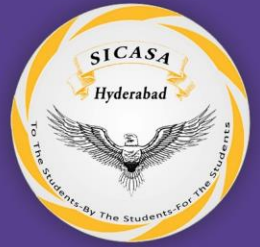
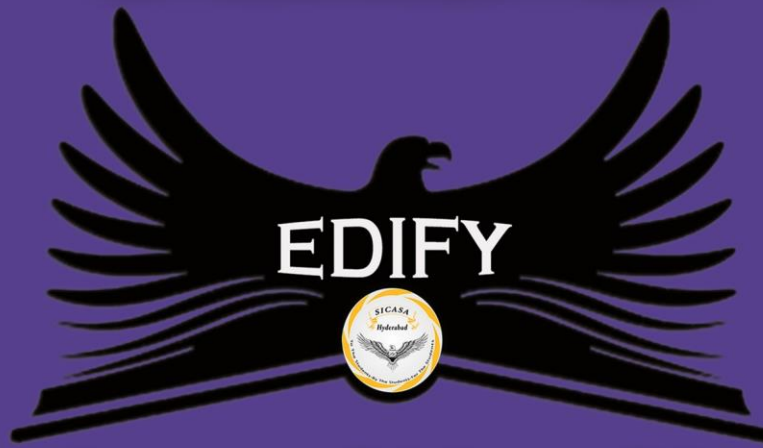




Hyderabad Branch of SIRC of ICAI & Hyderabad Branch of SICASA



E-NEWSLETTER



ISSUE - 9 | JULY, 21



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Office Bearers of SICASA Hyderabad



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Communication from SICASA Chairman

Dear Learners,

Welcome to the newsletter for the month of July. Finally, the leaps of hard work have been put on a paper. Hoping all the efforts were utilized to its best. After the long preparation hours, you must have become an oracle in finishing tasks with sticking hours. Therefore, do not get out of the form. Maintain the same amount of concentration and grasp the activities that enhance your capabilities for further moves. Being humans, rest is an eternal part of life. But a long period of rest turns a healthy person to a brain dead. With an equal amount of joy and focus, with a great sigh of relief start on to think for the future.

After a deep journey into the hibernation, it's time to open your eyes wide and get back to updating yourself. The best time of 2 months is with you. Pursue any course that can amplify your journey. The world has started watching you. Every action of yours will add up to your resume of life.

The students working under a principal during the pandemic time are putting in great efforts to meet the deadlines. The pandemic has not just shown the world a glimpse of scarce health managers but the pandemic has also given a glimpse of the CA fraternity with scarce wealth managers. Gracing all the CA students to be effective and efficient during the tough times.

SICASA- Hyderabad has announced for an Annual General Meeting to be held on 31-07-2021, Saturday. All the students of Hyderabad are invited to join the meeting. A new body of leaders would be elected to be the Managing Committee of SICASA- Hyderabad for the year 2021-2022. Also, with a heavy heart it's time to bid a goodbye to the existing Managing Committee of SICASA- Hyderabad for the year 2020-2021. With the learnings from the old teams, it's time to give strength to the new team to represent the student community at various levels with due respect.

At the end, not forgetting the lessons taught by the pandemic, Stay Safe and ensure safety of people dependant on you.

Best wishes,

At your services always,

CA Chinna Sitarami Reddy A

Feel Free to contact at acsreddy.ca@gmail.com

Tech Mithra:

“Tech Mithra” is an initiative taken by SICASA Hyderabad to make CA Students familiar with the Technological Changes happening around the world and how those changes would impact our Profession way forward.

In this Modern Era, its very important to stay updated with the usage of Technology. Though many of us maybe strong in the fundamentals of subjects & Concepts but might lack the application knowledge due to unawareness of usage of things around in this digital times.

We SICASA Hyderabad are trying to bridge that gap and help the fellow students by publishing a series of Topics which are inter-related in a sequential manner such that student can learn the basics of the topics & their impact on us moving ahead in their career path.

After learning

- 1.Artificial Intelligence**
- 2.Machine Learning**
- 3.Deep Learning**
- 4.Natural Language Processing**
- 5.Robotic Process Automation**
- 6.Blockchain Technology**
- 7.Cloud Computing**
- 8.Data Analytics & Cloud Computing, this month we bring**
- 9.Fintech**
- 10. Quantum Computing**

Chapter : 9 - FinTech (Financial Technology) - An Overview

Technology has changed everything. Industries have been disrupted, and those who have failed to adapt are left behind. ‘Fintech’ means financial technology, and refers to the innovation and technology aimed at challenging traditional methods used in the financial services industry. Financial technology is the application of new technological advancements to products and services in the financial industry. It is an emerging industry that uses technology to improve activities in finance. The use of smartphones for mobile banking, investing, borrowing services, and cryptocurrency are examples of technologies aiming to make financial services more accessible to the general public.

What is Fintech?

While some financial industry observers argue that FinTech has been around for decades and forms the lifeblood of all financial institutions (think ATMs), others posit that this time is different and that FinTech represents a phenomenon distinct from earlier eras of innovation. Both camps agree that it is the rapid evolution of FinTech over the past decades that has been transformational for the financial sector. A number of factors have conflated to turn FinTech into the poster child that continues to grab the headlines. First, following the 2008 global financial crisis, the brand image of banks was severely shaken.

Date	1866 - 1967	1967 - 2008	2008 - Current	
Era	FinTech 1.0	FinTech 2.0	FinTech 3.0	FinTech 3.5
Geography	Global / Developed	Global / Developed	Developed	Emerging / Developing
Key elements	Infrastructure / computerisation	Traditional / internet	Mobile / Start-ups / New entrants	
Shift Origin	Linkages	Digitalization	2008 financial crisis / smartphone	Last mover advantage

Timeline of Fintech

The 2008 GFC had a catalysing effect on the growth of the FinTech sector due to:

Post-crisis regulatory reforms, Financing gap, Operational cost reduction,
Public perception & Technology.

Technologies used in Financial services Industry :

Artificial Intelligence is used in various forms in Financial services Industry. AI algorithms can be used to predict changes in the stock market and give insight into the economy. AI is used to provide insight on customer spending habits and allows financial institutions to better understand their clients. Chatbots are another AI-driven tool that banks are starting to use to help with customer service.

Robotic Process Automation is an AI technology that focuses on automating specific repetitive tasks. RPA is used to perform manual tasks that often are repetitive and completed daily. These tasks just involve the input of information into a system and do not require much skill thus companies are replacing them with RPA which can complete the task quicker and more efficiently. RPA helps to process financial information such as accounts payable and receivable more efficiently than the manual process and often more accurately. RPA can be used to increase the productivity of the financial company.

Machine Learning: It offers a new level of service for financial forecasting, customer service, and data security. With the help of machine learning, financial specialists can identify market changes much earlier than with traditional methods. Applications of ML in Finance like Fraud prevention, Risk management, Investment predictions, Customer service, Digital assistants, Marketing, Network security, Loan underwriting, Algorithmic trading, Process automation, Document interpretation, Content creation, Trade settlements, Money-laundering prevention, Custom machine learning solutions.

Big Data is another "fintech" technology that financial institutions utilize. In the finance sector, big data can be used to predict client investments and market changes and create new strategies and portfolios. Big Data can be used to analyse customer spending habits and therefore improve fraud detection. Big Data helps banks create segmented marketing strategies and can be used to optimize the operations of a company.

Blockchain is developed for the purposes of finance and thus has direct ties to financial institutions. Though blockchain is still an emerging technology, many companies recognize the impact that it will have and are investing accordingly.

Financial Technology used in following services



- **Cryptocurrency & Blockchain**

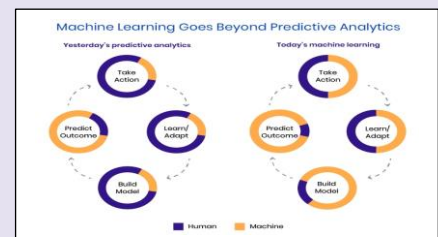
Bitcoin is an example of a cryptocurrency, a form of digital or virtual money. Electronic, no physical banknotes or coins are involved. Although a controversial subject, investment in cryptocurrencies have soared over the last decade.

Blockchain can be described as a data structure that holds transactional records and while ensuring security, transparency, and decentralisation.

Though both are different technologies considered outside the realm of fintech, there are complimentary applications in which all three can work together to deliver new kinds of financial services.

- **Mobile Banking:** It is a large part of the fintech industry. In the world of personal finance, consumers have increasingly demanded easy digital access to their bank accounts, especially on a mobile device. Many banks now offer some kind of mobile banking feature, especially with the rise of neobanks. Neobanks are essentially banks without any physical branch locations, serving customers with checking, savings, payments, loans on a completely mobile & digital infrastructure

- **Machine Learning & Trading:** In trading on capital markets, innovative electronic trading platforms facilitate trades online and in real time. Social trading networks allow investors to observe the trading behaviour of their peers and expert traders and to follow their investment strategies on currency exchange and capital markets. The platforms require little or no knowledge about financial markets, and have been described as disruptors which provide a low-cost, sophisticated alternative to traditional wealth managers. Machine learning has played an increasingly important role in fintech. The power of this ML lies in its ability to run massive amounts of data through algorithms designed to spot trends and risks.



- **Investment & Savings:** Robo-advisers are a class of automated financial adviser that provide financial advice or investment management online with moderate to minimal human intervention. They provide digital financial advice based on mathematical rules or algorithms, and thus can provide a low-cost alternative to a human advisers. Fintech has caused an explosion in the number of investing and savings apps in recent

years. More than ever, the barriers to investing are being broken down by few companies. While these apps differ in approach, each uses a combination of savings and easy investing to introduce consumers to the markets.

- **Payments:** Moving money around is something fintech is very good at. Payment companies have changed the way we all do business. It's easier than ever to send money digitally anywhere in the world.
- **Lending:** Fintech is also overhauling credit by streamlining risk assessment, speeding up approval processes and making access easier. Billions of people around the world can now apply for a loan on their mobile devices, and new data points and better risk modelling is expanding credit to underserved populations. Additionally, consumers can request credit reports multiple times a year without dinging their score, making backend of the lending more transparent for everyone
- **Insurance:** Insurtech (insurance technology) has changed the way consumers buy and use insurance. As a result of technology, insurance premiums are calculated automatically. Insurance is a somewhat slow adopter of technology, and many fintech start-ups are partnering with traditional insurance companies to help automate processes and expand coverage. From mobile car insurance to wearables for health insurance, the industry is staring down tons of innovation
- **Crowdfunding platforms:** Crowdfunding platforms allow internet and app users to send or receive money from others on the platform & have allowed individuals or businesses to pool funding from a variety of sources all in the same place.

The Future of FINTECH

Financial institutions failing to digitalise will struggle to survive in the competitive climate. Technology, machine learning and artificial intelligence will dominate the ways businesses will be expected to operate. Fintech is a rapidly growing industry with virtually endless ways to improve upon our financial systems.

Some fintech trends we'll see in future are: The rise of robo-advisors in stock trading, the use of blockchain in anti - money laundering efforts, the implementation of alternative credit reporting and the decentralization of global payments.

Chapter : 10 - Quantum Computing – Revolution in Finance Sector

Quantum computing is the future of computing. It is an area of computing focused on developing computer technology based on the principles of quantum theory. Quantum computing changes the way information is stored and processed and greatly improves the efficiency of algorithms. Currently, the primary area of focus in quantum computing is optimisation problems – these are challenges where the goal is to find the best decision out of many possible decisions. The quantum ecosystem is fast evolving, enabling the ‘fifth generation (5G)’ of computers.

While the classical computer is very good at calculus, the quantum computer is even better at sorting, finding prime numbers, simulating molecules, shortening computation runtimes, improving accuracy, tackling previously impenetrable calculations, and optimization, and thus could open the door to a new computing era.

In traditional computers, bits are the fundamental computing units, but they can store only two values 0 and 1. However, in quantum computing, qubits can store multiple values, and this is what makes them robust. Qubits exponentially increase the computing capacity compared to classical computing. Qubits are more flexible and allow for a combination of 0s and 1s simultaneously, compared to bits, where data had to be either 0 or 1. Even a single qubit can exponentially increase the computing power of a machine.

Quantum computing could contribute greatly in the fields of finance, military affairs, intelligence, drug design and discovery, aerospace designing, utilities (nuclear fusion), polymer design, Artificial Intelligence (AI) and Big Data search, and digital manufacturing.

Classical computers Vs Quantum computers:

- Classical computing involves binary values of 0 and 1. Quantum computing also reads using 0 and 1, but it can hold much more complex information including negative values.
- Classical computing, bits can store only 0 or 1. In Quantum computing, these qubits can influence each other even if they are not connected through a process known as **entanglement**. Their computing power is simply unprecedented for everyone.

- Classical computing processes bits sequentially. In quantum computing, qubits are entangled such that altering the state of one qubit alters all other qubits, allowing quantum computers to converge on the right answer very quickly. Due to this property called **superposition**, quantum computers can do an extraordinary amount of calculations simultaneously.
- Classical computing specifically defines the desired outcomes, limiting the design of the algorithm; quantum computing enables simultaneous computations leading to several probabilistic outcomes, which increases confidence in the best answer.

Classical computation is like a solo voice – one line of pure tones succeeding each other. Quantum computation is like a symphony – many lines of tones interfering with other.

Quantum computing for Financial services:

The financial sector has many transactions run by algorithms. Using quantum computing would exponentially increase the speed of these transactions, allowing institutions to scale their processing with fewer costs as opposed to employing more human or IT resources. Faster processing is made possible because, in quantum computing, data gets represented using qubits as opposed to traditional binary units (0s and 1s).

Quantum computing is gaining the interest of the financial services industry which is looking to increase manifold, the speed of trades, transactions and data processing. One of the biggest potential uses of quantum computing is simulation. Quantum computing helps identify a better way to manage risk in financial portfolios. The processing time and cost for high-quality solutions can increase exponentially if a classical computer is used whereas a quantum computer can do it speedily with increased optimisation capabilities, driving new cost savings and opportunities for revenue generation.

The potential benefits of quantum computing for financial services could be:

- Solving increasing problems in critical areas like Cyber security to safeguard customer financial data using next-gen cryptography; financial data encoded with quantum cryptography is far more secure than current levels of digital security.
- Detection of fraudulent activities by recognising patterns of behaviour much faster, leading to proactive fraud risk management.
- Optimising Portfolio management for assets with interdependencies.

- Predictive analytics in customer behaviour by combining quantum computing with AI.
- A combination of quantum computing and BlockChain technology could be the most hack-proof technology in the Internet of Things (IoT) era.
- Automated decisions using sets of pre-programmed rules like seamless approval of loans and mortgages.
- Significantly increase transaction speed and reduce processing costs
- Downtime on infrastructure using quantum computing would be non-existent.

The Financial Services Applications of Quantum Computing:

1) **Customer Relationship Management:** CRM will improve from the automation of targeted services. Customer purchasing preferences based on demographic data can be predicted with greater accuracy using quantum computing.

2) **Portfolio Management:** Quantum computing could help cut through the complexity of trading environments. Quantum computing's combinatorial optimization capabilities may enable investment managers to improve portfolio diversification, rebalance portfolio investments to more precisely respond to market conditions and investor goals, and more cost-effectively streamline trading settlement processes

3) **Security:** Financial data encoded with quantum cryptography is by far more secure than other kinds of digital security. Though internet has made it possible for hackers to take control of remote devices, one cannot read data encoded in quantum transactions

4) **Targeting and Prediction:** For customer targeting and prediction modeling, quantum computing is a game changer. The data modeling capabilities of quantum computers are expected to improve in finding patterns, performing classifications, & making predictions.

5) **Speed:** Quantum technology's ability to handle billions of transactions per second. For financial institutions, where the volume of transactions are high, this will be an advantage for high-speed trading, they will get saved from the inconvenience of crashing systems where users get left with a bad experience or loss of data.

According to Bloomberg, Google's most advanced quantum computer named Sycamore could solve a specific computational task that a traditional supercomputer takes 10,000 years to solve within 3 minutes. Ultra-fast quantum computing within financial services could get achieved in conjunction with machine-learning algorithms using AI.

How quantum computing could replace BlockChain technology

This important development could totally replace other forms of secure data protection, such as BlockChain within small period using quantum encryption. Quantum encryption will enable banks to send data which is almost unhackable over a quantum network. Quantum cryptography uses a system called quantum key distribution also known as QKD which ensures encrypted messages and its keys are sent separately. If these messages and keys are tampered, or edited in any way, they are automatically destroyed. At this point, both the sender and the receiver are sent notifications

Quantum with Cloud computing:

The cloud plays two key roles in quantum computing today.

The first is to provide an application development and test environment for developers to simulate the use of quantum computers through standard computing resources.

The second is to offer access to the few quantum computers that are currently available, in the way mainframe leasing was common a generation ago. This improves the financial viability of quantum computing, since multiple users can increase machine utilization.

Concluding lines:

Just as artificial intelligence was a couple of years ago, quantum computing is in its preliminary phase. It won't take a long when we start to tap into the power of quantum computers, and hopefully, we might come up with ways to enhance the computing power and its potential. The implications of quantum computing will be far-reaching. The speed at which significant developments occur will increase. Human interaction will only be relied upon to ratify flagged-up solutions. The impact of quantum computing on the financial sector will predominantly be a good thing. With time, advanced AI will make humans freer to focus on life fulfilling functions.

Valuation of Company

What Is Valuation?

Valuation is the analytical process of determining the current worth of an asset or a company. There are many techniques used for doing a valuation.

An analyst placing a value on a company looks at the business's management, the composition of its capital structure, the prospect of future earnings, and the market value of its company, among other metrics.



What Does Valuation Tell You?

A valuation can be useful when trying to determine the fair value of a security, which is determined by what a buyer is willing to pay a seller, assuming both parties enter the transaction willingly.

Analysts do a valuation to determine whether a company or asset is overvalued or undervalued by market forces.

Two Main Categories of Valuation Methods

Absolute valuation attempt to find the "true" value of an investment based only on fundamentals. Looking at fundamentals simply means you would only focus on such things as dividends, cash flow, and the growth rate for a single company, and not worry about any other companies

Valuation models that fall into this category include the dividend discount model, discounted cash flow model, asset-based model.

Relative valuation operate by comparing the company in question to other similar companies. These methods involve calculating multiples and ratios, such as the price-to-earnings multiple, and comparing them to the multiples of similar companies. Valuation model that fall into this category is The comparable model.

The relative valuation model is a lot easier and quicker to calculate than the absolute valuation model

Valuation Methods

Dividend Discount Model (DDM)

The dividend discount model calculates the "true" value of a firm based on the dividends the company pays its shareholders. The justification for using dividends to value a company is that dividends represent the actual cash flows going to the shareholder, so valuing the present value of these cash flows should give you a value for how much the shares should be worth.

Discounted Cash Flow Model (DCF)

What if the company doesn't pay a dividend or its dividend pattern is irregular? In this case, move on to check if the company fits the criteria to use the discounted cash flows model. Instead of looking at dividends, the DCF model uses a firm's discounted future cash flows to value the business.

The free cash flows are generally forecasted for five to 10 years, and then a terminal value is calculated to account for all the cash flows beyond the forecasted period and discounted with weightage average cost of capital.

The Comparables Model

This model doesn't attempt to find an intrinsic value for the stock like the previous two valuation models. Instead, it compares the stock's price multiples to a benchmark to determine if the stock is relatively undervalued or overvalued.

The reason why the comparables model can be used in almost all circumstances is due to the vast number of multiples that can be used, such as the price-to-earnings (P/E), price-to-book (P/B), price-to-sales (P/S), price-to-cashflows (P/CF), and many others

Asset-Based Approach

The asset-based approach uses the value of assets to calculate a business entity's valuation. The asset-based value is equivalent to the company's book value or shareholders equity. The calculation is generated by subtracting liabilities from assets

The Bottom Line

No single valuation model fits every situation, but by knowing the characteristics of the company, you can select a valuation model that best suits the situation.

Additionally, investors are not limited to just using one model. Often, investors will perform several valuations to create a range of possible values or average all of the valuations into one.



Hardik Manoj Gujarathi

WRO0551228

Registration of Private Limited Company - Practical Approach

Private Limited Company is the most prevalent and popular type of corporate legal entity in India. Private limited company registration is governed by the Companies Act, 2013 and the Companies Incorporation Rules, 2014.

To register a private limited company, a minimum of two shareholders and two directors are required. MCA has recently implemented major changes to the process and made it very simple to incorporate a company.

Requirements:

1. Minimum of two adult persons are required to act as Directors of the company
2. Minimum of 2 Directors and can have a maximum of 15 directors.
3. One of the Director of a private limited company has to be an Indian Citizen and Indian Resident.
4. The other director(s) can be a Foreign National.
5. Two persons are required to act as shareholder of a company

Registration Documents Required:

To register a private limited company, the company's proposed directors would have to submit the following documents as **identity proof**:

For Indian Nationals – PAN

For Foreign Nationals – Passport

The proposed Directors can submit the following documents as **proof of address**:

For Indian Nationals – Passport / Drivers License / Election ID / Ration Card / Aadhar ID

For Foreign Nationals – Passport / Drivers License Bank Statement / Residence Card

Finally, the proposed Directors must submit the following documents as proof of residence. This document must be less than 2 months old:

For Indian Nationals – Bank Statement / Electricity Bill / Phone Bill

For Foreign Nationals -Bank Statement / Electricity Bill / Phone Bill

In case a company in India or abroad is one of the shareholders of the company, the following documents would have to be submitted:

- Board resolution authorizing investment in the company
- Incorporation Certificate of the Company
- Address proof of the company

Registration Process :

RUN Name Approval

First name approval is obtained for the proposed company names from the Ministry of Corporate Affairs. Upto 2 names can be provided. In case of rejection of both names, an opportunity is provided for re-submission of the form with 2 more names. The name must be acceptable to the MCA as per the Companies Act 2013.

Timeline: Name approval can be obtained in 1-2 business days.

Digital Signature

Digital signature must be obtained for the proposed Directors of the Company. Digital signature is required for signing of the incorporation application. However, digital signature is not required for obtaining name approval. Hence, this process of obtaining Digital signature can run parallel to the name approval process.

Timeline: Digital signature can be obtained in 1-2 business days.

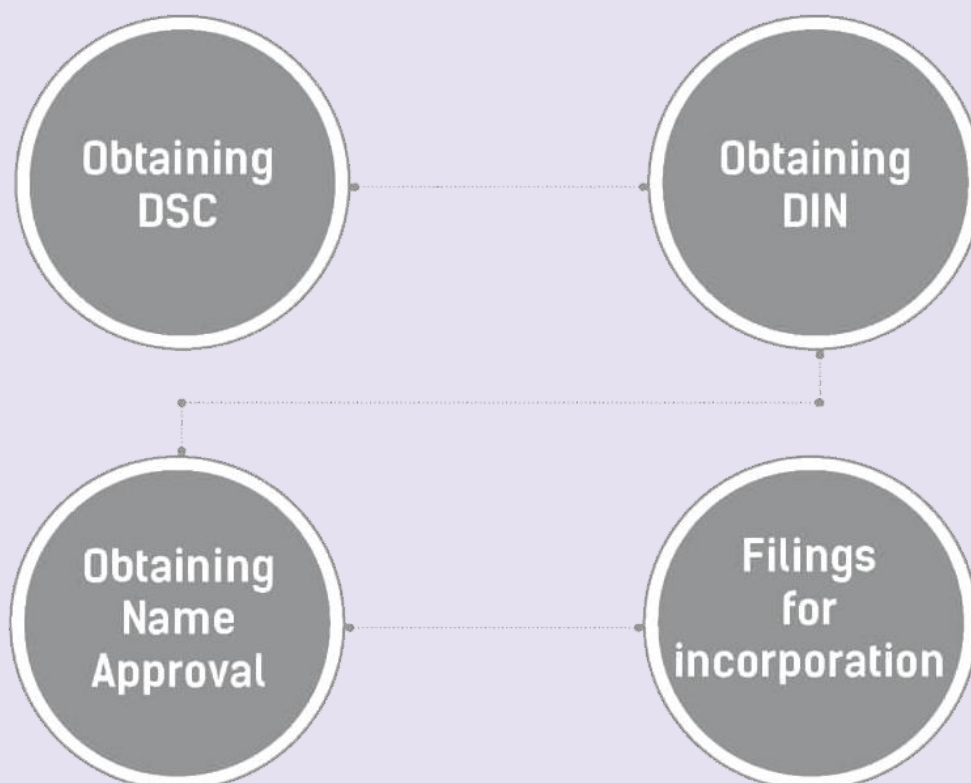
Incorporation Application Submission

On obtaining the Digital Signature, the incorporation application can be submitted in SPICe Form with the MCA. There is no requirement for obtaining RUN Name Approval for submission of SPICe Form. Hence, if RUN name approval was not obtained, if the name is available, the company would be incorporated. In case of non-availability of name, the incorporation documents must be resubmitted. Hence, its advisable to obtain RUN name approval before submission of SPICe Form.

Timeline: Incorporation application can be prepared and submitted in 1-2 business days.

On submission of the incorporation application, private limited company incorporation certificate along with PAN and TAN is provided within 1-2 business days by the MCA.

An illustration of the incorporation process is reproduced below for reference.



Creative Corner

Art Work's:



Hitushree

CRO0511751



Janani R

SRO0498969

Invitation:

SICASA Hyderabad inviting articles for **E-Newsletter : Edify** for the month of **August,2021**. All the Students who wants to get featured can submit your Articles, Art-Works ,Poems, Short-Stories etc. which are related to Chartered Accountancy curriculum for our further newsletters.

Topics :

- 1. Applicability and Analysis Section 206AB & 206CCA of Income Tax Act, 1961**
- 2. MSME recent changes & way ahead**
- 3. Any other related to CA Curriculum**

Send us your works on : sicasahydnewsletter@gmail.com

Last date of Submission : 13th August,2021

Rules:

- 1.No word Limit but Articles shall be confined to Topic's Opted.**
 - 2. No Plagiarism Allowed, Content sent should be Original.**
 - 3. Send your Work to the mail allowing with the following attachments :**
 - a) Your Work**
 - b) Full Name along with Student Registration Number & Firm Name**
 - c) Passport Photo**
 - d) Contact Details**
 - e) Subject of email must contain the Details of your work (Eg. Article/Art-work etc)**
-