

Valuation Services for Financial Instruments



Valuation is an exercise to arrive at the value that would be the best representative of the utility that the asset would provide to a specific person. As the utility of the same asset can be different for different set of people so is the value. Hence, valuation is subjective exercise, whereby valuer uses the his professional judgement to arrive at a value which would be most appropriate given the true nature of the transaction for which the valuation pertains.

Accordingly, the valuer should possess the knowledge and expertise not only in relation to the asset to be valued rather also the transaction proposed to be undertaken. This provides Vinod Kothari Consultants a very unique proposition to act as valuers for the financial instruments given our decades of experience in the financial industry.

Vinod Kothari Consultants P. Ltd. is a premier consulting and training firm dealing in issues relating to financial instruments, structured finance, leasing, asset backed funding, securitisation, non-banking financial regulation etc. The team consists of Chartered Accountants, Company Secretaries, MBAs, Chartered Financial Analysts and Lawyers, operating from Kolkata, Mumbai and New Delhi.

The firm has a past record of carrying out valuation of complex financial instruments including equity shares, share warrants, preference shares etc. Firm has also been involved in valuation of standard and stressed loans pools.

Our expertise lies in valuation of complex financial products including structured finance products. Some of the major valuation assignments undertaken by the firm are as follows:

- Valuation of Sub-hybrid facility, that is structured facility whose cashflows were dependent upon performance of reference assets
- Valuation of standard loans pools from the perspective of investor in such assets
- Valuation of stress loan pool for the originator/seller of such loan pools
- Valuation of structured optionally convertible preference share where convertibility was contingent upon performance of underlying loans
- Valuation of shares of listed/unlisted entities whereby such entities had further invested in differentiated financial product

Our academic resources on the valuations are as follows:

- **A Regulatory Affair: Fair Value Discovery in Preferential Share Issues**
- **Valuation approaches and methods**
- **Indian valuation standards: standardizing the rules of valuation in India**
- **Guide to liquidation valuation for insolvency resolution under the insolvency code**
- **Share valuation in mergers – the court plays umpire**
- **Valuation of shares and bonds**

Our services for valuations may be broadly categorized as follows

- Valuation for sale of business
- Valuation for raising finance
- Valuation for regulatory requirements
- Valuation for merger and acquisition
- Valuation for accounting purposes
- Valuation for taxation purpose
- Internal assessments of business
- Valuation of structured finance products

Valuation for Regulatory Purpose

- Several transactions require valuation to be undertaken as per the regulatory regime in India. Our valuation team with support of regulatory advisory team provides a one stop solution for valuation under applicable regulatory norms
- Valuations team offers a deep specialism in the valuation of unquoted business assets, including shares and intangibles, and the negotiation of values for these assets.
 - ❖ Section 56(2)(vii), (viiia), (x) and (viib) of Income Tax Act 1961, issue & transfer of shares of companies in which public is not substantially interested for nil/adequate consideration is subjected to tax at fair value
 - ❖ As per Section 92C of the Income Tax Act, any international transaction between associated entities and Domestic related party transactions above INR20 Crore needs to be done at Arm's Length Price.
 - ❖ Sec 50D states that where consideration for transfer of a capital asset is not ascertainable, its fair market value shall be determined to be its consideration.

Valuation of Financial Products

- Valuations are needed for many reasons such as investment analysis, capital budgeting, merger and acquisition transactions, financial reporting, taxable events to determine the proper tax liability, and in litigation,
- Sale of loan portfolios, including auction of NPAs require valuation to support the price quoted
- Various Ind AS, specifically Ind AS 109 requires several financial instruments to be recorded at fair value. Our multi-faceted team of advisors, who are engaged in advising some of the India's largest NBFCs, provide assistance in developing required valuation methodologies.
- Our specialized team may assist in providing guidance and/or undertaking complex structured finance products

Business Modelling & Analytics

- Our team of finance professionals offer services for developing business models and financial projections for business proposes and situational analysis.
- We assist in developing statistical analysis model and computations for various financial transactions and instruments

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Vinod Kothari Consultants P. Ltd.

Vinod Kothari Consultants is a premiere training and consulting firm in the field of securitisation, direct assignment, structured finance, leasing, asset backed lending, mortgage finance, accounting for financial instruments, credit derivatives etc. Headquartered in Kolkata, the team consists of Chartered Accountants, MBAs, Company Secretaries, Lawyers etc.

The firm has been in existence for past 30 years and has been offering services various renowned private and public sector entities in India and outside India, including multilateral organisations like IFC, ADB etc.



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