

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

[Authority delegated by the Central Government vide notification no. GSR 1316(E) dated 18.10.2017 under section 458 of the Companies Act, 2013 read with rule 2(1)(b) of the Companies (Registered Valuers and Valuation) Rules, 2017]

IBBI/Valuation/Disc./20/2024

12 July 2024

ORDER

This Order disposes the Show Cause Notice (SCN) No. RV-13011/3/2024-IBBI/356/148, dated 08 April 2024 issued under rule 17 read with rule 15 of the Companies (Registered Valuers and Valuation) Rules, 2017 (Valuation Rules) to Mr. Gopal Krishna Raju (hereinafter also referred as ‘RV’) who is registered with Insolvency and Bankruptcy Board of India (IBBI) as a valuer for asset class Plant and Machinery, with registration number IBBI/RV/05/2019/10904.

1. Issuance of Show Cause Notice (SCN) and hearing before the Authority

- 1.1 Rule 17(1) of the Valuation Rules provides that based on a complaint received or on material otherwise available on record, if the authorised officer is of the prima facie opinion that sufficient cause exists to cancel or suspend the registration of a registered valuer, it shall issue a SCN to the registered valuer.
- 1.2 In this regard, the IBBI had received a complaint on 19.02.2024 against Mr. Gopal Krishna Raju. Based on the complaint as well as some other material available on record, clarifications / submissions were sought from Mr. Gopal Krishna Raju vide email dated 22.02.2024. Mr. Gopal Krishna Raju submitted his clarifications / submissions vide email dated 06.03.2024.
- 1.3 After the examination of the complaint and considering the clarification provided by Mr. Gopal Krishna Raju, the authorised officer formed a prima facie opinion that sufficient cause exists to cancel or suspend the registration of Mr. Gopal Krishna Raju and issued SCN on 08.04.2024. The reply to the SCN was submitted by Mr. Gopal Krishna Raju on 22.04.2024. He availed the opportunity of personal hearing in the matter on 31.05.2024 through virtual mode and submitted additional submissions on 04.06.2024.

2. Alleged Contraventions, Submissions of Mr. Gopal Krishna Raju and Findings of the Authority

The contravention alleged in the SCN, submissions by Mr. Gopal Krishna Raju and findings of the Authority are summarized as follows:

2.1 Submitting Misleading declaration while applying for Registration of Registered Valuer Entity (RVE).

Allegations mentioned in SCN

- 2.1.1 Rule 6 (2) of the Rules provides that a partnership entity or company eligible for registration as a registered valuer under rule 3 may make an application to the authority in Form-B of Annexure-II. Part E (4) of the said Form B provides for additional information pertaining to RVE that may be relevant for their application. In furtherance of the above Rule, the Authority has prescribed one Addendum of Form B under Part E (4) which requires additional declaration to be signed by RVE as well as all the partners/ directors of that RVE. One of the declarations is that *“none of the director/partner shall practice as a Registered valuer other than in the capacity of the director/partner of this company/firm for which registration as valuer is being sought under Rule 6.”*
- 2.1.2 The SCN notes that the records indicated that Mr. Gopal Krishna Raju was one of the directors of the registered valuer entity, namely M/s 3V Pro Appraisers Private Limited, an entity registered with the Board bearing Registration No. IBBI/RV-E/02/2021/149 dated 27.08.2021. While applying for the registration of the said RVE, an addendum to Form-B was signed by the RVE as well as Mr. Gopal Krishna Raju that none of the director/partner shall practice as a registered valuer other than in the capacity of the director/partner of this company/firm for which registration as valuer is being sought under Rule 6.
- 2.1.3 Therefore, while holding the directorship in RVE M/s 3V Pro Appraisers Private Limited, Mr. Gopal Krishna Raju applied for registration of another RVE namely M/s 3IPRO Valuers & Insolvency Professional Private Limited, in the capacity of authorized signatory as well as director of that entity. Further, Mr. Gopal Krishna Raju had signed the declaration in Addendum of the said Form B under Part E (4) along with the application of M/s 3IPRO Valuers & Insolvency Professional Private Limited.

- 2.1.4 The SCN mentions that the purpose behind the declaration mentioned above in para (a) is to impose a condition that a RV shall act as a partner/director only in one RVE and he cannot practice as a valuer in any other capacity. The said condition is further clarified by the Authority through the FAQs on Registration as a Valuer (Entities) which provides that a RV cannot become a director or partner in more than one RVE. Despite this Mr. Gopal Krishna Raju has not disclosed his directorship in 3V Pro Appraisers Private Limited while applying for registration of another RVE namely M/s 3IPRO Valuers & Insolvency Professional Private Limited and submitted a misleading declaration.
- 2.1.5 Further, Rule 7 (m) of the Rules prescribe that the registration of the valuer is subject to the condition that the valuer shall comply with such other conditions as may be imposed by the Authority. The SCN observes that Mr. Gopal Krishna Raju has not complied with the conditions imposed by the Authority through the addendum to Form-B as prescribed under the Rules.
- 2.1.6 Further, it is alleged in the SCN that the language of declaration 5 of the Addendum of Form B is “*none of the director/partner **shall** practice as a Registered valuer other than in the capacity...*”. However, while signing the application for RVE namely M/s 3IPRO Valuers & Insolvency Professional Private Limited, in the capacity of authorized signatory as well as director of that entity, Mr. Gopal Krishna Raju has changed the word “**shall**” to “**may**” and fabricated the document. In his response dated 06.03.2024 to the email from the Authority, Mr. Gopal Krishna Raju has reiterated his deliberate intent to change the words and mentioned that “*As per the Interpretation of statutes the word “MAY” is an expression of possibility, a permissive choice to act or not, and ordinarily implies some degree of discretion.*” That admission on the part of Mr. Gopal Krishna Raju itself shows that he has fabricated the documents and deceived the Board to gain undue advantage to himself and the firm.
- 2.1.7 The SCN alleges that the above act of Mr. Gopal Krishna Raju not only raises concern about his integrity as a professional but also against the interest of the stakeholders involved. Accordingly, the Authority was of the *prima facie* view that he has contravened Rules 7(b), 7(g) and 7(m) of the Rules read with Clause 2, 3 and 4 of the Model Code of Conduct for RVs under Annexure I of the Rules (Code of Conduct).

Submissions of the RV

- 2.1.8 Mr. Gopal Krishna Raju has submitted in the reply to SCN that the requirement of providing additional information in Part E (4) of Form B about director/partner in other RVE did not occur to him at all at the time of filling of Form B. He claims it to be an unintentional omission on his part to notice it, which caused the error.
- 2.1.9 Mr. Gopal Krishna Raju has further submitted that the Director Master Data of MCA contains about his directorship in various entities and he had mentioned his DIN in many places in Form B and its enclosures. The stated non-disclosure in Addendum of Form B under Part E (4) as additional declaration by him, if applicable, in this regard, was neither wilful nor deliberate.
- 2.1.10 Mr. Gopal Krishna Raju has further submitted that the typing of “may” in the place of “shall” was a clerical typo error. The interpretation that arose out of such error, was also purely unintentional. He admitted the error on his part and requested for condoning the same.
- 2.1.11 Mr. Gopal Krishna Raju in his additional submissions has submitted that M/s. 3V Pro Appraisers P Ltd , in which he is a director has not paid the annual membership fees for the year 2023-24 in time till the end of February 2024. After the oral persuasion by IBBI officials for withdrawal of RVE registration of 3IPRO Valuers & Insolvency Professional Private Limited, which resulted in the withdrawal of 3IPRO Valuers & Insolvency Professional Private Limited RVE Registration by the Board of Directors on 28.02.2024 and only subsequently, the annual fees to RVO (IOVRVF) was paid by 3V Pro Appraisers Private Limited vide invoice dated 1st March. Accordingly, at no point in time he could have practiced as RV simultaneously in two entities as director/partner since, in one entity (3V Pro Appraisers Private Limited) renewal was not done and in other entity registration granted was surrendered.

Findings of the Authority

- 2.1.12 Rule 7(m) of the Valuation Rules provides as follows:

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

(a).....

.....

(m) comply with such other conditions as may be imposed by the authority.

2.1.13 Form-B under Annexure-II of the Valuation Rules specifies the application form to be filled by an entity (partnership entity / company) for seeking registration as valuer. Under Part E of the form which deals with 'Additional Information' to be submitted by the applicant entity, the IBBI had sought a declaration to be submitted by the applicant entity which *inter alia* provides that none of the director/ partner shall practice as a registered valuer other than in the capacity of the director/ partner of the company/ firm for which registration as valuer is being sought. The said declaration is signed by the authorised signatory of the applicant entity and also counter signed by all the directors/ partners, as the case maybe. This ensures that all the directors/ partners are aware of the declaration being made by the applicant entity.

2.1.14 In the instant matter, it is observed that Mr. Gopal Krishna Raju was one of the directors of the entity 3V Pro Appraisers Pvt. Ltd. He had signed the additional declaration with the afore-mentioned declaration while the entity was seeking registration as valuer. Thereafter 3V Pro Appraisers Pvt. Ltd was granted registration on 27.08.2021 which is still valid as on date.

2.1.15 Subsequently, the application of 3IPRO Valuers & Insolvency Professionals (P) Limited was made to IBBI where Mr. Gopal Krishna Raju was one of the directors and also authorised signatory of the entity to make application for registration as valuer. As part of the application the 'Additional Declaration' on behalf of the entity was submitted which is signed by Mr. Gopal Krishna Raju.

2.1.16 Therefore, the plea of Mr. Gopal Krishna Raju that the requirement of providing additional information in Part E (4) of Form B about director/partner in other RVE did not occur to him at all at the time of filling of Form B, is not tenable and cannot be accepted. He was well aware of the declarations made while submitting application form of the entity.

2.1.17 Further, in the same breath, it is also seen that the particular declaration which could have affected the eligibility of the entity 3IPRO Valuers & Insolvency Professionals (P) Limited (because one of the directors is practicing through another registered valuer entity), was altered to nullify the prohibitive condition imposed by the authority.

2.1.18 Further, as provided in the SCN, the perusal of the email communication dated 06.03.2024 of Mr. Gopal Krishna Raju to IBBI, reflects the deliberate intention of Mr. Gopal Krishna Raju to alter the language of declaration. He was also aware of the clarification provided by IBBI in this regard through the 'Frequently Asked Questions (FAQ)'. The excerpts from the referred email communication is provided as below:

"I submit my clarification/ explanation as below:

1. The Addendum to Form B Part E(4) Para 5 reads as follows:

*(5) I hereby declare that none of the directors **shall** practice as a Registered Valuer other than in the capacity of the directors of this company for which registration as valuer is being sought under rule 6*

While applying for the registration of M/s. 3i Pro Valuers & Insolvency Professionals (P) Limited with IBBI as RVE, an addendum to Form B was signed by authorised signatory Mr. Gopal Krishna Raju (IBBI/RV/05/2019/10904) which states as follow:

*(5) I hereby declare that none of the directors **may** practice as a Registered Valuer other than in the capacity of the directors of this company for which registration as valuer is being sought under rule 6*

As per the Interpretation of statutes the word "MAY" is an expression of possibility, a permissive choice to act or not, and ordinarily implies some degree of discretion.

Further my intention is not to become directors in two companies. Until the required approval is sought from the regulator (IBBI) for both RVE and IPE, the procedures for registration has to be followed. Till date, IPE registration is awaited which was applied before RVE application was made. Once the approval is received, the Board of both the companies shall be restructured to have unique directors in line with the Statutory requirements and applicable rules and regulations including the companies (Registered Valuers and Valuation) Rules, 2017

2. The FAQ No.24 referred in your E mail and the answer for it reads as follows:

24. Can a registered valuer be a director or partner in more than one registered valuer entity?

Ans. No

The answer in the above FAQ has not elucidated or explained any regulatory pronouncements or supported by any specific rule/regulations.

The answer in the above FAQ if not referred by any specific rule/regulations we may not be able to understand and hence request that the justifiable reasoning for better understanding to conclude is required.

The said FAQ No.24 has answered with a single word “No” only without any corroborative basis/ reference of any rule /regulations or reasoning for its justification and better understanding.

Since FAQs are issued by the regulators (like RBI, SEBI) for information and general guidance purpose and that cannot be used or followed in any proceedings without any acceptable basis and cannot be considered to be binding.”

2.1.19 In light of the above, it is apparently clear that Mr. Gopal Krishna Raju was aware of the prohibitive conditions specified through ‘Additional Declaration’. This is reflected in his objections to the FAQ in this regard, *vide* his communication to IBBI through email dated 06.03.2024. Moreover, there was a deliberate intention on his part to alter the term ‘shall’ to ‘may’ as he was not satisfying such condition. The statement of Mr. Gopal Krishna Raju that once the registration to 3IPRO Valuers & Insolvency Professionals (P) Limited is granted, the boards of both the entities shall be restructured to have unique directors in line with the statutory requirements and applicable rules and regulations, shows that there was application of mind by him while writing ‘may’ instead of ‘shall’. Accordingly, the plea of Mr. Gopal Krishna Raju that the typing of ‘may’ instead of ‘shall’ was a clerical typo error is not tenable as it is an afterthought and therefore cannot be accepted.

2.1.20 Further, the plea of Mr. Gopal Krishna Raju that he could not have practiced in two different entities as the annual membership fee for the other entity was not paid, is immaterial as the charge is not regarding his practice as Registered Valuer in two different RV entities. The charge in the present SCN is whether he had tried to mislead the authority by submitting a declaration which was not in the prescribed language and was altered by him to protect his interests.

2.1.21 Furthermore, with respect to the averment of Mr. Gopal Krishna Raju that he had disclosed his DIN in Form B, it is observed that the allegations in SCN does not relate to his failure to disclose his directorship in other entities. Rather, the allegations pertain to his act of altering/ modifying the language of the declaration for protecting his

interest. Hence, this contention of Mr. Gopal Krishna Raju does not help with reference to the allegations in the SCN.

2.1.22 Therefore, in view of the foregoing, Mr. Gopal Krishna Raju is found to be in violation of rules 7(b), 7(g) and 7(m) of the Valuation Rules read with Clause 2, 3 and 4 of the Model Code of Conduct for RVs under Annexure I of the Rules (Code of Conduct).

2.2 Sharing IBBI Logo and Name for personal gain and without permission from the Board

Allegations mentioned in SCN

2.2.1 It was observed that Mr. Gopal Krishna Raju has a blog page with URL <https://3spro.blogspot.com/> and with title *CA Dr GOPAL KRISHNA RAJU / An Academic Blog for Dr GKR's Seminar/Webinar/Classroom/YouTube sessions*. It has been observed that he had organized a webinar on IBBI Valuation Exam (2024 Syllabus). In the brochure of that webinar, Mr. Gopal Krishna Raju had used the name and logo of the Board without any authorization or permission of the Board. The SCN states that the IBBI is a Statutory Authority, and its name cannot be used randomly by anyone and in any manner whatsoever. The use of name as well as the logo of IBBI is misleading and bound to give a wrong impression to the stakeholders and the general public that the session by the registered valuer is being endorsed or conducted in association with IBBI. The SCN alleges that the said act of Mr. Gopal Krishna Raju of using IBBI name and logo for personal gain and without any authorization or permission of the Board is not only a misrepresentation to the stakeholder but may also bring disrepute to the whole valuation profession.

2.2.2 Accordingly, the Authority was primarily of the opinion that Mr. Gopal Krishna Raju has contravened Rules 7(g) of the Rules read with Clause 1, 2, 3 and 4 of the Code of Conduct.

Submissions of the RV

2.2.3 Mr. Gopal Krishna Raju has submitted that he had conducted the Fast-Track Webinar Series without charging any fees to all professionals mostly belonging to CA/CMA/CS fraternity etc. The said mentioning of IBBI and its logo were to encourage more

professionals to participate for the said Fast Track session in the interest of Valuation Profession and nothing else. Through these Fast-Track Webinar series, more than 700+ professionals got registered as RVs by successfully completing the exams conducted by NISM after attending the said sessions.

2.2.4 Mr. Gopal Krishna Raju has further submitted that the usage of the logo of IBBI in such Fast-Track Webinar blog was not commercially exploited by him as the target audience comprised mostly of aspiring professionals wanting to qualify as Valuation Professionals. Therefore, the usage of logo of IBBI was purely by oversight and was with the earnest intent of making more persons come to the arena of valuation profession. Mr. Gopal Krishna Raju admits that he should have kept a closer eye on the presentation material which somehow escaped his attention.

2.2.5 In his additional submissions Mr. Gopal Krishna Raju has provided testimonies of the certain participants who attended the webinar series. Further, he has submitted that the IBBI logo was included in the presentation PDF material only in one of the five day sessions. On the remaining four days session out of the total of five sessions, he never used the IBBI logo at all.

Findings of the Authority

2.2.6 It is pertinent to reproduce the snapshot of the presentation material / brochure (as mentioned in the SCN) where the logo and name of IBBI was used by Mr. Gopal Krishna Raju, and which is still available on his website (<https://3spro.blogspot.com/2024/01/> as accessed on 12.07.2024) is as follows :

Fast Track Webinar Series
for
IBBI Valuation Exam (2024 Syllabus)
Day 1
Professional / Business Ethics and Standards

Phase 5 of IBBI Valuation Examinations w.e.f. 1st MAY 2024

**18th
Batch**



भारतीय विपदा और शोधन-समस्या बोर्ड
 Insolvency and Bankruptcy Board of India



Monday ♦ 29th JAN 2024 ♦ 08:30 AM to 09:30 AM ♦ www.3spro.blogspot.com

CA Dr GOPAL KRISHNA RAJU

Chartered Accountant, Insolvency Professional, Registered Valuer & Arbitrator

Visiting Faculty, Indian Institute of Management

Fast Track Webinar Series
for
IBBI Limited Insolvency Exam (2022 Syllabus)
Day 1
Insolvency Resolution For Corporate Persons
 Part I & Part II

5th Batch

भारतीय विपदा और शोधन-समस्या बोर्ड
 Insolvency and Bankruptcy Board of India

Monday ♦ 14th NOV 2022 ♦ 08:30 AM to 09:30 AM ♦ www.3spro.blogspot.com

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 Partner | K GOPAL RAO & CO | Chartered Accountants | Chennai, Mumbai, Bengaluru, Hyderabad, Coimbatore, Madurai, Trichy

2.2.7 The Valuation Rules framed under section 247 of the Companies Act, 2013 has for the first time put in place a regulatory architecture for the valuation profession and the valuation professionals. The IBBI has been delegated the powers of Central Government under section 247 of the Companies Act, 2013 and in exercise of such powers it works towards regulation and development of valuation profession. In furtherance to this, the IBBI organises various events in form of workshops, seminars, conferences, webinars, etc.

- 2.2.8 The IBBI, being a statutory authority, carries with itself the trust of stakeholders which it endeavours to safeguard through the strict monitoring and supervision of all the programmes organised by it either solely or through association with other organisations. In this regard, the name and logo of IBBI imparts legitimacy and authenticity to the stakeholders. Therefore, there is strict internal process in place to associate IBBI with any programme being conducted by a third party, wherein the prior approval has to be sought by IBBI before using the name or logo of IBBI.
- 2.2.9 If seen from a layman's perspective the above-referred snapshot gives an impression that the event being conducted by Mr. Gopal Krishna Raju is in association with the IBBI, although no such association was made by IBBI. The plea of Mr. Gopal Krishna Raju that the logo and name of IBBI was utilised to encourage more participants in the programme is not tenable and in fact goes against the explanation provided by him that there was no intention of commercially exploit the logo of IBBI. Mr. Gopal Krishna Raju was well aware of the impact of putting logo of IBBI on his presentation material in terms of increase in the number of participants.
- 2.2.10 The plea of Mr. Gopal Krishna Raju that the usage of logo of IBBI was made in the presentation material only on one day of the webinar is immaterial as the logo is still available on the public website and is viewable by the public at large and is not restricted only to the participants of the webinar. Hence the plea of Mr. Gopal Krishna Raju in this regard is incorrect and not tenable.
- 2.2.11 Further, the plea of Mr. Gopal Krishna Raju that he has not received any monetary benefit from such webinar is immaterial as unauthorised usage of logo and name of IBBI cannot be allowed on the grounds that the same is not being exploited commercially. If the unauthorised usage of the IBBI logo goes unnoticed and unpunished, the same may lead to rampant misuse of the logo by all and sundry in all types of programs, which may eventually lead to erosion of credibility of IBBI in the minds of stakeholders.
- 2.2.12 In view of the above, Mr. Gopal Krishna Raju is found to be in violation of rule 7(g) of the Valuation Rules read with Clause 1, 2, 3 and 4 of the Code of Conduct.

3. Order

- 3.1 It must be noted that the profession of valuation hinges on the trust of stakeholders on the professionals conducting valuation exercise. Under the insolvency resolution process under the Code, and also for various activities under the Companies Act, 2013 such as merger and acquisition, further issue of share, compromise and arrangement, etc., the valuation of assets play a crucial role in taking important economic decisions. Therefore, in the valuation profession, it is imperative that only individual with absolute integrity and unblemished reputation is allowed to practice as registered valuer. As a profession is known by the individuals practicing it, the members of the profession must inspire confidence of the stakeholders and the society at large. They have a collective responsibility to build and preserve the reputation of the fledgling valuation profession.
- 3.2 Therefore, in light of the foregoing, after considering the allegations made in the SCN, the reply of the RV and the materials available on record, the Authority in exercise of powers conferred vide notification of Central Government no. GSR 1316(E) dated 18th October 2017, under Section 458 of the Companies Act, 2013 and in pursuance of rule 15 and rule 17 of the Valuation Rules hereby suspends the registration of Mr. Gopal Krishna Raju bearing registration number - IBBI/RV/05/2019/10904 for a period of one year. Further, Mr. Gopal Krishna Raju is also directed to take down all such material/document from public domain where association with IBBI which is not authorised, is reflected in any manner.
- 3.3 In terms of sub-rule (8) of rule 17 of Valuation Rules, this Order shall come into force after 30 days from the date of its issuance.
- 3.4 A copy of this order shall be forwarded to all RVOs for information.
- 3.5 Accordingly, the show cause notice is disposed of.

Dated: 12 July 2024
Place: New Delhi

Sd/-
(Sandip Garg)
Whole Time Member, IBBI