



# **NAGPUR BRANCH OF WIRC OF ICAI**

**NEWS LETTER  
OCTOBER 2021**

**The Institute of Chartered Accountants of India**  
(Set up by an Act of Parliament)  
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## ***Chairman's Message***



**CA. Saket Bagdia**  
Chairman,  
Nagpur Branch of ICAI

Dear Professional Colleagues,

**"Success isn't just about what you accomplish in your life; it's about what you inspire others to do"**

Life is always beautiful if you wish to see the brighter side of it. For we as professionals, situation is always demanding when it comes to professional commitments. With the passage of time, we Chartered Accountants are recognized more in Society now as Value Creators because of our knowledge of the subject and our care and concern for our clients.

The Covid pandemic though reduced has not ended. Precaution while ensuring safety of self and family is of utmost importance. I continue my appeal on behalf of Nagpur Branch of ICAI in these testing times to everyone-

### **Let's follow the rules, Be Responsible!!**

During the month of October'21, Nagpur Branch continued with its various initiatives for benefit of members. We took the privilege to felicitate Dr. Brajesh Dixit, MD of Maha Metro Rail Corporation Ltd while understanding his vision of New Nagpur. An interactive meet with CA Students of Agrasen Chhatrawas along side CA Kailash Jogani, Past Chairman was a nice experience. The Mock Test Series for CA Students added a lot of courage and confidence for exam givers. Much needed information about GST precautions before finalizing Sep'21 retrain was given by CA Preetam Batra under Top 10 Series – Knowledge ki Pathshala. The festival of Dusserra was celebrated with much fervor by all. We took the initiative to compile and prepare a pre-budget memorandum for Direct and Indirect Taxes shared with Committee at ICAI, New Delhi explaining in detail changes in laws required with a request to bring uniformity and stableness in frequent changes proposed.

An innovative session under Knowledge ki Pathshala was held titled as "Chai pe Charcha" wherein all the participants were Speakers and all queries and issues were discussed thoroughly and all the participants were greatly benefitted. A need of the hour Program – Virtual Workshop on Data Analytics & Database Management- Batch IV jointly with WIRC of ICAI was conducted with a batch size of 30 members. This workshop was highly acknowledged and appreciated by all participants. It was a satisfying experience for me since this topic is the future of our profession for tomorrow.

We continued with our Career Counselling programs for creating awareness amongst students about CA Course. I sincerely urge each one of you to motivate more students to join this prestigious course. The National CA Students Talent Search contest with Best PPT Presenter competition, Debate Competition and Open Mic Event was a big success. Nagpur Branch was privileged to host a Virtual National Conference on Accounting Standards organized by Accounting Standards Board of ICAI and



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hosted jointly with Amravati, Jalgaon, Solapur and Ahmednagar Branches. It was a super successful conference with “Nagpur Model” timings of morning 8am to 11am with participants from all over the country. I convey my sincere gratitude to CA M P Vijay Kumar, Chairman of Accounting Standard Board, ICAI and learned Speakers for effectively covering all the topics in detail for the participants. A special seminar on Provisions related to Partnership Firms was organized with Registrar of Firms, Nagpur. Past Vice Chairman WIRC, CA Julfesh Shah was the Chief Guest and Smt. Nilima Deshpande, Asst. Registrar, Registrar of Firm, Nagpur and CA Mahendra Jain were the Speakers for the session. It was a very good session much appreciated by participants. Under Kona Kona Shiksha Abhiyan – Financial education training by NISM and Kotak Securities, trainer was CA Jiten Saglani, Chairman WICASA & Vice Chairman and CA Julfesh Shah, Past Vice Chairman WIRC was the Chief Guest.

Let me congratulate and thank the learned contributors of this Newsletter – CA Sachin Khilwani, CA Amol Jain, CA Nikunj Modi & CA Yogesh Kabra for their knowledge enriched articles and CA Gulshan Zade for contribution under “CA's Got Talent”. An article on Insights from the extended mind by Annie Murphy Paul is an eye opener and a must read under Health & Wellness Series.

Nothing was possible without active support of the Joint Editors of our Nagpur Branch Newsletter CA Ashok Dalmia & CA Dinesh Rathi for their constant support in making this newsletter more meaningful.

I thank SIDBI and its management for getting associated with Nagpur Branch for promoting wonderful schemes for the benefit of all.

We are looking forward to getting a positive response from your side to ensure we stay connected through this newsletter and in all our events to come.

**Karma-**

**“Success is not final, failure is not fatal: it is the courage to continue that counts”**

Stay Safe and Stay Blessed.

Professionally Yours

## **Joint Editor's Message**



**CA. Ashok Dalmia**  
Joint Editor

Dear Professional Colleagues,

***"The Best preparation for tomorrow is doing your best today"***

Wishing all our members and students a Happy Dashara!

It's that time of the year where excitement is at its peak. The month of October is acknowledged to be auspicious across cultures, with the celebration of Navratri, followed by Dasara, as these festivals signify the victory of good over evil.

As Chartered Accountants, we are at the forefront of a business landscape that is experiencing one of its biggest overhauls in recent times, and professionals such as ourselves must remain on top of these developments, enabling us to stay one step ahead at all times. Traditional practice avenues face the risk of redundancy as time passes, owing to increased reliance on Automation and Artificial Intelligence driven solutions, and newer government policies moving in such a direction as well. In order to stay relevant, CA's such as ourselves must expand our practice areas towards generating value for our clients, rather than relying solely on their compliance requirements. Services such as value-adding consultancy, business advisory and

support are to be adopted alongside our traditional practices in enabling better client retention.

With the economy of our country projected to grow to \$5 Trillion, then to \$10 Trillion by 2030, opportunities for us CA's will only grow tenfold with time. The Institute is committed in providing all its resources in creating new learning opportunities for its members, enabling them in building all the necessary foundations in taking their practice to the next level.

### **CA Firm's**

With industry and businesses responding to market trends and continue to grow in size, CA firms too need to respond proportionally. Clients would rather engage a larger firm that can offer them all their required services under one roof, than engage multiple firms that offer them a specific form of service. Seeing how a substantial number of firms today are single proprietary concerns, the scope of services that can be offered by such firms is limited at best. Through mergers and acquisitions and consistent networking practices, smaller firms can grow in size and expertise, allowing for them to offer a greater range of services to their clients

### **ICAI's Financial and Tax Literacy Drive**

The knowledge and understanding of basic and functional concepts of finance, budgeting and investment can fundamentally impact subsequent financial decisions taken by an individual or an entity. Given the great importance that Financial and Tax literacy carries in this day and age, the ICAI has come up with a noble initiative to educate the Indian masses on the basics of taxation, insurance, banking, and various other subject areas of finance by way of the literacy drive **Vitiya Gyan Abhiyaan**.

The highlight of this initiative is that the information will be imparted in different vernacular languages using lucid language, illustrations, and videos, all of which draw from real life examples allowing for the public to relate to the material that much easier.

### **Career Counselling**

Seeing how the number of students joining the profession is not commensurate with the requirements of the market, career counselling and advisory initiatives at the school/university level are the need of the hour where the opportunities a CA can create in today's market are to be highlighted.

### **For Long term gains one has to bear with Short term pains.**

The Income tax portal is slowly becoming friendly and usable. However, the approaching due dates and the various penalty and other notices keep us ever busy preparing to face the faceless assessments. Corona climate continues and all of us are not set free in full and the pandemic holds an upper hand.

Your greatest achievement cannot be behind you, because your destiny is ahead!!!

**An injury is not just a process of recovery; it is a process of discovery.**

Yours in PROFESSION

## ***Joint Editor's Message***

**Dear Professional Colleagues,**



**CA. Dinesh Rathi**  
Joint Editor

The month of October and November was full of festivals such as Navratri, Dussehra, Diwali, Chatt Puja, Eid-E-Milad and Guru Nanak Jayanti among others. All the festivals brings joy & festivities and teach us about Victory of Good over evil, Truth, Worship to sources of Energy, Brotherhood etc. These teaching help in shaping the life of all the human beings including in their professional life also. If we embark upon journey of these teachings, we are bound to succeed in our lives.

And to help in our success, ICAI Nagpur Branch, too, takes efforts by publishing monthly Newsletter consisting of Articles on various issues concerning our profession. The current issue of Newsletter contains topics on :

<b>Topic</b>	<b>Shared By</b>	<b>Related to</b>
Loan Rating Under Basel II Framework	CA Yogesh J Kabra	The Loan rating decides on cost of fund of borrower. "Better the rating, better the ROI"
LIBOR Transition	CA Nikunj Modi	London Interbank Offer Rates has bearing on Rate of interest across the globe specifically on Foreign Exchange Loan transactions.
Intermediary Services under GST	CA. Amol Jain	Agent /Brokers who arranges or facilitates the supply of goods or services or both or securities, between two or more persons.
Whether GST Credit allowed on Construction of Factory Shed	Sachin Khilwani in TAXGURU	The Article helps in identifying increase in Cost in terms of GST.

As evident, all the topic above will help us in advising our clients in identifying Point of cost to Business Houses and how to tackle with challenges to minimize them.

As it is said **"Alone we can do so little; together we can do so much."**

Thus, we once again request you to kindly share your knowledge with other members

Regards



## **Professional Enrichment**



### **Whether GST credit allowed on Construction of factory shed?**

**CA. Sachin Mohanlal Khilwani**



As per section 17(5)(d)-goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

So, from above section it is quite clear that ITC won't be allowed on construction of factory building but if it is so clear than how can it be GST no ?

So, in contrary to the above section there is a ruling of M/s Safari retreats Private limited in which the Hon able HC has allowed credit of Input works contract services where the outward service was Renting services:-

On a plain reading of Section 17(5)(d), it is clear that what it contemplates and provides for is a situation where inputs are consumed in the construction of an immovable property which is meant and intended to be sold. The sale of immovable property post issuance of completion certificate does not attract any levy of GST. Consequently, in such a situation, there is a break in the tax chain and, therefore, there is full justification for denial of input tax credit as, on

the completion of the transaction, no GST would at all be payable and, therefore, no set-off of the input tax credit would be required or warranted or justified. But the position is totally different where the immovable property is constructed for the purpose of letting out the same, because, in that event, the tax chain is not broken and, on the contrary, the construction of the building will result in a fresh stream of GST revenues to the Exchequer on the rentals generated by the building. The denial of input tax credit in such a situation would be completely arbitrary, unjust and oppressive and would be directly opposed to the basic rationale of GST itself, which is to prevent the cascading effect of multi-stage taxation and the inevitable increase in costs which would have to be borne by the consumer at the end of the day. In the present case also, the effect of denial of input tax credit would be a sharp and inevitable increase in the cost which the owner of the building would be compelled to incur, which would render the building itself uncompetitive as compared to previously existing similar built-up units. Further, the denial of the input tax credit in respect of a building which is meant and intended to be let out would amount to treat it as identical



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to a building which is meant and intended to be sold. As already pointed out, these two types of transactions cannot possibly be compared or bracketed together, for the purpose of levy of GST, as already explained in detail earlier. The treatment of these two different types of buildings as one for the purpose of GST is itself contrary to the basic principles regarding classification of subject-matter for the levy of tax and, therefore, violative of Article 14 of the Constitution. Such a classification also constitutes the treatment of assesses like the Petitioner on a totally different footing as compared with other assesses who have a continuous business and an unbroken tax chain like the Petitioner and grant of input tax credit to others while denying it to the Petitioner. Thus, the same is violative of the Petitioners' fundamental right to equality guaranteed by and under Article 14 of the Constitution, on this distinct and independent ground also.

Taking analogy from the abovementioned judgement, the construction of shed for a factory is an essential part for continuing production within the factory. Shed's help

factories to continue the production even if climate is not comforting the same. Hence if we do not have the shed it will affect the organisation ability to continue having outward liability. Thus it is clear that construction of the shed will result in a fresh stream of GST revenues to the Exchequer. The denial of input tax credit in such a situation would be completely arbitrary, unjust and oppressive and would be directly opposed to the basic rationale of GST itself.

In addition to the argument made in the abovementioned data it looks like we can take credit on construction of shed and till now there is no clarity on this from the department hence till the time the abovementioned article has any clarity from the department it is advisable to take credit of construction of Shed but the taxpayer should not utilize it as the same won't attract any interest liability (as per the press release of GST council 45th meeting). In future if department upheld the ITC, the taxpayer would be able to utilize such credit as it was taken within the permissible time specified under section 16(4) and if the department does not uphold the same, the same amount of tax can be paid through DRC-03 without payment of interest.

## *Professional Enrichment*



### Intermediary Services under GST

**CA. Amol Jain**

Since 1 July 2017 “the birthday date of our Goods and Services Tax (‘GST’)” it has been a rollercoaster ride for this new indirect tax regime in India. GST has completed its 4 years of revolutionary age.

There are mixed reactions emerging from several sectors regarding their experience with the ‘one nation, one tax’ system. Since its launch, the new taxation system aimed at eliminating cascading tax has had a differential impact on each sector.

The services sector accounts for over 50% of the Indian economy and almost four-fifths of total Foreign Direct Investment inflows. India remained among the top 10 trading countries in the commercial services sector in 2019 accounting for 3.5% of world services exports.

With an expected growth to USD 350 billion by 2025, the information technology-enabled services (ITES) and business process management (BPM) sectors can be significant growth drivers for the economy.

In this era of globalisation where jurisdictions are delimiting, taxability of an Intermediary is a tug of war in the Indian Indirect Tax System. Business entities having operations across geographies, in order to carry out cross-border transactions, take benefit from specific advantages which are specific to jurisdictions, such as natural resources, lower costs, a competitive fiscal environment, etc. Transactions in multiple jurisdictions involve efficient use of supply chain resources and involves working with ‘agents’ or ‘intermediaries’.

One of the key issues vexing the ITES and BPM sectors is the ambiguity around the classification of services rendered as ‘intermediary’. The issue persists since the introduction of the concept under the service tax regime and the Goods and Services Tax (GST) regime. The matter was deliberated in the 45th GST Council meeting held recently and basis its recommendation, the Central Board of Indirect Taxes and Customs (CBIC) vide Circular No. 159/15/2021-GST dated

20 September 2021 has attempted to clarify the scope of ‘intermediary’ services.

#### **CBIC move**

The circular intends to provide clarity on the ambiguity surrounding the scope of intermediary services. We have discussed the key highlights of the said circular.

‘Intermediary’ has been defined in the sub-section (13) of Section 2 of the Integrated Goods and Services Tax Act, 2017 (IGST Act, 2017) as: ‘intermediary’ means a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his account.

- ❖ A service to qualify as an intermediary service should have the following pre-requisites:
  - ♦ Presence of minimum of three parties: An intermediary essentially ‘arranges or facilitates’ another supply (the ‘main supply’) between two or more other persons and, does not himself provide the main supply.
  - ♦ Two distinct supplies, main supply and ancillary supply: A person involved in the supply of main supply on a principal-to-principal basis to another person cannot be considered as a supplier of intermediary service.
  - ♦ Intermediary service provider to have the character of an agent, broker, or any other similar person: The use of the expression ‘arranges or facilitates’ in the definition of ‘intermediary’ suggests a subsidiary role for the intermediary. Thus, the role of an intermediary is only supportive.
  - ♦ Intermediary service provider to have the character of an agent, broker, or any other similar



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person: The use of the expression 'arranges or facilitates' in the definition of 'intermediary' suggests a subsidiary role for the intermediary. Thus, the role of an intermediary is only supportive.

- ♦ Does not include a person who supplies such goods or services or both or securities on his account: In cases wherein, the person supplies the main supply, either fully or partly, on a principal-to-principal basis, the said supply cannot be covered under the scope of 'intermediary'.
  - ♦ Does not include a person who supplies such goods or services or both or securities on his account: In cases wherein, the person supplies the main supply, either fully or partly, on a principal-to-principal basis, the said supply cannot be covered under the scope of 'intermediary'.
- ❖ Along with the above pre-requisites, the Circular categorically emphasizes on following aspects:
- ♦ Sub-contracting for a service is not an intermediary service: The supplier of the main service may decide to outsource the supply of the main service, either fully or partly, to one or more subcontractors. Such subcontractor provides the main supply, either fully or a part thereof, and does not merely arrange or facilitate the main supply between the principal supplier and his customers, and therefore, clearly is not an intermediary. This clarification should put to rest the ambiguity surrounding such subcontracting transactions.
  - ♦ The circular also clarified that the specific provision with respect to place of supply of 'intermediary services' wherein it specifies that the place of supply shall be the location of the supplier of services, shall be invoked only when either the location of supplier of intermediary services or location of the recipient of intermediary services is outside India.

### **Points to ponder**

While the Circular has clarified certain pointers on the scope of intermediary services, the following points need further clarification:

The scope of 'person who arranges or facilitates the supply' and 'own account' as laid down in the definition of 'intermediary services'

One of the pre-requisites for qualifying services as intermediary services is- 'Does not include a person who supplies such goods or services or both or securities on his own account'. It implies that only in cases wherein the person undertakes the main supply, either fully or partly, on principal-to-principal basis, the said supply cannot be covered under the scope of 'intermediary'.

In this de-centralised era, various companies have started outsourcing a large number of activities of their supply chain such as 'pre-marketing and pre-sale services', 'post-sale support services', 'locating prospective buyers for the client's products', 'locating suppliers of the goods or services required by the client', 'price negotiation with the prospective buyer/ prospective supplier', 'procuring sales order in respect of the goods or services of the client', etc. to third party service providers.

Due to the wide scope of terms, 'arranges' or 'facilitates' in the definition of intermediary, the above outsourced customer/vendor centric activities can be contemplated as supplies ancillary to the main supply, thereby raising a concern on whether such supplies would be excluded from the definition of the term 'intermediary'.

A clarity in this aspect becomes vital for all such entities whose primary business is to provide such business support services on principal-to-principal basis. Hence, a suitable clarification is awaited from the government to define the scope of 'arranges or facilitates' specifically in supplies having direct nexus with the main supplies but are provided on a principal-to-principal basis.

### **Manner of consideration – Is it relevant?**

The circular does not provide inputs on the manner of consideration (i.e. whether commission based, cost plus, or otherwise) in any of the pre-requisites, and has kept the ambiguity open, i.e. whether the manner of receiving consideration is relevant to term a service as intermediary.

As per the circular, the nature of the service and the arrangement between the service provider and recipient should be the driving factor to determine a person as intermediary and it appears that the manner of consideration

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should not be the driving factor. For example, even where the consideration is received on a commission basis, if the supply is made on a principal-to principal basis, whether the same should be termed as intermediary.

Given this, a suitable clarification by the government on whether the nature of consideration will have a play in determining a supply as intermediary would be a welcome move.

Place of supply of the intermediary services Unlike the general provisions, as per Section 13 (8) (b) of the IGST Act, 2017 the place of supply in case of intermediary services is the location of the supplier of services. However, there exist differing opinions on the transaction being inter-state (leviable to IGST) or intra-state (leviable to CGST and SGST) since the introduction of GST.

The reference may be sought to the Gujarat AAR wherein the Authority of Advance Ruling held that CGST and SGST would be payable on the 'intermediary services'.

Contrarily, in Maharashtra AA, it was held that the 'intermediary services' are to be treated as inter-state supply and thus IGST is payable. This should be suitably clarified by the authorities to avoid litigation on this matter.

Constitutional validity of taxability of the intermediary services While various matters pertaining to intermediary services have been discussed, the probe into moot question still awaits answers - the constitutional validity of the taxability of the intermediary services that are exported. The intermediary services get barred from qualifying as exports thereby disintitling to various benefits available to

exports of services. In the GST era of destination/consumption-based taxation, the taxability of intermediary in the case of exports appears divergent.

Hence, the validity of the said provision has been challenged multiple times. In case of Material Recycling Association of India Versus Union of India and 2 Others, the Hon'ble Gujarat High Court has upheld the constitutional validity of the Section 13 (8) (b) of the IGST Act, 2017 (cited above) whereas, in the case of Dharmendra M. Jani Versus Union of India and Others, a two-member bench of Hon'ble Bombay High Court bench has given a split judgment. The matter is pending before the Hon'ble Chief Justice of Bombay High Court for a conclusion. While the matter may not be clarified in the Circular, it would be pertinent to observe the developments around this area so that the ambiguity could be put to rest.

Future ahead The ensuing Circular provides clarification around certain ambiguities primarily on account of exclusion of principal-to-principal transactions, outsourcing transactions, sub-contracting, etc. From the scope of intermediary services. It is expected to aid the industry in general, and ITES/ BPM sectors. Further, the clarifications will benefit the industry in reducing the cost of transactions, a culmination of litigations and pave the way for pending refunds due to the above anomalies, ultimately boosting the cash flows of the industry.

However, given the above backdrop, it is pertinent that the businesses are mindful of the coverage/scope while entering into any agreements and ensuring that the clauses in such agreements fairly represent the nature of services to mitigate litigation on this account and determine applicability on a case-to-case basis.

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### LIBOR Transition

**CA. Nikunj Modi**

LIBOR, the London Interbank Offer Rate, has been considered as the benchmark for pricing of the loan market. Since the inception of the syndicated loan market, pricing for loans has been set by reference to the interest rate at which deposits were offered by banks to other prime banks in that market – interbank offered rates or IBORs – with London being the leading market – the London interbank offered rate or LIBOR. This is because in the early days of the loan market banks funded their participations in loans by taking deposits in the interbank market for the relevant currency and tenor (interest period). Published IBORs were based on the panel banks' submissions of the rates the panel banks considered they could be offered in the interbank market when transacting in reasonable market size. As the loan markets developed, LIBOR was quoted for a wide range of currencies and tenors and, as a result of its ease of use, found its way into a wide range of financial contracts (particularly derivative contracts) and other commercial arrangements as a pricing source.

However, after investigation of scandals relating to the setting of IBORs arising from the 2008 liquidity crisis, regulators focused on reforming how IBORs were set (by regulating the submission process) and encouraged market participants to consider Risk Free Reference Rates (RFRs).

Now, with the expectation that LIBOR will be ceased from end of 2021 and ARR (Alternative Reference Rate) will be considered, it became necessary for the banks to consider their existing exposure to LIBOR maturing after 2021 and new contract entered after 2021.

After announcement, many of the working groups in the relevant markets have recommended different RFRs to replace LIBOR. Say, in US the Alternative Reference Rate Committee (ARRC) has recommended use of Secured Overnight Financing Rate (SOFR), Sterling Risk-Free Reference Rate Working Group has recommended the use of the Sterling Overnight Indexed Average (SONIA) etc. Some other RFRs are Swiss Average Overnight (SARON) for Switzerland, Tokyo Overnight Average Rate (TONAR) for Japan.

Few Points to be considered:

- Identify the contractual agreements (with LIBOR as a benchmark) extending beyond 2021.
- For the existing financing expected to be live after 2021, an amended agreement will be required.
- Process to ensure conversion of the existing contract to RFRs for all parties involved.
- Modify accounting & operational systems to handle both existing LIBOR based contract and new RFRs contract.
- Cost to be considered for transition.
- Most importantly if the RFRs fails temporarily or permanently.
- Market disruption

Nevertheless, all the change come with pros & cons and brings new opportunity for growth and development.

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### Loan Rating under Basel II Framework

**CA. Yogesh J. Kabra**

Pursuant to Basel Committees's norms, the RBI issued Guidelines in 2007 regarding capital adequacy framework for banks operating in India. The mechanism of loan rating under Basel II framework has been explained here.

#### INTRODUCTORY

Basel II is a recommendatory framework for banking supervision, issued by the Basel Committee on banking supervision in June 2004. The objective of Basel II is to bring about international convergence of capital measurement and standards in the banking system. It aligns regulatory capital requirements more closely with underlying risks. The Basel Committee members who finalized the provisions are primarily representatives from the G10 countries, but several countries that are not represented on the committee have also stated their intent to adopt this framework. Over 100 countries including India have accepted it. RBI, in April 2007, has issued guidelines on the New Capital Adequacy Framework to banks operating in India, based on the Basel II framework. These guidelines replaced the ones issued in April 1992 when RBI had implemented the first set of recommendations of the Basel Committee, known as Basel I.

Of late Indian banks have been moving towards risk based pricing (by factoring in probable credit losses); borrowers with better credit profiles have been benefited in the form of lower rate of interest & better sanction terms. However, previously, regulations did not allow banks to allow lower capital for borrowers with better credit profiles and banks had to apply a uniform 100% risk weight to all exposures, irrespective of the underlying credit risk. The Practice has undergone a change under the Basel II approach. The guidelines for the implementation of a new capital adequacy framework issued by Reserve Bank of India (RBI) in April 2007 allows commercial banks to allocate capital in relation to the credit risk embedded in their exposures. Such embedded credit risks are measured through ratings

assigned by RBI approved domestic rating agencies (External Credit Assessment Institutions or ECAIs) like CRISIL, ICRA, CARE, India Ratings, Brickwork, Acuite & Infomercials. Thus under the revised framework banks can lower their capital allocation to as much as one fifth of the earlier requirement for rated exposures depending upon the level of external credit rating.

"Capital Adequacy" is the ratio of capital funds (own funds or net worth) to risk weighted assets. Under the Basel I framework all assets were given a uniform risk weightage of 100% while the stipulated minimum capital adequacy ratio (CAR) for a bank was 9%. Under Basel II while the minimum CAR is unchanged at 9% the risk weights assigned to assets would be proportionate to the credit risk of these assets.

As capital is the most expensive source of funding any increase or decrease in such capital allocation could translate into substantial savings/additional costs for banks. For instance for exposures to investment grade (Triple B and above) borrowers a bank could save on cost depending on the cost of capital for the bank and the underlying credit rating. If, however, the borrowers do not opt to get themselves rated the bank concerned would be required to maintain 50% additional capital; hence its cost could go up. The banks may at their discretion decide to share the savings achieved through lower capital allocation with investment grade rated borrowers; at the same time given the pressures on profitability banks may be forced to pass on the additional costs for unrated exposures to their borrowers.

Rating	Basel I			Basel II		
	Risk Weight	Capital Adequacy Ratio	Capital Required (Rs.)	Risk weight	Capital Adequacy Ratio	Capital Required (Rs.)
AAA	100%	9%	90	20%	1.80%	18
AA	100%	9%	90	50%	2.70%	27
A	100%	9%	90	50%	4.50%	45
BBB	100%	9%	90	100%	9.00%	90
BB and below	100%	9%	90	150%	13.50%	135

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### **[1] Capital required is computed as Loan Amount x Risk Weight x 9%.**

It is evident from the table that if bank is lending to A category rated client then its capital requirement reduced almost by half which in turn increase lending power of the bank on which it can earn more interest. This incremental revenue benefit is passed on by bankers to highly rated client.

The revised framework for capital adequacy is effective from March 31, 2008 for all foreign banks operating in India and Indian banks having operational presence outside India. It is applicable to all other commercial banks (except local area banks and regional rural banks) from March 31, 2009.

External rating can be sought for all types of loans, working capital facilities, project loans, corporate loans, general purpose loans, working capital demand loans, cash credit facilities and non fund based facilities like letters of credit, bank guarantees. Under RBI guidelines credit rating is not mandatory. However, in order to achieve saving in capital requirement banks have started insisting on rating of credit facilities by ECAs.

### **THE PROCESS OF RATING**

The rating process by the agency is initiated on receipt of a formal request (mandate) from the prospective borrower. Request can be made even during implementation stage of the project. Request can also be made when the credit facility from the bank is under process. A rating team with the expertise and skills required to evaluate the business of the borrower is involved with the rating assignment. The borrower is given a list of information required and the broad framework for discussions. The requirements are derived from the rating agency's understanding of business of the entity and cover all aspects which have a bearing on the rating.

### **RELEVANT INFORMATION**

The rating agency would look into the following information to be furnished by the entity-

#### **Business related**

- Detailed resume of Board of Directors, Key managerial personnel.
- Details of existing production facilities, capacities and

production, infrastructure and manufacturing processes (including technology used) for each product.

- Details of capital expenditure, their funding patterns and the benefits thereof.
- Product wise sales (value and volume), showing domestic and export sales separately. Bifurcation of manufacturing & trading sales also.
- Region-wise break-up (separately for each product) of sales (volume and value).
- Country-wise break-up of exports (separately for each product), if any, in value and volume terms.
- Break up of cost structure of each of the finished goods on a per tonne basis for the last 3 years showing materials costs (separately for each raw material), consumables, power, other manufacturing costs and overheads.
- Details of new projects, if any, including the description of project(s), completion schedule, costs and funding pattern, progress made/status of implementation, cost incurred and sources of funds till date. Detailed calculations highlighting the benefits (e.g. cost reductions in various steps, higher capacities etc.) expected from such project(s).
- List of top ten customers for 3 years alongwith sales made to them. Company's credit terms offered to clients.
- List of top ten suppliers for last 3 years alongwith value of purchases made from them.
- Price trends for each raw material for the last three years.

### **Finance Related**

- Financial performance in the last 4 years.
- Details (interest rate and repayment terms) of all borrowings.
- Account-wise debt repayment schedule and actual repayments made in the last 4 years.
- Details of the sanctioned limits and month wise utilizations of all bank limits (both fund and non-fund based).
- Copy of the latest CMA.
- Latest audited financials of group companies, if any.
- Projections along with all underlying assumptions for the



## ***Professional Enrichment***

next 3 years.

The rating agency also draws on secondary sources of information including their own research. The rating involves assessment of a number of qualitative factors with a view to estimating the future debt servicing capacity of the entity. This requires extensive interaction with the borrower's management especially on subjects relating to plans, outlook, competitive position, business policies and funding policies.

Plant visits are made to gain a better understanding of the production process, make an assessment of the state of equipment and main facilities, evaluate the quality of technical personnel and form an opinion on the key variables that influence the level, quality and cost of production. These visits also help in assessing the progress of projects under implementation.

After completing the analysis a Rating Report is prepared which is presented to the rating committee of the agency. The committee has independent members who are qualified and experienced in the field. The members with background of banking are also inducted in the committee. A presentation on the borrower's business and management is also made by the Rating Team. The committee after careful consideration assigns the rating.

The assigned rating along with rating rationale, is communicated to the management of the entity for acceptance. The process of rating takes three to six weeks.

If the entity does not find the rating acceptable it has a right to appeal for a review. Such reviews are generally made only if fresh inputs are provided. During a review the response from the borrower is presented to the Rating Committee. If the inputs and/or fresh clarifications so warrant the committee would revise the initial rating. Non accepted ratings are also published by the rating agency on their website.

The ratings once accepted are subject to regular periodic reviews. The assigned rating may be retained or revised (that is upgraded or downgraded) following review.

The criteria for assigning bank loan ratings incorporate all the features of the criteria applied for rating bonds and debentures. However the criteria factor in features such as technical defaults and minor differences in defining due dates that are specific to bank facilities.

### **RATING METHODOLOGY**

- **Industry Risk-** Macroeconomic factors, Industry Structure, Industry demand supply, Industry growth prospects, Industry profitability, Market size, Extent of competition, Extent of cyclical nature, Regulatory Environment, Political risk.
- **Market Position-** Key competitive advantages, Brand Strength, Product profile, Pricing power, Distribution Network.
- **Operational Efficiency-** Cost structure, Technological factors, Access to resources, Labour Relations, Capacity Utilization, Integration (Forward and Backward), Flexible production capacities, R & D capabilities, Location advantage.
- **Accounting Quality-** Accounting Policies, Reporting and Disclosure, Integrity of data.
- **Existing and Future Financial Position-** Capital Structure, Profitability Analysis, Debt protection ratios, Off Balance Sheet Obligations, Liquidity/short term factors, Working Capital Management
- **Cash Flow Adequacy-** Sources and Uses of funds, Cash accruals in relation to debt payments, Capital expenditure plans, Funding profile, Working Capital needs.
- **Financial Flexibility -** Bank limits Utilization, Cash and marketable securities, Access to capital markets, Relationship with bankers, Contingency Plan Ability to defer capital expenditure.
- **Integrity -** Adherence to laws and regulations, Track record of debt repayments, Inter group transactions, Reputation in financial markets.
- **Risk Appetite -** Financial Policy, Growth Plans, funding profile, Unrelated diversification, Attitude towards business risk, Risk management practices, Competence, Track record, Consistency of performance, Success of past strategies, Succession plans, Quality of senior management, Experience in managing downturns, Ability to attract/retain talent.
- **Governance Practices -** Equitable treatment of shareholders, Transparency and disclosures, Value creation to stakeholders, Board Composition, Vision.
- **Project Risk Analysis -** Project Evaluation, Project Size, Implementation Risk, Funding Risk, Technology Risk,

## **Professional Enrichment**

Track record in timely implementation, Cost overruns, contingency.

- Govt. support policy role - Strategic importance to the Govt., Criticality of sector to economy.
- Implications of default/moral obligations - Political implications of default, Public perception of sovereign backing.
- Group Support- Relevance of the entity to the group, Percentage ownership by the group/promoters.

Everybody would agree that any analysis in the above framework is of immense value not

only to the lending bank but also for the borrower entity as also its various stakeholders viz. investors, creditors, customers, employees, and the Govt. At the same time the analysis can become a guideline for the entity towards making the necessary improvements in various spheres of its working.

### **Rating : Enhancing Factors**

Rating can be enhanced by the following factors -

- Leadership position in the market.
- Consistency in production, turnover and profitability.
- Consistency in cash flows.
- Consistency in quality of products.
- Wide acceptance and uses of the product.
- Wide market (non dependence on certain regions, customers).
- Wide distribution network (domestic and overseas).
- Good quality of receivables.
- Adherence to norms of corporate governance (transparency in accounts, compliance with accounting standards, compliance with environment regulations, compliance with various statutes, dealings with employees, suppliers, customers, govt., banks etc.).
- Integrity, competence and experience of promoter and key managerial personnel.
- Good Record of timely implementation of projects.
- Proven technology to withstand competition.

- Favourable industry scenario.
- Strong presence of brand.
- Low gearing.
- Favourable key financial ratios like gearing, ISCR, DSCR, current ratio, TOL/ TNW, PAT/Net Sales, ROCE etc.
- Strong business model with suitable forward and backward linkages.
- Strong risk management system (involving identifications of risks attached with every aspect of business and putting into place measures to mitigate them to the extent possible and feasible).
- Favourable government policy framework.

### **Rating : Constraining Factors**

Rating can be constrained by the following factors-

- Cyclical nature of industry.
- Dependence on Monsoon (rainfall).
- Unhedged forex risk.
- High gearing.
- Small market share.
- Inconsistency in production, turnover and profitability.
- Inconsistency in cash flows.
- Inconsistency in quality of products.
- Limited acceptance and uses of the product.
- Limited market (dependence on certain regions, customers).
- Poor quality of receivables.
- Low on adherence to norms of corporate governance (non transparency in accounts, non compliance with accounting standards, non compliance with environment regulations, non compliance with various statutes, unsatisfactory dealings with employees, suppliers, customers, govt., banks etc.).
- Low managerial competence of promoter and key managerial personnel. Limited market (dependence on certain regions, customers).
- Unsatisfactory record of timely implementation of

## Professional Enrichment

projects.

- Outdated technology.

- Unfavorable industry scenario.

- Unfavourable key financial ratios like current ratio, TOL/ TNW, PAT/Net Sales, ISCR, DSCR, ROCE etc.

### Indicative Rating Scale

Long term credit facilities	What does the ratings denote?
AAA	Highest credit quality rating. Shows lowest credit risk. Highest safety for timely servicing of loan obligations.
AA	High credit quality rating. Shows very low credit risk. High safety for timely servicing of loan obligations.
A	Adequate credit quality rating. Shows low credit risk. Adequate safety for timely servicing of loan obligations.
BBB	Moderate credit quality rating. Shows Moderate credit risk. Moderate safety for timely servicing of loan obligations.
BB	Inadequate credit quality rating. Shows high credit risk. Inadequate safety for timely servicing of loan obligations.
B	Risk prone credit quality rating. Shows very high credit risk. Low safety for timely servicing of loan obligations.
C	Poor credit quality rating. Very high likelihood of default in servicing of loan obligations.
D	Lowest credit quality rating. Shows very low prospect of recovery. Either in default or likely to be in default soon.

### Indicative Long term to Short term (maturity upto 365 days) Mapping

Long Term Rating	Short Term Rating
AAA	A1+
AA+	A1+
AA	A1+
AA-	A1+
A+	A1+/A1
A	A1/A2+
A-	A1/A2+
BBB+	A2+/A2
BBB	A2/A3+
BBB-	A3+/A3
BB+	A4+
BB	A4+/A4
BB-	A4+/A4
B+ to C-	A4
D	D

## Professional Enrichment

# Generally long term rating and short term rating are aligned. But agency can be discretionary on case to case basis while assigning short term rating vis a vis long term rating as per the merits of the case.

'+' (plus) and '-' (minus) signs are applied from "AA" to "C" on the long term scale and from "A1" to "A4" on the short term scale to reflect comparative standing within the category.

### Benefits to borrowers

Generally it is felt that the rating under Basel II is only aimed at compliance with the capital adequacy norms for the lending banks. However the rated entity is also benefited on several counts such as-

- Being a rating from an independent and reputed agency it is free from bias and has high credibility for all the stakeholders of the rated entity.
- Although it is a loan rating methodology involved is such that the final rating reflects not only the debt servicing capacity of the entity but also the overall quality of management, adherence to norms of corporate governance, competitive position, industry scenario etc. The rating rationale is made open to the

public and is displayed on the website of the rating agency. The rating remains under surveillance and it can be reviewed on the basis of feedback received from the entity, new developments in the field.

- The borrowers may get pricing benefits, faster loan approval, better terms flowing from the capital relief for the bank.
- The rating can provide a higher level of comfort to the prospective/existing lenders/investors.

BLRs will help develop a secondary market for loans and will provide a uniform scale for analyzing credit risk of bank loans. Over a period of time they will contribute immensely to the development of a Credit Default Swap market.

Sometimes a question is asked as to the difference between the internal rating/assessment made by the bank and the rating exercise done by the external rating agency. Although it is a subjective matter following comparison would clarify the matter to a large extent

Comparison between internal rating/assessment by the banks

and rating exercise by external rating agency

	Internal rating/assessment by bank	Rating by external rating agency under Basel II
Security	Due weightage is given. Comfort level of bank increases with better quality of security.	This aspect is given low weightage unless there is some structured escrow payment mechanism in place.
Cash flows and debt servicing ability	This is given high weightage. However perception of the bank may differ with that of external rating agency.	This is given very high weightage. The assessment is made after taking into account all relevant factors including nature of industry, regulations, competitive position, operational efficiency, quality of management, funding policies of the borrower etc.
Transactions in account	Small irregularities are condoned. Reasons for overdrawing and other irregularities on genuine grounds are discussed and remedial actions are taken.	Even small overdrawing, irregularities in the operation of the account are viewed seriously.
Sector in which entity falls	The sector specific decisions are made on the basis of RBI directives, internal management decisions.	The domestic and global position of the sector is considered critical. Some sectors are in speculative category. In such cases higher ratings become difficult to achieve.
Quality of management	This aspect is viewed more in relation to the satisfactory operations with the bank.	The aspect of good corporate governance is considered important.
Leadership position in the market /size of operations	Small size of operations itself is not a constraint as the bank sanctions need based credit facilities with adequate security.	Strong Leadership position in the market is seen as a strong positive feature. Otherwise small size of operations constrains the rating.
Track record with the bank	Satisfactory past track record is viewed as a positive feature and becomes foundation to further business with the borrower.	Weightage is given keeping in view other criteria which may at times outweigh this aspect.



## ***Professional Enrichment***

### **CONCLUSION**

Rating of loan under Basel II is a step taken by RBI in the right direction. It will go a long way in not only ensuring the proper capital adequacy for the banks but also guiding the borrowers as well as lending banks to identify the key factors governing the business of an entity and take the remedial measures whenever required. The exercise of rating also

points towards greater emphasis on quality of cash flow, proper business model and adherence to good corporate governance rather than security coverage. Unlisted companies , small businesses etc. can particularly be benefited out of the rating exercise if only they can make it as a stepping stone towards reforming their organization structures and management styles.



# CA's GOT TALENT



## Poem

CA. Gulshan Zade

### Of Life and Accounts...

For every debit, there is a corresponding credit,  
In accounts we do, in life 'karma' do it.  
Life is a balancesheet full of assets and liabilities,  
Keep both sides balanced for mental peace.  
Brain is the precious asset that one possess,  
Use it to tackle the difficulties you face.  
Good habits are like lifetime investment,  
That will lead to one's overall development.  
Every living day is like working capital,  
Be patient, things take time to settle.  
Most achievements are current assets, nothing to show off,  
They matter a lot though in the battle to the top.  
Happy moments are our funds and reserve,  
Spend them with someone who really deserve.  
Everyone's life is a just a work in progress,  
Some prefer peace some have dreams to chase.  
May one go slow, may he have extreme speed,  
The ultimate aim is to keep life's balancesheet tallied.  
Think of a life that one can afford,  
Ultimately its between us and god.

### A Morning sky...

A morning sky welcoming the scintillating sun,  
The chirping and free flights of the birds having some fun.  
The mersmerising beauty of the sky as if nature is painting on a canvas,  
The morning bliss as aesthetic rays enters through the window glass.  
As the thousands of glistening stars disappear and one starts shinning brightly,  
As a majestic landscape of nature's beauty floods the atmosphere with euphoria,  
A charismatic view of the nature's bounty explaining what a prolific artist the almighty is,  
A state of ecstasy we enter as we experience the calmness around and feel the morning bliss.  
Yet another day to begin with hope and enthusiasm,  
Yet another day full of happenings, let it be awesome.

## Health & Wellness

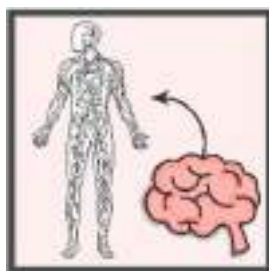


### Insights from The Extended Mind by Annie Murphy Paul

The next time you're stuck on a problem or struggling to learn a concept, don't strain your mind; extend your mind.

There are three fundamental ways to extend your mind and boost cognition. If you leverage these three extension methods, you'll make

better decisions, speak with increased clarity, and experience more creative breakthroughs.



#### Extend into your body

In 2016, a group of traders at the London Stock Exchange consistently made good buy and sell decisions and earned significantly more money than their peers. The successful traders didn't have superior education or intellect, but they had one significant advantage: they could accurately detect their heartbeat.

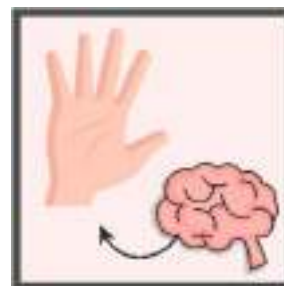
The ability to detect one's heartbeat is a sign of heightened interoception (keen awareness of the inner state of one's body). The body is in a constant state of "nonconscious information acquisition." As the body collects information, it detects patterns and communicates its findings through various physiological signals (tense muscles, increased

perspiration, accelerated breathing, etc.). Without well-developed interoception skills, you won't receive the signals your body is sending.

Increase your interoception skills and tap into your body's intelligence by habitually practicing body scans:

Start by directing your attention to your toes and feel like your breath is moving in and out of your toes. After a few breaths, shift your

attention to the sole of your foot, then your heel, then your ankle, calves, thighs...and so on, until you get to the top of your head. This entire exercise should take about five minutes. Afterward, you'll feel deeply relaxed, and experience increased mental clarity.



#### Extend to your gestures

Gesturing is humanity's first language. As an infant, you gestured fluently before you could speak fluently - you waved, pointed, and held up your arms in a way that signaled you wanted to be picked up. Gesturing "front runs" the development of speech as an infant but gesturing also "front runs" speech as an adult!

When researchers observed people talking and gesturing,

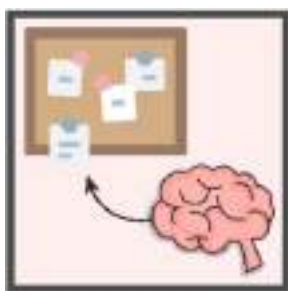
## *Health & Wellness*

they found their gestures indicated what they were about to say a second or two before they said it. Scientists call this phenomenon “gestural foreshadowing,”

and it’s essential for good communication. Annie Murphy Paul says, “When people are prevented from gesturing they talk less fluently; their speech becomes halting because their hands are no longer able to supply them with the next word, and the next.” Upon learning the science behind gesturing, I started gesturing every word while recording my book summaries. I found I’m much more fluent and require fewer re-recordings or edits.

If you gesture as you learn, you create multiple mental hooks into the material you’re learning, and you can use these hooks to reel in information later. Move your hands as you practice your next presentation so your brain can link gestures to words and phrases. Then, when it’s time to present, start moving your hands as you talk, and your memorized speech will easily come to mind.

Bonus tip: If you’re on a video call and don’t want to be seen as a hand talker, make gestures under the table. Research shows that “gestures enhance our ability to think even when our gesturing hands are hidden from our view.”



### **Extend throughout your workspace**

“Our culture tends to valorize doing things in one’s head; we are awed by mathematicians who can engage in elaborate

mental calculations, chess grandmasters who can plot a long progression of moves in their mind’s eye, and memory champions, who can remember so much without reference to external prompts. But true human genius lies in the way we are able to take facts and concepts out of our heads, using physical space to spread out that material, to structure it, and to see it anew.” - Annie Murphy Paul

Use your office wall to create outlines and concept maps for your big projects. Imagine you’re like a homicide detective putting up a visual representation of the facts, questions, and ideas related to a case you’re trying to solve. But don’t stop there.

Use mindmapping software to create concept maps on your digital workspace (i.e., computer screens) to hold information needed to complete complex tasks. Further extend your mind into your workspace by constantly doodling, journaling, and capturing ideas on index cards, notepads, and post-its that you can rearrange on your workstation.

When you get things out of your head and into the space around you, you create powerful thought loops - you write down an idea, see the idea, think about the idea in a new way, and write down more ideas. These reinforcing thought loops increase the quality and quantity of your ideas.

By extending your mind into your body, gestures, and workspace, you expand your intelligence and think in ways your brain could not manage on its own.

**Gist of Past Events of Nagpur Branch of ICAI (October 2021)**

Sr. No.	Date	Programme Type	Topics	Speakers	Venue	CPE Hrs
1	1/10/2021	WICASA	VCM on Valuations; Exploring The Unexplored under "Emerging Areas" Month (Organised jointly with Akola, Amravati & Satara Branches)	Speakers: CA. Sweta Ganeriwala	On line Mode	--
2	1/10/2021	Exposure Draft	Exposure Draft of IFRS Practice Statement - Management Commentary	—	—	—
3	03/10/2021	Felicitation	Felicitation of Dr. Brajesh Dixit, Managing Director Maharashtra Metro Rail Corporation Ltd. Nagpur	At the hands of CA. Saket Bagdia along with CA Jaydeep Shah, Past President, ICAI, CA. Jiten Saglani, Vice Chairman, CA. Sanjay M. Agrawal, Secretary	Metro office Nagpur	—
4	04/10/2021 To 26/10/2021	WICASA	MOCK Test Series Round -1 For Foundation, Intermediate & Final Students (Physical Mode)	—	ICAI Bhavan	—
5	07/10/2021	Interactive Meet	Interactive Meet with CA Students of Agrasen Chatravas	CA. Saket Bagdia Chairman CA. Kailash Jogani Past Chairman	Agrasen Chatravas, Ravi Nagar Square Nagpur	—
6	09/10/2021	Study Circle	The Top 10 Series-Knowledge ki Pathshala - GST - V	Speaker: CA. Pretam Batra	ICAI Bhavan	—
7	09/10/2021	WICASA	Virtual Seminar : Meet the Topper (Jointly with Amravati & Satara Branch)	Speaker: CA. Mohammad Vali	On line Mode	—
8	15/10/2021	WICASA	Vijaydashmi Poojan	At the hands of CA Saket Bagdia Chairman	ICAI Bhavan	—
9	17/10/2021	WICASA	Virtual IT Workshop on Tally Prime	Speaker: CA. Pankaj Deshpande	On line Mode	—
10	19/10/2021	WICASA	Industrial Visit	CA. Jiten Saglani Chairman WICASA Nagpur	Space wood Furnishers Pvt. Ltd. Nagpur Unit at MIDC Butibori	—
11	19/10/2021	WICASA	Industrial Visit	CA. Jiten Saglani Chairman WICASA Nagpur	Dinshaw's Food Limited Nagpur Unit at MIDC Butibori	—

**Gist of Past Events of Nagpur Branch of ICAI (October 2021)**

12	20/10/2021	Post Budget Memorandum	Suggestions for Pre-Budget Memorandum for Union Budget – 22 submitted to Direct Tax & Indirect Tax Committee, ICAI	—	—	—
13	23/10/2021	WICASA	"JIGYASA" Session 4 - Forensic Audit	Guiding Light : CA. Bharat Jeswani Student Speaker: Ms. Priya Joshi	On Line Mode	—
14	23/10/2021	Study Circle Meet	Knowledge ki Pathshala : Group Discussion – Chai Pe Charcha	Speakers: CA. Saket Bagdia Chairman CA. Akshay Gulhane CA. Anil Kedia CA. Sandeep Agrawal CA. Nilesh Toshniwal CA. Rahul Tapdia CA. Saket Batra CA. Saurabh Malpani CA. Anand Madan	ICAI Bhavan	—
15	23/10/2021 to 11/12/2021	Work Shop	Virtual Workshop on Data An Analytics & Database Management – Batch IV ( Jointly with WIRC of ICAI)	Chief Guest : CA. Manish Gadia, Chairman WIRC	On line mode	—
16	24/10/2021	WICASA	National CA Students' Talent Search Nagpur Branch Level Round  Competition :  1. Best Presenter (PPT) Competition 2. Debate Competition 3. Open Mic Event	Chief Guest : CA. Saket Bagdia Chairman Nagpur Branch  Evaluators: CA. Trupti Bhattad CA. Mukund Sarda CA. Rajgopal Sanghi  Jury for Open Mic: CA. Ashish Ghate CA. Purna Munot CA. Satish Gupta	On Line Mode	—
17	24/10/2021	WICASA	Live Cricket Screening of India Vs. Pakistan – T 20 World Cup Match		ICAI Bhavan	—
18	25/10/2021	Career Counseling	Career Counseling Programme	Speaker: CA. Saket Bagdia Chairman CA. Akshay Gulhane Treasurer	Gurukunj Junior College, Nagpur	—



**Gist of Past Events of Nagpur Branch of ICAI (October 2021)**

19	28/10/2021 To 30/10/2021	Virtual National Conference	Virtual National Conference on Accounting Standards  (Organised by Accounting Standards Board, ICAI & hosted by Nagpur Branch of ICAI Jointly with Amravati, Jalgaon, Solapur & Ahmednagar Branches of WIRC of ICAI)  Topics: - 1) AS 15 Employee Benefits 2) AS 2 Valuation of Inventories, AS 7 Construction Contracts (Revised), AS 9 Revenue Recognition, 3) AS 11 Effect of Changes in Foreign Exchange Rates (Revised), AS 16 Borrowing Costs, AS 21 Consolidated Financial Statements, 4) AS 13 Accounting for Investments, AS 18 Related Party Disclosures, 5) AS 12 Accounting for Government Grants, AS 22 Accounting For Taxes on Income, 6) AS 10 Property, Plant and Equipment AS 26 Intangible Assets, AS 28 Impairment of Assets.	Programme Chairman & Chief Guest CA. M.P. Vijay Kumar, Chairman, Accounting Standards Board  Speakers: CA. K. Gururaj Acharya, Bangalore CA. Sandeep Shah, Mumbai CA. Mohit Buteria, Kolkata CA. Vivek Newatia, Kolkata CA. Anand Banka, New Delhi	On line Mode	9 Hrs
20	28/10/2021	Seminar	Seminar on Provisions Related to Partnership Firms	Chief Guest: CA. Julfesh Shah Past Vice Chairman, WIRC Speakers: Smt. Nilima Deshpande, Asst. Registrar, Registrar of Firms Nagpur CA. Mahendra Jain Nagpur	ICAI Bhawan	2 Hrs
21	29/10/2021 to 01/11/2021	WICASA	Kona Kona Siksha A Financial Education Training By NISM & Kotak Securities	Chief Guest : CA. Julfesh Shah Past Vice Chairman, WIRC Trainer: CA. Jiten Saglani Chairman WICASA	On line Mode	-

### ***Glimpses of Past Events***



**Felicitation of Dr. Brajesh Dixit,  
Managing Director Maharashtra Metro  
Rail Corporation Ltd. Nagpur : 03-10-2021**



**The Top 10 Series- Knowledge Ki Pathshala  
09-10-2021  
CA Preetam Batra - Speaker**



**Industrial Visit at Dinshaw's Food Limited  
Nagpur Unit  
at MIDC Butibori : 19-10-2021**



**National CA Students' Talent Search  
Nagpur Branch Level Round  
24-10-2021**



**Seminar on Provisions Related to  
Partnership Firms : 28-10-2021  
CA Julfesh Shah, Past Vice Chairman WIRC - Chief Guest**

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## Nagpur Branch of ICAI in News

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ahitavada.com

### BUSINESS

## Comply GST provisions periodically: V D Kamthwad

**Business Bureau**

This procedural aspects of goods and Services Tax (GST) have to be complied in a timely manner so that it becomes a win-win situation for both - the taxpayer, said V D Kamthwad.

Joint Commissioner of State Tax (Admin) and Additional Commissioner of State Tax (Nagpur District) while speaking at the three-day Advanced Refresher Course on GST organised here by the Nagpur Branch of ICAI recently Kamthwad was chief guest on the occasion.

It has been their need since the introduction of GST law. Since then, there have been a lot of changes and modifications in the law. To make the members aware of latest amendments as well as to equip them with change procedure and requirements, the Nagpur Branch of ICAI conducted the session.

Kamthwad further said that a lot of modifications and measures have been taken by the GST

Council for bringing out the law provisions which includes amendments in ITC and negative list. The government is strengthening make things transparent and automatic, he added.

Kamthwad said that Corona had made things difficult for businesses and the general public. He pointed out that the State Department has completed more than 10,000 assessments during the Corona pandemic. ICAI assessments added to the process. He urged that young CAs should come forward for doing practice in Apple's and Trianet.

He organised ICAI Saket Bagdia and his team for taking efforts in organising a residential workshop on advanced refresher course on GST.

Kamthwad, being himself as a professional, never, approached

professionals in practice to take special care of health. "Be systematic and you will be able to do everything because 'Work life balance' is very essential," he highlighted.

One should avoid haste and should try to do work methodically, he said.

"Chartered Accountants have noticed the implementation of GST law in our country which has changed the entire face of the economy," said CA Saket Bagdia, Chairman, Nagpur Branch of ICAI. GST law practice is the basis for many Chartered Accountants and the members are able to comply with law provisions with expertise from CAs.

The refresher course was attended by a large number of Chartered Accountants. Expert speakers on the topics deliberated on topics of interest for the

benefit of members, CA Pankaj Gupta explained about registration issues and intricacies in time and place of supply provisions. The issues in Input Tax Credit and latest provisions were explained by CA Preetam Karm.

The issues in ITC, export refunds and compliance in GST applicable on works contract and real estate industry were explained by CA Rishi Mishra and issues in annual returns, audits and procedural issues were made understood by CA Ravi Bhatnagar.

With increasing assessments and departmental audit, reply to SCN and how to face search and surveys were explained nicely by CA Anurag Agrawal. The queries of all participants were answered by all the speakers in a panel discussion held on the last day.

The session was coordinated by CA Sanjay Agrawal, Secretary, CA Mohan Kumar, Vice Chairman, CA Akshay Galkane, Treasurer, CA Kirti Kalyani, Immediate Past Chairman, and CA Suren Dhangar, Past Chairman.

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## lokmat Times

# CAs should ensure that economic and financial system remains robust: Tiwari

**LOKMAT NEWS NETWORK  
NAGPUR, OCT 11**

Nagpur branch organised a felicitation programme of newly qualified chartered accountants the other day.

On this occasion Mayor Dayashankar Tiwari was the chief guest and past deputy mayor Sanil Agrawal was the guest of honour.

Former ICAI president CA Jaydeep Shah was also present on this occasion.

Today's youth is the face of new India and Dayashankar Tiwari while addressing the newly qualified CAs and their parents.

He remarked that CAs act as the nervous system of Indian economy and they should shoulder the responsibility of ensuring that the economic and financial system remains healthy.

CAs are the backbone of a new, diversified and technologically upgraded reporting system of government, he further said.

Mayor explained the



Mayor of Nagpur Dayashankar Tiwari, chairman of Nagpur branch of ICAI Saket Bagdia, vice-chairman Atendra Sajani, former president of ICAI Jaydeep Shah and others during felicitation of newly-qualified CAs from the city.

this line between tax planning and tax evasion and reposed faith in young CAs that they will ensure national interest while getting their clients.

Chairman of Nagpur branch Saket Bagdia said for marks done chartered accountants of from Nagpur have earned laurels across the globe for their ability to deal with all sorts of challenges for their work during Covid-19. He motivated the new CAs to focus on their area of interest and to act accordingly.

Sanil Agrawal urged all CA Members to ask their

clients to apply their CSR expenditure for development of MNC projects and for the benefit of people from Nagpur. CA Jaydeep Shah urged the newly qualified CAs to be thorough in all their deeds and have clarity in expression of thought while delivering the services in their prospective assignments.

He also guided new CAs not to forget the sacrifices and efforts of parents in their journey of becoming chartered accountants.

On this occasion various awards sponsored by CA Aniruddha Shekhar, CA Rajesh Agrawal, CA

Chandram Murthy, CA R M Shah, CA Jyoti Shah, CA Anurag Dumble, CA Ashwin Agrawal were also given away to the students.

Secretary of Nagpur branch of ICAI CA Sanjay Agrawal co-ordinated the programme. Prominently present on the occasion were vice chairman, CA Atendra Sajani, treasurer, CA Akshay Galkane, immediate past chairman, CA Kirti Kalyani, past chairman, CA Suren Dhangar, CA Ajit Gokarn, CA Deepak Jethroani and around 75 new CAs from Nagpur.

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Celebrating 75 years of India's Independence

## Credit Scheme for MSMEs

Assistance to Re-energize capital  
Investments by SMEs

### (ARISE)

**5.50% to 6.80% p.a.** for  
first year with reset  
applicable thereafter  
(as per internal rating)

- MSMEs engaged in high growth sectors (including sunrise sectors)
- End-to-End digital journey
- Submission of minimal papers
- E-signing facility for document execution
- Quicker sanction

- TL up to ₹700 Lakh to existing / brownfield entities, subject to maximum of 80% of the project cost
- 100% financing for loans upto ₹3 crore, based on FD upto 25% (interest bearing)
- Facility of TL/FCTL available

Digital Technology  
Enabled  
Quick Sanction

Attractive  
Interest Rate

Target Group /  
Ease of Doing

Broad  
Features

SIDBI Thematic Assistance for  
Purchase of capital Assets in  
New Enterprises






### (STHAPAN)

**6.00% to 7.30% p.a.** for  
first year with reset  
applicable thereafter  
(as per internal rating)

- MSMEs in identified sectors under Production Linked Incentive Scheme, other high growth sectors etc.
- Quicker sanction
- End-to-End digital journey
- E-signing facility for document execution

- TL upto ₹2000 Lakh, subject to maximum of 75% of the project cost
- New Entities or Greenfield units are eligible

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