

VALUATION OF REAL ESTATE FOR **BANK FINANCE & LIQUIDATION**

By

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EXTRACTS **FROM PREFACE**

"Several banks have issued guidelines on valuation of real estate to be followed by their empaneled valuers. The purpose of framing such guidelines by the banks is to streamline valuations carried out by their valuers by following the principles of valuation and also to ensure uniform reporting. However, certain guidelines framed by the banks are contrary to the principles of valuation, International Valuation Standards and IBA Handbook 2011 and even contrary to the provisions of Banking Regulation Act, 1949.

This book also highlights the immediate need for improvement required in guidelines on valuation of real estate published by the banks."



> "On one hand the guidelines of banks prescribe a methodology which is contrary to the principles of valuation, International Valuation Standards and IBA Handbook 2011 and on the other hand it requires a valuer to certify that he has carried out valuation satisfying International Valuation Standards and IBA Handbook 2011!!"



CHAPTERS

01 Valuation - What is it?

02 Approaches and Methods of Valuation

03 Valuation of Lease - hold properties

04 Valuation for Liquidation

05 Survey of Global Practices in Valuation for Secured Lending

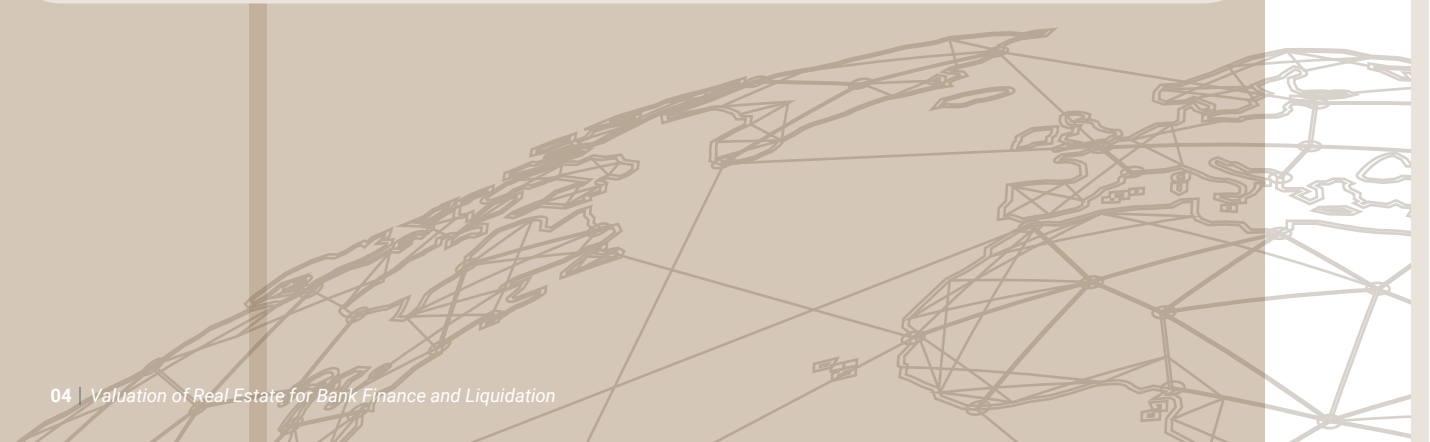
06 Case Studies

07 Shortfalls in Guidelines on Valuation of Real Estate published by State Bank of India, Canara Bank, Union Bank of India, Andhra Bank, Corporation Bank, Indian Overseas Bank, Punjab National Bank, Bank of Baroda, United Commercial Bank, and Indian Banks' Association

CHAPTER - 4
COVERS FOLLOWING TOPICS AMONGST OTHER TOPICS

On one hand, **Insolvency and Bankruptcy Code 2016 (IBC)** defines terms like **'Fair Value'** and **'Liquidation Value'** and on other hand states that such values are to be computed in accordance with internationally accepted valuation standards, **where such terms are defined differently.** It is also interesting to know from global survey given in Chapter-5 that the practice followed globally by majority of countries for estimating liquidation/forced sale values is different than laid down by International Valuation Standards Council (internationally accepted valuation standards).

As majority of the countries are not following practice prescribed by IVS indicates that there are practical difficulties in following the practice prescribed under IVS.



CHAPTER - 7

COVERS FOLLOWING TOPICS AMONGST OTHER TOPICS

- The pitfalls in valuation policies of State Bank of India, Canara Bank, Union Bank of India, Andhra Bank, Corporation Bank, Indian Overseas Bank, Punjab National Bank, United Commercial Bank, and Indian Banks' Association (IBA)
- How Hong Kong Institution of Surveyors and Institution of Surveyors Malaysia safeguard the interests of their members by suggesting appropriate assumptions and limiting conditions
- The level of fees fixed by the Banks is poor
- Interests of service users (Banks) and service providers (Valuers)
- The circumstances under which valuers in India are providing professional service for secured lending
- The policy on valuation framed by banks requires valuers to carry out valuation not as per the principles of valuation. This is really a matter of grave concern requiring immediate attention in the public interest. In view of such valuation policies of the banks it is essential that the interest of service providers must also be protected.
- **Valuation practice in India is unique. It is a well-known fact that parallel economy plays its role in market for various assets, resulting in lack of free flow of information of prices under market transactions. Moreover, unauthorised construction of properties adds imperfectness in the market. (Unauthorised construction with judicial decisions on unauthorised construction is extensively discussed in Chapter - 1.0).**
- Valuation format prescribed by State Bank of India and used by majority of banks
- Information to be collected by the valuer from client suggested by the author
- Format for valuation for various categories of properties suggested by the author
- The steps involved in valuation of immovable property
- Illustration showing valuation under Schedule–III of Wealth Tax Act, 1957 does not satisfy criteria of 'Willing Buyer' and 'Willing Seller' and hence does not satisfy International Valuation Standards, IBA Handbook 2011 and Banking Regulation Act,1949
- **Thorough discussion on each of the Principles of Valuation to be taken into consideration for determination of market value as per:**

The Gujarat Stamp Manual, 1991	The Tamil Nadu Stamp (Prevention of undervaluation of Instruments) Rules 1968 under the Stamp Act	The Karnataka Stamp Act, 1957
The Kerala Stamp Act, 1959	Manuals of Stamp Duty and Registration in Andhra Pradesh	Determination of the market value of property Rules, 1995, The Bombay Stamp Act, 1958





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