CHAPTER XII

CONCLUSION

The Principal theme of the present study is the valuation of shares of companies in India. Thus, the main emphasis in the study has been to establish certain basic principles of valuation of shares. Irrespective of the purpose of valuation the target to be achieved by all valuers of shares is the 'fair value' of shares. The present study has been carried on with two-fold objectives, namely, (1) critically examining the already existing principles of valuation of shares to see how far these principles can come to the aid of the valuers in ascertaining the fair value of shares and (2) establishing certain principles which can be of practical use to the valuers in their attempts to determine the fair value of shares. The fact that the valuation of shares of companies is a growing professional practice in India has always been kept in mind at the time of carrying on the study.

The primary question connected with a study on share valuations is the various purposes for which the valuation of shares may be required. The statutory and non-statutory purposes of valuation have been detailed in chapter I. In connection with the valuation of shares, a brief study of the nature and types of shares and the rights and obligations attaching the shares has been thought essential. These matters together with a brief
In share valuation, the valuer is required to understand the relevance and significance of various factors influencing the valuation of shares. He has to assess the technical and market factors with proper weight. Chapter II deals with the various factors which may be considered by a valuer at the time of valuation of shares.

One principal difficulty associated with a study on the valuation of shares is to have a clear conception of the term, 'value' and to avoid confusion about the terms, 'value', 'cost' and 'price'. Chapter III has been devoted to provide a brief idea about the concepts of 'value', 'cost' and 'price'. The chapter also indicates the restricted sense in which the examination and measurement of value have been made in the present study.

Five chapters (IV to VIII) have been devoted to make a critical analysis of the principles of valuation of shares, both statutory and non-statutory. Chapters IV and V deal with the two basic principles of valuation of shares, normally applied in non-statutory valuation. A critical review of the various aspects of these two methods has been made in details. In connection with the valuation of shares on the basis of net assets (chapter IV), the question of valuation of various
assets has been considered to be relevant. Particular attention has been given to the treatment of intangible assets including goodwill. The peculiar problems connected with the determination of maintainable profits and the appropriate rate of capitalisation of such maintainable profits have been detailed in chapter V. Appropriate solutions have been incorporated. While discussing the principles of valuation of shares on the basis of net assets and maintainable profits, the opinions of various authorities and the pronouncements of the courts have always been considered with due weight. Chapter V provides a comparative study of the various approaches of valuation of shares based on earnings. It has been established that the various approaches based on earnings can not be taken to be mutually exclusive approaches, rather these are to be treated like different roots of the same tree.

In a study like the present one, there is no escape from making a critical review of the various principles of valuation of shares enunciated in various direct taxation and other statutes. The task has not been quite easy. Firstly, the problem of remaining current about the direct taxation laws occurred. The Government decided to make the Estate Duty Act inoperative from the 16th day of March, 1985. While sincere efforts have been made to take note of this development, it has not been possible to avoid the discussion on the Estate Duty Act totally,
because such a discussion was completed long before the announcement by the Government. Secondly, there was a problem of considering a large volume of court decisions in order to reconcile the ideas of the learned judges for the purpose of establishing the correct principles of valuation of shares for statutory purposes. A careful consideration of the various decisions of the Indian and foreign courts has been made in chapters VI to VIII with an eye on the implication of these decisions in establishing the correct principles of valuation of shares for statutory purposes. Thirdly, the problem was relating to the consideration of certain controversial procedures established by some direct taxation statutes. Chapter VII deals with the critical review of the procedures of valuation of shares established under the various direct taxation statutes. Certain suggestions have been made. If these suggestions are accepted by the Government, a number of controversies relating to the valuation of shares under the direct taxation statutes can be avoided.

The field of valuation of shares is vast. It has been conceded that dealing with each and every case requiring valuation of shares is neither feasible nor essential. The experts in the field will apply their logical mind to solve the problems. However, the principles that may be applied in solving some peculiar problems relating to valuation of shares in holding companies, investment companies, private companies etc. have
been outlined in chapter IX. Important considerations relating to the valuation of preference shares, cum-dividend and ex-dividend shares etc. have also been dealt with in the same chapter.

Since the aim of all valuers is to fix the fair value of shares, an attempt has been made in chapter X of the present study to outline some principles for determining the fair value of shares. 'The best judgement theory of fair value' has been discussed in detail. The existing statutory and non-statutory conceptions of fair value have also been briefly referred to in the said chapter.

With the rapid growth and development of the corporate sector in India since independence, the practice in share valuation has become an important professional practice which is drawing increasing attention of more and more people. Therefore in the present study a chapter (Chapter XI) has been devoted to highlight the various aspects of the practice in share valuation. Throughout the whole study, it has been repeatedly stated that the valuation of shares is not mechanical. It is a calculated study of facts and circumstances requiring judgement and reasoning on the part of the valuers. Therefore, a brief outline of the role played by the valuers in different capacities has been given before concluding the present study. The opinion
of the valuers is recognized and respected by both the court and the department. The client will, in all probability, trust the views of the valuers about the value of shares. Naturally, it is expected that the valuers will exercise reasonable care and skill in the performance of their duties. In a disciplined society, they can not expect to succeed in their claim of immunity from liability for negligence and misfeasance. We will, therefore, expect that the popular Government will take appropriate legislative measures with regard to the valuers' liability in public interest.