



## eCircular

Department: STRESSED ASSETS RESOLUTION

GROUP:

Sl.No.: 575/2021 - 22

Circular No.: Stressed Assets Resolution

Group/SOP/12/2021 - 22 :

Date: Thu 9 Sep 2021

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The Chief General Manager  
State Bank of India  
ALL LHOs/CAG/CCG/SARG/CC Establishments

**SARG/ARC/SS/**

Dear Sir/ Madam,

### **Professional fees payable to the Valuers**

Professional fees payable to the Valuers was last circulated vide Policy on Valuation and Empanelment of Valuers issued vide Circular No CCO/CPD-ADV/49/2019 – 20 dated 03.07.2019. Now, based on the feedback received from various stake-holders professional fees payable to the valuers has been reviewed and revised instructions are given as per Annexure-I

Please bring the contents of the Circular to the notice of the Operating Units under your administrative control for meticulous compliance. For further clarifications, if any, matter may be referred to SARG at Corporate Centre, Mumbai.

Yours faithfully,

Chief General Manager (SARG)

## **Annexure-I**

### **1. Professional fees payable - Valuer**

- The professional fees payable to the valuer shall be fixed by the Bank prior to the issuance of Letter of Assignment on case to case basis, depending upon the work/services involved.
- For valuation of cases admitted in NCLT under Insolvency and Bankruptcy Code (IBC), valuation fee shall be applicable as decided by Committee of Creditors (COC).
- For valuation under Consortium Advances valuation fee shall be according to decision of Consortium members and to be shared accordingly.
- A standardized fees structure is prescribed in **Annexure - A** and branches/ operating units shall be guided by the same while engaging the services of the valuers.
- Fee structure shall be reviewed periodically to align with current market rates.
- Cases where quotations have not been called from the empaneled valuers for the valuation as above, dealing branches/operating units should negotiate with the valuers and reduce the fees to the extent possible on a case to case basis and specifically arrive at the fees, at the time of entrustment itself, depending on the nature/value/availability of security.

1.1 In exceptional cases, branches/operating units may exceed the Bank's prescribed fees with specific approval of Appropriate Authorities as detailed in **Annexure-A**

### **1.2 Fees - Payment process:**

- Payment to be made only after satisfactory completion of the assignment and receipt of reports.

- In case the valuation report submitted by the valuer is not in order, the Bank shall bring the same to the notice of the valuer within 15 days of submission for rectification and resubmission. In case no such communication is sent, it shall be presumed that the valuation report has been accepted (this is against Bank' interest).
- in case asset(s) to be valued is outside the Centre, where credit facility is being obtained, in such a scenario, services of a valuer on the Bank's panel at the Centre where asset is situated is to be utilised for valuation of asset(s).
- No out of pocket expenses shall be paid in addition to fee quoted, as above. However, in exceptional cases, outstation traveling and diem for valuation of assets outside the Centre, actual tickets up to AC- II tier/Car or bus charges (for places where train facility is not available, maximum of tickets of AC-II tier shall be reimbursed) and Rs. 1000.00 per day respectively may be considered for reimbursement, where specific approval has been obtained from appropriate authority for valuation of Asset(s) by the valuers from outside the centre.
- GST - the necessary process as per extant guidelines shall be complied with by the branch
- Payment to be made within 45 days from the date of receipt of final valuation report or receipt of final bill for payment whichever is later.
- The Entity shall accept the fee and reimbursement of expenses, if any, as per Bank guidelines issued from time to time. No fee/ reimbursement will be payable by the Bank for any job/task undertaken by the Entity without written approval/consent of the Bank, to obviate the possibility of any claim/counter-claim.
- After receipt of report from the valuers on the prescribed format, the operating units have to rate his/her performance in the VMS before the payment is made through VPS.

**Annexure-A**

**Valuation fee**

(Amount in

Rs.)

Value of the Asset/ security (Fair Market Value)	Fee applicable	Minimum fee	Maximum fee
Value upto 5 crore	0.02% of the value (fair market value) of the asset	1,000	10,000
Value above 5 crore upto 50 crore	0.01% of the value (fair market value) of the asset	10,000	30,000
Value above 50 crore	0.005% of the value (fair market value) of the asset	30,000	100,000
Loan/advances above 50 crore to other than “P Segment” and where value of security is above 50 crore	Minimum fee of Rs.30,000/- <b>OR</b> lowest quotation received whichever is higher		
Fee shall be negotiated by operating units and reduce to the extent possible on a case to case basis. Payment of fee shall be according to the complexity of the case, nature of the asset, experience, rating, category of the valuer and reasonable hourly fee as per estimated work hours (as described in Annexure - B and C). Such fee shall be in tune with the prevailing rates at the Centre/area.			

- Rates quoted above are excluding GST.
- Factors for arriving at reasonable fees for valuers and estimation of work hours required by a valuer to complete the valuation is detailed in **Annexure - B and C**.
- In case of loan/ advances above Rs. 50.00 crore to other than “P segment” and where value of asset(s)/securities is above Rs. 50.00 Crore, before entrusting any assignment to the agency, competitive quotation shall be called from at least three empanelled valuers in relative asset class.
  - (i) Valuer should submit the quote clearly indicating the fees on an ‘all inclusive’ basis
  - (ii) Care should be taken that the entire exercise is kept transparent in the process
- In exceptional cases taking into account the nature of the asset(s)/quantum of work involved, higher authority not below the rank of General Manager may permit payment of fees to valuers beyond the above ceilings subject to a maximum of 10% of the maximum ceiling.
- The above fee structure is subject to negotiation at the time of giving each assignment as the same is to be recovered from the borrowers. Special care needs to be taken while negotiating fees for revaluation of the assets already mortgaged to the Bank.

**ANNEXURE- B**

**FACTORS FOR ARRIVING AT REASONABLE FEES FOR VALUERS**

<b>Activity</b>	<b>New Connection/ Existing connection</b>
<b>Complexity of the case</b>	Technology intensive sectors, Software, Pharma and other sectors such as EPC/construction, Real Estate, Educational Institutions, Hotels, Hospitals etc.
	Traditional sectors such as Metals, Power, Food Processing, Textiles, Paper, Sugar, Cement etc.
<b>Nature of asset</b>	Land & Building/ Plant and Machinery/ Business valuation/Financial Assets/Intangible assets etc.
<b>Status of unit</b>	Running unit/ Going Concern or defunct/ closed unit
<b>Total Banking Exposure</b>	Upto Rs. 50 Crores
	> Rs 50 crore <= Rs 100 crores
	> Rs 100 crore <= Rs 500 crores
	> Rs 500 crores
<b>Time and labour estimate</b>	No. of hours of professional work involved (an indicative table of various tasks involved during a valuation process is attached as Annexure-C). The branches/ operating units may work out the quantum of work hour that may be required to conduct the valuation and also reasonable hourly fees that may be payable to the valuer depending on his ability, experience, reputation and nature of asset being valued.
<b>Methodology of valuation</b>	List out on the assumptions made and the factors considered for the purpose of valuation of relevant class of asset(s) under following valuation approaches and methods a) Market approach b) Income approach c) Cost approach
<b>Category of valuer</b>	"A" category of valuers registered with IBBI (for valuation under Companies Act and Insolvency and Bankruptcy Code (IBC) and Wealth Tax Act, 1957.
<b>Level of regulatory compliances</b>	In listed companies, the level of compliance with various SEBI / Stock exchange requirements goes up. Similarly, in some industries, there is high level of regulatory compliance.
<b>No. of locations of assets</b>	Assets located at multiple locations.
<b>No. of class of assets</b>	Valuation of multiple classes of assets.

#### ANNEXURE- C

#### Estimation of work hours required by a valuer to complete the valuation

Particulars of functions performed by the valuer (not intended to be exhaustive)	Estimated work hours
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<b>As valuer for valuation of Land and Building</b>	
Visit to the asset to be valued, in person	
Comparison of the current value of the similar assets in the area e.g. through brokers, from the office of the registrar of properties of the locality	
Comparison with last valuation reports, if any, and reason for any major differences in the values as per the report and current valuation	
Inclusion of values pertaining to certain machineries which are integral part of the building e.g. heating/cooling equipment, elevators etc.	
Costs and benefits of assets e.g. farm land, to be derived for valuation	
List out on the assumptions made and the factors considered in the valuation of land and building under following valuation approaches and methods a) Market approach b) Income approach c) Cost approach	
Total estimated work hours for valuation	
<b>As valuer for valuation of Plant &amp; Machinery</b>	
Physical Asset check by valuer	
Evaluation of Physical condition of assets and determination of current value of assets by comparing same or similar machinery available in the market	
In case of large factories and specific use of plant & machineries, consideration of cost of purchase, cost of installing and erecting of plant, etc.	
Determination of wear and tear in asset, type of maintenance carried out and estimated remaining useful life consideration for valuation	
Determination of scrap value	
Determination of value of subsidiary machine which is vital for functioning of main machine by calculating its value and remaining useful life	
Note on valuation of machineries on standalone basis which are fixed to the building such as lift or ventilating equipment	
List out on the assumptions made and the factors considered in the valuation of plant and machinery under the following valuation approaches and methods a) Market approach b) Income approach c) Cost approach	
Total estimated work hours for valuation	
<b>As valuer for valuation of Business/ Enterprise</b>	
Study of financials of the business at least for the last three years	
Collection of all the information for all the business assets and liabilities and verify the assets register and physical assets	
Valuation of each asset individually or in groups	
Consideration of Asset's remaining useful life cost of dismantling and disposing, scrap value, replacement cost, repairs and maintenance and depreciation charged till the day of valuation	
Valuation of liabilities of the business	

Budget plans of the business and actual performance	
Verification of financial liability which may arise in form of any taxes or penalties	
Market position of goods or services dealt in by the business	
consideration of research and development happening in the product line and its impact on the future of business and business plans to counter such challenge	
Insight into the possible changes in the government policies regarding licenses and taxes in the business	
Consideration of off balance sheet assets and/or liabilities (pending lawsuits, compliance agreements and warranties etc.)	
Study of market in which business operates	
Availability of required manpower and retention	
List out on the assumptions made and the factors considered for the purpose of business valuation under the following valuation approaches and methods a) Market approach b) Income approach c) Cost approach	
Total estimated work hours for valuation	
<b>As valuer for valuation of Financial Assets</b>	
Considering the multiple categorisation and different usages of a financial instrument valuation, detailed consideration of purpose of valuation and the nuances of the instrument being valued	
understanding of the relevant regulations governing the functioning of the instrument	
due consideration to the complexity of the instrument being valued and the available information while selecting a valuation approach and method	
In selection of the approach and method, due consideration to the control environment under which the entity and the instrument operates. The control environment consisting entity's internal governance and control objectives, procedures and their operating effectiveness with the objective of enhancing the reliance on the valuation process and outcome thereof.	
independent opinion on the valuation control environment and factor outcome on the valuation method, approach, outcome and reporting thereof	
Documentation of inherent nature of the complexity in detail to enable the user to understand the assumptions that impact the value of the instrument	
List out on the assumptions made and the factors considered for the purpose of valuation of financial assets under following valuation approaches and methods d) Market approach e) Income approach f) Cost approach	
Total estimated work hours for valuation	

<b>As valuer for valuation of Intangible Assets</b>	
<p>Intangible assets can generally be classified under the following broad categories (indicative):</p> <ul style="list-style-type: none"> <li>(a) Customer-based intangible assets;</li> <li>(b) Marketing-based intangible assets;</li> <li>(c) Contract-based intangible assets;</li> <li>(d) Technology-based intangible assets; or</li> <li>(e) Artistic-based intangible assets.</li> </ul>	
<p>List out on the assumptions made and the factors considered for the purpose of valuation of Intangible assets under following valuation approaches and methods</p> <ul style="list-style-type: none"> <li>a) Market approach</li> <li>b) Income approach</li> <li>c) Cost approach</li> </ul>	
Total estimated work hours for valuation	