



Divya Jyoti Valuers Foundation



VALUER INSIGHTS
JOURNAL



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Dear Readers,
Welcome to the 3rd 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

Welcome to the 2nd Issue of Volume 2 of our journal.

This publication is dedicated to exploring the evolving landscape of the valuation profession in a time marked by rapid technological advancement. Today, discussions around Artificial Intelligence (AI) have moved beyond theory and are increasingly becoming a part of practical application—including in our own field.

The integration of AI into valuation report preparation is not just a temporary trend; it represents a significant transformation in how we approach our professional responsibilities. Valuation has always relied on strong data analysis, sound judgment, and precise reporting. AI—particularly machine learning and generative technologies—is now enhancing each of these core elements.

The advantages are evident. AI-powered tools can quickly process vast amounts of data, uncover complex patterns, and identify anomalies that may not always be visible to even experienced valuers. This leads to better-informed decisions, improved accuracy, and increased efficiency—ultimately saving valuable time that can be focused on higher-level professional tasks.

It is important to view AI not as a replacement for human expertise, but as a powerful complement to it.

The future of valuation lies in the effective combination of human insight and machine intelligence. By leveraging AI, we can strengthen our internal processes while also delivering higher quality, transparency, and value to our clients in an ever-changing environment.

I am confident that by embracing this shift, we will continue to grow, set new benchmarks, and lead the way in the valuation profession.

Wishing you an insightful and enjoyable read.

S P Sharma

(Non executive Chairman and Independent Director)

Divya Jyoti Valuers Foundation RVO



From The Desk Of CEO

Dear Colleagues,

Welcome to the newest edition of our RVO's house journal!

Every time I go through the thoughtful and diverse contributions in this journal, I am reminded of the remarkable talent, enthusiasm, and perspectives that define our organisation. This publication is not just a collection of articles—it is a space where we connect, share knowledge, and grow together. Its true strength lies in your participation.

I would like to personally invite each one of you to contribute your ideas, experiences, and expertise by writing for upcoming editions. Contributing to the journal offers several meaningful benefits:

- **Refine Your Thinking:** Writing encourages you to organise your ideas clearly, leading to better clarity and deeper understanding of your work.
- **Showcase Your Expertise:** Sharing your knowledge helps establish your credibility and strengthens your professional identity within and beyond the organisation.
- **Inspire Others:** Your experiences—whether successes, challenges, or innovations—can motivate colleagues and encourage collaboration.
- **Improve Communication Skills:** Regular writing enhances your ability to communicate effectively, a key skill for professional growth.
- **Expand Your Network:** Your contributions can spark conversations across teams, opening doors to new connections and collaborations.
- **Earn CEP Credits:** Each published article earns you credit points, supporting your CEP compliance. Our journal is also ISSN certified.

We welcome fresh ideas and truly value every contribution. Whether it's a technical insight, a reflection on our values, or highlights from team experiences—your voice matters.

I encourage you to share your ideas or submissions with the editorial team. Together, let's continue to build a journal that reflects the energy, creativity, and innovation of our organisation.

Thank you for your continued dedication and efforts

Best regards,

Sarita Singh

Chief Executive Officer

Divya Jyoti Valuers Foundation

TIME VALUE OF MONEY

Introduction to the Time Value of Money

The Time Value of Money (TVM) is one of the most fundamental principles in finance, economics, investing, and decision-making. It states a simple but powerful truth:

Money available today has more value than the same amount of money available in the future.

This concept lies at the heart of nearly every financial decision—whether it's investing, borrowing, saving, valuing a business, comparing loan options, or planning for retirement. The idea is built on the fact that today's money can be invested or put to productive use, enabling it to grow over time. Moreover, future money carries risks, uncertainty, and loss of purchasing power due to inflation.

TVM is often expressed in terms of Present Value (PV) and Future Value (FV)—two sides of the same coin. PV tells us what future money is worth today, while FV tells us what today's money will be worth in the future. Together, they help individuals and businesses make informed financial decisions.

Why Today's Money Is Worth More Than Future Money

There are several reasons why “a dollar today is worth more than a dollar tomorrow.”

Each reason illustrates a different aspect of the time value of money:

1. Earning Potential

Money held today can be invested to earn interest or returns.

If ₹100 today grows at 10% per year, then in one year:

₹100 today → ₹110 in one year

Future money cannot take advantage of today's earning opportunity.

2. Inflation

Inflation reduces the purchasing power of money over time.

If inflation is 5%, then what costs ₹100 today will cost ₹105 next year?

So ₹100 next year buys less than ₹100 today.

Thus: **Purchasing power today > purchasing power in the future**

3. Uncertainty and Risk

Money promised in the future may not be received due to:

- **Default risk**
- **Economic instability**
- **Market volatility**
- **Personal risk (unexpected health or job events)**

Receiving money today eliminates this uncertainty

4. Preference for Liquidity

People generally prefer having money now rather than later, as immediate funds provide:

- Flexibility
- Choice
- Ability to handle emergencies
- Investment opportunities

This preference also contributes to why present money is more valuable.

A Basic Example of Time Value of Money

Consider the classic scenario:

Someone offers you ₹1,000 today or ₹1,100 after one year.

Which option should you choose?

It depends entirely on the return you can earn.

Case 1: You can earn MORE than 10%

If you can invest ₹1,000 today at 12%:

$$\text{Future value} = ₹1,000 \times (1 + 0.12) = ₹1,120$$

Since ₹1,120 > ₹1,100, taking ₹1,000 today is better.

Case 2: You can earn LESS than 10%

Suppose you can only earn 6% return:

$$\text{Future value} = ₹1,000 \times (1 + 0.06) = ₹1,060$$

Now ₹1,060 < ₹1,100

so taking ₹1,100 after a year is better—assuming you trust the payer.

Case 3: You can earn EXACTLY 10%

$$₹1,000 \times (1.10) = ₹1,100$$

both choices are equal.

This example demonstrates that the choice depends on the expected rate of return, also called the **discount rate** or **opportunity cost of capital**.

Time Value of Money and Purchasing Power

Purchasing power is the amount of goods or services money can buy. Over time, inflation slowly erodes this purchasing power. This makes the time value of money even more important.

An Example of Inflation's Impact

If you received a **₹100 petrol voucher in 1990**, you could buy far more petrol than you could with the same ₹100 voucher today.

- Petrol prices rise
- Food prices rise
- Cost of living increases

So even if the amount of money is the same, the **value is lower**.

Inflation vs Nominal Returns vs Real Returns

Understanding these terms is essential:

- **Nominal Return** = return without adjusting for inflation
- **Real Return** = return adjusted for inflation

Real return = Nominal return – Inflation

Example:

- Investment return = 10%
- Inflation = 15%

Real return = 10% - 15% = -5%

Even though you're "earning" 10%, your purchasing power is decreasing.

This is why investors focus on **real returns**, not nominal returns.

The Core Time Value of Money Formulas

1. Future Value (FV) Formula

$$FV = PV \times (1 + i/n)^{(n \times t)}$$

Where:

- **FV** = Future Value
- **PV** = Present Value
- **i** = annual interest rate
- **n** = number of compounding periods per year
- **t** = number of years

Simple Example

You have ₹5,000 today.

You earn 5% annual return for 2 years.

Compounded once a year:

$$FV = 5,000 \times (1 + 0.05)^2 = 5,000 \times 1.1025 = \mathbf{₹5,512.50}$$

Present Value (PV) Formula

$$PV = FV / (1 + i/n)^{(n \times t)}$$

Present value tells you how much future money is worth **today**.

Example: What is ₹1,100 one year from now worth today?

If expected return = 5%:

$$PV = 1,100 / 1.05$$

$$PV = \mathbf{₹1,047.62}$$

This means:

₹1,047 today = ₹1,100 after one year at 5% return

So unless you receive at least ₹1,048 today, the future payment is better.

Understanding Compounding and Its Importance

Compounding is one of the most powerful concepts in finance.

It means earning interest on both:

- Your principal
- Previously earned interest

Impact of More Frequent Compounding

- Annual compounding
- Semi-annual
- Quarterly
- Monthly
- Daily
- Continuously

More compounding periods result in higher future value.

Example with ₹10,000 at 10% for 1 year:

Frequency	Formula	Future Value
Annual	$10,000 \times 1.10$	11,000
Semi-annual	$10,000 \times (1.05)^2$	11,025
Quarterly	$(1.025)^4$	11,038
Monthly	$(1.00833)^{12}$	11,047
Daily	$(1.000273)^{365}$	11,052

More compounding = more money.

Discounting: The Reverse of Compounding

Discounting is the process of converting future money into today's value.

If compounding pushes money forward, discounting brings it backward.

Discounting helps businesses and investors evaluate:

- Projects
- Bonds
- Loans
- Pensions
- Real estate investments

For example, if you will receive ₹10,000 five years from now and discount rate is 8%:

$$PV = 10,000 / (1.08)^5 = ₹6,805.83$$

So ₹10,000 in the future is worth **₹6,805 today**.

The Real Meaning of Discount Rate

The discount rate represents:

- Expected return
- Opportunity cost
- Risk level
- Minimum acceptable rate of return
- Inflation expectation

Higher discount rate = lower present value.

Example

Future value=₹1,000

Time = 3 years

Discount Rate	PV Value
5%	₹863
10%	₹751
15%	₹658

More risk or higher return expectations reduce the value of future money.

TVM in Everyday Life

1. Saving for retirement

TVM helps calculate future retirement corpus.

2. Loans and mortgages

EMI calculations depend entirely on PV/FV formulas.

3. Leasing vs buying decisions

Businesses compare present value of leasing expenses vs buying assets.

4. Insurance policies

Premium calculations use discounting of expected payouts.

5. Education planning

Parents discount the future cost of tuition to find how much to invest today.

6. Capital budgeting

TVM guides decisions on factory expansions, machinery purchases, new projects, etc.

TVM in Business Decisions

Companies regularly use discounted cash flow methods (DCF) to determine whether a project will create value.

1. Capital Expenditure (CAPEX) Decisions

Such as:

- New equipment
- Factory expansion
- Technology upgrades

Companies compare:

Present value of expected cash inflows with

- Present value of cost

If benefits > cost → Accept the project.

2. New Product Development

Future sales and profits are discounted to today to calculate viability.

3. Leasing vs Purchasing Assets

PV of lease payments vs PV of ownership cost determines the best option.

4. Credit Terms

Offering 30-day or 60-day credit impacts cash flow and must be evaluated using TVM.

Net Present Value (NPV)

Net Present Value is the most widely used TVM-based tool in corporate finance.

NPV = Present Value of Cash Inflows – Present Value of Cash Outflows

A project creates value if :

NPV > 0

Example of NPV (Simplified)

Imagine a project giving:

- Year 1: ₹5,000
- Year 2: ₹7,000
- Year 3: ₹9,000

Initial investment = ₹15,000

Discount rate = 10%

$$\begin{aligned} PV &= 5,000/1.10 + 7,000/1.10^2 + 9,000/1.10^3 \\ &= 4,545 + 5,785 + 6,757 \\ &= 17,087 \end{aligned}$$

$$NPV = 17,087 - 15,000$$

NPV = **+2,087 (ACCEPT PROJECT)**

Graphical Illustration: Present Value vs Future Value

Imagine a bar chart:

- Top bars show future cash flows (FV) in increasing bars
- Bottom bars show present value (PV), lower due to discounting

This visually shows:

- Future money is worth less today
- PV decreases as discount rate increases
- Longer time periods reduce PV further.

Real-World Examples of TVM

Example 1: Lottery Winnings

A lottery offers:

- ₹50 million now, or
- ₹80 million spread over 20 years

Using TVM, most financial advisors choose the lump sum, invest it, and grow it.

Example 2: Selling a Property

A buyer offers:

- ₹20 lakh today OR
- ₹25 lakh after 5 years

Using discounting, seller evaluates which is better depending on expected return.

Example 3: Salary Choices

Employees compare:

- Higher salary now

vs

- Higher salary increments in future

TVM helps evaluate which has more lifetime value.

Example 4: Comparing Loan Offers

Loan 1: 10% interest, monthly compounding

Loan 2: 10% interest, annual compounding

Due to compounding, Loan 1 is costlier.

Example 5: Investment Growth

Invest ₹1,00,000 at 12% for 30 years:

$$FV = 1,00,000 \times (1.12)^{30} = \text{₹29.95 lakh}$$

TVM highlights the magic of compounding.

Advantages of Understanding TVM

Smarter financial decisions

Better loan and investment comparisons.

Accurate assessment of business projects
Higher long-term wealth creation
Proper retirement and goal planning
Helps avoid financial mistakes

Conclusion

The Time Value of Money is the backbone of nearly every financial decision. It highlights that money available today has more potential than future money because of investment opportunities, inflation, risk, and liquidity preferences.

By mastering concepts such as:

- Present Value
- Future Value
- Discounting
- Compounding
- Real vs Nominal returns
- NPV

Individuals and businesses can make optimal decisions that maximize financial benefits. Whether you're comparing investment opportunities, calculating retirement savings, analysing business projects, or evaluating loans, TVM offers a mathematically sound foundation for decision-making.

In a world where financial choices shape our futures, understanding the Time Value of Money isn't just helpful—it's essential.



Vr. Shubham Bansal

IBBI/RV/11/2022/14967

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LANDLOCKED AND LEGALLY LOST? THE HIDDEN TRAPS OF VALUING INACCESSIBLE LANDS

How to recognise, value, and legally safeguard Land Locked Land (LLL)—and protect yourself from bank blame.

Abstract from book : Valuation essential (VOL-II) by Vr. Shubham Bansal essential

Land Locked Land (LLL)—plots without **legal** access to a public road—pose acute **marketability, mortgageability, and litigation risks**. This article dissects the concept of LLL, explains **the statutory framework (Indian Easements Act, 1882 & TPA, 1882)**, offers a **valuation deduction matrix (often 75% or more)**, illustrates **case laws**, and provides a **defensible reporting toolkit** for valuers to avoid professional liability. Strategic **best practices, disclaimers, and documentation checklists** are included.

1) Definition: Land Locked Land (LLL)

Land Locked Land is a **parcel without any direct, documented, or legal access** to a public road or highway, typically **surrounded by private lands**. Without **easement, license, or statutory provision**, such **land cannot be reasonably developed, mortgaged, or transferred**.

Key Features

- **Zero legal frontage** to a public thoroughfare
- **Encircled by private properties** (no inherent right to cross)
- **Development, sanction, and mortgage at risk** unless legal access is formally established
- High dependence on litigation or negotiation for resolution

2) Why Landlocked = Legal & Financial Risk

- **Municipal building permissions** generally require **motorable access**.
- **Banks/Financial Institutions** rely on **clean, legal access** to ensure **recoverability under SARFAESI**.
- **Market value collapses** because the land is **useful only to adjoining owners** or those willing to take litigation risk.
- **Valuers can be held negligent** if they assume access exists without **registered proof**.

3) Statutory Framework

A. Indian Easements Act, 1882

Sec on 52 – Easement of Necessity

- Arises when transferred land **would otherwise be unusable**; granted **only to the extent necessary**.

□ Example: If A sells a rear plot to B but gives no road, B gets a **necessity right of way** over A's remaining land.

Sec on 53 – Easement by Implication

- Even without express wording, an **implied right** may be recognised **if historically used access existed**.

Easement by Prescription (20 Years Rule)

- **Open, peaceful, continuous** use of a pathway for **20 years** can ripen into a **prescriptive easement**.

B. Transfer of Property Act, 1882

Sec on 44 – Transfer by One Co-owner

- A transferee of an undivided share steps into the shoes of the co-owner and **can use common access routes**.
- Relevant when access lies over **jointly owned land**.

4) Remedies for Land Locked Land

Remedy	What It Does	Proof/Action Needed	Risk/Limitations
Easement of Necessity	Court-granted access	Must prove absolute necessity	Ceases if alternative access emerges
Easement by Prescription	Access via long-term use (20+ yrs)	Evidence of open, peaceful, continuous use	Time-consuming, evidentiary heavy
Mutual Agreement / Deed of Right of Way	Negotiated paid access	Registered right/ license	Costly, revocable (if license)
Partition Suit (Co-ownership)	Formalises access	Suit under civil law	Time-bound & depends on title clarity
Authority Intervention	Panchayat/ULB mandates access	Policy-based or welfare schemes	Varies by state, not automatic

Interesting Fact: In states like **Maharashtra** and **Tamil Nadu**, revenue or local authorities sometimes invoke **compulsory access provisions** for essential services.

5) Valuation: How to Treat Land Locked Land

5.1 Practical Valuation Logic

- **No Access = No (or severely limited) Highest & Best Use (HBU) → Steep discount** from market rate.
- **Only adjoining owners are realistic buyers → Marketability shrinks drastically**
- **Access possible (but not yet documented) → Apply conditional, risk-weighted value**

5.2 Deduction Matrix (Indicative – justify with evidence in each case)

Legal Status / Access Certainty	Typical Deduction vs. Comparable Land with Access	Rationale
No legal access at all	75% – 90%	No HBU, no mortgageability
Footpath / kutchra access only	40% – 60%	Non-motorable, limited utility
Strong case for easement (in court)	30% – 50%	Risk remains until decree
Registered easement/right of way	0% – 15%	Nearly normalised value
Temporary license / MoU access	10% – 25%	Revocability / term risk
Litigation pending with poor merits	60% – 80%	High uncertainty

Reference: *M. Avachat & Others Vs. The Collector, Nagpur, 1990 (Bombay 348)* – supports heavy deductions for land without road access.

6) Important Case Laws

1. Maneklal Mansukhbhai v. Hormusji Jamshedji Ginwalla

Held: Easement of necessity **cannot be claimed for convenience**; it must be **absolutely necessary**.

2. Mahadevappa v. Shivappa (2004)

Held: **Easement of necessity ceases** once **alternative access becomes available**.

3. M. Avachat & Ors. v. The Collector, Nagpur (1990)

Held: Land without access justifies significant value reduction.

7) Real-World Scenarios: Legal Challenge & Valuation Impact

#	Title	Scenario	Legal Issue	Valuation Impact	Valuer's Tip
1.	Urban Infill Trap – Delhi NCR	200 sq. yd plot in Gurugram ringed by built-up plots	No right of way; builder demands ₹10 lakh	Prevailing ₹1.2L/sq yd → 75% deduction , final ₹30k/sq yd	Show isolation via map & photos , advise easement
2	Inherited Rear Farmland – Maharashtra	Brother B's share has no road	Suit under Easements Act; 12 ft way granted	Pre-decree: -75%, Post-decree: -25%	Give provisional value pending final order
3	Village Foot Access – Punjab	3 ft kutchha path only	Panchayat acknowledges usage; not motorable	50% deduction	Classify motorable vs non-motorable separately
4	Coastal Resort Plot – Goa	Pedestrian path historically used	30-year easement license signed	Value up to 85–90% of market	Licenses help but note revocability/expiry
5	Builder Layout Fraud – Chennai	40 plots sold without roads actually executed	RERA & consumer court	80–90% deduction	Verify approved layout; add strong disclaimers

8) Where the Valuer Went Wrong (and why the Bank blames them)

Typical Valuer Errors

- Assuming verbal access = legal access
- No mention of “landlocked” status in the report
- No maps / no satellite imagery demonstrating road linkage
- No insistence on registered easement / ROW deed
- No depreciation in value despite access risk
- No caveat / disclaimer (bank assumes title is clean)

Why Banks Shift Liability to Valuers

Bank's Position	Legal/Operational Logic
“We relied on your report”	Valuer = Bank's eyes & ears
“You certified market value as if access existed”	Misstatement / omission = negligence
“We can't sell under SARFAESI”	Impaired security → loss → blame valuer
“You gave no caveat”	Bank presumes all okay unless warned

9) Valuer's Reporting Toolkit

A. Core Disclaimer (LLL Risk)

“The subject land appears to be landlocked, with no direct or documented access to any public road. Although the owner claims access through an adjacent parcel under his control, no registered easement/right-of-way documents were provided for verification.

Therefore, the marketability, development potential, and mortgageability of the subject property are severely restricted. The valuation has been conducted on a restricted-use basis and is subject to revision upon establishment of legally enforceable access.”

B. Conditional Valuation (If Litigation/Negotiation is Ongoing)

“Pending the outcome of litigation/registration of right-of-way, a provisional value has been assessed with a deduction of __% from comparable market value. Post regularisation, subject to documentary evidence, the value may be re-assessed.”

C. Mandatory Annexures

1. Cadastral/Khasra map or municipal plan **showing absence/presence of public road.**
2. Google Earth / satellite images **with marked path.**
3. Ownership/ title docs of the **strip proposed for access.**
4. **Litigation documents (if any).**
5. **Photographs** from all sides showing access constraints.

10) Due Diligence Checklist for Valuers (Print & Keep) Access Verification

- Is there direct frontage to a public road?
- If not, is there a registered easement (right-of-way deed)?
- Is it motorable or pedestrian-only?
- Width of access: Is it planning-compliant (e.g., 6m, 9m, 12m as per local byelaws)?

Document Scrutiny

- Site plan / mutation / khasra maps showing road linkage
- RERA-approved layout (if applicable)
- Any court orders or compromise decrees
- Any licenses (note tenure & revocability) Valuation Process
- Apply appropriate deduction (justify with case laws / market evidence)
- Provide “restricted-use” qualification
- Mention reassessment clause post-regularisation

Reporting

- Include **strong disclaimers**
- Attach visuals (photos/maps)
- Flag SARFAESI realisability risk
- Clearly state **litigation status & pendency**

11) Frequently Asked (Rapid Answers)

Q1. Is physical access enough?

No. It must be legal, documented, and enforceable.

Q2. Can banks lend on LLL?

They can, but shouldn't without deep discount & legal safeguards. Many reject such securities.

Q3. How much to reduce?

Often **up to 75%–90%** if no legal access. Use a **reasoned matrix**.

Q4. What if court later grants access?

Document **provisional value** now; reassess post order with reduced deduction.

Q5. Who bears litigation costs/time?

Owner/borrower. Valuer must simply **flag the risk** and **value accordingly**.

References (Primary Statutes & Cases)

Valuation Essentials – Land & Building (VOL-II): For Valuers & Engineer's

For: Professionals valuing for Banks, NBFCs, ARCs, Legal Forums

What's Inside:

- Bank-ready formats, RBI/IBBI/systemic expectations
- Residual method, profit method (hotels, hospitals, petrol pumps)
- Leased land/Trust land valuation (short tenures, institutional assets)
- Legal safeguards, disclaimers, objections & defenses
- How to respond when banks question your value
- Indian Easements Act, 1882 – Sec ons 52, 53, and Easement by Prescription
- Transfer of Property Act, 1882 – Sec on 44 (Transfer by one co-owner)
- Maneklal Mansukhbhai v. Hormusji Jamshedji Ginwalla (SC)
- Mahadevappa v. Shivappa (2004)
- M. Avachat & Others Vs. The Collector, Nagpur (1990) (Bombay 348)



Nikka Ram**IBBI/RV/11/2021/14123****Panchkula , Haryana**

Nikka Ram is seasoned valuation professional with a background in mechanical Engineering with over 30 yrs of experience in the Hydro Power PSU from Engineer to Chief Engineer, transitioned into the field of valuation, insurance surveying and loss assessment. He is Professional Engineer (IEI), registered valuer P&M under the companies act 2013 and holds approvals under the wealth act 1957. He also holds certification as Energy Auditor (BEE), bringing deep technical and valuation expertise to his work.

PLANT AND MACHINERY VALUATION

Plant and Machinery valuation is the specialized process of determining fair market value of a company's physical industrial assets. This is determination of true and realizable value of Industrial Assets. This information enables making decisions regarding Equipment utilization, sale or replacement. It also supports financial planning investment and insurance purposes and legal requirements. Unlike real estate, these assets are often mobile and subject to rapid technological obsolescence, making their appraisal a special field that requires technical expertise. IBBI valuation is a critical process mandated under IBC and conducted by registered valuers certified by Insolvency and Bankruptcy (IBBI) Board of India. It involves finding out both the fair and Liquidation values of Assets, which is essential for informed decision making by stakeholders such as the committee of creditors (COC) and insolvency professionals.

Type of Assets Valued: The IBBI currently conducts valuers' registration only for three main asset classes.

- **Securities or Financial assets:** This includes equity share, bonds and other financial instruments
- **Land and Buildings:** Valuations of real estate assets residential, commercial and industrial properties
- **Plant and Machinery:** Valuation of Industrial Plants and moveable assets like machinery and equipment

Factors influencing Plant and machinery Valuations:

• **Age and condition:** Age and condition of the Assets play a crucial role in determining their value. Newer equipment generally holds higher value due to its efficiency and advanced features and longer life span. Maintenance records and overall condition also impact valuation.

• **Market Supply and Demand:** The demand and supply dynamics of the market for specific industrial Assets effect their valuations for a particular type of machinery. Just because something exist does not mean it will sell. For example: Textile looms in Surat have a local market but may worthless in Jharkhand due to logistics.

• **Technological advancement:** Technological advancements can render older machinery obsolete or less valuable. The valuation takes into account the level of technological sophistication and the potential impact on productivity and efficiency.

• **Replacement cost:** The cost of replacing the Asset with a newer one of similar capacity, Functionality and specification is critical factor in valuation. This helps determine the Depreciation and residual value.

·**Profitability:** The revenue generating potential of the asset is also key factor in the valuation of the Assets.

·**Operational Context:** Value can differ based on whether the machinery is valued "In situ" (Installed and operational) or for removal (where disassembly) and transport costs reduce the net value)

·**Maintenance & Usage:** Continuous high usage machinery deteriorates faster than standby equipment. Rigorous maintenance, however, can extend useful life and increase value.

·**Location and accessibility:** Location and accessibility influence value. Proximity to resources or transportation networks can raise value. Environmental factors (coastal, high pollution) can accelerate corrosion and lower value.

Methods of Valuation: various methods are used to determine the value of Plant and Machinery. The choice of methods depends on the specific industrial sector, asset type and specific circumstances. Here are few commonly used valuation approaches:

·**Market Approaches:** This method involves comparing the Assets value with similar Assets recently sold in the used market. It considers factor like age, condition and market demand to arrive at an estimated value. This is most effective for common machinery (like forklifts or CNC machines) where data from machinery auction is available.

·**Income Approach:** This approach focusses on cash flow generated by the Asset over its life span. It involves projecting future cash flows and discounting them to determine the present value. This method is used for high value assets that generate significant revenue.

·**Cost Approach:** The cost approach determines the value based on the cost of replacing the Asset. It considers the original cost price, depreciation, maintenance cost and any necessary upgrade or modifications. It is best for specialized or custom-built machinery with no active secondary market.

·**Engineering Approach:** In this approach, an engineer or expert assess the assets condition, remaining useful life, potential for upgrade or improvement. This method is often used for complex or unique Assets.

Challenges (practical difficulties) in valuation:

- **Going concern vs Liquidation condition:** While fair value assumes a functioning business, Liquidation value reflects distressed sale condition. Valuers sometimes fail to distinguish clearly between the two, leading to disagreements. supreme court in Swiss ribbon pvt. ltd vs Union of India (2019) highlighted that Liquidation is meant only as a last resort, but LV still plays a key role in protecting creditor interest. Liquidation is not part of the preamble of the IBC. The main aim of the IBC is to ensure that the company gets revived. The difference between the going concern value of a company and its liquidation value is known as goodwill. Goodwill consists of intangible assets, such as company brand names, trademarks, patents and customer loyalty. Typically the going concern value will be the greater than the liquidation value.
- **Distressed Asset condition:** Companies entering insolvency generally have absolute or idle assets, making liquidation value/estimation inherently uncertain.
- **Market Volatility:** Sectors such as real estate, steel and telecom are highly cyclical. In simple words, volatility in financial market refers to rapid and extreme price swings.
- **Incomplete records encumbrances:** Distressed firms often maintain incomplete or unreliable Assets records. Titles disputes and regulatory approvals e.g. environmental clearances further complicate valuation.

- **Lack of benchmark data:** India lacks a comprehensive data base of Liquidation recoveries. This forces valuers to rely heavily on assumptions which introduces subjectivity.
- **ESG and AI Impact:** Modern valuations are increasingly considering Environmental, Social and Governance (ESG) factors, while AI is helping with more in-depth data analysis.
- **Depreciated value Vs. Market Value:** The book value (depreciated) rarely matches the actual market value.
- **Subjectivity:** Different valuers may arrive at varying valuations due to methodology and judgement.
- **Technological obsolescence:** Rapid advancements may render equipment outdated.

Things to know about Plant and Machinery valuation: In today's fast paced industrial environment, knowing the true value of your assets is not just a financial necessity-it is a smart business. Whether a manufacturing Plant or managing industrial machinery, Plant and Machinery valuation helps you stay ahead with facts, figures and foresight.

What is Plant & Machinery valuation, really: At its core, it is the process of finding out what your Industrial equipment is actually worth-today. This includes machines from food processing and pharma to mining, manufacturing, and hospitals. Valuation is not just about price-it is about understanding utility, condition, market demand, and future viability of each asset you own.

Broader Picture of what counts as a plant & machinery: It is not the machines doing the heavy lifting. Valuation includes service system (like HVACs and Pipelines), Power set setups, transport vehicles, stage units, raw materials and even those tools or furniture. Everything that contributes to your Plant's production efficiency is part of the assessment.

Why Businesses Require valuations: Valuation is not only about the present, it plays a crucial role in strategic planning for the future. Investors can use valuation insights to develop growth strategies, anticipate challenges, and align their investment goals with the long-term prospects of a business. Modern business needs have evolved Plant and Machinery valuation is now required for:

Merger & Acquisition: Transaction and Negotiating fair prices.

IPOs & Fund raising: To determine a fair ask, defend valuations in investor meetings and support due diligence.

Insurance and Risk Management: Establishing the replacement cost to ensure adequate coverage and prevent underinsurance.

Lending & Financial: Using machinery as collateral for securing loans.

Financial Reporting: For balance sheets and impairment testing under GAAP or IFRS standards.

Equipment leasing & resale: Equipment leasing is a financial arrangement allowing businesses to use machinery or tools by making regular payments to lessor who retains ownership.

Taxation & Compliance: To evaluate fair market value and support documentation for tax compliance.

Litigation & support: Accurate valuations are necessary for tax reporting, estate planning and in situation shareholder lawsuits.

Asset Restructuring or Bankruptcy

And yes, even for sustainability assessment with eco friendly machinery becoming a big valuation influencer. In insolvency and Bankruptcy cases valuation is requirement for finding out true realizable value.

Know your Accounting Valuation standards: IVS establishes various valuation principles in order to harmonies the diverse practices and it lays down a framework for the valuer to ensure uniformity in approach and quality of the valuation report. Valuation today is essential aspect and to to comply with global and Indian accounting norms. The detail of some are provided below:

Ind AS 113-For fair value measurement

Ind AS16-For reporting Physical Assets

IVS 101-Definitionsaccounting standards

IVS 102- Valuation Bases

IVS 103-Valuation Approaches and methods

IVS 201-Scope of work. Analysis and evaluation

IVS 202-Reporting and documentation

IVS 301-Business Valuation

IVS 302-Intangible Assets

IVS 303-Financial Instruments

IVS 300- Plant and Equipment

Important tips on valuations:

- **Physical inspection is mandatory:** A professional valuer must physically inspect assets and take photographic evidence to verify their existence and condition.
- **Accuracy depends on data:** The quality of valuation report relies heavily on the availability of asset registers, invoices and operating logs.
- **Valuation method selection:** Based on the gathered information and purpose of the valuation, the valuer selects the most appropriate valuation method (cost, income or market approach)
- **Calculation and Analysis:** using the chosen valuation method, the valuer calculated the estimated value of the plant and machinery, This is often involves complex financial analysis.
- **Report Generation:** Valuer compiles all the findings into a comprehensive report that includes the methodology used, assumptions made and the final arrived values of the assets.

Components-wise Vs Unit wise: While individual machines are valued, the, value of an entire Plant as a working unit (Going Concern) is higher than the sum of its parts.

Conclusions: Equipment valuation plays a pivotal role in various industries, enabling accurate financial reporting, strategic decision making and effective asset management. By employing appropriate valuation methods and considering factors like depreciation and equipment life cycle, businesses can accurately determine the worth of their plant and Machinery. Machinery auctions provide opportunities for acquiring and disposing of equipment efficiently while rental equipment valuation assist in optimizing rental businesses operations. To maximize the benefits, services of an expert professional in the field is necessary.

Plant and Machinery valuation in India is more than just statutory obligation. It is a strategic lever that empowers businesses. Accurate valuation fosters investors trust, improve operational performance and strengthens financial foundation. Companies that integrate robust valuation practices position themselves to thrive in India's competitive industrial landscape, driving sustainable growth and market leadership.

References: Contents are of general nature arranged from internet and IBBI website and also from CEP sessions.



Valuation Essentials: Key Questions & Expert Answers



Q1. What is Valuation and why is it important?

Answer:

Valuation is the systematic process of determining the economic worth of a business, asset, or liability. It plays a critical role in decision-making for mergers, acquisitions, financial reporting, taxation, and regulatory compliance. Accurate valuation ensures transparency and fairness among stakeholders.

Q2. What is the role of a Registered Valuer?

Answer:

A Registered Valuer is a qualified professional registered under Section 247 of the Companies Act, 2013 and regulated by the Insolvency and Bankruptcy Board of India. They are authorized to conduct valuations for assets, securities, and businesses as per prescribed standards.

Q3. What are the primary approaches to valuation?

Answer:

Valuation is generally carried out using three widely accepted approaches:

- Income Approach – Based on future earning potential
- Market Approach – Based on comparable market data
- Cost Approach – Based on replacement or reproduction cost

Each approach is selected depending on the nature of the asset and purpose of valuation.

Q4. What is the Discounted Cash Flow (DCF) method?

Answer:

The DCF method under the Income Approach estimates value by discounting projected future cash flows to their present value using an appropriate discount rate. It is widely used for valuing businesses with predictable cash flows.

Q5. What factors influence valuation?

Answer:

Key factors include:

- Financial performance and profitability
- Industry trends and market conditions
- Growth potential
- Risk factors and economic environment
- Management quality

Q6. What is Fair Value?

Answer:

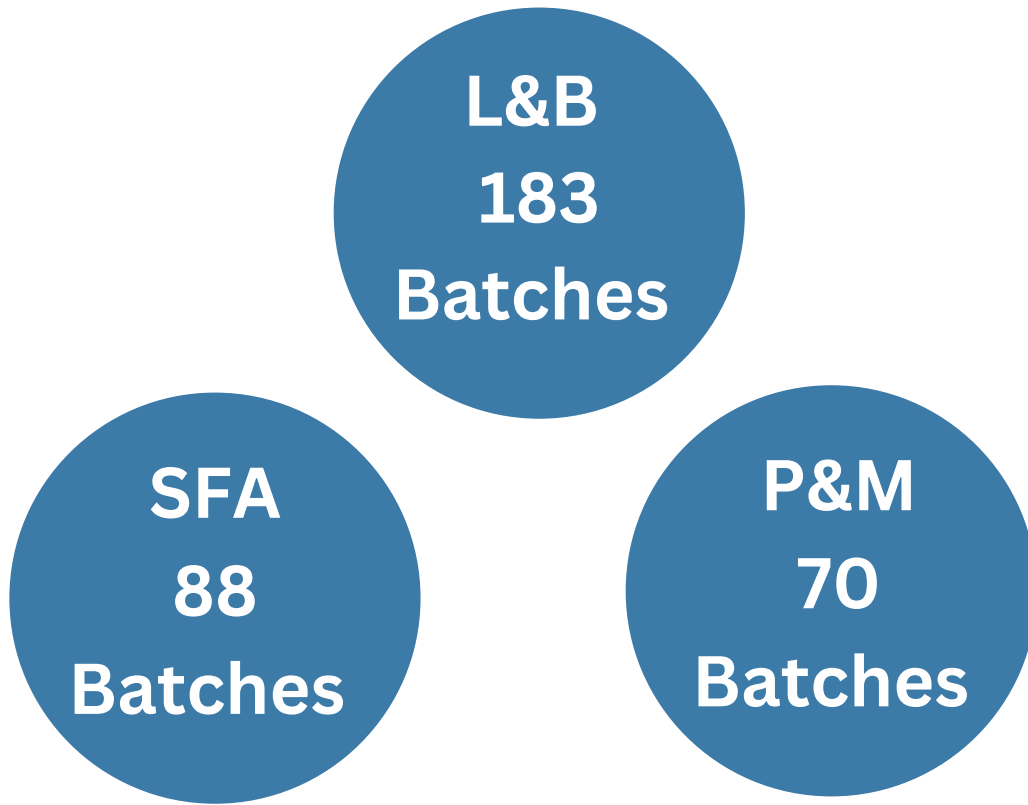
Fair Value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Q7. Which valuation method is suitable for startups?

Answer:

Startups are typically valued using:

- DCF (if projections are reliable)
- Comparable Company Method
- Venture Capital Method



No. of Batches conducted

Upcoming Batches

Land & Building (L&B)
 Date: 25th April 2026
 Time: 9am to 6pm

Plant & Machinery (P&M)
 Date: 25th April 2026
 Time: 9am to 6pm

Securities or Financial Assets (SFA)
 Date: 25th April 2026
 Time: 9am to 6pm

Note: Weekend Batches : Saturdays & Sundays

For more information contact : 7455000323

DJVF RVO Members who cleared IBBI Exam in last 6 Month (Oct - March 2026)

Sr. No.	Name	Asset class	Scored (%)
1	Satyajeet Dattatraya Ghogare	L&B	64.25
2	Prema	L&B	63.25
3	Shubham Singh	L&B	64.75
4	Pritkumar Ashokbhai Tilva	L&B	75.5
5	Pradeep Mahadev Bandi	L&B	68.25
6	Rushikesh Prahladbhi Patel	L&B	65.25
7	Ritesh Kalshetty	L&B	62
8	Paras Tyagi	L&B	61.25
9	Isha Baidya	SFA	60.5
10	Harshayu Desai	L&B	71.25
11	Sabeer JM	SFA	66
12	Harshad Rajore	L&B	69.25

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