

**APPELLATE PANEL OF ICAI REGISTERED VALUERS' ORGANIZATION,
4TH FLOOR, CMA BHAWAN, 3 INSTITUTIONAL AREA, LODHI ROAD,
NEW DELHI 110003**

ORDER

In the matter of;

Mr. Surya Mani Tripathi

Director M/s Surya Carpet Pvt Ltd.

Ugapur, Aurai, Bhadhoi,

Uttar Pradesh 221301

.....Appellant

Versus

CA Pranav Goyal

IBBI/RV/2019/11311/Registered Valuer (IBBI) S.F.A. Class

10/60, Vikram Vihar,

Lajpat Nagar IV,

New Delhi 110024

..... Respondent

Date 27.01.2025

Composition of the Appellate Panel

Shri Deviinder Gupta - Chairman

Shri L M Gupta- Member nominated by IBBI

Shri Pawan Kumar Mittal- Advocate , Member

Dr. S K Gupta-MD ICAI RVO, Member and Secretary

1. The present appeal has been filed by Mr. Surya Mani Tripathi in the capacity of Director of M/s Surya Carpet Pvt. Ltd. against the order dated 09.04.2024 whereby the Grievance Committee of ICAI Registered Valuers Organisation disposed of the complaint dated 29.02.2024 filed by the appellant in Form A.
2. After perusing the material on record before the Grievance Committee, the panel has proceeded to consider and discuss all the relevant pleas and submission raised in the complaint as well as the appeal.

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3. Abbreviations used herein:

- i) **Company:** M/s Surya Carpet Pvt. Ltd. (Appellant)
- ii) **ICMAI RVO:** ICMAI Registered Valuers Origination
- iii) **RV:** Registered Valuer Mr. Pranav Goyal (Respondent)
- iv) **Valuation report:** Valuation report dated 01.4.2022 rendered by Mr. Pranav Goyal RV

4. Brief Facts giving rise to filing of the appeal are:

- a. The appellant filed the complaint dated 12.02.2024 and again filed vide communication dated 29.02.2024 in Form A.
- b. In the complaint it is averred that CA Mr. Pranav Goyal, a Registered Valuer (hereinafter referred to as **"the RV"**) has given a valuation report dated 01.04.2022 w.r.t the valuation of shares of the M/s Surya Carpet Pvt Ltd (hereinafter referred to **"as the Company"**) without authorisation u/s 247(1) of the Companies Act, 2013 and in contravention of relevant valuation standards. It is further stated in the complaint that the management/authorized personnel of the company have not given any authority or information to the RV for doing any such valuation of the shares of the Company.
- c. It is further averred that the Valuation Report is issued for a valuation date which is much prior to the date of its issue i.e. the report is issued on 01/04/2022 and the Valuation date is taken as 31/03/2019,
- d. It is further averred in the complaint that the Valuer through his Report has deliberately given increased value of per equity share of the Company using subjective criteria and by violating the Valuation standards which is instrumental to the dispute and has induced the parties to the litigation

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- e. It is further averred that the RV has arrived at the fair value of the Company and thereby of the Equity Shares, without having conducted physical verification of the other Assets of the Company i.e. Land & Buildings and Plant & Machinery etc. and/or without obtaining any Valuation Report from any other Valuer of that class, which is clearly against the Valuation Standards more particularly Rule 7(c), 7(g) read with Clause 9, 11 and 17 of Model Code of Conduct, Schedule I of the Companies (Registered Valuers and Valuation) Rules, 2017.
- f. Vide E-mail communication dated. 09.04.2024, the Grievance Committee of ICAI Registered Valuers Organisation has disposed of the Complaint filed by the complainant in the below mentioned manner:

Based on facts and the information provided by you as also the reply to your various allegations received from RV Pranav Goel, the committee decided that the matter does not warrant any action and hence the complaint be disposed off.

5. **The appeal has been filed raising the following grounds:**

- A. The complaint has been disposed ex-parte without hearing the complainant and the same is unreasoned and does not consider or deal with the facts and circumstances involved in the matter.
- B. The Grievance Committee has not legitimately dealt with the complaint and has remained oblivious with the persons who are interested in getting an enhanced valuation of the shares which they have already sold and the RV has made no endeavours or took steps to physically verify the assets of the Company, the nature of business environment in which future cash flow depends and other intrinsically connected matters which form a backdrop of issuing the Valuation Report.
- C. Valuation Report is contrary to the requisite



Regulation(s) prescribed by IBBI and in law and is misleading and does not reflect the true and correct value of the shares of M/s Surya Carpet Private Limited in as much as the Valuation Report is dated 01.04.2022 relating to the value of shares as on 31.03.2019, has not factored-in the effects of Covid-19 pandemic as also other contingent liabilities, a Note whereof appears in the Final Accounts of the Company read with Notes thereto.

6. In response to the notice, the RV filed his response dated 21st June 2024 wherein he reiterated his stand as taken during the enquiry by the grievance redressal committee. He relied upon his earlier response dated 21st March 2024 and the response dated 03.04.2024 filed with the redressal grievance committee. In his response received vide e-mail dated 03.04.2024 the RV stated that:

"I CA Pranav Goyal, Registered Valuer, S&FA Class had prepared a valuation report for the equity shares of M/s Surya Carpet Pvt Ltd at the request of Mr. Awadh Narayan Tiwari and Mr. Shyam Naryan Tiwari. I was appointed on March 20, 2022 and I was made to understand that Mr. Awadh Narayan Tiwari and Mr. Shyam Naryan Tiwari are ousted shareholders of the Company and require valuation of equity shares to be conducted for the purpose of obtaining an independent third-party assessment of the tentative fair value of the Company. They had approached me for the valuation only because they were not provided by the valuation report prepared by Mr. Naveen Khandelwal whose name was mentioned in the Share Purchase Agreement. The report was conducted in accordance with the valuation standards set by the ICAI and the Model Code of Conduct for Registered Valuers. The purpose of the valuation was to provide an independent assessment of the tentative fair value of the company's shares, requested by the ousted shareholders.

However, it's noted that the valuation was not conducted

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under the statutory requirements of the Companies Act, 2013, and I was not appointed by the board of directors or management for this purpose. The report was based on data provided by the Tiwaris and explanations from them, with disclaimers regarding the sources of data and the extent of reliance that can be placed on the report.

Furthermore, I did not authorize Tiwaris to file the valuation report in any court of law, as it was intended solely for internal purposes to ascertain the fair value of the company's equity shares. They also addressed the complaint filed against me by Mr. Surya Mani Tiwari, claiming it to be baseless and motivated by an attempt to entangle me and the Tiwaris in a legal dispute to further his own agenda. An oversight in the report regarding the sources of information is acknowledged, and the Tiwaris have responded to the complaint, with their response included in the letter."

7. After receipt of the appeal the appellant was put the following queries vide email dated 16th November 2024
- (a) *Justification for filing complaint with ICAI RVO and subsequent appeal against the order of the Grievance Committee when the matter under consideration does not pertain to either the Companies Act, 2013 or Insolvency and Bankruptcy Code 2016 and accordingly how ICAIRVO is a proper forum for consideration of the subject grievance / complaint?*
 - (b) *How disciplinary action can be sought by a third party who is not privy to the contract between the valuer and the client for a valuation opinion which was done as an internal independent assessment for the client and not for any compliance purpose*
8. The same was replied vide e-mail dated 25th November 2024. In reply to query (a) Justification for filing complaint with ICAI RVO and subsequent appeal against the order of the Grievance Committee when the matter under consideration does not pertain to either the Companies Act, 2013 or Insolvency and Bankruptcy



Code 2016 and accordingly how ICMAIRVO is a proper forum for consideration of the subject grievance / complaint. The appellant submitted that the RV has issued a purported valuation report containing large caveats, which do not qualify as a report of an Expert. Further, the same is issued without any authorisation by the Board of Directors of the company in gross violation of the provisions of the Section 247 (1) of the Companies Act, 2013. It has been further submitted that that the valuation report is completely misleading, erroneous and false report, which is now attempted to be used as an instrument and evidence by Mr. Awadh Narayan Tiwari and Mr. Shyam Narayan Tiwari of the Company in cases filed against the Company/appellant and is being used as an instrument and evidence in the cases filed against the company before various forums. Thus, RV is facilitating in supplementing fabricated evidence for frivolous litigation in a collusive manner. Further, the object and scope of the Report has also not been properly defined. It was meant for personal & private use and not legal, such disclosure should have been appended.

9. In response to Query (b) How disciplinary action can be sought by a third party who is not privy to the contract between the valuer and the client for a valuation opinion which was done as an internal independent assessment for the client and not for any compliance purpose, it was submitted that since the company has been made a party to the cases filed by Mr. Awadh Narayan Tiwari and Mr. Shyam Narayan Tiwari, shareholders of the company before the Commercial Court, Prayagraj and the Allahabad High Court, solely relying on the Valuation Report issued by him and the company is being dragged into frivolous litigation due to this misleading report without following the established Valuation standards
10. From the record of the enquiry proceedings, the response of Mr. Ved Tiwari, Son and Power of Attorney holder for Mr. Awadh Narayan Tiwari and acting under consent and instructions of Mr. Shyam Narayn Tiwari submitted vide mail dated 06.03.2024 has been perused. In the said reply he stated that he agreed to sell the shares of the company to the present

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management based on a valuation report provided by earlier / another valuer, copy whereof was not provided to him. He further stated that he requested the RV to give a valuation report for their assessment. The relevant part is reproduced herein

"We would again like to emphasize that the Valuation report was taken as clearly mentioned in the report also for an independent assessment about the fair valuation of the Company. Furthermore, the valuer in his report has clearly mentioned that "the report is for the exclusive use for the purpose for which it is stated and should not be used for any purpose other than the purpose mentioned therein." The purpose mentioned in the report was for obtaining an independent assessment about the Fair Valuation of the Company. The report was filed in the court on our understanding of the purposes entailed in the valuation report that the report may be produced before a judicial forum to indicate a tentative fair value of the shares based on methodologies to be adopted by an IBBI registered valuer primarily to give an indication to the court regarding valuation of the Company by an independent third party. However, it is clarified that the valuation done by Mr. Pranav Goyal was purely at our insistence in order to compute the fair value on the basis of valuation standards prescribed for an IBBI registered valuer based on the data available in public domain as well as based on the explanations and information provided by us to him.

We never intend this report to be used for any litigation purposes if it is found to be violative of the caveats/limitations mentioned in the valuation report in light of the applicable laws and regulations and prejudicial to the valuer."

11. A virtual meeting of the Appellate Panel of ICAI RVO was held on 3rd December 2024, the notice of the same was issued to the appellant, the RV and Mr. Ved Tiwari.
12. In the hearing on 03.12.2024 held through virtual mode on google meet, the appellant was represented by Mr. Abhinav Mehrotra,

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Advocate and Mr. Prashant Tripathi, Authorized Representative of the company. Mr. Ved Tiwari was represented by Mr. Anand Kirti, Advocate. RV Mr. Pranav Goyal present in person.

13. The parties were heard and during the hearing the Ld. Counsel for the appellant while reiterating the grounds submitted in the complaint and the appeal, submitted that the appellant is aggrieved because of using of the valuation report by Mr. Ved Tiwari in a petition filed before the Civil Court concerned in a dispute between the shareholders, and the valuation report is filed with the knowledge of the RV.
14. RV submitted that he has mentioned requisite caveats and disclaimers, and the report was meant for the purpose of assessment of valuation by the shareholders, and it was not meant to be filed in a judicial forum and the same has been filed with the judicial forum without his knowledge.
15. During hearing, in response to the submission of RV, the Ld. Counsel for the appellant submitted that if RV makes a statement that the report has been used without his consent, his client may not escalate the issue further.
16. RV submitted that that in his report he has mentioned that the report is for the specific purpose and was meant for the said purpose and not to be copied / used otherwise without written consent.
17. The Ld. Counsel for the appellant requested the complete valuation report issued by the RV. The same was supplied to the appellant on 04.12.2024 through e-mail. The appellant vide mail dated 05.12.2024 while acknowledging the receipt of the valuation report stated that the RV be asked to confirm about his statement that he has not given any consent for the formal use of report dated 01.04.2022 issued by him as legal documents or to be presented as evidence before any court of law as an opinion of expert. The



appellant also sought the official transcript of virtual hearing held on 03.12.2024.

18. It is observed that request for providing the official transcript of the proceedings of the appellate panel dated 03.12.2024 is neither justified nor tenable. There is no procedure for maintaining the transcript of the proceedings of the meeting of the appellate panel, which is constituted as per the relevant rules and guidelines. The appellate panel is independent and empowered to decide and dispose the appeal based on the available record including the record of the grievance committee.
19. The Appellate Panel has considered the submissions on behalf of the concerned parties, and has perused the appeal, complaint and the record of grievance committee and response of the RV.
20. The submission of the RV that the report was for the purpose as mentioned in the report and not for any other purpose is correct and has been filed with the Judicial forum without his consent is correct. The response by the RV during enquiry before the Grievance Committee, sent through mail dated 03.04.2024 (reproduced in paragraph 6 above), it is categorically mentioned ***“Furthermore, I did not authorize Tiwari’s to file the valuation report in any court of law, as it was intended solely for internal purposes to ascertain the fair value of the company’s”***, and leaves no doubt that the report was meant for internal purpose and was used by Mr. Awadh Narayan Tiwari and Mr. Shyam Narayan Tiwari without their knowledge and consent and the panel does not deem it appropriate to seek further response from him as referred in the mail dated 06.12.2024 of the appellant.
21. Perusal of the valuation report would reveal that in the heading under Caveats/Limitations, the RV has mentioned
“My report is subject to the scope limitations detailed hereinafter. The purpose of the report has been laid out in the beginning of the report and as such the valuation



report has been provided by me for a specific purpose to determine the fair value of equity shares of the Company as on March 31, 2019 (i.e., the valuation date) based on valuation standards applicable to an IBBI registered valuer in compliance of COMPANIES (REGISTERED VALUERS AND VALUATION) RULES, 2017."

"The report is for the exclusive use for the purpose for which it is stated and should not be used for any purpose other than the purpose mentioned therein. The report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared"

22. Copy of engagement letter issued by the RV dated 20.03.2022 to Mr. Ved Tiwari while accepting the assignment of valuation, available on the file of enquiry by the Grievance Committee, mentions that the valuation report is not sought as per the provisions of the Companies Act and valuation is being done to provide an independent third-party assessment of the fair value of the company as on 31.03.2019, since the report mentioned in the share purchase agreement dated 04.11.2019 has not been provided. The relevant part of the engagement letter dated 20.03.2022 is reproduced below:

"We would like to expressly emphasize that this valuation report is not sought as per any provision of the Companies law and further that the valuation is being done primarily to give you an independent third party assessment of the tentative value of the company as it was informed by you the original valuation report another IBBI registered valuer was never made available to you as per the Share Purchase agreement dated 04th November, 2019."

23. From perusal of the valuation report, the letter of engagement dated 20.03.2022, response of the RV filed during the enquiry by the grievance committee and the categorical statement by RV during the hearing, it emerges that the RV issued the valuation report based on the limited data provided for independent assessment of



the fair value of the company as on 31.03.2019 and the same was not to be used for any other purpose except assessment of the fair value of the company. Further, Mr. Awadh Narayan Tiwari and Mr. Shyam Narayan Tiwari/shareholders have relied upon the same in judicial proceedings without any knowledge and consent of the RV.

24. RV is registered with the ICAI RVO, and his valuation report is not a statutory report especially in view of the contents of the engagement letter dated 20.03.2022, referred above, wherein it is clearly mentioned that the same was not sought under the provisions of Companies law, and it is merely an opinion based on the available data mentioned in the report and is subject to caveats and limitations as mentioned, and is required to be considered in accordance with the principle of law enshrined in the Law of Evidence. The panel is of the view that the aspect to rely or not to rely on the valuation report by the Hon'ble Court to adjudicate the dispute between the parties to the litigation is exclusive domain of the Hon'ble Court.

25. Further the report has been examined considering the averments made in the complaint w.r.t contravention of Rule 7(c), 7(g) read with Clause 9, 11 and 17 of Model Code of Conduct, Schedule I of the Companies (Registered Valuers and Valuation) Rules, 2017. Clause 9, 11, and 17 of the Model Code of conduct are reproduced below

Clause 9

Valuer should have a duty to carry out with care and skill, the instructions of the client insofar as they are compatible with the requirements of integrity, objectivity and independence.

Clause 11

A valuer should not take up an assignment under the Act/Rules if he/it or any of his/its relatives or associates is not independent in relation to the company and assets being valued.

Clause 17

In any fairness opinion or independent expert opinion submitted



by a valuer, if there has been a prior engagement in an unconnected transaction, the valuer should declare the past association with the company.

26. The panel notes that as per the provisions of Companies Act read with Companies (Registered Valuers and Valuation) Rules, 2017 there is no explicit requirement for a registered valuer to seek a No Objection Certificate (NOC) from the previous valuer. Registered valuers are professionals who provide independent and impartial valuations of properties, securities or other assets, as mandated by laws such as the Companies Act, 2013. Their primary responsibility is to conduct a thorough valuation, adhering to established standards and guidelines, and provide a report to the client. There is no mandate as per Company law or Code of Conduct governing the registered valuers to seek NOC from any previous valuer. Each valuation report is a standalone document, and the (S&FA) valuer's role such as in the instant case is to provide an independent assessment of the value of the securities, which are subjected to the valuation exercise without relying on or referencing previous valuations.

27. The panel notes that the issue averring violation of the standard and giving wrong report has been escalated due to the private litigation between the appellant and Mr. Awadh Narayan Tiwari and Mr. Shyam Narayan Tiwari w.r.t the share purchase agreement concerning the respective stake in the Company. Mr. Awadh Narayan Tiwari and Mr. Shyam Narayan Tiwari engaged the RV to conduct an independent third-party assessment of the tentative fair value of the Equity share of the Company. The valuation was not conducted as per section 247(1) of the Companies Act, 2013 as neither the same was done as per any statutory requirement of Company law nor was the RV appointed by the board of directors of the Company or the management of the Company for the purpose of doing the valuation. The valuation was done as

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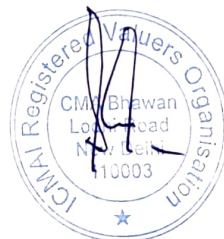


per the data provided by Mr. Ved Tiwari and information and explanations provided by them. It is noted that in the valuation report, the RV has made sufficient disclaimers in his report at different places to indicate the purpose of the report, the sources from where data was made available and the extent of reliance that can be placed on the report considering the data provided to him. Further, it is specifically stated by the RV did not consent to Mr. Ved Tiwari to file the valuation report in any court of law as the valuation report was only meant for their internal purpose to ascertain the fair value of the equity shares of the Company.

28. The panel has perused the valuation report. In the report, RV has appropriately mentioned the purpose of the valuation, the manner in which the data was collected, the manner in which the valuation was conducted and the conclusions arrived from the valuation report as well as the disclaimer(s) mentioned by him ; and all of these aspects seem to be well covered as per the prescribed valuation standards and the Code of Conduct governing registered valuers.
29. The Professional responsibility of the RV is to prepare the valuation report as per prescribed valuation standards prescribed by ICAI and following the Model Code of Conduct for Registered Valuers as per the Companies (Registered Valuers and Valuation) Rules, 2017.
30. The panel notes that in the instant case, his professional responsibility involved conducting an independent third-party assessment of the tentative fair value of the equity shares of the Company. The assumptions used by him in arriving at the valuation report are based on the assessment and analysis of information and explanations provided to him by Mr. Ved Tiwari as well as based on past financials of the Company.
31. Perusal of the valuation report reveals that the same adheres to all

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applicable Valuation Standards. RV has used all three approaches i.e. the Cost Approach, Market Approach and Income Approach for the purpose of the Valuation and the final valuation has arrived by him after taking a simple average of all the three methods.

32. It has been pleaded that the RV has included the valuation of other classes of assets and not employed expertise of other classes of valuers and has violated the regulations requiring not to encroach upon the expertise area of other class (es) of valuers. This plea is not tenable as the RV has clearly stated the procedures adopted by him and the information used by him. He has considered all three approaches of valuation. It is to be noted that SFA class of valuers are authorised to do valuation with objective to find enterprise value of companies. The RV has given his opinion on enterprise value only. The RV has discretion to employ other class(es) of experts and in the present case, the valuer in his opinion did not find it necessary to seek services of other experts. Perhaps, since the RV was aware that due to acrimony between the appellant and Mr. Ved Tiwari, the information on the other classes of assets may not be reliably available. The valuer has stated the documents used by him which comprise audited balance sheets of previous years which are freely available as public documents on MCA record. It is normal practice to use the audited financial information for all classes of assets and estimate the enterprise value.
33. It has been pleaded that the Valuation Report is issued for a date which is much prior to the date of its issue i.e. the report is issued on 01/04/2022 and the Valuation date is taken as 31/03/2019, which goes to show that the Report has been issued so as make it instrumental towards litigation and not otherwise. It is noted that section 1 of the valuation report clearly mentions that as per Share purchase agreement dated 04th November 2019, the purchaser purchased the entire shareholding of the sellers at the valuation based on the valuation report dated 7th October 2019 prepared by Mr. Navin Khandelwal, valuer registered with the Insolvency and Bankruptcy Board of India (IBBI) having registration No.



IBBI/RV/05/10779. As mentioned in section 1.1 of the valuation report, the date of valuation for such equity shares has been taken as March 31, 2019, as the Audited balance sheet of the Company is available as on March 31, 2019 only and no additional details have been made available to RV except for the information that was publicly available on MCA portal.

34. It has been pleaded that the Valuer has himself admitted that the Report has so many qualifications as stated in Para 1.1 of the Report and the report is illegal and incorrect. As per standards and practice, every Registered Valuer must specify the caveats, limitations, assumptions and disclaimers in their valuation report as per Chapter IV Valuation Standards, of the Companies (Registered Valuers and Valuation) Rules, 2017 to make the report transparent to the user/client. The said disclosure appears to be genuine and in accordance with the same requirement as specified.
35. It is observed that the Physical verification of assets of the Company was not required to be done as the value of assets of the Company was based on values arrived as per the audited financial statements of the Company which were signed by Mr. Surya Mani Tiwari (the appellant/Complainant') himself. The same is mentioned in section 4.1 of the valuation report as well. The purpose of the valuation itself was clear that the report was desired by Mr. Ved Tiwari which clearly indicated that no access to the Company or its latest books of accounts was possible which was discussed with Mr. Ved Tiwari at the time of taking the assignment itself.
36. There is no violation of Clause 9, 11 and 17 of the Model Code of Conduct based on the context in which valuation assignment was taken up by RV. He has adhered to the model code of conduct as well as valuation standards prescribed by ICAI. The panel is of the conclusion there is no violation of the Model Code of Conduct in conducting the valuation assignment by the RV.
37. As far as the averment of issuance of report in contravention of section 247 of the companies act 2013 is considered, perusal of the section 247 would show that the same does not preclude for having the valuation for the purpose of independent assessment of the fair value of a company or its assets for private purpose or for helping an individual to make a decision to enter in to a commercial deal with a company. Further, the



COMPANIES (REGISTERED VALUERS AND VALUATION) RULES, 2017 also do not create any embargo on undertaking valuation of the company or its assets for independent assessment of the fair value for private purpose. Had there any embargo on engaging the RV for having the independent opinion, then the legislature must have provided so.

38. Conclusion

In view of the above discussion, it emerges that the appeal of the appellant is merit less and is dismissed.


Shri. Deviinder Gupta-
Chairman


Shri L M Gupta-
Member nominated by IBBI


Shri Pawan Kumar Mittal-
Advocate, Member


Dr. S K Gupta-MD ICAI RVO,
Member and Secretary

Dated: 27.01.2025

Place: New Delhi

Copy of the Order forwarded to:

1. The Appellant
2. The Responded
3. IBBI RVO Division
4. Guard file

