



NAGPUR BRANCH OF WIRC OF ICAI

**PROJECT
FINANCE**

**E-Newsletter
August 2017**

**AUDITS
& ICDS**



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

‘मेक इन इंडिया’ अभियान को बढ़ावा देना - स्माइल



‘मेक इन इंडिया’ पहल के अंतर्गत नए एवं मौजूदा सूक्ष्म, लघु एवं मध्यम उद्यमों को आसान शर्तों पर ऋण उपलब्ध कराने के लिए सिडबी मेक इन इंडिया सुलभ ऋण निधि (स्माइल) का शुभारंभ। यह मुख्यतः ‘मेक इन इंडिया’ कार्यक्रम के अंतर्गत चिह्नित सभी 25 क्षेत्रों और बाद में जोड़े जाने वाले अन्य क्षेत्रों पर केंद्रित होगी। अन्य क्षेत्र के सुयोग्य प्रस्तावों पर भी गुणों के आधार पर विचार किया जा सकता है। अनुसूचित जाति / अनुसूचित जनजाति / विकलांग व्यक्तियों और महिलाओं द्वारा प्रवर्तित उद्यमों को विशेष लाभ।



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Message



CA. Sandeep Jotwani
Chairman

Dear Colleague,

The month of July this year was a historical one for all of us. The first day of July, the day when our profession was born and which we celebrate as Chartered Accountants Day and from now onwards will be celebrated as the day for the biggest taxation reform of this country i.e. implementation of Goods & Service Tax (GST). The Government is having lot of expectation from this new law along with the members of trade as well as Industry. We Chartered Accountants have to play a very important role in the successful implementation of the new Law. No doubt, there will be many challenges in the field of GST implementation but we have to bridge the gap between the dealers as well as the Exchequer.

CA Day Celebration

The month started with the Chartered Accountants day celebration wherein our Institute Flag was hoisted at the hands of senior Chartered Accountant CA. Ramesh Shah. After that, we inaugurated various check up as well as Blood Donation Camps for our member as well as students at the hands of CA. Anil Parakh, Past Chairman of Nagpur Branch. We always are indebted to the contribution of our senior members because of whom we are today. We got the opportunity to felicitate senior members who are members since 1970 on this auspicious day. On this occasion we also organized a Green Marathon to motivate our members and to make them aware of the importance of fitness. To inaugurate the same we had with us the Commissioner of Police, Shri. K. Venkatesham. The series of events ended with the signature event of Nagpur Branch, the cultural evening "Ek Shyam CA ke Naam". Shri Rajeev Ranade, Hon. Commissioner of Income Tax was the Chief Guest for the program.

Regional GST Conference for CA Students

The backbone of any CA office is our articles that should be equally aware of the Goods & Service Tax. To explain the provisions, a mega Regional GST Conference for CA Students was organized wherein more than 600 students participated. CA. Vishal Bhattad from Pune and CA. Rajkumar from Delhi along with paper writers from all parts of the country participated and deliberated on the topics of GST which was well appreciated by the participants. Shri Ashish Chandan, Hon. Commissioner, Goods & Service Tax, Nagpur Zone graced the program and also explained the expectations from all of us in the era of Goods & Service Tax.

GST Awareness

Continuing with the GST awareness campaign various programs were organized by the Branch jointly with Gold & Silver Oal Committee, Hotel Pride, Gandhibagh Sahakari Bank, Western India Corrugated Manufacture Association as well as Bank of Maharashtra for explaining the multiple provisions as well as for creating the necessary awareness about GST.

Expectations from Chartered Accountants

In the recent times it is seen that the expectations from all of us has increased to a substantial level. Our role in the success of Income Disclosure Scheme was duly appreciated at all levels. Also, we did our best during demonetization so that people should be aware of the need for such important steps and precautions to be taken. Unfortunately, because of few cases, few people have questioned our credibility. This being a big challenge, but I am confident with proper approach and efforts we will prove what role we have played in Nation Building and the world will appreciate the efforts we have taken in the successful implementation of the GST.

At last I would like to conclude saying:-

Change is a nature of life, But challenge is a aim of life

So you have to challenge the changes, But not to change the challenges.

"चलें एक साथ – Lets Illuminate"

With Kindest Regards,

CA. Sandeep Jotwani,
Chairman

Nagpur Branch of WIRC of ICAI



Message



CA. Deepak Jethwani
Joint Editor

Dear Professional Colleagues,

In the field of globalization finance plays very important role. Getting funds at the right time and at the right price is crucial. What to do, when to do and how to do to get the funding for the project is tried to be covered in the current issue of the Nagpur Branch e-Newsletter. By going with the details provided in the one can get the insight of the brief information of the different kinds of financing options and major document requirements.

As the audit season is approaching we are coming up with the articles based on the Statutory and Tax Audit and ICDS. I request members to contribute articles for the same to make the issue more comprehensive and useful.

Happy learning and keep sharing.

Awaiting your feedback and suggestions on the newsletter...

CA. Deepak Jethwani
Joint Editor



CA. Kunal Budhraj
Composition Scheme Under GST

COMPOSITION SCHEME UNDER THE GST

The word '*composition*' comes from the Latin *componere*, meaning "put together". It is a feature of Indirect Tax laws that in order to provide a comfort to assessee from complying with the requirement of paying tax on value addition by maintaining detail of 'inputs' and 'outputs', a option is provided to go for a *put together* scheme. As per the scheme the assessee is made free from maintaining complete details of its inputs and outputs and by merely making payment of single put-together amount better known as 'composition fees' the assessee is allowed to carry on its business.

In terms of Section 10(1) of Central Goods and Service Tax Act, 2017 a registered person whose aggregate turnover in the preceding financial year did not exceed Rs.75 lakhs, may opt to pay an amount in lieu of tax payable in normal levy but not exceeding following % of turnover in State or in Union Territory:

- (i) 1% of turnover, in case of a manufacturer
- (ii) 2.5% of the turnover in case of restaurant services (excluding alcohol)
- (iii) 0.5% in case of other suppliers

Point to remember is that the above rates are provided in CGST Act, therefore the actual pay out of composition rate will be double of the above rates i.e. either 2%, 5% and 1% respectively bifurcated into CGST and SGST/UTGST.

The above-mentioned composition levy shall not be granted to a taxable person-

- who is engaged in the supply of services other than resultant services; or
- who makes any supply of goods which are not leviable to tax under the CGST Act; or
- who makes any inter-state outward supplies of goods; or
- who makes any supply of goods through an Electronic Commerce Operator who is Required to collect tax at source; or
- who a manufacturer of such goods is as may be notified on the recommendation of the Council.
- who is a casual taxable person and a non resident person.

The benefit of composition scheme will be available only when all the registered entities under a single Permanent Account Number opts for such scheme. Resultantly, registered taxable person, having the same PAN has obtained more than one Registration, whether in the same State or in two different States as Head Office and Branch, then



the Head Office and Branch cannot opt for Composition Levy Scheme in isolation. Both will have to opt for Composition Levy.

In terms of Section 10(3), the permission granted for Composition Levy Scheme shall stand withdrawn from the day when the aggregate turnover of the registered taxable person during a financial year exceeds Rs. 75,00,000/-.

In terms of Section 10(4) a taxable person who pays tax under composition levy shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

It is also worth noting here that in terms of Section 10(5) if the proper officer has reasons to believe that a taxable person was not eligible to pay tax under Composition Levy Scheme, the concerned taxable person shall be liable to pay the following

- (a) Any tax which may be payable by him under other provisions of the Act; and
- (b) Penalty; provision of section 73 and 74 shall apply for determination of tax and penalty

Some Important Points to be Noted

- i The scheme is optional and there is no compulsion on eligible suppliers to opt for such scheme.
- ii Though the eligibility is for a financial year but the eligibility under the scheme comes to an end even during the financial year when the aggregate turnover exceeds INR 75 Lakhs.
- iii It is also to be noted that since Composition Levy Scheme cannot be availed by a taxable person who is engaged in the supply of services, works contractors providing Works Contract Services shall not be eligible for Composition Levy Scheme. Consequently, aforesaid Works Contractors would be forced to maintain proper Books of Accounts and Records.
- iv While a large part may not go for composition as their B2B customers will lose set off otherwise and also due to the restrictive coverage of assesses in composition scheme. Hence Traders doing B2B activity may not find the composition levy economically viable.
- v The composition suppliers will not be entitled to input tax credit and would not be eligible to collect tax on supplies made by him.
- vi The composition u/s 10 of CGST Act/ SGST Act is subject to provisions of Section (3) and (4) of Section 9. It means that composition persons will pay tax at full rate on reverse charge basis, if they get supplies from notified suppliers of goods / services and from unregistered persons.
- vii There is no restriction on taxable persons under composition levy in respect of import of goods.

Conditions and Restrictions for Composition Levy

1. The person opting for the scheme must neither be a casual taxable person nor a non-resident taxable person.



2. Mandatory display on invoices of the words "composition taxable person, not eligible to collect tax on supplies"
3. Mandatory display of the words "Composition Taxable Person" on every notice and signboard displayed at a prominent place.

Transitional Provision

- 1) If a regular tax payer under VAT regime wants to pay tax under composition scheme in GST, he has to reverse the set off on closing stock as on 30.06.2017 already taken by him.
- 2) The goods held by him in stock on the appointed date must not be purchased from a place outside his state. The goods should therefore not be classified as:
 - Inter-state purchase
 - Imported Goods
 - Branch situated outside the State
 - Agents or Principal situated outside the State
- 3) If Opening Stock of goods as on 30.06.2017 is from unregistered dealer then he has to pay tax on RCM on the same.
- 4) Where the taxpayer's deals with unregistered person, tax must be paid or no stock must be held. For inward supply of goods or services tax shall be paid by him.

Composition Scheme Rules

Composition Scheme Rules under GST provides for submission of different forms meant for respective purposes followed by due date for submission of such forms, which are as follows:

Form required	Purpose	Due Date
FORM GST CMP- 01	To opt for scheme by provision registration holder	Prior to appointed date or within 30 days of the said date
FORM GST CMP- 02	Intimation of willingness to opt for scheme	Prior to commencement of Financial Year
FORM GST CMP- 03	Details of stock and inward supplies from Unregistered Person	Within 60 days of exercise of option
FORM GST CMP- 04	Intimation of withdrawal from scheme	Within 7 days of occurrence of event
FORM GST CMP- 05	Show Cause Notice on contravention of rules or Act by Proper Officer	On contravention
FORM GST CMP- 06	Reply to Show Cause Notice	Within 15 days
FORM GST CMP- 07	Issue of Order	Within 30 days
FORM GST REG- 01	Registration under Composition scheme	Prior to appointed date
FORM GST ITC- 01	Details of inputs in stocks, semi-finished and finished goods	30 days of option withdrawn
FORM GST ITC- I3	Intimation of ITC available	Within 60 days of commencement of Financial Year



Conclusion

The Composition scheme provides a short window for those who fulfill the criterion to organize themselves as the limit of Rs. 75 lakhs is meagre. The possibility of many of the uneducated/ unorganized traders and manufacturers (job workers) not understanding GST and its implications is very high.

Only those who are selling to consumers in the last mile of the supply chain would find Composition worthwhile.

VACANCY

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C/o A.S. Daga & Co.
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CA. Mahavir Atal

Recent Imp Judicial Pronouncements In Direct Tax Vol 2

RECENT IMP JUDICIAL PRONOUNCEMENTS IN DIRECT TAX VOL-2

Capital Gain

Maniza Jumbahoy Vs. ACIT (2017) (Hyd) (Trib) dated 02.06.2017

The assessee had acquired property from his ancestors which was given on lease by his previous owner. Assessee incurred expenditure for cancellation/release of lease rights and has taken possession of leased property and claimed expenditure as part of cost of acquisition of the property. The AO disallowed the same contending that the property was leased by the previous owner and the impugned expenditure cannot be allowed to be taken as part of cost of acquisition. Tribunal held that where the lease was created by the previous owner during his life time, the assessee obtained only lessor's interest in the property and by releasing the property, he acquired lessee's interest in property. Therefore, it held that the amount paid to release lease was cost of acquisition of lessee's interest in property which was deductible as cost of acquisition u/s 48.

Bhavna Cuccria Vs ACIT (Chd)(Trib) dated 23/05/2017

The assessee-individual invested substantial amount of capital gains on sale of residential house in a flat (i.e under-construction property) before the due date of filing ROI and claimed deduction u/s 54. However, the possession was not handed over by the builder to the assessee. The AO denied the deduction u/s 54 on the ground that builder was not able to handover the possession of the flat to the assessee within the stipulated period of 3 years from the date of transfer of original asset. The CIT(A) upheld the order of the AO. The Tribunal observed that substantial amount of capital-gains was invested in new flat before the return filing due-date and the flat was also allotted to assessee, and held that the exemption could not be denied even if construction was not completed within specified period. Similar view was also expressed by Bombay High Court in case of Hilla J B Wadia 216 ITR 376 (Bom).

John Fowler (India) Pvt. Ltd vs. DCIT (ITAT Mumbai) (2017)

S. 50C: The AO is not entitled to make an addition to the sale consideration declared by the assessee if the difference between the valuation adopted by the Stamp Valuation Authority and that declared by the assessee is less than 10%. Judgment of J&K High Court in the case of Honest Group of Hotels (P) Ltd. Vs. CIT (2002) 177 CTR (J&K) 232 followed.



ITO vs. Aditya Narain Verma (HUF) (ITAT Delhi) (2017)

S. 50C: Failure by the AO to refer the valuation of the capital asset to a valuation officer instead adopted the value taken by the stamp duty authorities is a fatal error and the assessment order has to be annulled. The matter cannot be set aside to the AO for a second chance. The power of the ITAT to set aside cannot be exercised so as to allow the AO to cover up the deficiencies in his case

Profit from Business & Profession

Pr CIT Vs Rajasthan State Beverages Corporation Ltd (2017)(SC) 84 Taxmann.com185

S 36(1)(va) :- Amount claimed on payment of PF and ESI having been deposited on or before due date of filing of returns, same could not be disallowed under section 43B or under section 36(1)(va); SLP of revenue dismissed

ACIT Vs St Marrys Rubber 's Pvt Ltd (ITAT)(Cochin) (2017)

S. 40(a)(ia): Amounts paid by way of reimbursement of expenses do not constitute income in the hands of the recipient. Consequently, the payer is under no obligation to deduct TDS u/s 194C and no disallowance of the expenditure can be made u/s 40(a)(ia). CBDT Circular No.715 dated 08.08.1995 distinguished

Assessment procedure :-

Shankarlal Khaitan vs. ACIT (Orissa High Court) (2017)

Certified copy of Order Sheet: Orissa High Court held that, it is the right of every assessee to seek certified copies of entire order sheet of any assessment proceeding on payment of charges. The certified copies have to be handed over to assessee forthwith on payment.

Luxury Goods Retail Pvt. Ltd vs DCIT (Mum)(Trib)dated 05.05.2017

During the relevant AY, AO ignored the manual return filed by assessee within 139(1) due date and denied carry forward of losses on the ground that the return filed electronically was belated return. Tribunal held that as the original return was filed within the due date u/s 139(1) of the Act, it was a valid return as per the provisions of section 292B of the Act. It rejected Revenue's stand that the assessee was mandatorily required to file return of income electronically and held that the claim for set off and carry forward of losses could not be denied on a too technical reason. Noting that the assessee was unable to file the return online due to problem of login password, it held that it was a curable defect.

KSS Petron Private Ltd vs. ACIT (Bombay High Court) (2017)

S. 147: If the AO does not follow the law laid down in GKN Driveshafts 259 ITR 19, the reopening proceedings have to be quashed. There is no reason to restore the issue to the AO to pass a further/fresh order because it would give



a license to the AO to pass orders on reopening notice, without jurisdiction (without compliance of the law in accordance with the procedure), yet the only consequence, would be that in appeal, it would be restored to the AO for fresh adjudication after following the due procedure. This would lead to unnecessary harassment of the assessee by reviving stale/ old matters.

Unexplained cash credits, unexplained investments, Penny Stock, Share premium

Pr CIT Vs Best Infrastructures (Del)(HC)(2017)

S. 68: Statements recorded u/s 132 (4) do not by themselves constitute incriminating material. A copy of the statement together with the opportunity to cross-examine the deponent has to be provided to the assessee. If the statement is retracted and/or if cross-examination is not provided, the statement has to be discarded. The onus of ensuring the presence of the deponent cannot be shifted to the assessee. The onus is on the Revenue to ensure his presence.

New Delhi Television Ltd vs. ACIT (ITAT Delhi) (2017)

Section 69A: ITAT taking strong stance held that NDTV indulged in a clear cut case of "abuse of organization form/ legal form and without reasonable business purpose" and therefore, no fault can be found with the order of the AO in charging to tax Rs. 642 crores by re-characterizing the conditions according to its economic substance and imposing the tax on the actual controlling Indian entity. There is no doubt that the transaction used principally as a device for the distribution/ diversion of sum to the Indian entity. The beneficial owner of the money is the assessee.

CIT vs. Orchid Industries Pvt. Ltd (Bombay High Court) (2017)

Section 68 Bogus share capital: Mere fact that parties to whom the share certificates were issued and who had paid the share capital money were not traceable and did not appear before the AO in response to summons does not mean that the transaction can be treated as bogus if the documentation shows the genuineness of the transaction. Judgment in case of Commissioner of Income Tax vs. Gagandeep Infrastructure (P.) Ltd.[2017] 80 Taxmann 272 (Bombay) followed.

Kamla Devi S. Doshi vs. ITO (ITAT Mumbai) (2017)

Bogus penny stocks capital gain: Section 131 statement implicating the assessee is not sufficient to draw an adverse inference against the assessee when the documentary evidence in the form of contract notes, bank statements, STT payments etc prove genuine purchase and sale of the penny stock. Failure to provide cross-examination is a fatal error



General case law

Radha Raman Tripathy vs. CPIO/ JCIT (Central Information Commission) (2017)

RTI Act: Nothing is personal with regard to a public servant discharging his duties. Citizens have right to know about officer's working, honesty, integrity and devotion to duty. Information as to leave availed of, or trips undertaken, cannot be denied on grounds of being personal information. Commission instructed Income-tax department to conduct periodic seminars to familiarize officials about the RTI Act. CPIO warned to be extremely careful & vigilant when answering RTI applications failing which penal action would be imposed.

Shailesh Gandhi vs. CIC & Ajit Pawar (Bombay High Court) (2015)

RTI Act: Disclosure of income-tax returns of a politician on the ground that it is necessary for "purity of elections" and "probity in public life" is not possible as it is not in "public interest".

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Shri Gaurav Aggarwala
Pradhan Mantri Awas Yojana- PMAY

Pradhan Mantri Awas Yojana- PMAY

About the initiative

“Housing for All” by 2022 by encouraging people to buy their first home.

Credit Linked Subsidy Scheme (CLSS) most popular.

This scheme would benefit EWS / LIG households earning up to Rs 6 lakh per annum who are first time home buyers.

A new CLSS scheme for the “Middle Income Group” has also been launched as CLSS-MIG with annual income greater than Rs. 6 lakh, can also avail the PMAY subsidy, w.e.f from 01.01.2017.

There are 2 sub categories that are created -->**MIG1** (Annual income Rs. 6,00,001 to 12,00,000) and **MIG2** (Annual income Rs. 12,00,001 to 18,00,000).

Eligibility

The government has set a criterion to be eligible for the subsidy as under:

- ✓ Family should not own any other Pucca house anywhere in India
- ✓ Family would mean husband, wife & Non Earning children
- ✓ Unmarried Children(Adult) Earning member can be treated as separate family
- ✓ Grand parents / Parents / Brothers / Sisters who do not have their own house and are eligible for loan can also claim subsidy separately
- ✓ Carpet area of the property should not exceed 90/110 sqm for Income Rs 12/18 lacs. No restriction on Carpet Area for income below Rs 6 lacs
- ✓ Should have not availed any other subsidy under any other PMAY schemes
- ✓ Aadhaar number(s) of the beneficiary family are mandatory
- ✓ Interest subsidy will be available for a maximum loan tenure of 20 years or the loan tenure availed by the borrower whichever is lower
- ✓ There is no cap on the loan amount or on the cost of property.



- ✓ Subsidy up to Rs. 2.67 lacs for income group below Rs 6 lacs
- ✓ Subsidy up to Rs. 2.35 lacs for income group between Rs 6 lacs to 12 Lacs
- ✓ Subsidy up to Rs. 2.30 lacs for income group between Rs 12 lacs to 18 Lacs

Hence, for example, if you take a home loan of Rs.20,00,000 and the subsidy amount sums up to be Rs. 2,67,000. The amount of Rs. 2,67,000 would be reduced from your loan amount (20,00,000 – 2,67,000) i.e. your balance repayable would be reduced to Rs. 17,33,000.

Scheme Type	EWS/LIG	MIG – I	MIG – II
Eligibility Family Income (Rs.)	EWS / LIG – Rs. 0 to Rs. 6 Lac	Rs. 6 Lac to Rs. 12 Lac	Rs. 12 Lac to Rs. 18 Lac
Carpet Area-Max (sq. m.)	60	90	110
Subsidy calculated on a max loan of	Rs. 6,00,000	Rs. 9,00,000	Rs. 12,00,000
Interest Subsidy (%)	6.50	4.00	3.00
Max Subsidy (Rs.)	2.67 Lakh	2.35 Lakh	2.30 Lakh
Validity of scheme	31 March 2022	31 December 2017	
Woman Ownership	Mandatory*	Non Mandatory	

*The House constructed/acquired should be in the name of female head of the household or in the joint names of male head of the household and his wife. Only in cases, where there is no adult female member in the family, the house can be in the name of male member of the household.

Documents required

- ✓ An undertaking as per standard draft declaring No other subsidy availed under PMAY and This is their first home
- ✓ Annual family income (as per the category of the PMAY scheme)
- ✓ Carpet area (as per the category of the PMAY scheme)
- ✓ Details of the Family Members with unique Id (for all major members)
- ✓ Photograph of the property



CA. Pranav Bembi
Guidelines For Preparing A Detailed Project Report

Guidelines For Preparing A Detailed Project Report

Your company seeking financial assistance for implementation of its business idea is required to prepare a Project Report covering certain important aspects of the project as detailed below:

- Promoters background/experience
- Product with capacity to be built up and processes involved
- Project location
- Cost of the Project and Means of financing thereof
- Availability of utilities
- Technical arrangements
- Market Prospects and Selling arrangements
- Environmental aspects
- Profitability projections and Cash flows for the entire repayment period of financial assistance

Spreadsheets formats attached with this document will help you prepare a Detailed Project Report for your Bank. You may omit the manufacturing related information in case you are applying for a non-manufacturing project.

Since the appraisal of the Project involves evaluation of the Project in the following areas, your company/you would be required to submit certain documents/information in the matter.

Management Evaluation

- Memorandum and Articles of Association : Object, authorised and paid-up share capital, promoter's contribution, borrowing powers, list of directors on the Board, terms of appointment of directors
- Your company as the Promoter : Corporate plan of the Company, projects promoted/implemented/under implementation, Bankers' report on dealings and repayment of past loan assistance, details of group companies, operations, balance sheet and profit & loss account of the promoter company
- New Promoters : Educational background, any industrial experience, family background, sources of income, details of personal properties, banker's reference, income tax/ wealth tax returns



- Management and Organisation set up : Broad composition of the Board, details of full time directors and their responsibilities, details of Chief executive and functional executives including qualification, experience, organisation set-up for existing company and during project implementation for new company.

Technical Feasibility

- Technology and manufacturing process : Proven/new technology, basis of selection of technology, competing technologies, performance data of plants based on the technology, details of licensor of technology, process flow chart and description
- Location of the Project : Locational advantage, availability of raw material and other utilities, infrastructure facilities, availability of labour, environmental aspects
- Plant and Machinery : List of machinery & equipment, details of suppliers, competitive quotations, technical & commercial evaluation of major equipment
- Raw material, Utilities and Manpower : Details of raw materials and suppliers, electricity and water supply, basis of manpower estimates, details of manpower eg. managerial, supervisory, skilled/unskilled, training needs
- Contracts : Agreement with contractors detailing on know-how, engineering, procurement, construction, financial soundness and experience of contractors
- Project monitoring and implementation : Mode of implementation, details of monitoring team, detailed schedule of implementation.

Environmental Aspects: Air, Water and Soil Pollution, list of pollutants / Hazardous substances, their safety, handling and disposal arrangements, compliance with national and International Standards, Clearances and No objection certificates required and obtained etc.

Commercial Viability

- Existing and potential market demand and supply for the proposed product in respect of volume and pattern
- Share of the proposed product of the company in the total market through marketing strategy
- Selling price of the product and export potential, if any.
- Buy-back arrangements, if any.

Financial Appraisal

- Cost of the Project : This includes the cost of land & site development, building, plant & machinery, technical know-how & engineering fees, miscellaneous fixed assets, preliminary & preoperative expenses, contingencies, margin money for working capital. Your company is expected to submit realistic estimates and reasonableness of the cost of the project will be examined with reference to various factors such as



implementation period, inflation, various agreements, quotations etc.

- **Means of Financing** : Means of financing shall have to conform to proper mix of share capital and debt. This includes share capital, unsecured loans from Promoters/associates, internal accruals, term loans, Government subsidy/grant. Reasonableness of Promoters' contribution in the form of equity and interest-free unsecured loans, if any, is ascertained in view of commitment to the Project.
- **Profitability Projections** : Past records of financial performance of Your company will be examined. Your company needs to submit profitability estimates, cash flow and projected balance sheet for the project and for the Company as a whole. Based on the projections, various financial ratios such as Debt -Equity ratio, Current ratio, Fixed asset coverage ratio, Gross profit, Operating profit, Net profit ratios, Internal rate of return(over the economic life of the project), Debt Service Coverage ratio, Earning per share, Dividend payable etc. would be worked out to ascertain financial soundness of your Project.

Economic Viability

- Your company will have to take real value of input as against the value accounted in financial analysis for the purpose of economic evaluation of the project.
- Your company should carry out social cost benefit analysis as a measure of the costs and benefits of the project to Society and the Economy.
- Economic analysis is therefore aimed at inherent strength of the Project to withstand international competition on its own.

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E-mail:- kishorwarma@gmail.com

samrianagpur@gmail.com



CA. Sagar Mitkary
Detailed Insights Into Project Finance

Various methods of Project Finance

Why is it important to understand project finance?

The people involved in a project are used to find financing deal for major construction projects such as mining, transportation and public utility industries, that may result such risks and compensation for repayment of loan, insurance and assets in process. That's why they need to learn about project finance in order to manage project cash flow for ensuring profits so it can be distributed among multiple parties, such as investors, lenders and other parties.

Definition of Project:

Organizations perform work continuously. These works include operations or projects though some works may overlap with each other. For the organizations, projects are important elements of change. They are considered to be the leading edge of change in organizations. A project consists of a combination of organizational resources pulled together to create something that did not previously exist and that will provide a performance capability in the design and execution of organizational strategies. Projects are conceptualized, designed, engineered and produced (or constructed); something is created that did not previously exist. An organizational strategy has been executed to facilitate the support of ongoing organizational life. Projects therefore support the ongoing activities of a going concern.

Project Finance

Project finance is a method of financing very large capital intensive projects, with long gestation period, where the lenders rely on the assets created for the project as security and the cash flow generated by the project as source of funds for repaying their dues.

Simply put, project finance is essentially financing on the security of the project itself, with limited or no recourse against the sponsors of the project or other parties involved in the development and implementation of the project. Due to such characteristics of project finance, the loans sought by the borrowers are always approved by the lenders on the basis of strong in-house appraisal of the cost and viability of the ventures as well as the credit standing of project promoters.

Project finance generally covers green-field industrial projects, capacity expansion at existing manufacturing units, construction ventures or other infrastructure projects. The term 'infrastructure projects' is used here in its general and wide meaning to describe physical structures (such as roads, highways, ports, airports etc.) or systems (such as electricity transmission system, pipeline distribution systems) that are designed, built, operated and maintained to provide for certain physical facilities (such as roads, railways, airports, urban mass rapid transit systems) or commodities (such as natural gas, petroleum, electricity) or for the due utilization of natural resources (water, crude oil, minerals) or provision of services (telecommunications, broadcasting, air transport services,



waste handling and treatment) through the general public within the specified geographical area. Capital intensive business expansion and diversification as well as replacement of equipment may also be covered under project finance.

An understanding of the possible money streams into a particular project and the possible expenditure streams out of the same is essential to structure the finance. Such understanding would be based on an analysis of the legal framework governing the project, all of the project's documentation including all government approvals with regard to the implementation and financing of the project and the finance documentations.

Project finance is quite often channeled through a project company known as special purpose vehicle or project development vehicle. Internationally, in addition to a private limited company, a limited company, a partnership and an unincorporated entity structure are all recognized as suitable project development vehicle. However, in India, a private limited company is regarded to be an appropriate project development vehicle as it ensures limited liability for the developers of the project, enables the shareholders to incorporate the various terms and conditions agreed to between them in the articles of association of the project company, thereby binding not only the shareholders themselves but also the company to such agreed terms. Besides, a private limited company also has greater avenues open for equity and loan financing.

Some Jargons:

1. Full Recourse Loan: A loan in which the lender can claim more than the collateral as repayment in the event that the loan is enforced. Thus a full recourse loan places the Sponsor's assets at risk.
2. Non Recourse Loan: A loan in which the lender cannot claim more than the collateral as repayment in the event that the loan is enforced.
3. Limited Recourse Loan: A loan in which the lender can claim more than the collateral, subject to some restrictions, as repayment in the event that the loan is enforced.

Project Financing Participants and Agreements

Sponsor/Developer: The sponsor(s) or developer(s) of a project financing is the party that organizes all of the other parties and typically controls, and makes an equity investment in, the company or other entity that owns the project. If there is more than one sponsor, the sponsors typically will form a corporation or enter into a partnership or other arrangement pursuant to which the sponsors will form a "project company" to own the project and establish their respective rights and responsibilities regarding the project.

Additional Equity Investors: In addition to the sponsor(s), there frequently are additional equity investors in the project company. These additional investors may include one or more of the other project participants.

Construction Contractor: The construction contractor enters into a contract with the project company for the design, engineering, and construction of the project.

Operator: The project operator enters into a long-term agreement with the project company for the day-to-day operation and maintenance of the project.

Feedstock Supplier: The feedstock supplier(s) enters into a long-term agreement with the project company for the supply of feedstock (i.e., energy, raw materials or other resources) to the project (e.g., for a power plant, the feedstock supplier will supply fuel; for a paper mill, the feedstock supplier will supply wood pulp).



Product Off taker: The product off taker(s) enters into a long-term agreement with the project company for the purchase of all of the energy, goods or other product produced at the project.

Lender: The lender in a project financing is a financial institution or group of financial institutions that provide a loan to the project company to develop and construct the project and that take a security interest in all of the project assets.

Advantages:

1. **Non-Recourse:** The typical project financing involves a loan to enable the sponsor to construct a project where the loan is completely 'non-recourse' to the sponsor, i.e., the sponsor has no obligation to make payments on the project loan if revenues generated by the project is insufficient to cover the principal and interest payments on the loan. In order to minimize the risks associated with a non-recourse loan, a lender typically will require indirect credit supports in the form of guarantees, warranties and other covenants from the sponsor, its affiliates and third parties involved with the project.
2. **Maximise Leverage:** In a project financing, the sponsor typically seeks to finance the cost of development and construction of the project on a highly leveraged basis. Frequently, such costs are financed using 80 to 100 percent debt. High leverage in a non-recourse project financing permits a sponsor to put less in funds at risk, permits a sponsor to finance the project without diluting its equity investment in the project and, in certain circumstances, also may permit reductions in the cost of capital by substituting lower-cost, tax-deductible interest for higher-cost, taxable returns on equity.
3. **Off-Balance-Sheet Treatment:** Depending upon the structure of project financing, the project sponsor may not be required to report any of the project debt on its balance sheet because such debt is non-recourse to the sponsor. Off-balance-sheet treatment can have the added practical benefit of helping the sponsor comply with covenants and restrictions relating to borrowing funds contained in other indentures and credit agreements to which the sponsor is a party.
4. **Maximize tax benefit:** Project financings should be structured to maximize tax benefits and to assure that all possible tax benefits are used by the sponsor or transferred, to the extent permissible, to another party through a partnership, lease or other vehicle.

Disadvantages:

Project financings are extremely complex. It may take much longer period of time to structure, negotiate and document a project financing than a traditional financing, and the legal fees and related costs associated with a project financing can be very high. Because the risks assumed by lenders may be greater in a non-recourse project financing than in a more traditional financing, the cost of capital may be greater than with a traditional financing.

Stages in Project

Pre Financing Stage

Financing Project identification
Risk identification & minimizing
Technical and financial feasibility

Financing Stage

Equity arrangement



Negotiation and syndication
Commitments and documentation

Disbursement
Post Financing Stage
Monitoring and review
Financial Closure / Project Closure
Repayments & Subsequent monitoring

Preparation of Project Report

A project report is essential before a decision for setting-up of any project is taken. The most important thing in any project financing is preparation of Detailed Project Report (DPR) which should be made beautifully for getting the project approved from banks/financial institutions. After preparation of DPR the proposal is moved to the banks/financial institutions for processing of the file.

Project Report must include the followings:

A. Technical Feasibility All the factors relating to infrastructure needs, technology, availability of machine, material etc. are required to be scrutinized under this head. Broadly speaking the factors that are covered under this aspect include:

1. Availability of basic infrastructure- It includes the land and its location as per present and future needs, lay out and building plan including finalization of structure, availability of water and power, availability of cheap labour in abundant supply.
2. Licensing/ registration requirements
3. Selection of technology/ technical process- The technical process/technology selected for the project must be readily available either indigenously or necessary arrangements for foreign collaboration must be finalized. Further the selected technology must find a successful application in Indian environment and the management shall be capable of fully absorbing the technology.
4. Availability of suitable machinery/raw material/ skilled labour etc- After selection of technical process, the availability of suitable kind of machinery is most important factor which needs to be considered. It should be ensured that the suppliers are capable to supply the plant and machinery timely along with all spare parts

B. Managerial Competence

The ultimate success of even well conceived and viable project may depend on how competently it is managed. The promoters of the project have to provide necessary leadership and their qualification, experience and track record will be closely examined by lending institution. The detail of other projects successfully implemented by the same promoters may provide the necessary confidence of these institutions and help final approval of the project.

The reputation of the promoters group in the market is also very important factor which the banks/ financial institutions consider while lending to the companies. Also the bank/ financial institutions check the payment history of past loan raised by the companies in which the promoters are directors which shows their willingness of repayment of the loans. CIBIL is a very strong tool in the hand of banks/ financial institutions to verify the payment



history and the number of loans raised by the companies from the date of existence.

C. Commercial Viability

Any project can be commercially viable only if it is able to sell its product at profit. For this purpose it would be necessary to study demand and supply pattern of that particular product to determine its marketability. Various methods such as trend method, regression method for estimation of demand are employed which is than to be matched with the available supply of a particular product.

D. Financial Viability Factors need to consider for financial viability:

1. Cost of project: A realistic assessment of cost of project is necessary to determine the source for its availability and to properly evaluate the financial viability of the projects. For this purpose, the various items of cost may be sub-divided as many sub-heads as possible so that all factor are taken into consideration for arriving at the total cost.

Cost includes the following:

- a. Land Cost- Acquisition of project land, registry charges, and charges for other clearance.
- b. Site Development Cost- to make the project easily accessible it is necessary to build roads, water tank, boundary walls, arranging electricity, levelling the site, demarcation of site, making available the basic amenities etc.
- c. Buildings Cost- it includes lay out and building plan along with the structure cost, building the site office, factory sheds, godowns, residential flats for staff etc.
- d. Plant and Machinery- cost of plant and machinery, any foreign assistance for installation, salary of technical staff, transportation cost, foreign currency fluctuations (if any), bank commissions, L/C Charges etc.
- e. Miscellaneous Fixed Assets
- f. Preliminary Expenses- licence required to start commercial production from the local authorities along with other clearances etc.
- g. Contingencies- normally 5% extra cost is taken as contingency to avoid any kind of cost over-run at the end of implementation of project.
- h. Margin for Working Capital- for running a project it is necessary to fuel it with the working capital. It works like a lubricant for any kind of business. It is financed against receivables and stock. A proper assessment of the same should be done. Banks now generally require that 25% of the total current assets (working capital) shall be the margin to be provided from the long term resources and 75% shall be financed by them

2. **Means of Finance:** After estimation of the cost of the project, the next step will be to find out the source of funds by means of which the project will be financed. The project will be financed by contribution of funds by the promoter himself and also by raising loans from others including term loans from banks and financial institutions.

The means of financing will include:

1. Issue of share capital including ordinary/preference shares.
2. Issue of secured debentures.
3. Secured long-term and medium-term loans (including the loans for which the application is



being put up to term lending institutions).

4. Unsecured loans and deposits from promoters, directors etc.
5. Deferred payments.
6. Capital subsidy from Central/State Government.

3. **Security Coverage and Promoters Contribution:** In today scenario and being to play safe, the bankers wants that at least the promoters should contribute 40% of the total project cost. The long term sources of funds are utilized for acquisition of land, procuring the fixed assets and construction of building etc. But for day to day expenses, payment of staff salary, purchasing the stocks etc. the project require short term loan or working capital loans. Hence the financing for a project is the mix of both long term and short term loans. In project funding the bank has charge on the land, building, any super structure thereof and hypothecation of stocks & receivables and all the current assets relating to project. It is considered as primary security but the bankers may ask for collaterals also in addition to the primary security.

4. **Profitability Analysis:** After determine the cost of the project and means of financing, the viability of the project will depend on its capacity to earn profits to service the debts and capital. To undertake the profitability analysis, it will be necessary to draw estimates of the cost of production and working results. These estimates are made for a period which should at least cover the moratorium and repayment periods. Generally in case of project loans repayment begins after 2-3 years, the time gap between the disbursement of loan and repayment of first installment is called moratorium period. Further repayment should start in that quarter or month when it is assured that the project will have sufficient cash profit to service the same in that particular quarter or month. Also, the moratorium and repayment period is decided while submitting the proposal to the banks hence while selecting these periods' accurate calculations should be done.

5. **Projected Balance Sheet, Profit and Loss Account and Projected Cash Flow:** The projected financials of the project is prepared for the entire tenure as estimated above.

6. **Break-Even Point:** Estimations of working results pre-suppose a definite level of production and sales and all calculations are based on that level. The minimum level of production and sales at which the unit will run on "no profit no loss" is known as break-even point and the first goal of any project would be to reach that level. The break-even point can be expressed in terms of volume of production or as a percentage of plant capacity utilization.

Break-even in terms of volume of production = Total Fixed Cost/ Contribution per unit

7. **Debt Service Coverage Ratio (DSCR):** Debt Service Coverage Ratio is calculated to find out the capacity of the project servicing its debt i.e. in repayment of the term loan borrowings and interest. The DSCR is worked out in the following manner:

$$\text{D.S.C.R} = (\text{PAT} + \text{Depreciation} + \text{Interest on Long Term Borrowings}) / (\text{Repayments of Term Borrowings during the year} + \text{Interest on long-term borrowings})$$

The higher D.S.C.R. would impart intrinsic strength to the project to repay its term borrowings and interest as per the schedule even if some of the projections are not fully realized. Normally a minimum D.S.C.R. of 2:1 is insisted upon by the term lending institutions and repayment is fixed on that basis.



8. **Sensitivity Analysis:** While evaluating profitability projections, the sensitivity analysis may be carried in relation to changes in the sale price and raw material costs, i.e. sale price may reduce by 5% to 10% and raw material costs may be increased by 5% to 10% and the impact of these changes on DSCR shall be analyzed. If the new DSCR, so calculated after changes, still proves that the project is viable, the financial institution may go ahead in funding the project.

9. **Internal Rate of Return:** This is an indicator of earning capacity of the project and a higher IRR indicates better prospects for the project. The present investment in the cash flow which is assumed to be negative cash flow and the return (cash inflow) are assumed to be positive cash flows. Normally bankers want that internal rate of return should be at least 18% because it depicts the strength of the project and its earning and repayment capacity at the same time. Better the IRR better rating to the project.

E. Environmental, Political and Economic Viability

The performance of the project is also influenced by the external factors also such as existing government policies regarding particular sector, easiness in getting the licence to operate in a particular region or state, effects of the project on the environment, tax exemptions for particular region etc. Hence while compiling the project report it is important to study the industry scenario, government policies etc and these should be covered in the project report.

Project Appraisal

Project Appraisal is a process of detailed examination of several aspects of a given project before recommending the same. The lending institution has to ensure that the investment on the proposed project will generate sufficient returns on the investments made and that loan amount disbursed for the implementation of the project will be recovered along with interest within a reasonable period of time. The various aspects of Project appraisal are:

1. Technical Appraisal
2. Commercial Appraisal or Market Appraisal (Demand of the product, supply of the product, distribution channels, pricing of the product and government policies.
3. Economic Appraisal
4. Management Appraisal (assessing the willingness of the borrower to repay the loan)
5. Financial Appraisal

Methods of the Project Financing

There are three methods in Project Financing:

1. Cost Share Financing or Low interest loan financing.
2. Debts Financing.
3. Equity Financing.

Sources for Financing Fixed Assets

The type of funds required for acquiring fixed assets have to be of longer duration and these would normally comprise of borrowed funds and own funds. There are several types of long-term loans and credit facilities available which a company may utilise to acquire the desired fixed assets. These are briefly explained as under.

1. Term Loan :-

(a) **Rupee loan-** Rupee loan is available from financial institutions and banks for setting up new projects as,



well as for expansion, modernisation or rehabilitation of existing units. The rupee term loan can be utilised for incurring expenditure in rupees for purchase of land, building, plant and machinery, electric fittings, etc.

The duration of such loan varies from 5 to 10 years including a moratorium of up to a period of 3 years. Projects costing up to Rs. 500 lakhs are eligible for refinance from all India financial institutions and are financed by the State level financial institutions in participation with commercial banks.

Projects with a cost of over Rs. 500 lakhs are considered for financing by all India financial institutions. They entertain applications for foreign currency loan assistance for smaller amounts also irrespective of whether the machinery to be financed is being procured by way of balancing equipment, modernisation or as a composite part of a new project.

For the convenience of entrepreneurs, the financial institutions have devised a standard application form. All projects whether in the nature of new, expansion, diversification, modernisation or rehabilitation with a capital cost upto 5 crores can be financed by the financial institution either on its own or in participation with State level financial institutions and banks.

(b) Foreign Currency term loan. Assistance in the nature of foreign currency loan is available for incurring foreign currency expenditure towards import of plant and machinery, for payment of remuneration and expenses in foreign currency to foreign technicians for obtaining technical knowhow.

Foreign currency loans are sanctioned by term lending institutions and commercial banks under the various lines of credits already procured by them from the international markets. The liability of the borrower under the foreign currency loan remains in the foreign currency in which the borrowing has been made. The currency allocation is made by the lending financial institution on the basis of the available lines of credit and the time duration within which the entire line of credit has to be, fully utilised.

2. **Deferred payment guarantee (DPG)** - Assistance in the nature of Deferred Payment Guarantee is available for purchase of indigenous as well as imported plant and, machinery. Under this scheme guarantee is given by concerned bank/financial institutions about repayment of the principal along with interest and deferred installments. This is a very important type of assistance particularly useful for existing profit 'making companies who can acquire additional plant and machinery without much loss of time. Even the banks and financial institutions grant assistance under Deferred Payment Guarantee more easily than term loan as there is no immediate outflow of cash.
3. **Soft loan** - This is available under special scheme operated through all India financial institutions. Under this scheme assistance is granted for modernisation and rehabilitation of industrial units. The loans are extended at a lower rate of interest and assistance is also provided in respect of promoters contribution, debt equity ratio, repayment period as well as initial moratorium.
4. **Supplier's line of credit** - Under this scheme non revolving line of credit is extended to the seller to be utilised within a stipulated period. Assistance is provided to manufacturers for promoting sale of their industrial equipments on deferred payment basis. While on the other hand this credit facility can be availed of by actual users for purchase of plant/equipment for replacement or modernisation schemes only.



5. **Buyer's credit** - Under a buyer's credit arrangement, a specific long-term loan is granted by a designated lending agency in the exporter's country to the buyer in the import, country against a guarantee by an acceptable bank or financial institution. The supplier receives payment for the exports on his delivering to the lending agency the requisite documents specified in the loan agreement and the relative commercial contract. The lending agency realises the payment from the buy (importer) in instalments as and when they fall due. Ordinarily, the supplier of his obligation reckons the period credit as the duration from the date of completion.
6. **Debentures** - Long - term funds can also be raised through debenture with the objective of financing new undertakings, expansion, diversification and also for augmenting the long term resources of the company for working capital requirements. Debenture holders are long term creditors of the company. As a secured instrument, it is a promise to pay interest and repay principal at stipulated times. In the contrast to equity capital which is a variable income (dividend/ security, the debenture / notes are fixed income (interest security).
7. **Leasing** - Leasing is a general contract between the owner and user of the assets over a specified period of time. The asset is purchased initially by the lessor (leasing company) and thereafter leased to the user (lessee company) which pays a specified rent at periodical intervals. The ownership of the asset lies with the lessor while the lessee only acquires possession and right to use the assets subject to the agreement. Thus, leasing is an alternative to the purchase of an asset out of own or borrowed funds. Moreover, lease finance can be arranged much faster as compared to term loans from financial institutions.

8. Own Fund

a. **Equity**: Promoters of a project have to involve themselves in the financing of the project by providing adequate equity base. From the bankers/financial institutions' point of view the level of equity proposed by the promoters is an important indicator about the seriousness and capacity of the promoters.

Moreover, the amount of equity that ought to be subscribed by the promoters will also depend upon the debt: equity norms, stock exchange regulations and the level of investment, which will be adequate to ensure control of the company.

The total equity amount may be either contributed by the promoters themselves or they may partly raise the equity from the public. So far as the promoters stake in the equity is concerned, it may be raised from the directors, their relatives and friends. Equity may also be raised from associate companies in the group who have surplus funds available with them. Besides, equity participation may be obtained from State financial corporation/industrial development corporations.

Another important source for equity could be the foreign collaborations. Of course, the participation of foreign collaborators will depend upon the terms of collaboration agreement and the investment would be subject to approval from Government and Reserve Bank of India. Normally, the Government has been granting approvals for equity investment by foreign collaborators as per the prevailing policy. The equity participation by foreign collaborators may be by way of direct payment in foreign currency or supply of technical know-how/ plant and machinery.

Amongst the various participants in the equity, the most important group would be the general investing public. The existence of giant corporations would impossible but for the investment by small shareholders. In fact,



it would be no exaggeration to say that the real foundation of the corporate sector are the small shareholders who contribute the bulk of equity funds. The equity capital raised from the public will depend upon several factors viz. prevailing market conditions, investors' psychology, promoters track record, nature of industry, government policy, listing requirements, etc.

The promoters will have to undertake an exercise to ascertain the maximum amount that may have to be raised by way of equity from the public after asking into account the investment in equity by the promoters, their associates and from various sources mentioned earlier. Besides, some equity may also be possible through private placement. Hence, only the remaining gap will have to be filled by making an issue to the public.

b. Preference share: Though preference shares constitute an independent source of finance, unfortunately, over the years preference shares have lost the ground to equity and as a result today preference shares enjoy limited patronage. Due to fixed dividend, no voting rights except under certain circumstances and lack of participation in the profitability of the company, fewer shareholders are interested to invest moneys in preference shares. However, section of the investors who prefer low risks fixed income securities do invest in preference shares. Nevertheless, as a source of finance it is of limited import and much reliance cannot be placed on it.

9. Bridge Loans: This is a temporary loan meant for tying up the capital cost of the project. The necessity for bridge finance arises in situations where finance from particular source is being delayed. However, the availability of finance from that source is certain.

10. Seed Capital: In consonance with the Government policy which encourages a new class of entrepreneurs and also intends wider dispersal of ownership and control of manufacturing units, a special scheme to supplement the resource & of an entrepreneur has been introduced by the Government. Assistance under this scheme is available in the nature of seed capital which is normally given by way of long term interest free loan. Seed capital assistance is provided to small as well as medium scale units promoted by eligible entrepreneurs.

11. Government subsidies: Subsidies extended by the Central as well as State Government form a very important type of funds available to a company for implementing its project. Subsidies may be available in the nature of outright cash grant or long - term interest free loan. In fact, while finalising the mean of finance, Government subsidy forms an important source having a vital bearing on the implementation of many a project.

Conclusion The key to any project finance is to use a right mix of debt and equity. Further, there should be a right mix of foreign currency and rupee loans. It is also essential that there should be flexibility in respect of switching from foreign currency to rupee loan and vice versa. There are a number of issues highlighted herein above which need to be considered for the purpose of financing of the project. Besides, it is important that due care is taken in drafting the documents concerning the financing of the project.

The companies should adopt the project financing structures so that the objective of shareholder's wealth maximization can be achieved. As the world is heading towards a global integrated market and the failure of governments as well as the demand for private capital in infrastructure assets is increasing, project finance will continue to play an important role in both developed and developing markets.



CA. Atindra Deshmukh
What Happens After your Loan is Approved?

What Happens After your Loan is Approved?

Pre-disbursement stage

The letter of intent (LOI) for sanction of financial assistance is issued with certain terms and conditions. Once your company unconditionally accepts LOI through Board resolution, the following documents need to be executed as may be applicable as per the terms of assistance.

- Loan Agreement (LA) between the lender and the borrower crystallising the contractual relationship between them
- Deed of Hypothecation (DOH)
- Undertaking for non-disposal of shareholding
- Undertaking for over-run/shortfall
- Guarantee deed
- Pledge of shares document
- Registration of Form 8 & 13 relating to Deed of Hypothecation with the concerned Registrar of Companies for creation of interim security

Creation of Final Security

Your company will need to submit the following :

- Title Deeds
- No objections from the existing secured creditors for ceding pari-passu/ prior charge
- Permission of the lessors to mortgage the leasehold land, if required
- Statutory permissions, if any, required for creation of mortgage.

Disbursement of sanctioned assistance

- Your company is required to submit application for drawal of loan specifying progress of the project and requirement of funds.
- Since creation of final security takes time, the disbursement request is considered by the Bank/ institution after execution of legal documents so as to avoid delay in implementation of the Project.
- Your company will have to bring in Promoters' contribution as stipulated and furnish Chartered Accounts Certificate therefor alongwith utilisation of funds.



- Based on the certificate, pro-rata disbursement is normally considered by the bank/institution. Bank / Institution may insist on a minimum Promoters contribution deployment prior to disbursement.
- Site visit and Bank Account Scrutiny are carried out by bank officials to check the progress thereof before disbursement of assistance.
- Progress regarding creation of security is reviewed by the bank at the time of each disbursement.

Post-disbursement stage

Project monitoring is done by the lender bank/institution during implementation period and post operation period. The lender will insist on the following :

- Periodical progress reports
- Site visits by bank /institution's officials
- Periodical interaction/ discussions with Chief executives/senior executives of the company to ascertain progress
- Annual report of Your company
- Appointment of bank/institutional nominee on the Board of your company
- Insurance of assets of your company in your name jointly with bank/institution.

The project follow-up basically aims at ensuring end use of the assistance granted for intended purpose and timely repayment of the assistance as per terms of sanction.

VACANCY FOR C.A. ARTICLESHIP

V. K. Surana & Co. invites applications for registration as **Article Trainee** from Students.

Those intending to join the Firm may contact:

V. K. SURANA & Co.
CHARTERED ACCOUNTANTS
V.C.A. COMPLEX, CIVIL LINES,
NAGPUR — 440001.
PH. NO. :- 0712-6641111, 6641146.
FAX NO.:- 0712-6641122
Email:- office@vksca.com

REQUIREMENT

ARTICLES / EMPLOYEES VACANCY AT SANDEEP SAKET JAIN & ASSOCIATES

We are looking for energetic and passionate candidates. Interested candidates can forward their resume at jaincaemail@gmail.com and also contact 071-2730765 drop in with resume at Gokul 302, 3rd floor opp Raymond, CA road Darodkar Square, Nagpur - 440032.



Events Clicks

301st certificate Course on Concurrent Audit of Banks Panel Discussion



“Samvaad” - Study Circle on IND AS



Speaker - CA. Mukund Sarda



Events Clicks

CA Day Celebration



**Flag Hoisting
At the hands of CA. R.M. Shah
Chief Guest**



**Inauguration of
Multiple Check-Up Camps
at the hands of
CA. Anil Parakh**





Events Clicks

CA Day Celebration Felicitation of Senior Chartered Accountants





Events Clicks

CA Day Celebration



Blood Donation Camp



Dental Checkup Camp



Eye Checkup Camp



Events Clicks

CA Day Celebration



Health Checkup Camp



Bone Density Checkup Camp



Events Clicks

Green Marathon



Chief Guest:
Dr. K. Venkyatesham
Hon. Commissioner of Police, Nagpur
Guest of Hon.
CA. V.N. Chari



Swaccha Bharat Abhiyan





Events Clicks

Ek Shaam CA ke Naam



Study Circle Meet on GST - All about Returns



Speaker
CA. Abhijit Kelkar, RCM



Events Clicks

Regional Conference on GST for CA Students



Chief Guest:
CA. Jaydeep Shah
Past President, ICAI



Guest of Hon.
CA. Balkrishna Agrawal
WICASA Chairman



Events Clicks

104th Certificate Course on Forensic Accounting & Fraud Detection



Chief Guest
Shri Rajkumar Ghosh
Add. Director, NADT





Events Clicks

Panel Discussion on Practice Development



CA. Ashutosh Joshi



CA. Hemal Kothari



CA. P.C. Sarda



CA. Yash Verma



CA. C.N. Rathi





Events Clicks

"Samvaad"- Study Circle on Insolvency & Bankruptcy Code



Speaker - CA. Ranjit Jain



Panel Discussion on Critical Issues Faced under GST- Post Implementation



CA.Vasant Bhat, Mumbai



***CA. Madhukar Hiregange
Chairman-Indirect Tax Committee of ICAI***



CA. Ajit Gokarn, Nagpur



Events Clicks

Full Day Seminar on ICDS



**CA. K. Venkatachalam,
Pune**



**CA. M.R. Hundiwala
Aurangabad**



**CA. Nihar Jambusaria
Mumbai**



Events Clicks

Seminar on Income Computation and Disclosure Standards (ICDS) for CA Students



**Speaker -
CA. Nihar Jambusaria, CCM**



CA. Sandeep Jotwani, Chairman, Nagpur Branch