



Azadi Ka Amrit Mahotsav Activity

“Sky High- Symposium -17 Webinar” conducted by Women Members Empowerment Committee of ICAI on 3rd August 2022

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

Women Members Empowerment Committee Organises

Sky High - Symposium -17
Live Webinar
for Women by Women Every Wednesday

3rd August, 2022
5.00 PM to 7.00 PM

FEES NIL

2 CPE Hours (Unstructured)

Registration and participation link:
<https://live.icai.org/wmec/03082022/>

Questions related to the topic may be sent in advance at wmec@icai.in or LIVE at the time of Webinar itself at the same link

Valuation- Approaches & Methods

Govt. Subsidy Schemes for MSME Sector

CA. Kavitha Umapathy

CA. Pravina Oswal

Welcome Address & Opening Remarks

CA. Sripriya Kumar
Chairperson, WMEC & CL&CGC
Vice-Chairperson, IBC Committee

CA. Priti Savla
Vice-Chairperson, WMEC, CL&CGC,
Sustainability Reporting Standards Board

Co-ordinators

CA. Pooja Bisaria

CA. Bhavée Thacker

CA. Chandni Tolani

As part of country wide Azadi ka Amrit Mahotsav initiatives, envisaged by Government of India, to commemorate and celebrate 75 years of India's Independence, the Women Members Empowerment Committee (WMEC) of ICAI organized “Sky High- Symposium -17 Webinar” on 3rd August 2022.

CA. Kavitha Umapathy and CA. Pravina Oswal were speakers of the said webinar. Coordinators for the day were CA. Pooja Bisaria, CA. Bhavée Thacker and CA. Chandni Tolani.

The program was conducted by CA. Priti Savla- Vice-Chairperson, WMEC.



The webinar covered discussion on “Valuation- approaches & methods”. Deliberations were made on Valuation, Methods of Valuation, Fair Value, Selection of Valuation Approach, Market Approach - its Applicability & Methods, Comparable Transaction Method & its Steps, Guideline Publicly Traded Comparable Method, Other Market Approach Considerations, Income Approach & its Methods, Discounted Cash Flow Method (DCF), Steps in DCF, Methods for arriving at Terminal Value, Relief from Royalty Method (RFR), Multi Period Excess Earnings Method (MEEM), With or Without Method (WWM), Option Pricing Model, Cost Approach, Replacement Cost Method, Reproduction Cost Method, etc.

CA KAVITHA UMASHATHY, CHARTERED ACCOUNTANT

VALUATION

It was Oscar Wilde who described a cynic as one who
"knows the price of everything, but the value of nothing"

"Price is what you pay and value is what you get"

Knowing what an asset is worth and what determines that value is a pre-requisite for intelligent decision making – in choosing investments for a portfolio, in deciding on the appropriate price to pay or receive in a takeover and in making investment, financing and dividend choices.

CA KAVITHA UMASHATHY, CHARTERED ACCOUNTANT

FAIR VALUE

"Fair value" is a term with several meanings in the financial world. In investing, it refers to an asset's sale price agreed upon by a willing buyer and seller, assuming both parties are knowledgeable and enter the transaction freely.

VALUATION METHODS

Valuing a business or asset

Cost approach	Market approach (relative value)	Discounted cash flow (intrinsic value) approach
Cost to build	Public company comparables	Forecast future cash flows
Replacement cost	Precedent transactions	



MARKET APPROACH

The market approach provides an indication of *value* by comparing the asset with identical or comparable (that is similar) assets for which price information is available.




COMPARABLE TRANSACTION METHOD

The comparable transactions method, also known as the guide line transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of *value*.




INCOME APPROACH

The income approach provides an indication of *value* by converting **future cash flow to a single current value**.

Under the income approach, the *value* of an asset is determined by reference to the *value* of income, cash flow or cost savings generated by the asset.




DISCOUNTED CASH FLOW METHOD [DCF]

Discounted cash flow (DCF) is a valuation method used to estimate the value of an investment based on its expected future cash flows.

DCF analysis attempts to figure out the value of an investment today, based on projections of how much money it will generate in the future.

$$\text{Discounted Cash Flow Formula} = \frac{CF_t}{(1+r)^t}$$



RELIEF FROM ROYALTY METHOD [RRR]

RRR Method is a method in which the value of the asset is estimated based on the present value of royalty payments saved by owning the asset instead of taking it on lease.

It is generally adopted for valuing intangible assets that are subject to licensing, such as trademarks, patents, brands, etc.



WITH OR WITHOUT METHOD [WWM]

Under *WWM*, the value of the intangible asset to be valued is equal to the present value of the difference between the projected cash flows over the remaining useful life of the asset

under the following two scenarios:

- business with all assets in place *including* the intangible asset to be valued; and
- business with all assets in place *except* the intangible asset to be valued.



COST APPROACH

Cost approach is a valuation approach that reflects the amount that would be required **currently** to **replace** the service capacity of an asset (often referred to as current replacement cost).



The webinar also covered Session on “Govt. subsidy schemes for MSME sector”. Topics discussed were Features of MSMEs, Importance of MSME, MSME Sector- Distribution of Units, Difference between incentive & subsidies, UDYAM Scheme, Credit & Financial Schemes, Schemes for Technology Assistance, Market Assistance, Skill Development, Other Schemes, Prime Minister’s Employment Generation Programme (PMEGP), Objectives of PMEGP, Amount of Subsidy, UDAAN, Credit Linked Capital Subsidy for Technology Upgradation, Nature of Assistance, MSMED Samadhaan, MSME Sambandh, MSME- CDP, Opportunities for CAs, Govt Portals promoting Ease of Doing Business, etc.

Features of MSMEs

- MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets for businesses
- MSMEs support product development, design innovation, intervention, and packaging elements of a business
- MSMEs support the upgrading of technology, infrastructure, and the modernization of this sector as a whole
- MSMEs provide employment opportunities
- MSMEs provide credit limits or funding support to various banks in the country



Importance of MSMEs

- 6.3 crore units
- Number of MSMEs increased by a CAGR of 18.5% from 2019 to 2020.
- Employing close to 110 million people
- 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities
- In 2019-20 we have 2.5 Trillion economy and Government is having target of 5 Trillion Economy in 2024-25 which can be achieved by increasing in MSME units



UDYAM

- <https://udyamregistration.gov.in/>
- An enterprise for the purpose of this process will be known as Udyam and its Registration Process will be known as Udyam Registration
- A permanent registration number will be given after registration.
- After completion of the process of registration, a certificate will be issued online.
- This certificate will have a dynamic QR Code from which the web page on our Portal and details about the enterprise can be accessed.
- There will be no need for renewal of Registration.
- Our single window systems at Champions Control Rooms and at DICs will help you in the process.
- Registration Process is totally free. No Costs or Fees are to be paid to anyone.



Credit & Financial Schemes

- Pradhan Mantri Mudra Yojana
- Credit Guarantee Trust Fund for Micro & Small Enterprises (CGT SME)
- Credit Guarantee Scheme for subordinate Debt (CGSSD)
- SIDBI Make In India Loan for Enterprises (SMILE)
- Credit Linked capital Subsidy Scheme
- Prime Minister’s Employment Generation Scheme



Schemes for Technology Assistance

- Financial Support to MSMEs in ZED Certification Scheme
- Design Clinic for Design Expertise to MSMEs
- Support for Entrepreneurial and Managerial Development of SMEs through Incubators
- Digital MSME Scheme



PRIME MINISTER’S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

- Government of India had in August 2008, approved the introduction of a new credit linked subsidy programme called Prime Minister’s Employment Generation Programme (PMEGP). It was launched by merging the two schemes that were in operation till 31st March 2008, namely Prime Minister’s Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in non-farm sector for rural as well as urban areas. PMEGP is in operation since 2008-09 and has been approved for continuation over the 15th Finance Commission cycle i.e., for the period of five years from 2021-22 to 2025-26.
- PMEGP is a central sector scheme being administered by the Ministry of Micro, Small and Medium Enterprises (MoSME). The scheme is being implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. At the State level, the scheme is implemented through State offices of KVIC, State Khadi and Village Industries Boards (KVIIBs), District Industries Centres (DICs), Coir Board for coir related activities and Banks. Government may also involve other suitable agencies for implementation of the scheme. The Government subsidy under the scheme is routed by KVIC through the nodal Bank to the Financing Bank branches & subsequently transferred to the beneficiary account after completion of lock-in period based on the outcome of the physical verification report.





Availability of bank credit without the hassles of collaterals / third party guarantees would be a major source of support to the first generation entrepreneurs to realise their dream of setting up a unit of their own Micro and Small Enterprise (MSE). Keeping this objective in view, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector. To operationalise the scheme, Government of India and SIDBI set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

CGTMSE has introduced a new 'Hybrid Security' product allowing guarantee cover for the portion of credit facility not covered by collateral security. In the partial collateral security model, the NLLs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, up to a maximum of 200 lakh, can be covered under Credit Guarantee Scheme of CGTMSE. CGTMSE will, however, have pari-passu charge on the primary security as well as on the collateral security provided by the borrower for the credit facility.

Credit Linked Capital Subsidy for Technology Upgradation (CLCSS)

- To facilitate technology to MSEs through institutional finance for induction of well established and proven technologies in the specific and approved 51 sub-sector/products. Both upgradation projects (with or without expansion) and new projects are eligible.
- Any Micro and Small Enterprise (MSE) having valid Udyam Registration and availing institutional credit to buy new Plant & Machinery approved under the scheme.
- Special Benefits are applicable in case of SC/ST, Women, NEH/Hill States /Aspirational Districts / LWE Districts. The subsidy shall be admissible for investment in acquisition/ replacement of Plant & Machinery / equipment's & Technology upgradation of any kind/ Core plant & Machinery). Second hand & fabricated will not be eligible.

MSMED SAMADHAAN (Dealing with Delayed Payment)

- The Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 contains provisions of Delayed Payment to Micro and Small Enterprise (MSEs). (Section 15- 24). State Governments to establish Micro and Small Enterprise Facilitation Council (MSEFC) for settlement of disputes on getting references/filing on Delayed payments. (Section 20 and 21)
- The buyer is liable to pay compound interest with the monthly rests to the supplier on the amount at the three times of the bank rate notified by RBI in case he does not make payment to the supplier for his supplies of goods or services within 45 days of the acceptance of the goods/service rendered. (Section 16)
- State Governments to notify (i) Authority for filing Entrepreneur Memorandum (ii) Rules of MSEFC and (iii) Constitution of MSEFC.
- Every reference made to MSEFC shall be decided within a period of ninety days from the date of making such a reference as per provisions laid in the Act.
- If the Appellant (not being the supplier) wants to file an appeal, no application for setting aside any decree or award by the MSEFC shall be entertained by any court unless the appellant (not being supplier) has deposited with it, the 75% of the award amount. (Section 19)

MSE-CDP

- The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India (GoI) has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country. A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area and producing same/similar products/services. The essential characteristics of enterprises in a cluster are (a) Similarity or complementarity in the methods of production, quality control and testing, energy consumption, pollution control, etc (b) Similar level of technology and marketing strategies/practices (c) Channels for communication among the members of the cluster (d) Common challenges and opportunities
- <https://cluster.dcmsme.gov.in/>

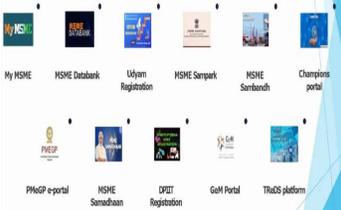
Opportunities for CAs

CAs can be at either side of system, they can provide various services to MSMEs or can start its own MSME

Opportunities as a Service provider to MSMEs

- Legal Compliance
- Management consultancy
- Accounting and Auditing
- Funding
- Tax Compliance
- Mentorship

GOVERNMENT PORTALS PROMOTING EASE OF DOING BUSINESS



The webinar concluded by giving Vote of Thanks to the Speakers and the participants.

Glimpses of the Webinar held on 3rd August 2022

