

┃ PREFACE ┃

Practising Valuers Association (India) is once again coming forward after introducing the Indian Valuation Standards, to introduce - Guidance note on Valuation for the Bank after a prolonged deliberations by an active participation of eleven leading valuation practitioners situated in various cities of India.

We all are of the opinion that, technically our findings are invariably on a sound logistics. A group was set up to study the International Valuation Standards in the year 2007. So an expert group was activated to participate in these deliberations and introduction of these GUIDANCE NOTES with a necessary modifications, as per law of our soil.

All the group participants were unanimous on one point i.e. every one should be a professionally qualified person (i.e. an Engineer OR an Architect basically) and then he should learn and practice the application of specialized knowledge to arrive at an estimated value for a specific purpose. Valuation is time frame related and purpose oriented and so, it is absolutely mandatory for one and all who are in the field of practising valuation to keep himself abreast of the latest developments of economic reforms, technology, various taxations and restrictive provisions incorporated by the legislation.

To meet with these requirements, leading practitioners are aggressively practising and guiding the delegates in their Residential Continuing Education Programme every year. During the past one year, it was felt necessary that guidance note should be drafted. It would play an important role of governing the fraternity of Valuers, in banking sector, to suit the convenience of understanding in the context of Indian Economics and various legislations.

Today, we are very happy to come out with First Guidance note on Valuation for the Bank which is compatible with the **INTERNATIONAL VALUATION STANDARDS**.

We hope, these Guidance note on Guidance note on Valuation for the Bank would be definitely beneficial to the end users of the services of the Valuers and would simultaneously make Valuers more accountable, with fiduciary responsibility to the end users.

We are open to receive any suggestions OR improvement / modifications to these standards, besides, the constructive criticism.

It is a proud privilege of the Practising Valuers Association (India) to launch these Guidance note on Valuation for the Bank and approach the various authorities to accept them for implementation.

Ar. Anup .A. Mohabansi

President (PVAI)

ACKNOWLEDGEMENT

It is a proud privilege of the Practising Valuers Association (India) to launch these Guidance note on Valuation for the Bank.

Inspite of every Committee member's very busy professional schedules, all our friends have toiled hard, over the last one year, to make this Guidance note on Valuation for the Bank, a full proof document. Our whole team, under the able guidance of our President Ar. Anup Mohabansi could achieve the targets we had set, well before the CEP-Vadodara.

The committees deliberated on three occasions with appropriate intervals, and have discussed the various points suggested by the members vis-à-vis, the standards and guidance notes on lending followed by 'IVSC'. Particular clarity is evolved and recorded here to clearly demonstrate that, the law of the soil will prevail over the findings arrived at by the Valuers, by clearly implementing the provisions of the enactment so that, all the issues are properly addressed before a Valuer arrives at a particular 'figure of value' / (or a particular quantum of value).

The Valuation Profession without being designated as specifically 'profession of valuation' has been in existence for well over 200 years. Whatever the situation, it is an admitted fact that, there is an element of subjectivity, while arriving at

the quantity of market value. It was very much advocated that, all such subjective findings should be supported by objective parameters and so, different methods of valuation were being followed. As the time advances, it was felt necessary that, we should have uniformity in such findings and such findings should never be misleading and so, some more efforts were being done.

By then, it was very clear and well admitted, understood and followed that, valuations are time frame related and purpose oriented, because, then the requirement of valuation certification i.e. third party opinion was constantly increasing for different purposes like Insurance, financial assistance from the bank, with fiduciary responsibility towards the end user.

While this economy was booming and advancing, the banking sector also started feeling the heat of the same and has started realizing that their exposure is much more than the security they hold. This has become very significant in the period of recession during 1994 and the problem of non performing assets aggravated beyond any proportions. While these things were happening, Government had introduced liberal economic policies after signing an agreement with WTO and GAT i.e. Liberal Imports and inducement to overseas investors. Considering the impact of various necessities and it was the need of overseas investors to truly understand the net worth of the project, companies and the stocks. They were keen to ensure that, the financial reporting is subjected to standards which are compatible

with International Accounting Standards so that they can take well informed decisions.

Under these circumstances, at an organised level many new things were being introduced and it was high time that, practising Valuers also should have uniform standards which are compatible with the standards followed in advanced countries and so, we as PVAI also started working on the same since 1997 and in the year 2005, we approached the International Valuation Standards Committee (IVSC) to allow us to become the member and have the necessary access views to information & which will enable us to introduce such standards and the benefits of such standards would naturally accrue to the end users.

It would not be out of place and it would be an appropriate act on the part of PVAI to record the names of the member of PVAI who have very actively participated in the deliberation while arriving at the consensus to adopt the compatible valuation standards and Guidance notes.

Last but not the least, I am grateful to whole committee of Guidance note on Valuation for the Bank as we don't stop here, we will be meeting again and again in the future, as a strong group of one of the most efficient, hard working PVAI committee.

Er. Jagdish Gadkari
Hon. Secretary (PVAI)

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FOR THE BANK**

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1.0 INTRODUCTION

Banking activity means Lending, which by its nature is attached with diverse risks which can be broadly categorised as financial risk, industrial risk and management risk. The lending branches have, apart from assessing the credit requirements of the borrower, the economic and technical viability of the activity has to exercise a high degree of caution in examining, verifying and investigating the title of the mortgagor.

These critical activities have to be entrusted to professionals outside the domain of Bank's albeit to the panel Advocate and panel Valuer.

In this age of liberalization, the concept of security has been relegated to the second line of defence with focus shifting to the viability of the project to be financed and the integration of the Indian Economy with the global market has ushered in newer credit risks which overnight affect the status of a loan account and so the health of the credit portfolio in these stringent times depends on the quality of the reports submitted by Advocates and the Valuers.

2.0 SCOPE

This Guidance Note applies to all circumstances in which Valuers are required to advise or report to Banking or Lending Institution or other providers of debt capital when the objective of the valuation relates to loans, mortgages, or debentures.

2.1 The valuer should be in compliance with competence as per clause “**Competence for Valuers in India**” in Indian Valuation Standards Published by PVAI or Section 34 ab of Wealth Tax Act.

In some jurisdictions legislation of financial services requires special licensing or registration when advice is related not only to the value of property, but also to securities issues such as equity, participatory interests, collective investment schemes, or syndicated loans.

2.2 The nature and scope of the engagement are particularly important to the Valuer and to the user of the Valuer's services

- 2.3 Valuers should be aware that an element of risk is associated with valuations for lending purposes where misunderstanding and/or error may lead to litigation between the lender and Valuer. For example, in the event of default by a borrower, the lender sells upon foreclosure and realises only a fraction of the estimated value.
- 2.4 Because of the special fiduciary circumstances involved with most loan security, mortgage, and debenture arrangements, it is particularly important that the Valuer be independent rather than related to one of the parties involved in the actual or proposed financial relationship. It is also important that the Valuer possess or be able to procure appropriate experience with the particular property type and locale for the property involved.
- 2.5 Many financing arrangements are secured by specific assets. The security taken for a loan, mortgage, or debenture in other financing arrangements may be more broadly defined. In some instances the net worth of an enterprise/entity is pledged as security without regard to specific assets.
- 2.6 Valuers typically deal with Market Value when valuing specific assets to secure financing. They may on occasion deal with going concern value, liquidation value, or other types of value depending upon laws, circumstances, and the secured party's requirements,

but those who supply financing are most commonly concerned with Market Value.

- 2.7 Although properties vary in location, utility, age, suitability, and other factors, valuation principles do not. It is important that Valuers consistently apply valuation principles within the scope of these Standards, performing objective evaluations that are relevant to the needs of and clearly understood by valuation users.

Primary security & Collateral security

Broadly the property under valuation for Banking can be categorized into Primary security i.e the property against which loan is to be availed and collateral security i.e the additional property to be given along with primary security.

Valuer's scope:-

If it is a primary security, to certify the present value and if it is collateral security, certify two values, i.e present value & Distress sale value or the forced sale value. (Forced sale value = Present value - a suitable percentage towards the factors affecting the forced sale).

When the borrower approaches the Valuer directly, legal opinion is generally not referred to the Valuer before issuing the report.

It is better the bank obtains legal opinion first and then go for the valuation report, to avoid embarrassment at a later date.

3.0 SOME ASCRIBED DEFINITIONS OF VALUE

Cost: It is the expenditure to produce a commodity having a value.

Price: It is the cost of commodity plus additional reward to the producer for his labour and capital.

Value: It is not inherent in the property itself, but will be determined in the open market by the forces like demand and supply. Value is a function of time, place, and purpose.

**COST IS A FACT
PRICE IS A POLICY
VALUE IS AN OPINION**

MARKET VALUE is defined for the purpose of this Guidance Note as follows:

Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

The term property is used because the focus of these Standards is the valuation of property. Because these Standards encompass financial reporting, the term asset

may be substituted for general application of the definition. Each element of the definition has its own conceptual framework:

“ *The estimated amount...*” refers to a price expressed in terms of money (normally in the local currency), payable for the property in an arm’s-length market transaction. Market Value is measured as the most probable price reasonably obtainable in the market on the date of valuation in keeping with the Market Value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of Special Value .

“.. *a property should exchange...*” refers to the fact that the value of a property is an estimated amount rather than a predetermined amount or actual sale price. It is the price at which the market expects a transaction that meets all other elements of the Market Value definition should be completed on the date of valuation.

“...*on the date of valuation...*” requires that the estimated Market Value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state

and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

“...**between a willing buyer...**” refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present property owner is included among those who constitute “the market.” A Valuer should neither make unrealistic assumptions about market conditions nor assume a level of market value above that which is reasonably obtainable.

“..**a willing seller**” is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market.

The **willing seller** is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be.

The factual circumstances of the actual property owner are not a part of this consideration because the 'willing seller' is a hypothetical owner.

“In an arms-length transaction...” is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant) that may make the price level uncharacteristic of the market or inflated because of an element of Special Value. The Market Value transaction is presumed to be between unrelated parties, each acting independently.

“ ..after proper marketing..” means that the property would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The length of exposure time may vary with market conditions, but must be sufficient to allow the property to be brought to the attention of an adequate number of potential purchasers. The exposure period occurs prior to the valuation date.

“...wherein the parties had each acted knowledgeably and prudently...” presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the property, its actual and potential uses, and the state of the market as of the date of valuation. Each is further presumed to act for self-interest with that knowledge, and prudently to seek the best price for their respective positions in the transaction. Prudence is assessed

by referring to the market condition at the date of valuation, not with benefit of hindsight at some later date. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other purchase and sale situations in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

“..and without compulsion...” establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

Highest and Best Use (HABU). The most probable use of a property, which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

Guideline value/ RR Value: It is the value of the land which is recorded at the starting of a financial year in the register of registrar's office and used for the purpose of determining the stamp duty at the time of registration of the documents.

Book value: It shows the original investment of a company on its assets, including properties and machinery less depreciation for the period passed.

Salvage value: Value of machinery realized on sales when its useful span of life is over but still it has not become useless.

Scrap value: It is also called as junk value or breakup value or demolition value. It will represent the value of old materials in a building less cost of demolition.

Insurances value: It is the value of the building for which the building is insured. Normally the building is insured of the superstructure alone (not for the foundation) – land value is excluded.

Potential value: It is an inherent value which may go on increasing due to passage of time or some other factor which will fetch more return.

Distress value: If a property is sold at a lower price than that which can be obtained for it in an open market, it is said to have “Distress value” its may be due to :

- Financial crisis for the vendor
- Land locked land
- Sentimental reasons
- Nuisance
- Recession in economy
- Panic due to war, Riots Earthquake, Floods, etc.

Speculative value: when the property is purchased so as to sell the same at a profit after some duration, the price paid is known as Speculative value.

Monopoly value: In a developed colony, the value of the plot goes on increasing when number of the available plots goes on decreasing. The fancy price demanded by the vendor for the remaining plots is known as Monopoly value.

Sentimental value: The extra price which is demanded by a vendor when he attaches certain sentimental to his property is known as sentimental value having no relation with the market value.

Fancy value: It is also called as Desired value. If the purchaser wants to have a property somehow since the procurement is an absolute necessity for him due to various reasons, he is prepared to pay more sum when compared with others. He attaches a special desire over the side property. The extra sum he is prepared to pay is called fancy value.

Replacement value: Replacement value is the cost of reproduction of a similar building with similar specification at the current market price on the date of valuation. It is also called as Reproduction Value or Reinstatement Value.

Depreciation value: It is the reduction of value of the property due to age, deterioration, lack of maintenance, obsolescence, decay, wear and tear etc. , Depreciation value depends upon the age and its future life.

Present value: It is replacement value less depreciation value.

The other values are liquidation value, intrinsic value, investment value, cost value, warranted value, true value, written down value, going concern value, commercial value, rental value, exchange value, appraisal value, face value, utility value, use value, loss value, tax value, economic value, sale value, condemnation value etc.,

Floor Space index (FSI) & Plot Coverage

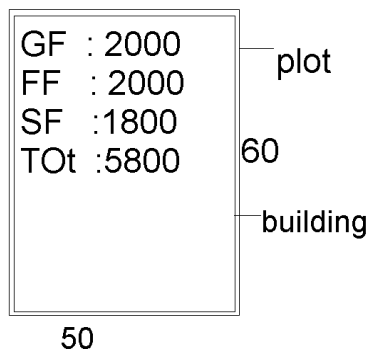
Floor Space index (or floor area ratio) is the ratio between the total built up area of building and the extent of land.

Plot Coverage is the ratio between the covered area of the building and extent of the land. (Covered area is the area covered by the building immediately before plinth level)

Example:

$$\text{FSI} = 5800 / 3000 = 1.93$$

$$\text{Plot Coverage} = 2000 / 3000 = 0.67 \text{ or } 67\%$$



Locked Land

Land which does not has any access or approach road is called land locked land. (LLL)

These land locked lands could be purchased only by the adjoining property owners. This property will not be of any use to outsiders and hence the demand will be very limited.

For the purpose of valuation the value of land locked land could be assessed at 75% less from the value prevailing in the locality. (Case: M. Avachat & Others vs. The collector, Nagpur 1990 Bomb. 348)

11	10	9
6	7B	8
	7A	

Plot no. 7B is the land locked land

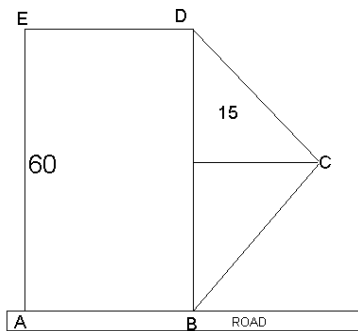
Recess Land is a part or portion of the land which has zero frontages on the road it lies between the boundary of the plot and makes obtuse angel with the line of road the portion BCD is called the Recess Land.

The value of recess land could normally be assumed as 75%of the prevailing market value of the main plot, if it is locate in an undeveloped locality. However this 75% is not an absolute proposition and will depend upon the factors like

importance of locality, demand for sale, utility of floor space index etc.

Tandem Land /Plot

The dictionary defines tandem as a set of tow, one placed behind the other both acting together. Consequently, a tandem plot is one with a buildable portion in the rear while the entry to it is from the front which normally abuts on the main road.

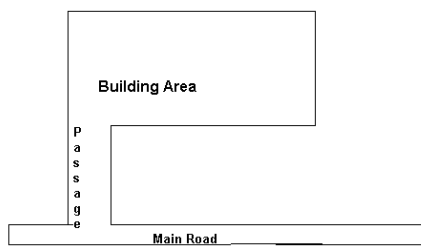


The access to such plots from the main road is through a passage. Normally such plots are valued as lying in the second belt, i.e., at about two thirds of the value of the first belt of land abutting on the main road.

Belting method.

There are lands where the depth is much more than the width. Such types of lands are valued by **belting method**.

While assessing the value of land, the depth plays a vital role. Front land has more value and value goes on decreasing as the depth increases. One has to assess which portion has



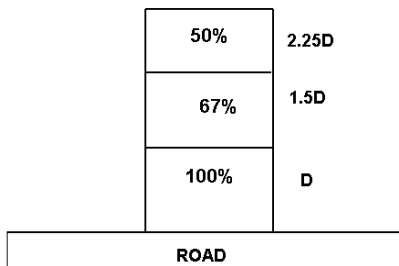
the maximum value and from which portion it starts reducing. The total extent is divided into many portions or belts and different units

rates are adopted for each belt and thus the total value is assessed. This is the simple principle of belting method of valuation.

In general, one may adopt the depth of the second belt as 1.5 times the depth of the first belt. The depth of the third belt is 2.25 times the depth of the first belt (standard depth) is decided based on the reasonable price of property sold in the vicinity of the same area.

Rates of valuation:

- First belt = 100% of the prevailing rate (D)
- Second belt = 67% of the prevailing rate (1.5 D)
- Third belt = 50% of the prevailing rate (2.25 D)



The Criteria of belting systems:

Valuation by belting method can be done if the land is vast. It is not possible to subdivide the plot legally. Comparable sale instances for similar lands are

not available.

- If the depth is more.
- The vast land has road only on one boundary.

This method is not suitable for:

- If it is a small plot.
- If it has two roads (or corner plots)
- If it is an agricultural lands
- If the development is controlled by F.S.I.

4.0 PROPERTY CHARACTERISTIC

Any asset has a value in an open market if it possesses four basic economic and legal characteristics Viz:

- [4.1] Utility
- [4.2] Scarcity
- [4.3] Demand
- [4.4] Transferability

4.1 Utility:

Utility can be defined as the power of a good or an asset to satisfy human need. Since Value is dependant on degree of satisfaction of need according to perception of an individual, it is subjective and varies from person to person.

4.2 Scarcity:

Scarcity is a relative term and must be considered in relation to effective demand and effective supply and the alternate uses, present and / or prospective, to which asset can be put to.

4.3 Demand:

Demand implies not only desire to possess a thing in view of presence of need but it must also be supported by efforts to acquire a thing in terms of monetary power. Thus demand must be effective demand and if any of the two i.e. either desire or efforts is lacking, there is no demand.

4.4 Transferability:

Transferability is a legal concept which must be considered in determination of value of a property/ asset. If an asset is not transferable, in whole or in part, it will not have value in the market.

The definition of “ market value “ viz. “ the price offered by a prudent, willing and able Purchaser and accepted by a prudent, willing and able Vendor “ incorporates all the above four ingredients of value. **Prudent** means one who has sufficient knowledge of the market and one who can properly think and evaluate merits/ advantages and demerits/ disadvantages in possessing a thing. **Willing** means one who is not acting under compulsions or extraneous circumstance i.e. one who is not needy. **Able** means one who has legal right to sell or to purchase an asset and one who has capacity to purchase an asset at a fair market price.

4.5 Factors affecting the value in general

- Supply and demand
- Rent control Act
- Cost of reproduction
- Utility value of the property
- Town planning Act
- Costal regulation Act
- Land acquisition Act
- Any abnormal condition like war, riots etc.

5.0 VALUATION METHODOLOGY

5.1 Value of a property can be estimated by following different approaches or methods

(I) COST APPROACH

The Cost Approach method is adopted for the purpose of Valuation of assets where factual evidence, neither for estimating net income from the property in the form of instances of rentals nor for estimating capital value of the property in the form of sale transactions of comparable properties in the open market, is available.

Cost of Construction:- The cost of construction ,either for reproduction or for replacement ,is estimated by 1)estimating quantities of various components of construction by quantity surveying & multiplying them by the scheduled rates of construction or by 2) adopting prevailing rate of construction per unit area (sq.m /Sq ft) or per cubic contents in case of buildings having excessive floor height e.g. factories,

Godowns etc. The rate per unit will normally be comparatively lower where room sizes are large (offices, public buildings) than in the buildings where room sizes are smaller (residential buildings). The rate of construction will also vary according to quality & specifications of construction, higher the specifications, higher the unit rate of construction and vice-versa.

Depreciation :- Depreciation is relevant where the property and the improvements or building is to be valued as it is i.e where cost of reproduction is to be considered .Depreciation is due to three major cases viz

- 1) Physical deterioration
- 2) Functional obsolescence
- 3) Economic obsolescence

Physical Deterioration is caused mainly due to wear and tear, action of elements like air, wind, rain, pollution, destruction by termites, pestes etc and age.

Functional Obsolescence is due to faulty or outdated structural or architectural design, inadequacy or super adequacy of facilities and outmoded equipment.

Economic Obsolescence is caused by neighbourhood hazards and nuisances, changes in zoning and permissible uses, shifting of population to other location, recession and slowdown in economy etc.

Depreciation due to Physical deterioration can be measured fairly accurately by different methods of depreciation like Straight line method, Linear method, Years Purchase method etc

The values arrived at, will be exclusive of cost of land, water supply, electric and sanitary fittings, etc. and will apply to those buildings only which have been considered as good property or dilapidated property with suitable deduction should be made from the values as deduced above.

The present value of land and water supply, electric and sanitary fittings, etc. should be added to the valuation of the building to arrive at total valuation of the property by Cost Approach method.

Conclusion - The value of assets by Cost Approach may not be considered, in strict sense as indicator of fair market value. It may provide an important check on running or conducting the activity .The net return from such activity should be such as to at least cover the interest ,at the rate appropriate to the security or risk involved on capital amount invested if not goodwill and return due to management skills.

(II) INCOME APPROACH AND RENTAL CAPITALIZATION METHOD:

Rental method of valuation consists in capitalizing the net annual value income (**NARI**) at an appropriation rate of interest or rate of capitalization. Net annual rent income equals to gross annual rental income (**GARI**) minus outgoings like property tax, repairs, maintenance, service charges, insurance premium, rent collection and management charges etc.

(III) MARKET APPROACH OR LAND & BUILDING METHOD:

By this method of valuation of the land and the value of building are assessed separately and added to get the present value of the property.

(IV) BUSINESS VALUATION METHOD OR PROFIT METHOD: DEVELOPMENT METHOD (OR RESIDUAL METHOD):

This method is used to evaluate such property where there is a development potential, so that the value of the property after development will be increased more than the expenditure incurred. For example, a large portion of land residential colony or a large complex of multi - storied buildings, housing ownership flats in a Co-Operative housing society. Cautions approach is necessary in adopting this method any vacant land should not be valued by development method. Hypothetical valuation should not be done.

Methods adopted should be depending on the types or categories of properties. Real properties are usually classified according to use they are put to such as

- Residential properties,
- Commercial or
- Industrial properties

In the context of selecting appropriate approach for valuation, properties are classified as

This method is applicable to hotels, cinema theaters, marriage halls and public places. This method as the name suggests deals in working the profit from a property and subsequently capitalizing the same at appropriation rate of return depending upon a number of factors.

1. The net profit to be adopted should be an average of last three years of profit.
2. Part of the profit is due to goodwill which should be properly reflected in the rate of return

Types of Properties

5.2 Investment properties i.e. properties fetching income or rent: In case of such properties. Income Approach i.e. investment, income or rental method of valuation is adopted. Residential, Commercial and business properties etc. yield income and hence the annual income / rent, actual or estimated, forms the basis for valuation. The Investment or Income approach is the normal approach to be adopted for valuation of properties since income or fair rent is decided or estimated after taking into consideration utility or tangible and intangible benefits due to occupation of property, demand for and supply of such properties and thus reflect competitive market conditions.

5.2.1 Revenue-producing properties are usually valued individually, but lending institutions may wish to know the value of a property as part of a portfolio of properties. In such instances, the distinction between

such potentially different views should be clearly expressed.

5.2.2 Lenders are particularly interested in a Valuer's opinion as to the security of the debt service on a loan, or the ability of the property to meet interest payments and repayment of principal (where appropriate) over the term of the loan.

5.2.3 For investment properties, it is recommended that Valuers distinguish between leveraged and unleveraged overall property yields. Similarly, references to internal rates of return (IRRs) should set forth whether they are debt-leveraged or not. Any special treatment of taxes should also be explained.

5.3 Non - Investment but Marketable properties:

Some properties do not fetch income, but are sold and purchased in market. There is no evidence available of income yielded by such or similar properties but evidence of consideration price paid for such and similar properties is available. Open vacant lands in urban areas fall in this category, Value of this type of properties is estimated by Market Approach or comparison method.

5.4 Non - Investment Non - Market properties:

Some properties neither fetch income nor are they sold in the market.

There is therefore no evidence available either of income or of consideration price paid. Religious buildings,

public buildings like town halls, public libraries etc. are included in this category. Residential buildings, shops and office buildings in a Colony of Public Sector Undertakings, situated in far away, remote and isolated places may also fall in this category since evidence of fair market rent (shops may have been rented but at subsidized or Concessional rent) or fair market price is not available. In such circumstances value of property is estimated by Cost Approach. In general the requirements of valuations for loans to be secured by property assets are similar to those for other Market Value engagements. In particular, it is necessary to establish and report a basis for any departure from standards. As discussed below, various property types require special considerations.

5.5 Investment Properties

5.6 Owner-Occupied Properties

5.6.1 Owner-occupied properties should be valued on the basis of vacant possession, i.e., land or built-up property to which rights to ownership are held but which has no current occupant, and in consideration of the property's highest and best use. This does not preclude consideration of the owner as part of the market, but it does require that any special advantage of the owner's occupancy, which may be reflected in a valuation of the business, be separated from the value of the property. In the event of default on the financial arrangements, security for the financing can be

realised only by a change in occupancy. If the Valuer is required to produce a different basis of valuation, the valuation report or certificate should also refer to the value derived from market evidence of vacant possession sales of similar properties.

5.7 Specialised Properties

5.7.1 Specialised properties, which by definition may have limited marketability and derive value from being part of a business (General Valuation Concepts and Principles) (see 6.6) may not be suitable as separate security for loans. If they are to be pledged for loan security individually or collectively, they should be valued on the basis of highest and best use assuming vacant possession, and all assumptions fully explained.

5.8 Properties Normally Valued as Trading Entities

5.8.1 Certain classes of property, including but not limited to hotels and other leisure related businesses, are usually valued in accordance with a careful assessment of the sustainable level of income derived from accounting data or projections, excluding any special goodwill derived from an operator with above average management skills. In such cases the lender should be made aware of the significant difference in value that may exist between an operating concern and one where either

- The business is closed;
- The inventory is removed;
- licenses/certificates, franchise agreements,
- Permits are removed or are in jeopardy;
- The property is vandalised; or there are

5.8.2 other circumstances that may impair future operating performance.

5.8.3 The Valuer may also extend advice to cover potential future fluctuations in the status of the property as security. For example, if the free cash flows of a property are heavily dependent upon a given tenant, tenants from a single industry, or other condition that could cause future instability, the Valuer should note these facts in the Valuation Report or Certificate. In certain cases, an assessment of the value of the property for alternative use with vacant possession may be appropriate.

5.9 Development Properties

5.9.1 Non-revenue-producing properties held for redevelopment or as sites for development with non-specialised buildings should be valued with consideration given to existing and potential development entitlements and controls. Any assumption as to planning and other material factors must be reasonable and must be explicitly stated in the Valuation Report or Certificate.

- 5.9.2 The phasing and timing for funding in the lending agreement should be discussed with the lender, and periodic market valuations should be provided over the development cycle.
- 5.9.3 The appropriate method for valuation of development properties will depend on the state of development of the property at the effective date of valuation and the degree to which the property may be pre-sold or pre-Leased. The method must be discussed and agreed upon with the lender prior to undertaking the valuation. Care should be taken by the Valuer to take into account the time differences between the date of development completion and the effective date of valuation. The effect of additional development requirements on costs and revenues, using present value discounting where appropriate, will be reflected in this analysis; adequately indicate anticipated market changes during the remaining period of development;
- 5.9.4 Properly consider and indicate the ranges of risks associated with the development; and consider and disclose any known special relationships between parties involved in the development.

5.10 Wasting Assets

5.10.1 Special problems are associated with wasting asset valuations. Particular attention needs to be drawn to the duration and profile of the loan including interest and capital repayment dates as they relate to the extent of the wasting asset and the planned program for its extraction or use.

5.10.2 A lease that exceeds market, or economic, rent and thus creates a special advantage to the lessor, may constitute a property asset associated with the real estate to which it applies. In such cases, the lease may constitute a wasting asset as any attributable value diminishes as the rents are paid and the term of the lease decreases.

6.0 BANKING PURPOSES

The objective of Indian Valuation Application is to offer guidance for Valuers preparing valuations for **BANK PURPOSES** and Value Change as per purpose.

- 6.1** Loan for the Construction of a New Building,
- 6.2** Loans for the purchase of Ready Built property from Builder / Developer,
- 6.3** Housing loans for the construction of upper floor over the existing ground floor or extension of G.F,
- 6.4** (LAP) Loan i.e Loan Against Property Or Mortgage Loan
- 6.5** Loan for improvement of property (flat or house),
- 6.6** Loan for purchase of Plot,
- 6.7** Top-Up Loan (while increasing the present limit to a higher limit)
- 6.8** (Balance Transfer Loan) while transferring the existing loan from one Bank to the another Bank
- 6.9** Periodical Revaluation Of Assets
- 6.10** To Issue The Letter Of Credits, Bank Guarantee (Solvency)

- 6.11** Valuation of stocks in Trade
- 6.12** One time settlement
- 6.13** Liquidation & to fix the upset price
- 6.14** Valuation of sick units
- 6.15** Valuation for Debt Recovery Tribunal
- 6.16** Merger of two banks
- 6.17** Value of assets owned by the bank for the purpose of balance sheet.
- 6.18** To fix the fair rent and to fix the ground rent
- 6.19** Insurance value of the bank's assets
- 6.20** Fitness certificate for Cash chest / strong room
- 6.21** Loan to educational institutions for constructions
- 6.22** Loan against rent receivable from premises.
- 6.23** Loan for trade finance and working capital
- 6.24** Loan for purchase of second hand machinery
- 6.25** To do project appraisal for construction finance from Bank /to finance construction of B.O.T and Infrastructure projects.
- 6.26** Loan for Agriculture, Crop, Agriculture Machinery, Farm House, and Agriculture Business

6.1 Loan for the Construction of a New Building

6.1.1 Bank's Requirement:-

To certify the genuineness of the estimate provided by the Applicant, stage value of the construction, total cost on completion.

- 6.1.2** To advise the bank on any adverse matters like violation, encroachment, stability of the building etc

6.1.3 Valuer's scope :-

i) Certifying the value depends upon the exact purpose the bank Requires- whether to certify estimates, (Estimates - it wholly depends upon the amenities fitted in the house likewise flooring, fixtures and fittings, quality of Doors & Windows, plumbing fittings, compound wall etc

ii) Whether it is a stage value (i.e construction cost incurred as on date), or complete value.

iii) Check Violation of D.C rules,

Encroachments

Zoning of land

Any Reservations on land

Tenure of Land

Land under Urban land ceiling or ULC scheme u/s 20/21

iv) Valuation of land does not fall in the scope of the valuation unless and otherwise land is taken as additional security

6.2 Loans for the purchase of Ready Built property from Builder / Developer

6.2.1 Bank's Requirement :-

i) To certify the present market value

ii) To certify the stability of the building and to advise the further life of the building.

Also in some cases extra amenity agreement is provided, which is to be certified by the Valuer.

6.2.2 Valuer's scope:-

i) Present value = Value of land, building and services by adopting the principles of valuation.

Analyse the factors favoring for a positive or negative value.

Present Market value = Present value \pm a % age towards the factors affecting the marketability

ii) Identification of the property is important, check the four boundaries of the agreement with actual site condition.

Verify whether it is authorized or unauthorized construction i.e. check the documents related to the property likewise approved building plan, valid commencement certificate, completion certificate of the premises for valuation.

iii) Check the built up area as per approved plan and agreement Copy

Also verify for D.C rules applicable as mentioned above in clause 1

(iv) If violations are within accepted limit, ascertain whether there is any chance for demolition by the local Authorities

Value certified does not include the stamp duty, registration charges, Electricity dept charges etc

6.3 Housing loans for the construction of upper floor over the existing ground floor or extension of G.F.

6.3.1 Bank's Requirement :-

- i) To certify the present market value of existing property.
- ii) To certify the cost of new construction in stages or the cost on completion.

6.3.2 Valuer's scope :-

- i) Certify Present Value of the property.
- ii) Cost of new upper floors construction alone is to be considered with genuineness of the estimate provided by the Applicant.
- iii) check for any new reservations proposed, any new D.P Road /R.P. Road /Master Plan Road alignment is proposed which may affect the existing bungalow, etc

6.4 (LAP) Loan i.e Loan Against Property Or Mortgage Loan

6.4.1 Bank's Requirement :-

To certify the present value of the property along with value for land considering depreciation of building and services.

6.4.2 Valuer's scope-

- i) Value No. : I: Govt. Guideline value of land + Depreciated value of building and services

- ii) Value No. : II: To certify the present market value
- iii) Value No. : III : To certify the Distress Sale Value

6.5 Loan for improvement of property (flat or house)

6.5.1 Bank's Requirement:-

To certify the improvement estimates given by the applicant.

6.5.2 Valuer's scope-

- i) To certify the present market value of existing property.
- ii) To certify the improvement estimate, whether it is concurrent with the property *likewise* existing flooring area should match with improvement flooring area provided in estimate or number of doors to be replaced should correlate with the existing building plan or quantity of coloring proposed should match with the area of existing property etc etc. and also guide Bank that the improvement estimate should not exceed a certain limit of the present value of property.(case – present value of Flat is of Rs 5.0 lakhs and improvement estimate is given of Rs 6.0 lakhs? doubtful)

6.6 Loan for purchase of Plot

6.6.1 Bank's Requirement :- To certify the present market value.

6.6.2 Valuer's scope-

i) The primary security can be valued for present market value considering

a) General

- Shape of plot
- Plot has non agricultural permission
- Plot fronting on any specific road
- Plot is on sloping ground or
- Locality around the plot -like slums, high tension electric line,
- Sewer / nallah course
- Plot is located near garbage dumping godown
- Plot is near industrial zone
- Plot is located near River / Nallah boundaries & flood affected areas,
- Plot is located near Coastal areas
- Plot is located near Aviation zone for airport,
- Plot is located near Dist. Roads, Other Dist. Roads, State highway, National Highway, Express Highway.
- Plot is located near Parks,
- Plot is located near Dams, Talav (water bodies). Cannel etc
- Plot is located near Religious importance areas.
- Plot is located near Notified congested (Gaothan) areas etc

b) Tenure of Land

- Government Land - Military Land / Cantonment board or defense board to regulate the building activities.

- Land required for public purposes, like hospitals / school / education centre / Regional parks / National parks / Play grounds / etc.
- Forest Land.
- Irrigation Project Land. / water bodies
- Govt./ semi govt. project land. State Housing Board / State Industrial Development Authority etc.
- Municipal / Gram Panchayat / Development Boards / Improvement trust / National / State Highway / P.W.D.

Inam Land

- State / Central Government given the land to the certain Community / Person / Trust / association / for Cultivation, use for specific purpose or to construct House
- State / Central Government given the land to the certain Community / Person / Trust / association / for Cultivation, use for specific purpose or to construct House
- The ownership remain with Govt. but bundles of right to occupy and use is with occupants
- For conversion of such land for NON-AGRICULTURE purpose the Land owner / occupants has to pay Extra Assessment of Land.

Lease hold Land.

- The Lessor (owner) surrenders the rights and occupancy for the term and rental stated in the lease agreement.

The LESSEE usually acquires the right of use and occupancy for a period of years in exchange for rentals

- And subject to other obligation of the as per lease agreement.
- Retaining the right to repossess the property at the end of lease term called “REVERSION “
- The LESSEE acquired part of the “Bundle of rights” may create a sub lease or he may part with the entirety of his interest to some one else (Third Party) the former is known as “SUB LEASE”

Free hold Land

- Right to its occupancy and use.
- Right to sell in whole or Part.
- Right to Gift.
- Right to contract for its use to other for periods of time.
- Right to refuse to do any of these thing.

ii) Also verify for D.C rules applicable to land as mentioned in clause 1

(iii) above and as Agriculture Land are to be converted as NON-AGRICULTURAL LAND as per section 44 / 45 of Land Revenue Code and apart from development permission N.A. permission are essential.

- N.A. permission for Residential use.
- N.A. permission for Commercial use
- N.A. permission for Industrial use

iv) Verify Urban Land Ceiling Act provisions if existing in that region to the property under reference.

6.7 Top-Up Loan (while increasing the present limit to a higher limit)

Type -: TOP-UP LOAN (while increasing the present limit to a higher limit)

6.7.1 Bank's Requirement :-To certify the present value.

6.7.2 Valuer's scope-: The primary security can be valued for the present value.

6.8 Balance transfer loan (while transferring the existing loan from previous bank to another bank)

6.8.1 Bank's Requirement :-

If an existing loan of previous bank is to be transferred to another bank for further loan enhancement or for rate of interest benefit, to certify the present value,

6.8.2 Valuer's scope-:

The primary security can be valued for the present value.

6.9 Periodical Revaluation Of Assets

6.9.1 Bank's Requirement :-

To check the security cover of previously funded property by bank, certify the market value as on the date of inspection

6.9.2 Valuer's scope:-

Depending upon today's circumstances and conditions the present value is to be certified. Bank's concern is that the value of the property is sufficient to the outstanding loan with it. Certified value on revaluation need not be always higher than the value certified previously, considering scenario of land recession also.

6.10 To issue the Letter of Credits, Bank Guarantee

6.10.1 Bank's Requirement :-

To certify the present market value.

6.10.2 Valuer's scope:-

Many a times Bank guarantee, letter of credits area required in market transactions, business, or especially to contractors to show their credibility and so property is given as security and Valuer's job is to certify present market value of it.

6.11 Valuation of stocks in Trade

6.11.1 Bank's Requirement :-

To certify the present value of stocks available in the unit.

6.11.2 Valuer's scope-: Normally this type of valuation is in the domain of movable property Valuers, physically the stocks are to be taken. This is to be verified with the stock statement of the unit. Present value of the stock is to be certified.

6.12 One time settlement

6.12.1 Bank's Requirement :-

To certify the probable value assuming that the subject property is going to be sold in open auction by the court.

6.12.2 Valuer's scope-:

Find out the present value.

Auction value = Present value- a % due to the factors affecting the auction. (this is an intelligent guess depending upon the use to which purchasers will put the property)

6.13 Liquidation & to fix the upset price

6.13.1 Bank's Requirement :-

To certify the auction value for the Liquidation. The sick units are to be valued for the present value “ as is where is “ condition. The sick units are auctioned by the official liquidator after advertising in the Newspapers.

6.13.2 Valuer's scope-: Certify three values.

- 1) What is the present value for 'as is where is condition,
- 2) What is the auction value if the prospective buyer retains all the infrastructural facilities, invest some more money and re-start the same operation,(i.e. present value – a suitable % age,
- 3) What is the auction value if the prospective buyer uses property for some other use after salvaging? (i.e. present value – a suitable % age)

6.14 Valuation of sick units

6.14.1 Bank's Requirement :-

To certify the market value.

The definition is : “ if it is sold in the open market how much it will fetch ? ”

Questions to be answered

- i) Is there any demand?
- ii) Is there anybody to purchase?
- iii) If anybody purchases, what he will do?

6.14.2 Valuer's scope:-

Determine the present value. Analyse various factors affecting Marketability of the product and the unit as a whole. Analyse the true reasons why the unit has become sick? Check up whether the unit can be put into operation again.

Check up whether the buyer is going to continue the same operation. Calculate the expenses required for immediate Maintenance. Keeping in mind the factors like above, certify the market value depending upon "DEMAND & UTILITY"

6.15 Valuation for Debt Recovery Tribunal

6.15.1 Bank's Requirement :-

To certify the auction value

6.15.2 Valuer's scope:-

Ascertain the present value.

Analyse the negative factors which affect the auction value.

Analyse the working condition of the unit and estimate the amount required to invest further for the reoperation.

Ascertain whether the unit can be used for other purpose.

Auction value: Present value-% age due to negative factors affecting the auction.

6.16 Merger of two banks

6.16.1 Bank's Requirement :-

To certify the present value of the assets.

6.16.2 Valuer's scope:-

Prevalent value of land + depreciated value of buildings and Services + depreciated value of any other items like furniture, cash chest, strong room, equipments, machines, interior decorations, computerized system etc., Normally, the factor 'marketability' does not arise here. Legal opinion is not referred by the Valuer.

6.17 Value of assets owned by the bank for the purpose of balance sheet.

6.17.1 Bank's Requirement :-To certify the present value.

6.17.2 Valuer's scope:- Present value: Prevalent value of land + depreciated value of buildings + Services. The factor marketability does not arise.

6.18 To fix the fair rent and to fix the ground rent

Type -: *TO FIX THE FAIR RENT.*

6.18.1 Bank's Requirement :-

To certify the monthly rent to be paid to the landlord of the building proposed to be occupied by the bank.

6.18.2 Valuer's scope:-

Procedure of fixation of fair rent differs from state to state., it is to be determined as per Buildings lease and rent control Act, "If the building is for residential purpose, adopt 9% as the rate of return and for non-residential purposes adopt 12% as rate of return.]

Type -: TO FIX THE GROUND RENT.

6.18.3 Bank's Requirement :-To issue certificate on the possible ground rent likely to be paid by the bank for the vacant site proposed to be occupied on lease from the private landlord.

6.18.4 Valuer's scope:-

Ascertain the market value of the land. if it is secured, adopt 5% & if it is unsecured, adopt 6%and calculate the monthly rent payable.

6.19 Insurance value of the bank's assets

6.19.1 Bank's Requirement :-

To certify the insurance value of the buildings.
(Land does not fall in the scope of valuation)

6.19.2 Valuer's scope:- There are two policies.

6.19.2.1 Insurance on depreciated value.

6.19.2.1 Insurance on replacement value if the building are in flood prone zone or earthquake zone, the entire

value of the buildings can be valued. Otherwise, it is sufficient to do value of superstructure above the foundation.

6.20 Fitness certificate for Cash chest / strong room

6.20.1 Bank's Requirement:-

If it is new: To issue completion certificate.

If it is existing: To issue fitness certificate as per RBI norms. (Once in a year)

6.20.2 Valuer's scope:-

a) If the Valuer is associated during the construction of cash chest / strong room and if the construction is as per RBI guidelines for cash chest / strong room, he can issue the completion certificate.

b) The fitness certificate can be issued periodically depending upon the prevailing conditions and stability of the cash / strong room.

6.21 Loan to educational institutions for constructions

6.21.1 Bank's Requirement :-

- 1) To certify estimates of institutional building given
- 2) To certify the present market value of the collateral security

6.21.2 Valuer's scope:-

There are two types:-

- 1) To value the property as primary security including land and buildings on it.

2) To value the additional property given as collateral security in case of institutional buildings under construction are on Govt land. (as Govt land is difficult to mortgage)

6.22 Loan against rent receivable from premises.

6.22.1 Bank's Requirement :-

Bank wants to advance loan to property owner on his rent income (where IT returns are insufficient to support the requested loan or are not filed by the owner).

6.22.2 Valuer's scope:-

Ascertain the fair market value of property and also give a note of value of furniture, fixtures in the premises of property. Also certify the probable rents prevailing in that locality for such property.

6.23 Loan for trade finance and working capital

6.23.1 Bank's Requirement :-

Bank wants to advance loan to Entrepreneur for working capital, so to certify value of assets given to bank.

6.23.2 Valuer's scope:-

Ascertain the fair market value of property

6.24 Loan for purchase of second hand machinery

6.24.1 Bank's Requirement :-

Bank wants to finance company for purchase of second hand machinery.

6.24.2 Valuer's scope:-

- i) Based on original value, today's depreciated value.
- ii) Replacement cost to be mentioned.
- iii) Expected residual life.
- iv) Obsolescence of machine technology.
- v) Reputation of the manufacturer and brand image.

6.25 To do project appraisal for construction finance from Bank/ to finance construction of B.O.T and Infrastructure projects.

6.25.1 Bank's Requirement :-

Bank want to advance loan to B.O.T Company for construction work (i.e. flyovers, Roads, Bridges etc) and in lieu recover the amount from toll received, in their escrow account with Bank i.e. toll collected is directly deposited to Bank.

6.25.2 Valuer's scope:-

Ascertain the fair estimated cost of the construction work of whole project as primary security and also value collateral security given in additional.

6.26 Loan for Agriculture, Crop, Agriculture Machinery, Farm House, and Agriculture Business

6.26.1 Bank's Requirement :-

Bank wants to advance loan against of Agriculture, land, Crop, Agriculture Machinery, Farm House,

6.26.2 Valuer's scope-: Ascertain the fair market value of property and also give a note of value of Agriculture, land, Crop, Agriculture Machinery, Farm House, and Agriculture Business

7.0 VALUATION REPORTING

7.1 Valuation report Language must be in English.

7.2 Ingredients of a good valuation report.

- a) Logical structure.
- b) Objective / purpose at the beginning.
- c) Conclusion at the end.
- d) Report to be professional.
- e) Check errors in grammar / calculations / spellings.
- f) Clear and precise language.
- g) Reasoning and analysis of pertinent data.
- h) Qualitative & not quantitative, data and analysis should support valuation.

7.3 Valuation reports must be having following Documents

- a) Location of Village / City [may be sketch plan]
- b) Location of Asset, Sketch Plan showing near by Land Mark, Road, & Approaches,
- c) Four Boundaries of Asset.
- d) Site Plan (Land record Map / Architect Plan)
- e) Construction Building Plan/ Approvals/ Occupation/ Completion Certificate etc.
- f) Property Ownership Card
- g) Photographs of asset Exterior & Interior
- h) Presentation of Report should include the following
 - i) Colour & Highlight
 - ii) Paper Size -A4 or Legal (Drawings and attachment may vary in paper size)
 - iii) Indexing

7.4 What are the issues to addressed in the Valuation Report.

- 7.4.1 Residual Life of Building
- 7.4.2 Property Address (Survey/ CTS / Patta /etc)
- 7.4.3 Property owner Proposed Owner / Applicant Valuation Report requester name
- 7.4.4 Specification in brief Tenure of land
 - (a) Free Hold
 - (b) Lease hold
 - (c) Inam Land

- (d) Govt. Land
- (f) Forest Land
- (g) Reservation or Zoning in Development Plan / Regional Plan/ Master plan/ District Plan/ State and Central Government Planning
- (h) Air funnel Restriction
- (i) Heritage Plan
- (j) Nallah / Water Bodies / Dam / Talav / C .R.Z. / R.R.Z.
- (k) Asset is located near Dist. Roads, Other Dist. Roads, State highway, National Highway, Express Highway.
- (l) Asset is located near Religious importance areas.
- (m) Asset is located near Notified congested (Gaathan) areas etc.
- (n) Encroachments & Slum

- 7.4.5 Valuation Methods adopted & justification for methodology adopted.
- 7.4.6 References and Sale instances (Sources of Sale Instances) Mode of Measurement.
- 7.4.7 Rates adopted and consideration for adoption of rates (Inventory etc.)
- 7.4.8 Undertaking regarding any relation with asset or its owner
- 7.4.9 Date of Valuation and its validity.

7.5 Design of a valuation Report

- a) Standard formats to be used wherever possible.
- b) Separate formats for rural and urban properties.
- c) Separate format for land / land and building.
- d) Owner occupied or tenanted.
- e) Use of structure and type.
- f) Name of property and address and particulars on top.
- g) Specific interest in the property Leasehold or freehold.
- h) Comparable sale instances.
- j) Method of valuation
- k) Structural stability and environmental aspects
- l) Any improvements, repairs, changes done.
- m) Licenses, approvals, permissions, water, power, access.
- n) Transport and other amenities availability.
- o) Any adverse features to be mentioned affecting value.
- p) Alternative use / potential possibility.

| 8.0 REPORT FORMAT |

Report Format No. I

Letter Head of Valuer

Bank Ref Letter / / /200 Date-

Sub: Room No.---- , B wing, ----		Floor,
for M/s. -----		
I.1.	Purpose of valuation	Fair Market Value of the property as on date as per advice of ----- Bank Dated -
2.	Date of inspection and valuation	
3.	Name of the Owners	
4.	Flat No. and Floor No.	
5..	Name of the building	
II.1.	Brief description of the property	Ground + ---- upper floors.
	Plot No.	
	Survey No./ CTS No.	

	Mohalla	
	Village	
	Taluka , District	
	State	
II.2	Layout Approval Details	
	Building Plan Approval no.	
	Non- Agriculture Permission details	
	Completion / Occupancy Approval no	
	House Tax assessment details	

	The Land ----- is Bounded as Under	
	On or Towards East :	
	On or Towards West :	
	On or Towards North :	
	On or Towards South :	
	The Flat no -----on Floor no ----- is Bounded as Under	
	On or Towards East :	
	On or Towards West :	
	On or Towards North :	
	On or Towards South :	
2.	Location, street. Ward No.:	

3.	Type of area.	
4.	Classification of locality	
5.	Proximity to civic amenities, like school, market, college, etc Hospital , office	
6.	Nearest railway station and distance from the property	
7.	Modes of transport to the property	
8.	Name of the road for access:	
9.	Area of land and other details	
10.	Land freehold or leasehold, term of lease, period expired, balance and lease rent:	
11	Approvals of drawings from Mun. authorities /Occupation Certificate, ULC clearance / F.S.I. available and balance for Future use / F.S.I. from T.D.R.	
12.	Name of the co-operative Housing Society: Registration No. of Society No. of shares held and certificate no.	
13	Actual use	
14		

III.	DETAILS OF STRUCTURE AND SPECIFICATIONS	
1	Year of construction of the building	
2	Age of the building and anticipated future life of the building	
3	Present condition of the flat and building and any last repairs done and painting done, immediate repairs required with cost of the same	
4	Type of construction	
5	No. of floors for building and additional structures	
6	Walls, Plaster and Painting	
7	Doors and Windows	
8	Type of flooring in rooms, skirting / cladding	
9	Flooring in toilets / WC/Bath, Dado	
10	Kitchen platform type and sink	
11	Toilets plumbing lines concealed / open type of plumbing and san. Fittings Any special fittings, ceiling etc.	

12	Electrical installation open or concealed wiring type of switches, tel. Points, T.V. / cable points	
13	No. of lifts with capacity and type	
14	Type of underground, overhead tanks and pumps:	
15	Flooring in open spaces and stilts and staircase	
16	Compound wall and gates and security	.
17	Building elevation	
18	Other amenities and special amenities and features	
19	General comments on specifications	

IV. DETAILS FOR THE FLAT UNDER REFERENCE:		
1.	No. of floors and flats on each floor	
2.	No. of rooms for the flat/office	
3.	Balconies to rooms separate or merged	

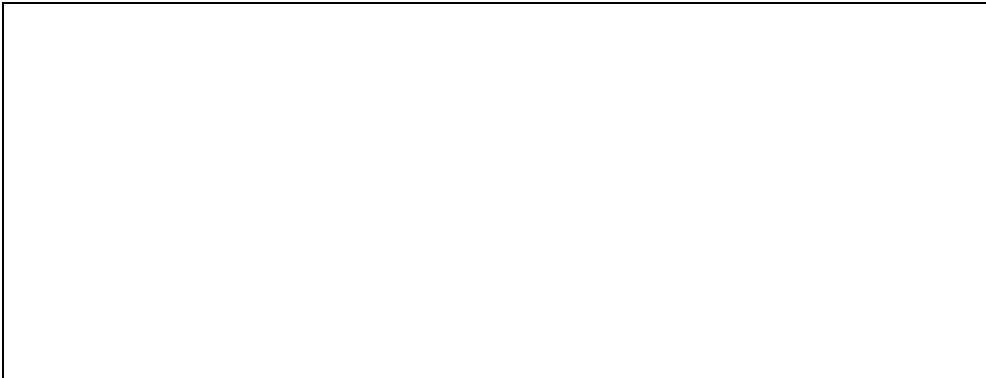
4.	No. of toilets, W.C. and Bath, whether attached or separate, servant's toilet	
5.	Area of the flat: Carpet Area Built up	
	Area as per the sale agreement	
6.	Property currently occupied by (Owner Occupied or Tenanted)	

V. CONCLUSION AND VALUATION OF THE PROPERTY:

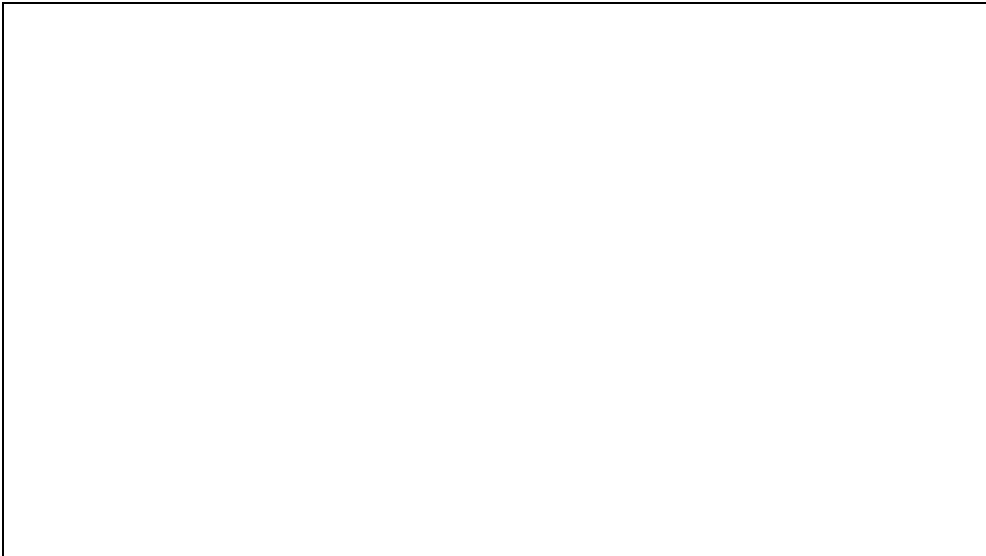
In view of the data available and basis for valuation, the valuation of the property under reference will as under,

1	Built-up Area	Sq. Meter
2	Rate	Rs. /- per Sq. M. on Built up Area
3	Value of the property as on date	Rs /-
4	Re-construction cost	Rs. /- per Sq. M.
5	Plot Area / Land Area if applicable	
6	Rate of Land Per Sq. Meter	
7	Value of land / Plot	

**VI: Location plan may be sketch showing Main Street/
near by Land Mark approach Road, etc**



VII: Photographs



Declaration:

We hereby declare that:

1. We have deputed our representative Mr. _____ to inspect the property.
2. We have no direct or indirect interest in the property valued.
3. The above information is true & correct to the best of our knowledge & belief.
4. Limiting conditions have been disclosed.
5. We have no interest (present or future) in the transaction of the property.
6. Compensation is not contingent upon rendering a specified value.
7. We have complied with all the real estate appraisal program requirements.

Sign of Valuer
Registered valuer
Reg.No.
Date

Report Format No. II

A SAMPLE REPORT

ABC Limited.
10th Floor, Building 1,
XYZ Centre, Cuffe Parade,
Mumbai-400001

A SAMPLE REPORT

VR-111-M-20/11/2004

Date- .

CERTIFICATE OF VALUE

(This certificate is issued for a specific purpose only. It is Subject to Standard Disclaimer Clause And Declaration and Statement of Limiting Conditions as are recorded in part J)

Under instructions from ABC Limited we have taken an inspection of the office premises on 20TH November, 2004.

PURPOSE OF VALUATION

“ To estimate the Realizable Value of the office premise comprising of the entire Tenth floor of ABC Limited in the Building 1 of XYZ Centre, Cuffe Parade, Mumbai-400001.

VALUATION

We hereby certify that, the assets, more particularly so described in Part “F “ and Annexure 1 of this certificate, have been assessed by us, for the purpose recorded herein above and in our considered opinion, it is valued at

Rs ----- /- (Rupees -----Only)

We confirm that, our Certificate of Practice (COP No-PM-001) is valid on the date of certification.

For Consultants Ltd.

XXX
Principal Valuer
(1xx@gmail.com)

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VR-111-M-20/11/

ABC Limited.

10th Floor, Building 1,XYZ Centre,
Cuffe Parade, Mumbai-400001

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- A. Introduction ,
- B. Scope of the Appraisal ,
- C. Statement of documents on which we have relied upon
- D. Definition of value for this specific purpose,
- E. Underlying Assumptions ,
- F. Location and description of the property premises ,
- G. Methods of valuation ,
- H. Declaration of professional fees charged ,
- I. Valuation of the property premises ,
- J. Statement of limiting conditions .

A SAMPLE REPORT

VR-111-M-20/11/200

ABC Limited.

10th Floor, Building 1, XYZ Centre,
Cuffe Parade, Mumbai-400001.

A. INTRODUCTION

INTENDED USE : Estimate the “ Realizable Value of the property premises

INTENDED USER : ABC Limited

OWNER OF ASSETS : ABC Limited

CLIENT : ABC Limited

CLASSIFICATION OF ASSET : Office premises

SITUATED AT : 10th Floor, Building 1, XYZ Centre, Cuffe Parade, Mumbai-400001

IDENTIFIED BY : Shri Patil

INSPECTED BY : Shri Sujit Joshir and Shri Shekhar Muthu

DATE OF INSPECTION : 20th November, 2004.

DATE OF VALUATION : 20th November, 2004.

ANTICIPATED RESIDUAL LIFE LEFT

(without conducting any Test, only on physical observations)

A SAMPLE REPORT

VR-111-M-20/11/200

ABC Limited.

10th Floor, Building 1,XYZ Centre,
Cuffe Parade, Mumbai-400001

B. SCOPE OF THE APPRAISAL

XXX Consultants Ltd. Is retained by **ABC** Limited to estimate the Realisable value of the subject property as on the effective date of valuation. This Valuation assignment has been attempted by using applicable standard valuation techniques and is in conformity with the requirements of the Code of Professional Ethics and International Uniform Standards of Professional Appraisal Practice of the Appraisal Standards Board of Appraisal Foundation. This valuation is exclusive of the value of movable equipment, trade fixtures and personal property and is limited to the real property only. To perform this appraisal we have undertaken the following scope of services:

1. Inspected the subject property and the surrounding area.
2. Reviewed population growth and other demographic trends that has an impact on the subject property.
3. Reviewed zoning regulations, the restrictions or limitations applicable to the subject property.
4. Reviewed the sale and Leave License Agreements of commercial office spaces in the neighborhood.
5. Considered the Highest and Best Use of the subject property.
6. Estimated the value of the subject Property by means of the Income Capitalization and Market Analysis.
7. Concluded to a final value estimate.

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**C. STATEMENT OF DOCUMENTS ON WHICH WE HAVE
RELIED UPON**

Original documents were not available for inspection.

Xerox copy of the following documents were available for
inspection

1. Articles of **Agreement** dated 1st June 2000 (XYZ
Centre) and ABC Limited (the Lessees).

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10th Floor, Building 1,XYZ Centre,
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D. DEFINATION OF VALUE FOR THIS SPECIFIC PURPOSE

This exercise is to assess the Realizable value of the property premises as on the effective date of valuation .

The term **Realisable value** is defined as

*“ The gross estimated amount, as of a specified date, that can be specified date in cash terms or equivalent to cash which could be typically realized from a sale, after reasonable exposure to find a purchaser for the property being offered on **as is and where is basis**” .*

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions:

1. The amount realised would be **nett** of all the incidental expenses associated with selling viz. Stamp Duty, Registration Charges and Transfer charges to the Society Or any other Statutory etc.
2. Payment is made in terms of cash in Indian Rupees OR in terms of financial arrangements comparable thereto;

A SAMPLE REPORT

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ABC Limited.
10th Floor, Building 1,XYZ Centre,
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E. UNDERLYING ASSUMPTIONS

ABC Limited is making an attempt to liquidate the Property but at the same time is also open to other alternatives.

For the purpose of this Valuation Report it is assumed:

1. That the legal description is correct,
2. That the title to the property is legally sufficient and is assumed to be good and marketable.
3. That there are no encumbrances or defects of title.
4. That the property is free and clear of all liens.
5. That the property will be efficiently managed and properly maintained
6. That there are no structural conditions, which are not apparent.
7. We assume no liability as a result of matters of legal character affecting the property such as title defects encroachments liens overlapping boundaries / partition walls, agreements and easements rights.
8. The property is valued as though under responsible ownership.
9. It is assumed that there are no hidden or unapparent conditions of the subsoil or structure that would render it more or less valuable. No responsibility is assumed for such conditions or for engineering that might be required to discover such factors.

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ABC Limited.
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F. LOCATION AND DESCRIPTION OF PROPERTY PREMISES

Location:

Area and Neighborhood

The economic vitality of the surrounding area and the immediate neighborhood encompassing a property often impacts the property's status, image, class and style of operation and sometimes its ability to attract and properly serve a particular market segment. This section reviews the subject property's neighborhood and evaluates any pertinent location factors that have a bearing on its value.

1. The Subject Building is a fifty storied tower with a basement constructed on a plot bearing Cadastral Survey no ----- Block I situated at the Backbay Reclamation Scheme.

The lot is within the confines of the Mumbai Municipal Corporation Ward " A " .

2. The said plot numbered ----- admeasures ----- square meters and is given on lease for a term of ninety nine years commencing 2000 to 'XYZ Centre by the Collector of Mumbai.

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XYZ is a company incorporated under Company's Act in India to establish and develop a XYZ Centre in Mumbai.

3. In 1991, XYZ received formal recognition as a XYZ Centre by becoming a member of the XYZ Centres Association, New York. It has developed three buildings viz. 'Building-1, the 'Building-2' and 'The Building-3'. Building-1 is a 50-storeyed tower that houses offices of organizations connected with world trade, business and industry along with the executive offices of the XYZ Centre, Building-2, is a 25-storeyed tower adjacent to Building-1, has offices of the Bank of India. 'Building-3'.is a shopping complex that houses, a wide variety of shops, showrooms and services such as banking, postal facilities and travel agencies.
4. The neighborhood is referred to, as Cuffe Parade and is a part of the Central Business District for the city of Mumbai. The CBD primarily includes the areas 'Fort', 'Nariman Point', 'Churchgate' and 'Cuffe Parade' of Mumbai city. It is developed as a commercial Locality with large business houses both National and Multinational having their corporate offices here. Almost all the nationalized banks have their zonal or regional offices in the CBD area.

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5. Apart from being the heart of the commercial capital, it is also central to the Judiciary and the Political activities of the state also. Some of the very strategic buildings like the Legislative Assembly of Maharashtra called the 'Vidhan Bhavan' and the Government Secretariat building 'Mantralaya' are at Nariman Point.
6. Infrastructure facilities are well-developed in this part of the town. The asphalt-paved roads in the area operate a minimum of four lanes of traffic. Access to public transport system is good. Metered taxis are easily available and the BEST bus services connecting the neighborhood to the entire city operate at regular intervals. The Terminal stations for suburban railway system of the Western Track, 'Churchgate' and the Central Track 'C.S.T', are about ten to fifteen minutes drive from the subject property.
7. In conclusion, the neighborhood surrounding the subject can be best described as being improved with well-maintained rental and cooperative high-rise commercial buildings that enjoy the benefit of an excellent location and the well developed infrastructure facilities.
8. Having said this it is important to note that the economic recession experienced on a national and

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9. ABC Limited.

10. 10th Floor, Building 1, XYZ Centre,
11. Cuffe Parade, Mumbai-400001

local level did have a negative impact on social, economic, governmental and environmental influences and concomitantly on the property values. Future growth in real estate values within CBD is viewed to be at a much slower pace than in the past years particularly after the surge in property values during the mid-1980's. As a cost cutting measure, most corporate Houses and even Banks and FI shifted their head offices to Northern Suburbs. Today, the office spaces in CBD do not command a premium as they used to earlier.

9. With effective alternative commercial spaces available in the Northern Suburbs of the City, the demand and the propensity for buying office space in CBD has drastically reduced. The sharp fall in the Lease Rentals in Mumbai, is also a reflection of the Continued corporate relocation from the inner CBD areas to suburban satellite office Locations. The extensive developments observed at the Bandra - Kurla Complex and the Offices complexes on the Andheri-Kurla road further corroborate this fact. These newly Developed commercial pockets offer properties with a lower capital investment and the Recurring expenditure, and are also convenient for suburban resident employees.

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10. The other important parameter to be given due cognizance is the Security aspect, especially since the property under question is the XYZ Centre. Although there is no perceived risk of an air strike due to comparatively lower height, potential buyers do factor in for the security aspect, especially for office spaces on higher floors.

11. During our discussions with the Administrative and Engineering department of XYZ Centre, we were informed that since the Centre is developed on Collector's land, in Addition to the Stamp Duty, Registration charges, the transfer fees payable to XYZ, additional provision is also to be made for the unearned increase to be paid to Collector.

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Description of the Structure and Office Premises:

1. The Building **1** of **XYZ Centre** is designed as a framed structure with RCC slab and foundation. We are informed that the building was constructed in the year 1997-98. The structure has a basement with Fifty upper floors. Whereas the commercial spaces and offices are upto the Forty nine floor, The upper floors are used as service floors.
2. Pedestrians and Vehicular access is gained via an entrance gates from the adjoining four-lane road. It has concrete kerbs and gutters to facilitate surface drainage. The site is generally leveled and at grade. There is no water logging problem in the building.
3. The side margins are partly paved with chequered concrete tiles. The building has an underground tank and an overhead tank for storage of potable municipal water. Parking spaces are not available in the basement, and open to sky car parking spaces are allotted to the lessees.
4. The building has a spanning foyer with granite flooring and wall cladding. The building is provided with two wide staircases and thirteen elevators, six operate upto the sixteenth floor level, whereas the remaining are

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upto the forty second floor. The entire building is centrally air-conditioned. The central AC plant operates on all weekdays for about eight hours except on Sundays and designated holidays. We were informed that effective and necessary fire detection and alarm is provided viz. smoke and fire detectors are installed at prominent areas of public walls of the building are 9” thick whereas the partition walls are 4.5” thick. All the walls are constructed in brick masonry duly plastered on both sides.

5. All the premises in Building-1 have been given on long leases to its occupants, with ABC Limited being the lessee for the entire 10th floor. We are informed that the lease period of 50 years commences from the year 1998. With a balance/un-expired lease period forty years. The entire twentieth floor admeasures about ----
----- **Sq.Ft.** of Built up area.

6. As per the Lease agreement the clients have the rights to five open the car parking spaces along with the tenth floor. A schematic representation of the floor is attached herewith as **Annexure-1**, for better understanding and visualization. For convenience, the floor space is demarcated as ‘Left wing’ and ‘Right Wing’ that are on the either side of the elevators and the ‘Conference Room’ in the Building

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7. Since the clients own the entire floor area, the office space can be sold singly as an entire unit or by subdividing it into small offices. As demarcated in the drawing there are two toilet blocks in the left and right wing respectively. Besides, two fire exits are also provided in each wing. On the day of inspection we observed that the right wing was entirely vacant without any partition walls, whereas there were a few cabins and cubicals in the left wing of the building with wooden partition panels.

8. The flooring to the entire floor area is of marble mosaic tiles with appropriate skirting on all the walls except for toilet blocks that are provided with glazed ceramic tile flooring.
The Electrical installation is partly concealed and partly open type. Each floor has flush doors at the entrances and fully glazed windows. A false ceiling with POP finish is provided to the entire floor to conceal the ventilation ducting and electrification.

9. On the day of inspection, there were no vertical or horizontal cracks to the floor. There was no sagging of the beams nor did we observe any effervescence to any walls Overall layout plan of the building, the quality of construction and maintenance of the building are good.

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G. METHODS OF VALUATION

This section of the report explains the applicability of recognized valuation methods reviews the work done in the valuation process and sets forth the reasoning that supports each opinion or conclusion. Our analysis assumes that a marketing time of less than 12 months would be necessary to sell the subject on the open market.

Applicability of Approaches

1. **The Cost Approach:** In this approach the cost to replace the improvements is estimated.
A deduction is made for any depreciation and the result is combined with the estimated value of the land. The approach is applicable when each component is independently measurable and when the sum of all components is believed to reflect fair market value as in case of insurance valuation or under construction properties.
2. **The Income Capitalization Approach:** This approach analyzes the property's capacity to generate income (or other monetary benefit) and converts this capacity into an indication of value. The approach is suitable for properties that have obvious earning power and investment appeal but inappropriate for properties

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that have no readily discernible income producing properties because it most closely reflects the investment rationale and strategies of typical buyers.

- 3. The Sales Comparison Approach:** This approach compares the subject property to other properties to other properties that have changed hands fairly recently at known price levels. The approach is most meaningful when there is adequate market data involving comparable properties. Reliability of the approach varies directly with the quantity and quality of available market data.

Applicability to subject property:

The Cost Approach was not utilized due to the nature of this assignment: valuation of an entire floor in building that is in existence for over five years. When a structure is married to a land, and only a portion of it is to be valued, the land and the improvement thereon cannot be valued separately and have to be valued as a single unit to reflect the fair market value.

The Income Capitalization Approach provides a pertinent indication of value for an income producing property. We do recognize that being a commercial property it does have a discernible income potential. Therefore, citations of lease

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rentals that have gone on record in the same building over a span of last two years were taken into account. We also had discussion with potential buyers, sellers and brokers before arriving at the sustainable lease rental value. The lease rental was capitalized assuming a ten percent return on the property. i.e. at a capitalization rate of if ten percent to arrive at the final value.

The Sales Comparison is the most preferred and most commonly used method to value both improved and improved properties. It is only when adequate, recent data does not exist that the Valuer selects an alternate method. Because of the predominance of the suppressed value transactions in our economy, the Sales comparison is coupled with the Market analysis, wherein the property is vetted for its individual physical characteristics in conjunctions with other significant parameters like the Location of the premises, Information on the market rates, cost of construction, type of the neighborhood, situation of the property premises, availability of similar properties in the vicinity, quality of construction, the basic amenities and facilities provided, the age of the structure, and the property trends of buying and selling in that locality, besides inherent special features and deficiencies/flaws. *This method gives results for valuing a property that is more appropriate in this economy and today's market conditions and **hence is used as the method to arrive at the value estimate.***

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The market analysis for the Real Estate Market is done primarily for the perspective of the Principle of Demand and Supply. It is our opinion that considering today's market scenario, the location of the Property in particular, the supply is far in excess of the demand for commercial pockets. The following explanation and citations are aimed to highlight the reasons for this premise.

- a. With the opening up of the economy and buoyant capital markets a huge upswing was experienced in the property values in Mumbai in the late eighties and early nineties.
However it is during the same period i.e. after 25th March 1991, that the concept of T.D.R. was introduced in Mumbai.
- b. This created additional platform value for even fully tenanted and fully developed properties. Hence even though the F.S.I allowed can be increased upto 1.80 OR even 2.00 depending upon the nature of T.D.R. proposed to the utilized.
- c. Government directives started restricting the use of industrial land plots, and prohibited running of any polluting industry within the municipal limits of city. This was coupled with the rising labour costs and operating expenses that rendered most industrial

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units within the city either sick or were forced to shift to more viable locations beyond the municipal limits of the city. This shift of industries changed the entire matrix of employment in the city.

- d. With a majority of units shifting or closing down even MIDC at Andheri started allowing the change of user from industrial plots to commercial. This caused a huge influx of Land with commercial potentiality that was hitherto untapped, as available for development. The commercial projects that were developed in MIDC and along the Andheri-Kurla Road, even affected the viability of projects at Bandra-Kurla Complex developed as an alternative to Nariman Point.
- e. The other significant step that further augmented the supply of development parcels within the city was the Government of Maharashtra's initiatives to free the mill lands owned by national or sick mills. These lands tracts are sprawling over 180 hectares and would be made available for development in a phased manner. Some of the Private Mills viz. the Kamla Mills have already unlocked the value of their untapped assets and have repositioned themselves as attractive destinations for commercial retail stores and malls. These mill plots are expected to be the future development hubs within the city.

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**DATA PERTAINING TO MARKET ANALYSIS / SALES
COMPARISION**

A few Leave and License transactions in Building-1

Sr. No.	Lessor	Lessee	Floor
1	M/s. A B International	M/s. B Associates	Seventh Floor
2	M/s. C D Shipping	M/s. D Associates	Seventh Floor
3	UNIT	SBI	Twenty Floor
4	TOWER	M/s. Mahalaxmi	Not Available
5	TOWER	Taipei	Not Available

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A few Assignment of Lease Transactions in Building-1

Sr. No.	Assigner	Assignee	Floor
1	M/s. K G Securities	M/s. T C Security	Not Available
2	Not Available	M/s. B K Traders (in Building-3)	Not Available

Spaces Available:

From our discussions with potential buyers, brokers and the XYZ Centre office that there are many commercial spaces available in the same building for outright Assignment of Lease OR on Leave and License basis. A few examples are as under;

1. UNIT has offered the entire 18th Floor it owns to be given on assignment,
2. The entire 8th Floor, owned by UNIT and GATES is for sale.

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3. As displayed on the Notice Board in the foyer of Building-1 the following spaces are available on Leave and License basis
 - a. Commercial Spaces admeasuring about 1460 Sq. Ft and 1442 Sq. Ft are available on the Sixth floor.
 - b. Commercial Spaces admeasuring about 3640 Sq. Ft is available on Fourteenth Floor.
 - c. Commercial Spaces admeasuring about 1310 Sq. Ft., 690 Sq. Ft. and 6290 Sq. Ft. area available on the Nineteen Floor.

4. We are also given to understand that the proposed Seven Star Hotel Project on the rear of Building-1 is scrapped, and instead a new commercial Building is under construction.

Although real estate is a basic and fundamental from of wealth, it has no intrinsic value. Its market value is direct function of the principle of demand and supply. As of today the commercial real property supply is available in plenitude in the vicinity and also even in the same building. This has adversely affected the marketability and subsequently the Realizable Value of the properties in the Building.

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I. VALUATION OF THE PROPERTY PREMISES

The Market Rate considered **per square foot of Built up Area** with due consideration to the various parameters enumerated in the Section 'G' (Method of Valuation) and Section 'F' (Location and Description) viz. Location, Zoning regulations, Specification, Maintenance Standard and availability of commercial Spaces in the Vicinity etc. for this Particular Case as **Rs. -----/-**. *However it is explicitly made clear that the Rate considered is for this Particular Case and for this Particular Purpose and should **NOT** be considered as a Generalized Rate prevalent in the area.*

Considering all the parameters recorded herein above, existing economic scenario, and the information that is available with reference to the development of neighborhood and method selected for valuation, we are of the opinion that, the property premises is estimated and valued a

Rs. -----/- (in word Rupees ----- Only)

For Consultants Ltd.

XXX

Principal Valuer

1xx@gmail.com

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J. STATEMENT OF LIMITING CONDITIONS

1. Assumptions are made to the best of our knowledge and belief. Reliance is based on the information furnished to us by the identifier AND/OR client.
2. The valuer shall not be responsible for matters of legal nature that affects the value and opinion expressed by us.
3. If our appearance is required, we will be pleased to appear and give the necessary clarification, provided the fees for each appearance (excluding traveling, dearness allowance and out of pocket expenses) is pre-determined before the acceptance of the assignment under reference.
4. In no event shall the valuer be held responsible or liable for special, direct, indirect or consequential damages as the assignment has been completed on best efforts, available knowledge and in good intentions of persons concerned and belief.
5. If it is proved that there is an apparent negligence on the part of a valuer, valuers liability of this assignment (whether arising from this assignment, negligence or whatsoever) is limited in respect of anyone event or

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series of events to the actual loss or damage sustained subject to maximum of 80% of the professional fees for the services rendered and in any case not exceeding the amount of Rs. 1000/- (Rupees One thousand only). All the claims against us shall expire after three month from the date of submission of the valuation report provided by us.

6. Experts on product line were associated with us in this assignment.
7. Validity of this report is Three months only.
8. We hereby declare that, "The information furnished above is true and correct to the best of our knowledge and belief. We have no direct or indirect interest in the assets valued. We have not been convicted of any offence and sentenced to a term of imprisonment. We have not been found guilty of misconduct in our professional capacity. We have personally inspected the assets"

For Consultants Ltd.

XXX

Principal Valuer

1xx@gmail.com

Report Format No. III

VALUATION OF COMMERCIAL BUILDING BY RENT CAPITALISATION METHOD (UNDER SCHEDULE III OF THE WEALTH TAX ACT 1957)

REPORT ON VALUATION OF PROPERTY

I GENERAL DETAILS

01. Purpose of valuation :
02. Name of the reported owner
With address & phone number :
03. Document produced for perusal :
04. Brief description of the property :
05. Scope of valuation :
06. If this report is to be used for
Any bank purpose, state the name
Of the bank & branch if known :
07. Postal address of the property
With pin-code :

08. Location: survey No., Ward details :
09. Boundaries of the property
As per deed / Actual
- | | |
|-------|---|
| North | : |
| South | : |
| East | : |
| West | : |
10. Property Tax receipt referred
- | | |
|------------------------|-------|
| Assessment number. | : |
| Tax amount | : Rs. |
| Receipt in the name of | : |
11. Electricity services connection number :
in the name of
12. Remarks if any :

II. QUESTIONNAIRE

01. Character of locality :
02. Classification :
03. Development of the surrounding areas :
04. Is the locality subject to
Frequent flooring? :

05. Feasibility to the civic amenities like school, hospital, offices, markets etc. :
06. Level of land with topographical condition :
07. Shape of land :
08. Type of use to which it can be put :
09. Any restriction of usage :
10. Whether Leasehold / Freehold :
11. Is it in town planning approval layout? :
12. Is it a corner plot? :
13. Road facilities :
14. Water potentiality :
15. Underground sewerages system :
16. Commercial potentiality of the property :
17. Any other sentimental / social issue :
Which may affect the value?
18. Remarks if any :

III. DESCRIPTION ABOUT THE BUILDING

1. Type of contraction :
(Load bearing / framed structure)
2. Quality of construction :
(Superior / I class / II class)
3. Appearance of Building :
(Common / Attractive / Aesthetic)
4. Maintenances of Building :
(New one / Good / Average / Poor)
5. Plinth Area- As per IS 3861 - 1975 :

Floor	Year of Construction (as reported / as per actual observation / as per deed)	Roof	Plinth Area- Main Portion A	Plinth Area- Cantilevered Portion B	Plinth Area- Total A+ 50% of B
G.F.					
F.F.					
S.F.					
	TOTAL				

6. What is the FSI & plot coverage :
FSI: ; P.C.:

7. Building occupied by :
(Owner / Tenants / Both / Vacant)

8. Water supply arrangements :

9. Drainage arrangements :

10. Compound wall :
Length: Height:

IV. RENT & ADVANCE DATAILS

01. Whether the entire premises are :
Occupied by the tenants?

02. If pay tenanted, :
a. tenanted area / portion :

b. owner occupied area / portions :

03. for the tenanted portions, :
a. total advance amount received : Rs.

b. monthly rent : Rs.

04. for the portion occupied by the owner,

a. notional advance : Rs.

b. notional monthly rent : Rs.

05. total income from the property
(as reported by the owner)

: Rs.

Occupier	Portion Occupied	Rental advance (Rs.)	Monthly Rent (Rs.)
Tenants			
Owner		(Notional)	(Notional)
Total			

06. Average rent / sq.m. of plinth area :

07. After comparing with the prevalent rates, whether the valuer is convinced with the genuineness of this rate ? :

08. a) What is the tenancy period ? :

b) What is the unexpired period of tenancy / lease if it is long termed? :

09. Apart from the above, any premium
Collected from the tenants? If so, what
Is the amount and for how many years? :
10. Any service charges are collected from
The tenants? If so, the amount? :
11. Who is bearing the repairs of the
Building-tenants or the owner? :
12. Total extent of land (Aggregate area) :
13. Unbuilt area :
14. a) Locality of building :
- b) The percentage of specified area
as per schedule III of Wealth Tax
Act 1975 (60% / 65% / 70%) :

V. VALUATION

I. GROSS MAINTANABLE RENT (GMR)

- A. (i) Monthly rent from all property : Rs.
(ii) Annual rent from all property : Rs.
- B. Add:
a) Service charges collected from the tenants : Rs.

b) 1/9 th of the actual rent – if repairs are to be borne by the tenants	:	Rs.
c) interest on advance received in excess advance taken	:	Rs.
Less permissible advances (3 month rent)	:	Rs.
Excess advance	:	Rs.
Interest at 15% per annum on Excess advance	:	Rs.
d) premium taken from the tenants divided by number of years	:	Rs.
e) Total (a +b + c + d)	(B) :	Rs.
C. Gross maintainable Rate (A+B)	(I) :	Rs.

II. DEDUCTIONS

1. Municipal taxes	:	Rs.
2. 15% of GMR	:	Rs.
3. Total Deduction	(II) :	Rs.

III. NET MAINTAINABLE RENT (NMR)

Gross Maintainable Rent	(I)	: Rs.
Less Deduction	(II)	: Rs.
Net Maintainable Rent	(III)	: Rs.

IV VALUE OF EXCESS LAND

1. Aggregate Area :
2. Unbuilt up Area :
3. Specified area (... % on aggregate area) :
4. Difference between Unbuilt area and specified area :
5. Percentage differences to aggregate area for Excess lands :
6. Valuation of the property to be further increased by (As per schedule III of Wealth Tax Act Of 1957) :

V. VALUE OF THE PROPERTY

1. The property is freehold or lease hold :
2. If lease hold, for how many years? :
3. Net maintainable rent : Rs.
4. Multiplying factor :
5. Value of the property (3x4) :
6. Increase in value for excess land by ...% :
7. Total value of the property (5+6) : Rs.
8. The composite rate for the propose of :
Comparison $\frac{9 \text{total value}}{\text{Total plinth area}}$
9. After comparing with the prevalent composite rates for the almost similar building with almost similar specifications, whether the valuer is convinced with the genuineness of the composite rate arrived at in (8) :

VI. ANY OTHER DETAILS

VII. CERTIFICATE

1. It is hereby certified that in my opinion
 - i) The present market value of the property by adopting rent capitalization method is Rs..... (Rupees..... only)
 - ii) The forced sale value of the property is estimated as.....% less than the present market value.

2. Number of title deed(s) involved in this property is the relevant document for the subject property in the opinion of this valuer is the deed dated with registration number Registered in the registrar's office,

3. If this property is offered as collateral security, the concerned financial institution is requested to verify the extend of land shown in this valuation report with respect to the latest legal opinion.

4. Value varies with the purpose and date. This report is not to be referred if the purpose is different other than mentioned in I (1).

5. The property was inspected on In the presence of

6. The legal aspects were not considered in this valuation.

7. This valuation work is undertaken by this valuer based upon the request from

8. This valuer is convinced about the unit rental rate [vide SI.No.V (8)].

9. Details of lease agreements (if existing)

10.

Place:

(Panel valuer)

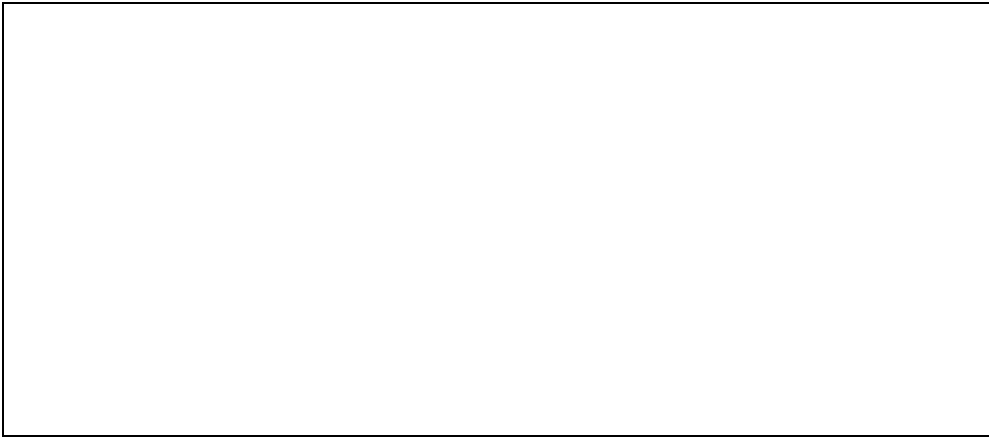
Date:

Note: This report contains..... pages

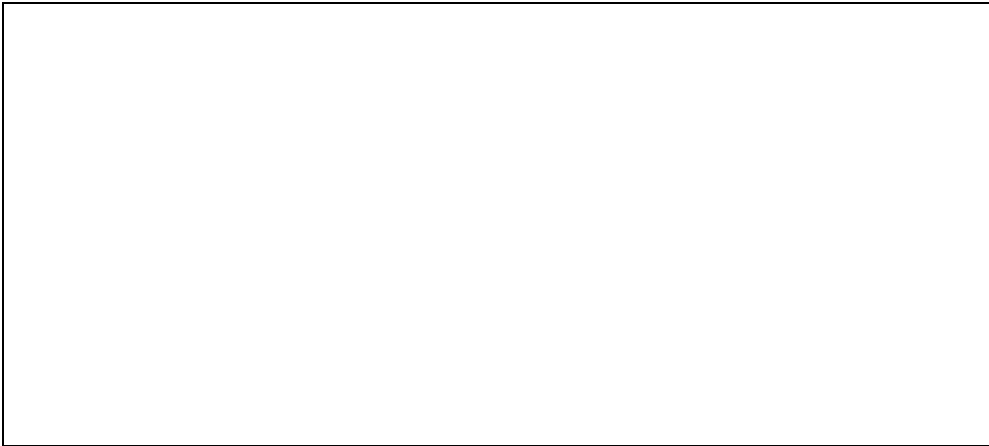
Enclosures:

1. Key plan showing the location of the property
2. Site plan with boundaries.
(Note: The valuer may add any number of additional sheets for providing any vital data and relevant information's.)

**Location plan may be sketch showing Main Street/ near
by Land Mark approach Road, etc**



Photographs



9.0 DISCLOSER REQUIREMENT

- 9.1 Valuer Responsibility.
- 9.2 Valuer must be in compliance with the Competency clause in Indian Valuation Standard.
- 9.3 Valuation reports must not be misleading.
- 9.4 Valuers Fiduciary responsibility towards end user.
- 9.5 Valuer should clearly mention the Limiting conditions.
- 9.6 Valuers are not Responsible for the authenticity of asset documents produce by client and title of property.
- 9.7 Identification of owner is not the responsibility of valuer.

Limiting Conditions / Remarks

- [1] -----
- [2] -----
- [3] -----

10. MODEL LETTER

(TO BE ISSUED BY THE BANK TO VALUER)

..... BANK

Ref. No. :

Date :

To

M/s Shri -----

Valuer.

Sir,

Sub : Valuation of property- Report- Reg. -----

Purpose of Valuation -----

1. We request you to inspect the following immovable / Movable property and furnish your valuation report in duplicate to the bank directly / borrower.

2. Property :Residential building situated in Door No. : -----,
----- Street inCity
Owned by Shri ----- 'X'.

3. Borrower : Shri. ----- 'Y'

4. Xerox copies of the title deed and latest legal opinion are enclosed herewith for your perusal.
5. We have requested the borrower to approach you and arrange for physical inspection.
6. You may inspect the property and furnish the valuation report advising us about the market value / forced sale value/ Releasable Value etc
7. The necessary fees will be paid by the Bank / Borrower.

Yours

Enclosures:

- [1] Title Deed / Legal Opinion
- [2] Property Card
- [3] Layout Plan
- [4] Non- Agricultural Permission
- [5] Commencement Letter / Approval Letter from Statutory Body
- [6] Completion / Occupancy Certificate
- [7] Approved Building Plan

(In case of Property situated outside the limit of Municipal Council / Corporation approval from Town Planning Authority is must)

11. EFFECTIVE DATE

This Guidance Note on Valuation for Banking Purposes, became effective from **18th Aug. 2009**.