

SUMMER INTERNSHIP PROJECT

“A Study on Role of Project Financing at Amol Shegaonkar Firm”

Submitted to:

DSMR

**G.S College of Commerce & Economics, Nagpur.
(An Autonomous Institution)**

Affiliated To:

Rashtrasant Tukdoji Maharaj Nagpur University, Nagpur

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**Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur
NAAC Accredited “A” Grade Institution**



Academic Year 2022-23



CERTIFICATE

This is to certify that the investigation described in this report titled “**A Study on Role of Project Financing at CA Firm**” has been carried out by **Ashwini Dilip Galande** during the summer internship project. The study was done in the organization, **CA Amol Shegaonkar**, in partial fulfillment of the requirement for the degree of Master of Business Administration of G.S. College of Commerce and Economics (An Autonomous Institute) R. T. M. Nagpur University, Nagpur. This work is the own work of the candidate, complete in all respects and is of sufficiently high standard to warrant its submission to the said degree. The assistance and resources used for this work are duly acknowledged.

Dr. Archana Dadhe

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CERTIFICATE



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SHEGAONKAR MANAPURE & ASSOCIATES
CHARTERED ACCOUNTANTS

TO WHOM IT MAY CONCERN

This is to certify that Miss. **ASHWINI DILIPRAO GALANDE**, student of Master of Business Administration in Finance in **D.M.R.S, G.S COLLEGE OF COMMERCE AND ECONOMICS**, has successfully completed a summer internship in the field of finance from 16 Sep 2022 to 31st Oct 2022 under the guidance of CA AMOL SHEGAONKAR.

During the period of his internship program with us he has been exposed to different business process and found punctual, hardworking and inquisitive.

We wish him every success in his life and career.

Regards,



CA. AMOL SHEGAONKAR

Partner

SHEGAONKAR MANAPURE & ASSOCIATES

Chartered Accountants

Nagpur

ACKNOWLEDGEMENT

It is a matter of pride and privilege for me to have done a summer internship project in **“CA Amol Shegaonkar Chartered Accountant”** and I am sincerely thankful to them for providing this opportunity to me.

I am thankful to **“Mr. Amol Shegaonkar”** for guiding me through this project and continuously encouraging me. It would not have been possible to complete this project without his support.

I am also thankful to all the faculty members of Department of Management Sciences and Research, G S College of Commerce and Economics, Nagpur and particularly my mentor **“Dr. Archana Dadhe”** for helping me during the project.

I'm thankful to the principal of G.S. College of Commerce and Economics, Nagpur, **Dr. Swati Kathaley** and to the Dean of DMSR, **Mr. Anand Kale**.

Finally, I am grateful to my family and friends for their unending support.

Ashwini Dilip Galande

INDEX

Sr. No.	Particulars	Page No.
1	Introduction	6
2	Company profile	7-10
3	Terminologies	11-13
4	Objectives of study	14
5	Scope of study	15
6	Need of Study	16
7	Contribution during SIP	17-23
8	Limitations	24
9	Research and Methodology	25-34
10	Findings	35
11	Conclusion	36
12	Bibliography	37

INTRODUCTION

Project finance refers to the funding of long-term projects, such as public infrastructure or services, industrial projects and others through a specific financial structure. Finances can consist of a mix of debt and equity. The cash flows from the project enable servicing of the debt and repayment.

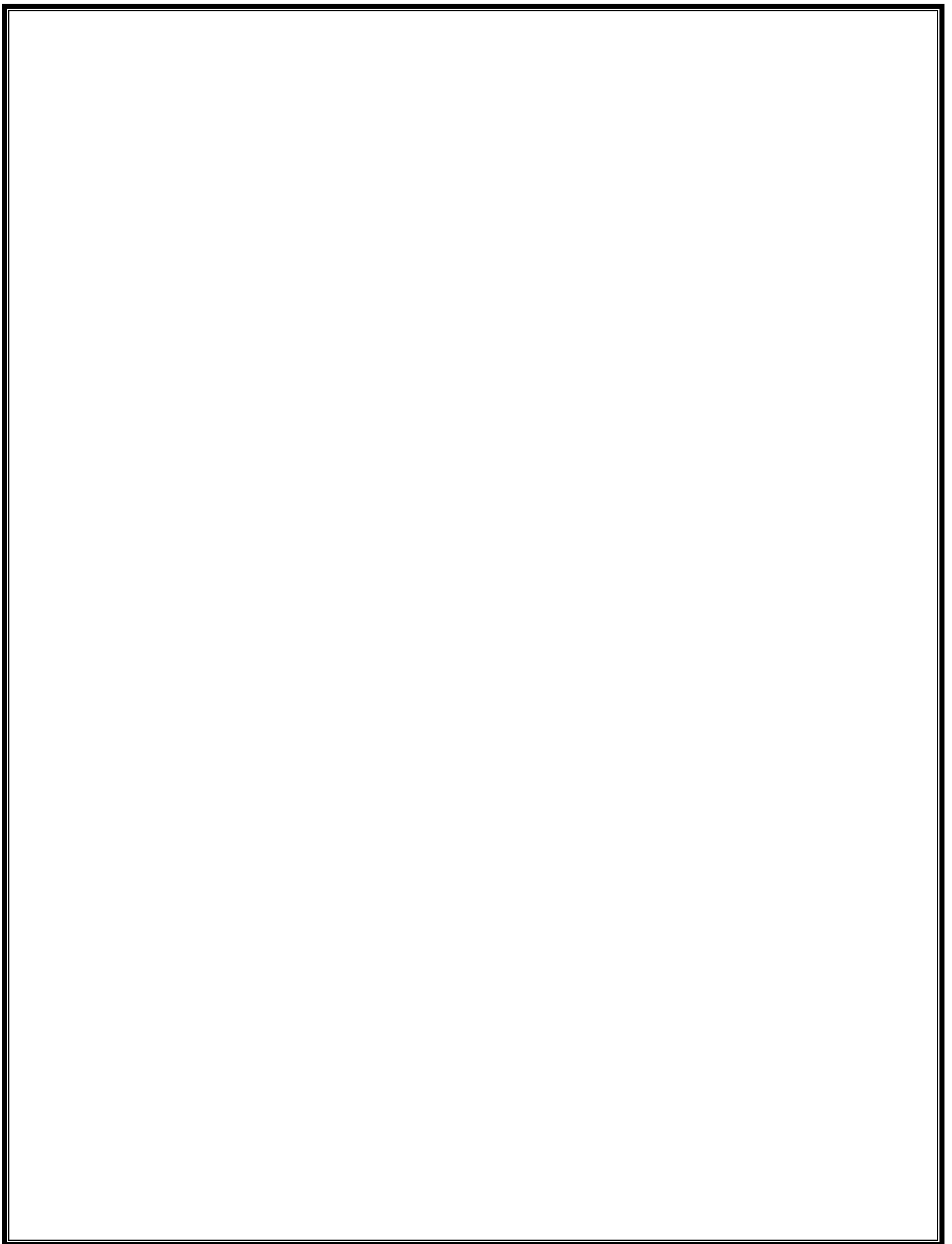
Project finance risks are therefore highly specific and it is essential that participants such as commercial bankers, investment bankers, general contractors, subcontractors, insurance companies, suppliers and customers understand these risks since they will all be participating in an interlocking structure of debt and equity.

Project finance is generally used to refer to a non-recourse or limited recourse financing structure in which debt, equity and credit enhancement are combined for the construction and operation, or the refinancing, of a particular facility in a capital- intensive industry.

COMPANY PROFILE

SHEGAONKAR MANAPURE & ASSOCIATES:

We are a Chartered Accountant Partnership Firm with team of qualified and motivated professionals, offering integrated one-stop services. We primarily focus on Accounting, Audit & Assurance, Management Advisory, Consultation in Taxation, Economic and Other related laws and Transaction Advisory Services. We have exceptional and leading edge expertise in the areas of Statutory Audit of listed companies, Statutory Audit , Internal Audit, Management Audit, Secretarial Audit, Propriety Audit Stock and Audit Tax Audit. From the experience gained by the founding partner, it is understood that there is a huge vacuum in the Indian professional services sector, where the firms have expertise in independent domains but are not equipped with a holistic approach to assist the client's business. The genesis of our firm is to fill this vacuum and provide integrated solution to client's business. To withstand the ever-increasing competition faced by corporates in the vibrant global economy coupled with increasing responsibilities on human resources, we aim at enhancing the economic well-being of an organization by providing timely services which add significant value addition to the client's business.



VISION: -

“Our vision is simple-becoming leading consultancy firm operating worldwide. With the intent of upholding the ethics of financial affairs, not only we streamline your economic operations, but we also elevate the goodwill to a whole new level with our consultancy services.”

MISSION: -

Becoming a leader to provide legal and financial services in economy to get more opportunity for an organization.

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INFORMATION DETAILS

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Profession : Practicing Chartered Accountants
Corporate Consultancy
Etc.

Status : Partnership

Established : Year of 2021. Partners

in Practice: Since year of 2014

No of professionals Associated: 2 (Two)

Telephone : 9975529500

E-mail : ca.amolsoffice@gmail.com

SOME MAJOR CLIENTS:

The Partners has rendered services to many clients in different field , to name a few are as follows:

Public sector, Government Sector & Corporations:
Agriculture Produce Marketing Committee, Nagpur

Private Sector Companies:

- 1.K Kumar Raja Projects Pvt Ltd. Vishakhapattanam
- 2.Saritha Infra and Geostructures. Vishakhapattanam
- 3.Vidhi Industries. Nagpur

TERMINOLOGIES

- **Current Ratio:**

$$\text{Current Ratio} = \text{Current Assets} \div \text{Current Liabilities}$$

The current ratio is a liquidity ratio that measures a company's ability to pay short-term and long-term obligations. To gauge this ability, the current ratio considers the current total assets of a company (both liquid and illiquid) relative to that company's current total liabilities.

- **QUICK RATIO:**

Indicates the ability to meet short term payments using the most liquid assets. This ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash.

- **RETURN ON CAPITAL EMPLOYED:**

This ratio complements the return on equity ratio by adding a company's debt liabilities, or funded debt, to equity to reflect a company's total "capital employed". This measure narrows the focus to gain a better understanding of a company's ability to generate returns from its available capital base

- **GROSS PROFIT RATIO:**

A company's cost of goods sold represents the expense related to labor, raw

materials and manufacturing overhead involved in its production process. This expense is deducted from the company's net sales/revenue, which results in a company's gross profit. The gross profit margin is used to analyze how efficiently a company is using its raw materials, labor and manufacturing-related fixed assets to generate profits.

□ OPERATING PROFIT:

By subtracting selling, general and administrative expenses from a company's gross profit number, we get operating income. Management has much more control over operating expenses than its cost of sales outlays. It Measures the relative impact of operating expenses.

- NET PROFIT RATIO:

This ratio measures the ultimate profitability.

- EQUITY RATIO:

This ratio measures the strength of the financial structure of the company

- DEBT RATIO:

This compares a company's total debt to its total assets, which is used to gain a general idea as to the amount of leverage being used by a company. This is the

measure of financial strength that reflects the proportion of capital which has been funded by

debt, including preference shares.

- INTEREST COVERAGE RATIO:

This ratio measures the number of times a company can meet its interest expense.

- AVERAGE COLLECTION RATIO:

The average collection period measures the quality of debtors since it indicates the speed of their collection.

- ACCOUNT PAYABLE TURNOVER RATIO:

The accounts payable turnover ratio is a liquidity ratio that shows a company's ability to pay off its accounts payable by comparing net credit purchases to the average accounts payable during a period.

OBJECTIVES OF STUDY:

1. To build upon my existing corporate finance skill set in both analytics and transaction execution, leading to increasingly responsible positions in treasury.
2. To develop and discover my vision into pragmatic action, as a performance- oriented.
3. To employ my knowledge and experience with the intention of securing a professional career with opportunity for challenges and career advancement, while gaining knowledge of new skills and expertise.
4. To make a proper study of Documentation, verification, auditing and many more accounting standards.

SCOPE OF STUDY:

1. Internship at Mr. Amol Shegaonkar & Company was my first experience. I learnt allot more new things in accounting/ Finance sector.

2. Initially I knew only about GST Accounting, The ITR process taxation. Here, I learned more about Project Financing.
3. Then deeply I learned about, what is the main process of doing all these. My main focus in these 45 days was on the filling the ITR and maintaining the balance sheet.
4. After getting detailed information about the service which is exactly given by a CA to the clients, I started implementing the kinds of services.
5. I had gained knowledge to finalize the balance sheet in tally software.
6. And then the most important thing which i came to know was, if any of the clients wants to open up a new factory so firstly, they will come to A Chartered Accountant for making a financial report, regarding the loan sanction if needed.

NEEDS OF STUDY:

1. Project finance is used to build energy infrastructure in industrialized countries as well as in emerging markets.
2. Helps in identifying need to determine its worth pursuing.
3. The decision-making process takes place to prioritize and select project with greatest news

4. Project finance helps finance new investment by structuring the financing around the project's own operating cash flow and assets, without additional sponsor guarantees.
5. It primarily helps in financing the broad range of economic unit's worldwide, which sets many of the examples.

CONTRIBUTION DURING SIP:

DOCUMENTS AND INFORMATION DONE WHILE PREPARING Project Report:

1. Provisional Financial for the current year; in the absence of provisional financials, details of the top line shall be essential.
2. Latest Sanction letter (in case of renewal).
3. Term Loan Repayment Schedule, if any

4. Details of proposed enhancement (if any) along with the terms and conditions

ACTUAL WORK DONE:

<u>WEEK WISE DETAILS</u>	
1 st Week	Preparation of Net Worth Statements
2 nd and 3 rd Week	Introduction of Ratio Analysis and future projections.
4 th and 5 th Week	Filling of ITR, Preparation of Financial Statements, and Brief Introduction of Proposal Note.
6 th Week	Project Report

NET WORTH STATEMENT:

A personal net worth statement is a snapshot of an individual's financial health, at one particular point in time. It is a summary of what is owned (assets), less what is owed to others (liabilities).

The formula used is: $\text{assets} - \text{liabilities} = \text{net worth}$.

In second week of my SIP I was guided by my seniors about how to make network statements and which helped me a lot due to which I was able to make such statements of different companies it gave me a great exposure about the organization.



CREDIT MONITORING ARRANGEMENT:

CMA Data means Credit Monitoring Arrangement data. As per RBI guidelines, CMA data is required for Project Loans, Term Loans and Working Capital Limits. This data is to be provided by a company to bank for getting the loan from bank and every year, for renewing or enhancing their existing Bank loan. CMA Data is a systematic analysis of working capital management of the borrower and the purpose of this statement is to ensure the use of funds effectively.

CMA data generally include 2 years Audited Financials and 3 future years Financial Projection of company, Fund flow statement, Changes in Working Capital report, Ratio analysis and Maximum Permissible Bank Finance (MPBF) report.

The banks rely very much on this report and carefully evaluate CMA data for eligibility of funding. Our experts help to highlight the potential of your business in CMA data to be submitted to the bankers at the time of sanction and renewal.

It basically contains 7 statements which help Banker to understand the financial health of the company:

1. Particulars about the present limit and the proposed limit. It will show both Fund and Nonfund based limits of the borrower and usage limit or current balance.
2. Operating Statement/Profit and loss account statement, bank will know performance of company. It also helpful to know earning cycle for paying the expenses.

3. Balance sheet, bank will know the financial position. Is it sound or not? Do company has own assets or all assets on debt. So, to study balance sheet is must. CMA Data will have 2 years Audited balance sheet and 3 years projected balance sheet. So, analyst can make comparative balance sheet for knowing the changes in the balance sheet's position.
4. With fund flow statement, bank can know the flow of fund. Is company wasting their fund or applying fund for growing.
5. Changes in working capital report – helps to understand the changes in current assets and current liabilities. It will also helpful to know short term solvency of company. If it has enough money to pay current liabilities, it cannot misuse its long term resources.
6. Banks ask the maximum permissible bank finance (MPBF) working. It should not more than 75% of working capital or 20% of Sales.

In the third week I learned how to make Project Report of different companies. Following are the companies whose Projects were drafted by me:

- ✓ SHIVAM CONSTRUCTION
- ✓ P R LOGISTICS
- ✓ SHREE BALAJI PETROLEOUM
- ✓ NARAYAN INDUSTRUES

Income Tax Return:

The definition of an income tax return is a document you file with the Internal Revenue Service or the state tax board reporting your income, profits and losses of your business and other deductions as well as details about your tax refund or tax liability.

Financial Statements:

Financial statement is a formal record of the financial activities and position of a business, person or other entity.

Relevant financial information is presented in a structured manner and in a form easy to understand. They typically include basic financial statements, accompanied by a management discussion and analysis:

1. A balance sheet or statement of financial position, reports on a company's assets, liabilities, and owners' at a given point in time.
2. An income statement or statement of comprehensive income, statement of revenue & expense, P&L or profit and loss report, reports on a company's income, expenses, and profits over a period of time. A profit and loss statement provides information on the operation of the enterprise. These include sales and the various expenses incurred during the stated period.
3. A Statement of changes in equity or equity statement or statement of retained earnings, reports on the changes in equity of the company during the stated period.
4. A cash flow statement reports on a company's cash flow activities, particularly its operating, investing and financing activities.

Proposal Note:

A business proposal is a written document sent to a prospective client in order to obtain a specific job. Proposals may be solicited or unsolicited. Solicited proposals, obviously, mean that the client has already decided to make a purchase.

In the 4th Week of the internship company helped me to know the Filling of Income Tax Return, Preparation of Financial Statements and gave me the brief introduction of Proposal note.

LIMITATIONS:

1. Complexity of the process due to the increase in the number of parties and the transaction cost.
2. Expensive as the project development and diligence process is a costly affair.
3. Complexity due to lengthy documentation.

4. Requires qualified people for performing the complicated procedures of project finance.
5. Higher level of control which might be exercised by the banks, which might bring conflict with the businesses or contracts.

RESEARCH METHODOLOGY:

Data collection is the systematic approach to gather and measure information from variety of sources to get a complete and accurate picture of an area of interest.

It mainly includes two types of data:

- Primary data
- Secondary data.

Primary data: -

Data used in research originally obtained it through the direct efforts of the researchers through surveys, interviews and direct observations. For this report primary data is collected through online survey, forms and interactions with the clients during internship.

Secondary data: -

It refers to the data that was collected by someone other than the user. Secondary data can be collected through references.

SWOT Analysis for Project Finance Approval

Strengths:

- ❑ Distinguished financial services provider, with local talent catering to local customers.
- ❑ Vast distribution network especially in rural areas and small towns, diversified product range and robust collection systems.
- ❑ Simplified and prompt appraisal and disbursements.
- ❑ Product innovation and superior delivery.

Weakness:

- ✓ Regulatory restrictions - continuously evolving Government regulations may impact operations.
- ✓ Uncertain economic and political environment.

Opportunities:

- ✓ Demographic changes and under penetration.
- ✓ Large untapped rural and urban markets.
- ✓ Growth in Industrial Sector.

Threats:

- ✓ High cost of funds.
- ✓ Restrictions on deposit.



PROJECT FINANCING:



Project Financing

Project finance is the financing of long-term infrastructure, industrial projects and public services based upon a non-recourse or limited recourse financial structure, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project.

Financial model

- A financial model is constructed by the sponsor as a tool to conduct negotiations with the investor and prepare a project appraisal report. It is usually a computer spread sheet designed to process a comprehensive list of input assumptions and to provide outputs that reflect the anticipated real-life interaction between data and calculated values for a particular project.

- Properly designed, the financial model is capable of sensitivity analysis, i.e., calculating new outputs based on a range of data variation

Contractual framework:

The typical project finance documentation can be recon ducted to four main types:

- Shareholder/sponsor documents
- Project documents
- Finance documents
- Security documents
- Other project documents
- Director/promo tore Contribution

Engineering procurement and construct on contract:

The most common project finance construction contract is the engineering, procurement and construction (EPC) contract. An EPC contract generally provides for the obligation of the contractor to build and deliver the project facilities on a fixed price, turnkey basis, i.e.,

at a certain pre-determined fixed price, by a certain date, in accordance with certain specifications, and with certain performance warranties. The EPC contract is quite complicated in terms

of legal issue therefore, the project company and the EPC contractor need sufficient experience and knowledge of the nature of project to avoid their faults and minimize the risks during contract execution.

PROBLEMS FACED BY SECTOR IN GENERAL AND THE COMPANY:

In order to ensure lower levels of project risk, equity and debt provider perform a large amount of due diligence so as to get a better idea about risks associated with a project.

One of the major risk elements in the project finance is Repayment Risk. The mitigation process for this is to establish the preferential claim of investors to a project's cash flows.

The higher the seniority, the lesser risk one has in a project. Debt holders mostly have the primary claim on cash flows, followed by tax equity investors, and then project sponsors.

Project finance life cycle is a long and complex one and it is but natural to have multiple risk elements. Some of the other risk factors in project finance are (1) Construction Risk (2) Currency Risk (3) Operational Risk and (4) Political Risk. Effective management of risk is the crux of project finance and it is the responsibility of the Project Finance Manager to look after this aspect.

Below is the example of planning and financing stage of a renewable energy project. At this stage it is required to determine projected revenues, costs and returns and also to

quantify risks.

FUTURE POTENTIAL OF THE SECTOR:

Project finance is a rapidly expanding field, with almost USD 200bn lent to companies to finance particular projects in 2004. While project finance has its origins in the natural resource and infrastructure sectors, the current demand for infrastructure and capital investments is primarily fueled by deregulation in the power, telecommunications, and transportation sectors; by the globalization of product; and by the privatization of government Owned entities in developed and developing countries. The long-term prospects are strong, as countries with limited government resources try to meet the growing demand for infrastructure assets. Given the right applications and structures, the benefits of project finance can more than offset the higher transaction costs, increased time commitments, and higher debt rates typically associated with project financings. However, project finance may result in unsustainable practices because banks and project sponsors (bank clients) often do not carry out adequate environmental and social impact assessments of the projects they are financing. In addition, financiers often take inadequate steps to address the issue of sustainability, as environmental and social regulations in some host

countries can be weak. This is especially true in developing countries. As a result of the adverse consequences big infrastructure projects may have, civil society has increasingly targeted the financiers involved in the projects to act more responsibly.

Mr. Nitin Gadkari, Minister of Road Transport and Highways, and Shipping, has announced the government's target of Rs 25 trillion investment in infrastructure over a period of three years, which means the India will see lot of power, bridges, dams, roads and urban development in years to come. Most of these will be funded by the Public or PPP (Public Private Partnership) method. This clearly shows that Project finance will be on major growth trajectory in future and the economy stands to gain from it. Needless to say, highly qualified and experienced professionals will be great demand to manage and analyse the financing of such massive projects.

FINDINGS:

- Internship at AMOL SHEGAONKAR & ASSOCIATES was my first experience. I learnt lot of new things.
- Here, I Found the hard work to be done by people.
- And how to communicate with clints, how to maintain good relationship with clints.
- How to complete work in short span of time.
- I got to know about what clint think about AMOL SHEGAONKAR & ASSOCIATES.

SUGGESTIONS:

Internship at CA Amol Shegaonkar & Associate was my first practical experience and I'm a fresher so I'm not in a position to give any suggestion to the firm.

CONCLUSION:

1. I learnt how the theoretical financial analysis aspects are used in practice during the long-term assessment.
2. I have realized during my project that a project financier must have multi-disciplinary talents like financial, technical as well as legal know how.
3. The credit appraisal for business loans has been devised in a systematic way. It is a process of appraising the credit worthiness of loan applicants. The project finance is a financing of a particular economic unit in which a lender is satisfied to look initially to the cash flow and earnings of that economic unit.
4. I have gained knowledge and learned all the aspects which are covered below related to my project: -
 - Financial Statement Analysis
 - Working Capital and its Assessment Techniques
 - Preparation of Net Worth Statement
 - Preparation of Credit Monitoring Arrangement

BIBLIOGRAPHY:

1. Information is collected from Director of Mr. Amol Shegaonkar and team.
2. The information to be collected from Wikipedia.

<https://www.investopedia.com>

<https://www.sciencedirect.com>

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