to in experience or not having knowledge.

□ Impact: Inadequate use of technology can reduce the efficiency and accuracy of the valuation process.

### 8. Safety and Accessibility Issues

□ Problem: Site inspections may involve visiting remote or unsafe locations. Young valuers might face difficulties in accessing these sites or ensuring personal safety.

□ Impact: Absence of free access can lead to imperfect inspections which can result to incorrect valuations..

## 9. Time Management

- Problem: Valuations often need to be completed within tight deadlines, and young valuers may struggle with time management, especially when multiple inspections are involved.
- Impact: Rushed inspections can lead to oversight and errors in valuation.

## 10. Ethical Challenges

- Problem: Young valuers might face situations where they are asked to compromise on ethical standards, such as inflating values for client benefit.
- Impact: Having a lenient view on ethics can lead to loss of professional reputation and litigation/legal issues.

Overcoming challenges in valuation for young valuers in India during site inspections require a strategic approach that combines education, mentorship, practical experience, and ethical practice. Here are some steps that can help:

### 1. Seek Mentorship and Guidance

- Join Professional Networks: Becoming a part of professional organizations like the Divya Jyoti Valuers Foundation enable access to knowledgeable valuers to provide guidance.
- Mentorship Programs annually or monthly: Actively seek out mentors who can provide hands-on training and advice on best practices during site inspections.
- Shadowing under Senior Valuers: Spend time on-site with senior valuers to observe how they conduct inspections and handle complex situations.

### 2. Invest in Continuous Learning (Compulsory)

- Formal Education: Enroll in courses and certifications related to real estate, valuation, and property law. This can deepen your understanding of market dynamics and legal frameworks.
- Workshops and Seminars: Attend workshops, seminars, and webinars on valuation techniques, market research and application of technology in valuation.
- Stay Updated: Regularly go through reports, journals and news pertaining to trends of real estate, market conditions, and regulatory changes.

### 3. Develop Local Market Expertise during site visit as per verbal skills

- Conduct Market Research: Devote time in exploring local property market and observing price trends, demand-supply factors, and neighborhood characteristics.
- Field Visits: •Make visits frequently of different areas to get acquainted with various types of properties construction quality, and neighborhood influences on property value.
- Networking with Local Agents: Build relationships with local real estate agents, brokers, and developers to gain complete knowledge of state of market and its direction.

### 4. Enhance Technical Skills

- Use of Technology: Learn to effectively use valuation software, Geographic Information Systems (GIS), and other digital tools which make available correct site assessment.
- Drone and Imaging Technology: Get trained in using drones or advanced imaging techniques for inspecting large or hard-to-reach properties.
- Data Analysis: Improve your data analysis skills to better interpret market data, comparable, and property records.

### 5. Strengthen Legal and Regulatory Knowledge

- Study Property Laws: Take time to study Indian property laws, land acquisition regulations, zoning laws, and other relevant legal frameworks.
- Legal Consultation: In case of any doubt legal advisor or more experienced valuer should be consulted to ensure compliance with all legal requirements during site inspections.
- Regulatory Updates: Keep up with changes in regulations that may impact property valuation, such as new government policies or amendments to existing laws.

## 6. Improve Communication and Negotiation Skills

- Client Communication: Develop strong communication skills to manage client expectations, clearly explaining your valuation process and findings.
- Ethical Negotiation: Learn to navigate situations where clients may pressure you to alter valuations, maintaining your ethical standards.

## 7. Prioritize Safety and Accessibility

- Safety Precautions: Always prioritize personal safety during site inspections, especially when visiting remote or potentially unsafe locations. Carry necessary safety gear and inform someone of your location.
- Access Planning: Plan your visits to ensure you have all necessary permissions and access to the property. If access is restricted, reschedule the inspection or arrange for alternatives, such as a guided tour by a property manager.

## 8. Practice Time Management

- Scheduling: Plan site visits well in advance, allowing ample time for thorough inspections and follow up analysis.
- Task Prioritization: Learn to prioritize tasks, focusing on critical aspects of the site inspection that most significantly impact the valuation.
- Avoid Rushing: Allocate sufficient time for each inspection to ensure no detail is overlooked, even if it means scheduling fewer inspections in a day.

## 9. Ethical Commitment

- Adhere to Professional Ethics: Uphold strong ethical standards by providing unbiased, fact-based valuations, even when faced with pressure to do otherwise.
- Transparency: Maintain transparency in your methods and findings, documenting your process and rationale for future reference.

## 10. Regular Feedback and Reflection from client

- Seek Feedback: After completing valuations, seek feedback from clients, mentors, and peers to identify areas for improvement.
- Reflect on Experience: Regularly reflect on your site inspection experiences, noting challenges faced and how they were addressed. This reflection can guide future inspections.

By actively pursuing these strategies, young valuers in India can gradually overcome the challenges they face during site inspections, leading to more accurate and reliable valuations, as well as professional growth.



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## ENVIRONMENTAL EFFECTS ON PROPERTY VALUATION IN INDIA

Valuation of real estate in India is a complex process that involves assessing a range of factors, including location, infrastructure, economic conditions, and legal status. In recent years, environmental factors have gained significant attention as they have started playing an increasingly critical role in determining property values. As India faces growing challenges related to climate change, pollution, and resource management, the impact of environmental factors on property valuation has become more complex. This write-up examines the various ways in which environmental considerations influence real estate valuation in India, as well as the trends and challenges faced by valuers in the current market.

### 1. Air Pollution and Property Values

Air pollution is one of the most pressing environmental issues affecting India. Major cities such as Delhi, Mumbai, Kolkata, and Bengaluru frequently report air quality levels that far exceed safe limits, leading to adverse health effects and decreased quality of life. Properties located in areas with high pollution levels typically see lower demand and therefore lower market values. Buyers and tenants are becoming more aware of air quality issues and often prioritize locations with better air quality, particularly for residential properties.

Moreover, homes and offices equipped with air purifiers, green spaces, and improved ventilation systems are perceived as more attractive and often command higher prices. This shift in consumer behavior underscores the importance of air quality in valuation, as properties in areas with cleaner air or sustainable design features are often valued higher.

### 2. Climate Change and Its Impact on Coastal and Flood-Prone Areas

India's diverse climate and geography mean that properties in coastal regions, flood-prone areas, and drought-affected regions are increasingly at risk due to climate change. Rising sea levels and extreme weather events such as cyclones and heavy rains have made certain areas more vulnerable to flooding. This risk impacts the valuation of properties in cities like Mumbai, Chennai, and Kolkata, where coastal and low-lying areas may see declining values due to the risk of water damage and loss of usability.

Insurance costs in these areas are also likely to increase, adding to the expense of property ownership. For valuers, this means incorporating risk factors related to climate change into their assessments. Properties with flood defenses, elevated construction, or located away from vulnerable zones may be appraised at higher values, while high-risk properties may see declining demand and, consequently, lower values.

### 3. Water Scarcity and Its Impact on Real Estate

Water scarcity is a growing concern in India, particularly in urban centers like Chennai and Bengaluru. The availability and reliability of water resources are essential for residential, commercial, and industrial properties. Properties in areas with chronic water shortages often face lower valuation due to the added cost and inconvenience for residents or businesses.

Additionally, as the government imposes stricter water usage regulations and promotes water-efficient construction, properties that incorporate rainwater harvesting, efficient plumbing systems, and other water-saving technologies tend to be more attractive to buyers. Valuers now consider water availability and water sustainability features as important criteria, which can either positively or negatively impact property values depending on local conditions.

#### **4. Green Certification and Eco-Friendly Building Standards**

The demand for eco-friendly and sustainable buildings is on the rise, especially in commercial real estate. Buildings that are certified by green rating agencies such as the Indian Green Building Council (IGBC) or the Green Rating for Integrated Habitat Assessment (GRIHA) are often valued higher due to their reduced environmental footprint, energy efficiency, and potential for long-term savings on utilities.

Green-certified buildings generally have lower operational costs, better air quality, and enhanced comfort. As a result, valuers incorporate green certifications as a positive factor in property appraisal, reflecting their potential for sustainable returns.

#### **5. Noise Pollution and Proximity to Industrial Zones**

Noise pollution is another environmental factor that can affect property valuations, especially in densely populated cities where residential areas are often close to industrial zones, highways, or airports. Excessive noise negatively impacts residents' quality of life, and properties in noisy areas typically have lower demand and lower valuations.

For instance, properties near highways, railway stations, or busy commercial areas may suffer from lower valuations due to constant noise, especially in residential neighborhoods. Valuers take noise levels into account when determining a property's market value, and properties in quieter, more serene locations often see a premium in their valuations.

#### **6. Urban Heat Islands and Microclimate Effects**

India's rapid urbanization has led to the phenomenon of "urban heat islands," where densely built-up areas experience significantly higher temperatures than surrounding rural areas due to factors such as concrete surfaces, lack of greenery, and vehicular emissions. Urban heat islands can lead to increased energy consumption, discomfort, and reduced air quality, making some locations less desirable for residential use. Properties in greener, more ventilated neighborhoods with parks or water bodies nearby are perceived as having better "microclimates" and tend to be valued higher. Valuers may factor in the local temperature variation, greenery, and ventilation quality when appraising properties in urban settings.

#### **7. Waste Management and Cleanliness Standards**

The cleanliness and waste management of an area can significantly influence property values. Poor sanitation, uncollected garbage, and inadequate sewage systems not only degrade the aesthetics of an area but also pose health risks, leading to lower property values. Neighborhoods with effective waste management systems, recycling facilities, and well-maintained public spaces generally see higher demand and better valuations.

In India, where waste management remains a challenge in many urban centers, properties in areas with good municipal services and hygiene standards are valued higher than those in neighborhoods with poor sanitation.

#### **8. Government Policies and Environmental Regulations**

Indian policymakers are increasingly introducing environmental regulations aimed at sustainable urban development. Policies such as pollution control measures, water conservation mandates, waste management standards, and incentives for green construction can significantly affect property values. For example, the implementation of stricter pollution norms in industrial zones may raise operational costs for businesses, reducing property demand in affected areas.

On the other hand, government incentives for eco-friendly projects, such as subsidies for green construction materials, tax benefits for sustainable housing, and zoning laws to protect green spaces, can lead to an appreciation in property values. Valuers must stay updated on these regulations and factor them into their assessments, as compliance or non-compliance can materially impact a property's valuation.

#### **9. Impact of Environmental Awareness on Consumer Preferences**

As Indian consumers become more environmentally aware, there is a rising preference for properties that are environmentally friendly. Factors such as energy efficiency, pollution-free surroundings, water management systems, and sustainable building materials are increasingly being considered by buyers. This shift in demand means that properties meeting these criteria tend to command higher prices, while lagging in environmental standards may see their values decline over time.

## Conclusion

The environmental effects on property valuation in India are multifaceted, impacting real estate across residential, commercial, and industrial sectors. As climate change, pollution, and resource scarcity continue to be significant challenges, the need for environmentally responsible real estate solutions is growing. Valuers are increasingly integrating environmental factors into their assessment criteria, taking into account both immediate and long-term risks and benefits associated with environmental issues. For property investors, developers, and valuers alike, understanding and adapting to these environmental impacts will be essential in navigating India's real estate market in the coming years. With India's urban landscape evolving rapidly, properties that prioritize sustainability and environmental friendliness are likely to see stronger demand, higher values appeal to the environmentally conscious consumer.



**Surendra Prakash Sharma**  
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## PHYSICAL INSPECTION OF ASSETS FOR VALUATION

Valuation of assets is the process of determining the value of assets, considering factors such as market conditions, asset condition, and regulatory environment.

Asset valuation is one of the important factors which impacts investment decisions, financial reporting, and risk management strategies. A correct asset valuation is vital for prudent decision making in finance, including investment strategies and risk management.

### **Factors influencing asset valuation:**

#### **Market conditions:**

Market conditions refer to the prevailing economic environment, including factors such as supply and demand dynamics, interest rates, inflation, and overall economic growth. Variation in these factors can significantly change asset values. For instance, during periods of high demand and limited supply, asset prices tend to rise, whereas, during economic downturns, prices may decline due to decreased demand.

Full knowledge of current market conditions is crucial for correct valuation of assets, as it provides background for assessing their worth relative to prevailing economic trends.

#### **Asset Condition:**

The physical condition of an asset plays a vital role in determining its value. Assets that are well maintained and in good condition typically command higher prices than those that are dilapidated or in need of repair. Factors such as wear and tear, maintenance history, age, and functionality are considered when assessing asset condition. A meticulous evaluation of the asset's physical state is necessary to accurately determine its value, as it provides accurate and deep understanding of potential maintenance costs, depreciation rates and future performance.

#### **Regulatory Environment:**

The regulatory environment refers to the legal and regulatory framework governing asset valuation practices. Different locations may have varying regulations which can impact valuation methodologies, reporting requirements, and compliance obligations. For example, regulatory changes related to accounting standards or tax laws can affect how assets are valued and reported on financial statements. It's essential for valuation professionals to stay abreast of regulatory developments and ensure compliance with applicable laws and standards when valuing assets.

Understanding these factors and their interplay is crucial for conducting accurate asset valuations. Market conditions, asset condition and the regulatory environment all influence the determination of asset values and must be carefully considered by valuation professionals to ensure fair and reliable valuations.

## What is physical inspection?

Physical inspection involves conducting on- site examinations of assets to assess their condition, quality and usability. It allows valuation professionals to directly observe the physical characteristics of assets, such as their structural integrity, maintenance status and overall condition. This unmediated approach of getting first-hand information about the assets makes the valuer stand in the better position than other valuation methods such as desktop reviews and financial analysis alone.

Through physical inspection valuer gets complete knowledge about the asset and this helps him to reach a correct valuation which has enduring accuracy and strong reliability.

By physically inspecting assets, evaluators can identify any discrepancies between reported and actual conditions, verify assets specifications and assess factors such as wear and tear, damage, or obsolescence.

What are the current IVS requirements on inspection?

In the general standards IVS 101 scope of work, IVS states as follows in relation to inspection:

"20. Valuation Requirements

20.01 The scope of work must specify the following:

...

(i) The nature and extent of the valuer's work and any limitations thereon: In the valuation process any restrictions or limitation imposed on the valuer with regard to inspection, enquiry and /or analysis in the value must be pointed out. These limitations and restrictions are of two types:

1. Restrictions due to conditions imposed by the client.

2. Restrictions due to circumstances beyond control.

Valuer must clearly make a mention of the restriction or limitation in the report.

...

This is extended by the following paragraphs within the tangible asset standard series( being IVS 300 Plant, Equipment and Infrastructure, IVS 400 Real Property Interest, and IVS 410 Development Property ) when considering investigations and evidence.

"Sufficient investigations and evidence must be assembled by means such as inspection, inquiry, research, computation or analysis to ensure that the valuation is properly supported. Valuer makes a professional judgement for determining the required level of investigation and evidence to ensure accurate valuation...

...

" If, during the course of a assignment, it becomes clear that the investigations or limitations included in the scope of work will not result in a credible valuation, or information to be provided by third parties is either unavoidable or inadequate, or limitations on investigations such as inspection are so substantial that it will not result in a valuation outcome that is adequate for the purpose of the valuation, the valuation must explicitly state that the valuation is not in compliance with IVS ( see IVS 100 Valuation Framework, section 40 and IVS 101 Scope of work, para 20.03)"

And finally, within the General Standards, IVS 106 makes it explicit within paragraph 30.06 that:

"30.06 Valuation reports must convey the following, at a minimum:

(a) Agreed scope of the work,

....

(l) sources and selection of significant data and inputs used,

..."

For IVS compliant valuation, IVS promotes transparency in relation to inspection but it does not mandate physical inspection.

During the process of valuation, physical inspection of asset is one of the common ways for the valuer to conduct investigations and assemble evidence, with the intention of ensuring that the valuation is properly supported.

While starting the valuation process, valuer makes a professional judgment with regards to-requirement/extent of investigation and evidence needed for completing the valuation. The valuer should clearly state as to why the chosen type of inspection/investigation and evidence is most suitable for use in order to provide an IVS compliant valuation.

Important points which need to be taken care while inspecting the asset.

1. Proper planning of inspection visit should be done, before proceeding for the visit, copies of ownership documents of the property, copies of approved plan/floor plan etc. should be obtained.

2. A meeting should be held with the customers/ owner of the property and address/location/identification of the property should be ascertained from him. The map of the way to reach to property, boundaries of the property, landmark near the property, positive or negative feature of the property or its neighborhood should also be ascertained.

3. During the inspection the asset which is to be valued should be identified properly. Care should be taken that exactly the same property for which the documents are provided by the client is inspected and valued.

4. The valuer should carefully observe the elements affecting the valuation of the property like presence of Nallah/river, high tension cables, dumping sites of waste, low lying area with risk of flood, flood prone area, pest prone area, water quality and availability, communication, digital connectivity, roads availability and its wideness, quality of population in the area and note the same.

5. Photographs of the asset/property should be taken at site for use in reports. Valuer should ensure that a photograph of the owner of property with valuer at site is also captured for record.

In Case of Plant & Machinery:

Copies of invoice, insurance, warranty/guarantee card, details of availability of after sale service etc. to be called for and valuer should go through the same before going for inspection.

During the inspection, the plant and machinery should be properly inspected and the detail of the same should be compared and confirmed with the copies of invoice or the description provided by the client from their books.

In case of Securities or Financial Assets:

Visit to the office of the company is not necessary for valuation of Securities or Financial Assets, more particularly if company is reputed or well known. However, inspection visit to the company's office gives a proper understanding of its status and the valuer becomes aware of its level of activities and whether it is a running or defunct concern. It is more important if it is a new venture or a start-up.

Reference:

1. IVSC Perspective Paper – Inspections
2. Various Websites



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## HOW TO USE INDEX IN VALUATION

### Recap

Index is calculated across similar assets, in a way that it represents an over all dynamics of the market. For example Nifty 50 is an index of 50 shares of National Stock Exchange, and that represents how the over all market moves.

In Bharat, WSI, or whole sale price index is the key index that has over 700 items. The weightage of these items change with the usage in the society. Many items are added and some are deleted as well the weight of these items also changes.

The present structure of the WSI is as follows..

Item Main Group	Percentage
All Commodities	100%
1. Primary Articles	22.6%
2. Fuel & Power	13.2%
3. Manufactured Products	64.2%
Food related	24.4%

### Details of Present Series.

Name	Sub Name	Weight Name	Weight Sub Name	Number of item Names	Number of Items Sub Name
Primary Articles		22.6156			
	Food Articles		15.25585		77
	Non Food Articles		4.11894		28
	Minerals		0.83317		11
	Crude Petroleum & Natural Gas		2.40960		2
Fuel & Power		13.15190			
	Coal		2.13813		5
	Mineral Oils		7.94968		10
	Electricity		3.06409		1
Manufactured Products		64.23054			
	Mfg of food products		9.12173		60
	Mfg of Bevreges		0.90907		7
	Mfg of Tobacco products		0.51357		3
	Mfg of Textiles		4.88068		25

Name	Sub Name	Weight Name	Weight Sub Name	Number of item Names	Number of Items Sub Name
Manufactured Products					
	Mfg of wearing Apparel		0.81414		8
	Mfg of leather & related products		0.53540		11
	Mfg of wood, it's product and cork		0.77181		10
	Mfg of paper & paper products		1.11322		20
	Printing & reproduction of recorded media		0.67622		7
	Mfg of Chemical & Chemical Products		6.46505		76
	Mfg of Pharma, medicinal chemical, botanical products		1.99345		23
	Mfg of rubber & plastics products		2.29851		38
	Mfg of other non metallic mineral products		3.20176		26
	Mfg of Base Metals		9.64632		41
	Mfg of metal products except machinery & equipment		3.15498		27

Name	Sub Name	Weight Name	Weight Sub Name	Number of item Names	Number of Items Sub Name
Manufactured Products					
	Mfg of computers, electronic & optical products		2.00875		18
	Mfg of Electrical equipment		2.92970		48
	Mfg of Machinery & Equipment		4.78899		60
	Mfg of motor vehicle , trailer & semi trailer		4.96853		24
	Mfg of other transport equipment		1.64777		11
	Mfg of furniture		0.72672		6
	Other Manufacturing		1.06417		13

Looking in the details above we see that WSI is very comprehensive.

How is index used in valuation.

Index is used in ONLY Cost Approach.

Cost approach as we know, we have to get the Replacement Cost New (RCN). That is the present cost of replacement of the item that is to be valued. However we face several problems. These are..

- Supplier may not exist.
- Same machine may not be manufactured today.
- Technology has changed
- Others.

In Valuation we have to get as much similar asset as we are valuing. So these problems limit our data gathering.

This becomes even more difficult, when the assets were purchased from international suppliers.

This is where the index comes in our help.

The standard formula used is

$\text{Price/ Cost Now} = \text{Index Now} \times (\text{price / cost at the time of purchase}) / \text{Index at that time}.$

Example.. We have to get the RCN for a machine. That was purchased in March 2013 at Rs. 12.33 Lakhs.

To get the present RCN, let us get the data.

Index for machines in Feb – 2025 = 131.2

Same index in March -2013 = 105.0

So RCN Now will be =  $12.33 \times 131.2 / 105 = \text{Rs. 15.41 lakh}.$

Questions that arise ...

1. How to get the data.





सत्यमेव जयते

आर्थिक सलाहकार का कार्यालय

OFFICE OF THE ECONOMIC ADVISER

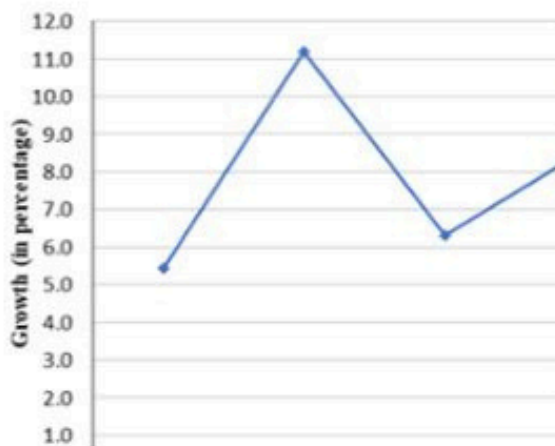
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Metadata (2011-12)

WPI Press Release Archive

Advance Release Calander (ARC)

From here one can get the data on a monthly basis from 1951 to present. As this data is updated regularly, one can download the data on the regular basis.

It is a good idea to download the data – and go through it to understand and see how to use it. One can use just the relevant data.

	A	EX	EY	EZ	FA	FB	FC	FD
1	Base 2011-12							
2	COMM_NAME	INDX0920: INDX1020: INDX1120: INDX1220: INDX0120: INDX022025						
19	g. Manufacture of other electrical equipment	123.2	123.8	124.8	125	124.7	124.8	
20	Electric welding machine	109	108	109.6	110.1	109	109.2	
21	Motors & other DC equipment	127.9	130.2	133.7	133.9	133.9	133.9	
22	Insulator	129.5	130.5	130.5	130.5	130.4	130.6	
23	(R). MANUFACTURE OF MACHINERY AND EQUIPMENT	130.9	130.8	130.5	130.5	131	131.2	
24	a. Manufacture of engines and turbines, except aircraft, vehicle and two wheeler eng	133.2	133.9	133.6	132.5	133.3	134.5	
25	Steam Turbines	83	83	83	83	83	83	
26	Industrial valve	135.2	136	135.7	134.5	135.4	136.6	
27	b. Manufacture of fluid power equipment	133.8	134.1	134.6	134.9	135.6	135.7	
28	Injection pump	136.2	136.8	136.9	137	137	136.8	
29	Hydraulic pump	134.2	134.2	133.9	134.7	134.2	133.8	
30	Pneumatic tools	118.8	118.8	118.8	118.8	118.8	118.8	
31	Water pump	140.2	140.4	141.6	142	143.6	144	
32	c. Manufacture of other pumps, compressors, taps and valves	118.5	118.4	118.7	118.9	118.8	119	
33	Centrifugal Pumps	142	141.7	141.5	141.7	142.5	143.3	

Here for P&M, I use the over all MANUFACTURE OF MACHINE AND EQUIPMENT – index. That has been high lighted as well.

Some points to remember..

The base of the index usually is changed every 10 year. So the first series will be from 1951 base. That means every line item is put as 100. And the price as it changes every month is calculated and updated.

Now every 10 year the over all WSI is expanded. More items are added. Weight of many items are also reduced. These are done to reflect the present economic situation.

For example, now services and manufacturing contributes more to the economy than agriculture. So the overall weight of the agriculture is reduced.

When ever these changes take place – the NEW series starts with 100. That does not mean old data is lost or become non relevant.

To convert the old data that can be used with the present – there is a conversion factor that is also used.

With these conversion factors one can get the data that is relevant even for today.

Example..

A company sold a major machine, in 2022. The original was purchased in 1975. The machine is working profitably.

If we go with the depreciation schedule, that will be just 5% of the original value. That value will be even less than the scrap that one can get. But as the machine is working there is a major economic value.

How to do is.. Index in 1975 is taken.

From 1975 to present – there are 4 base changes. These are 1981, 1991, 2001 & 2011.

There are conversion factors for each series when it starts fresh.

These are 1981 = 2.74

1993-94 = 2.45

2004-05 = 1.87

2011-12 = 1.85

For present – we will have to use the following formula.

Convert Index to Base 1971 = Multiply factors =  $2.74 \times 2.45 \times 1.87 \times 1.85 = 23.223$

An Index of 131 in Jan 2025 – will be  $23.223 \times 131 = 3042$ .

So, we take the index value of 1975. That is the base index. And the present index will be 3042, as that will be equivalent and comparable to the index at that time.

Let us also take another case.

Asset was purchased from Germany in 1989. How do we handle those. The steps will be as follows..

1. Get the ORIGINAL FOB price of the asset at the time of purchase.

2. Use the German relevant index to get the Euro price as of now.

3. Get the logistics cost.

4. Get the INR / EUR conversion

5. Get the duties and other taxes of import.

Using all the above we can get the RCN cost.

It is interesting to see that we are using currency conversion, use the manufacturing country index. Use present taxes.

So these are the right ways to do the valuation.

These methods are also accepted by SEBI, Ministry and other regulators.

Thanks for reading. This is a difficult topic and I hope I have been able to make it easy enough to make every one understand.



# QUIZ SECTION: Test Your Valuation Knowledge

## Valuation Basics Quiz

Q1. Which of the following is not a commonly used income-based valuation method?

- A. Discounted Cash Flow (DCF)
- B. Capitalization of Earnings
- C. Market Multiples
- D. Excess Earnings Method

Q2. The cost approach is most suitable for valuing:

- A. Startups
- B. Operating businesses
- C. Unique properties like schools or hospitals
- D. Listed companies

Q3. Which act governs the functioning of Registered Valuers in India?

- A. Companies Act, 2013
- B. SEBI Act, 1992
- C. Income Tax Act, 1961
- D. FEMA, 1999

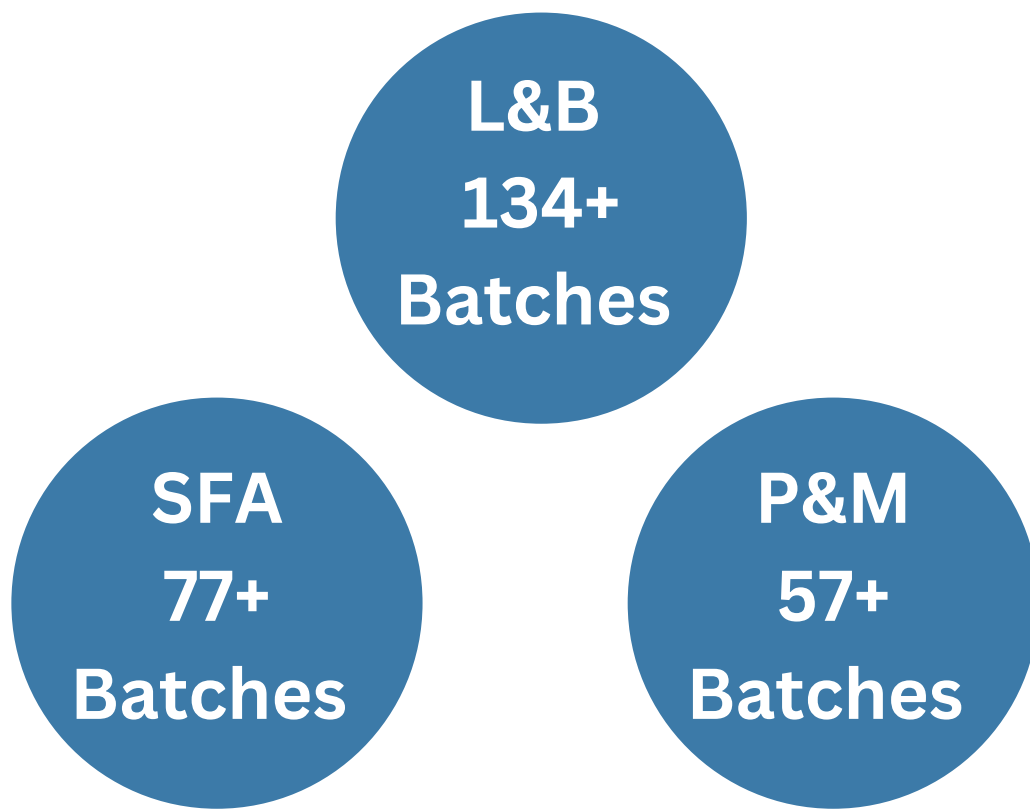
Q4. A higher discount rate in a DCF model generally results in:

- A. Higher valuation
- B. No effect
- C. Lower valuation
- D. Same valuation

Q5. Which method considers the replacement cost of assets minus depreciation?

- A. Market Approach
- B. Income Approach
- C. Cost Approach
- D. DCF Method

***\*Answers on last page***



**No. of Batches conducted**

## Upcoming Batches



**Note: Weekend Batches : Saturdays & Sundays**

**For more information contact : 7455000323**

## DJVF RVO Members who cleared IBBI Exam in last 6 Month

Sr. No.	Name	Asset class	Scored (%)
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2	Meet Jitendra Patel	L&B	67
3	Nishant Goyal	L&B	62.75
4	Mayank Wadhera	SFA	61.75
5	Denish Pravinchandra Changela	L&B	65.75
6	N. Ramaswamy	L&B	68
7	Akash Mandelia	SFA	67.5
8	Asmita Ramchandra Mahajan	L&B	60
9	Rakhi Chitlangi	P&M	62.25
10	Munendra Babu	63.75	L&B
11	Geetha Kubendhiran	L&B	69.75
12	Rajesh Wadhwani	L&B	77.25
13	Siddaraju	L&B	61

<b>Sr. No.</b>	<b>Name</b>	<b>Asset class</b>	<b>Scored (%)</b>
<b>14</b>	<b>Kalpesh Bharatbhai</b>	<b>L&amp;B</b>	<b>62.5</b>
<b>15</b>	<b>Prakhar Jain</b>	<b>L&amp;B</b>	<b>71.25</b>
<b>16</b>	<b>Avishek Chatterjee</b>	<b>L&amp;B</b>	<b>63.75</b>
<b>17</b>	<b>Vipin Nagar</b>	<b>L&amp;B</b>	<b>68.75</b>
<b>18</b>	<b>Akshay Sadhu</b>	<b>L&amp;B</b>	<b>60</b>
<b>19</b>	<b>Kalluri Guru</b>	<b>L&amp;B</b>	<b>60</b>
<b>20</b>	<b>Sushma Koparde</b>	<b>L&amp;B</b>	<b>65.5</b>
<b>21</b>	<b>Apoorv Nishikant Wayangankar</b>	<b>L&amp;B</b>	<b>70.5</b>
<b>22</b>	<b>Deepak Sharma</b>	<b>L&amp;B</b>	<b>60.75</b>
<b>23</b>	<b>Nazeer Ahamed Sunkesula</b>	<b>L&amp;B</b>	<b>65</b>
<b>24</b>	<b>Anand Babu</b>	<b>L&amp;B</b>	<b>66</b>



## ***Answer Key for Quiz Section***

- 1. C. Market Multiples**
- 2. C. Unique properties like schools or hospitals**
- 3. A. Companies Act, 2013**
- 4. C. Lower valuation**
- 5. C. Cost Approach**

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