

THE ULTIMATE IND AS VALUATION

— GUIDE 2026 —

Ind AS 113 • Fair Value • Impairment • PPA
Share-based Payments • Financial Reporting

A Practitioner's Guide for
Indian Financial Reporting
Professionals, CFOs,
Auditors & Valuers



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Before founding Elite Valuation, he spent 9 years at Ernst & Young across valuation, transaction advisory, transfer pricing and cross-border taxation. His work today spans financial reporting, M&A and restructurings, intangible assets, ESOPs, FEMA, AIFs, securities, financial modelling and other regulator-facing assignments where the valuation must stand up to scrutiny from auditors, regulators, investors and boards.

EXPERIENCE	CLIENT BASE	CREDENTIALS	BIG 4 FOUNDATION
15+ Years	500+ Client Engagements	CA CS IBBI RV	9 Years at EY

VALUATION & ADVISORY EXPERTISE

- Business & Company Valuation
- M&A, Merger, Swap Ratio & PPA Valuation
- Intangible Asset, Brand, Patent & IP Valuation
- ESOP, Sweat Equity & Share-Based Payment Valuation
- Ind AS / Financial Reporting Valuation
- Shares, Securities & Complex Instrument Valuation
- FEMA, FDI / ODI & Cross-Border Valuation
- Income Tax, Companies Act & SEBI Valuation
- AIF Valuation, Structuring & Compliance Support
- ESOP Structuring, Scheme Design & Implementation
- Financial Modelling, Fundraising & Transaction Support
- Due Diligence, Transfer Pricing & Cross-Border Advisory

Practice focus. Elite Valuation is built for assignments where financial judgement, regulatory interpretation and transaction context intersect. The team supports both one-time transactions and recurring reporting requirements, with an emphasis on independent analysis, clear documentation and execution that is practical for management and audit teams.

HOW WE APPROACH ENGAGEMENTS

01 Clarify the purpose We start with the reporting, transaction or regulatory objective before selecting a method.	02 Build from evidence Assumptions are anchored to financials, market data, contractual terms and the economics of the business.	03 Document the judgement The report explains the why behind the number so that reviewers can follow and challenge it.	04 Stay involved through review We support management through auditor, board, investor and regulator questions on the valuation.
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WHAT WE DO

Elite Valuation is not limited to Ind AS assignments. We work across the full valuation and transaction lifecycle - from a funding round or ESOP grant to a merger, cross-border transaction, financial reporting exercise, AIF mandate or strategic decision. The common thread is independent analysis that is commercially useful and defensible before stakeholders.

01 Business & Company Valuation

Independent enterprise and equity valuation for strategic, transaction, regulatory and shareholder purposes.

07 FEMA, SEBI & Regulatory Valuation

Valuation support for FDI, ODI, cross-border transactions, Companies Act, SEBI and other regulatory requirements.

02 M&A, Merger & Swap Ratio Valuation

Valuation for acquisitions, mergers, demergers, restructurings and share-exchange ratios, including transaction support.

08 Income Tax Valuation

Independent valuation support for applicable Income-tax provisions, share transfers, issuances and transaction-related requirements.

03 Purchase Price Allocation & Ind AS

Ind AS 103 purchase price allocation, intangible identification, impairment, fair value and financial reporting support.

09 AIF Valuation & Advisory

AIF portfolio valuation together with structuring, registration and compliance support for fund managers and sponsors.

04 Intangible Asset & IP Valuation

Brand, customer relationship, technology, patent, copyright, licence and other intellectual-property valuation.

10 ESOP Advisory & Implementation

Pool sizing, scheme design, documentation, implementation, employee communication and ongoing compliance support.

05 ESOP & Share-Based Payments

ESOP valuation, share-class allocation, grant-date fair value and accounting support for listed and unlisted companies.

11 Financial Modelling & Fundraising

Investor-ready financial models, DCF analysis, pitch support and decision models for growth, funding and transactions.

06 Shares, Securities & Instruments

Equity, preference shares, debentures, convertibles and other complex capital-structure valuations.

12 Due Diligence & Transaction Advisory

Financial due diligence, M&A support, transaction structuring, Virtual CFO and other execution-focused advisory.

One team, multiple contexts. Our assignments commonly require valuation to be read together with accounting, Companies Act, FEMA, SEBI, Income-tax, AIF or transaction documentation. That cross-disciplinary context is built into the way we scope and document the work.

REPORTS	MODELS	ADVISORY	REVIEW SUPPORT
Independent valuation opinions	DCF / PPA / ESOP / scenario models	Structuring & execution inputs	Auditor / board / investor queries

WHO WE SERVE

Our clients range from founder-led businesses to listed groups and institutional investors. We are typically called when the number matters beyond the spreadsheet - because it will be reviewed by an auditor, placed before a board, used in a transaction, tested by a regulator or relied upon by investors and counterparties.

CLIENTS & STAKEHOLDERS

- Listed companies and large private groups
- Promoters, founders and family businesses
- Startups and venture-backed companies
- Private equity, venture capital and family offices
- AIF sponsors, fund managers and trustees
- CFOs, controllers and finance teams
- Boards, audit committees and independent directors
- Banks, NBFCs, lenders and credit teams
- MNCs and Indian subsidiaries of global groups
- CA, CS, legal, tax and transaction advisers
- Investors, acquirers and sellers in M&A
- Companies preparing for fundraising, restructuring or succession

WHEN CLIENTS TYPICALLY CALL US

TRANSACTION Acquisition, merger, demerger, share swap or restructuring	REPORTING PPA, impairment, fair value, ESOP or other Ind AS measurement	CAPITAL Fundraising, ESOP pool, complex securities or share-class allocation
REGULATORY FEMA, SEBI, Companies Act or Income-tax valuation requirement	FUNDS AIF registration, valuation, governance or compliance requirement	DECISION Strategic valuation, succession, investor negotiation or board decision

SECTORS WE WORK ACROSS

Manufacturing	Technology & SaaS	Consumer & Retail	Financial Services	Real Estate & Infra
Healthcare	Logistics	Hospitality	Agribusiness	Professional Services

WHY CLIENTS WORK WITH US

SENIOR INVOLVEMENT Complex mandates receive founder-led review and judgement, not a volume-processing approach.	CROSS-DISCIPLINARY VIEW Valuation is read together with accounting, Companies Act, FEMA, SEBI, tax and transaction context.
DEFENSIBLE OUTPUT The focus is not only the number, but the assumptions, evidence and documentation behind it.	PRACTICAL EXECUTION Big 4-style rigour combined with the responsiveness and accessibility of a boutique advisory team.

START A CONVERSATION

If you are unsure which valuation is required, send us the transaction note, instrument terms, financials or audit query. We can help identify the applicable valuation objective, the right scope and the practical next steps before the work begins.

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DISCLAIMER

This guide is provided for general information and educational purposes only and does not constitute valuation, accounting, legal, tax or investment advice. Indian Accounting Standards and the related regulatory framework are subject to amendment, and their application depends on the specific facts of each entity. Readers should obtain professional advice tailored to their circumstances before acting on any matter discussed here. Elite Valuation and the author accept no liability for any loss arising from reliance on this material.

Scope of the Guide

The guide is written from a practitioner perspective and focuses on valuation questions that arise in Indian financial reporting. Illustrations are simplified to explain the mechanics and judgement involved; they are not a substitute for reading the applicable standard, the entity-specific accounting policy and the underlying contractual terms.

Professional and Regulatory Use

A valuation prepared for an Ind AS measurement purpose may not automatically satisfy a tax, FEMA, SEBI, Companies Act or transaction-pricing requirement. The purpose, measurement date, reporting entity and intended users should be documented before the valuation begins.

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PART I - THE FAIR VALUE FOUNDATION

Chapter 1: Ind AS and the Rise of Fair Value in Indian Reporting

Indian financial reporting has, over the last decade, quietly shifted its centre of gravity from historical cost to fair value. When the Ministry of Corporate Affairs notified the Companies (Indian Accounting Standards) Rules, 2015 under Section 133 of the Companies Act, 2013, it did far more than converge Indian GAAP with IFRS. It embedded valuation judgement into the heart of the balance sheet. Today, a company preparing Ind AS financial statements cannot close its books without answering a series of valuation questions that simply did not exist under the old Accounting Standards.

This guide is written for the professionals who now live with those questions every reporting cycle: the CFO signing the financials, the CA drafting the notes, the audit partner forming an opinion, and the promoter who wants to understand why an intangible asset suddenly appears on the balance sheet after an acquisition. Ind AS turned fair value from an occasional event into a recurring discipline, and valuation from a specialist service into a routine requirement of statutory reporting.

1.1 Why Ind AS Made Valuation Unavoidable

Under the erstwhile Indian GAAP, most assets sat on the balance sheet at cost less depreciation. Ind AS replaced large parts of that model with measurement bases that require an estimate of value at each reporting date. Business combinations must be recorded at fair value with a formal purchase price allocation. Financial instruments are classified and measured with reference to fair value and expected credit losses. Goodwill and indefinite-life intangibles must be tested for impairment annually. Share-based payments are expensed at grant-date fair value. Each of these is, at its core, a valuation exercise.

Ind AS Adoption Roadmap for Corporates			
1	2	3	4
Phase I	Phase II	NBFCs	Banks & Insurers
Listed and unlisted companies with net worth of Rs. 500 Crore or more from FY 2016-17.	All listed companies and unlisted companies with net worth of Rs. 250 Crore or more from FY 2017-18.	Rs. 500 Crore phase from FY 2018-19; balance phase from FY 2019-20.	Governed by separate RBI and IRDAI roadmaps, phased and periodically revised.

The consequence is that valuation is no longer a discretionary activity triggered only by a transaction. It is a standing obligation created by the accounting framework itself, and one that auditors are required to challenge with professional scepticism.

1.2 Who Must Prepare Ind AS Financial Statements

The applicability of Ind AS is driven principally by listing status and net worth thresholds, with once-in-mandatory continuity. A company that qualifies in any year continues to apply Ind AS even if its net

Category	Trigger	Effective From
Phase I companies	Net worth Rs. 500 Crore or more (listed or unlisted)	FY 2016-17
Phase II companies	All listed + net worth Rs. 250 Crore or more	FY 2017-18
NBFCs Phase I	Net worth Rs. 500 Crore or more	FY 2018-19
NBFCs Phase II	Listed / net worth Rs. 250 Crore or more	FY 2019-20
Group entities	Holding, subsidiary, associate, JV of a covered company	With the covered entity

Table 1.1: Simplified Ind AS applicability roadmap for corporates.

worth subsequently falls below the threshold. Holding, subsidiary, associate and joint venture companies of a covered entity are also drawn into the net. The table below summarises the core corporate phases; banking, insurance and NBFC sectors follow separate notifications.

OUR INSIGHT

In practice the net-worth test catches promoters by surprise more often than listing does. We have seen family-owned manufacturers cross the Rs. 250 Crore net-worth line after a single revaluation or a fresh round of debt, and only discover at audit time that they must now fair-value their investments, allocate purchase price on an old acquisition, and test goodwill for impairment. The valuation workload that follows is invariably underestimated in the first Ind AS year.

1.3 The Regulatory Ecosystem Around a Valuation

An Ind AS valuation rarely stands alone. It sits within a web of Indian regulation that a competent valuer must navigate simultaneously. The Companies Act, 2013 introduced the Registered Valuer regime under Section 247, operated through the Companies (Registered Valuers and Valuation) Rules, 2017 and the Insolvency and Bankruptcy Board of India (IBBI). The Institute of Chartered Accountants of India issued the ICAI Valuation Standards, 2018, which provide the professional backbone for fair value work. Income-tax valuation is governed by Rule 11UA and Rule 11UB, while cross-border pricing must respect the pricing guidelines under the Foreign Exchange Management Act, 1999.

These frameworks do not always define value identically. A number that satisfies Ind AS 113 may not, without adjustment, satisfy Rule 11UA or a SEBI pricing formula. Recognising where the definitions diverge is one of the first marks of an experienced valuer, and a recurring theme throughout this guide.

PRO TIP

Before you begin any Ind AS valuation, write a one-line 'purpose statement': which standard, which measurement date, which reporting entity, and whether the number will also be used for tax, regulatory or transactional purposes. Half of all valuation disputes in audit arise because the purpose was never pinned down and the same figure was quietly reused for a purpose it was never designed to serve.

1.4 How to Use This Guide

The chapters that follow move from the general to the specific. We begin with the measurement grammar of Ind AS 113, which governs every fair value estimate in the framework, then work through business combinations, intangibles, impairment, financial instruments, expected credit losses, share-based payments, property, leases and specialised assets, before closing with disclosure, auditor scrutiny and governance. Each chapter is designed to let a competent finance professional implement most of the analysis independently, while making clear where the judgement becomes dense enough to warrant an independent valuer.

Throughout, the emphasis is Indian: Indian thresholds, Indian regulation, Indian worked examples in rupees, and the specific carve-outs that make Ind AS differ from IFRS. Fair value is a global concept, but its application in India carries local texture that a purely international text will miss.

Practitioner Checklist

- Confirm whether Ind AS applies to the entity and its group companies.
- Identify every recurring fair value, impairment and instrument-measurement requirement before year-end.
- Write a one-line purpose statement covering standard, measurement date, reporting entity and intended use.
- Keep tax, FEMA, SEBI and Companies Act valuation purposes separate unless the definitions truly align.

PART I - THE FAIR VALUE FOUNDATION**Chapter 2: Fair Value Measurement: Decoding Ind AS 113**

If Ind AS made valuation unavoidable, Ind AS 113 made it consistent. Before the standard, 'fair value' meant subtly different things in different standards. Ind AS 113, Fair Value Measurement, consolidated the concept into a single definition and a single measurement framework that applies whenever another standard requires or permits fair value. It does not decide when to measure at fair value; it decides how. Understanding its architecture is the prerequisite for everything that follows.

2.1 The Exit Price Definition

Ind AS 113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Three ideas in that sentence do heavy lifting. It is an exit price, not an entry or purchase price. It is a market participant price, not a value specific to the current owner. And it assumes an orderly transaction, not a forced or distressed sale.

The market-participant lens is where many first-time preparers go wrong. Fair value is not what the asset is worth to you; it is what a hypothetical, knowledgeable, willing buyer would pay. Synergies available only to the current owner are excluded unless a typical market participant could also achieve them.

2.2 Highest and Best Use

For non-financial assets, Ind AS 113 requires measurement at the asset's highest and best use, the use that maximises value and is physically possible, legally permissible and financially feasible. A parcel of industrial land may be worth more redeveloped for commercial use; if that use is achievable by market participants, fair value reflects it, even if the entity intends to continue the current use. This concept regularly produces fair values that surprise management, and it must be documented carefully to survive audit.

2.3 The Fair Value Hierarchy

The heart of Ind AS 113 is a three-level hierarchy that ranks the inputs used in a valuation by their observability. The hierarchy drives both the measurement and the extensive disclosures required in the notes. Level 1 inputs are the most reliable and Level 3 the least, and an entity must maximise the use of relevant observable inputs and minimise unobservable ones.

Level	Nature of Input	Typical Ind AS Example
Level 1	Unadjusted quoted price, active market	Listed equity shares, exchange-traded mutual funds
Level 2	Observable but not quoted for identical item	OTC bonds priced off yield curves, PE via comparable multiples
Level 3	Unobservable, model-driven	Unlisted equity via DCF, customer relationships, ESOP options

Table 2.1: The three levels of the fair value hierarchy with Indian examples.

The classification is determined by the lowest level input that is significant to the entire measurement. A valuation that uses one significant unobservable assumption falls into Level 3 in its entirety, regardless of how many observable inputs it also uses. For most unlisted Indian companies, the majority of Ind AS fair values land in Level 3, which is precisely why they attract the closest audit and regulatory attention.

OUR INSIGHT

The single most common error we encounter is the misclassification of a valuation as Level 2 when it is really Level 3. A DCF of an unlisted subsidiary that borrows a 'comparable' listed multiple is still Level 3, because the significant inputs, the cash flows and the discount rate, are unobservable. Getting the level wrong is not a cosmetic slip; it changes the disclosures, the sensitivity analysis required, and the depth of audit evidence you must produce.

2.4 The Three Valuation Approaches

Ind AS 113 recognises three broad approaches, and a robust valuation typically corroborates one against another. The market approach uses prices from comparable transactions or listed peers. The income approach converts future cash flows or earnings into a present value, most commonly through a discounted cash flow model. The cost approach reflects the amount required to replace the service capacity of an asset. The choice is driven by the nature of the asset and the availability of reliable inputs, and the standard expects the valuer to weigh the approaches rather than mechanically pick one.

PRO TIP

Never present a single-point fair value for a Level 3 asset without a sensitivity table. Ind AS 113 disclosure paragraph 93(h) specifically requires it for recurring Level 3 measurements. Show how the value moves as the discount rate and terminal growth rate flex by, say, plus or minus 100 basis points. A single number invites the question 'how confident are you?'; a range answers it before it is asked.

Case Study 2.1 - Fair Value of an Unquoted Equity Investment

A listed diversified group ('HoldCo') holds a 9% stake in an unlisted logistics company. Because the stake is below significant influence, it is measured at fair value through other comprehensive income under Ind AS 109. There is no quoted price, so the measurement is Level 3. The valuer forecasts free cash flows, discounts them at a weighted average cost of capital of 14.5%, and applies a terminal growth rate of 5%, then benchmarks the result against listed logistics peers trading at an EV/EBITDA of roughly 11x.

Parameter	Assumption	Value
Enterprise value (DCF)	WACC 14.5%, g 5.0%	Rs. 842 Crore
Less: net debt	As at measurement date	Rs. (196) Crore

Parameter	Assumption	Value
Equity value (100%)	Post minority adjustments	Rs. 646 Crore
HoldCo stake	9% shareholding	Rs. 58.1 Crore
Discount for lack of marketability	Applied at 18%	Rs. (10.5) Crore

Table 2.2: Illustrative Level 3 valuation of a minority unquoted stake.

Fair value of HoldCo's 9% stake: Rs. 47.6 Crore (Level 3). The marketability discount and the peer cross-check are exactly the judgemental layers that make this a Level 3 measurement and a natural point of audit challenge. Documenting the basis for the 18% discount, ideally with reference to restricted-stock or pre-IPO studies calibrated to Indian conditions, is what separates a defensible file from an assertion.

Practitioner Checklist

- Define the market-participant perspective and the measurement date.
- For non-financial assets, document highest and best use where relevant.
- Classify the measurement by the lowest significant input in the fair value hierarchy.
- Select the market, income or cost approach based on the asset and available evidence.
- For recurring Level 3 measurements, prepare sensitivities around significant unobservable inputs.

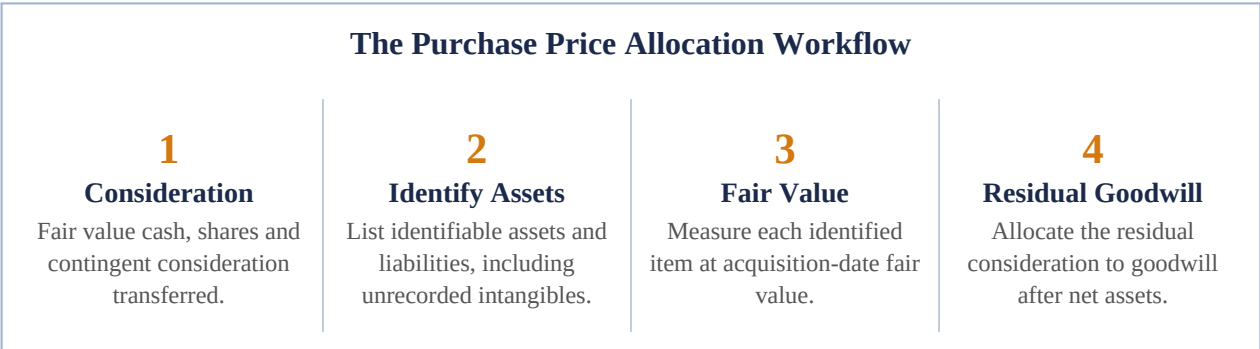
PART II - BUSINESS COMBINATIONS & INTANGIBLES

Chapter 3: Purchase Price Allocation under Ind AS 103

Few Ind AS exercises are as visible, or as contentious, as the accounting for a business combination. Ind AS 103 requires the acquirer to apply the acquisition method: identify the acquirer, determine the acquisition date, measure the consideration transferred, and then recognise and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. Whatever consideration remains unallocated becomes goodwill. This process, the purchase price allocation, or PPA, is where valuation and accounting meet most directly.

3.1 The Acquisition Method Step by Step

The mechanics are deceptively simple and the judgement is dense. The acquirer first measures the consideration transferred, which includes cash, shares issued at fair value, and the fair value of any contingent consideration. It then fair values every identifiable asset and liability, crucially including intangible assets that were never on the target's own balance sheet. Goodwill is the residual. If the residual is negative, the standard requires a reassessment; a genuine excess is recognised as a bargain purchase gain in profit or loss.



3.2 Identifying Intangible Assets That Were Never Booked

The defining feature of a PPA is that it surfaces intangible assets the target never recognised because it generated them internally. Ind AS 103 requires an intangible to be recognised separately from goodwill if it is identifiable, meaning it is either separable or arises from contractual or legal rights. Customer relationships, brands, technology, non-compete agreements and order backlogs commonly qualify. The more value that is captured in identifiable intangibles, the less is dumped into goodwill, and the more credible the allocation appears to auditors and regulators.

Intangible	Recognition Basis	Typical Method
Customer relationships	Separable / contractual	Multi-Period Excess Earnings
Brand / trade name	Separable	Relief-from-Royalty
Technology / IP	Contractual-legal	Relief-from-Royalty or MPEEM

Intangible	Recognition Basis	Typical Method
Non-compete agreement	Contractual-legal	With-and-Without
Order backlog	Contractual	Excess earnings, short horizon

Table 3.1: Commonly recognised intangibles in an Indian PPA and their methods.

OUR INSIGHT

Auditors have grown wary of allocations that push almost everything into goodwill, because goodwill is not amortised and only tested for impairment, which conveniently defers any earnings hit. In our experience, an allocation where goodwill exceeds roughly 60% of consideration, without a clear rationale such as an acqui-hire or a regulated licence, will draw a hard question. Identify the intangibles properly the first time; retrofitting them a year later after the auditor pushes back is painful and undermines credibility.

3.3 Contingent Consideration and the Measurement Period

Earn-outs are ubiquitous in Indian deals, and Ind AS 103 requires contingent consideration to be fair valued at the acquisition date, typically using probability-weighted scenarios or an option-pricing model. Classification matters: if the earn-out is a liability, subsequent changes in its fair value flow through profit or loss; if it is equity, it is not remeasured. The standard also allows a measurement period of up to twelve months from the acquisition date to finalise provisional amounts as better information emerges, a window that must not be abused to smooth earnings.

PRO TIP

Model the earn-out as an option, not a point estimate. An earn-out that pays out only if EBITDA crosses a threshold is economically a call option and a simple probability-weighted average will misstate its fair value when the payoff is non-linear. A Monte Carlo simulation or a Black-Scholes-style adjustment captures the asymmetry that a single-scenario estimate misses.

Case Study 3.1 - Allocating the Purchase Price of an IT Services Target

A listed Indian IT services company acquires 100% of a mid-sized data-engineering firm for Rs. 520 Crore, comprising Rs. 470 Crore cash and Rs. 50 Crore of contingent consideration fair valued at the acquisition date. The target's book net assets are Rs. 120 Crore. The valuer identifies customer relationships worth Rs. 180 Crore (excess earnings), assembled technology of Rs. 70 Crore (relief-from-royalty), and a non-compete of Rs. 20 Crore. A deferred tax liability of Rs. 42 Crore arises on the intangibles. The waterfall below shows how the Rs. 520 Crore consideration is allocated, with goodwill emerging as the residual.

Component	Fair Value (Rs. Crore)
Consideration transferred	520
Net tangible assets acquired	(120)
Customer relationships	(180)
Assembled technology	(70)
Non-compete agreement	(20)
Deferred tax liability on intangibles	42
Goodwill (residual)	172

Table 3.2: Purchase price allocation summary for the IT services acquisition.

Goodwill recognised: Rs. 172 Crore, roughly 33% of consideration - a defensible allocation. Note the deferred tax liability. Because the intangibles are not tax-deductible in the same way for book and tax purposes, Ind AS 12 requires a deferred tax liability, which in turn increases goodwill. Overlooking this interaction is one of the most frequent technical errors in Indian PPAs and it is always caught in review.

Practitioner Checklist

- Measure all components of consideration, including contingent consideration, at acquisition date.
- Identify separately recognisable intangibles before treating value as goodwill.
- Fair value all identifiable assets and liabilities at acquisition date.
- Address deferred tax arising on fair value adjustments and recognised intangibles.
- Use the measurement period only for better acquisition-date information, not earnings smoothing.

PART II - BUSINESS COMBINATIONS & INTANGIBLES

Chapter 4: Valuing Intangible Assets under Ind AS 38

Intangible assets are where Ind AS valuation becomes genuinely difficult, and where the quality of a valuer is most exposed. Ind AS 38 governs the recognition and measurement of intangibles, whether acquired separately, acquired in a business combination, or, in limited cases, generated internally. Because intangibles rarely trade in active markets, their fair value almost always rests on the income or cost approach, which places the burden squarely on the reasonableness of the assumptions.

4.1 What Qualifies as an Intangible Asset

Ind AS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance. Identifiability requires that the asset is either separable, capable of being sold or licensed on its own, or arises from contractual or legal rights. This is why an assembled workforce, although clearly valuable, cannot be recognised separately: it is neither separable nor contractual, and its value is subsumed within goodwill. The standard also distinguishes finite-life intangibles, which are amortised, from indefinite-life intangibles such as certain brands, which are not amortised but tested for impairment annually.

4.2 The Principal Valuation Methods

Three income-based techniques dominate intangible valuation in Indian practice. Each isolates the economic benefit attributable to the specific intangible and converts it to present value, and the choice depends on how the intangible earns its return.

4.2.1 Multi-Period Excess Earnings Method (MPEEM)

MPEEM values an intangible as the present value of the cash flows it generates after deducting a fair return, the contributory asset charge, on all the other assets that help produce those cash flows, such as working capital, fixed assets and the workforce. It is the natural method for customer relationships, where the customer base is the primary earnings driver. Its Achilles heel is the contributory asset charges: understate them and you inflate the intangible; overstate them and you deflate it.

4.2.2 Relief-from-Royalty

This method asks a simple question: if the company did not own the brand or technology, what royalty would it have to pay to license it? The present value of those avoided, after-tax royalties is the fair value. Its credibility rests entirely on the selected royalty rate, which should be benchmarked to observed

licensing agreements in comparable sectors and adjusted for the strength of the specific asset.

$$\text{Brand Value} = \text{PV of (Revenue x Royalty Rate x (1 - Tax Rate))}$$

OUR INSIGHT

The contributory asset charge is where MPEEM valuations quietly go wrong. We have reviewed customer-relationship valuations that forgot to charge for the assembled workforce entirely, which inflated the intangible by a fifth. The discipline is to build a formal contributory-asset schedule, one line per supporting asset, each with its own required return, and to reconcile the sum of all asset values back to the business enterprise value in a weighted average return on assets, or WARA, analysis. If your WARA does not reconcile to your WACC, something is mis-specified.

Practical Reconciliation

The asset-level return assumptions should reconcile back to the economics of the overall business. A WARA-to-WACC check is the practical bridge between contributory asset charges and the enterprise discount rate.

PRO TIP

Always run a WARA-to-WACC reconciliation after a PPA. The weighted average return across all identified assets should approximate the overall discount rate for the business. A large gap is a red flag that either an intangible is mispriced or a contributory charge is wrong. Auditors increasingly ask for this reconciliation by name, and having it ready signals a professionally executed allocation.

Case Study 4.1 - Valuing Customer Relationships with MPEEM

Continuing the IT services acquisition from the previous chapter, the valuer isolates the revenue attributable to the acquired customer base, applies an attrition rate of 15% per year, deducts operating costs, taxes and contributory asset charges, and discounts the excess earnings at 16%. The simplified schedule for the first three years is shown below; the full model runs to the point where surviving revenue becomes immaterial.

Rs. Crore	Year 1	Year 2	Year 3
Retained customer revenue	210	179	152
After-tax operating cash flow	38	32	27
Less: contributory asset charges	(14)	(12)	(10)
Excess earnings	24	20	17
Discount factor at 16%	0.86	0.74	0.64
Present value	20.7	14.8	10.9

Table 4.1: Simplified MPEEM schedule for acquired customer relationships.

Fair value of customer relationships (full model): Rs. 180 Crore. The attrition assumption is the value driver here. A 15% attrition rate implies a meaningful customer half-life; if the real churn is faster, the intangible is worth considerably less and its amortisation period shortens. This is exactly the kind of assumption where an independent valuer earns their fee, because it is both highly sensitive and easy for an interested management to bias.

4.3 Useful Life, Amortisation and the Impairment Link

Valuing an intangible is only half the exercise; the valuation also fixes how the asset will unwind through the profit and loss account. Ind AS 38 requires a finite-life intangible to be amortised over its useful life on a basis that reflects the pattern in which its economic benefits are consumed. For customer relationships, that pattern usually follows the attrition curve rather than a straight line, because the benefit fades as customers churn. An indefinite-life intangible, such as a strong brand with no foreseeable limit to its cash flows, is not amortised at all but must be tested for impairment annually and its indefinite-life assessment revisited each year.

The valuation and the amortisation policy must therefore be internally consistent. If a customer-relationship valuation assumes 15% annual attrition, an amortisation schedule that runs on a flat straight line over twenty years is immediately contradicted by its own model. Auditors increasingly cross-check the amortisation pattern against the cash-flow profile used in the valuation, and an inconsistency here undermines confidence in both.

4.4 Common Pitfalls in Indian Intangible Valuations

Certain errors recur so often in Indian practice that they are worth naming explicitly. Each of them inflates the intangible, understates goodwill, or misstates the subsequent amortisation, and each is routinely identified in review.

Pitfall	Consequence	The Discipline
Omitting contributory asset charges	Overstates the intangible	Full CAC schedule, WARA check
Recognising an assembled workforce	Not permitted separately	Subsume within goodwill
Flat amortisation vs attrition curve	Misstates annual charge	Match pattern to cash flows
Ignoring the tax amortisation benefit	Understates value	Add TAB where relevant
Stale royalty rates for brands	Distorts brand value	Benchmark to recent licences

Table 4.2: Recurring pitfalls in Indian intangible valuations and how to avoid them.

The tax amortisation benefit deserves a word. In a fair value context, a market participant would factor in the tax deductions available from amortising the acquired intangible, and a technically complete valuation adds this benefit where the tax regime permits it. It is a refinement often omitted by less experienced valuers, and while its impact is usually modest, its absence signals a valuation that has not been built to full market-participant standard.

Practitioner Checklist

- Confirm that the intangible is identifiable through separability or contractual/legal rights.
- Match the valuation method to the way the asset earns its return.
- Build a complete contributory asset charge schedule for MPEEM.
- Reconcile WARA to WACC after a PPA and investigate material gaps.
- Align useful life and amortisation pattern with the cash-flow profile used in valuation.

PART III - IMPAIRMENT & FINANCIAL INSTRUMENTS

Chapter 5: Impairment Testing under Ind AS 36

Impairment is where valuation and prudence intersect. Ind AS 36 exists to ensure that an asset is not carried on the balance sheet at more than the amount the entity can recover from it. The mechanics are demanding: entities must test goodwill and indefinite-life intangibles for impairment at least annually, and test all other assets whenever there is an indication of impairment. Because the test hinges on estimates of future cash flows and discount rates, it is a recurring valuation obligation, not a one-off event.

5.1 Recoverable Amount: The Higher of Two Values

The central concept is recoverable amount, defined as the higher of an asset's fair value less costs of disposal and its value in use. Fair value less costs of disposal reflects what a market participant would pay, net of selling costs. Value in use reflects the present value of the future cash flows the entity expects to derive from the asset. If the carrying amount exceeds the higher of these two, the difference is recognised as an impairment loss.

Measure	Perspective	Key Inputs
Fair value less costs of disposal	Market participant	Comparable prices, disposal costs
Value in use	Entity-specific	Forecast cash flows, discount rate, growth
Recoverable amount	Higher of the two	Compared against carrying amount

Table 5.1: The two routes to recoverable amount under Ind AS 36.

$$\text{Recoverable Amount} = \text{higher of [Fair Value - Costs of Disposal] and [Value in Use]}$$

5.2 Cash-Generating Units and Goodwill

Goodwill does not generate cash flows on its own, so it cannot be tested in isolation. Ind AS 36 requires goodwill to be allocated to cash-generating units, or CGUs, the smallest identifiable groups of assets that generate largely independent cash inflows. Each CGU that carries goodwill is tested at least annually. The allocation of goodwill to CGUs is itself a judgement, and a poorly reasoned allocation can either hide an impairment or trigger a spurious one.

The Annual Goodwill Impairment Test

1

Allocate

Assign goodwill to the CGUs that benefit from the acquisition.

2

Estimate

Determine each CGU's recoverable amount, usually via value in use.

3

Compare

Compare recoverable amount with the CGU's carrying amount including goodwill.

4

Recognise

Book any shortfall as impairment, writing goodwill down first.

OUR INSIGHT

The discount rate is where impairment models are won and lost. We have seen management teams reach for a comfortably low discount rate to keep a struggling CGU above water, then struggle to justify it when the auditor benchmarks it against the group's own cost of capital and observable market data. Build the discount rate from the ground up, risk-free rate, equity risk premium, beta, size and specific-risk premia, and document every component. A defensible rate is a bottom-up rate, not a plug chosen to produce the desired answer.

5.3 The Reversal Asymmetry

A crucial feature of Ind AS 36 is that impairment of goodwill can never be reversed. Even if the CGU recovers, the goodwill written down stays written down. Impairments of other assets may be reversed if the recoverable amount recovers, but only up to what the carrying amount would have been net of normal depreciation. This asymmetry makes the goodwill impairment decision effectively permanent and is why it receives such close audit and audit-committee attention.

PRO TIP

Anchor your cash-flow forecast to the board-approved budget, and cap the explicit forecast period at five years unless a longer horizon can be genuinely justified. Ind AS 36 is explicit that cash-flow projections should be based on reasonable and supportable assumptions and generally should not exceed five years. A hockey-stick forecast that suddenly accelerates in year four, with no operational basis, is the fastest way to lose an auditor's confidence in the entire model.

Case Study 5.1 - Value-in-Use Test of a Manufacturing CGU

A listed auto-components maker carries a CGU, acquired three years ago, at Rs. 640 Crore including Rs. 150 Crore of allocated goodwill. Demand has softened. Management prepares a five-year cash-flow forecast, applies a terminal growth rate of 4% and a pre-tax discount rate of 15%, and computes value in use. Fair value less costs of disposal is estimated at Rs. 560 Crore from recent comparable transactions.

Rs. Crore	Amount
Present value of explicit cash flows (Years 1-5)	312
Present value of terminal value	266
Value in use	578
Fair value less costs of disposal	560
Recoverable amount (higher of the two)	578
Carrying amount of CGU	640
Impairment loss	62

Table 5.2: Value-in-use impairment computation for the manufacturing CGU.

Impairment loss recognised: Rs. 62 Crore - goodwill written down first, from Rs. 150 Crore to Rs. 88 Crore. A sensitivity analysis is indispensable here. Had the discount rate been 16% instead of 15%, value in use would fall below fair value less costs of disposal, and the impairment would be larger. Ind AS 36 requires disclosure of exactly this kind of sensitivity when a reasonably possible change in a key assumption would cause the carrying amount to exceed the recoverable amount.

Practitioner Checklist

- Identify assets requiring annual testing and assets requiring trigger-based testing.
- Define CGUs at the lowest level with largely independent cash inflows.
- Anchor forecasts to reasonable, supportable and preferably board-approved budgets.
- Build the discount rate from observable and supportable components, not as a balancing figure.
- Run sensitivity analysis and remember that goodwill impairment is never reversed.

PART III - IMPAIRMENT & FINANCIAL INSTRUMENTS

Chapter 6: Financial Instruments: Classification and Fair Value under Ind AS 109

Classification and Fair Value under Ind AS Financial instruments are the most pervasive fair value application in any set of Ind AS financial statements, and Ind AS 109 is the standard that governs them. It replaced the incurred-loss and rule-heavy approach of its predecessor with a principles-based model built on two questions: what is the entity's business model for managing the instrument, and what are the contractual cash flow characteristics? The answers determine whether an instrument is measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

6.1 The Classification Logic

For a debt instrument, Ind AS 109 first applies the solely-payments-of-principal-and-interest test, the SPPI test. If the contractual cash flows are solely payments of principal and interest, and the business model is to hold to collect those cash flows, the instrument is measured at amortised cost. If the business model is to both collect and sell, it is measured at fair value through other comprehensive income. Everything else, including instruments that fail the SPPI test, falls to fair value through profit or loss. Equity investments are, by default, at fair value through profit or loss, with an irrevocable option to present changes in other comprehensive income.

Category	Business Model	Cash Flow Test	Measurement
Amortised cost	Hold to collect	Passes SPPI	Amortised cost
FVOCI (debt)	Collect and sell	Passes SPPI	Fair value via OCI
FVTPL	Other / trading	Fails SPPI or by election	Fair value via P&L
FVOCI (equity)	Not held for trading	Equity, by election	Fair value via OCI

Table 6.1: Ind AS 109 classification and measurement matrix.

6.2 Fair Valuing Unlisted Debt and Derivatives

Listed instruments are Level 1 and rarely controversial. The valuation challenge lies in unlisted debt, structured instruments and derivatives. Unlisted bonds are typically valued by discounting contractual cash flows at a market yield appropriate to the issuer's credit risk, a Level 2 or Level 3 exercise depending on how observable that yield is. Derivatives such as forwards, swaps and options require pricing models, option-pricing for optionality and discounted cash flow for linear payoffs, with careful attention to credit and debit valuation adjustments.

OUR INSIGHT

Compulsorily convertible preference shares and debentures are a perennial Indian puzzle. Founders and even some auditors instinctively treat them as equity because they will convert, but Ind AS 109 and Ind AS 32 look at the substance of the contractual terms. A conversion into a variable number of shares to deliver a fixed value, or a redemption feature, can make the instrument a financial liability with a fair value that must be tracked through profit or loss. We have seen this single classification question swing reported profit by tens of crores. Read the term sheet before you reach for a valuation model.

6.3 Embedded Derivatives and Hybrid Instruments

Many Indian financing instruments bundle a host contract with embedded features, conversion rights, put and call options, or returns linked to an external index. Ind AS 109 changed the treatment of embedded derivatives in financial-asset hosts: the entire hybrid is assessed under the classification model rather than bifurcated. For financial-liability and non-financial hosts, however, the assessment of whether an embedded derivative must be separated and fair valued still applies. Identifying these features early avoids a scramble at year-end.

PRO TIP

Maintain a live classification register for every financial instrument the entity holds or issues, recording the business model, the SPPI conclusion, the fair value level and the measurement basis. When a new instrument is added, the register forces the classification question up front rather than at the audit. This single document prevents most of the last-minute reclassification fire-drills that plague first-time and growing Ind AS reporters.

6.4 The Day-One Gain or Loss

When an instrument is initially recognised at a fair value that differs from the transaction price, a day-one gain or loss can arise. Ind AS 109 permits immediate recognition only when the fair value is evidenced by a quoted price or based on a valuation using only observable inputs. Where the fair value depends on significant unobservable inputs, the difference is deferred and recognised over time. Related-party loans at off-market rates, common in Indian group structures, routinely create exactly this situation and must be handled with care.

Taken together, these rules mean that even a company with no acquisitions and no intangibles will find itself performing recurring fair value work simply by virtue of holding financial instruments. Ind AS 109 is, for most reporters, the standard that makes valuation a permanent fixture of the reporting calendar.

6.5 Reclassification and the Business Model Test

Classification under Ind AS 109 is not entirely permanent. When, and only when, an entity changes the business model for managing its financial assets, it reclassifies the affected instruments prospectively from the start of the next reporting period. Such changes are expected to be rare and must be demonstrable, for example a business line being closed or an acquired portfolio being repurposed. The business model is assessed at a portfolio level rather than instrument by instrument, reflecting how the entity actually manages the assets to generate cash flows, and it is a matter of fact rather than intention.

Indian Instrument	Typical Ind AS Treatment
Compulsorily convertible preference shares	Assess terms; often a liability with FVTPL
Optionally convertible debentures	Host debt plus embedded conversion option
Redeemable preference shares	Financial liability at amortised cost or FVTPL
Inter-corporate deposits at off-market rates	Fair value on day one, then amortised cost
Market-linked debentures	Embedded derivative assessment required

Table 6.2: Classification of common Indian hybrid instruments under Ind AS 109 and 32.

Auditors will look for evidence, past sales activity, management reporting, remuneration structures, rather than a bare assertion.

Case Study 6.1 - Classifying Compulsorily Convertible Preference Shares

A startup issues compulsorily convertible preference shares to an investor. The instrument converts into a variable number of equity shares calculated to deliver a fixed rupee value at conversion, and carries a cumulative dividend. Because the issuer will deliver a variable number of its own shares to settle a fixed monetary amount, the conversion feature fails the fixed-for-fixed test in Ind AS 32, and the instrument is classified as a financial liability rather than equity. It is then measured, depending on its terms, at fair value through profit or loss, with changes in that fair value, driven largely by the company's own equity value, flowing through earnings each period.

Result: a liability, not equity - with fair value changes hitting profit or loss each reporting date. Founders find this counter-intuitive because the instrument will certainly become equity. But Ind AS looks at the contractual mechanics until conversion, not the eventual destination. The practical consequence can be dramatic: as the company's value rises, the liability grows and reported losses widen, precisely when the business is succeeding. Understanding this before issuance, and structuring the conversion as fixed-for-fixed where commercially possible, can avoid years of volatile reported losses.

Case Study 6.2 - Fair Valuing an Unlisted Redeemable Debenture

A manufacturing company holds an unlisted redeemable debenture with a face value of Rs. 10 Crore. The instrument pays an annual coupon of 8% and is redeemable at par after three years. At the measurement date, comparable credit instruments for an issuer with a similar risk profile yield 11%. Because the contractual

coupon is below the current market yield, the debenture is worth less than its face value. The valuation is therefore based on the present value of the contractual coupon and principal cash flows discounted at the market yield.

Cash Flow	Timing	Present Value at 11%
Coupon - Rs. 0.80 Crore	End of Year 1	Rs. 0.72 Crore
Coupon - Rs. 0.80 Crore	End of Year 2	Rs. 0.65 Crore
Coupon + redemption - Rs. 10.80 Crore	End of Year 3	Rs. 7.90 Crore
Indicated fair value	Measurement date	Rs. 9.27 Crore

Table 6.3: Illustrative fair value of an unlisted redeemable debenture using a market yield.

The Rs. 9.27 Crore indicated value is below the Rs. 10 Crore face value because a market participant would require an 11% return while the instrument pays only 8%. The hierarchy classification then depends on how observable the selected market yield is: a directly supportable yield curve or comparable market evidence may support Level 2, while a material entity-specific credit spread can move the measurement into Level 3.

Practitioner Checklist

- Document the business model and SPPI conclusion for each relevant portfolio.
- Read the contractual terms before deciding whether a convertible or redeemable instrument is equity or liability.
- Identify embedded options, puts, calls and market-linked features early.
- Assess whether a day-one difference is supported by observable inputs before recognising it immediately.
- Reclassify financial assets only when the demonstrable business model genuinely changes.

PART III - IMPAIRMENT & FINANCIAL INSTRUMENTS

Chapter 7: Expected Credit Loss Modelling under Ind AS 109

If classification is the first half of Ind AS 109, expected credit losses are the second, and for lenders they are the more consequential. The standard replaced the old incurred-loss model, under which a provision was made only once a loss event had occurred, with a forward-looking expected credit loss model, or ECL. Entities must now recognise losses they expect to incur, not merely those that have already crystallised. For banks, NBFCs and any company with material receivables, this is a modelling exercise with real valuation content.

7.1 The Three-Stage Model

Ind AS 109 sorts financial assets into three stages based on how much their credit risk has deteriorated since initial recognition. Stage 1 covers performing assets, for which a twelve-month expected credit loss is recognised. Stage 2 covers assets whose credit risk has increased significantly, for which a lifetime expected credit loss is recognised. Stage 3 covers credit-impaired assets, again at lifetime expected loss but with interest recognised on the net carrying amount. The movement of an asset between stages, the significant-increase-in-credit-risk assessment, is one of the most judgemental areas in all of Ind AS.

Stage	Credit Status	Loss Allowance	Interest Basis
Stage 1	Performing	12-month ECL	Gross carrying amount
Stage 2	Significant increase in risk	Lifetime ECL	Gross carrying amount
Stage 3	Credit impaired	Lifetime ECL	Net carrying amount

Table 7.1: The three-stage expected credit loss framework.

Stage 1 - 12-month ECL - 18%

Stage 2 - lifetime ECL - 32%

Stage 3 - credit impaired - 50%

100% of value

7.2 The Building Blocks: PD, LGD and EAD

Expected credit loss is, at its core, the product of three parameters: the probability of default, the loss given default, and the exposure at default, discounted to present value. The probability of default estimates the likelihood of a borrower defaulting over the relevant horizon. Loss given default estimates the proportion of exposure that will not be recovered after realising collateral. Exposure at default estimates the outstanding balance at the moment of default. Each parameter must incorporate forward-looking macroeconomic information, which is what makes the ECL model fundamentally different from a simple ageing schedule.

$$\text{Expected Credit Loss} = \text{PD} \times \text{LGD} \times \text{EAD (discounted to present value)}$$

OUR INSIGHT

The hardest conversations we have with lending clients are never about the arithmetic of PD times LGD times EAD; they are about the forward-looking overlays. Ind AS 109 demands that macroeconomic scenarios, a base, an upside and a downside, be probability-weighted into the estimate. During periods of stress, management is tempted to under-weight the downside to protect the profit and loss account. A credible ECL model documents the scenario weights, ties them to observable macroeconomic forecasts, and holds them steady enough that they are not quietly re-tuned each quarter to hit a number.

7.3 The Simplified Approach for Trade Receivables

Recognising that a full three-stage model is disproportionate for ordinary trade receivables, Ind AS 109 provides a simplified approach under which lifetime expected credit losses are recognised from the outset, typically via a provision matrix. The matrix groups receivables by ageing bucket and applies historical loss rates, adjusted for current and forecast conditions. For most non-financial corporates, this is the only ECL model they need, but it still requires the historical loss rates to be evidenced and the forward-looking adjustment to be reasoned rather than assumed away.

PRO TIP

Build your provision matrix from at least three years of actual collection history, then apply an explicit forward-looking multiplier tied to a named macro indicator such as GDP growth or sector stress. Auditors will ask two questions of any provision matrix: where did the base loss rates come from, and how does the forward-looking adjustment work? Have both answers documented before the audit begins, not reconstructed after the fact.

7.4 Why ECL Is a Valuation Discipline

It is tempting to view ECL as a purely accounting or credit-risk exercise, but at its heart it is a valuation of expected future cash shortfalls. The discount rate, the collateral valuations feeding loss given default, and the probability-weighted scenarios are all valuation judgements. In stressed sectors, real-estate lending, unsecured retail credit, infrastructure, the collateral valuation alone can swing the provision materially, which is why an independent valuation view on the underlying security is increasingly part of a robust ECL process.

Case Study 7.1 - Building a Trade-Receivables Provision Matrix

A mid-sized manufacturer applies the simplified approach to its Rs. 240 Crore trade receivables book. Using three years of collection history it derives base loss rates by ageing bucket, then applies a forward-looking multiplier of 1.15 to reflect a softening demand outlook flagged in its sector. The resulting matrix, and the lifetime expected credit loss it produces, are shown below.

Ageing Bucket	Exposure (Rs. Crore)	Adj. Loss Rate	ECL (Rs. Crore)
Not yet due	150	0.3%	0.45
1-90 days	52	1.5%	0.78
91-180 days	22	6.0%	1.32
181-365 days	10	20.0%	2.00
Over 365 days	6	55.0%	3.30
Total	240	-	7.85

Table 7.2: Illustrative provision matrix under the Ind AS 109 simplified approach.

Lifetime expected credit loss allowance: Rs. 7.85 Crore on a Rs. 240 Crore receivables book. The forward-looking multiplier is the judgemental heart of the matrix. Applied uniformly here for simplicity, in practice it should reflect the differing sensitivity of each bucket to the macro outlook, with older buckets typically more responsive. The historical base rates anchor the estimate; the multiplier makes it forward-looking as the standard requires.

7.5 Governance of the ECL Model

Because the ECL estimate is model-driven and assumption-heavy, its governance matters as much as its mathematics. A robust process separates the teams that build the model, set the assumptions and approve the output, subjects the model to periodic independent validation, and documents every management overlay with a clear rationale. Overlays, manual adjustments layered on top of the model output, are legitimate and often necessary, but they are also where discretion concentrates, and an unexplained overlay that conveniently smooths the provision is a red flag for both auditors and the Reserve Bank of India in the case of regulated lenders.

For most non-financial corporates the governance need is lighter but not absent: the base loss rates, the ageing policy and the forward-looking adjustment should each be owned, documented and reviewed, so that the provision can be explained rather than merely produced.

Practitioner Checklist

- Document stage allocation and the significant-increase-in-credit-risk framework.
- Build PD, LGD and EAD from evidenced data and incorporate forward-looking information.
- For trade receivables, support provision-matrix loss rates with actual collection history.
- Probability-weight macroeconomic scenarios and document the rationale for scenario weights.
- Govern manual overlays and periodically validate the model and its key assumptions.

PART IV - EQUITY-LINKED & SPECIALISED VALUATIONS

Chapter 8: Share-Based Payments under Ind AS 102

Every funded Indian company that grants stock options or restricted stock to its employees must confront Ind AS 102, Share-based Payment. The standard requires the fair value of equity-settled awards to be measured at grant date and expensed over the vesting period, regardless of whether the options are ever exercised. Because options have no observable market price, their fair value must be modelled, which places option-pricing squarely within the Ind AS valuation toolkit.

8.1 Equity-Settled versus Cash-Settled

The first classification question is whether the award is equity-settled or cash-settled. Equity-settled awards, ordinary employee stock options and restricted stock, are measured at grant-date fair value and not remeasured thereafter for market movements. Cash-settled awards, such as stock appreciation rights that pay out in cash, are treated as liabilities and remeasured at fair value at every reporting date until settlement. The distinction drives whether the valuation is a one-time grant-date exercise or a recurring one.

8.2 Grant-Date Fair Value and the Pricing Models

For plain options, the Black-Scholes-Merton model remains the workhorse in Indian practice. For options with complex features, graded vesting, performance conditions, or early-exercise behaviour, a binomial or lattice model better captures the economics. The key inputs are the share price, the exercise price, the expected life, the volatility, the risk-free rate and the expected dividend yield. Of these, volatility and expected life carry the most judgement, particularly for unlisted companies where there is no observable share-price history to draw on.

Input	Source / Basis	Judgement Level
Share price at grant	Latest funding round or DCF/NAV	Moderate
Exercise price	Plan terms	Low
Expected life	Vesting plus expected holding period	High
Volatility	Listed peer volatility for unlisted firms	High
Risk-free rate	Government securities yield	Low
Dividend yield	Expected policy over the life	Moderate

Table 8.1: Black-Scholes inputs and their judgement intensity for Indian ESOPs.

OUR INSIGHT

For unlisted startups, the share price at grant date is where Ind AS 102 collides with reality. The last funding round often reflects a preferred-share price loaded with liquidation preferences and anti-dilution rights, which is not the same as the value of a plain equity share underlying an option. Applying the headline post-money-per-share figure directly will overstate the option fair value and the consequent expense. A proper allocation of enterprise value across the share classes, often via an option-pricing or PWERM framework, is what produces a defensible underlying share price. This is one of the most common and most expensive mistakes we see in startup ESOP accounting.

8.3 Vesting Conditions Change the Accounting

Ind AS 102 draws a sharp line between types of vesting conditions. Service conditions and non-market performance conditions, such as a revenue target, affect the number of awards expected to vest and therefore the number of awards expensed, but not the grant-date fair value per award. Market conditions, such as a target share price, are baked into the grant-date fair value itself and are not subsequently trued up. Confusing the two leads to systematic misstatement of the ESOP charge.

PRO TIP

Never reprice the grant-date fair value for a missed non-market target; instead adjust the number of awards expected to vest. And when you modify a plan, extend the exercise window, reprice the strike, accelerate vesting, remember that Ind AS 102 requires you to recognise at least the original fair value plus any incremental fair value created by the modification. Modifications almost never reduce the expense, a fact that surprises many founders who reprice underwater options expecting relief.

Case Study 8.1 - Valuing an Employee Stock Option Grant

A growth-stage Indian SaaS company grants 100,000 options to employees. The underlying equity share is valued at Rs. 180 after allocating enterprise value across share classes; the exercise price is Rs. 100. Volatility is estimated at 45% from listed SaaS peers, the expected life is 4 years, the risk-free rate is 7%, and no dividend is expected. A Black-Scholes computation yields a per-option fair value of Rs. 98.

Parameter	Value
Underlying share value	Rs. 180
Exercise price	Rs. 100
Volatility	45%
Expected life	4 years

Parameter	Value
Risk-free rate	7%
Black-Scholes value per option	Rs. 98
Options granted	100,000
Total grant-date fair value	Rs. 98,00,000

Table 8.2: Black-Scholes valuation of the SaaS company's option grant.

Total ESOP expense of Rs. 98 Lakh, recognised over the vesting period. Had management used the Rs. 250 preferred-share price from the last round instead of the Rs. 180 allocated equity value, the per-option value and the total expense would have been materially overstated. The share-class allocation is not an optional refinement; it is the difference between a defensible and an indefensible charge.

Practitioner Checklist

- Classify awards as equity-settled or cash-settled before choosing the measurement process.
- Determine a defensible underlying ordinary-share value rather than using a headline preferred-share price blindly.
- Support expected life and volatility assumptions, especially for unlisted companies.
- Distinguish market conditions from service and non-market performance conditions.
- For modifications, measure and recognise any incremental fair value created.

PART IV - EQUITY-LINKED & SPECIALISED VALUATIONS

Chapter 9: Investment Property, PPE Revaluation and Ind AS 40 & 16

Property and equipment might seem the least valuation-intensive part of a balance sheet, but Ind AS introduces choices and disclosures that pull fair value back into the picture. Ind AS 16 governs property, plant and equipment and permits a revaluation model as an alternative to cost. Ind AS 40 governs investment property and, in a significant Indian carve-out, restricts measurement to the cost model while still requiring fair value to be disclosed. Understanding these rules prevents both missed disclosures and inappropriate revaluations.

9.1 The Revaluation Model under Ind AS 16

Ind AS 16 allows an entity to choose, for a class of assets, between the cost model and the revaluation model. Under the revaluation model, an asset is carried at its fair value at the revaluation date less subsequent depreciation, and revaluations must be made with sufficient regularity that the carrying amount does not differ materially from fair value. Increases go to a revaluation surplus in other comprehensive income; decreases first reverse any surplus and then hit profit or loss. The choice is not to be made lightly, because once adopted it commits the entity to recurring revaluations of the entire class.

9.2 The Investment Property Carve-Out

Here Ind AS diverges pointedly from international practice. IAS 40 permits investment property to be carried at fair value with changes in profit or loss. Ind AS 40, by contrast, mandates the cost model, an Indian carve-out that reflects concerns about the reliability of fair value measurement in property. However, the carve-out is only about measurement; Ind AS 40 still requires the fair value of investment property to be disclosed in the notes. Every entity holding investment property therefore needs a fair value, whether it likes it or not, even though that fair value never touches the balance sheet.

Asset Class	Standard	Measurement Model	Fair Value Role
Property, plant & equipment	Ind AS 16	Cost or revaluation	Optional revaluation model
Investment property	Ind AS 40	Cost only (carve-out)	Mandatory disclosure only
Held for sale assets	Ind AS 105	Lower of carrying / FVLCD	Drives measurement

Table 9.1: Measurement models and the role of fair value across property standards.

OUR INSIGHT

The investment property disclosure catches more companies than any other property rule. Because the fair value never hits the balance sheet, finance teams treat it as an afterthought and reach for a stale municipal valuation or a broker's back-of-the-envelope estimate at year-end. But this disclosed number is read closely by investors and analysts comparing asset-heavy companies, and auditors now expect it to be supported by a proper valuation from a registered valuer. A disclosure is not a lower standard of evidence; it is simply a different place on the page.

9.3 Componentisation and Useful Lives

Ind AS 16 requires significant components of an asset with different useful lives to be depreciated separately. An aircraft's engines, an building's plant and its structure, a ship's hull and its fit-out, each may need its own useful life and depreciation profile. This componentisation is itself a valuation-adjacent exercise, because it requires an allocation of cost or fair value across the components. Done well, it produces a more faithful depreciation charge; ignored, it distorts both the balance sheet and the profit and loss account.

PRO TIP

If you adopt the revaluation model for any class of property, commission the valuation from an IBBI Registered Valuer and set a fixed revaluation cycle, typically every three to five years, with a directors' assessment in the intervening years. An ad-hoc revaluation done only when the number is favourable is the classic red flag that invites both auditor and regulator scrutiny, and undermines the credibility of the surplus you are trying to recognise.

9.4 Non-Current Assets Held for Sale

When an asset or disposal group is held for sale rather than continuing use, Ind AS 105 changes its measurement to the lower of its carrying amount and fair value less costs to sell, and depreciation stops. This reclassification is a frequent trigger for a fresh fair value estimate, often at an inconvenient moment such as a divestment decision late in the reporting cycle. Recognising the trigger early, when the decision to sell becomes probable and the asset is available for immediate sale, avoids a rushed valuation and a qualified opinion.

9.5 Residual Values and the Annual Review

Ind AS 16 requires the residual value, the useful life and the depreciation method of every asset to be reviewed at least at each financial year-end. This is more than a formality. A meaningful residual value, common for real estate and certain heavy equipment, reduces the depreciable amount and therefore the annual charge, and estimating it is a valuation judgement about what the asset will fetch at the end of its useful life in the condition then expected. Companies that set residual values to nil by default and never revisit them often over-depreciate their assets, understating both profit and net worth, while those that never

review an optimistic residual risk the opposite. The annual review is where these estimates are kept honest.

Case Study 9.1 - Fair Value Disclosure for Investment Property

A listed company holds a commercial office building as investment property, carried under the mandatory cost model at Rs. 180 Crore net of depreciation. For its Ind AS 40 disclosure it must nonetheless determine fair value. A registered valuer capitalises the building's net operating income of Rs. 19 Crore at a market capitalisation rate of 8.5%, cross-checks against recent comparable transactions, and arrives at a fair value of Rs. 224 Crore.

Parameter	Value
Net operating income (annual)	Rs. 19 Crore
Market capitalisation rate	8.5%
Indicated value (income approach)	Rs. 224 Crore
Comparable-transaction cross-check	Rs. 215-230 Crore
Carrying amount (cost model)	Rs. 180 Crore

Table 9.2: Investment property fair value disclosure under the Ind AS 40 cost model.

Disclosed fair value: Rs. 224 Crore, versus a carrying amount of Rs. 180 Crore. The Rs. 44 Crore gap between fair value and carrying amount never appears on the balance sheet, yet it is precisely the information a user needs to understand the company's true asset base. Treating this disclosure as an afterthought, or supporting it with a stale estimate, deprives users of exactly the insight the standard intends them to have, and increasingly draws an audit query.

Practitioner Checklist

- Apply the revaluation model consistently to the entire class of PPE once elected.
- For investment property, remember that Ind AS 40 uses cost for measurement but still requires fair value disclosure.
- Componentise significant parts with different useful lives.
- Recognise the held-for-sale trigger early because measurement changes and depreciation stops.
- Review residual values, useful lives and depreciation methods at each year-end.

PART IV - EQUITY-LINKED & SPECIALISED VALUATIONS

Chapter 10: Lease Valuation and the Right-of-Use Asset under Ind AS 116

Few standards reshaped the Indian balance sheet as visibly as Ind AS 116, Leases. By requiring lessees to recognise almost all leases on the balance sheet, it brought a wave of new assets and liabilities into financial statements, and with them a measurement exercise that is quietly a valuation. The right-of-use asset and the lease liability both depend on discounting future lease payments, and the discount rate chosen can move gearing and profit metrics materially.

10.1 The Single Lessee Model

Ind AS 116 eliminated the old distinction between operating and finance leases for lessees. With limited exceptions for short-term and low-value leases, a lessee now recognises a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments. The liability is measured at the present value of the future lease payments, and the asset is initially measured at the same amount adjusted for initial direct costs, prepayments and restoration obligations. The discounting is where the valuation judgement enters.

10.2 The Discount Rate Problem

Lease payments are discounted at the interest rate implicit in the lease if it can be readily determined. In practice, for most Indian lessees, it cannot, because the lessor's assumptions are not visible. The standard then requires the lessee's incremental borrowing rate, the rate the lessee would pay to borrow, over a similar term and with similar security, the funds needed to obtain an asset of similar value in a similar economic environment. Estimating this rate for each lease, adjusted for term, currency and security, is a recurring valuation task that auditors examine closely because small changes compound over long lease terms.

Component	Basis for the Incremental Borrowing Rate
Reference rate	Entity's actual cost of secured borrowing
Term adjustment	Aligned to the lease term, not the borrowing tenor
Security adjustment	Reflecting the leased asset as collateral
Currency adjustment	Rate for the currency of the lease payments

Table 10.1: Building up a lessee's incremental borrowing rate under Ind AS 116.

OUR INSIGHT

The temptation with lease discount rates is to apply one blanket rate across an entire property portfolio because it is administratively easy. But a nine-year lease on a corporate headquarters and a three-year lease on a warehouse do not share the same incremental borrowing rate, and applying a single rate misstates both the asset and the liability. We advise clients to build a small rate grid by term band and asset type, document its derivation once, and apply it consistently. It is far more defensible than a single number no one can justify, and far less work than pricing every lease from scratch.

10.3 Lease Term, Options and Reassessment

The lease term is not simply the non-cancellable period; it includes periods covered by extension options the lessee is reasonably certain to exercise, and excludes periods covered by termination options it is reasonably certain to exercise. This 'reasonably certain' judgement directly affects the size of the asset and liability. Ind AS 116 also requires reassessment when circumstances change, for example when the lessee's own actions make an option more or less likely, which turns lease measurement into a periodically revisited estimate rather than a set-and-forget calculation.

PRO TIP

Document your 'reasonably certain' conclusion on each extension option with a short, asset-specific rationale, leasehold improvements made, business criticality of the location, availability of alternatives. A blanket policy of 'we always assume the first renewal' will not survive scrutiny, and neither will 'we never assume renewals'. The judgement must be tied to the economics of the specific lease.

10.4 Why Leases Belong in a Valuation Guide

It is easy to file Ind AS 116 under accounting mechanics, but the incremental borrowing rate is a market-calibrated rate, the lease term is a probability judgement, and restoration provisions require an estimate of future cost discounted to present value. Each is a valuation input. For asset-heavy Indian businesses, retail chains, logistics operators, hospitality groups, the leased estate can dominate the balance sheet, and the discipline applied to its measurement materially affects reported leverage, EBITDA and return on capital.

Case Study 10.1 - Measuring a Right-of-Use Asset and Lease Liability

A retailer signs a five-year lease on a store at Rs. 60 Lakh per year, payable annually in arrears, with an incremental borrowing rate of 10%. There are no extension options it is reasonably certain to exercise. The lease liability is the present value of the five annual payments discounted at 10%, and the right-of-use asset is recognised at the same amount plus initial direct costs.

Year	Payment (Rs. . Lakh)	Discount Factor @10%	Present Value (Rs. . Lakh)
1	60	0.909	54.5
2	60	0.826	49.6
3	60	0.751	45.1
4	60	0.683	41.0
5	60	0.621	37.3
Total	300	-	227.5

Table 10.2: Present-value computation of a five-year store lease under Ind AS 116.

Lease liability and right-of-use asset at commencement: approximately Rs. 227.5 Lakh. Note how the discount rate compresses the Rs. 300 Lakh of contractual payments into a Rs. 227.5 Lakh liability. Had the incremental borrowing rate been 8% rather than 10%, the liability would rise to roughly Rs. 239.6 Lakh, a difference of over Rs. 12 Lakh on a single modest lease. Multiplied across a national store network, the rate assumption becomes a material driver of reported gearing.

10.5 Sale and Leaseback and Lessor Accounting

Two further situations deserve mention. In a sale and leaseback, an entity sells an asset and immediately leases it back, a common way for Indian corporates to release capital from property. Ind AS 116 requires the seller-lessee to determine whether the transfer qualifies as a sale under Ind AS 115; if it does, only the gain relating to the rights transferred to the buyer is recognised, not the whole gain, which prevents the transaction from being used to manufacture profit. Lessor accounting, by contrast, retains the old operating-versus-finance-lease distinction, so a company that is both lessee and lessor, common in real-estate and equipment-rental groups, must apply two different frameworks simultaneously.

Both situations reintroduce valuation questions, the fair value of the asset sold, the classification of the leaseback, the residual value underpinning a lessor's finance lease, that a purely mechanical reading of the standard would miss.

Practitioner Checklist

- Identify the lease term including extension and termination options that are reasonably certain.
- Use the implicit rate when readily determinable; otherwise derive the incremental borrowing rate.
- Build rate grids by term, asset type and currency rather than applying one blanket rate.
- Reassess lease term when relevant facts and circumstances change.
- Evaluate sale-and-leaseback transactions under Ind AS 115 before applying the leaseback accounting.

PART IV - EQUITY-LINKED & SPECIALISED VALUATIONS

Chapter 11: Biological Assets, Inventory and Agricultural Valuation (Ind AS 41 & 2)

Beyond the standards that touch every company lie a set of specialised measurement requirements that dominate specific sectors. Ind AS 41 governs biological assets and agricultural produce; Ind AS 2 governs inventories. Together they show how fair value and net realisable value operate at the more physical end of the balance sheet, and how sector-specific valuation expertise becomes indispensable for agribusiness, plantation, food-processing and commodity-trading companies.

11.1 Biological Assets at Fair Value

Ind AS 41 requires biological assets, living plants and animals, to be measured at fair value less costs to sell, with changes recognised in profit or loss as the assets grow, transform and are harvested. This is a striking departure from cost accounting: a plantation's standing crop, a dairy herd, an aquaculture stock, each is remeasured to fair value at every reporting date. Agricultural produce harvested from a biological asset is measured at fair value less costs to sell at the point of harvest, which then becomes its cost for the purposes of Ind AS 2.

$$\text{Biological Asset Value} = \text{Fair Value} - \text{Estimated Costs to Sell (at each reporting date)}$$

11.2 The Bearer Plant Exception

An important refinement is the treatment of bearer plants, such as tea bushes, coffee plants, rubber trees and oil palms, that are held to produce agricultural produce over many years and are not themselves intended for sale. These are accounted for as property, plant and equipment under Ind AS 16, at cost or revaluation, rather than at fair value under Ind AS 41. The produce growing on those plants, however, the tea leaf, the coffee cherry, remains within Ind AS 41 and is fair valued. Drawing this line correctly is essential for plantation companies and is a frequent area of audit debate.

Item	Standard	Measurement
Standing crop / livestock	Ind AS 41	Fair value less costs to sell
Bearer plants (tea, coffee, rubber)	Ind AS 16	Cost or revaluation
Produce on bearer plants	Ind AS 41	Fair value less costs to sell
Harvested produce inventory	Ind AS 2	Lower of cost and NRV

Table 11.1: Measurement of agricultural assets across Ind AS 41, 16 and 2.

OUR INSIGHT

Valuing a standing crop is genuinely hard, and We have seen well-meaning finance teams either freeze the value at cost, which Ind AS 41 does not allow, or swing it wildly on spot commodity prices, which introduces enormous volatility. The disciplined approach is a discounted cash flow of the expected harvest, using forward prices rather than spot, adjusting for the biological transformation still to occur and the risk of crop failure. Where an active market for the produce exists, it anchors the estimate; where it does not, the model must be built and defended carefully.

11.3 Inventory and Net Realisable Value

Ind AS 2 measures inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale. In falling markets, commodities, steel, textiles, electronics, the net realisable value test can force material write-downs, and the estimate of selling price is a valuation judgement in all but name. For commodity-linked businesses, this test is revisited at every reporting date and can be as consequential as any impairment.

PRO TIP

For any inventory exposed to volatile commodity prices, run the net realisable value test using the price curve as at the reporting date, and document whether you have used spot or a short-dated forward. Then check for firm sales contracts: inventory committed under a firm contract is measured against the contract price, not the market price, which can prevent an unnecessary write-down. Auditors routinely test this distinction, so make the basis explicit in your working.

11.4 Sector Expertise Is Not Optional

These standards illustrate a broader truth about Ind AS valuation: generic financial modelling is not enough. Valuing a tea estate requires knowledge of yield cycles and auction prices; valuing an aquaculture stock requires understanding of mortality and feed conversion; valuing steel inventory requires a view on the commodity cycle. The standards set the measurement objective, but meeting it credibly requires domain knowledge that a purely accounting-trained team rarely possesses. This is precisely the territory where an independent, sector-aware valuer adds the most value.

Case Study 11.1 - Fair Valuing a Standing Tea Crop

A plantation company must fair value the unplucked green leaf standing on its tea bushes at year-end under Ind AS 41. The bearer bushes themselves are property, plant and equipment; only the growing leaf is a biological asset. The valuer estimates the harvestable leaf, applies the expected made-tea conversion ratio, values the output at forward auction prices, and deducts the costs still to be incurred to pluck, process and sell, arriving at fair value less costs to sell.

Step	Basis	Value
Harvestable green leaf	Field estimate (kg)	1,80,000 kg
Made-tea equivalent	22% conversion	39,600 kg
Gross value	Forward auction Rs. 220/kg	Rs. 87.1 Lakh
Less: costs to complete and sell	Plucking, processing, selling	Rs. (34.0) Lakh
Fair value less costs to sell	Net of all costs	Rs. 53.1 Lakh

Table 11.2: Fair value of a standing tea crop under Ind AS 41.

Fair value less costs to sell of the standing green leaf: Rs. 53.1 Lakh. The forward auction price, not the spot price, anchors the estimate, because the leaf will be sold as made tea after processing rather than today. The conversion ratio and the harvestable-quantity estimate are agronomic judgements that a finance team cannot make unaided, which is exactly why plantation valuations sit at the intersection of accounting and sector expertise.

11.5 Disclosure and Volatility Management

Because Ind AS 41 routes changes in the fair value of biological assets through profit or loss, agribusinesses can report earnings that swing with commodity cycles and biological transformation rather than with cash generation. The standard responds with extensive disclosure requirements: a reconciliation of the carrying amount, the assumptions underlying fair value, and the separation of gains due to price changes from those due to physical growth. Analysts reading agribusiness accounts lean heavily on these disclosures to distinguish operational performance from fair value noise, and preparers who disclose them well are rewarded with more stable valuations of their own equity.

Practitioner Checklist

- Separate bearer plants from the biological produce growing on them.
- Measure biological assets at fair value less costs to sell at each reporting date.
- Use forward or market evidence that reflects the expected harvest and selling process.
- For inventory, compare cost with net realisable value and consider firm sales contracts.
- Use agronomic or sector specialists where yield, mortality, conversion or crop-failure assumptions drive value.

PART V - GOVERNANCE & ASSURANCE

Chapter 12: Disclosures, Auditor Scrutiny and Valuation Governance

A technically perfect valuation that cannot survive disclosure, audit and governance is of little use in an Ind AS context. This closing chapter turns from measurement to assurance: the disclosures the standards demand, the scrutiny auditors apply, and the governance that keeps a company's valuation process credible over time. In practice, this is where many valuations succeed or fail, because a number is only as good as the evidence and process behind it.

12.1 The Disclosure Burden of Fair Value

Ind AS 113 imposes extensive disclosure requirements designed to let users assess the valuation techniques and inputs used. For recurring Level 3 measurements, an entity must disclose the valuation techniques, the significant unobservable inputs, a reconciliation of opening to closing balances, and, critically, a narrative and often quantitative sensitivity analysis. These disclosures are not boilerplate; they expose the assumptions to the market and to regulators, and inconsistencies between the disclosure and the underlying model are a common source of audit findings and regulatory queries.

12.2 Mapping Standards to Valuation Approaches

The measurement bases scattered across Ind AS can be consolidated into a single mental map. The matrix below links the principal standards to their measurement objective and the valuation approach that typically delivers it. Keeping this map in view prevents the common error of applying the right technique to the wrong standard.

Standard	Measurement Objective	Primary Approach
Ind AS 103	Fair value of acquired assets	Income / Market
Ind AS 38	Fair value of intangibles	MPEEM / Royalty
Ind AS 36	Recoverable amount	Value in use (DCF)
Ind AS 109	Fair value / ECL	DCF / PD-LGD-EAD
Ind AS 102	Option fair value	Black-Scholes / Lattice
Ind AS 113	Fair value framework	All three approaches

Ind AS standard-to-valuation approach map.

12.3 What Auditors Now Expect

Auditing standards on accounting estimates have raised the bar for valuation evidence. Auditors are required to evaluate the method, the assumptions and the data, and to apply professional scepticism to management's estimates, often involving their own valuation specialists. In practice this means a

Audit Focus Area	What a Robust File Provides
Discount rate	Bottom-up build with each component sourced
Cash-flow forecast	Reconciliation to board-approved budgets
Comparables	Selection rationale and rejected candidates
Sensitivities	Impact of reasonably possible input changes
Prior-year consistency	Explanation of any assumption changes

Table 12.1: Common audit focus areas and the evidence that satisfies them.

valuation report is expected to state its purpose and scope, disclose its assumptions transparently, reconcile to corroborating evidence, and present sensitivities. A one-page conclusion with a number and no supporting logic no longer passes muster, and increasingly draws a request for an independent valuer's report.

OUR INSIGHT

The valuations that sail through audit are rarely the most sophisticated; they are the best documented. Over the years the single practice that has saved our clients the most audit friction is a standing valuation file that captures the purpose, the method, the source of every key assumption, the corroboration, and the sensitivity, refreshed each year with a clear log of what changed and why. When the auditor's specialist arrives, that file answers ninety per cent of the questions before they are asked. The remaining ten per cent is where a genuine expert conversation happens, and it is far more productive when the basics are already nailed down.

12.4 Governance: The IBBI Registered Valuer Regime

India's valuation profession is now formally regulated. Under Section 247 of the Companies Act, 2013 and the Companies (Registered Valuers and Valuation) Rules, 2017, valuations required under the Act must be performed by an IBBI Registered Valuer, working to the ICAI Valuation Standards, 2018. While not every Ind AS fair value legally requires a registered valuer, audit committees increasingly insist on one for material or judgemental measurements, both for technical rigour and for the governance comfort of an independent, regulated professional standing behind the number.

PRO TIP

Establish a simple valuation governance protocol: a register of all fair value measurements, a materiality threshold above which an independent registered valuer is engaged, and an audit-committee review of the key assumptions before year-end rather than during the audit. This turns valuation from a year-end scramble into a controlled process, and it is exactly the kind of control framework that auditors and regulators expect from a well-run Ind AS reporter.

12.5 Bringing It Together

Across twelve chapters, one theme recurs: Ind AS has made valuation a permanent, recurring and heavily scrutinised part of Indian financial reporting. The standards supply the measurement objective; meeting

it credibly requires technical method, Indian regulatory awareness, transparent documentation and sound governance. A finance team can, and should, own much of this work. But at the points where the judgement is dense, the assumptions are contentious, or the governance demands independence, the involvement of a specialist valuer is not an expense but a protection, of the financial statements, of the audit relationship, and of the reputations of those who sign the accounts.

Practitioner Checklist

- Maintain a register of all recurring and non-recurring fair value measurements.
- Document purpose, scope, method, data sources, assumptions, corroboration and sensitivities in a standing file.
- Explain changes from prior-year assumptions rather than merely updating the number.
- Set a materiality or judgement threshold for engaging an independent Registered Valuer.
- Bring key assumptions to the audit committee before year-end rather than during the audit.

CONCLUSION

Conclusion: Working With an Ind AS Valuation Expert

The preceding chapters set out to demonstrate a single proposition: that Ind AS has woven valuation into the fabric of Indian financial reporting so thoroughly that no covered company can avoid it. From the fair value hierarchy of Ind AS 113 to the expected credit losses of Ind AS 109, from purchase price allocations to lease measurement, valuation is now a recurring obligation that must be met every reporting cycle, under the watchful eye of auditors and regulators.

The purpose of this guide has always been to make most of that work accessible. A capable finance team, armed with the methods and cautions described here, can execute the large majority of routine Ind AS valuations in-house. That is by design. The measure of a good adviser is not how much they mystify, but how much they enable.

When You Can Reasonably Do It Yourself

For provision matrices on ordinary trade receivables, straightforward lease discount rates, routine impairment indicators and financial instruments with observable inputs, a well-run finance function can and should own the process. The techniques are learnable, the inputs are accessible, and building internal capability is far cheaper than outsourcing every calculation.

When Independent Valuation Becomes Essential

The calculus changes when the judgement becomes dense, the numbers become material, or independence itself is the point. Purchase price allocations, intangible valuations, goodwill impairment tests on struggling units, share-class allocations for startup ESOPs, and any measurement large enough to move the financial statements materially all benefit from an independent Registered Valuer view.

There is also a governance dimension. When management values its own assets, an inherent tension exists between the incentive to report favourably and the duty to report faithfully. An IBBI Registered Valuer, working to applicable professional standards, places an accountable independent professional behind the reported number.

What to Expect From an Engagement

A well-run valuation engagement begins with a clear scope and purpose, proceeds through transparent assumptions corroborated against market evidence, and concludes with a report that presents not just a number but the sensitivities and the reasoning behind it. It should reduce audit friction and leave the finance team better equipped for the next cycle.

The Cost-Benefit Equation

The economics are rarely close. A rigorous valuation engagement for an Ind AS purpose typically costs a small fraction of the amounts at stake in the financial statements it supports. A Rs. 3-10 Lakh valuation engagement routinely stands behind a Rs. 50-500 Crore transaction or balance-sheet exposure. Set against the cost of a restated set of accounts, a qualified audit opinion or a regulatory query, the fee is a protection rather than a number to be minimised.

OUR INSIGHT

In fifteen years we have never seen a company regret spending on a defensible valuation, but we have repeatedly seen the opposite: the cost, in audit delays, restatements and lost credibility, of a number that could not withstand scrutiny. The cheapest valuation is almost always the most expensive one once the cost of defending it after the fact is counted.

Building Internal Valuation Capability

The most resilient finance functions treat valuation not as something bought from outside once a year, but as a capability they steadily build. They maintain a register of every fair value measurement, keep standing valuation files that carry forward from year to year, and develop internal fluency in discounted cash flow, the market approach and option pricing so they can execute routine work themselves and engage a specialist as an informed client.

Independence and internal capability are complementary. A finance team that understands valuation deeply gets more from its independent valuer, asks sharper questions, supplies better data and can defend the resulting numbers with conviction.

PRO TIP

Start small: pick the single most material or most contested valuation in the financial statements, build a proper standing file for it this year, and use it as the template for the rest. Capability compounds, and within two or three cycles the year-end valuation scramble can quietly disappear.

ONE LAST THING BEFORE YOU CLOSE THIS GUIDE

If the number matters, make sure it can be defended.

A valuation becomes important the moment someone else has to rely on it - an auditor, regulator, investor, board, lender, counterparty or employee. If you have reached a point where the assumptions are judgement-heavy, the transaction is material or the documentation needs to survive scrutiny, that is exactly where Elite Valuation can help.

You do not need to know the valuation method before calling us. Send the term sheet, scheme, instrument terms, financials, transaction note or audit query. We will help identify the valuation objective, the applicable accounting or regulatory framework, the information required and the most practical way to execute the assignment.

CALL US WHEN YOU ARE DEALING WITH

- Purchase price allocation, impairment testing or another Ind AS fair-value question
- Business, share or security valuation for a transaction, board decision or investor discussion
- Merger, demerger, restructuring, swap ratio or acquisition valuation
- Brand, customer relationship, technology, patent, copyright or other intangible asset valuation
- ESOP valuation, share-class allocation, grant-date fair value or ESOP implementation
- FEMA, SEBI, Companies Act or Income-tax valuation requirements
- AIF valuation, registration, structuring or compliance support
- A financial model, due diligence exercise or transaction where the numbers must be investor-ready

EXPERIENCE	CLIENT ENGAGEMENTS	PROFESSIONAL CREDENTIALS	PRACTICE
15+ Years	500+	CA CS IBBI RV	Ex-EY Pan-India

WHAT HAPPENS IN THE FIRST CONVERSATION

01 We understand the facts Purpose, date, instrument or transaction, stakeholders and deadlines.	02 We identify the right framework Ind AS, Companies Act, FEMA, SEBI, Income-tax or transaction-specific requirements.	03 We define scope and next steps Data needed, methodology, deliverables, timeline and the practical path to completion.
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BOOK A 15-MINUTE INTRODUCTORY CALL

Speak directly with our team about the requirement. A short first conversation is often enough to clarify what valuation is needed and how to move forward.

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Bring us the question before it turns into an audit issue, a transaction delay or a number you have to defend alone.

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