

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



# INDIA

## Independence Day

### Issue No. 8 - August 2019

# NEWSLETTER

**PUNE BRANCH  
OF WIRC OF ICAI**

**(Subscribers copy not for sale)**

## PUNE BRANCH OF WIRC OF ICAI

### Forthcoming Programmes

SR. NO.	DATE	SEMINAR NAME	VENUE	TIME	FEES	CPE HRS.
1.	29th August, 2019	Introduction of Income Tax & How to File Income Tax Return for Press Reporters	Patrakar Bhawan, Pune	2.30 pm To 4.00 pm	No Fees	N. A.
2.	30th August, 2019	ICAI's Interactive Meet with CFO's and CEO's	Hotel Sheraton Grand, Bund Garden, Pune	7.00 pm onwards	No Fees	N. A.
3.	1st September, 2019	ICAI Convocation 2019-20 (1st Round)	Bunts Sangha, Mumbai - Bangalore Highway, Village Baner, Pune	8.00 am onwards	N. A.	N. A.
4.	4th September, 2019	Income Tax TDS Outreach Program & Interaction with TRACES Authorities	ICAI Bhawan, Bibwewadi, Pune	10.00 am To 1.00 pm	Rs. 100/- Plus GST for Members & Non Members (Free for Students)	2 Hrs.
5.	7th September, 2019	Seminar on Refreshing Tax Audit	MES Auditorium, Bai Shikshan Sanstha, Mayur Colony, Kothrud, Pune	9.00 am To 12.30 pm	Rs. 300/- Plus GST	3 Hrs.
6.	5th & 6th October, 2019	National Conference on GST	MIT College, Kothrud, Pune	9.00 am To 5.30 pm	Rs.1500/- Plus GST till 15th Sept Rs.1750/- Plus GST after 15th Sept	12 Hrs.

#### Notes:-

- 1) Registrations half an hour before program timings mentioned above.
- 2) For online registrations & detailed programme structure visit [www.puneicai.org](http://www.puneicai.org)
- 3) Spot Registration Fees will be charge 25% extra

### National Conference at Shirdi



Inauguration



Participants

### National Conference at Amaravati



Inauguration



Chairperson of Pune ICAI with President of ICAI at Cultural Evening

## Flag Hoisting on the Occasion of Independence Day



## Regional Conclave on Cooperative Banks



Center - Chief Guest Dr. Kishore Toshniwal, Director of Agricultural Marketing & Special Registrar, Co-operative Societies, Maharashtra State, Pune with CA C V Chitale, CCM, ICAI, CA Anand R Jakhotiya, Chairman-Committee for Co-operative, WIRC, CA Abhijit Kelkar, Vice-Chairman, Committee for Co-operative, WIRC, CA Ruta Chitale, Chairperson -Pune ICAI, CA Drushti Desai, RCM also includes Directors of some of the banks & Managing Committee Member.



Participants



Dr. Kishore Toshniwal  
Chief Guest



CA. C. V. Chitale  
CCM-ICAI



CA. Anand Jakhotiya  
RCM & Chairman-Committee for  
Co-operative, WIRC



CA. Abhijit Kelkar  
RCM & Vice-Chairman,  
Committee for Co-operative, WIRC



CA. Shashank Patki  
Speaker



CA. Sandeep Welling  
Speaker



Adv. CA. Sandeep Sachdeva  
Speaker



Mr. Sachin Dedhia  
Speaker



Panelists From L To R :- CA. Abhay Mate, CA. C. V. Chitale, CA. Dr. S. B. Zaware, CA. G. B. Rathi, CA. Anand Jakhotiya

## Chairperson's Communique

Respected Members,

Wishing you all a very Happy Independence Day !!!!

Recently we celebrated our great Nation's Independence Day. This was the day that gave us freedom of thought, action, faith and speech. Similarly our alma-mater, ICAI is doing its level best to free us from the glitches of manual intervention in our dealings with our institute and make the entire systems and processes efficient and effective in the form of Self Service portal (SSP). Alas... there have been lot of issues like migration of data, updating of data and such other problems. This has severely affected the members and students alike. As such the confidence in the system needs to be restored on a war footing!



CA. Ruta Chitale  
Chairperson  
Pune Branch of WIRC of ICAI

Let me assure all the members and students that we at the branch including the ex-officio managing committee members have taken serious note of this matter and have set up a response mechanism at the branch. This response mechanism consists of four of our Pune branch staff and a designated special officer by the Central body. They have been sorting queries received by them over last 2 months. Soon they shall also be undergoing a special training in order that the response to members/ students queries is quicker. We all are working towards making SSP smoother and easier for all. But sometimes something's require 'time'. Time to sort queries and have a channelized problem resolution mechanism. You all have shown patience with the new system and I personally implore you for some more!

We shall be hosting a national conference on GST organized by the GST and Indirect Taxes Committee, ICAI on 5th and 6th October 2019. Already the registrations are touching 400 delegates. I appeal to all the members that- this is your programme and we at the Pune branch would be delighted to have as many helping hands as possible. If you are interested please do join the coordinating team.

Do not forget to share your ideas, views and thoughts on any and every matter related to the branch. Assuring you that we shall definitely take cognizance of each and every email, message and verbal communication.

Warm Regards,  
CA Ruta Chitale

## Walking the walk

Contributed by :- CA (Dr.) Pankaj Vasani  
Email :- pvasani@icloud.com

Corporate world has become more sedentary than ever. And stress plus late-nights is a common element in most people's lives. Focusing on mind and neglecting the body has become a norm for many. Life's too precious and short to be confined to only a cubicle, desk or cabin.

Sitting at the computer or office desk all day/at length is injurious to health in many ways. The medical community says that sitting is the new smoking. And many of us do far too much of it. Over the years, various researches have stressed that walking is by far the most effective and across-the-board form of exercise of health.

Levine, an endocrinologist, says our computer and gadget-driven society shoulders much of the blame. "The health consequences of prolonged sitting... include not only obesity but also hypertension, hyperlipidemia - high cholesterol if you like - cardiovascular disease, certain types of cancer, poor or low mood, a predisposition to diabetes," he says.

"The evidence overwhelmingly suggests that prolonged sitting is shortening our lives and also our quality of life," says Dr James Levine, director of obesity solutions at the Mayo Clinic and Arizona State University.

Your body was built to move, and your brain was meant to function at peak efficiency with a moving body," asserts author of 'Love Yourself Fit', Lisa Nordquist. "Movement is exercise," she clarifies; you don't have to go to the gym to be more active. "All movement counts."

While the estimated value of fitness market in India is over INR 100,000 crores; a recent study reveals that 45% of Indian men and almost 54% of Indian women are 'inactive' i.e. burning <50% of their 'burning budget' in a day.

### **A glimpse into our history**

Walking isn't new, but as of today, an underutilized technique at work.

Charles Dickens used to write from 9 a.m. till 2 p.m. and then go for a walk: 20-30 miles a day were routine for him. It is said that William Wordsworth walked ~6.5 miles a day. No doubt his work is bursting with nature - mountains, forests and roads.

Albert Einstein was another fan of outdoors. He often took a long walk on the beach to introspect and work out complex problems. Robert Frost, Shakespeare, Charles Darwin, Friedrich Nietzsche, Aristotle etc. - list of great minds that were obsessive walkers is long.

### **Why walk?**

There is a clear, deep and intuitive connection between wandering feet and productive mind - walking and thinking. When the feet move, mind follows.

### **Creativity booster**

Walking helps open windows of the mind. A recent study from Harvard has found that walking at your natural gate, spikes your creativity by an average of 60%! Creative juices continued to flow even when a person sat back down shortly after a walk.

## Decision making

Walking allows you to come to more effective and novel solutions. Helps one to tune out.

### Other advantages:

- Divergent thinking
- Innovative ideas and strokes of insights
- Provokes thought, creativity and art
- Improves working memory
- Recuperates productivity
- Natural mood enhancer – it is the brain medicine.

Michael Burnett, author of 'Walks in and Around Dolgellow Town' in Snowdonia, states that during the walks, "there are a series of revelations. These moments of discovery are mind-cleansing. They focus you. Give you that moment of clarity you need to make those important decisions".

As the American stand-up comedian, actor, voice actor and writer, Patton Oswalt puts it, "there are times when I have to take, I call it a 'silence bath,' where I shut off all of the external gadgets. I go walk around, talk to people and just live life for a while.

In today's day and age when many people have become image conscious and health sensitive, some are yet waiting for that wake-up call. I have a theory – which I call the RPW – we Resolve to get fitter, Procrastinate getting into the act and then Wish (desire) if by some magic we became fitter. And as Buddha said, desires are the main cause of sorrow. It is easy to be influenced by the negative stereotypes.

A few years back, I got a very disturbing news – an ex-colleague of mine, aged 38 years, suddenly passed away of multiple-organ failure. No prior history or medical condition. He was lean, used to eat right, never smoked and drank only socially. What I recollect is, he was not a very active person in general; and abhorred walking or any form of exercise.

With current lifestyles and changing trends, every person doing a white-collared job, regardless of their hierarchy and/or age, must walk or run at least 30 minutes daily. Fitness is not an option but a pressing concern, a necessity.

Sadguru, an Indian yogi, mystic, and author once said – "some people are over-worked and have ill-health. But most people are under-worked and have ill-health. If you had lived 200 years ago, you would be doing at least 20 times more physical activity than what you are doing right now. You would have walked everywhere and would have done everything with your hands. If you were doing that much activity, I would have told you to take a break and get some rest. But for most people today, the body has not been used enough. In terms of physical activity, many 20-year-olds would not be able to do what a 60-year-old was doing 100 years ago. That means we are just weakening humanity. You can keep this body well only by using it. The more you use it the better it gets."

Listening to your body is what it's all about.

### **The science of it**

As my wife, Dr. Poonam Patel Vasani (M.D.), specialist Pain Management elaborates – walking improves blood circulation to each and every tissue of body including heart, brain, muscles. This provides enhanced delivery of oxygen and nutrients to every cell in the body. This helps to tone and strengthen the spine, buttock and leg muscles, which reduces the incidence of low back pain in sedentary workers. Simple habit of leaving your desk every 45 mins and getting your cup of coffee, printout or water can decrease back pain in office goers. Routine walking also improves the flexibility of spine and bone strength. So think of walking as having food every day.

### **I am too busy – no time even to die!**

If that's your excuse, imagine the lives of below, and read on.

Steve Jobs says every time he needs to think comprehensively, he'd take a walk. Facebook's Mark Zuckerberg has also been seen holding on-the-foot meetings. Back in 2008, Bill Gates was known to work out on the treadmill after waking up, while watching DVDs from the Teaching Company's 'Great Courses' series, according to the New York Times.

Obama runs every day approximately 3 miles. Cardio fitness plays a large role in maintaining his slim figure. He said, "I tend to be a healthy eater. So I probably could get away with cutting my workouts back a little bit. The main reason I do it is just to clear my head and relieve me of stress. It's a great way to stay focused."

Justin Trudeau, the young Canadian PM, sure finds the time to get into a workout, and is quite a well-known fitness enthusiast. He has been running and boxing for last 20 years. He mentions the importance of being fit as any individual and not just as a public figure. It's a long list of notable international politicians: Jeff Flake (Senator, Arizona), Paul Ryan (Speaker – the House), Ben Sasse (Senator – Nebraska), Rahm Emanuel (Mayor – Chicago), Andrew Cuomo (Governor – New York), Martin O'Malley (Governor – Maryland) etc. etc.

Back home; Anil Ambani, the business tycoon, who now we also know as an avid marathoner, once weighed 105 kg and couldn't walk a kilometer! Today, he is also counted among Forbes "10 Billionaires in the World who are Marathoners". Anant and Nita Ambani's tremendous weight loss and maintenance discipline is an inspiring story in itself.

Akshay Kumar, one of the fittest Bollywood actors and aged 52, says - if you cannot exercise, just take a quick walk for about 15-20 minutes every day to ensure some physical activity.

It is very easy for each one of them to claim that they are very busy. But, every successful person knows that the busier one is, it is more, and not just equally, important to be active.

### **My humble journey and mantras**

Personally, I have been at both the ends of spectrum. I was quite fit and active during my student days, but eventually lost focus. I became too important 'in my head' (hope you understand what I mean), and started leading an unhealthy life – very little physical activities and food to celebrate as also for distress. Luckily, I realized quite early on the side effects of being lazy, and the positives of well-being and longevity.

I may be a late-bloomer, but at least I had the 'realization'. A very simple theory to staying fit – consume less, burn more (calories). It is a state of mind. As I always say, physical fitness is a by-product of mental fitness.

My average daily run/walk of last 4.5 years is 19.8 kilometers. Not much by any professional's standards, but it gives a sense of resolve, satisfaction and personal attainment. I feel flooded in satisfaction. Puts me in a zone, makes me focus. Not only is it a relieving purge of unwanted emotions and generate positive ones, it is a lot of fun, every time. It's like a meditation for me. I get my best ideas during a run or walk.

Whilst I was employed with Vodafone, I was inspired by my colleagues in the London HQ who used to run/walk, swim or play some sports on every Friday morning, together, as a team. For many years, the team and I in India borrowed that concept and we also used to trek, walk or run marathons on almost every Friday/weekend. Occasionally, we would also bike to work. It was not just a goodbye to the liquor and late-night parties, but also a great way to stay fit and bond. And above all, the respective spouses/partners were also quite happy with the change.

While I typically do not focus on my speed or time, I do check my distance. I use a fitness tracker. I walk to work, in my cabin, during phone calls/meetings...take stairs. I often do a 'walk-with-me' inside and outside the office catchups. Every step counts. I don't frequent the gym (neither gymtimidation, nor a gym rat). My rest days are not fixed. Neither are my walk/run hours. Morning walk or evening saunter, anything works.

Robin Sharma in his book – the monk who sold his Ferrari – talks about Sumo wrestlers who subscribe to an ancient, Japanese idea called kaizen. It means never-ending improvement. This idea, to always be learning and getting better, is another virtue of the Sivana system. The sages suggest a 10-step morning routine they call the 10 rituals of radiant living to help you live this virtue – and one of them is the 'Ritual of Physicality' – which is basically -move, get up, do some exercise. Whatever gets the blood flowing.

While traveling almost everyone has a notoriously poor lifestyle, with unhealthy meals and loads of caffeine/vino, umpteen snacks, and above all - irregular sleeping habits and lack of motivation and opportunity to exercise. I try not to take breaks while traveling – business or pleasure. I always pack a pair of comfortable shoes. I don't believe in the theory of – holiday calories don't count.

In the movie, Forrest Gump, Forrest says "When I got tired, I slept. When I got hungry, I ate. When I had to go, you know, I went."

### **Mix it up**

For the last one year, I have tried to additionally rope in calisthenics (pull-ups, push-ups and the shebang), besides cycling, into my regime. Again, it is not contingent on the weather. I can do it even in my hotel room.

I absolutely agree with Jocko Willink, a retired Navy SEAL commander and now a bestselling author in his book 'Discipline Equals Freedom: Field Manual' wherein he mentions – "Just do some kind of workout. Doesn't matter if it's going for a walk around the block, going for a jog, doing some calisthenics, lifting weights, going to a pool and swimming - you name it. But do something that gets your blood flowing and gets your mind in the game."



Am I very fit? No ways. Am I fitter? of course. And there's a huge scope for improvement. I may do the Mt. Everest or a triathlon, someday. But it is the journey which is exceptionally enjoyable.

### **Treadmill desk**

A new trend. It's a wide desk that spans about 4.5 feet across and 3 feet wide. It comfortably has room for a wide monitor, a laptop and a keyboard, just like a normal desk. Slow walking (and paddling, if using a stationary bike) at around one-two mile per hour while working is the key to using a treadmill or stationary bike desk. Little practice, proper footwear, posture, ergonomics etc. are important to prevent shoulder, neck, and back problems.

Productivity may suffer, initially. But once perfected, can help you stay fitter even at work! Of course, some may be conscious of sweating for hours in front of other employees. But it doesn't matter. For some, it makes office a fun place. There's also trek and tread desks. Standing desk are still better than the usual ones. What's next, a treadmill seat at the movies? Not a bad idea, if you think about it.

"Moving your body at least every 20 to 30 minutes is the healthiest thing you can do throughout the day, and that movement can come in many forms," says Portland, Oregon-based "Fully" founder and CEO David Kahl.

### **To sum up**

Douglas Fairbanks, one of Hollywood's founding fathers said – "And, mind you, physical training doesn't necessarily mean going to an expert for advice. One doesn't have to make a mountain out of a molehill. Get out in the fresh air and walk briskly—and don't forget to wear a smile while you're at it. Don't over-do. Take it easy at first and build on your effort day by day. A little this morning—a little more tonight. The first chance you have, when you're sure of your wind and heart, get out upon the country road, or cross-country hill and dale. Then run, run, run, until you drop exhausted upon some grassy bank. Then laugh, loud and long, for you're on the road to happiness."

When Buddha said, 'we ourselves must walk the path', maybe he didn't mean it literally. But I'd like to believe that he meant it in the physical sense as well! With this philosophy, one will receive more than s/he seeks.

The idea to pen this piece came while I was doing my 10k this morning.

And remember - one step at a time.

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## **Congratulations**



### **CA. Dilip Dixit**

has been appointed as a Director on the board of SBI Pension Funds Private Limited.

# Foundation Day Celebration



Night Marathon



Night Marathon



Winner of Night Marathon



Swachh Bharat Abhiyan



Plantation of saplings



Plantation of saplings



Blood Donation Camp



Health Check-up Camp



Flag Hoisting



# The Institute of Chartered Accountants of India (ICAI)

## ICAI Commerce Wizard-2019

### A Talent Search Test

Organised By: Career Counselling Group (CCG), ICAI

For Details and Registration please visit the Exclusive Website for ICAI Commerce Wizard, 2019: [icaicommercewizard.org](http://icaicommercewizard.org)

The Commerce Talent Search Test called as Commerce Wizard -2019 is a diagnostic test that measures the concept understanding ability of a student. Unlike regular tests which try only to find out how much a child knows this test measures how well a student has understood the concepts.

#### Online Registration

**Eligibility:** Students appearing in class IX/X/XI/XII & B.Com./BBA/BMS/Allied subjects examination

**Registration Fees :** ₹100/- upto 24<sup>th</sup> December, 2019  
**After Due Date :** ₹150/- 31<sup>st</sup> December, 2019

The Commerce Wizard will be conducted by means of in two levels i.e. Level I (Online) & Level II (Online) in English language for Students studying in class IX/X/XI/XII & B.Com./BBA/BMS/Allied Subjects:

Class	No. of Questions	Duration	Subjects	Mode	Negative Marking	Max. Marks	Pattern
IX	100	1 Hrs 15 Min	(I) Social Studies (Economics) (II) Mathematics (III) Business Awareness (IV) Aptitude	Online	0.25	100	Objective - type (Multiple Choice) questions
X	100	1 Hrs 15 Min	(I) Social Studies (Economics) (II) Mathematics (III) Business Awareness (IV) Aptitude	Online	0.25	100	
XI	100	1 Hrs 15 Min	(I) Business Studies (II) Accountancy (III) Economics (IV) Aptitude	Online	0.25	100	
XII	100	1 Hrs 15 Min	(I) Business Studies (II) Accountancy (III) Economics (IV) Aptitude	Online	0.25	100	
B.Com./BBA/BMS/ Allied Subjects Examination	100	1 Hrs 15 Min	(I) Business Studies (II) Accountancy (III) Economics/ Financial Studies (IV) Aptitude	Online	0.25	100	

#### Date Timings for the aforesaid test :

Class/Levels of Exam and Date	Level-I (Online test) 5 <sup>th</sup> January, 2020 (Sunday)	Level-II Test : Online in the designated test centre 19 <sup>th</sup> January, 2020 (Sunday)
Class IX & Class X	09:30 AM to 10.45 AM	1. 09:30 am. to 10.45 am. for Class IX & Class X
Class XI	11.45 AM to 1.00 PM	2. 11:45 am. to 1.00 pm. for Class XI
Class XII	2.00 PM to 3.15 PM	3. 2:00 pm. to 3:15 pm. for Class XII
Graduation-B.Com./BBA/BMS/Allied Subjects	4.15 PM to 5.30 PM	4. 4:15 pm. to 5:30 pm. for Class B.Com./BBA/BMS/Allied Subjects

#### Prizes for Participants

##### Level-I Test

All participants In Level-1 test will receive a Participation Certificate.

##### Level-II Test

1<sup>st</sup> Rank holder will be awarded with Rs 1 00 000/- for Class IX Class X Class XI Class XII & B.Com./BBA/BMS/Allied Subjects Separately if multiple winners are there the prize amount will be shared by them. If more than 50 joint rank holders for the same the awardee will at least awarded with the cash prize of Rs 2 000/-

2<sup>nd</sup> Rank will be awarded with Rs 50 000/-for Class IX Class X Class XI Class XII & B.Com./BBA/BMS/Allied Subjects separately if multiple winners are there the prize amount will be shared by them. If several joint rank holders for the same are there the awardee will at least awarded with the cash prize of Rs 1 500/-

3<sup>rd</sup> Rank will be awarded with Rs 25 000/-for Class IX Class X Class XI Class XII & B.Com./BBA/BMS/Allied Subjects separately if multiple winners are there the prize amount will be shared by them. If several joint rank holders for the same are there the awardees will at least awarded with the cash prize of Rs 750/-.

Top 200 consolation prizes will be awarded worth Rs 500/- along with an appreciation certificate for Class IX Class X Class XI Class XII & B.Com./BBA/BMS/Allied Subjects separately

Participation Certificate will be given to each participant appeared for the Level-II Test.

**ICAI Scholarship scheme will also be provided for the wards of Military/Para Military/ Railways Personnel**

**For further details please visit at:** [https://www.icaai.org/post.html?post\\_id=14927](https://www.icaai.org/post.html?post_id=14927)

#### Other Important Dates:

**Award Ceremony:** Award Ceremony will be held in February 2020.

**ICAI/Test Management Committee reserves the right to change in any of the modalities cited above.**

**CA. Prasanna Kumar D.**  
Deputy Convener  
Career Counselling Group (CCG), ICAI

**CA. Nandkishore Chidamber Hegde**  
Convener  
Career Counselling Group (CCG), ICAI

**For any Query please contact :**

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## **Credit Rating Agencies under Credibility Crisis**

**Contributed by :- CA. S. Balan**  
**Email :- balan@wheelsindia.com**

### **Introduction:**

IL&FS scandal opened a can of worms, already heads of two top credit rating agencies ICRA & CARE were sent on long leave till the investigation on the charges on them for assigning favourable credit score to IL&FS is completed. Director of another credit rating agency Ind-Ra was shunted out for his quid pro quo with IL&FS.

SEBI sought explanation from the five credit rating agencies on serious charges made by the forensic auditor Grant Thornton.

The forensic report exposed the involvement of all five credit agencies in meddling with the credit score. The government is seriously thinking to put stringent regulations on the functions of credit agencies.

### **How the Credit Rating Agency was originated?**

Businessmen don't hesitate to give credit for the goods you buy from him, provided if he knows you personally well and your ability to repay the debt. Selling goods on credit is also flourishing his business but he cannot expect that he should know every customer who seeks credit. When an unknown customer approaches him for credit sale, he will definitely hesitate because he is not sure about the repaying capacity of the new customer. At the same time, he will consider extending the credit facility to the new customer if a known, reputed and eminent person could vouch for the credit worthiness of the new customer, which led to the birth of credit rating agency.

When United States started expanding in leaps and bounds, the business trading activity also expanded. The merchants were selling goods on credit initially to the known persons only, but they started to get business from people who are not known to them, the trading community's hesitation to extend credit to new customers led to the birth of credit reporting industry.

### **Credit Rating Agency how it works:**

Credit Rating Agency is popularly known as CRA. They give credit rating to companies; the credit rating will speak about ability of the company to repay the debt in time with interest. Banks and lenders don't hesitate to give loan to the companies with high credit score. The lenders may reject the loan application of companies with poor credit score. It is not easy for the companies with poor or moderate credit score to get loan for the business. These companies are always under financial stress till they improve the credit score. Companies with low credit score means they may become a defaulter in repaying the loan, this is the caution for the lenders. Lenders are immensely benefited with the credit ratings. These CRAs don't do credit rating for individuals. Separate credit scoring agencies (CSR) do exist for rating the individuals, whose credential is stable.

CRAs do extensive study of companies, they thoroughly analyse the audited financial statements, future cash generation, various business & financial risk factors involved in the industry in general and for the company in particular and the various ratios, quality of the management, elaborate discussion with the management with the primary aim to find out the ability of the company to meet the future debt obligations.

In the bank, fund based loan ratings are assigned by CRA for External Commercial Borrowings (ECB), term loan, working capital loan, cash credit loan, bills discounting etc.

They do credit rating for manufacturing companies, banks, NBFCs, financial institutions, insurance companies, service providers, and for government & municipal corporation too.

In the capital market, CRAs assign ratings for long term instruments like Bonds, Debentures, Preference shares and short term instruments like Commercial Papers etc.

Ratings are given for Fixed Deposits of Corporates, Banks, Financial Institutions etc. to facilitate the investors to take wise decision before investing in FD.

They do credit rating for state government, local governments, NGOs or sovereign nations also. Hence credit rating is helpful for the lenders as well as for investors.

### **Big 3 International CRAs**

Credit Rating Agency (CRA) business is highly concentrated and dominated by the Big 3:

1. Moody's investor's service.
2. Standard and Poor (S&P).
3. Fitch Ratings.

95% of the credit rating business is controlled by the Big 3. Moody's and S&P are based at United States, Fitch is located in USA and in London. 80% of the global business is controlled by Moody and S&P and remaining 15% is controlled by Fitch.

### **CRAs in India**

Six credit rating agencies are operating in India:

1. CRISIL
2. ICRA
3. CARE
4. India Ratings & Research (Ind-Ra)
5. SMERA
6. Brickworks

These six credit rating agencies are registered with SEBI, accredited by RBI & NHB. SMERA do ratings exclusively for Micro, Small and Medium Enterprises.

### **Indian CRA in collaboration with Big 3:**

- ICRA have joint venture with Moody
- CRISIL have joint venture with S&P
- Ind-Ra is the Indian arm of Fitch Ratings

### **The CRAs score scale:**

CRAs have different score ratings for long term debts and short term debts, local currency debt, foreign currency debt etc.

Sample credit scoring:

**Sample credit scoring:**

<b>Long term debt instruments:</b> All bonds, NCD, other debt instruments with maturity period exceeding one year.	
Rating Scale	Score
Highest Safety	AAA
High Safety	AA
Low Risk	A
Moderate Safety	BBB
Moderate Risk	BB
High Risk	B
Very High Risk	C
Default	D

For highest safety: The ratings of the six CRA will be CRISL AAA, ICRA AAA, CARE AAA, IND-RA AAA, BWR AAA and so on and so forth.

Instruments with "D" rating score are already defaulters in repaying the debt or soon will become a defaulter.

<b>Short term debt instruments:</b> All debt instruments with maturity period within one year	
Rating Scale	Score
Lowest Credit Risk	A1
Low Credit Risk	A2
High Credit Risk	A3
Very High Credit Risk	A4
Default	D

For Lowest Credit Risk: The ratings of the six CRA will be CRISL A1, ICRA A1, CARE A1, IND-RA A1, BWR A1 and so on and so forth.

Instruments with "D" rating score are already defaulters in repaying the debt or soon will become a defaulter.

Apart from credit score, the credit agencies also comment on the credit outlook. Three type of credit outlooks are there Negative, Stable, Positive. The outlook relies on financial and accounting and other data. The outlook is the indicator of possibility of default in repayment of debts.

## **Whether Big 3 credit rating agencies are always correct?**

Not always, Enron fall off is a classic example. On 2nd December 2001, Enron declared bankruptcy but still up to 28th November 2001 that is just 4 days before bankruptcy, the Big 3 credit rating agencies rated Enron as an "Investment grade". Credit Rating Agencies, the so called watch dogs failed to prevent or at least warn the investors from Enron collapse.

The Sarbanes – Oxley Act 2002 was enacted in response to Enron debacle to avoid future corporate calamities.

Again during the 2008 subprime mortgage crisis in USA, the Big 3 drew the criticisms for giving high credit ratings for debt instruments which later become high-risk investments, they failed to raise the red-flag and failed to protect the interest of the investors. As a result, the three giant investment bankers Lehman Brothers, Merrill Lynch and Bear Sterns collapsed.

## **Credibility of the Credit rating Agency in India is under stake:**

The IL&FS scandal is a real can of worms. The role of five credit rating agencies ICRA, CARE, CRISIL, Brickworks and Ind-Ra in IL&FS are thoroughly exposed.

A whistle-blower has alleged that ICRA boss had meddled with the ratings assigned to IL&FS. ICRA assigned high ratings of AAA to IL&FS but contrary to its ratings IL&FS defaulted in its debt payment, which triggered a liquidity crunches in the financial services market. As a result, in June 2019, Naresh Takkar MD and CEO of ICRA, Moody's Indian affiliate, was sent on long leave by ICRA Board till the investigation against by him by a whistle-blower is completed. Takkar was in the helm of ICRA for a long time.

In the IL&FS fallout CARE Ratings too sent its MD Rajesh Mokashi on long leave citing the reason that the anonymous complaint received by the Securities and Exchange Board of India for meddling with the credit score assigned to IL&FS.

One of the Director of Ind- RA, Fitch Ratings Indian arm, has resigned in July 2019. He was accused of receiving financial help from bankrupt IL&FS to purchase a house for giving favourable credit score to doomed IL&FS for many years.

## **Government sacked IL&FS Board:**

The Central Government sacked IL&FS board for its "mismanagement" and for "compromising corporate governance norms" by invoking Sec 241 (2) of The Companies Act, 2013 and constituted a new board on 1st Oct. 2018 with the approval of National Company Law Tribunal (NCLT). The new board is headed by Vice Chairman and MD of Kotak Mahindra Bank Mr. Uday Kotak to rescue IL&FS from its current crisis.

## **Shocking forensic audit observations on CRAs:**

The Uday Kotak led IL&FS Board has appointed the 6th largest accounting and audit firm Grant Thornton to do forensic audit on the credit rating agencies that were engaged with the IL&FS group companies during the last one decade.

The first phase forensic audit report of Grant Thornton is very much shocking. The forensic report listed the type of "Gifts" given by IL&FS officials to the credit rating agencies for a favourable credit rating:

- Ticket to Real Madrid football match
- Rs 25 Lakhs donation to a trust
- Huge discount in Villa purchase
- Fitbit Watch
- Shirts

· **Ticket to Real Madrid football match:** According to the Thornton report, D Ravishankar, the founder and director of Brickworks in one of his mail communication dated 21st April 2015 to Arun Shah, the Joint Managing Director and CEO of IL&FS, thanked him for arranging ticket for football match at Madrid in the IL&FS box.

· **Rs 25,00,000 donation:** The Thornton report found that an e-mail dated 20th Feb 2008 from Meenakshi Kanagat – Manager IL&FS to the then IL&FS Chairman Ravi Parthasarathy, indicates that Rs 25 Lakhs donation to be given to a trust in which former ICRA Chairman was the managing trustee.

· **Huge discount in Villa purchase:** The Forensic report produced another evidence of an e-mail from Ramesh Bawa, MD and CEO of IL&FS Financial Service Limited (IFIN) between Sep 2012 and Aug 2016 how he helped Jyotsna Srivastava, wife of Ambreesh Srivastava, head of Fitch Ratings South and Southeast Asia to purchase a villa of Rs 3.12 crores. Bawa helped them to obtain a discount of Rs 43 Lakhs on the purchase of this villa. He requested Unitech MD Ajay Chandra to resolve the interest charged to Jyotsna Srivastava for delayed payment.

· **Fitbit Watch:** The Thornton report produced evidence from one of the mails dated 17th Sep 2013 from the Chief credit and risk officer of IL&FS planning to give Fitbit watch to Rajesh Mokashi, MD of CARE credit rating.

· **Shirts:** As per the report IL&FS officials has gifted shirts to Ambreesh Srivastava, the MD of Fitch Ratings.

Another dangerous observation made by Thornton is that whenever the CRAs decided to downgrade their ratings, then a meeting was arranged between the top officials of IL&FS and Top officials of CRAs. After the meeting, CRAs changed their stand to downgrade their credit rating score.

**SEBI's action:** Since The Grant Thornton report has given adequate evidence for the possible quid pro quo between the credit rating agencies and IL&FS bosses, SEBI has sought explanation from all the five credit rating agencies on the serious charges made in the forensic report by Grant Thornton.

### **Legal Binding:**

In India, Credit Rating Agencies are not liable for the losses incurred by the investors. But in USA, they are liable for any losses incurred, if they are due to inaccuracy in the ratings and only if it is proved that they knowingly release the false credit score.

After the 2008 financial crisis, US imposed civil liabilities on the credit rating agencies. In UK, investors can sue the credit rating agency in case of gross negligence or damage to the investors.



## Who will give Credit Scoring for Individuals:

There are four Credit Scoring Agencies (CSA) for individuals and their score is in numerical expression:

1. TransUnion CIBIL
2. CRIF Highmark
3. Equifax India
4. Experian

CIBIL is widely operated in India, CIBIL issues a comprehensive credit report for individuals. CIBIL has a strong member base including Banks, NBFCs, HFCs, credit card companies, state finance corporations. CSA have millions of update data, with this wider and strong data base, they will analyse the individual borrowing from different lenders which will help the lenders to identify the risk and to arrive at a fast decision in accepting or rejecting the loan application. Current credential crisis is with CRA, not with CSA.

Difference between Credit Rating Agency and Credit Scoring Agency:

Credit Rating Agency (CRA)	Credit Scoring Agency (CSA)
Credit Rating	Credit Scoring
Rating in combination of alphanumeric & symbol	Scoring in numeric expression only
Fees are paid by the credit rated companies, so conflict of interest is possible	Fees are not paid by the individual for the credit score, so conflict of interest not possible.

## Conclusion:

Since credit rating agencies drew criticism from all the corners and the credibility of credit rating agencies is under stake, the government is planning to create a post similar to public interest director in SEBI, also intend to rate all the debt instruments and would like to bring major transparency in the credit rating process.

The CRAs should work with more responsibility and accountability. Their biased ratings will affect the investment of millions of aam aadmi, they should not do injustice to investors.

***"Injustice anywhere is a threat for justice everywhere" Martin Luther King Jr.***

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## Investor Awareness Programme



CA. Dilip Satbhai  
Speaker



CA. Mandar Bagul  
Speaker



Participants



# Campus Placement Programme

Newly Qualified Chartered Accountants (NQCA's)

**September- October, 2019**

## Campus Interview Schedule

Sr.No.	Centres	Dates
1	Mumbai & New Delhi	19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 23 <sup>rd</sup> , 24 <sup>th</sup> , 25 <sup>th</sup> , 26 <sup>th</sup> & 27 <sup>th</sup> September, 2019
2	Chennai	20 <sup>th</sup> , 21 <sup>st</sup> , 23 <sup>rd</sup> , 24 <sup>th</sup> , 25 <sup>th</sup> , 26 <sup>th</sup> & 27 <sup>th</sup> September, 2019
3	Kolkata	21 <sup>st</sup> , 23 <sup>rd</sup> , 24 <sup>th</sup> , 25 <sup>th</sup> , 26 <sup>th</sup> , 27 <sup>th</sup> & 28 <sup>th</sup> September, 2019
4	Bengaluru	23 <sup>rd</sup> , 24 <sup>th</sup> , 25 <sup>th</sup> , 26 <sup>th</sup> , 27 <sup>th</sup> , 28 <sup>th</sup> & 29 <sup>th</sup> September, 2019
5	Ahmedabad, Hyderabad, Jaipur & Pune	25 <sup>th</sup> , 26 <sup>th</sup> , 27 <sup>th</sup> , 28 <sup>th</sup> & 30 <sup>th</sup> September, 2019
6	Durgapur & Ernakulam	22 <sup>nd</sup> October, 2019
7	Bhubaneswar, Chandigarh, Coimbatore, Indore & Kanpur	24 <sup>th</sup> & 25 <sup>th</sup> October, 2019
8	Thane & Noida	24 <sup>th</sup> & 25 <sup>th</sup> October, 2019

**For details, please visit: <https://cmib.icai.org/>**

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**Committee for Members in Industry & Business (CMI&B)**

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## **ITAT Members aren't Machines!**

Contributed by :- CA. B. Jamlappa

Email :-

**E**ven machines are shut for regular checks & periodic maintenance to ensure the expected delivery, then why expert & skillful hands are questioned to have vacations."

Calendar 2019 marked just seventeen holidays of which effectively thirteen holidays are offered by the Ministry of Law & Justice to the ITAT benches located in the State of Maharashtra and such number is much less than the holiday list of Hon'ble Apex Court.

(<https://sci.gov.in/pdf/calendar/ApprovedCal2019.pdf>)

The latest PIL (Public Interest Litigation) filed in the year 2018 before Hon'ble Supreme Court, reveals the fact that, at present, the annual workings of Hon'ble Apex Court is 193 days, of High Courts is 210 days and of trial courts 245 days through the country.

The previous article on the subject published in May, 2019 this year attributed the long pendency of cases towards SUMMER VACATION, unfortunately didn't scale up to underline the actual strength of eighty-seven active ITAT member over the total available posts of 126 members, leaving 1/3 unfilled vacancies which is a KEY concern to determine the prompt delivery of justice at lowest cost.

Furthermore, the delay in disposal of cases is not primarily attributable to seating of the benches alone but to various practical & feasible reasons such as; having filed the petition notices are not served to assessee, availability of Departmental Repetition owing to frequent transfer & escalation etc., delay in appointing representation by assessee all remains a standard excuse to delay the hearing etc.

Having flagged-off above hurdles, when the matter is fixed before a particular bench, in most of the cases it is witnessed that, the Assessee's Representative (AR) turns out to be selective putting forward a variety of reasons in seeking adjournment such as; information from client is awaited, lined-up cases before other bench, tide-up with other matter or preoccupied & time bar audits, assessment etc.

The reader must appreciate the existence of separate INCOME TAX TRIBUNAL in our country dealing with DIRECT TAX MATTERS as opposed to countries like UNITED KINGDOM (UK) which adjudicates the tax matters through common First-tier Tribunal, and in a country like Japan there exists no separate direct tax tribunal but addresses the concern through re-investigation by administrative forums & by subsequent litigation exposing to larger timespan.

The establishment of ITAT brought a paradigm shift in direct tax grievance redressal system and over seven and half decades, the Tribunal streamlined its procedure by formulating rules and by evolving conventions to make its working smooth and friction free thereby ensured an easy and speedy justice with low cost of litigation.

One must invariably appreciate the deliveries made by ITAT in-spite of lesser & inadequate infrastructure, manpower and facilities, and going further where court premise is not available, the Hon'ble Benches even functioned from the authorized cabins to ensure the EASY & SPEEDY JUSTICE.

**"Never go away from good relations even when you find some faults because relationship needs affection not perfection."**

At present across the country there are 63 Benches stationed at 32 locations (including 3 circuit locations) covering almost all the cities having a seat of the High Court with only eighty seven expert judicial & account member hands on record. The pendency statistics reported by "All India Federation of Tax Practitioner (MCS/082/2018-20), of which the author is a life member, reveals five digit pendency of regular cases and four digit SMC pendency only for Delhi & Mumbai.

Since the Tribunal is concerned with the administration of direct tax law, it is in fact an error correction mechanism through in depth analysis of fact & application of law, needs to update & equip itself in concurrence of seating, however also deserves to cool-off for best application of degree of legal and technical expertise of the members manning the Benches, user friendly, simple and informal procedures and inexpensive and quick delivery system. Naturally, with above characteristics particularly of delivery of quick and easy justice with openness in its working, made Tribunal popular & was able to win confidence.

In appreciation, the legendary courtroom genius Late Shri Nani Palkhiwala once expressed his regards "that I regard Income Tax Appellate Tribunal as one of the finest institutions which are working in this country with men of great ability and care of judge, men of extending intelligence and knowledge and the type of work which they have been doing has nothing, but my deep admiration for four & half decades (then)"

Before almost all benches, most senior counsels are making appearance and through their continuous involvement with direct tax litigation & practical experience as well as expertise, might have invented certain suggestive ideas for easy & speedy justice, which may be addressed to the Hon'ble Secretary of Ministry of Law & Justice (MoLJ) or alternatively, may be communicated to the respective authority instead being on the other side of the story.

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## **Workshop on "IBC for Preparation of IBBI Limited Insolvency Examination"**



CA. Prasad Dharap  
Speaker



CA. Rekha Shah  
Speaker



CA. Pravin Agarwal  
Speaker



CA. Nipun Singhvi  
Speaker



CA. Devang Sampat  
Speaker



Ms. Anagha Anasingaraju  
Speaker

## **6-a-Side Football Tournament 2019**



## Pune Tax Conference



Inauguration



Participants



Shri. M. K. Dubey  
DGIT (INV), Pune - Chief Guest



Shri. A. K. Modi  
CIT (TDS) Pune - Special Invitee



CA. C. V. Chitale  
CCM - ICAI



CA. Krupa Gandhi  
Speaker



Adv. Chandrashekhar Tilak  
Speaker



CA. Vishal Doshi  
Speaker



CA. Dharan Gandhi  
Speaker



CA. Sunil Kothare  
Speaker



CA. Jayesh Kariya  
Speaker



Panel Discussion

# Finance (No.2) Act 2019 Publications

- ▶ **Income Tax Act**  
64th Edition  
*Also Available Pocket Edition*
- ▶ **Direct Taxes Ready Reckoner**  
Dr. Vinod K. Singhania  
43rd Edition
- ▶ **Income Tax Rules**  
56th Edition
- ▶ **Master Guide to Income Tax Act with Commentary on Finance (No. 2) Act, 2019**  
Pradeep S. Shah & Rajesh Kadakia  
29th Edition
- ▶ **Master Guide to Income Tax Rules**  
26th Edition
- ▶ **Direct Taxes Manual**  
49th Edition  
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