

E-Newsletter

ERNAKULAM BRANCH OF SOUTHERN INDIA CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION

# SICASA

THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF INDIA

## Ernakulam

JULY '20



**CREDIT RATING IN INDIA**

**BY: SIDDHARTHA C**

**IMPORTANCE & IMPACT OF MORAL SCIENCE**

**BY: SRIVATSA GN**

**THE RAINS**

**BY: SANDHYA N S**

**CA DAY**

**BY: HARIKRISHNAN R**



# THE CATALYST

"lets Spark, Ignite, Calculate, Accelerate & Stimulate Adventures together"

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<http://www.sicasaernakulam.in/>

*- Let's Overcome together -*

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# Chairman's Message

Dear Students,

July was a difficult month for Kerala. We saw the number of cases surge with the increased testing rates, resigning all of us to our respective homes for the immediate future. However, on the professional front, things have started to become interesting with audits commencing with people resorting to new methods and technologies to complete audits.

We started this month on a high with students joining hands with members of Ernakulam branch in participating in the blood donation camp organized jointly with IMA, Kochi. With blood banks running on its reserves, our brave volunteers were able to provide much needed relief to the IMA. Our first week's activities also included a session on how to plan, prepare and pass the CA exams by the ever-popular CA Pavan Kumar from Chennai which was attended by over 580 students from Ernakulam and other regions. We also had a session on audit report and allied Standards on Auditing by our very own CA Amal Paul which was also well received. Ernakulam SICASA is very thankful to CA Amal Paul for his continued support.

I humbly believe that SICASA Ernakulam made a fair attempt to alleviate the stress of the CA students community through the Treasure Hunt organized this month. Spread over 3 rounds, the questions tested students logical reasoning and general knowledge. Congratulations to Merlin Sojan and Ajay Pisharody, the winners of the Treasure Hunt.



SICASA Ernakulam's commitment to students was on display this month with multiple valuable career counselling programmes organized as well as joint seminars with universities on topics ranging from Accounting Standards to Goods and Services Tax.

July 28 marked the day of our Annual General Meeting. I thank all students who participated and provided their constructive feedback and suggestions on programmes to be conducted during the rest of our term. August promises to be exciting as we're implementing a few of the suggestions put forth including a quiz and an indoor games competition.

*CHEERS TO A JULY  
WELL DONE.*

**CA Allen Joseph,  
Chairman, SICASA Ernakulam Branch.**



# Secretary's Report

**Dear friends,**

True Happiness is something that originates deep within our hearts. It reflects one's positive attitude towards life. Whatever is happening to us now is for something good in the future. In the beginning, we felt a little bad about the situations in which we had to run SICASA this year, but when life gives you lemons make lemonade out of it. I believe this year has been even better than all the other years. We had a lot of time to plan, make decisions, and execute things properly.

We were extremely happy to conduct quite a few programs with your help last month.

CA DAY which was on July 1st was held at the ICAI Bhawan in the presence of eminent personalities keeping all the Covid-19 precautions in mind. The flag hoisting was followed by a blood donation camp where both members and students took part actively.

CA Pavan Kumar sir's exam preparation class conducted on the 3rd of July was the next big milestone to webinars conducted by SICASA Ernakulam. There was an appreciable number of people as audience for the said webinar and we thank all of you for making it a success. I would also like to thank CA Pavan Kumar sir for helping us plan our exams well through your spectacularly conducted webinar.

Two of our programs were conducted on the 19th of July making it an extra special day. CA Amal Paul had taken a webinar on the topic 'Company audit report and allied SA's'. This topic was chosen based on popular requests from the student's side. CA Amal Paul sir simply made the topic look very easy and understanding to the students. And of course, the audience also had a big part in making this a great one. Thank you so much for the wonderfully handled session sir.

We had the opportunity to come up with a different event this month, which was the Treasure hunt competition. It is indeed our pleasure to have such a huge response from all of you within the first few minutes from the commencement of this competition itself. The competition was held in 3 separate rounds conducted on 3 different days. The winners are to be awarded Amazon gift vouchers. The zeal and energy were praiseworthy both from the side of the participants and the committee members. I would like to thank all of you who took an effort in being part of this event.

A career counseling program was conducted by ICAI along with SICASA this month.

We also conducted the Annual general meeting on the 28th of July where we had the opportunity to correct our mistakes, find new ideas, bring people together, and a lot more.

MCQ questions were also posted in our classroom which helped a lot of students in updating themselves for their upcoming exams.

Let me conclude by thanking you once again for all the support and help that we have received throughout this half-year, and expecting more positive responses from you in the coming months too.



**Phoebe Reena George,  
Secretary, SICASA Ernakulam Branch.**



# Editor's Note



**Duke Jose**



**Poornendu M Nair**



**Alan Thampi**

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As another month comes to a close, the realisation that there will be no going back to the "old normal" has set upon us. Looking back into the month of July, the Ernakulam branch of SICASA, had a very eventful month with a webinar, a treasure hunt event and other activities.

Being caught in the middle of a global pandemic hasn't been easy on any of us whether it be professionals or budding professionals. But as life moves on, the State of Kerala had begun to experience her most cherished time of the year; the monsoons. The newsletter for the month of July, has been dedicated to the rainfall Kerala is currently facing. This month's issue also contains in it, an article on the CA day celebrations that took place in the Ernakulam branch of ICAI. Our contribution to the festivities are covered in the aforementioned article.

The monsoon season in Kerala marks the beginning of the monsoons for the entire country. It is the time to romanticize her lush greens. Rainfall is received from June to September. Monsoons are the apt season for the much celebrated Ayurvedic treatments and the best season for nature lovers. It's also the season for the most awaited festival of Kerala, Onam.

We, the Editors of this year's committee, take this opportunity to thank each and every person for appreciating our hard work, and hope for the same love in the future months.



# *Technical* **ARTICLE** **ON**

Credit Rating in India

By: Siddhartha C



# Credit Rating in India

Siddhartha C  
SRO0475755

**Credit Rating** is an assessment of the borrower (be it an individual, group or company) that determines whether the borrower will be able to pay the loan back on time, as per the loan agreement. A good credit rating represents a good history of paying loans on time in the past. This credit rating influences the bank's decision of approving your loan application at a considerate rate of interest. It is usually expressed in alphabetical symbols. It helps investors to recognize the risk involved in lending the money and gives a fair assessment of the borrower's creditability.

## BENEFITS OF CREDIT RATING:

### For Money Lenders:

- **Better Investment Decision:**  
No bank or money lender companies would like to give money to a risky customer. With credit rating, they get an idea about the credit worthiness of a borrower (individual or company) & the risk factor attached with them. By evaluating this, they can make a better investment decision.
- **Safety Assured:**  
High credit rating means an assurance about the safety of the money and that it will be paid back with interest on time.



### For Borrowers:

- **Easy Loan Approval:**  
With high credit rating, you will be seen as low/no risk customer. Therefore, banks will approve your loan application easily.
- **Considerate Rate of Interest:**  
You must be aware of the fact every bank offers loan at a particular range of interest rates. One of the major factors that determine the rate of interest on the loan you take is your credit history. Higher the credit rating, lower will the rate of interest.



## How does Credit Ratings Works in India?

- Every credit rating agency has their algorithm to evaluate the credit rating. CRA analyse an organisation, individual, or entity & assign ratings to it. These agencies have the authority to rate companies, state governments, local government bodies, non-profit organisations, countries, securities, special purpose entities.
- Many factors are considered while settling with a rating such as financial statements, type of debt, lending and borrowing history, repayment capability, past credit repayment behaviour, and more. Each of these factors contributes to a specified share in computing the end result, credit score.
- The CRA does not provide any decision to financial institutions on whether an entity should get credit facility or not, rather it provides the report & other inputs making it easier for the lender to analyse and an informed decision. **The better is the rating, more the chances of getting money at payable interest rates.**

## Credit Rating Agency:

- A credit rating agency (CRA) evaluates & assesses an individual's or a company's creditworthiness. These agencies consider a debtor's income and credit lines to analyse the debtor's ability to repay or if there is any credit risk associated.
- Securities and Exchange Board of India reserves the right to authorise & regulate credit rating agencies according to SEBI Regulations, 1999 of the SEBI Act, 1992.

## Credit Rating Agencies in India

Ratings provided by these agencies determine the nature and integrals of the loan. Higher the credit rating, lower is the rate of interest offered to the Organisation.

The Credit Rating Agencies in India are:

**1. CRISIL: Credit Rating Information Services of India Limited** is the first credit rating agency of the country which was established in 1987. It calculates the credit worthiness of companies based on their strengths, market share, market reputation and board. It also rates companies, banks and organizations, helping investors make a better decision before investing in companies' bonds.

CRISIL businesses operate from India, the United States (US), the United Kingdom (UK), Argentina, Poland, China, Hong Kong, Singapore, and the United Arab Emirates (UAE). It offers 8 types of credit rating as follows:

- AAA, AA, A – Good Credit Rating
- BBB, BB – Average Credit Rating
- B, C, D – Low Credit Rating



2. **ICRA:** It was formed in 1991 and was originally named as **Investment Information and Credit Rating Agency of India Limited (IICRA India)**. It offers comprehensive ratings to corporates via a transparent rating system. It was a joint venture of Moody's and Indian financial and banking service organisations. It was renamed to ICRA Limited and was listed in the BSE and NSE in 2007. Its rating system includes symbols which vary with the financial instruments. Here are the types of credit ratings offered by ICRA:

- Bank Loan Credit Rating
- Corporate Debt Rating
- Corporate Governance Rating
- Financial Sector Rating
- Issuer Rating
- Infrastructure Sector Rating
- Insurance Sector Rating
- Mutual Fund Rating
- Public Finance Rating
- Project Finance Rating
- Structured Finance Rating
- SME Rating

3. **CARE: Credit Analysis and Research Limited (CARE)** Ratings commenced operations from 1993 and it is the second-largest credit rating agency in India. It was promoted by Industrial Development Bank of India (IDBI), Unit Trust of India (UTI) Bank, Canara Bank and other financial institutions.

CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. CARE has the primary function to perform rating of debt instruments, credit analysis rating, loan rating, corporate governance rating, claims-paying ability of insurance companies, etc. It also grades construction entities and courses undertaken by maritime training institutions. Ratings provided by CARE include financial institutions, state governments and municipal bodies, public utilities and special purpose vehicles. Its rating scale includes two categories – long term debt instruments and short term debt ratings.

4. **SMERA: Small Medium Enterprises Rating Agency Of India Limited** functions exclusively for Micro, Small and Medium Enterprises. This agency was founded in 2005 by Small Industries Development Bank of India (SIDBI), Dun and Bradstreet Information Services India Private Limited (D&B) and various public, private sector and other MNC banks of India. SMERA has been registered with SEBI as a credit rating agency and accredited by RBI in 2012. It is an external credit assessment institution (ECAI).



SMERA rates bank loans under Base II guidelines. Grading of instruments like IPO, bonds, commercial papers, NCDs, fixed deposits, security receipts, etc. is done by SMERA which can be used by all banks for capital adequacy requirements calculation as authorised by the RBI. It has 2 divisions – SME Ratings and Bond Ratings. It offers credit ratings as:

- AAA, AA, A – Low Credit Risk
- BBB, BB – Moderate Credit Risk
- B, C – High Credit Risk
- D- Defaulted

#### 5. **Brickwork Ratings India Private Limited:**

This is SEBI registered and RBI accredited agency and empanelled by National Small Industries Corporation (NSIC), offers bank loan, Non convertible Debentures, Commercial paper, MSME ratings and grading services. NABARD has empanelled BWR for MFI and NGO grading. Brickwork is also authorised to grade companies seeking credit facilities from IREDA, Renewable Energy Service Providing Companies (RESCOs) and System Integrators (SIs). It offers various rating system depending upon the different financial instrument.

#### 6. **INFOMERICS Valuation and Rating Private Limited:**

*INTEGRATED FINANCIAL OMNIBUS METRICS RESEARCH OF INTERNATIONAL CORPORATE SYSTEMS* Valuation and Rating Private Limited is registered with SEBI and accredited by RBI.

It aims to provide investors with an objective analysis and evaluation of credit worthiness of Banks, NBFCs, Large corporates and Small and Medium scale units via its rating and grading services.

#### 7. **India Ratings and Research Private Limited (formerly Fitch Ratings India Pvt. Ltd.):**

India Ratings and Research (Ind-Ra) is a credit rating agency that provides time-bound, accurate and prompt credit opinions. It is 100% owned subsidiary of the Fitch Group. Ind-Ra covers corporate issuers, financial institutions, banks, insurance companies, urban local bodies, structured finance and project finance. Ind-Ra is recognised by SEBI, National Housing Bank and RBI. Fitch is a major financial information service provider and rating agency having its operations in more than 30 countries across the globe. It checks credit capacity of global leaders in all industries.

#### **ONICRA: Onida Individual Credit**

**Rating Agency of India** is a private sector credit rating agency having Pan India presence set up by Onida Finance established in 1993. The agency provides credit ratings, conducts risk assessment and provides analytical solutions to individuals, corporates and MSMEs. The solutions offered by the agency helps organisations take informed decisions about lending funds to individuals, MSMEs and other organisations.



It is one of the seven agencies licensed by the National Small Industries Corporation (NSIC) for the rating of SMEs. ONICRA provides grading services as well. Its grading services include education grading, healthcare grading, solar energy grading and APMC grading.

Its ratings are based on two factors – Financial Strength and Performance Capability.



## Difference Between Credit Rating and Credit Score:

- **Credit Rating** is basically a credit worthiness of a business or a company. It is not used to individuals and it gives an understanding ability of the company. These ratings are based on corporate financial instruments and usually denoted in alphabetical symbols. Higher the rating, lower is the probability of default pays.
- **Credit score** is a number, calculated by credit bureau (CIBIL) and given to individuals based on the credit information report. This number can be in between 300 and 900. Credit report plays an important role in loan and credit card approval process.



Non - Technical Article

# Importance & Impact of Moral Science

**Srivatsa GN**  
**SRO0616679**



# Importance & Impact of Moral Science

By: Srivatsa GN (SRO0616679)

Moral education is impossible apart from the habitual vision of greatness. It's time for us to go through a short story.....

Once upon a time, there lived a merchant in a village with his wife and two children. They were indeed quite well-off. They had a beautiful hen which laid an egg every day. It was not an ordinary egg, rather, a golden egg. But the man was not satisfied with what he used to get daily. He was a get rich-trice kind of a person.

The man wanted to get all the golden eggs from his hen at one single go. One day he thought hard and at last clicked upon a plan. He decided to kill the hen and get all the eggs together.

The next day when the hen laid a golden egg, the man caught hold of it, took a sharp knife, chopped off its neck and cut its body open. There was nothing but blood all around & no trace of any egg at all. He was highly grieved because now he would not get even one single egg.

His life was going on smoothly with one egg a day but now, he himself made his life miserable. The outcome of his greed was that he started becoming poor day by day and ultimately became a pauper.

Moral: One who desires more, loses all. One should remain satisfied with what one gets.

It might wonder why I mentioned this particular story which portrays a golden moral. Why are moral stories important? Are you aware of the importance of moral stories? Following are the bullets:

- Makes the child resilient
- Prepares them for the society
- Suppresses bad influence
- Promotes helpful behaviour
- Strengthens child-parent relation

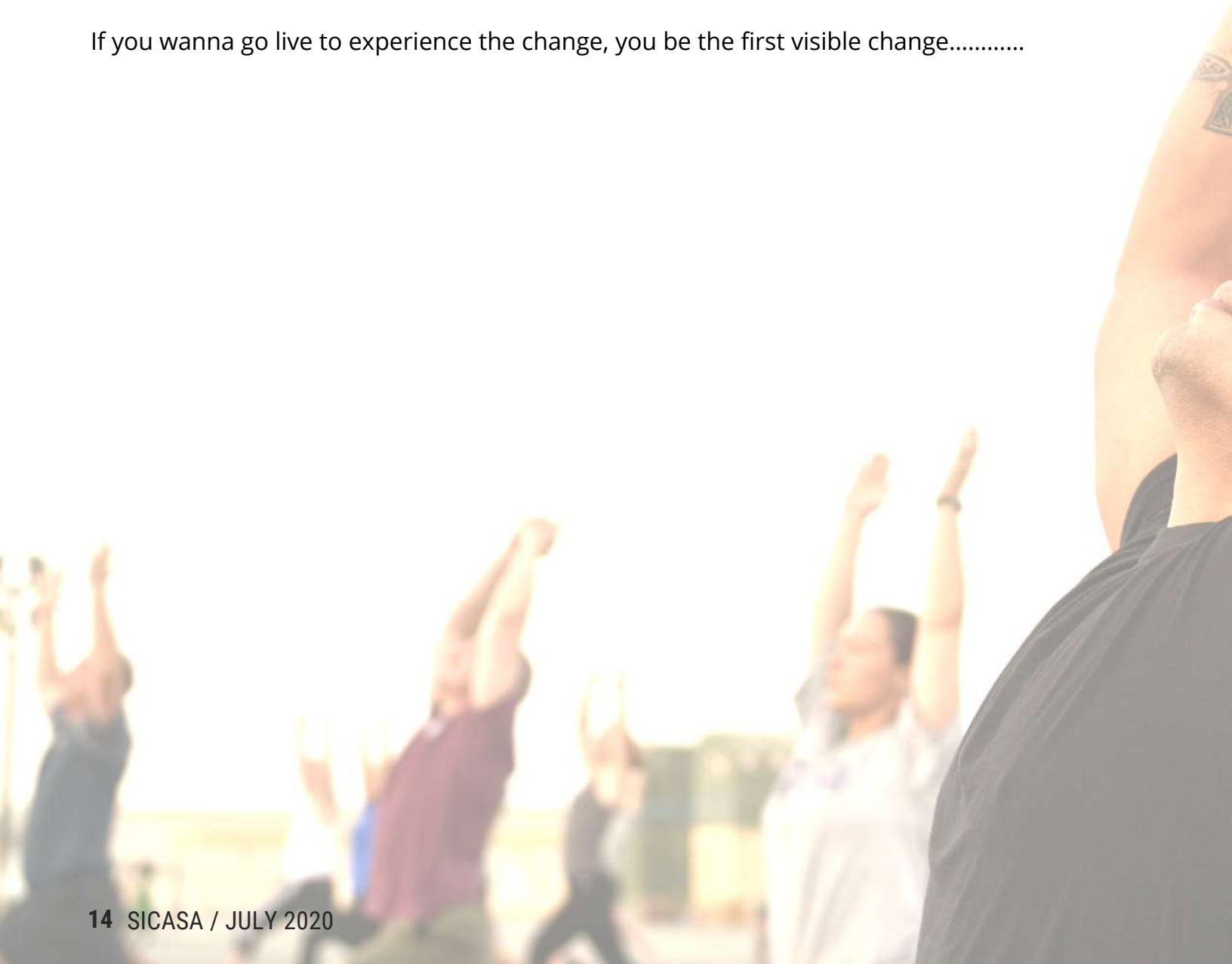
But the sad part is that in the current situation its been so worse that we are losing morality. Kids are deprived by these stories. We all used to enjoy our summer holidays at our Granny house isn't it? We used to listen to her stories. Introduction of sleep used to be with moral stories or fairy tales. The way we used to enjoy during those days has no words to put up. One just phrase in Kannada "Kaanasisiguvudo??" (means will I be able to see?) depicts the present scenario.



It's not surprising to say that we're going through a tough time, the kind of one that finds place in history books worldwide. The kind that gives you the right to say , "I SURVIVED THROUGH A GLOBAL PANDEMIC, GET YO SELF TO SCHOOL" to your child when he/she tries to fake a cold to skip school. The lockdown however has taken a huge toll on mental health as well. A lot of us feel stressed, trapped and insecure. Suddenly shopping is off because you dont want to be infected, so is hanging out with your best friend. The mall is not even an option, and the news and Internet is your only distraction. The News is mostly negative, discussing death tolls every day, and the internet can add value, but we choose to binge watch series a few of those depressing too.

We have a quote stating Old is Gold, which clearly suffices for this scenario. Its an urge from my end, let us lit lamp towards our tradition and its values. Without a reason nothing is created or anything is emerged. If we are alive today, its because of a strong reason. Values are much needed to lead our daily routine.

If you wanna go live to experience the change, you be the first visible change.....





# HEALTH CORNER

THE RAINS

BY SANDHYA N S  
SRO0520068



# The Rains

The favorite season for every Pluviophile has arrived. Yes, it's the monsoon. It's understandable that the rains are a relief after the scorching heat of summer. The cloudy sky, the downpour and lush greenery all around make the season a beautiful time to enjoy and get relief from the harsh and sweaty summers.

But it is to be noted that during the season, the damp and filthy conditions give insects and pathogenic micro organisms good scope to multiply, in addition to providing stagnant waters for mosquitoes to breed. The fact that changes in weather affect some people making them sick is to be considered as well.

Also for people who drive, the roads might be filled with potholes you previously never noticed, and Hydroplaning is no joke (look it up). I suggest you drive slow and be alert all the time. Do not try to drive through puddles as some may be deeper than you think, so responsibly (I can't stress that enough) drive around the potholes.



## **What are the precautions you can take during the Monsoon ?**

### **1. STAY HYDRATED.**

It should be understood that even though you don't feel thirsty as much as you would in the summer, your body still needs a drink of water every now and then. The recommended amount is 3 - 4 Liters a day, as explained by a well known health website. Also please prefer boiled/ purified water as water borne diseases due to water contamination is usually high during the Monsoon.

### **2. THE SIX LEGGED VAMPIRES.**

Mosquito repellents, mosquito nets and any other method you can use to reduce mosquito bites should be considered. Make sure there's no stagnant water around your house, and whip out the Mosquito bat and try some 'Mosquito tennis'. You can use the workout after the lock down.

### **3. FOR THE FOODIES.**

Avoid Raw foods and eating at unhygienic places, even though that pani puri looks good if it's not made with hygienic water, you might get very sick.

### **4. FOR THE RICH OFFICES.**

Avoid sitting in an air conditioned rooms with damp clothes, damp hair or both.

### **5. WASH YOUR HANDS BEFORE YOU EAT EVERY TIME.**

### **6. IF YOU HAVE CUTS/BRUISES ON YOUR FEET**

Do not let it come in contact with puddle water or stagnant water, this is to avoid infections.

Surely the monsoon is to be enjoyed, but a little bit of precaution can help us enjoy it to the fullest.



# CA DAY a report

On July 1st, we celebrate the Auditors of Financial Statements and the Auditors of Health.

It is very aptly said that 'Health is Wealth' and on July 1st, we celebrated both the Auditors of Wealth and the Safekeepers of health.

The CA Day celebrations, which is a treat for everyone in the Branch every year, was held on the 1st of July 2020, but this year, due to regulations in the light of the pandemic, only a few of us could attend the same.

The celebrations began with the Flag hoisting at the branch by our respected Branch Chairman CA. Roy Varghese. Many eminent personalities, including CA Babu Abraham Kallivayalil, Central Council Member and CA Jomon k George, Past Chairman of SIRC of ICAI and Regional Council Member were also present.

After the flag hoisting everyone was given sweets and we proceeded onto the auditorium for the functions.

Since we're in a time where parents force the children to watch TV, don't get me wrong, I meant the online classes, and understanding the need by school children from backward families for TV Sets, SICASA Ernakulam, along with the Branch, donated Television sets to the children.

We then proceeded to a blood donation camp organized by SICASA in connection with the Branch where donors actively participated by adhering to the allotted slots to ensure social distancing.

July 1st is also celebrated as National Doctor's day, and I believe the health professionals deserve applause for helping us fight the pandemic. A lot of them are working overtime and with the patients affected by CORONA. We salute you all for your sacrifices.

HARIKRISHNAN R  
VICE CHAIRMAN,  
SICASA ERNAKULAM





# FOCUS

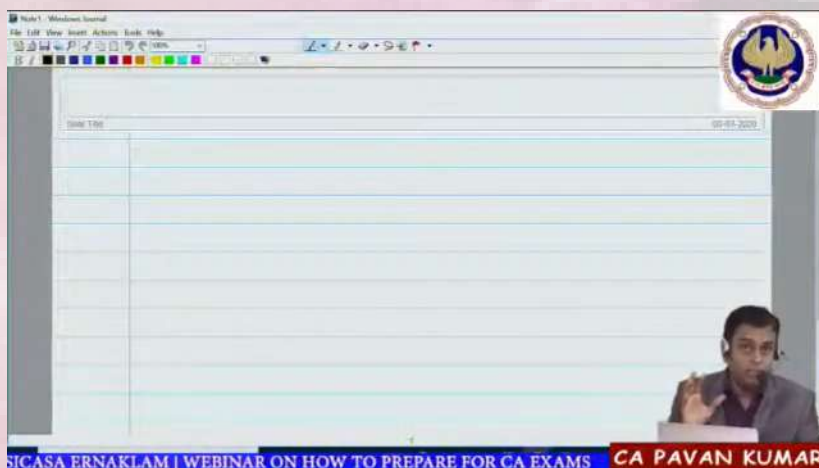
## JULY 2020

### SICASA Ernakulam

#### **WEBINAR**

#### **How to Plan, Prepare and Pass CA Exams**

**By: CA Pavan Kumar  
July 3, 2020**



#### **WEBINAR**

#### **AUDIT REPORT AND ALLIED STANDARDS**

**by: CA AMAL Paul  
July 19, 2020**



# FOCUS

## JULY 2020

### SICASA Ernakulam

# TREASURE HUNT



## Celebrations at ICAI Bhavan, Ernakulam

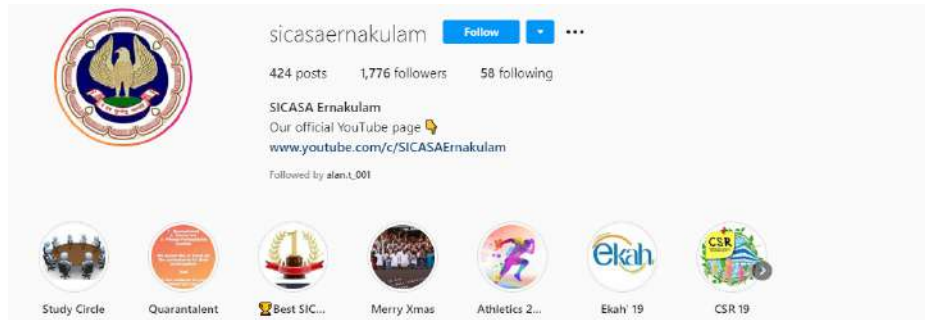


# CA Day



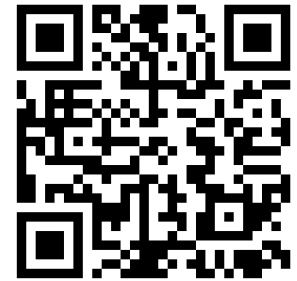
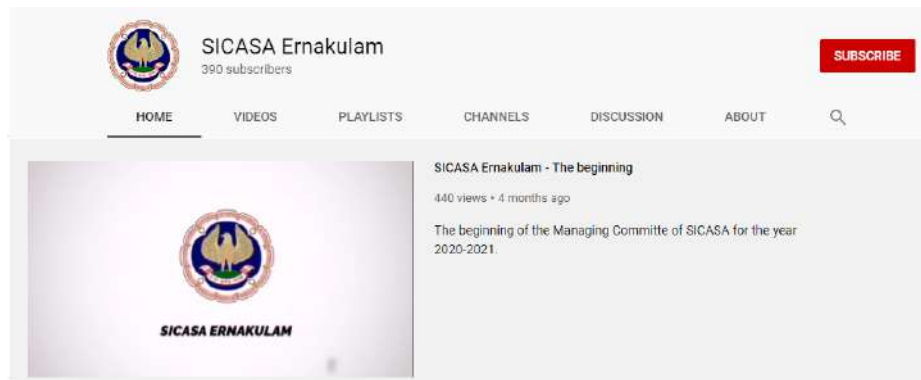
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### Youtube -



[SICASA Ernakulam](https://www.youtube.com/c/SICASAErnakulam)

### Google Classroom

Open [CLASSROOM](#)

and enter the code

**bphmjcn**

after clicking on the add button on the top right corner of your screen.

