
Section 247 – governing section for valuation by registered valuers and the Companies (Registered Valuers and Valuation) Rules, 2017 notified

October 25, 2017

In brief

The Ministry of Corporate Affairs (MCA) has notified the provisions governing valuation by registered valuers [section 247 of the Companies Act, 2013 (the Act)] and the Companies (Registered Valuers and Valuation) Rules, 2017 (the Rules), both to come into effect from 18 October, 2017. In addition, to administer and perform functions under the said rules, the MCA by way of notification on 23 October, 2017, has specified the Insolvency and Bankruptcy Board of India (IBBI) as the responsible authority.

Section 247 of the Act requires that where a valuation is to be made of any property, stocks, shares, debentures, securities or goodwill or any assets or net worth of a company or its liabilities under the provisions of the Act, the same shall be valued by a person having the requisite qualifications, experience, registered as a valuer and member of a registered valuers organisation, in the manner prescribed in the Rules.

The notified Rules lays down the criteria for individuals, partnership entities and companies to be eligible to be registered as valuers under the Act. Apart from this, the Rules contain other aspects pertaining to registered valuers and valuation as follows:

- Process for registration as valuers
- Recognition of registered valuer organisations
- Valuation standards
- Transitional arrangement

Currently, the Act requires a valuation report from a registered valuer in certain cases, such as for further issue of share capital (preferential allotment), non-cash transactions involving directors, compromise and arrangements with creditors and members, purchase of minority shareholding, etc.

In detail

Key provisions from the Rules

Eligibility, qualifications and registration of valuers

- Any person, partnership entities (includes limited liability partnerships) are

eligible to be registered valuers, provided they meet the eligibility conditions prescribed in the rules.

- In case of partnership entities or companies, in order to be eligible as registered valuers (apart from other conditions), it is

necessary that the entity is formed for rendering professional or financial services including valuation and at least three or all the partners or directors (whichever is lower), are registered valuers.

- Qualifications and experience requirements have been prescribed for individuals, to be eligible for registration as valuers. Further, an indicative matrix on requisite qualifications/ experience in specified discipline for asset classes has been provided in the rules.
- To test professional knowledge, skills, values and ethics in valuation, IBBI to either on its own, or through a designated agency, conduct examinations for one or more asset classes, for individuals (who possess the qualifications and experience as specified) and have completed their educational courses as member of a registered valuers organisation.
- Until the Central Government notifies the Indian valuation standards, the registered valuer shall make valuation as per - 1) internationally accepted valuation methods; 2) valuation standards adopted by a registered valuers organisation.
- The Central Government may constitute a committee to be known as “committee to advise on valuation matters” to make recommendations on formulation and laying down of Indian valuation standards and policies for compliance by

companies and registered valuers.

Transitional arrangement

- Any person rendering valuation services, under the Act, on the date of commencement of the rules, may continue to render valuation services without a certificate of registration up to 31 March, 2018. However, if a company has appointed a person for valuation, and the valuation or any part has not been completed before 31 March, 2018, the valuer shall then be given an additional time period of three months to complete the valuation.

Recognition of registered valuers organisations

- A company registered under section 8 of the Companies Act, 2013 (or section 25 of the erstwhile Companies Act, 1956), with the sole object of dealing with matters relating to regulation of valuers of an asset class or classes and professional institutes established by an Act of Parliament enacted for the regulation of a profession are eligible to be registered as Registered Valuers Organisations, provided they meet the following key requirements:

- It conducts educational courses in valuation, in accordance with the syllabus determined by the IBBI.
- Grants memberships or certificate of practice to individuals who possess qualifications and experience as required under the Rules.
- Conducts training for individual members before a certificate of practice is issued.
- Monitors and reviews the functioning, including quality, of services, or valuers who are its members.

The takeaways

The notified Rules attempt to bring in standardisation in the valuation standards in India and ensure that valuation reports disclose a true and fair view and result in greater objectivity in valuation procedures. The increased transparency and fairness in the valuation system would also boost stakeholder confidence by bringing uniformity.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

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