

VALUATION ESSENTIALS LAND & BUILDING — (VOL-II) —

PROFESSIONAL GUIDE FOR VALUERS
& FINANCIAL INSTITUTIONS

(With Legal Tools, Report
Formats, Site Inspection &
Certification Practices)

PROFESSIONAL
GUIDANCE

Ideal for practicing valuers, this book equips professionals with real-world tools, legal safeguards, and ready-to-use report formats for accurate and defensible valuations.

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IBBI Reg. Valuer & Chartered Engineer

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On Panel of Various Nationalized Banks and Financial Institutions

Empowering valuation professionals with practical skills, legal awareness, and industry-ready insights.

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Dedication

To my beloved father,
who believed in me even before I believed in myself.

Your encouragement, quiet strength, and unwavering support have been the foundation of my journey.

This book is a small reflection of the values you instilled in me—
discipline, humility, and the courage to pursue my passion.

Thank you for being my greatest inspiration.

— *Vr. Shubham Bansal*

Preface

Valuation plays a pivotal role in lending decisions, investment planning, asset management, and legal disputes. In today's dynamic financial environment, the expectations from a valuer go far beyond basic estimation—they include legal awareness, technical expertise, ethical integrity, and regulatory compliance.

This second volume of *Valuation Essentials – Land & Building (Vol II)* has been written with the objective of equipping valuation professionals, engineers, bankers, and NBFC officials with practical knowledge, updated formats, legal safeguards, and field-ready tools. It bridges the gap between theoretical knowledge and real-world application, ensuring that readers are prepared to handle on-site inspections, defend their reports, and comply with banking, IBBI, and RBI norms effectively.

The book draws upon authoritative sources such as:

- *B. Kanga. Sabapathy* classic work on “Guideline on Valuation for Banks”
- Official *RBI circulars and guidelines* on valuation and empanelment of valuers,
- *IBBI Registered Valuer Regulations* and related valuation standards,
- Internal *valuation policy documents of leading nationalized banks* such as PNB, SBI, and Bank of Baroda,
- *IBA's Model Valuation Report Format* and instructions to valuers, and
- Reference to *Guidelines on Bank Valuation* published in professional forums and institutional seminars.

Drawing from my personal experience as a registered valuer empaneled with multiple nationalized banks, this book captures the common doubts, challenges, and expectations encountered during the valuation process. From checklists and certification practices to precautions that can legally safeguard valuers—this book is a hands-on guide for both beginners and seasoned professionals.

I am deeply grateful to all the mentors, bank officials, fellow professionals, and learners whose queries, suggestions, and feedback helped shape the content of this work. I also thank my readers for the encouraging response to Volume I, which has further inspired me to continue this journey of knowledge sharing.

May this book serve as a reliable companion in your professional practice and help you uphold the standards of integrity, accuracy, and responsibility in valuation work.

With best wishes,

With gratitude,

Vr. Shubham Bansal

Author & Consultant

IBBI Registered Valuer – Land & Building

Valuation Essentials: Land & Building (VOL-II) for Engineers, Professionals

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Chapter-1: Regulatory Guidelines for Bank Empanelment of Valuers

(With updated references from IBBI, CBDT 34AB, IBA, Institution of Valuers, and Draft Valuer Bill 2020)

Valuation of assets is essential for various financial, taxation, investment, and legal purposes. To maintain the credibility and accuracy of valuation, banks, financial institutions, and regulatory bodies require empanelment of certified valuers under different statutory provisions.

1. Purpose and Need for Valuation

Valuation is critical for:

- Loan security
- Taxation
- Financial reporting
- Legal dispute resolution
- Insolvency and bankruptcy

Assets that typically require valuation include:

- Immovable Property (Land & Buildings)
- Agricultural Land
- Plant & Machinery
- Mines, Quarries
- Shares, Debentures
- Jewellery
- Artworks
- Automobiles & Infrastructure
- Life interest, Chemicals, etc.

A single valuer cannot be competent across all asset classes. Hence, distinct qualifications and empanelment's are essential.

2. Classification of Valuers by Regulation

Regulation	Valuer Type	Scope	Limitation
Wealth Tax Act (Sec 34AB)	Registered Valuer (CBDT)	Valuation for Income Tax/Wealth Tax	Cannot undertake IBC purposes
IBBI (Companies Act, 2013 Rules)	Registered Valuer (via RVOs)	Valuation under IBC, SEBI, MCA, liquidation, merger	Not valid for direct bank loan valuation unless empanelled/bank NPA cases
Bank Panel Valuer (IBA/RBI norms)	Empanelled Panel Valuer	Lending, secured assets,	Cannot certify for taxation or insolvency without other licenses

3. Categories of Valuation Assets Recognized by Institution of Valuers (IOV)

Sr. No	Asset Category
1.	Immovable Property
2.	Agricultural Lands
3.	Coffee, Tea, Rubber, Cardamom Plantations
4.	Forests
5.	Mines and Quarries
6.	Stocks, Shares, Debentures, Securities
7.	Plant & Machinery (Mechanical/Electrical/Chemical)
8.	Jewellery
9.	Works of Art
10.	Life Interest
11.	Chemicals
12.	Automobiles, Transport & Highway Engineering

Empanelment and licensing are category-specific.

Guidelines for Valuer Empanelment under IBBI and CBDT (Section 34AB of Wealth-tax Act) with respect to Education, Experience, and Empanelment Process:

Sr. No.	Aspect	IBBI Registered Valuer (as per Companies Act, 2013)	CBDT Valuer (Wealth Tax Act, Section 34AB)
1	Regulating Body	Insolvency and Bankruptcy Board of India (IBBI)	Central Board of Direct Taxes (CBDT)
2	Applicable Law	Companies (Registered Valuers and Valuation) Rules, 2017	Wealth-tax Act, 1957 – Section 34AB
3	Education Qualification	Graduate in relevant discipline (e.g., Civil Engg., Architecture, etc.)	Varies by asset class: For Land & Building: Degree/Diploma in Civil Engg./Architecture
4	Experience Requirement	- 3 years post-qualification experience (for post graduates) - 5 years (for graduates)	Minimum 2 years (Post Degree) or 10 years (Degree) experience in valuation
5	Age Limit	Min. 21 years	Not specified
6	Membership	Must be member of an RVO (Registered Valuer Organisation) recognized by IBBI	Must be empanelled with the Chief Commissioner or Director of Income Tax
7	Training Required	50 Hours mandatory training from RVO	No structured training but practical knowledge preferred
8	Exam Requirement	Must pass IBBI Valuation Exam (Conducted by IBBI/NISM)	No written exam; experience-based approval
9	Certificate Validity	Renewable per year COP	Initially for 3 years, then renewable
10	Application Process	1. Join RVO 2. Complete 50-hour training 3. Pass IBBI exam 4. Apply online on IBBI portal with documents	Submit Form O (offline) with required documents to CBDT authorities
11	Scope of Work	Valuation under Companies Act (e.g., mergers, restructuring, insolvency, etc.)	Valuation for wealth tax, capital gains, income tax, etc.
12	Limitation of Work	Can't act beyond domain (e.g., L&B valuer cannot do Plant & Machinery valuation)	Limited to the asset class and valuation purpose approved under 34AB
13	Empanelment Name	Registered Valuer (IBBI)	Approved Valuer under Wealth-tax Act
14	Official Website	www.ibbi.gov.in	www.incometaxindia.gov.in

5. Panel Valuers for Different Assets

"THE RIGHT MAN FOR THE RIGHT JOB" principle applies:

- Land & Building: Civil Engineer
- Plant & Machinery: Mechanical/Electrical Engineer
- Shares/Equity: Chartered Accountant
- Agri Land: Agriculture graduate

Mixing categories is strictly prohibited unless done on a turn-key basis with associate experts.

6. Valuation Integrity Principles

Banks must issue a **letter specifying the purpose** before valuation:

1. **Value varies with purpose**
2. **A report for one purpose is invalid for another**
3. **Value is a function of place, purpose, and date**

Banks must confirm:

- Valuer was competent and approved
- Specific letter was issued
- Hearing opportunity given before action
- Valuation aligns with stated purpose

Valuers may receive assignments from banks or institutions situated in different districts or states. In such cases, the **valuer's jurisdiction** and **validity of empanelment** extend nationally.

However, the bank should follow the below norms to ensure smooth operations:

Guidelines:

1. All-India Jurisdiction:

The empanelment is valid throughout India. If a valuer is preparing a report for a property located outside their base city or state, they must attach a **xerox copy of their empanelment letter** to validate authority.

2. Prefer Local Valuers (if assigned by bank):

To avoid **additional travel costs** and **delay for borrowers**, banks are advised to assign valuation to **locally based valuers** where feasible.

Example:

Mr. A is a panel valuer in Delhi but receives a valuation request for a property in Lucknow. Since it is an inter-state job, he must attach a copy of his empanelment letter and confirm with the bank. If the assignment was generated centrally by the bank's head office, this is acceptable. However, if it's a local loan, the bank may prefer a Lucknow-based valuer.

6.1 VALUATION FORMAT FOR DIFFERENT PROPERTY TYPES

Valuation methods and presentation formats **vary depending on**:

- The **type of asset**
- The **purpose** (e.g., loan, sale, tax, litigation)
- **Market conditions** and asset use

A **single format cannot suit all valuations**, hence, multiple formats are prescribed:

Suggested Valuation Formats

Format Type	Description	Example
Land & Building Method	Based on land cost + depreciated construction cost	Independent house with 100 sq. yd land + 1200 sq. ft. built
Composite Rate Method	Per sq. ft. or per sq. m. rate applied to area	Flat in apartment = 1200 sq. ft × ₹5,000/sq. ft.
Rent Capitalisation Method	Commercial income-producing properties valued via rent yield	Shop earning ₹1,00,000/month × capitalisation rate of 10% = ₹1.2 Cr
General Valuation Format	Used where no specific method applies	Industrial shed in semi-urban location
Housing Finance Reports	Prepared in 3 stages:	
For home loans under construction		
Vacant Site Valuation	Based on prevailing land rate and location advantages	Empty residential plot near highway valued by circle rate or market comps
Agricultural Land Valuation	Based on crop yield, soil type, irrigation, and local prices	1 acre irrigated land yielding wheat and mustard valued at ₹X/acre

Important Notes for Practitioners:

- **Valuation reports are not readymade garments.**
Each assignment may need additional annexures (legal status, market comparables, depreciation table, GIS coordinates, etc.).
- **Standardised formats may limit accuracy** — use suggested formats as a guide, but apply professional judgment for:
 - Physical condition
 - Legal constraints (litigation, title)
 - Market dynamics (demand, accessibility)

Practical Tip:

For older buildings, use the **Depreciation method under CPWD norms** along with plinth area estimate.

For under-construction flats, ensure **work progress photos** and **staged disbursement logic** is applied.

7. Disciplinary Action Process

If the valuer:

- Commits serious error
- Shows bias
- Is unqualified for the asset

Then:

- The bank forms a **joint committee** with an independent valuer
- Reports are scrutinized
- Institution of Valuers and/or IBBI are notified
- Name can be **removed from the panel**

8. Draft Valuer Bill – What Happens After It Passes

- Create a central authority (like ICAI)
- Compulsory registration under IBBI
- Override 34AB and other non-uniform systems
- Make dual registration illegal
- Enforce valuation standards uniformly
- Establish an appellate tribunal for valuer misconduct

Golden Rules for Aspiring Valuers

– Wisdom Nuggets to Build a Lasting Career –

1. **Great things take time** — Be patient. Excellence isn't Amazon Prime; it doesn't deliver overnight, but when it does, it's priceless.
2. **No elevators to success** — Only staircases. Take one solid step at a time — growth happens *during* the climb, not just at the summit.
3. **Quality over shortcuts** — In valuation and life, when quality leads the way, credibility and rewards naturally follow.
4. **Mistakes are mentors** — Make a thousand if you must, but let each be *new*. Repeating mistakes is how careers stumble.
5. **Ask boldly** — Doubt kills more potential than failure ever will. Questions open doors; silence keeps them shut.
6. **Make your own path** — Don't just follow market standards — set them. Blaze a trail that others will want to follow.
7. **Safe is not your calling** — Like a ship, you weren't built for harbors. Be bold. Every new assignment is your ocean.
8. **Stay humble** — No matter your years or expertise, mastery is a mirage. Even Newton admitted he was just picking pebbles on an endless shore.
9. **Roofs aren't limits** — The sky is. Don't let local practice, peer pressure, or temporary failures clip your wings.
10. **Be daring, not dull** — Valuation rewards the brave — those who *act*, not just plan. The timid watch from the sidelines.

CERTAIN GUIDELINES FOR PANEL VALUERS

(With Practical Tips, Professional Examples & Do's and Don'ts)

01. DESERVE FIRST, DESIRE NEXT

Tip: Focus first on mastering valuation fundamentals, field experience, and regulatory knowledge before aspiring for bank empanelment.

✿ *Example:* Before applying to SBI or PNB or other banks as a valuer, complete IBBI registration or 34AB training, attend property inspections with a senior valuer, and study formats like Land & Building method thoroughly.

02. Value Varies with Purpose

Valuation of the same property can differ for:

- Loan purpose (bank valuation)
- Sale (Personal valuation)
- Litigation (disputed value)
- Income Tax (fair value for capital gain)

Tip: Always ask for the **purpose of valuation**. Attach the purpose clearly in your report header.

✿ *Example:* A flat valued at ₹50 lakhs for bank loan (distress value) might fetch ₹65 lakhs in open market valuation.

03. Obtain a Specific Letter from the Bank

Insist on a written request from the bank mentioning:

- Client name
- Property details
- Loan type
- Purpose of valuation

Tip: Without this, you may face disputes over liability or report misuse.

04. Avoid Cross-Category Valuation

Do not value an asset if you're not certified for its category (as per IOV/IBBI/34AB norms). Instead, engage the services of the competent valuer.

✿ *Example:* A civil engineer valuing plant & machinery can lead to panel cancellation if challenged.

05. Never Issue Valuation Without Site Visit

Valuation without site inspection can:

- Miss encroachments or illegal construction
- Ignore physical deterioration
- Cause inaccurate measurements

Tip: Always include **site visit date and photo proof** in report annexures.

✿ *Example:* A valuer in Ghaziabad valued a 2-storey house without visiting and missed the illegal third floor – leading to loss for the bank and delisting of the valuer.

06. Your Report is Your Identity

Prepare the report as a **legal document**, not a formality. Include:

- Purpose
- Methodology
- Rate Source
- Physical/Legal Status
- Disclaimers

Tip: Use comparative tables, clear photographs, and checklists.

07. Be Ready to Defend Your Report in Court

If your report is challenged in a legal case or by borrower:

- You must explain your valuation logic.
- A weak or template-based report may collapse.

✿ *Tip:* Keep backup evidence — market rate printouts, inspection photos, field notes, circle rate screenshot, etc.

Remember: “A report which cannot be defended has only a little value.”

Chapter 2: Core Principles and Standards of Property Valuation

(In Accordance with IBBI Guidelines and Indian Valuation Standards)

1. Definition of Cost, Price, and Value

Understanding the distinction between **Cost**, **Price**, and **Value** is essential for any valuation assignment. These terms are defined as per the **Indian Valuation Standards** and guided by the **IBBI framework** as follows:

- **Cost**

Cost is the amount of expenditure incurred to acquire or produce an asset. It includes all expenses related to material, labour, services, and overheads necessary to bring the asset to its intended use.

Example: If a building is constructed for ₹80 lakhs, that is the **cost**, regardless of market fluctuations.

- **Price**

Price is the amount paid in a transaction between a buyer and a seller. It reflects the outcome of negotiation and market forces and may or may not reflect the asset's value.

Example: The same building may be sold at ₹95 lakhs due to high demand. Hence, ₹95 lakhs is the **price**, even if the cost was only ₹80 lakhs.

- **Value**

Value refers to the estimated worth of an asset for a specific purpose, at a specific time, under certain assumptions. It is influenced by market conditions, utility, demand, and location. Value is **not inherent** and varies depending on the intended purpose of valuation.

Example: A bank may value the property at ₹90 lakhs for mortgage purposes, while the insurance company may value it differently for risk coverage.

Key Takeaways

- **Cost is a Fact** – It reflects what was spent.
- **Price is a Policy** – It reflects what was paid.
- **Value is an Opinion** – It reflects what something is worth.

2. Types of Assets Requiring Valuation

As per **IBBI Guidelines** and **Indian Valuation Standards (IVS 201 & IVS 302)**, the following assets require valuation services:

Immovable Properties

- Land and Building (residential, commercial, industrial)
- Agricultural Lands
- Plantation Estates (e.g., Coffee, Tea, Rubber)
- Forest Land

Movable Properties

- Plant & Machinery
- Equipment and Industrial Tools

Specialized Assets

- Mines, Quarries, and Natural Resource Sites
- Jewellery and Precious Items
- Works of Art and Antiques

Financial Assets

- Shares, Stocks, Debentures, and Securities
- Intangible Assets (in certain registered categories)

3. Purposes of Valuation (As per IVS 101 & IBBI Practice Guidelines)

Valuation is conducted for various financial, regulatory, legal, and commercial objectives. Some key purposes include:

Purpose	Explanation
Investment	To analyse the feasibility of acquiring a property for future returns.
Self-occupation	For personal property buying decisions.
Sale or Purchase	To decide on a fair transaction value.
Mortgaging	Required by banks for collateral against loans.
Arbitration & Legal	For dispute resolution, arbitration, or legal proceedings.
Taxation	For Property Tax, Stamp Duty, Capital Gains Tax, Wealth Tax.
Land Acquisition	For determining compensation in public acquisition cases.
Insurance	To assess insured value in case of loss/damage.
Mergers/Amalgamations	For asset value during restructuring or splitting.
Succession/Probate	Required in legal succession or will execution.
Speculation	Used by investors to analyse profitability of future appreciation.
Court Proceedings	Used in divorce, settlement, or compensation claims.

Valuer's Practical Note (as per IBBI Best Practices):

- Clearly define the purpose of valuation in the report.
- Use correct basis of valuation – such as Market Value, Fair Value, Liquidation Value, etc.
- Follow the Code of Conduct and Valuation Standards 101–105 issued by the IBBI.
- Ensure independence, integrity, objectivity, and professional competence.

As per **IBBI (Registered Valuers and Valuation) Rules, 2017** and Indian Valuation Standards:

- **Valuation Report must include:**
 - Purpose and scope of valuation
 - Assumptions and limitations
 - Basis of Value (Market, Fair, Liquidation, etc.)
 - Valuation date and methodology used
- **Mandatory Professional Ethics:**
 - Independence and objectivity
 - Confidentiality and due diligence
 - Proper documentation and audit trail
- **Standards Followed:**
 - **IVS 101** – Scope of Work
 - **IVS 102** – Investigations and Compliance
 - **IVS 103** – Reporting
 - **IVS 104** – Bases of Value
 - **IVS 105** – Valuation Approaches and Methods

Table of Property Values – Definitions Used by Professionals

Sr. No.	Type of Value	Professional Definition (Industry-Accepted)
1.	Market Value	The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where both parties acted knowledgeably, prudently, and without compulsion.
2.	Guideline Value (Circle Rate)	The minimum value of a property notified by the state government for the purpose of calculating stamp duty during registration.
3.	Book Value	The value of an asset as recorded in the books of accounts, typically the cost of acquisition minus accumulated depreciation.
4.	Salvage Value	The estimated residual value of an asset that can be recovered after its useful life, assuming the asset is still functional.
5.	Scrap Value	The amount that can be realized from the dismantling and sale of materials from a structure, net of demolition costs.
6.	Insurance Value	The amount for which a building is insured, representing the cost to reconstruct the superstructure only, excluding land and foundation.
7.	Potential Value	The forecasted value of an asset based on future developments or changes in its highest and best use potential.
8.	Distress Value	The price a property would fetch in a forced or urgent sale situation, usually lower than market value due to time or pressure.
9.	Speculative Value	The price paid by an investor based on expectations of future market appreciation and risk-taking intent.

10.	Monopoly Value	A value higher than market price that results when a vendor has exclusive control or limited availability over a specific asset.
11.	Sentimental Value	An emotional or personal value assigned to a property by the owner, not based on market conditions or rational investment factors.
12.	Fancy Value (Desired Value)	A value paid by a purchaser due to specific personal preference or urgent need, which exceeds the property's market value.
13.	Replacement Value	The cost required to replace an asset with another of equivalent utility, using modern materials and techniques at current prices.
14.	Depreciation Value	The amount by which the value of an asset has declined due to usage, aging, functional or economic obsolescence.
15.	Present Value	The current worth of an asset after deducting depreciation from its replacement cost.
16.	Liquidation Value	The likely price of an asset if it were to be sold in a short time frame, typically under distressed conditions.
17.	Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
18.	Forced Sale Value	The price at which an asset will sell in the market within a limited time frame, often due to lender or legal enforcement.
19.	Residual Value	The land value derived by subtracting total development cost and developer's profit from the total projected sale proceeds of the project.
20.	Going Concern Value	The total value of a business including tangible and intangible assets, assuming the business will continue operating.
21.	Synergistic Value	The enhanced value resulting from combining two or more assets or businesses where the combined value exceeds the sum of individual values.
22.	Net Realizable Value (NRV)	The estimated selling price of an asset in the ordinary course of business minus the estimated costs of completion and sale.
23.	Reversionary Value	The expected value of a property after the expiration of an existing lease or tenancy, assuming it reverts to full market rent.

Summary Notes:

- Only values such as **Market Value**, **Fair Value**, and **Replacement Value** are generally accepted in professional valuation reports.
- Values like **Sentimental**, **Fancy**, or **Speculative** are not used in IBBI-compliant reports.
- Use **Depreciation and Present Value** in cost-based approaches especially for older properties.
- **Going Concern**, **Residual**, and **NRV** values are used in specialized assignments such as mergers, bankruptcies, and inventories.

Sr. No.	Type of Value	Example 1 – Simple & Common Case	Example 2 – Confusing or Misleading Case for Valuer
1	Market Value	A 3BHK flat sells for ₹75 lakh through proper listing and open offers.	A brother sells his share of ancestral home at ₹55 lakh to his sibling; may seem market price, but it's not arm's length.
2	Guideline Value	Govt. circle rate is ₹6,000/sq.ft; sale happens at ₹7,000/sq.ft.	Area has no notified circle rate – valuer wrongly assumes nearest area's rate without proper justification.
3	Book Value	A machine bought for ₹10 lakh, depreciated to ₹4 lakh in company books.	Valuer uses book value for market valuation – incorrect if market value differs widely.
4	Salvage Value	An old AC unit has ₹2,000 resale value if sold after 10 years.	Valuer confuses it with scrap value (breaking parts) instead of functional reuse.
5	Scrap Value	₹15,000 received for dismantling iron parts of old shed after demolition.	Valuer does not deduct ₹5,000 demolition cost and wrongly shows higher value.
6	Insurance Value	₹80 lakh insured for building structure without land.	Valuer includes land cost in insurance value, which should be excluded.
7	Potential Value	A farmland near new highway may reach ₹3 crore after zoning change.	Valuer assumes future potential as current value without legal approval.
8	Distress Value	A flat sold at ₹40 lakh urgently due to owner's medical emergency.	Valuer wrongly considers it as market value in report.
9	Speculative Value	An investor pays ₹2 Cr for land expecting 5X price in 10 years.	Valuer uses speculative price instead of current market comparable sales.
10	Monopoly Value	Only shop inside gated community sold at ₹50 lakh, though similar outside cost ₹30 lakh.	Valuer uses outside rate and undervalues monopoly element.
11	Sentimental Value		

➤ **Plot Coverage:**

It is the **ratio** of the **ground floor covered area** (plinth area) to the **plot area**.

$$\text{Plot Coverage} = \frac{\text{Ground Floor Area}}{\text{Plot Area}}$$

Formula:

Example 1 (Simple Case):

Element	Value (in sq.ft)
Plot Area	3,000
Ground Floor (GF)	2,000
First Floor (FF)	2,000
Second Floor (SF)	1,800
Total Built-Up Area	5,800

Calculation:

- $\text{FSI} = 5800 / 3000 = 1.93$
- $\text{Plot Coverage} = 2000 / 3000 = 0.67$ or **67%**

Example 2 (Irregular Floor Sizes):

Element	Value (in sq.ft)
Plot Area	5,000
GF	2,000
FF	1,500
SF	1,200
Terrace Floor	500
Total Built-Up	5,200

Example 3 (High-Rise with Basement and Stilts):

Element	Value (in sq.ft)
Plot Area	10,000
GF (Stilt – not counted)	0
FF	3,500
SF	3,500
3rd Floor	3,000
Basement (not in FSI)	2,500
Total Built-Up (FSI)	10,000

Calculation:

- $\text{FSI} = 10,000 / 10,000 = 1.00$
- **Plot Coverage = 0** (no plinth-level coverage due to stilt) = **0%**

Note: Basement and stilts may be excluded from FSI as per local byelaws.

Example 4 (Complex Site With Multiple Buildings on a Plot):

- **Total Plot:** 20,000 sq.ft
 - **Building A:** 3 Floors x 2,000 = 6,000 sq.ft
 - **Building B:** 2 Floors x 1,500 = 3,000 sq.ft
 - **Building C:** 1 Floor = 1,000 sq.ft
- Total Built-Up** = 6,000 + 3,000 + 1,000 = 10,000 sq.ft

FSI = 10,000 / 20,000 = **0.50**

Total Plot Coverage = (GF of A + B + C) / Total Plot
 = (2,000 + 1,500 + 1,000) / 20,000 = **4,500 / 20,000 = 0.225** or **22.5%**

Definition: Land Locked Land (LLL)

A **Land Locked Land** refers to a parcel of land that **has no direct or legal access to a public road, street, or highway**. It is completely **surrounded by other privately owned lands**, making entry, exit, or utility connection impossible without the cooperation or legal obligation of surrounding landowners.

Key Features:

- No frontage or direct access to a public thoroughfare.
- Surrounded entirely by other private properties.
- Not feasible for development or transfer without legal access.

Legal Provisions & Clause References

1. Indian Easements Act, 1882

The most important statute in resolving landlocked issues through "**easement rights**."

Section 52 – Easement of Necessity

- **Definition:** When a person transfers land but does not provide any access to it, a right of way (easement of necessity) arises.
- **Essence:** This easement is granted **only so far as it is necessary** for the reasonable enjoyment of the land.
- **Example:** A land parcel sold without road access implies the buyer has an easement of necessity over the seller's remaining land.

Section 53 – Easement by Implication

- Even if not expressly stated in a deed, a right of access may be **implied**, especially if historically such a path existed.

2. Transfer of Property Act, 1882

Section 44 – Transfer by One Co-owner

- If one co-owner sells their undivided share to a third party, the new owner **inherits the right to use common access** routes.
- Important in LLL cases where **access lies over jointly owned property**, or access paths cross co-owned lands.

Remedies for Land Locked Land

1. Easement of Necessity (Legal Route)

- File a civil suit under **Easements Act**, pleading for an access path across neighbouring land.
- Must prove **absolute necessity**, not just convenience.

2. Mutual Agreement

- Negotiate with neighbouring landowners to purchase a strip for access or **sign a right-of-way agreement**.

3. Partition Suit (in Co-ownership cases)

- If the land is jointly owned and access is denied, file a **partition suit** to claim a specific access route.

4. Public Authorities

- In some cases, local authorities may **intervene** and enforce access paths for just and fair land use, especially in urban planning or slum redevelopment.

5. Doctrine of Easement by Prescription

- If a path is used openly, peacefully, and continuously for **20 years**, a **prescriptive easement** may be claimed.

Valuation Implication for Land Locked Land

Condition	Effect on Value
No access	Property is often valued at low salvage or speculative value only.
Potential for easement	Slight appreciation depending on legal strength.
Road assured via agreement	Can be valued close to market rate .
Litigation pending	Needs to be clearly disclosed; value reduced.

Important Case Laws

1. Maneklal Mansukhbhai v. Hormusji Jamshedji Ginwalla

SC held that

- 2.
- 3.
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- 16.

17. Legal Challenges Involving Land Locked Lands

1. Right of Way Disputes

- Owners often file suits under **Section 13 of Indian Easements Act** to obtain a right of way.
- Long-standing use of a pathway may give rise to **prescriptive easement**, but proving this in court can be time-consuming and costly.

2. Development Restriction

- **Municipal approval** for building plans requires road access.
- Many authorities reject building plans on land locked plots unless access is regularized.

3. Fragmentation and Ownership Disputes

- Many times land locked plots are part of inherited properties or fragmented holdings, leading to **title disputes**.

Interesting Fact:

In some states like Maharashtra and Tamil Nadu, **revenue authorities or local panchayats** may intervene to **mandate access** if no path exists for essential services. This is called *compulsory access provision*.

Examples of Land Locked Land (LLL) – Scenarios, Legal Challenges & Valuation Impact

Sr. No.	Title	Scenario	Legal Issue	Valuation Impact	Valuer's Tip
1	Urban Infill Trap – Delhi NCR	200 sq. yd plot in Gurugram surrounded by buildings; no access or right of way.	No registered access; builder demands ₹10 lakh for passage; no municipal road.	Prevailing rate ₹1.2L/sq. yd; 75% deduction applied; final value ₹30,000/sq. yd.	Highlight isolation, mention lack of access; suggest legal easement or negotiation.
2	Inherited Farmland – Maharashtra	Two brothers inherit land; rear portion (Brother B) has no access over Brother A's plot.	Brother B filed for easement by necessity; court granted 12 ft right of way.	Initially 75% deduction; reduced to 25% post court-granted easement.	Mention litigation status and provisional valuation pending resolution.
3	Village Foot Access – Punjab	House with 3 ft wide kutchra footpath used for decades, no vehicle road.			
4	Coastal Plot – Goa	Beach plot with no road; surrounded by resorts; used by locals via pedestrian path.			
5	Builder Fraud – Chennai	Builder sold 40 plots without providing access roads as shown in layout.			

Example:

- The **owner** shows a landlocked property to the **valuer** and claims there is access (via adjacent land he owns).
- The **valuer prepares the report**, assuming that access exists or will be granted.
- **Bank sanctions the loan**, relying on this report.
- Later, it is revealed that:
 - The property has **no legal access**.
 - There is **no registered easement or right of way**.
 - The access is **not guaranteed** after mortgage or ownership transfer.
- The loan becomes **NPA or un-realizable**, and the **bank blames the valuer**.

Where the Valuer Went Wrong:

Valuer's Mistake	Explanation
Did not verify legal access to public road	Physical access ≠ legal access. A road visible through private land doesn't mean legal right exists. Valuer must verify if the mortgaged land has independent, legal, and permanent access .
Assumed access based on owner's verbal assurance	Owner may say, "Yeh rasta mera hi hai" (This way is mine), but unless he grants registered right of way , it's invalid. Valuer must not rely solely on owner's statement.
Failed to mention 'Land Locked' or 'No Legal Access' in report	If valuer failed to mention "access is via owner's private land, no legal easement deed provided," it is seen as material omission .
No site photo/map showing public road frontage	A proper valuer report must include site photographs, satellite imagery, or mutation maps showing how the land connects to a public road.
No legal disclaimer or caveat	Every good valuation report must have a note such as:

"Access to the subject property is claimed by the owner via adjoining private land. No documentary proof of legal easement was provided at the time of inspection."
Without this, the bank assumes access is legally established.

Why the Bank May Blame the Valuer:

Bank's Position	Legal Justification
Relied on valuer's report for mortgage security	Valuer acts as bank's "eyes & ears."
Valuer certified market value assuming access	If access is doubtful, value must be adjusted downward or rejected .
Report did not flag legal defect	Bank assumes no red flags = clear property.
Could not sell property under SARFAESI	Bank may sue valuer for negligence or blacklist under RBI guidelines.

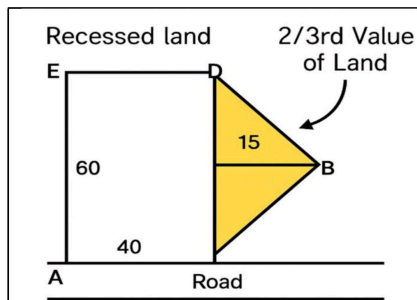
Best Practices for Valuers (To Avoid Liability):

1. **Inspect personally** and check if the land has direct frontage on a public road.
2. Ask for:
 - **Registered easement deed** OR
 - **Municipal plan or khasra map** showing road access.
3. If access is only via another land (owned by same person), insist on:
 - **Access map**
 - **Registered easement**
 - **Mutation record stating access**
4. If none is provided, include in report:

"Subject land appears to be landlocked. No access documents or easement rights have been provided. In absence of road connectivity, marketability and mortgageability are severely affected. Value should be reassessed upon establishment of legal access."

What is Recess Land?

Recess Land is a wedge-shaped or irregular portion of a plot that:



- **Has no direct road frontage,**
 - **Lies at an angle,** often **obtuse**, to the main road,
 - Is generally **non-rectangular**, making it **less desirable or usable**,
 - And is considered **subsidiary** to the main plot.
- In the diagram, Area **BCD** is marked as **Recess Land**.

As per standard valuation practices (used by banks and approved valuers), **Recess Land is valued at a discount** because of:

- **Zero frontage,**
- **Irregular shape,** and
- **Limited utility.**

Standard Assumption:

Recess land may be taken at **75% of the prevailing market value** of the main plot.

Example:

If main plot value = ₹10,000/sq.ft,

Recess Land value = ₹7,500/sq.ft.

Important: This 75% is **not rigid** and must be adjusted for:

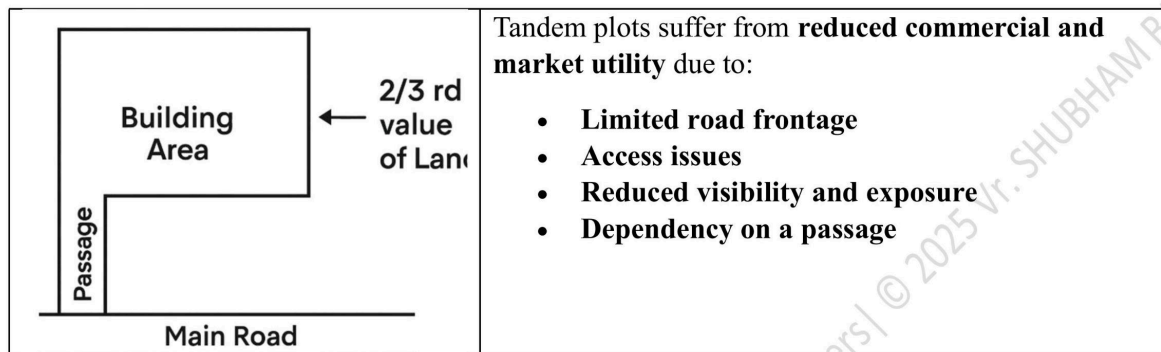
- Importance of location,
- Demand-supply gap,
- FSI/TDR potential,
- Actual utility or accessibility,
- Zoning regulations.

Case: DLF Ltd. vs

A Tandem Plot is defined as:

- A plot configuration where **two parts of land** are placed **one behind the other**.
- The **buildable portion is situated at the rear**, with **entry provided via a narrow passage** from the main road.
- The **front portion often serves as a driveway or right of way**, not usable for construction.

Valuation Implication



Valuation Adjustment Method

As per standard practice and supporting case laws:

- Such plots are typically **valued as part of the “second belt”** of land.
- They are valued at about **2/3rd (or 66.67%)** of the value of a similar plot that is directly **abutting the main road** (first belt land).

Formula: Tandem Plot Value = Market Rate of First Belt × (2/3) × Area

Supporting Case References Case : *Urban Valuation – Jaipur (2021)*

A tandem plot was situated behind a commercial shop on a 30 ft road. The valuer applied 2/3rd rate justification. The High Court accepted the approach citing:

“Access limitation and commercial viability justify valuation adjustment.”

Source for Verification: Visit <https://indiankanoon.org> Search for: *Shree Ram Traders JDA 2021 Rajasthan High Court*

Key Points to Defend Valuation:

Access Restriction: Entry through a narrow passage only.

Lack of Frontage: No direct road exposure.

Utility Impairment: Commercial/retail use diminished.

Buyer Perception: Lower demand due to privacy and resale complications.

Comparable Sale Evidence: If possible, provide examples of sales for tandem/rear plots at lower prices.

Sample Text for Valuation Report

“The subject property is a tandem

Belting Method in Valuation – A Professional Perspective

What is the Belting Method?

Belting method is a land valuation technique used when:

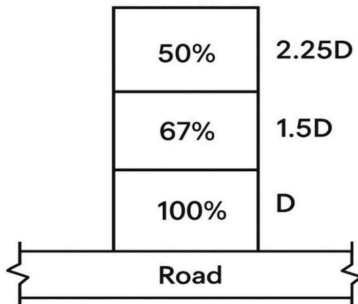
- **Depth of the plot is much greater than its frontage**, and
- Value **decreases with depth**.

The land is **divided into belts (usually 3)** from the road, each with **different unit rates**, reflecting reduced market desirability as distance from the road increases.

Standard Belt Ratios

Belt	Depth (from road)	Rate Applied
First Belt	0 to 1.0 D	100% of market rate (full rate)
Second Belt	1.0 D to 1.5 D	67% of prevailing rate
Third Belt	1.5 D to 2.25 D	50% of prevailing rate

(Where D is the depth of the first belt.)

	<p>Practical Example:</p> <ul style="list-style-type: none"> • Frontage: 100 ft • Depth: 225 ft • Prevailing rate: ₹10,000/sq.ft <p>Using Belting:</p> <ul style="list-style-type: none"> • First 100 ft: Full rate = ₹10,000 • Next 50 ft: 67% = ₹6,700 • Last 75 ft: 50% = ₹5,000
<p>Use when:</p> <ul style="list-style-type: none"> • Land parcel is vast or elongated. • Not practically subdivisible. • Sale data is limited or not directly comparable. • Only one side abuts the road. • Frontage-depth ratio is low (e.g. 1:4, 1:5 or more). 	<p>✗ Avoid when:</p> <ul style="list-style-type: none"> • The plot is small or corner plot (2 road frontages). • The land is agricultural or under development control (e.g., FSI limitations). • Comparable sale data is easily available. • The land is already subdivided or planned for such

. Using belting:

- Reflects the **true market utility** of deep plots.
- Prevents **overvaluation** of rear land.
- Offers **structured, justifiable discounting** to satisfy banks, courts, or stakeholders.

Case: In *State of Haryana v. Dilbagh* (1999), the Punjab & Haryana High Court applied the belting method to lands acquired

4. Depreciation – Concept & Factors

Reduction in building value due to wear and tear, aging, obsolescence, market trends, or damage.

Derived from Latin: *DEPRETIATUM* – to become less in worth.

Common Factors Causing Depreciation:

- Wear & tear
- Obsolescence (functional or economic)
- Market fall
- Accidents (e.g., tree fall, fire)
- Natural calamities (floods, lightning)
- Change in fashion, lifestyle
- Demand fluctuation
- Structural decay or aging

Valuer's Reporting Statement:

“Considering the age, physical condition, and observable depreciation factors, a depreciation of ___% is applied as per Straight Line Method.”

5. Methods to Calculate Depreciation

Ⓐ Straight Line Method (SLM)

Ⓑ Linear / Constant % Method

Used by Valuers due to simplicity and audit acceptability.

Straight Line Method of Depreciation

Formula: $D = (C - S) / n$

Where:

- **D** = Annual Depreciation
- **C** = Original/Replacement Cost
- **S** = Salvage Value
- **n** = Life of the Building in Years

Alternate Formula (in % terms):

Depreciation % = (Age × 100 – Salvage %) / Total Life

Example: If building replacement cost is ₹50 lakhs, salvage value ₹5 lakhs, and life = 50 years: $D = (50,00,000 - 5,00,000) / 50 = ₹90,000/\text{year}$

Reporting Format in Valuation Report

"Depreciation Analysis:"

Depreciation Applied: __%
Depreciated Value (Present Value): ₹ _____

Tips for Practising Valuers:

- Justify method selected (Straight Line is widely accepted for simple structures).
- Always mention source of unit rates (CPWD, PWD, Contractor Quotes).
- Explain assumptions on salvage value and life (based on RCC, semi-pucca, etc.).
- Include condition assessment (Good/Fair/Poor) in physical observation notes.

Depreciation by Linear Method? Also Known As: Constant Percentage Method

$D = P \times \left(1 - \frac{r}{100}\right)^n$	<ul style="list-style-type: none"> • D = Depreciated Value of the Building (Present Value) • P = Replacement Value (Cost to rebuild new at present rate) • r = Annual Rate of Depreciation (%) • n = Age of the Building (in years)
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Conceptual Understanding:

This method assumes **compounded depreciation**—i.e., depreciation is applied on a reducing balance each year. It reflects the **diminishing value** trend over time more realistically than the straight-line method, especially in older structures.

Valuer’s Application in Report:

“Depreciation has been calculated using the Linear/Constant Percentage Method. This method accounts for reducing value annually and is particularly suited for long-standing structures or when residual value plays a significant role in overall valuation.”

When Should a Valuer Use This Method?

Scenario	Preferred Method
Simple residential/commercial building < 20 years old	Straight Line
Older structures, industrial sheds, or when compounded wear is significant	Constant Percentage (Linear Method)
When guidance from institutional norms (e.g., IBA, CPWD) recommend compound-based method	Linear Method

Comprehensive Table: Types of Depreciation Beyond Physical Wear & Tear

S.No.	Type of Depreciation	Definition	Example	Suggested % Range	How to Decide %	Valuer's Action During Inspection
1	Functional Obsolescence	Loss in value due to poor design, outdated layout, or insufficient facilities.	House with no attached toilets; factory with low roof height not suitable for modern cranes.	5% – 20%	Compare utility with similar modern assets. Deduct value if use is limited or redesign is necessary.	Observe layout, circulation, outdated systems, lack of space for modern equipment.
2	Economic Obsolescence	External economic factors reduce value, even if the property itself is intact.	Industrial plot in an area with high unemployment or labor unrest.	5% – 30%	Conduct market demand analysis. Review rental vacancy, local industry demand, transport cost, etc.	Review neighborhood, economic activity, local industry condition, market feedback.
3	Locational Obsolescence					
4	Regulatory/Legal Obsolescence					
5	Technological Obsolescence					
6	Environmental Obsolescence					
7	Usage-Based Obsolescence					

How to Determine Depreciation % Practically

Parameter	Valuer's Guiding Approach
Comparative Property Data	Check how similar old vs. modern properties differ in sale/rental price. Use that % as depreciation adjustment.
Market Feedback	Interview local brokers, builders, or past buyers to understand how much less such properties sell for.
Engineering/Functional Issues	
Legal Risk Severity	
Time Horizon Impact	

Understanding the Nature of Value in Valuation Practice

"Value varies with purpose."

This is a foundational truth in valuation. **Value is not absolute**—it is always a **function of Place, Time, and Purpose**. Just like water that takes the shape of its container, value also takes on different meanings depending on the **legal context, intended use, regulatory framework, or market expectation**. A professional valuer must always identify **why the valuation is being done**, for whom, and under what legal or financial situation.

There are **over 40 types of value definitions** recognized globally. However, for Indian valuation professionals, especially those working in real estate, income tax, banking, and insurance sectors, the following are most frequently used:

Key Concepts for Valuers to Remember:

- **Cost ≠ Market Value:** Cost is historical. Market value is dynamic.
- **FMV ≠ Market Value:** FMV is often regulated or determined as per tax rules, not just open market sentiment.
- **Purpose Drives Method:** The same asset can have **different values** for different statutory and financial purposes.
- **Documentation Matters:** Always state the **purpose, definition of value used, and approach adopted** in your valuation report.

Type of Value	Real-Life Scenario	Purpose of Valuation	Approach Used	Key Findings	Valuer's Tip
1. Cost of Construction (Under Income Tax Act)	Scrutiny of house construction cost in Bhopal declared as ₹48 lakhs.	Income Tax Assessment (Section 69)	Plinth Area Method + CPWD Schedule	Validated at ₹47.8 lakhs; land value excluded.	Land value is not part of cost under Income Tax valuation.
2. Market Value (For Bank Loan)	Commercial showroom valuation for ₹2 Cr loan in Ludhiana.	Mortgage for Bank Loan	Sale Comparison + Rental Yield	Market value estimated at ₹2.45 Cr; Loan sanctioned at 65% LTV.	Clearly justify location & market assumptions in report.
3. Fair Market Value (Under Wealth Tax / Capital Gain)	Gifted flat in Delhi in 2021; FMV needed as on 01.04.2001 for capital gain in 2024.	Capital Gains Exemption	Indexed FMV Method + Historical Sale Data	FMV ₹12 lakhs (in 2001); Indexed to ₹32.4 lakhs for CG calculation.	Use notified base year and explain inflation indexing.
4. Insurance Value (For Fire/Asset Insurance)	Factory building insured in 2018; reassessment in 2023 for adequate coverage.	Insurance Reinstatement Valuation	Replacement Cost Approach (Excl. Land)	Revised value at ₹1.1 Cr; sum insured updated to avoid underinsurance.	Insurable value = cost to rebuild structure only (no land).

Composite Rate Method in Valuation of Flats, Shops, and Commercial Units

Composite Rate Method is a technique used in real estate valuation where a **single unit rate** (₹/sq.ft or ₹/sq.m) is applied to estimate the value of a built-up property. This rate **bundles the value of land, construction cost, and developer's profit** into one combined figure. **Used For:**

- Residential Flats
- Commercial Shops
- Office Complexes
- Mixed-use Buildings in urban and semi-urban locations

Key Highlights of the Composite Rate Method

1. For valuing a **flat, shop, or commercial complex**, **Composite Rate Method** is commonly adopted. It applies a **single rate per unit area** for ease and standardization.

2. The **composite rate** consists of three components:

- i) Land value
- ii) Building (construction) cost
- iii) Promoter's profit (usually 15–20% of project cost)

3. **FSI (Floor Space Index)** plays a **critical role** in determining the land component of the composite rate.

4. To determine the land component:

Land Rate ÷ FSI = Land Component per Sq.ft of Built-up Area

5. Always use the **prevailing market rate of land** (not guideline/circle rate) to calculate the composite rate.

6. The **building component rate** depends on:

- Construction specifications
- Age and condition
- Location of the building

7. If the **building is old**, apply **depreciation only on the building portion, not on the entire composite rate**.

8. The **composite rate of a flat** is affected by:

- i) Location of the building (main road, interior, etc.)
- ii) Floor level of the flat (ground vs. top floor)
- iii) Orientation and position (corner, front, rear, etc.)

9. For **accurate identification**, the **valuer must mention all six boundaries** (North, South, East, West, Above, Below) of the flat.

This is a modern and essential practice to avoid ambiguity in legal and resale issues.

10. To **cross-check valuation**, the **Rent Capitalization Method** can be used:

Market Rent ÷ Yield Rate = Capitalized Value

■ If the flat is too old and past economic life, then only the UDS (Undivided Share of Land) holds value.

Chapter-2.a Site Inspection Checklist – What a Professional Valuer Observes

Valuation accuracy depends significantly on thorough site inspection. Below is a **property-type wise inspection guide**, with **key elements** a valuer must assess and record:

1. Factory Building / Industrial Shed

Aspect	Details to Observe
Structure	RCC/steel framework, roof integrity, cracks, expansion joints
Machinery	Fixed/movable? Working condition? Obsolescence or idle capacity
Layout	Production flow, space utilization, logistic efficiency
Utilities	Electrical load, transformer, water supply, drainage, ETP/STP
Access	Road width, loading/unloading area, heavy vehicle entry
Legal Compliance	Zoning (Industrial use), Pollution NOC, Fire NOC, Factory license
Others	Overhead cranes, material storage areas, worker facilities

2. Commercial Shop / Retail Unit

Aspect	Details to Observe
Frontage	Visibility from main road, width in feet
Location	High footfall area? Inside mall or roadside?
Access	Entry for public, loading access
Amenities	Ventilation, height, water supply, washroom availability
Legal Checks	Trade license, shop act registration, sanctioned plan
Surrounding Trade	Competitor presence, complementary businesses nearby

3. Flat / Apartment Unit

Aspect	Details to Observe
Area	Carpet area vs. super built-up area (measure if not as per plan)
Age & Maintenance	Year of construction, paint condition, cracks
Floor Level	Ground or higher floor, view, lift availability
Society Facilities	Parking, lift, security, clubhouse, gym, garbage disposal
Charges	Maintenance fees, sinking fund contributions
Legal Status	Occupancy certificate, share certificate, builder NOC

4. Independent House / Villa

Aspect	Details to Observe
Plot Size vs. Built-up	FAR used? Balance land? Excess coverage?
Structure Condition	Roof, walls, seepage, door/window quality
Setbacks & Approvals	Check municipal building plan, side margins, zoning rules
Water & Sewer	Borewell, municipal line, septic tank, rainwater system
Surroundings	Type of neighbourhood (gated/ungated), density, noise

What a Valuer Must Carry During Property Inspection

Item / Tool	Correct Use & Purpose	How It Helps (Future Audit / Court Case / Dispute)
1. Laser Distance Measurer / Measuring Tape		
2. Camera / Smartphone with High-Res Camera		
3. Site Plan & Sanctioned Building Plans		
4. Inspection Checklist & Observation Sheet		
5. Owner's Documents (Copy or Scan)		
6. GPS Tracker / Mobile Location On		
7. Notepad or Digital Notes App		
8. Moisture Meter (Optional)		
9. Drone (for large properties)		
10. Map & Survey App (e.g., Google Earth, GIS)	Check development nearby: hospitals, highways, dumps, powerlines, or hazardous industries.	Important in auction or future litigation if marketability is disputed due to surroundings. Location risk/benefit documentation helps justify valuation.
11. Digital Signature (for e-inspection logs)	Use on digital reports or GPS logs.	Proof of authenticity. Prevents tampering. Courts prefer signed/dated electronic records.
12. Assistant / Witness (Optional)	For complex, disputed, or large properties – carry a junior valuer or assistant to take parallel notes.	Having another witness can help when your inspection method is challenged. Their affidavit can back your presence and diligence.

Chapter-2.b (Land Measurement Units in India)

(Northern, South, Central, Eastern, Western side of India)

Land measurement units in India vary significantly across states due to historical, agricultural, and regional practices. A professional valuer must be familiar with both standard and local units to ensure accuracy in valuation reports.

A. Standard Units of Land Measurement (Used Nationally/Internationally)

Unit of Area	Conversion Unit	Remarks
1 Square Feet	0.092903 Square Metres	Commonly used in residential real estate.
1 Acre	43,560 Square Feet	Equivalent to 4840 sq yd or 4046.86 sq m.
1 Acre	40 Gunta	Gunta is commonly used in South India.
1 Gunta	1,089 Square Feet	Also referred to as Guntha.
1 Square Meter	10.7639 Square Feet	International metric standard.
1 Square Yard	9 Square Feet	Known as "Gaj" in Hindi belt regions.
1 Hectare	10,000 Square Meters	Equals approximately 2.47 Acres.
1 Square Kilometer	247.1 Acres	Also equals 100 Hectares.
1 Square Mile	640 Acres	Used for very large tracts of land.
1 Cent	435.6 Square Feet	Widely used in South India.
1 Ground	2,400 Square Feet	Used mainly in Tamil Nadu.

B. Regional Land Measurement Units in India

1. North India (Punjab, Haryana, UP, Himachal Pradesh, Jammu & Kashmir)

Term	Area Conversion	Remarks
1 Bigha (Pucca)	3,025 sq yd	Standard in Punjab, Haryana, parts of UP.
1 Bigha (Kachha)	1,008.33 sq yd	Less settled measurement.
1 Biswa (Pucca)	151.25 sq yd	1/20th of Pucca Bigha.
1 Biswa (Kachha)	50.42 sq yd	1/20th of Kachha Bigha.
1 Biswansi	1/20 Biswa	Smallest division.
1 Killa / Ghumaon	4,840 sq yd	Equivalent to 1 Acre.
1 Kanal	5,445 sq ft	8 Kanals = 1 Acre.
1 Sarsahi	30.25 sq ft	Also called Square Karam.

2. Eastern India (Bihar, Jharkhand, West Bengal, Assam, Tripura)

Term	Area Conversion	Remarks
1 Kattha (Bihar)	1,361.25 sq ft	20 Katthas = 1 Bigha.
1 Dhur (Bihar)	68.06 sq ft	20 Dhurs = 1 Kattha.
1 Decimal	48.4 sq yd	Commonly used in Bengal & Jharkhand.
1 Chatak	180 sq ft	16 Chataks = 1 Kattha in Bengal.
1 Kattha (Bengal)	720 sq ft	20 Katthas = 1 Bigha (Bengal).
1 Kattha (Assam)	2,880 sq ft	5 Katthas = 1 Bigha (Assam).
1 Lecha (Assam)	144 sq ft	20 Lechas = 1 Kattha.
1 Dhur (Tripura)	3.6 sq ft	20 Dhurs = 1 Kranta.

3. Central India (Madhya Pradesh, Chhattisgarh)

Term	Area Conversion	Remarks
1 Bigha (MP)	1,333.33 sq yd	1 Bigha = 20 Katthas.
1 Kattha (MP)	600 sq ft	Unit used mainly in rural MP.

4. Western India (Rajasthan, Gujarat)

Term	Area Conversion	Remarks
1 Bigha (Rajasthan)	3,025 sq yd	Pucca Bigha in Rajasthan.
1 Bigha (Gujarat)	1,936 sq yd	Standard in rural Gujarat.
1 Biswa (Pucca)	151.25 sq yd	1/20th of Pucca Bigha.
1 Biswa	96.8 sq yd	Used in lower parts of Rajasthan.
1 Biswansi	1/20 Biswa	Smallest subdivision.

5. Southern India (Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Kerala)

Term	Area Conversion	Remarks
1 Cent	435.6 sq ft	100 Cents = 1 Acre.
1 Ground	2,400 sq ft	Tamil Nadu measurement.
1 Ankanam	72 sq ft	Used in Andhra Pradesh & Karnataka.
1 Guntha	1,089 sq ft	40 Gunthas = 1 Acre.
1 Kuncham	484 sq yd	1 Kuncham = 10 Cents.

Land Revenue Terms Across Indian States – Comparison Table

Sl. No.	Common Term / Meaning	Northern States (Punjab, Haryana, HP, UP)	Western States (Rajasthan, Gujarat, Maharashtra)	Eastern States (Bihar, Jharkhand, WB)	Southern States (TN, Karnataka, Kerala, AP, Telangana)	NE/Other States
1	Record of Rights (RoR)	<i>Jamabandi</i>	<i>Record of Rights (ROR)/7/12 (Maharashtra)</i>	<i>Khatian</i>	<i>Patta, Adangal, Ror</i>	<i>RoR (common term)</i>
2	Plot Number	<i>Khasra Number</i>	<i>Survey Number</i>	<i>Khatiyan No.</i>	<i>Survey No. / Patta No.</i>	<i>Dag No. (Assam)</i>
3	Consolidation Record	<i>Chakbandi</i>	<i>Chakbandi (Rajasthan)</i>	<i>Bandobasti</i>	Rarely used	Rare
4	Village Map	<i>Shajra</i>	<i>Naksha, Map</i>	<i>Naksha, Revenue Map</i>	<i>FMB (Field Measurement Book)</i>	<i>Village Map</i>
5	Crop Inspection Register					
6	Old Fallow Land					
7	Non-Agricultural Hilly Land					
8	Sandy/Rocky Hill Area					
9	Land Use Classification					
10	Owner Title Document					

Special Notes for Valuation Practice:

- **North India** relies heavily on *Jamabandi* + *Girdawari* for valuation evidence.
- **Maharashtra & Gujarat** depend on *7/12 extract* + *Ferfar* (mutation).
- **Southern states** use *Adangal, Chitta, and Patta* for verifying usage and ownership.
- **Eastern India** uses *Khatian* (also available online in West Bengal & Bihar).
- **Field Measurement Book (FMB)** is vital in the **South** to verify actual land boundary.
- Use local synonyms during **valuation inspection** and mention both common and regional terms in reports for better legal standing.

Tips for Valuers:

- Always cross-verify local unit definitions with land records.
- Clarify the regional measurement system in the valuation report.
- Be cautious in regions where both *Kachha* and *Pucca* systems exist.
- Provide conversions to standard units (sq ft, sq yd, acre) for clarity.

This chapter is essential for accurate land valuation and for avoiding disputes due to measurement misinterpretation.

Chapter-3 Valuation Use Cases in Banking Sector

(Retail, MSME, Corporate Loans, SARFAESI, NPA Accounts, etc.)

Sr. No.	Purpose of Valuation	Valuer's Responsibility & What to Assess	Key Caution/Precaution Points
1	Housing Loan – New Building Construction	<ul style="list-style-type: none"> - Verify genuineness of cost estimate - Assess stage-wise value of construction - Issue completion certificate 	<ul style="list-style-type: none"> - Land value not included unless specified - Watch for encroachment, structural stability, or violations
2	Loan for Ready-Built Property	<ul style="list-style-type: none"> - Certify present market value - Assess stability & residual life of the building 	<ul style="list-style-type: none"> - Identify property legally - Do not include stamp duty - Base value on market trends, age, condition
3	Loan for Upper Floor over Existing House	<ul style="list-style-type: none"> - Value of new upper floor only - Stage-wise or full cost on completion 	<ul style="list-style-type: none"> - Do not depreciate ground floor again - Focus only on new construction
4	Loan Reimbursement	<ul style="list-style-type: none"> - For under-construction buildings: stage value only - For other property: cost value 	<ul style="list-style-type: none"> - Ignore land value unless specifically requested - Match with actual stage of work
5	Educational Loans	<ul style="list-style-type: none"> - Certify present market value of asset given as security 	<ul style="list-style-type: none"> - Refer to standard market valuation procedure
6	Mortgage Loans	<ul style="list-style-type: none"> - Value based on Guideline Rate (Value I) - Or Market Value (Value II) 	<ul style="list-style-type: none"> - Include depreciated building value - Stamp duty not part of market value - Banks decide which to consider
7	Loan Proposal by Borrower	<ul style="list-style-type: none"> - Certify market value of declared assets 	<ul style="list-style-type: none"> - Avoid valuation if legal opinion not yet obtained - Do not get trapped in disputes later
8	Prime Security (New Projects)	<ul style="list-style-type: none"> - Ascertain cost invested - Certify current value - Marketability not usually assessed 	<ul style="list-style-type: none"> - Include land cost + stamp duty + building + services - For older projects, use depreciated value
9	Collateral Security	<ul style="list-style-type: none"> - Certify market value & forced sale value (distress value) 	<ul style="list-style-type: none"> - Forced sale = Market value - % reduction (based on urgency & marketability)
10	Enhancement of Loan Limit	<ul style="list-style-type: none"> - Value existing prime security or collateral 	<ul style="list-style-type: none"> - Ignore marketability in prime security - Follow forced sale guidance for collateral
11	Periodic Revaluation	<ul style="list-style-type: none"> - Certify value as on date of inspection 	<ul style="list-style-type: none"> - May be lower or higher than previous

			- Must reflect true market at inspection date
12	Letter of Credit	- Certify present market value	- Same valuation basis as for loan proposal
13	Transfer of accounts from one bank to another	Market value of asset	Do not include goodwill of the firm
14	Valuation of stock in trade	Physically verify inventory; match with unit records	Certify only current value of stock available
15	One Time Settlement (OTS)		
16	To fix upset price		
17	Debt Recovery Tribunal (DRT) valuation		
18	Liquidation (Sick Units)		
19	Sick Unit sale to another buyer		
20	Insurance value for buildings		
21	Merger of two banks		
22	Balance sheet valuation		
23	Wealth tax return		
24	Fixing fair rent		
25	Fix ground rent		

ADDITIONAL BANK VALUATION TASKS ASSIGNED TO VALUERS

Sr. No.	Purpose	Valuer's Responsibility	Precautions / Special Guidelines
1	Stability Certificate for Existing Buildings	Assess structural integrity of the building,	<ul style="list-style-type: none"> - Estimate building age and residual life - Inspect for visible cracks, corrosion, sagging - For upper-floor installations, assess impact on lower floors and foundation - If necessary, obtain structural engineer's certificate and annex with report
2	Utilization Certificate for Housing Loan Disbursal	Inspect whether disbursed loan amount has been utilized for construction as per sanctioned plan	<ul style="list-style-type: none"> - Verify progress of construction against approved building plan - Confirm that stage of work aligns with the bank's disbursed amount - Document deviations or incomplete work - If structure is not as per map, raise flag and advise bank in writing - If funds are misused (e.g., used elsewhere or no construction), report immediately with photographic evidence and valuation commentary

HOW TO PERFORM UTILIZATION CERTIFICATE INSPECTION

Inspection Step	What to Check
Site Access & Identity	Verify plot number, location, and sanctioned layout
Construction Stage	Match actual work done with the stage-wise fund released
Structural Checks	
Material On-site	
Unauthorized Deviations	
Photographic Documentation	
Owner Interaction	

What a Valuer Should Do if Materials Are Not Yet Utilized

Action Step	Explanation
Physically Verify Materials	
Photograph Everything Clearly	
Do NOT Treat as Fully Utilized	
Mention in Report as "Material Stocked"	
Add a Cautionary Note	
Protect Bank's Interest	

How to Write This in Your Report (Sample Language):

"During the site visit conducted on [Date], construction materials including approx. 2 MT of steel, 100 bags of cement, and bricks were

Stage-Wise Progress Assessment

Construction Component	% Weightage*	Verification
Site Clearing, Excavation & Foundation	5–10%	Visual + photographic check
Plinth Level / Basement	10–15%	Physical measurement
Superstructure (columns, slabs, beams)		
Brickwork, Internal Partition		
Roofing / Slab Completion		
Internal Plaster, Doors & Windows		
Flooring, Paint, Finishing		
Electrical, Plumbing, Sanitary Fittings		
External Plaster & Misc.		

*Weightage may vary with type of building and approved estimate; adjust accordingly with professional judgment.

Value of Completed Construction = % Work Done × Estimated Cost of Construction

For example,

Estimated Cost = ₹50,00,000

% Work Completed = 40%

Current Value = ₹20,00,000

Stored materials are not included unless specifically instructed by the bank and verified with ownership bills and usage timeline.

Best Practices for Valuer

- Maintain photo evidence of each stage.
- Mention p

Is Structural Stability the Scope of a Valuer?

Structural stability is **NOT** the core scope of a valuer—but a valuer must make basic observations and, when needed, refer to a qualified structural engineer.

Valuer's Role	Structural Engineer's Role
Visual inspection of cracks, dampness, tilting, poor maintenance	In-depth structural analysis (load, design defects, core tests, RCC strength)
Reporting visible signs of instability or distress	Issuing Stability Certificate or detailed Structural Audit Report
Advising bank to seek expert opinion where required	Calculating structural load capacity, suggesting repair/retrofit

Valuer's Disclaimer:

"This valuation report is based on visual inspection only. Structural stability has not been assessed through technical tests or engineering design review. For detailed structural safety certification, the services of a qualified structural engineer should be obtained."

Why This Matters:

- **Protects you legally** – If building fails later, you are not liable.
- **Maintains professionalism** – You stick to your scope under IBBI/RERA/Bank norms.
- **Bank gets proper certification** – From licensed structural expert if needed.

(RECOMMENDED CERTIFICATE LANGUAGE (IF FORCED BY BANK))

CERTIFICATE OF VISUAL OBSERVATION ON STRUCTURAL CONDITION

To Whomsoever It May Concern

Based on the **visual inspection** of the property located at [Address] conducted on [Date], I hereby report the following observations:

1. The building appears to be structurally in fair/usable condition as per visible indicators.
2. No major cracks, tilts, or signs of structural distress were noticed during visual observation at accessible
3. N
4. N

Name of Valuer

(Empanelled Bank Valuer / Registered Valuer – IBBI)

Qualifications: [e.g., B.E. Civil, M.Arch, etc.]

Date:

Place:

Signature and Seal

Note-The valuation report formats, sample certificates, and content illustrations provided in this chapter are **for academic guidance only**. These are **not official formats prescribed by any institution**. Practicing valuers are advised to customize formats based on the specific client, case, jurisdictional norms, and regulatory expectations. The author disclaims any liability arising from direct use without due professional judgment or legal vetting.

Chapter-4- Valuation Methodology for Buildings Under Construction

(In line with cost approach, stage-wise progress and risk assessment)

I. Documents to be Produced for Verification

Document	Purpose	Valuer's Notes
Approved Building Plan (Original)	Confirms sanctioned construction	Ensure it is signed and stamped by local authority.
Detailed Estimate, Abstract Estimate & Specification Report	Assess cost and quality control	Engineer's signature must be present . Compare estimates with site realities.
Land Ownership Documents (Xerox Copy)		
Layout Drawing		
Legal Opinion		

II. Drawing Verification

Point of Check	Description	Valuer's Safeguard
Approved by Local Body	Must be officially sanctioned	Do not proceed if approval validity expired.
Survey Number & Plot Dimensions	Must match land documents	Check for mismatches; note encroachments.
Plinth Area		
Signature of Owner & Engineer		
Validity of Approval		
Site Plan with Boundaries		
Town Planning Reference (if applicable)		

III. Estimate Verification

Required Detail	Description	Valuer's Notes
Plot No., Survey No., Village, Colony, etc.	Helps in cross-verification with site & layout	Mandatory for location verification.
Signed by Qualified Engineer		
Owner's Name in Estimate		
Specification-Based Estimating		
Drainage, Water, Electrical Provisions		

IV. Site Inspection – Most Crucial for Valuer

Checklist Item	Why It's Important	Valuer's Risk Cover
Plot Identification	Ensures correct site is valued	Match site with boundary marks, layout plan.
Verify Plot Dimensions		
Encroachments		
Boundary Stones		
Construction Matching with Plan		
Flood-Prone Plinth Height		
Ownership Display or Nameplate		

V. Report Writing – Key Points & Legal Protection

Report Component	What to Include	Valuer's Safeguards
Scope of Report	Clearly mention that valuation is for completed works only as on inspection date.	Protects against post-report construction.
Exclusions		
Staged Valuation		
Photographs		
Drawing Validity		
Disclaimer Clause	Mention that valuation is done based on available documents and visible site work	"This valuation report is based on visual inspection, documents provided, and without structural stability certification."

Additional Safeguard Language (Insert in Valuation Report)

"The construction appears as per the approved drawing to the best of valuer's observation. No structural or architectural audit has been conducted. The report does not constitute a certification of construction quality or structural safety. The valuation is based solely on visual inspection and submitted documents."

Method Adopted: Cost Approach

The cost approach is the most appropriate method for valuing **incomplete or under-construction buildings**, based on the logic that:

Market Value = Cost of Construction Completed (As on Date of Inspection) + Land Value (if required)

Valuer assesses the cost of each component based on:

- Approved drawings
- Site inspection
- Estimate and specifications
- Prevailing material and labour rates (CPWD/PWD/SORs)

CHAPTER-8 Duties of a Panel Valuer to Safeguard Bank's Interest

(Due diligence, liability awareness, and data confidentiality)

Introduction

A bank-appointed valuer plays a crucial role in protecting the financial institution's interest during lending, settlement, or enforcement of assets. The duty of the valuer extends beyond price estimation — it includes legal scrutiny, enforceability checks, and forewarning banks of risks. This chapter outlines how a panel valuer should act responsibly and professionally to safeguard the bank.

Key Responsibilities of a Panel Valuer

S. No.	Duty/Scenario	Valuer's Action/Precaution	Example or Justification
1	One-Time Settlement (OTS) Valuation	Disclose present asset condition, auction probability, and enforcement issues. Avoid undervaluation.	Property revalued after 5 years may have dilapidation or legal encumbrance affecting value.
2	Valuation of Educational Institutions – State-Specific Duties for Valuers		
	State	Valuer's Duty/Precaution	Legal/Practical Justification
	Tamil Nadu	<ul style="list-style-type: none"> ❖ Caution bank about restrictions under: <ul style="list-style-type: none"> • Section 37B of the Tamil Nadu Land Reforms Act, 1961 • Section 31 of Tamil Nadu 	Educational land often held under land ceiling exemptions or trust management. May not be transferable or mortgageable.
	Maharashtra	<ul style="list-style-type: none"> ❖ Check for Charity Commissioner's approval under Bombay Public Trusts Act, 1950. ❖ Verify whether institution is aided/unaided and land title is in society/trust name. 	Many schools/colleges are public trusts. Prior permission required for mortgage or sale under Section 36.
	Delhi NCR	<ul style="list-style-type: none"> ❖ Check if land is DDA/allotted leasehold; confirm lease purpose. ❖ Ensure building use matches education under MPD 2021 or master plan. ❖ Ask for Education Department clearance in leasehold cases. 	DDA or state agencies lease land for education only. Mortgage without permission is invalid.
	Haryana	<ul style="list-style-type: none"> ❖ Check land use as per HSVP or DTCP norms. ❖ Verify CLU (Change of Land Use), occupation certificate, and society/trust status. ❖ Confirm school has Department of Education approval. 	Many schools operate on CLU lands. Without final license or compliance, land is not mortgageable.
	Rajasthan		
	Punjab		
	Uttar Pradesh		
3	Trust Property Valuation	Certify with caution; verify trust deed limitations and advise on marketability.	Trust land often has usage restrictions.
4	Landlocked Properties	Do not assign 100% market value; discount based on access limitation.	Valuing a landlocked plot at full rate can mislead the bank.
5	Co-ownership Agricultural Land	Disclose difficulty in enforcement and partition issues.	Two heirs sharing land may delay recovery in NPA cases.
6	Religious, Petrol Bunk, or Shared Land		
7	Defective Title Deeds		
8	Remote/Vast Vacant Land (3rd Party Security)		
9	Unclear Identity of Vacant Land		
10	Sea-Shore Proximity		
11	Chemical or Hazardous Industries		
12	Sudden Market Fall in Area	Alert bank with updated feedback, especially if prior reports exist.	Post-COVID realty crash in certain sectors.
13	Non-Marketable Primary Securities	Distinguish between hypothecated and marketable assets.	Machinery in a closed factory has minimal resale value.

14	Borrower Integrity Doubts	Discreetly share concerns on borrower reputation if known.	Known willful defaulter using relative's property.
15	High Value Property	Request joint inspection with branch manager for ownership and enforcement clarity.	Industrial unit with multiple owners and lessees.
16	Housing Loans on Unauthorized Structures	Disclose any plan deviations, FAR violations, or illegal constructions.	Property built without approval in unauthorized layout.

Valuer's Liability Awareness

- Misleading valuation can cause **financial loss to the bank** and may lead to **professional liability** under civil and criminal law.
- As per the **IBBI Valuation Rules** and **Bank Empanelment Norms**, the valuer is responsible for exercising due skill and care.
- Avoid giving opinions beyond scope (e.g., legal ownership) — suggest bank to take advocate's advice where applicable.

Confidentiality and Data Integrity

- All property documents, internal discussions, and borrower details must be **handled confidentially**.
- Do not share data with third parties or rival borrowers.
- In case of doubts, escalate via written communication to branch head.

- Market rate vastly different from guideline rate — clarify reasons

I.) Non-Performing Assets (NPAs) severely affect the financial health of lending institutions. While borrower behavior and economic cycles are major causes, improper valuation and incomplete legal vetting significantly contribute to avoidable NPAs. The valuer, in coordination with the bank and panel advocate, plays a pivotal role in safeguarding against bad loans by verifying **title quality**, **marketability**, and **purpose-aligned value certification**.

S. No.	Cause of NPA	Valuer's Preventive Role
1	Defective Title Deeds	
2	Forged or Fraudulent Documents	
3	Non-Marketability of Security	
4	Leased / Life Interest Property	
5	Undivided Share of Land (UDS)	
6	Incompetent Valuer's Report	
7	Valuation by Bankers	
8	Overvaluation (Knowingly/Unknowingly)	
9	Purpose Not Properly Defined	
10	Wrong Property Valued	
11	Borrower's Background Ignored	
12	Policy or Political Pressure	

II.) How to Identify If a Property Involves More Than One Title Deed

(Detecting Extent Mismatches, Encroachments, and Partial Transfers)

Valuer's Process to Detect Multiple Title Deeds

To avoid overvaluation, encroachment confusion, or wrongful asset classification, a panel valuer must ensure that the land area being valued corresponds exactly to the area legally owned by the borrower. Follow this logical verification flow:

Step-by-Step Process

Step	Action	Purpose
1	Peruse the valuation report and note the land area certified for market value.	This is the area for which the borrower seeks financial consideration.
2	Examine the title deed or latest legal opinion for the extent of land recorded.	Confirms the extent legally owned by the borrower.
3	Compare Step 1 and Step 2. If they match exactly, it likely involves a single title deed.	Ideal case with clean documentation and no hidden parcels.

Red Flag Scenarios & How to Handle Them

<p>◆ Case A: Valuation Area > Title Deed Area</p> <p>Example:</p> <ul style="list-style-type: none"> • Valuer mentions 300 sq. m. in report. • Title deed shows only 150 sq. m. <p>Possible Reasons:</p> <ul style="list-style-type: none"> • Borrower has not submitted the second title deed. • Remaining land could be encroached land or held without proper ownership. <p>Action:</p> <p>Ask the borrower for additional title deeds. If unavailable, highlight the discrepancy and restrict valuation only to the extent of the legally documented land.</p>	<p>◆ Case B: Title Deed Area > Valuation Area</p> <p>Example:</p> <ul style="list-style-type: none"> • Title deed shows 480 sq. m. • Valuer has valued only 250 sq. m. <p>Possible Reasons:</p> <ul style="list-style-type: none"> • Borrower may have sold off part of the land after the original title deed was executed. • Site visit reveals built-up area only on 250 sq. m. <p>Action:</p> <p>Request a fresh Encumbrance Certificate (EC) to check for partial sale or gift deed. Also, check if the residual portion is mortgaged to another bank. Update legal opinion accordingly.</p>
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Valuer's Remarks Clause (Recommended)

"The extent of land certified in this valuation report is based on the physical inspection and supporting title deed submitted by the client. Any variation with the legally owned land as per EC or legal opinion should be clarified before relying on this report for credit decision."

Pro Tip for Valuers

- Always cross-check site area with EC, revenue records (e.g., Jamabandi, 7/12 extract, Sizra plan), and GIS systems if available.
- Document boundary markers, fences, and physical limits observed at the site.
- Highlight encroachments, setbacks, or road widenings that alter usable land area.
- Always Assess least area which ever is less for bank loan purpose

Should Valuer Adopt Document Area or Actual Measured Area of Plot?

You inspected a residential plot with **actual field measurement of 68 ft × 98 ft = 6,664 sq.ft (619.1 sq.m.)**, but the **title deed mentions 75 ft × 100 ft = 7,500 sq.ft (696.8 sq.m.)**

You reported value based on **document area**. Is it correct?

Answer: No.

The valuer must adopt the **lesser of the two** — i.e., the **actual physical extent**, when the plot measures less than the document claim.

Why?

- The bank lends against what **physically exists and can be recovered** — not what's written if it doesn't match ground reality.
- Title deed may overstate area due to:
 - Boundary encroachment
 - Road widening
 - Survey errors

III.) List of Risk-Prone Properties & How a Valuer Should Handle Them

S. No.	Risky Property Type	Why It Requires Caution	Professional Valuer's Approach
1	Undivided Share of Land (UDS) without any building		
2	Co-owner's Share in Property (especially if co-owners are unrelated)		
3	High-value bungalow in remote village		
4	Car parking space in apartment		
5	Large dry/agricultural land in remote area		
6	Leasehold Properties with Minimal Lease Period Left		
7	Property Lacking Original Title Deed		
8	Land with Operational Petrol Pump		

IV.) Comparison: Guideline Rate vs. Market Rate

Aspect	Guideline Rate (Circle Rate / Collector Rate)	Market Rate (Fair Market Value)
Definition	Official minimum value fixed by Registrar of Stamps	Actual transaction value based on recent market sales
Purpose	Used for stamp duty, registration fee, rent fixation, capital gain tax	Used for mortgage, purchase, loan processing, compensation
Basis		
Uniformity		
Accuracy		
Availability		
Acceptability for Loan		

Why Guideline Rate Cannot Be Used for Loan Valuation

V) Common Challenges Faced by Valuers in Bank Valuation Practice

(Real cases, document mismatches, third-party risk, goodwill confusion, and occupancy impact)

1. Guideline Rate vs. Market Rate Confusion

Issue: Banks sometimes insist on adopting **Registration Value (₹4,000/sq.m.)** even when **market rate is ₹6,000/sq.m.** due to sub-registrar office norms.

Valuer's Responsibility:



2. Valuation of Flats Using Composite Rate

Issue: Flat valuation is challenged due to uncertainty in land share, age of building, and carpet vs. built-up confusion.

Valuer's Method:



Use composite rate (₹/sq.ft. or ₹/sq.m.)



3. Tenant-Occupied Property Valuation

Issue: Property is under long-term tenant; value is impacted.

Valuer's Judgment:



Deduct 10–

4. Third Party Security Risk

Question: Mediators offer third-party plots for collateral; is it safe?

VI.) Valuation of a Rear Plot Without Direct Road Access (Wife's Property Case)

VII) Valuation of Open Terrace Rights as Collateral for Bank Loans

(Legal Limitations, Market Risk, and Practical Valuer Advice)

VIII) Valuation of Educational Institutions (Colleges, Schools, etc.) as Collateral Security

(Low Marketability, Valuation Method, and Professional Safeguards)

IX) Valuation for Auction (Forced Sale) vs. Market Sale: Key Differences & Valuer Safeguards

X) Impact of Vastu Defects on Valuation

XVI) Valuation on Temple or Religious Trust Land – A Valuer's Perspective

Before proceeding with valuation for bank purposes, always obtain a **legal opinion** from the bank's panel advocate regarding:

- Ownership of land (temple trust, wakf, public trust, or private religious body)
- Type of tenure (freehold, leasehold, or illegal possession)
- Existence of lease deed or any licensing agreement
- Purpose allowed in the lease/use clause (commercial/residential/public)

Case 1: Cinema Built Partly on Temple Land and Patta Land

Case 2: Building Constructed Entirely on Temple Land

Case 3: Community Temple Exists in the Middle of Mortgage Property

Summary Table: Valuer's Decision Matrix on Religious Land

Scenario	Can You Value?	Method	Required Safeguard
Temple land with lease deed	(Structure only)	Cost Approach	Legal opinion required
Temple land without deed	✗	—	Decline valuation
Partial on patta land, rest on trust land	(Patta part only)	Profit or Composite	Clear title separation
Temple inside mortgaged land	(Partial land)	Residual Land Approach	Site demarcation + legal vetting
Commercial use on temple land (cinema)	(If lease exists)	Profit Method	Business income proof + legal deed

Chapter 13: Legal Protection for Valuers - Landmark Judgments

Every Valuer Must Know

(Stay Safe, Stay Smart: Legal Safeguards and Judicial Insights for Practicing Valuers)

Valuation professionals, especially those empaneled with banks and financial institutions, often face scrutiny in legal proceedings when their reports are challenged. The following landmark judgments offer valuable legal shields for valuers and clarify their scope of liability under Indian law. Each case highlights not only what went wrong, but how valuers can proactively safeguard their role.

Case I: CBI Vs. K. Narayana Rao (2012) 9 SCC 512 - Supreme Court - 21.09.2012

Source: Supreme Court of India, Criminal Appeal No. 1381 of 2009
[<https://indiankanoon.org/doc/1262621/>]

Key Holding:

Liability against a professional arises only when he is an active participant in a plan to defraud the bank.

IPC Sections Involved: 120B, 420, 468

BNS Equivalents: 61, 316, 336

Case Insight: An advocate was charged for negligence in title verification. The court held professionals cannot be criminally liable unless they conspire or act with malafide intent.

Valuer's Learning:

- Mere negligence or wrong judgment does not constitute fraud.
- Document your independence and avoid collusion.
- Use clear disclaimers: *"This valuation is independent and made on good faith based on documents provided by the bank/borrower."*

Case II: L.N. Rajagopalan Vs State - CRL.R.C.No. 1063 of 2008 - Madras High Court - 10.08.2009

Source: [<https://indiankanoon.org/doc/1797104/>]

Key Holding:

A valuer is not an expert to test the genuineness of the documents.

IPC Sections Faced: 420, 468

BNS Equivalents: 316, 336

Case Insight: The valuer was accused of relying on fake papers. The court ruled that detecting forgeries is not a valuer's domain.

Valuer's Learning:

- Include a statement: *"The authenticity of legal documents has not been verified; assumptions are based on submissions by client/bank."*
- Demand only notarized/legal opinion-backed documents.

Case III: Vijay Kumar Singh Vs State of Bihar - 27162 of 2011 - Patna High Court - 10.12.2013

Source: [<https://patnahighcourt.gov.in>] (case number searchable)

Key Holding:

A valuer is not competent to certify the genuineness of title.

IPC Sections Faced: 417, 420

BNS Equivalents: 315, 316

Case Insight: Valuer was prosecuted when a property title turned disputed. The court held that valuers cannot certify ownership, which is a legal function.

Valuer's Learning:

- Never write "ownership confirmed" or "title is clear."
- Mention: "Report is based on assumption that legal title is free and marketable as per legal vetting by bank."

Case IV: Aparna Das Vs Bank - W.P. No. 22699 (W) of 2014 - Kolkata High Court - 19.08.2014

Source: [<https://indiankanoon.org/doc/55677687/>]

Key Holding:

A valuer is not responsible to detect forged documents.

IPC Sections Faced: 468, 471

BNS Equivalents: 336, 338

Case Insight: Forgery in bank-submitted documents led to liability charges. The court protected the valuer, ruling that identifying forgeries is beyond their capacity.

Valuer's Learning:

- Keep copies of documents relied upon.
- Ask banks for verified/legal opinion-attached documents.
- Note: "Valuation is based solely on papers provided; physical and legal forensics not conducted."

Case V: Hemraj Phonsa Vs CBI - 11.12.2015 - Special Judge, Anti-Corruption, J&K

Source: [<https://indiankanoon.org>] or [<https://districts.ecourts.gov.in>]

Key Holding:

Valuer has no role to certify or verify the title of the documents.

IPC Sections Faced: 409, 420

BNS Equivalents: 286, 316

Case Insight: A valuer was held responsible after the title of mortgaged property turned out defective. The court dismissed the case.

Valuer's Learning:

- Strictly avoid legal opinions in valuation reports.
- Instead use: *“Valuation assumes valid and enforceable ownership as per legal documents shared.”*

Case VI (Recent): Shrikant Y. Bhujbal Vs State of Maharashtra - Bombay HC - 2021

Source: Criminal Application No. 556 of 2020

[<https://indiankanoon.org/doc/180172131/>]

Key Holding:

Valuation is an opinion based on facts available; unless mala fide or collusion is proven, criminal liability is not attracted.

IPC Sections Faced: 420, 120B

BNS Equivalents: 316, 61

Valuer's Learning:

- Protect yourself with report disclaimers.
- Avoid giving value where legal or physical possession is disputed.
- Note: *“This report is advisory and not a commitment on legal status or enforceability.”*

Key Judicial Precedents Impacting Valuers

S.No.	Case Title & Citation	Court & Date	Key Learning for Valuer	IPC/BNS/Legal Reference	Valuer's Safeguard
1	L.N. Rajagopalan Vs State CRL.R.C.No.1063/2008	Madras HC, 10.08.2009	Valuer is not an expert to test genuineness of property documents	No direct IPC invoked	Mention in report: <i>“Documents relied upon are as provided by the client and not verified for authenticity or title.”</i>
2	Vijay Kumar Singh Vs State of Bihar Cr. Misc. No. 27162/2011	Patna HC, 10.12.2013	Valuer is not competent to certify title of the property	IPC Sec 420 (often invoked wrongly)	Add disclaimer: <i>“Title clearance is beyond the scope of valuation; legal due diligence to be done by the bank.”</i>
3	Aparna Das Vs Banks W.P.No. 22699(W)/2014				
4	Hemraj Phonsa Vs CBI				
5	A Kumar Sharma Vs CBI CRL.M.C. 3302/2013				
6	CBI Vs K. Narayana Rao (2012) 9 SCC 512				
7	Mohanty & Associates W.P. (C) 10647/2014				
8	W.P. (MD) No. 5404/2011				
9	R. Anbalagan Vs Central Bank of India W.A. 728/2015				
10	Sri Gorur Srinivas Vs CBI				

11	S. Udayakumar Vs State CRL.O.P.No. 21298/2007 & M.P.No. 1/2007				
12	Mr. Chandran Vs State CRL.R.C. No. 311/2008				
13	Cr. Misc. No. 4127 of 2015 G.R. 1133/2010				
14	Mayur Kumar Vs Bank of Maharashtra & IBA 7091/2016				
15	Rajendra Singh Vs State & Anr Cr. Misc. (Pet) No. 2786/2017				
16	W.P. 23248 (W) of 2019 AK 23				

Necessity for Defending Valuation Reports – Risks, Responsibilities & Real-Life Learning

- 1. When Are Valuation Reports Referred to Investigation Agencies?**
- 2. When Is a Valuer Involved in Investigations in Bank Cases?**
- 3. Does the Valuer Need to Justify His Valuation?**
- 4. How to Avoid Legal Enquiries? — Best Practices**

24.12. Annexures to Be Attached

- Request letter (bank/borrower)
- Site plan or sketch
- Copy of title deed(s)
- Copy of legal opinion
- Other relevant documents (e.g., map, tax receipts, photos)

Good Practices for Report & Record Keeping

Best Practice	Note
Prepare report yourself, even if typed later. Proofread for errors.	
Preserve one office copy and digital scan of all relevant documents.	
For machinery or specialized items, involve appropriate valuer (e.g., P&M Valuer).	
Keep email correspondence printed and attached to file.	
Issue receipt for valuation fee. For sensitive cases, obtain borrower's signature on bill.	
Mention fee received in office copy for transparency.	

Chapter – 15: Various Valuation Formats & Report Writing

(Based on Practical Scenarios & Professional Judgement)

Introduction

Valuation is both a science and an art. While methods like **Cost Approach, Income Capitalization, and Market Comparison** are discussed in earlier chapters, the way a valuation report is written is deeply influenced by the **valuer's experience, understanding of the case facts, legal documents, and prevailing site conditions**.

This chapter aims to provide standard templates, explain the structure of professional valuation reports, and guide the valuer on how to draft **clear, legally defensible, and purpose-specific reports**—bearing in mind that **no two valuers may express the exact same opinion** based on the same set of facts.

15.1 Importance of a Well-Drafted Valuation Report

A good valuation report must:

- Clearly reflect **the scope, purpose, and assumptions**.
- Be **fact-based but opinion-driven**.
- Contain **proper legal disclaimers** and reference documents.
- Help the reader (bank, court, or client) **understand how the value was derived**.

15.2 Structure of a Valuation Report (Standard Format)

S.No.	Report Section	Description
1	Title Page	Name, credentials, purpose of valuation, report date, client name.
2	Executive Summary	Key facts, valuation date, value estimated, property address, methodology used.
3	Scope & Purpose of Valuation	Define intended use (loan, dispute, taxation), basis of value (FMV, distress, etc.).
4	Identification of Property	Complete description as per documents and site.
5	Legal Ownership	State based on documents provided – always mention: " as reported by owner ".
6	Documents Relied Upon	Title deeds, maps, sanction plan, agreement, old valuations, etc.
7	Site Inspection & Observations	Date, access, neighborhood, encroachments, construction status, utilities, photos.
8	Methodology Adopted	Cost, income, or market method with justification.
9	Computation Sheet	Land rate, area, construction cost, depreciation, any assumptions made.
10	Valuer's Assumptions & Disclaimers	Scope limits, ownership, legal verification not done, market uncertainty clause, etc.
11	Final Opinion of Value	Amount in words and figures, rounded appropriately.
12	Annexures	Site photos, maps, legal documents, computation sheets, comparison data if any.

15.3 Sample Report Scenarios

Below are examples of reports for different situations to illustrate varying valuer judgments:

A. Loan against Residential House (Urban Plot + RCC Structure)

- Market Method for Land
- Cost Method for Building with standard depreciation
- Final value is **opinion-based** but must be backed by **local sale data and construction cost references**

B. Industrial Property Valuation with Unused Shed

- Land: Market Comparable Method
- Building: Obsolescence & functional depreciation
- Note: Disclose **lack of usage, non-operational utilities**

C. Agricultural Land Valuation

- Valued **based on circle rate vs market rate**
- Note: **Purpose-specific** approach—if for acquisition or loan

D. Partially Constructed Building

- Calculate value of completed portion + cost to complete remaining
- Include: **Stability risk, site access, legal construction status**
- Important: **Mention % of completion clearly**

15.4 Valuer's Opinion: Role & Responsibility

Valuation is not an exact figure but an informed opinion. Therefore:

- **Two valuers may differ** slightly in value estimation based on their experience.
- The report should include phrases like:

"Based on the information and documents provided, and site inspection conducted, in my professional opinion, the fair market value as on date is..."

15.5 Safeguards While Expressing Opinion

Risk Area	Recommended Wording in Report
Ownership / Title	"Title verification is not in the scope of valuation."
Court / Legal Disputes	"Property appears free from legal dispute as per information given."
Access / Encroachment	"No encroachment observed during inspection, subject to legal check."
Market Uncertainty	"Subject to fluctuations in real estate market conditions."
Borrower-Supplied Documents	"Documents relied upon are as provided by the client."

15.6 Common Mistakes to Avoid

1. Copy-paste reports without updating data
2. Not mentioning **inspection date separately**
3. Ignoring **physical site observations**
4. Not clarifying **methodology logic**
5. Missing **valuation date vs report date**

used in (Land & Building & Flat/ Floor/Shop Format)

Sample Valuation Format for Bank Loan Purposes

(Adapted for educational reference – not an official document)

Note-The valuation report formats, sample certificates, and content illustrations provided in this chapter are **for academic guidance only**. These are **not official formats prescribed by any institution**. Practicing valuers are advised to customize formats based on the specific client, case, jurisdictional norms, and regulatory expectations. The author disclaims any liability arising from direct use without due professional judgment or legal vetting.

FORMAT OF VALUATION REPORT IN RESPECT OF FLAT/ FLOOR

S. No.	Particulars	Content	
I.	GENERAL	REF no :-	
1.	Name & address of the Valuer	<i>Your full name, firm name, contact address with seal and registration details.</i>	
2.	Purpose for which the valuation is made	<i>E.g. 'For Loan Purpose '--- Bank' or 'For Internal Assessment'</i>	
3.	a) Date of inspection	<i>Exact date of physical site inspection (DD.MM.YYYY)</i>	
	b) Title Deed Number and Date	<i>Write exact deed/registry date and document type (e.g., Sale Deed dated XX.XX.XXXX)</i>	
	c) Date on which the valuation is made	<i>Date of signing the report (can be 1–2 days after inspection)</i>	
4.	List of documents produced for perusal 1. List titles of all documents examined (Builder Agreement, Registry, Sanction Plan etc.)		
5.	Name of the owner(s) and his / their address (es) with Phone no. (details of share of each owner in case of joint ownership) Proposed buyer Person meet at site with contact number	Name(s) as mentioned in documents; add relationship and phone number. M- 01234567891 (Rakesh Kumar)	
6.	Brief description of the property (Free Hold/ Lease Hold)	Flat details with carpet/super area, type (2BHK, 3BHK), orientation (e.g., corner unit)	
7.	Location of property	Write complete address clearly including flat no., tower, project, sector, city	
	a) Plot No. / Survey No.		
	b) Door No.		
	c) T. S. No. / Village		
	d) Ward / Taluka		
	e) Mandal / District		
	f) Date of issue and validity of layout of approved map / plan	Attach screenshot or approval number from DTCP or local authority; verify authenticity	
	g) Approved map / plan issuing authority	-do-	
	h) Whether genuineness or authenticity of approved map / plan is verified	Yes (with clarification in remarks) Remarks: "As per the document submitted by the client, the plan/map appears to be an approved copy. However, the authenticity has not been independently verified by the valuer from the concerned authority."	
	i) Any other comments on authentic of approved plan	-do-	
j)	Comment on unauthorized construction if any	See table	
k)	Comment on demolition proceedings if any	See table	
Professional Replies for i, j, k – Based on Scenarios			
Scenario	i) Any other comments on authenticity of approved plan	j) Comment on unauthorized construction if any	k) Comment on demolition proceedings if any
Plan given, appears genuine	"Plan has been submitted by the client and considered as provided. Its authenticity has not been verified with the sanctioning authority. Verification is advised if required."	"No visible unauthorized construction noticed during site inspection based on the provided plan."	"No known or provided information regarding demolition proceedings. Recommend bank to verify with local authority if needed."
Plan given, but appears to be	"Photocopy/scan of plan submitted. Original or certified copy not made"	"No major deviation noticed, but due to lack of original plan,	"No documents or signs of demolition noticed or

copy or unverifiable	available. Authenticity not verified independently. Bank may verify from issuing authority."	accurate comparison not possible."	submitted. Valuer not liable unless specific demolition notice is provided."
No plan given at all	"Approved plan not provided. Valuation is based on site inspection only. Authenticity of any approval cannot be commented upon."	"Due to absence of approved plan, unauthorized construction if any, cannot be determined."	"No demolition proceedings are known or shared. Suggest bank to check with authority for pending legal issues."
Deviation found (extra floor, setbacks etc.)	"Plan submitted by client but not verified with authority. Appears inconsistent with existing structure."	"Deviation observed on site — e.g., extra floor/room/setback not matching plan. May amount to unauthorized construction."	"Valuer not aware of any demolition notice, but due to visible deviations, further verification is strongly advised."
Plan given, but building fully matches plan	"Plan considered as provided. Not verified independently with authority."	"Construction appears as per approved plan. No unauthorized additions noticed."	"No indication of demolition or notice observed or informed by client."

8.	Postal address of the property	Write complete address clearly including flat no., tower, project, sector, city
9.	City / Town	City Name
	Residential Area	Yes
	Commercial Area	No
	Industrial Area	No
10.	Classification of the area	
	i) High / Middle / Poor	As per site condition
	ii) Urban / Semi Urban / Rural	-do-
11.	Coming under Corporation limit / Village Panchayat / Municipality	"Local Authority name given in doc"
12.	Whether covered under any State / Central Govt. enactments (e.g. Urban Land Ceiling Act) or notified under agency area / scheduled area / cantonment area	See table

Scenario	Suggested Answer
Property is NOT under any special enactment or notified area (as per documents/site)	"As per information provided and site observation, the property does not appear to fall under any special State/Central Govt. enactments or notified areas like ULC Act, agency area, scheduled area, or cantonment zone."
No information provided / not verifiable from documents	"No such information has been provided by the client/owner. The valuer has not verified from competent authorities. Verification from local development authority is recommended, if required by the bank."
Property falls under notified area / ULC / Scheduled area / Cantonment (known or disclosed)	"Yes, the property falls under [mention the applicable enactment, e.g., Urban Land Ceiling Act / Cantonment Area], as per the documents provided. Bank may conduct legal due diligence accordingly."

13.	Boundaries of the Tower	As Per Actual	As Per Layout Plan/Deed
	North	-	-
	South	-	-
	East	-	-
	West	-	-
14.	Dimensions of the site / flat	As Per Actual/DOC	As Per Layout Plan
	North	The flat is part of a group housing/builder floor,	-do-
	South	hence individual	-do-
	East	directional dimensions are	-do-
	West	not measurable on-site	-do-
15.	Extent of the site	Carpet Area:-867.04 Sft Super Area:- 1480.00 Sft	
15.1	Latitude, Longitude & Co-ordinates of flat	Long – 28.390000, Long- 76.940000	
16	Extent of the site considered for valuation (least of 13 A & 13 B)	Carpet Area:-867.04 Sft & Super Area:- 1480.00 Sft	
17	Whether occupied by the owner / tenant? If occupied by tenant, since how long?	Owner/ tenant If tenant (rent = Rs 000/ Month)	
II. APARTMENT BUILDING			
1.	Nam of the Apartment	GGFF SOCIETY	

2.	Description of the locality Residential / Commercial / Mixed	Residential				
3.	Year of Construction	2017				
4.	Number of Floors	B+G+13 Floor				
5.	Type of Structure	RCC Framed				
6.	Number of Dwelling units in the building	4 Flat on Each Floor				
7.	Quality of Construction	RCC / load-bearing; quality rating like 'Good', 'Excellent', 'Ordinary'.				
8.	Appearance of the Building	Good/Normal/ordinary/Superior				
9.	Maintenance of the Building	Good/Normal/ordinary/Superior				
10.	Facilities Available					
	Lift	2 number lift available				
	Protected Water Supply	Yes				
	Underground Sewerage	Yes				
	Car Parking - Open/ Covered	Yes (Covered)				
	Is Compound wall existing?	Yes (Whole Project)				
	Is pavement laid around the Building	-do-				
III	FLAT/ FLOOR					
1	The floor on which the flat is situated	"Mentioned as per site observation"				
2	Door No. of the flat	"Mentioned as per site observation"				
3	Specifications of the flat					
	Roof	RCC				
	Flooring	Vitrified tiles (rooms), Anti-skid tiles (toilets/kitchen)				
	Doors	Wooden/aluminium frame/Flush/PVC doors				
	Windows	Aluminium/UPVC sliding windows with clear glass				
	Fittings	<table border="1"> <tr> <td>Electrical Fittings</td> <td>Modular switches, concealed wiring, standard quality points</td> </tr> <tr> <td>Sanitary Fittings</td> <td>Ceramic ware, wall mixer, EWC, wash basin (Jaquar/Cera type)</td> </tr> </table>	Electrical Fittings	Modular switches, concealed wiring, standard quality points	Sanitary Fittings	Ceramic ware, wall mixer, EWC, wash basin (Jaquar/Cera type)
Electrical Fittings	Modular switches, concealed wiring, standard quality points					
Sanitary Fittings	Ceramic ware, wall mixer, EWC, wash basin (Jaquar/Cera type)					
	Finishing	Putty with emulsion paint (internal), weather coat (external) , Plain white; false ceiling in selected units				
	If fittings are old/poor, use: "Fittings appear functional but aged/moderate condition." If under construction, say: "Fittings and finishing in progress; final quality may vary as per builder's specification."					
4	House Tax	Mention tax status, electricity meter (name & no.), water/sewerage provision.				
	Assessment No.					
	Tax paid in the name of					
	Tax amount					
5	Electricity Service Connection no.	-do-				
	Meter Card is in the name of					
6	How is the maintenance of the flat?	good/moderate/poor----(see table)				
	Condition Observed	Suggested Answer				
	Well-maintained flat (clean, paint intact, no damage)	"The flat appears well-maintained with clean interiors, intact flooring, and no visible signs of leakage, seepage, or structural distress."				
	Average condition (minor wear and tear, faded paint, aged fittings)	"The flat is in livable condition with moderate upkeep. Minor maintenance such as paintwork, bathroom sealing, or electrical fitting repairs may be required."				
	Poor condition (broken tiles, damp walls, damaged fittings)	"The flat shows signs of poor maintenance including seepage/dampness, broken fittings, and general neglect. Refurbishment is recommended."				
7	Sale Deed executed in the name of	Mentioned owner name				
8	What is the undivided area of land as per Sale Deed?	As per Document				
9	What is the plinth area of the flat?	Mentioned if available or covered area				
10	What is the floor space index (app.)	Approx. 1.75, as per local development norms (not independently verified)				
11	What is the Carpet Area of the flat?	Carpet Area:-867.04 Sft				
12	Is it Posh/ I class / Medium / Ordinary?	I Class – medium to upper-medium specification with vitrified flooring, standard sanitary fittings, and modular kitchen				
13	Is it being used for Residential or Commercial purpose?	Currently used for residential purpose.				
14	Is it Owner-occupied or let out?	Owner-occupied (as informed during site inspection).				
15	If rented, what is the monthly rent?	N.A. (not tenanted) / ₹18,000 per month (as per owner's statement).				

IV MARKETABILITY					
1	How is the marketability?	Mention positive and negative factors with justification; ex: green view, corner flat			
2	What are the factors favouring for an extra Potential Value?	-do-			
3	Any negative factors are observed which affect the market value in general?	-do-			
V Rate					
1	After analysing the comparable sale instances, what is the composite rate for a similar flat with same specifications in the adjoining locality? - (Along with details /reference of at least two latest deals/transactions with respect to adjacent properties in the areas)	Use latest market surveys from Magic Bricks, 99acres, dealers, and project office. Recent transaction details could not be retrieved from the Sub-Registrar Office or official portals, as such data is not readily accessible for public domain due to system limitations and data protection norms, Due to non-availability of recent registered sale transactions in the vicinity, the valuer has relied upon indicative market rates as received from local market sources. These are approximate in nature and not to be treated as certified sale consideration. Independent verification is advised if required by the bank.			
2	Assuming it is a new construction, what is the adopted basic composite rate of the flat/Shop under valuation after comparing with the specifications and other factors with the flat under comparison (give details).	No registered sale deed or latest transaction could be verified in the immediate vicinity at the time of valuation. As per market inquiry with local brokers/residents, the indicative market rate in the area ranges between ₹__ to ₹__ per sq.ft. This is based on verbal market feedback and not on documentary proof. Bank may verify independently if required.			
3	Break - up for the rate(After completion)				
	i) Building + Services	Rs 1500/ sft			
	ii) Land + Others	Rs 5600/ sft			
4	Guideline rate obtained from the Registrar's office (an evidence thereof to be enclosed)	Rs. 5500/ Sft			
VI COMPOSITE RATE ADOPTED AFTER DEPRECIATION					
a.	Depreciated building rate				
	Replacement cost of flat with Services(v (3)i)	Rs 1500/ sft			
	Age of the building	6 year			
	Life of the building estimated	74- Years (Total 80 year)			
	Depreciation percentage assuming the salvage value as 10%	Depreciation based on age vs life (e.g., 6 yrs out of 80 yrs = 7.5%)			
	Depreciated Ratio of the building				
b.	Total composite rate arrived for valuation				
	Depreciated building rate VI (a)	₹1500 – ₹112.50 = ₹1387.50			
	Rate for Land & other V (3)ii	Rs 5600/ sft			
	Total Composite Rate(After Completion)	Rs 6987.50/ sft			
Details of Valuation					
<p>We have conducted the site inspection and made relevant inquiries and investigations deemed necessary to assess the property's market value. The valuation is based on the Composite Rate Method, considering factors such as location, size, orientation, demand-supply dynamics, population movement, economic indicators, and locality profile. The rate has been determined from various reliable sources, assuming a free-market transaction at arm's length, where both parties act knowledgeably, prudently, and without compulsion.</p> <p>Market Value is interpreted as the best possible price at which the property would sell unconditionally for cash on the date of valuation, given proper marketing exposure and assuming a willing buyer and seller under normal conditions.</p>					
	Name of Dealer	Contact number	Size of property	Range	Location of property
1	As per online Justification & Market Survey				
2					
<p>As per verbal & telephonic conversation with local property dealers, online survey & site sale office, the flat nearby of subject Property varies from Rs. 6800 to Rs. 7300/ Sft depending upon location, size, orientation, demand & supply, population movement, economic growth & location of Land & flat</p>					

Details of Valuation:

Sr. No.	Description	Rate per unit Rs.	Estimated Value Rs.
1	Present value of the flat (incl. car parking, if provided):-	Rs 6987.50/ sft	
2	Realizable value of the property on	-85%	
3	Distress Value of the Property on	--80%	
4	Guideline / Circle Rate Value of the Property		
	Insurance value of the property (reinstatement value) 867.04Sft @ ₹1387.50/sft	Rs 1500/ sft	-

As a result of my appraisal and analysis, it is my considered opinion that the present market value of the above property in prevailing condition with aforesaid specifications is Rs.

Place:

Date:

(Name and Official seal of the Approved Valuer)

S.No.	Field	Suggested Entry
i.	Date of purchase of immovable property	As per registered sale deed dated DD/MM/YYYY
ii.	Purchase Price of immovable property	₹XX,XX,XXX (Rupees in words), as mentioned in the registered sale deed dated DD/MM/YYYY
iii.	Book value of immovable property	N.A. – Financial statements not available / Not disclosed OR As per client's book of accounts, ₹XX,XX,XXX
iv.	Realizable Value of immovable property	₹89.31 Lakh – Based on current fair market assessment considering location, demand, and condition.
v.	Distress Sale Value of immovable property	₹84.00 Lakh – Based on urgent sale assumption with reduced market exposure.
vi.	Guideline Value (as per Circle Rates)	Yes, attached. As per Sub-Registrar Office records / e-valuation portal, the guideline value is ₹47.68 Lakh.

Place:

Date:

Signature

(Name and Official seal of the Approved Valuer)

Attached

1	Justification of property rate (from 99acre, Magic brick, housing .com etc & Property dealers contact numbers)
2	Declaration
3	Google map
4	Mode of Conduct

CHAPTER-17 Residual Method of valuation, Valuation of Hotel, Petrol Pump by Profit method with examples

Introduction: Residual Method of Valuation

The **Residual Method of Valuation**, also referred to as the **Development Method**, is a specialized approach for assessing the value of properties that hold **future development potential**. It is most appropriate when the property's current use does not reflect its **highest and best use**, and the value is largely dependent on **anticipated development** and **investment potential**.

This method calculates the value by deducting all projected development costs from the expected **Gross Development Value (GDV)** of the completed project. The resulting figure is known as the **residual value**, which reflects the current worth of the land or development property.

Mechanism of the Residual Method

- **Step 1:** Estimate Gross Development Value (GDV) based on market sale prices or rental income of the completed asset.
- **Step 2:** Deduct all costs, including:
 - Construction & infrastructure
 - Government approvals, taxes, and fees
 - Architect, legal, and consultant charges
 - Marketing and sales cost
 - Financing interest and contingency
 - Developer's expected profit margin
- **Step 3:** The leftover amount is the **Residual Land Value**, i.e., what the developer can afford to pay for the land to make the project viable.

Use Cases and Applications

- Landowners determining **reserve price** or **development share** in JDAs.
- Developers conducting **feasibility studies** to estimate land acquisition cost.
- Banks assessing **loanable value** of underdeveloped or vacant land.
- Public authorities setting **auction prices** for land parcels.
- Corporates evaluating investment in **mixed-use developments**.
- Assessment of **TDR rights** and unused FAR/FSI.
- Comparative evaluation of **alternative development schemes**.

Expanding Role in Indian Real Estate

With rising urbanization, FDI in real estate, and the government's thrust on smart cities and housing for all, the **Residual Method** is increasingly used in:

- **Metros** (Mumbai, Delhi NCR, Bengaluru)
- **Tier-II Cities** (Indore, Coimbatore, Surat)
- **Tier-III Cities** (Panipat, Gwalior, Ranchi)

Many real estate developers, fund managers, and government agencies depend on this method for **critical investment decisions**, **project appraisals**, and **financial modeling** of large land holdings.

Purpose of the Residual Method of Valuation

Purpose	Details
Feasibility Analysis	Determine if the development is economically viable.
Investment Appraisal	Evaluate profitability before committing capital.
Land Cost Benchmarking	Decide maximum purchase price a developer can pay.
Bank Mortgage	Ascertain the value of land for financing.
Reserve Price Fixation	Aid in fixing auction price of government or institutional land parcels.
Negotiation Tool	Support landowner-developer discussions in JDAs.
Comparative Modelling	Choose best development plan among alternatives.
TDR Utilization	Value additional FSI/FAR or rights under TDR policies.
Urban Planning	Support townships, IT parks, or retail hubs with sound financial base.

Examples of Development Properties Suitable for Residual Method

The Residual Method is particularly suitable for properties with identifiable development or redevelopment potential. Some common examples include:

Sl. No.	Example Scenario	Development Potential
	Large parcels of vacant land within cities	Can be developed into high-rise apartments, shopping malls, office spaces, or mixed-use complexes.
	Large vacant land parcels in city outskirts	Suitable for plotted residential layout development, townships, or affordable housing projects.
	Existing buildings or plots with unused FSI/FAR	Scope for vertical expansion or additional floors , increasing the built-up area and profitability.
	Old buildings in prime urban locations	Redevelopment can unlock much higher value through reconstruction or change of use (e.g., from residential to commercial).
	Industrial plots converted for commercial use	Post-rezoning, may fetch higher returns as malls, hotels, or office complexes.
	Properties eligible for TDR utilization	Developers may buy/sell or use additional FSI , increasing project yield and margin.

Mechanics of the Residual Method of Valuation

The **Residual Method** works by estimating the potential sale value of a completed development and deducting all the associated costs of development—including construction, statutory charges, professional fees, financing costs, and developer's profit. The remainder is treated as the **residual value of the land or property.**

Basic Formula:

$$R = S - (C + P)$$

Where:

Symbol	Description
R	Residual Value of the Site (i.e., Present Land Value)
S	Sale Price or Gross Development Value (GDV) of the completed project
C	Total Cost of Development (including construction, fees, approvals, interest, marketing, etc.)
P	Developer's Expected Profit Margin