

BUSINESS VALUATION UPDATE

TIMELY NEWS, ANALYSIS, AND RESOURCES FOR DEFENSIBLE VALUATIONS

A Recap of the Business Valuation Summit in Bangalore, India

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The Business Valuation Summit was held in Bangalore, India, on Jan. 17, 2018, to discuss the new draft regulations for a Registered Valuer Organization (RVO), issued by the Ministry of Corporate Affairs, and the valuation education and accreditation required to support India's rapid growth in the global economy. Organized by I-Deals Network and the International Institute of Business Valuers (iiBV), with sponsors including the International Valuation Standards Council (IVSC), Business Valuation Resources, Duff & Phelps, and Annveshan, the summit featured leading experts from India and eight nations in valuation, private equity, venture capital, and corporate users.

Discussion highlights. The agenda for the summit included presentations on RVOs worldwide, panel discussions on valuations in insolvency and bankruptcy proceedings, startups, M&A and private equity transactions, and best practices and methodology challenges in valuations in India.

Highlights from the panel discussions included commentary on the existing draft regulations, with challenges and opportunities for the new RVO being formed, current conditions in performing valuations with comparable market data not always available, the current climate for doing private equity and VC transactions in India, developing supportable cost of capital calculations in India, valuations of financial instruments, and challenges in valuing business interests and intellectual property.

Nick Talbot, CEO of the IVSC, gave the keynote presentation on "an overview of the global BV profession and the imperative for adopting international standards for business valuations." The panel on the need for regulation in the business valuation profession, moderated by Michael Badham of the iiBV, and including Mark Zyla, chair, IVSC Standards Review Board, discussed valuation standards; which standards to choose for methodologies, ethics, and professionalism; the proposed regulations; international and India-specific designations; and establishing a peer review process. The discussion on Insolvency and Bankruptcy Code by Varun Gupta of Duff & Phelps highlighted the role of registered valuers, distressed asset valuations, and litigation arising under the Insolvency and Bankruptcy Code. The discussions on startups featured commentary on how it differs from other business valuations, key issues and how to resolve them, and whether tech startups are in a bubble. The M&A and PE panels discussed transactions on the buy side and sell side, while the best practices panel highlighted challenges in developing supportable cost of capital, financial instruments, and other valuation challenges in India.

The participants viewed the summit as a success, with Nick Talbot summarizing the event as "a great first conference for I-Deal Networks, attended by numerous influential business valuation leaders from across India as well as globally. It profiled the relevance of international valuation standards at a time when India is making decisions as to the future of its valuation standards and provided useful debate and insights in relation to India's new regulatory requirements. The

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new regulation—if implemented well—is a key step in the progression of standards and the profession in one of the largest markets in the world, and the Bengaluru conference helped demonstrate the value of an international approach for India as well as provide an understanding of key local technical issues for valuers in attendance.”

The MCA has appointed the Insolvency and Bankruptcy Board of India (IBBI) to create advisory groups to draft the examinations, and several existing and new RVOs are creating educational programs to assist in the Registered Valuer exam requirements, which the RVOs will deliver in classes of not less than 50 hours. The details of the education courses for the Asset Class of Securities or Financial Assets examination includes modules on macroeconomics; finance; professional ethics and standards; financial statement analysis; general laws and judicial pronouncements; valuation approaches and methodologies; valuation application to equity/business valuation, fixed income securities, options, financial instruments and liabilities, and situation-specific valuations; laws and regulations relevant to financial assets valuation, and case studies. The requirements can be viewed at the IBBI website at ibbi.gov.in/ValuationExamination.html.

Future summits. The next summit in the series is planned for early May in Mumbai, with additional summits in Delhi and regional summits in Southeast Asia. The agenda at the Mumbai Summit will include an update on the Registered Valuer professional examination criteria and accreditation, due March 31, 2018. The iIBV will be offering continuing education workshops in conjunction with the Mumbai Summit. ♦

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