

NEWSLETTER

JANUARY 2020



NAGPUR BRANCH OF WIRC OF ICAI





Chairman's Message



Hari Om.

I am very happy to reintroduce Branch Newsletter in the New Year 2020. It gives me great pleasure while addressing as Chairman of the most Vibrant Branch of the Institute of Chartered Accountants of India. First of all we all wish you a very prosperous & Happy New Year 2020. May this year bring you a lots of New opportunities. I hope that this year we profess and command value by rising above the ordinary, thinking beyond our imagination, to grow and finally move towards new frontiers of success in our profession and life.

The New Year 2020 is starting with new communication system from our branch, thanks to the initiative taken by Vice Chairman CA Kirit Kalyani.

Through this newsletter, we will be communicating the articles & information which will update & enrich our professional knowledge & skills. Year 2019-20 has been a great year for the Nagpur Branch.

Accountants are the only professionals in the country who are known for the selfless service to all. As professionals, the work in all season and challenges never end. The branch in the hectic month of December too ensured that the service above self motive is continued and members continuously share their treasure of knowledge with the fellow colleagues.

We all have always considered the members in industry to be our real flag holders and with efforts of the committee for Members in Industry & Business, ICAI New Delhi, we organized CFO Meet on 13th December 2019. The Managing Committee of Nagpur Branch is untiringly taking efforts for the plans on its agenda this year of 2020 for the benefit of members & students.

We request our members who are interested in writing or sharing some important articles /information/remarkable achievement, may communicate

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Branch Newsletter Sub Committee :2019

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the same to Branch at nagpur@icai.org

Branch managing committee members will ensure you that the same will be included in the next newsletter which will be circulated to all the members registered with our branch.

Again I wish you all a Happy New Year & Prosperous Professional Life.

Hari Om.

CA. Suren Duragkar
Chairman

Nagpur Branch of WIRC of ICAI Managing Committee 2018-19

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Investment by Urban Cooperative Banks



CA. Tusharkanti Dable

Urban Cooperative banks deployed their fund in Loans & Advances And in Investment. Investment is one of source of earning for Urban Cooperative banks. Though return on investment is lower as compared to Loans & Advances ,but risk of provision is also lower in Investment. Most of the Urban Cooperative banks have traditional approach for investment. Professional approach may increase profitability and liquidity of bank.

Investment in Urban Cooperative banks are of three types.

1. Statutory Liquidity Ratio (SLR)
2. Non SLR Investment
3. Other (Bank Deposits)

Statutory Liquidity Ratio (SLR) is statutory requirement for Urban Cooperative banks, every forth nightly reporting to RBI of SLR is must. SLR calculated on Net Demand and Time Liabilities (NDTL). Currently SLR should 18.5 % of NDTL, from April 2020 it will be 18% of NDTL.SLR can maintained in following forms.

1. Cash
2. In Gold Valued at price not exceeding current market price
3. Unencumbered investment in approved security as define in section 5(a) of Banking Regulation

Act,1949 read with Section 56 thereof.

Generally Urban Cooperative banks maintained SLR securities in, Central Government Securities (G-Sec.),Treasury Bill, State Development Loans. These securities to be hold in Subsidiary General Ledger (SGL) account. Physical form is not allowed strictly. Every Urban Cooperative banks have their investment policy. And this policy should be reviewed every year by Top Management of UCB. Broking firms are not allowed for these securities. UCB cannot sale securities without holding it. For every transection their should be caontact note.

Investment in Non SLR is limited to 10% Of bank total Deposits as on 31 st March of previous year. Urban Cooperative banks may invest in following instrument,

- 1."A" or equivalent and higher rated Commercial Papers ,Debentures, bonds.
2. Units of Debt Mutual Funds and Money Market Mutual funds.
- 3.Shares of Market Infrastructure Companies.

Investment in perpetual debt is not permitted. All Non SLR Transctions will be subject to prescribed prudential single/group party exposure limit.

The total amount of deposits placed by an UCB with other banks(inter-bank) for all purpose including call money /notice money and deposits if any, placed



for availing clearing facility, CGSL facilities, Currency chest facility and non-fund based facilities like Bank Guarantee, Letter of credit, etc shall not exceed 20% of its total deposit liabilities as on 31 st March of the previous year. Deposits with any single bank should not exceed 5% of its total deposit liabilities as on 31 st March of the previous year.

Investment can be categorized in following,

1. Held to Maturity (HTM)
2. Held for Trading (HFT)
3. Available for Sale (AFS)

Investment under HTM category should not exceed 25% of bank total investment, only exception for SLR securities. Securities acquired by bank with intention to trade by taking advantage of short-term price/interest rate movement will be classified under HFT. If bank not able to sell these securities within 90 days, it should be transferred to AFS. Securities which

do not fall within above two categories will be classified under AFS category. Shifting of investments to/from HTM category with approval of board once in a year such shifting allowed at the beginning of the year.

When securities under HFT purchased above face value, difference in purchase value and face value should be amortized over the maturity period. The Investment Depreciation Reserve to be created on account of depreciation in value of investment held under AFS/HFT category. Investment Fluctuation Reserve (IFR) created out of realized gain on sale of investment. It should be minimum 5% of Investment Portfolio.

Concurrent Audit is must for Investment transactions. Board should also review the investment transaction every month. Penalty may be imposed for violation of norms, as well loss may be occurred. Hence Urban Cooperative Banks should manage their Investment portfolio very carefully.



Fiscal Incentives to MSMEs in Package Scheme of Incentives - 2019



CA. Nikhil Thakkar

In order to encourage the dispersal of industries to lesser developed areas of the State, the Government has been giving package of incentives to New Industrial Units / Expansion / Diversification Units set up in the developing regions of the State since 1964 under a Scheme popularly known as the "Package Scheme of Incentives."

The PSI - 2019, is operational from the 1st April 2019 up to 31st March, 2024 (*or till the new Package Scheme of Incentives comes into force*). It provides incentives to MSME's, Bio-tech Manufacturing units, Mechanized, Food / Agro Processing Industries etc. For the purposes of the PSI- 2019, detailed taluka-wise classification of different areas of the State as Group, A /B/ C/ D/ D + etc., on the basis of their level of industrial development is given in Resolution No. PSI -2019 / CR 46 / IND-8 of Industries, Energy and Labour Department, Government of Maharashtra, dated The 16 September, 2019.

The below article covers selected aspects of Fiscal Incentives to MSMEs. Please note that the below incentives are subject to compliance with certain conditions as mentioned in Package Scheme of Incentives – 2019.

Fiscal Incentives to MSMEs:

- ♦ **Definition:** For the purpose of this policy, MSME shall include units as per the definition of Government of India- Micro, Small and Medium Enterprises Development (MSMED)

Act, 2006, as well as the small industries with FCI (Gross Fixed Capital Investment) of upto INR 50 crore. In case of expansion / diversification project, the sum total of Gross FCI of existing unit and Gross FCI of proposed expansion / diversification project should be upto Rs. 50 crore for qualifying for incentives under this category.

- ♦ **Power tariff Subsidy:** The power tariff subsidy, for eligible new units located (other than A areas) in Selected Areas* is to the extent of INR 1/- per unit consumed and in other areas (except A areas), to the tune of INR 0.5/- per unit consumed for 3 years from the date of commencement of commercial production.
*Selected Areas covers Vidarbha, Marathwada, North Maharashtra, and Districts of Raigad, Ratnagiri and Sindhudurg in Konkan.
- ♦ **Interest Subsidy:** In areas other than A area, Interest Subsidy will be provided at the lower of the following:
 - o Interest subsidy @ 5 per cent p.a.
 - o Value of electricity consumed (*and bills paid for that year*)
- ♦ **Stamp Duty Exemption:** 100 per cent stamp duty exemption within investment period for acquiring land (including assignment of lease rights and sale certificate) and for term loan purposes is available to eligible MSME's (*in selected areas subject to specific conditions*).



Note: In A and B areas Stamp Duty exemption is offered only to IT and BT manufacturing units in IT and BT Parks. Eligible Units under PSI 2013 Scheme will also be eligible for stamp duty exemption for their Investment Period.

- ♦ **Exemption from payment of electricity duty:** Certain eligible MSME's are also offered exemption from payment of electricity duty – Applicable for Export Oriented MSMEs, IT/BT units, Naxalism Affected Area etc. *(subject to certain conditions)*
- ♦ **Industrial Promotion Subsidy (IPS):** Eligible Micro, Small & Medium enterprises shall be offered Industrial Promotion Subsidy (IPS) on 100 % Gross State Goods & Services Tax (SGST) payable by the unit on the first sale of eligible products billed and delivered within Maharashtra.
- ♦ **Additional Incentives for Strengthening MSMEs:** The followings incentives shall be admissible to the Expansion Projects of MSMEs so as to promote quality competitiveness, Zero Defect Zero Effect (ZED scheme), Research & Development, technology up-gradation, water & energy conservation, cleaner production measures and credit rating –

a. Expansion projects

- o **Technology Up-gradation Subsidy:** 5% subsidy only on additional capital equipment acquired (Max INR 25 Lakh)
- o **Quality certification:** 75 % subsidy on the expenses incurred (Max INR 1 Lakh)
- o **Cleaner production:** 25% subsidy on additional capital equipment acquired (Max 5 Lakhs)

- o **Patent registration:** 75 % subsidy on the expenses incurred on patent registration (Max Rs.10 Lakh for the National patents and Rs. 20 lakh for the International patents)
- o **Water Audit:** 75% of cost of water audit limited to Rs. 1.00 lakh.
- o **Energy Audit:** 75% of cost of energy audit limited to Rs. 2.00 lakh.
- o **Conserve Water:** 50% of the cost of Capital Equipment under the measures to conserve/recycle water, limited to Rs. 5 lakh.
- o **Energy /efficiency:** 50% of the cost of additional Capital Equipment for improving energy Efficiency, limited to Rs. 5 lakh.

b. Credit Rating: 75% of the cost of carrying out Credit Rating by Small Industries Development Bank of India/ Government accredited Credit Rating Agency, limited to Rs. 40,000.

c. Refund of listing expenses: During the policy period, first 250 SMEs in all areas of the State, based in Maharashtra, fulfilling the criteria for listing, which will be enlisted on the SME Stock Exchange, Mumbai will be given refund of listing expenses equal to Rs. 6 lakhs or actual C.A. certified listing expenses, whichever is lower.

- ♦ **Green Industrialization Assistance:** Eligible MSME units shall be provided a Green Industrialization Assistance for undertaking measures to conserve water, energy and environment. Projects covered under the scheme include waste management systems (including ETP, STP etc.), pollution control systems/ devices, health and safety systems/ devices, water conservation/ harvesting systems/ devices and captive



renewable power generation.

- ♦ **Basket of Incentives:** A basket of incentives, subject to specified ceiling is offered to

eligible MSME units. Eligible MSME units in Agro & Food Processing and Green energy/ bio-fuel are also given additional support. The following is the basket of incentives:

Taluka / Area Classification	Maximum Permissible Fixed Capital Investment (INR crore)	Maximum Ceiling of basket of incentives as % of FCI	Eligibility Period (Years)
A	For the purpose of this policy, MSME shall include units as per the MSMED Act, 2006, as well as the units with FCI of upto INR 50 crore	--	-
B		30%	7
C		40%	7
D		50%	10
D+		60%	10
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule		80%	10
No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**		100%	10
<i>*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.</i>			
<i>** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar</i>			

Note :

- In any case total incentives admissible to the eligible unit will not exceed 100 % of eligible FCI.
- The sum total of the incentives shall not exceed the "Maximum Ceiling of basket of Incentives as % of FCI" as mentioned in the above table.



Role of Chartered Accountants in Banking Industry/Sector



CA. Vinod Chandwani

Banking Industry is known as the veins of the economy i.e. it ensures the perfect balance between demand & supply of money. Also, it facilitates various business transactions. It is pertinent to say that without banking no business can really survive, in this era of continuing competition from other players in the market and requirement of funds to take due care of business needs.

CA's in banking sectors hold various positions like Credit manager, Risk Managers, Investment and Wealth Manager, Business Analyst, Portfolio Manager, Finance etc. Unlike other companies where ca's are mostly placed in finance department, banks give much more scope for a chartered accountants where S/he will play a major role in governing and driving the bank.

Suitable Roles where CAs best fit in, include :

Credit/Risk Analyst/Manager:

The Credit/Risk Analyst/Manager evaluates whether, a particular loan application, meets the credit risk guidelines of the lender. There are multiple types of loans which are offered by banks viz. Personal/Car/Home Loan, Mortgage Loans, Working Capital Loans etc. Now the borrower can be a SME or mid corporate or a large corporate, the loan size may vary from Lakhs to Millions to Billions. CA fits in all.

Chartered Accountant visits the business premises, meets the management, studies the industry and economic environment and also importantly, the past financials of the company. The member, then evaluates the projected revenues and profits, on the basis of understanding of the company and economic environment. CA then decides

how much of a credit risk the bank can take on the customer, or whether it should take a risk at all.

Product Managers:

Product Manager has a very wide definition. Let us see what does PMs generally do:

- a) The bank offers loans under various products/schemes designed internally keeping in view the targeted segment, market, loan amounts, competition, micro & macro economic situation, government & regulatory policies/guidelines etc. Further, the loans are offered as per bank's internal policies & guidelines. PMs play a vital role in designing in policies, guidelines & products/scheme.
- b) PMs also possess in-depth understanding of the regulations, Trade Finance and CMS services the bank largely offers. These Product Managers work with the Relationship Managers, to answer any customer queries and structure the product as per the customer's requirement.

Relationship Manager/Portfolio Manager:

RM is responsible for the revenues generated through the customer and acts as the single point of contact between the borrower and the bank. He / She looks for various business opportunities – Short and long term loans, cash management services etc. Also, RMs/PMs are responsible for regular & stringent monitoring of existing loan portfolios to maintain the desired quality of portfolio. The monitoring generally involves regular verification/investigation of transactions, conducting regular inspections & stock audits, verification of import/export transactions to keep money laundering at bay & other allied activities etc.



Glimpses of December 2019 Events



CFO Meet



Seminar on Project Finance



Certificate Course on FAFD



Half Day Seminar on New GST Forms & Sabka Vishwas Scheme



*Felicitation of Shri P.K. Agrawal
Hon'ble Pr. Commissioner, Nagpur-I,
Commissionerate (GSTCX)*



*Workshop on
Audit of Urban Co-operative Banks*



Glimpses of December 2019 Events



Indoor Sports Meet



*Felicitation of Shri Subhash Desai,
Industrial Minister, Govt. of Maharashtra*

Glimpses of December 2019 WICASA Events



Chorus 2019



Blood Donation Camp



Residential Refresher Course, Mumbai



Indoor Sports Tournament