

## Insolvency and Bankruptcy Board of India

14<sup>th</sup> January, 2019

### Sub: Educational Courses for asset class: Securities or Financial Assets

In pursuance of the first proviso to rule 5 (1) of the Companies (Registered Valuers and Valuation) Rules, 2017, read with Rule 12 (2) (a) and Rule 14 (e), the Insolvency and Bankruptcy Board of India, being the Authority, hereby specifies the details of educational courses for the Asset Class of Securities or Financial Assets as under:

i. The curriculum for the educational course shall be as under:

#### Asset Class: Securities or Financial Assets

Sl. No.	Coverage	Hours of Training
1.	<b>Macroeconomics</b> <ul style="list-style-type: none"><li>- National Income Accounting</li><li>- Basics of Fiscal Policy</li><li>- Basics of Monetary Policy</li><li>- Understanding Business cycles</li></ul>	2
2.	<b>Finance and Financial Statement Analysis</b> <ul style="list-style-type: none"><li>• <b>Finance</b><ul style="list-style-type: none"><li>- Basic Concepts of Finance</li><li>- Decisions in Finance</li></ul></li><li>• <b>Financial Statement Analysis</b><ul style="list-style-type: none"><li>- Assets, Liabilities &amp; Equity and Incomes &amp; Expenses</li><li>- Performance Analysis</li><li>- Capital Structure Analysis</li><li>- Credit Analysis</li><li>- Cash Flow Analysis</li></ul></li></ul>	3
3.	<b>Professional Ethics and Standards</b> <ul style="list-style-type: none"><li>- Model Code of Conduct for Registered Valuers as notified by Ministry of Corporate Affairs (MCA) under the Companies (Registered Valuers and Valuation) Rules, 2017</li><li>- Ethical considerations under terms of engagements</li></ul>	2
4.	<b>General laws</b> <ul style="list-style-type: none"><li>• <b>The Companies Act, 2013</b><ul style="list-style-type: none"><li>- Chapter IV - Share Capital and Debentures</li><li>- Chapter XV - Compromises, Arrangements and Amalgamations and the Companies (Compromises, Arrangements and Amalgamations) Rule, 2016</li><li>- Chapter XVII- Registered Valuers</li><li>- The Companies (Registered Valuers and Valuation) Rules, 2017</li><li>- Chapter XX -Winding Up</li></ul></li><li>• <b>The Indian Contract Act, 1872</b></li></ul>	9

	<ul style="list-style-type: none"> <li>- Offer, Acceptance and Revocation</li> <li>- Legal Contract, Void and Voidable Contracts</li> <li>- Contingent Contracts</li> <li>- Performance of Contracts</li> <li>- Consequences of Breach of Contract</li> <li>- Agency Agreements</li> <li>• <b>The Sale of Goods Act, 1930</b> <ul style="list-style-type: none"> <li>- Contract of Sale</li> <li>- Definition of Goods</li> <li>- Price of Goods</li> <li>- Conditions and Warranties</li> <li>- Unpaid Seller</li> </ul> </li> <li>• <b>The Transfer of Property Act, 1882</b> <ul style="list-style-type: none"> <li>- Definition of Immovable Property</li> <li>- Transfer and Sale of Property</li> <li>- Rights and Liabilities of Buyer and Seller</li> <li>- Mortgage of Property</li> <li>- Rights and Liabilities of Mortgager and Mortgagee</li> <li>- Gift of Immovable Property</li> <li>- Lease</li> </ul> </li> <li>• <b>The Indian Stamps Act, 1899</b> <ul style="list-style-type: none"> <li>- Basics of Indian Stamp Act</li> <li>- Valuation for Duty</li> <li>- Instruments on which duty is levied</li> </ul> </li> <li>• <b>The Income Tax Act, 1961</b> <ul style="list-style-type: none"> <li>- Taxes on Individuals</li> <li>- Taxes on Companies</li> <li>- Heads of Income- Income from Salary, Income from House Property, Income from Profits and Gains of Business or Profession, Income from Capital Gains and Income from Other sources</li> <li>- Clubbing and Set off provisions</li> <li>- Double Taxation Avoidance Agreement (DTAA)</li> <li>- Taxation on transfer of business</li> <li>- Transfer pricing issues</li> <li>- Employees' Stock Option Plan or Scheme</li> </ul> </li> <li>• <b>The Insolvency and Bankruptcy Code, 2016 (IBC) and Regulations</b> <ul style="list-style-type: none"> <li>- Part I of IBC: Preliminary</li> <li>- Part-II of IBC: Insolvency Resolution and Liquidation for Corporate Persons</li> <li>- The Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016</li> <li>- The Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016</li> <li>- The Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017</li> </ul> </li> </ul>	
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5.	<b>Financial Reporting under Indian Accounting Standards (Ind AS)</b> - Indian Accounting Standard (Ind AS) 113, Fair Value Measurement	2.5
6.	<b>Overview of Valuation</b> - Meaning of Value - Premise of Valuation - Purpose of Valuation - Valuation Standards - Valuation Engagements-Scope of Work - Valuation Process - Valuation Report - Documentation	2
7.	<b>Valuation Approaches</b> - Cost Approach - Market Approach - Income Approach	1.5

8.	<p><b>Valuation Application</b></p> <ul style="list-style-type: none"> <li>• <b>Equity / Business Valuation</b> <ul style="list-style-type: none"> <li>- Analysis of Business Environment</li> <li>- Entity's Business Strategy Analysis</li> <li>- Business Combinations- Amalgamation, Merger, Demerger, Arrangement &amp; Restructuring</li> <li>- Forecasting</li> <li>- Cash flow Analysis</li> <li>- Appropriate Cost of Capital / Rate of Return</li> <li>- Valuation Adjustments</li> </ul> </li> <li>• <b>Fixed Income Securities</b> <ul style="list-style-type: none"> <li>- Types of Fixed Income Securities</li> <li>- Types of Different Debt Instruments</li> <li>- Terms used in Fixed Income Securities</li> <li>- Credit Rating of Bonds</li> <li>- Embedded Options</li> <li>- Interest Rate Derivative Products</li> <li>- Related Fixed Income Money Market and Derivatives Association of India (FIMMDA) Circulars</li> </ul> </li> <li>• <b>Option Valuation</b> <ul style="list-style-type: none"> <li>- General Principles</li> <li>- Option Valuation Models: Black and Scholes Valuation Methodology, Black and Scholes Merton Option Pricing Method, Binomial Tree Method, Monte Carlo Simulation</li> </ul> </li> <li>• <b>Valuation of other Financial Assets and Liabilities</b></li> <li>• <b>Intangible Assets</b> <ul style="list-style-type: none"> <li>- Nature and Classification of Intangibles</li> <li>- Identification of Nature of Intangible Assets</li> </ul> </li> </ul>	16.5
	<ul style="list-style-type: none"> <li>- Purpose of Intangibles Valuation</li> <li>- Valuation Approaches</li> <li>• <b>Situation Specific Valuation</b> <ul style="list-style-type: none"> <li>- Distressed Asset Valuation</li> <li>- Start-up Entities Valuation</li> <li>- Valuation of Small and Medium Enterprises</li> <li>- Valuation of Cyclical Firms</li> <li>- Valuation of Investment Entities</li> <li>- Valuation for Insurance Coverage</li> </ul> </li> </ul>	

9.	<p><b>Regulations relevant to Financial Assets Valuation</b></p> <ul style="list-style-type: none"> <li>• <b>The Securities and Exchange Board of India Regulations</b> <ul style="list-style-type: none"> <li>- The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009– Chapter VI-A and Chapter VII</li> <li>- The SEBI (Prohibition of Insider Trading) Regulations, 2015</li> <li>- The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011</li> <li>- The SEBI (Delisting of Equity Shares) Regulations, 2009 - The SEBI (Share based Employee Benefits) Regulation, 2014: Employee stock option schemes, employee stock purchase schemes and stock appreciation rights schemes</li> </ul> </li> <li>• <b>RBI and FEMA Regulations</b> <ul style="list-style-type: none"> <li>- FEMA (Transfer or Issue of Security by a Person Resident Outside India), Regulations, 2017</li> <li>- Foreign Direct Investment (Pricing Guidelines)</li> <li>- Direct Investment by Residents in Joint Venture/ Wholly Owned Subsidiary abroad.</li> <li>- Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks.</li> <li>- Guidelines on Sale of Stressed Assets by Banks</li> </ul> </li> </ul>	2
10.	<p><b>Judicial Pronouncements on Valuation</b></p> <ul style="list-style-type: none"> <li>- Miheer H. Mafatlal Vs. Mafatlal Industries Ltd. (1997) 1 SCC 579</li> <li>- Hindustan Lever Employees' Union Vs. Hindustan Lever Limited and Ors.</li> <li>- Brooke Bond Lipton India Ltd.td. [1999] 98 Comp Cas 496 (Cal)</li> <li>- Dinesh Vrajlal Lakhani Vs. Parke Davis (India Ltd.) (2005) 124 Comp Case 728 (Bom HC)</li> <li>- Dr. Mrs. Renuka Datla Vs. Solvay Pharmaceutical B.V. &amp; Ors. G.L. Sultania and Another Vs. The Securities and Exchange Board of India</li> </ul>	1.5
11.	<p><b>Case Studies</b></p> <p>This section will have two case studies to test the ability to apply valuation techniques. There will be two comprehensions narrating transaction based on which questions will be asked.</p>	8
<b>Total</b>		50

- i. The educational course for the asset class shall be delivered by the registered valuer organisation in not less than 50 hours in classroom mode.
  - ii. A candidate having the required qualification and experience and having completed the education course specified above shall be eligible for registration as a valuer on passing the valuation examination of the asset class conducted by the Authority.
2. The educational course will be reviewed on a yearly basis.

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