

## **INSOLVENCY AND BANKRUPTCY BOARD OF INDIA**

[Authority delegated by the Central Government vide notification no. GSR 1316(E) dated 18-10-2017 under section 458 of the Companies Act, 2013 read with rule 2(1)(b) of the Companies (Registered Valuers and Valuation) Rules, 2017]

IBBI/Valuation/Disc./02/2022

24<sup>th</sup> February, 2022

### **ORDER**

#### **In the matter of Ms. Esther Rani Jakkula, Registered Valuer (RV) under Rule 15 and 17 of the Companies (Registered Valuers & Valuation) Rules, 2017.**

This Order disposes of the Show Cause Notice (SCN) dated 25<sup>th</sup> May 2021 issued to Ms. Esther Rani Jakkula, who is a member of the IOV Registered Valuers Foundation (IOVRVF) and registered with the Insolvency and Bankruptcy Board of India (IBBI) as a valuer in the asset class of Land and Building with the registration number IBBI/RV/02/2019/11747.

#### **1. Background**

- 1.1 The IBBI has been delegated by the Central Government to perform the functions as the Authority under the Companies (Registered Valuers and Valuation) Rules, 2017 (Valuer Rules). Ms. Esther Rani Jakkula, who is a member of the IOVRVF, was registered with the IBBI as valuer in the asset class of Land and Building with the registration number IBBI/RV/02/2019/11747 on 12<sup>th</sup> June, 2019.
- 1.2 It had come to the notice of the IBBI (the Authority) that an FIR had been filed under sections 120B read with sections 420, 468 and 471 of Indian Penal Code, 1860 (IPC) read with sections 13(1)(d) and 13(2) of the Prevention of Corruption Act, 1988 by the Central Bureau of Investigation, ACB, Hyderabad on the basis of complaint made by State Bank of India (SBI) in respect of providing inflated valuation of the properties situated at Happy Homes, Street No. 5, beside Praxis Fitness Hub, Narayanaguda, Hyderabad which were kept as collateral for the loan amount of Rs. 5.10 crore disbursed by SBI to Mr. Paruchiru Kumar. In the said FIR, it is mentioned that the contents of the said SBI complaint may be read as part and parcel of that FIR.
- 1.3 The Authority had sent an email dated 30<sup>th</sup> April 2021 to Ms. Rani seeking clarification from her regarding the said FIR, along with submission of necessary documents. However, no response was received from Ms. Rani. The Authority again sent a reminder email dated 9<sup>th</sup> May 2021, however, Ms. Rani did not respond to that email again.
- 1.4 On the basis of material available on record, the Authority issued SCN dated 25<sup>th</sup> May, 2021 under the rule 17 of the Valuer Rules to Ms. Esther Rani Jakkula for contravention of rules 3(1)(k), 7(a) (b) and (g) of the Valuer Rules and clauses 2, 3 and 4 of the Model Code of Conduct for Registered Valuers as mentioned in Annexure-I of the said Valuer Rules and asked her to submit her written reply within fifteen days. However, Ms. Rani did not respond to the SCN. A reminder email dated 2<sup>nd</sup> September, 2021 was again sent to her to seek reply from her but Ms. Rani failed to provide any response to the SCN.

1.5 Ms. Rani was given an opportunity of personal hearing on 21<sup>st</sup> December 2021 wherein Ms. Rani made her submissions in respect of the contraventions mentioned in the SCN. During personal hearing, Ms. Rani was granted seven days time to file reply to the SCN. Ms. Rani sent her reply to the SCN on 28<sup>th</sup> December 2021.

The contraventions alleged in the SCN, and Ms. Rani's written and oral submissions are summarized as follows:

## **2. Alleged Contravention**

2.1 It is observed that an FIR has been filed against Ms. Rani by the Central Bureau of Investigation, ACB, Hyderabad, on the basis of complaint made by the SBI, for her role as valuer of the bank and thereby providing inflated valuation for the properties kept as security for the loan amounts disbursed by SBI. The FIR is filed for offences under sections 120B IPC read with sections 420, 468 and 471 read with section 13(1)(d) and 13(2) of Prevention of Corruption Act, 1988.

2.2 The offences under which the FIR is registered are serious in nature and therefore may significantly impinge on the integrity, reputation and character and may make Ms. Rani not "fit and proper" for being eligible for registration as a valuer, as stipulated under rule 3(1)(k) of the Valuer Rules.

2.3 It is further noted that Ms. Rani was requested to provide the details of further action that might have been initiated against her with respect to the above referred FIR. However, even after repeated email communications (emails dated 30<sup>th</sup> April 2021 and 09<sup>th</sup> May 2021), no response has been received from her.

2.4 In view of the foregoing, Ms. Rani has contravened provisions of rules 3(1)(k), 7(a) (b) and (g) of the Valuer Rules and Clauses 2, 3 and 4 of the Model Code of Conduct for registered valuers.

## **3. Submissions**

3.1 Ms. Rani submitted during the personal hearing that she did not receive any information from CBI regarding the FIR and came to know about the same from IOVRVF. She submitted that she provided IOVRVF with the explanation to the FIR and submitted them a reply accordingly.

3.2 Ms. Rani submitted in her written reply that the valuation report submitted by her in respect of the properties situated at Happy Homes, Street No. 5, beside Praxis Fitness Hub, Narayanaguda, Hyderabad was correct, and no inflated rates of the said properties were valued by her.

3.3 Ms. Rani submitted that she handles valuations which mostly includes housing loans. The Authority inquired about the process from Ms. Rani which she follows while preparing a valuation report, to which Ms. Rani submitted that the bank usually gives the proforma of the valuation report, which is filled and signed by her. She submitted that she follows the bank guidelines in preparation of the report.

3.4 Ms. Rani via email dated 28<sup>th</sup> December 2021 submitted that there were some problems in her computer system because of which she was not receiving emails from various senders. She submitted her sincere apology for the delay in submitting the reply to SCN.

#### **4. Analysis and Findings**

4.1 The Valuer Rules provides a comprehensive framework for development and regulation of the profession of valuers. These Valuer Rules set standards of professional conduct and performance for the valuation profession in the interest of stakeholders. The valuation profession has diverse practices and to establish the integrity in the process of valuation and inspire confidence among the stakeholders, the Code as well as the Valuer Rules emphasized importance of engagement of registered valuers for the purpose of valuation of the corporate debtor.

4.2 The Hon'ble Delhi High Court in the matter of Cushman and Wakefield v. UOI, W.P.(C) 9883/2018, observes as follows:

*“The endeavor of the Rules is to introduce a class of professionals where the focus is on the professionals skills of the individuals rather than a business venture. Professionalism is introduced into the profession of valuation, which involves sophisticated skills and a high degree of integrity, impartiality and ethics for the purposes of the Companies Act and IBC, through Valuation Rules which can regulate this area and make valuers more accountable and professionally trained.”*

4.3 Rules 3 and 7 of the Valuer Rules provide for eligibility and conditions for registration of valuers which read as under:

*“3. Eligibility for registered valuers.— (1) A person shall be eligible to be a registered valuer if he-*

*(k) is a fit and proper person:*

*Explanation.— For determining whether an individual is a fit and proper person under these rules, the authority may take account of any relevant consideration, including but not limited to the following criteria-*

*(i) integrity, reputation and character,*

*(ii) absence of convictions and restraint orders, and*

*(iii) competence and financial solvency.”*

*“7. Conditions of Registration.— The registration granted under rule 6 shall be subject to the conditions that the valuer shall –*

*(a) at all times possess the eligibility and qualification and experience criteria as specified under rule 3 and rule 4;*

*(b) at all times comply with the provisions of the Act, these rules and the Bye-laws or internal regulations, as the case may be, of the respective registered valuers organisation;*

*(g) comply with the Code of Conduct (as per Annexure-I of these rules) of the registered valuers organisation of which he is a member;”*

It is the primary duty of the professional to be responsive and to communicate effectively with the stakeholders and authorities regulating them.

- 4.4 Further, the Code of Conduct as per Annexure-I to the Valuer Rules provides as follows:
- Clause 2: A valuer shall maintain integrity by being honest, straightforward, and forthright in all professional relationships.
  - Clause 3: A valuer shall endeavor to ensure that he/it provides true and adequate information and shall not misinterpret any facts or situations.
  - Clause 4: A valuer shall refrain from being involved in any action that would bring disrepute to the profession.
- 4.5 In the instant matter, the SBI had made a complaint to CBI on 4<sup>th</sup> January, 2021 requesting it to lodge the complaint and carry out a detailed investigation into the fraudulent activities committed intentionally and knowingly by Shri. Paruchuri Kumar and his family members in collusion with the advocates, valuers, Sri Abdul Rawoof Pasha and other unknown persons under relevant provisions of Indian Penal Code, 1860 (IPC) and to take action against the persons found guilty as per the provisions of IPC. The CBI on the basis of the said complaint registered an FIR bearing no. RC0352021A0003, dated 10<sup>th</sup> February, 2021 under sections 420, 468 and 471 of IPC read with sections 13(1)(d) and 13(2) of the Prevention of Corruption Act, 1988. In the FIR, it has been alleged that Mr. Paruchuri Kumar colluded with the valuers with malafide intention to project highly inflated valuation for the said properties offered as security and reports submitted by her for the purposes of obtaining loan of Rs. 5.10 crore. The inflated valuation report with abnormally high value of 350-400% higher than the registered sale value was obtained even prior to the submission of loan document which fortifies the collusion. The SBI complaint mentioned names of valuers including Ms. Rani.
- 4.6 The Authority notes that prior to the SCN, the IBBI vide emails dated 30<sup>th</sup> April 2021 and 09<sup>th</sup> May 2021 requested Ms. Rani to provide necessary documents in the matter to which no reply was given by her. After which the SCN dated 25<sup>th</sup> May, 2021, was issued to which no reply was given by Ms. Rani. Again, a reminder email dated 2<sup>nd</sup> September, 2021 was sent to Ms. Rani to submit reply to the SCN but she did not reply. She attended the hearing on 21<sup>st</sup> December, 2021. Thereafter, she replied to SCN on 28<sup>th</sup> December, 2021. The Authority further notes that Ms. Rani replied to the emails of IOVRVF in this matter but she did not respond to IBBI in respect to the SCN.
- 4.7 The Authority notes from submission of Ms. Rani that she was not aware of the SCN issued against her as she did not check her emails regularly. During the hearing, she checked her email and confirmed that she received reminder emails to file response to the SCN. The Authority further notes from her submission that there were some problems in her computer system because of which she was not receiving emails from various senders. The Authority also takes note of apology by Ms. Rani for the delay in submitting explanation to the SCN.
- 4.8 Regarding the FIR filed by the CBI, the Authority notes the submission of Ms. Rani that she received the information regarding the FIR from IOVRVF and received no communication from the CBI. Accordingly, she submitted a reply to the IOVRVF. The Authority notes from her submission that she did not submit any report containing inflated value of the property to SBI.
- 4.9 The Authority further notes that in the FIR registered by the CBI, Ms. Rani has not been named as accused. Further, vide letter no. DPHYD2021/C2/RCHYD2021A0003/1138 dated 21<sup>st</sup> June, 2021, the CBI informed the Grievance Officer of IOVRVF that "*Smt. J Esther Rani is not an FIR accused and as of now there is no direct allegations on her. Case*

*is under investigation.*” Hence, contraventions alleged in the SCN do not appear to be established.

## **5. Order**

5.1 In view of the above, the Authority in exercise of powers conferred vide notification of Central Government no. GSR 1316(E) dated 18<sup>th</sup> October 2017 under Section 458 of the Companies Act, 2013 and in pursuance of rule 15 and rule 17 of the Companies (Registered Valuers and Valuation) Rules, 2017, disposes of the SCN without any direction and advises Ms. Rani should be extremely careful, diligent, and responsive while performing duties as a registered valuer under the Valuer Rules.

5.2 A copy of this Order shall be forwarded to IOV Registered Valuers Foundation where Ms. Esther Rani Jakkula is enrolled as a member.

6. Accordingly, the show cause notice is disposed of.

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(Dr. Mukulita Vijayawargiya)  
Whole Time Member, IBBI

Dated: 24<sup>th</sup> February, 2022

Place: New Delhi