

Valuation requirement in India under different laws.

Purpose of valuation	Under law
Fresh issues of shares	• Reserve Bank of India- FDI • Reserve Bank of India- ODI • Income Tax Law • Company Law • SEBI Law
Transfer of Shares	• Reserve Bank of India- FDI • Reserve Bank of India- ODI • Income Tax Law
Business Combination / Scheme of Arrangement	• Company law • SEBI Laws • Financial Reporting
ESOP/Sweaty Equity	• Income Tax Law • Company Law • Financial Reporting

Companies Act, 2013

Serial No.	Reference	Activity	Trigger Point of Valuation
1.	Section 8 read with Rule 21 and 22 of the Companies (Incorporation) Rules, 2014	Valuation of assets of a Section 8 Company when it is to be converted into any other type of company	Before filing for such conversion
2.	Section 39 read with Rule 12(5) of the Companies (Prospectus and Allotment of Securities) Rules, 2014	Issue of shares for consideration other than cash - requirement for valuation of the consideration	When filing the return of allotment for issue of shares for consideration other than cash
3.	Section 54 read with Rule 8(6) of the Companies (Share Capital) Rules, 2014	Fair price justification for issue of sweat equity shares	Before the approval of issue of sweat equity shares
4.	Section 54 read with Rule 8(7) of the Companies (Share Capital) Rules, 2014	Valuation of IP / know how acquired by issue of sweat equity shares to be valued	Before the approval of issue of sweat equity shares
5.	Section 62(1) (c) read with Rule 13(1) of the Companies (Share Capital and Debentures) Rules, 2014.	Share issue (other than rights and ESOP)	Before pricing the issue
6.	Section 67(3) read with Rule 16(1)(c) of the Companies (Share Capital and Debentures) Rules, 2014	Determination of price of issue by an unlisted entity when shares are issued to employees / trust to which the company is providing loan for such purchase	Before the approval of the transaction
7.	Section 73 read with Rule 2(ix) of the Companies (Acceptance of Deposits) Rules, 2014	To determine that bonds / debentures issued are secured (and hence not a deposit), valuation of the assets provided as security	Before the issue of such bonds / debentures
8.	Section 230(2) and Section 230(3)	Filing of a compromise or arrangement amongst creditors / shareholders	Before the filing of application.
9.	Section 232	Mergers and amalgamations	When Board

			places them report to the members
10.	Section 236	Acquisition of minority stake by these holding 90 % or more.	Before making such offer for the buyout of the shares from the minority holders
11.	Section 281(1)(a)	Valuation of assets at the time of winding up of the company	Once the Liquidator is appointed

As per the Insolvency and Bankruptcy code, 2016.

Serial No.	Reference	Activity	Trigger Point
1.	Regulation 27 read with Regulation 35 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016	Valuation by two registered valuers to be appointed by the RP	Once the company is placed into CIRP
2.	Regulation 27 read with Regulation 35 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016	A third valuer's valuation when the RP is not satisfied with the two valuation reports and the variance between these values are significant	If the RP determines this is required after the first two valuer's reports are received by him.
3.	Regulation 35 of IBBI (Liquidation Process) Regulations, 2016	Valuation of assets when a company is placed under liquidation, if the liquidator decides that the valuation at the time of CIRP may no longer be relevant.	When the Liquidator makes such an assessment once the liquidator is appointed
4.	Section 59(3)(b) (ii) of IBC, 2016 and Regulation 3 of IBBI (Voluntary Liquidation Process) Regulations, 2017	Valuation of assets of a company going in for voluntary liquidation	Once the company has resolved to place the company into voluntary liquidation

Indian Accounting Standards (Ind AS)

Serial No.	Reference	Activity	Trigger Point
1.	Ind AS 16 - Property Plant & Equipment	Revaluation of PPE	Period End
2.	Ind AS 109 - Financial Instruments	Fair value of unlisted investments held as FVTPL or FVTOCI	Period End
3.	Ind AS 40 - Investment Property	Fair valuation of investment properties for the disclosure in financials	Year end.
4.	Ind AS 36 - Impairment of Assets	Fair Valuation for impairment testing	Period end when impairment indicators are available
5.	Ind AS 102 - Share Based Payments	ESOP/ SAR Accounting	At the time of option grant.
6.	Ind AS 102 - Share Based Payments	ESOP with performance criteria affecting the option price / SAR accounting	Period End
7.	Ind AS 103 - Business Combination	Accounting for Business combination	At the time of acquisition
8.	Ind As 105 - Noncurrent assets held for sale and discontinued operation	Non - Current held for disposal	At the time of classification
9.	Ind As 105 - Noncurrent assets held for sale and discontinued operation	Non - Current held for disposal	At each period end.
10.	Ind AS 116 - Leases	Leases	At the time of acquisition of a fresh lease contract
11.	Ind AS 116 - Leases	Leases	At the time of lease modification
12.	Ind AS 19 - Employee Benefits	Plan assets of employee benefit schemes	Period end
13.	Ind AS 20 - Accounting for Government Grants and Disclosure of Government Assistance	Government Grants	When non-monetary grants are received
14.	Ind AS 41 - Agriculture	Biological assets	Period end

Foreign Exchange Management Act (FEMA)

Serial No.	Reference	Activity	Trigger Point
1.	Master Direction on FDI	Inbound foreign investment in an unlisted entity	At the time of investment
2.	Master Direction on FDI	Buy Back of shares by an Indian Entity from foreign shareholders	At the time of buy back
3.	Master Direction on FDI	Conversion of CCP / CCD where the conversion terms were not pre-determined	At the time of conversion
4.	Master Direction on FDI	When there is a transaction to swap shares between companies involving foreign shareholders	Before approval of the swap transaction
5.	Master Direction on FDI	At the time of transfer of shares in unlisted Indian entities between a resident and non-resident or vice versa	At the time of the transaction
6.	Master Direction on ODI	At the time of investment in entities abroad / acquisition of shares / stake in entities abroad by a resident	At the time of the transaction
7.	Master Direction on ODI	At the time of transfer / disposal of shares / stake in foreign entities by a resident	At the time of the transaction

Income Tax Act, 1961.

Serial No.	Reference	Activity	Trigger point
1.	Section 56(2)(x) read with Rule 11UA	When there is purchase of shares in unlisted company	At the time of Transfer
2.	Section 50 CA read with Rule 11UA	When there is sale of shares in unlisted company	At the time of Transfer.
3.	Section 56(2) (vii)(b) read with Rule 11UA	When a company in which public are not substantially interested issues shares at a premium	At the time of issue
4.	Section 17 read with rule 3(8)	When ESOP shares in Unlisted Company is exercised - by determining of perquisite value by issuing company.	At the time of exercise of options.
5.	Section 92 and 93	For determining the arm length pricing, if and when required	At the time of contracting the transaction
6.	Section 50B and Rule 11UAE	When a slump sale is -affected, to determine the fair value of the slump sale	At the time of effecting the slump sale.
7.	Section 115WC and Rule 40C	Valuation of specified security or sweat equity share being a share in the company	At the date on which the option vests with the employee
8.	Section 115WC and Rule 40D	Valuation of specified security not being an equity share in the company.	At the date on which the option vests with the employee

Securities and Exchange Board of India (SEBI) Regulations:

Sr No	Law	Reference	Activity	Trigger Point
1.	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015	Regulation 87C - Valuation, Rating and NAV disclosure	Quarterly	For NAV in case of an issuer whose security receipts are listed on a stock exchange
2.	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011	Regulation 8(16)-Offer Price	Direct acquisition effected under SEBI Takeover Code - in determining the offer price, one of the criteria when the shares are not frequently traded	At the time of open offer where the direct acquisition is of an entity where shares are not frequently traded
3.	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018	Regulation 158(6)-Preferential Issue	Preferential issue - conversion of debt into equity under strategic debt restructuring scheme	At the time of determination of conversion price in case of conversion of debt into equity under strategic debt restructuring scheme
4.	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018	Regulation 163(3)-Disclosures to Shareholders	In case of issuance of specified securities on a preferential basis for consideration other than cash	At the time of issuance of specified securities on a preferential basis for consideration other than cash.
5.	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018	Regulation 165- Pricing of Infrequently Traded Share	Pricing of the infrequently traded shares	At the time of pricing of shares of an issuer which are not

				frequently traded in line with the requirements of Regulation 165 of the SEBI (ICDR) Regulations, 2018
6.	Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014	Regulation 21 (7) - Valuation of Assets	When public issue is proposed (Except bonus issue)	When the issue is proposed to be made
7.	Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014	Regulation 21 (7) - Valuation of Assets	When public issue is proposed (Except bonus issue)	When the issue is proposed to be made
8.	Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021	Regulation 33 - Delisting of equity shares of a company by a recognised stock exchange	Determination of fair value of the delisted equity shares, in case where equity shares are delisted by a recognized stock exchange	At the time of delisting of equity shares of a company by a stock exchange