

# FOCAL POINT

Newsletter from Raju and Prasad Chartered Accountants

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## Edible Nuts and Dry Fruits Sector Review

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*Dear Reader,*

*Our editorial comments for this month are on the Economics of Animal Slaughter.*

*This month we have covered 'Edible Nuts and Dry Fruits Sector' in our Industry Review.*

*Please give your views and also send this newsletter to your friends.*

*We wish all our readers Eid Mubarak.*

*Regards*

*For Raju & Prasad  
Chartered Accountants*

*M Siva Ram Prasad  
Partner*

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# Editorial



## Economics of Animal Slaughter

In the last week of May, Government of India has restricted the slaughtering of cattle under Prevention of Cruelty Towards Animals Rules 2017. The restriction is on sale of cattle including cows, calves, buffaloes, bullocks, camels etc. These cattle are basically the working animals or milch animals for agriculturists including small farmers. Farmers, when the animals are unproductive they replace them with new animals either as milch animal or work animal. It is the normal

practice all over India. Specially it is difficult to maintain the unproductive animal for small farmers. In case of droughts farmers sell the animal when they are unable to feed them.

There are number of states already restricting the sale of animals. Certificate should be submitted that either the animal cannot breed any more or cannot yield milk or similar certificate to state that the animal is not sustainable. A declaration is also required stating that the animal is not sold for

slaughter. There is no such ban in states of Kerala, Bengal and some north eastern states on animal slaughter. Certain states have imposed ban on cow slaughter only.

The present ban imposed by Government of India triggers issues like, whether state's right on this subject is encroached upon by Union Government? Whether the ban will extend to other animals like goats and sheep, chicken and ducks etc? Whether this is challenging the basic eating habits of people? The issue is before courts.

But what we discuss here is that a rural artisan based meat and leather industry will be effected by this ban. The meat industry and its major by-product leather industry play a major role in the socio economic life in the country. India has the second largest population of cattle in the world consisting 20% of cows and buffaloes and 11% of goats and sheep and is also the second largest producer of foot wear in the world. India produces 2.5 billion Sqft. of leather which accounts for 13% of world production. The industry is the eighth major exchange earner with USD 6494.8 million in 2014-15 (as per DGCIS). The industry employs 2.5 million people. This is in addition to buffalo meat exports of 3933.80 million USD of in 2016-17 (as per APEDA).

*It should not give scope to foreign companies to step into the shoes of the Indian industry whether it is food processing or leather products.*

Another dimension to this slaughter is that the animal is slaughtered not only for meat, many

*While the intension of the government is not to allow indiscriminate slaughter of animals, care should be taken to see that economic activity is not slowed down and the resultant loss of jobs be avoided.*

products are made out of the animals. Gelatin is derived from collagen which is used for making outer cover for medicinal capsules, the gut is used as string for tennis, badminton and squash rackets, horns are used in making buttons. Blood is used in making anti-anaemic syrups. Bone meal is used in sugar processing, the hides and skins are used in manufacturing foot wear without which the nation cannot walk. Entire leather industry is dependent on cattle wealth.

In fact steps should be taken to improve the livestock and their health conditions. If the unproductive animals can't be maintained by small farmers they will become stray animals in rural areas which will be target for wild animals and is unsafe for people. If they die in normal conditions disposal of the carcasses become an environmental issue.

While the intension of the government is not to allow indiscriminate slaughter of animals, care should be taken to see that economic activity is not slowed down and the resultant loss of jobs be avoided. It should not give scope to foreign companies to step into the shoes of the Indian industry whether it is food processing or leather products.

**-M SIVA RAM PRASAD**

# Industry Review



## Edible nuts and Dry fruits

### Background

What is commercially known as dry fruits are edible nuts which are dried. The popular varieties in India are cashew, almonds, pistachio and walnuts. Though peanuts and coconuts are also called nuts, these come under the category of oil seeds. The Brazil nuts and chest nuts are not harvested in large quantities in India. Areca nuts or betel nuts though categorized as edible nuts they are used more as

ingredients in certain foods and preparation of Indian medicines. India is the largest producer of areca nuts.

Dry fruits are fruits but dehydrated, popular among them in India are raisins (dried grapes), anjeer (dried figs), khajoor (dried dates), and apricot (dried apricot fruits). The other varieties of dried fruits available in India are berries, both blue and plain, pine apple slices etc.



The edible nuts are extracted from the fruits after cracking the kernels. Later the moisture content is removed by drying in natural conditions or in dryers. Similarly fruits are also dried in a process to dehydrate them.

The edible nuts are a combination of carbohydrates, proteins and fats. Highly nutrient and recommended to consume due to the fiber content and rich calories but are supposed to be consumed in reasonable doses.

## Cashew (*Anacardium Occidentale*)

Cashew is a fruit known to India through Portuguese. The Brazilian fruit is popular and grown in this country over five centuries. Today in India it is the maximum consumed edible nut. The country's share in the global production of cashew is 23%.

The plant is cultivated in Andhra Pradesh, Maharashtra, Orissa, Tamil Nadu, Karnataka, Kerala, Goa and Bengal in order of area of cultivation and Maharashtra stands first in production as well as productivity.

The crop is grown in red and laterite coastal sandy soils and the area wise India occupies the first place in the world in its cultivation. India also imports cashew and exports its own production.

### Area, Production and Productivity of Cashew nut in India

A-Area in '000 Ha, P-Production in '000 MT, APY-Average Productivity in Kg per Hectare

State	2014-15			2013-14		
	A	P	APY	A	P	APY
Kerala	84.53	80	946	84.93	80.12	910
Karnataka	124.71	80.5	645	124.11	80.61	750
Goa	58.17	32	550	57.97	32.35	780
Maharashtra	186.2	235	1262	184.2	236.2	1317
Tamil Nadu	140.42	67	478	139.42	67.39	669
Andhra Pradesh	185.45	100	539	184.95	100.42	646
Orissa	180.41	85.5	474	166.91	85.71	679
West Bengal	11.36	13	1096	---	---	---
Others	56.15	32.42	658	65.205	53.76	735
<b>Total</b>	<b>1027.2</b>	<b>725.42</b>	<b>706</b>	<b>1007.695</b>	<b>736.56</b>	<b>782</b>

Source: Directorate of Cashew nut and Cocoa Development

Cashew nuts if consumed moderately have benefits for the body, they are rich in mono unsaturated fats and help in maintaining good cholesterol (HDL). These nuts give instant energy and prevent formation of gallbladder stones. The fiber content is less compared to the other edible nuts.

Cashewfruit juices are also consumed as fruit juice. Cashew bark can be used as a tannin in leather processing. The gum excreted from the stem can be used as a binding material. Cashew kernel oil or cashew nut shell liquid (oil) CNSL is used in manufacturing paints, electrical insulator varnishes etc. The oil which is economic variety of liquid crystalline polyester and the derivatives are used in lamination industry.

### **Almonds (*Prunus Dulcis*, Syn *Prunus Amygdalus*)**

Almonds are considered as king of nuts. The fiber contents and nutritious values make almonds important in the food consumption of India. But it is only in the reach of upper middle class and rich of the country. Almonds are originated from mediteranian region and is grown and produced maximum in USA. It is also grown in Spain, Italy, Morocco, Algeria, Greece and Middle East countries like Iran, Afghanistan etc.

In India the plant is grown in Jammu and Kashmir, Himachal Pradesh, and



Uttarakhand. There are different varieties of almonds considering their taste and color. There is demand and supply gap for almonds and the country imports to meet the gap, mainly from USA. The nuts are consumed directly or used in confectioneries. Almond oil is used in pharmaceuticals and cosmetic preparations.

Almonds can grow in loamy soil and require drained soils. The trees can tolerate moderate temperatures ranging from 30 to 35 degrees centigrade.

Almonds are rich in fiber, magnesium and potassium besides mono unsaturated fats

Table showing India's production of almonds

Production(000 Tonnes)			
2014-15			
S.No.	State	Production	Share (%)
1	Jammu & Kashmir	8.98	90.89
2	Himachal Pradesh	0.9	9.11
<b>Total</b>		<b>9.88</b>	<b>100</b>

Source: National Horticulture Board (NHB)

and anti-oxidants which help in heart functioning and preventing gallbladder stones.

### Walnuts (Genus Juglans)

Walnut is another fibrous variety of nut which is believed to be originated from Iran and spread to other countries like Spain, Italy, France, Southern parts of erstwhile USSR and China. The production of walnuts in India is limited to Jammu and Kashmir, Himachal Pradesh and Uttarakhand. J&K is the major producer and other states' contribution is insignificant. The crop needs irrigation facilities in the event of inadequate rains but

it is drought tolerant. The plant needs sufficient sun light.

Walnuts can be grown in loamy or clay loamy well drained soils. These are grown in moderate temperatures or in cool climate with a rainfall of 800 mm in a year.

There is demand and supply gap in India, the demand is met out of imports. China and USA are the two countries producing maximum quantities of walnut. In spite of the demand and supply gap, India exports its produce to Middle East and European countries.

Top 14 importers of Walnuts from India			(Qty in Metric Tonnes & Value in USD)			
Country	2014-15		2015-16		2016-17	
	Qty	Value	Qty	Value	Qty	Value
France	187	11,75,782	487	13,68,259	533.5	13,28,304
United Kingdom	392.5	31,73,390	452.01	25,96,289	261.88	12,17,929
United Arab Emirates	71.25	22,163	0.19	549	346.38	9,97,157
Netherland	254.66	22,93,037	424.5	19,86,807	156	8,53,582
Nepal	97.65	4,48,075	217.37	6,41,818	246.95	7,80,548
Germany	108.57	9,22,765	511.56	30,71,478	141.56	7,02,180
Sweden	37	3,13,296	51.5	4,85,832	52	3,79,795
Belgium	40	3,25,925	105.5	5,97,010	71.5	3,51,817
Egypt Arab Republic	241	26,50,521	252.6	19,58,319	46	3,38,093
Spain	31.5	3,13,810	238	11,77,496	84	2,84,828
United States	230.01	28,01,332	178.69	17,51,130	34.5	2,41,450
Kuwait	54	2,87,947	22	2,13,192	99	2,14,382
Denmark	13.5	1,10,521	26	1,78,983	25.9	1,77,242
Australia	81	7,99,621	100	3,40,181	24	1,42,561

**Source: DGCIS Annual Report**



Nutrition and medicinal values of walnuts are immense. The nuts contain alpha linoleic acid and Vitamin E which have positive effect on heart. The nuts are cholesterol free and contain Vitamin B which is helpful for nervous systems.

### **Pistachios (*Pistacia Vera*)**

Another deciduous tree, pistachio fruits are also very popular in India. The origin of the fruit is said to be from Jordan or Western Asia which is spread to many countries in mediteranian regions as well as West.

The tree can survive in dry climate without sufficient rainfall and can achieve the height of 25 to 30 feet. The tree is normally grown on hilly slopes and cannot tolerate excess water and humid conditions. The fruit grows in bunches and gets dried and opens up in natural conditions. The kernel is thin unlike other dry fruit kernels. The belief is that the hearing of the cracking sounds of the fruits brings luck. It is available in yellow and

green colours. It is grown mostly in Iran, Syria, Turkey, China and USA. The pistachios are consumed directly. Salted pistachios are also popular. The nuts are used in bakery items, confectionaries, ice creams, candies etc.

The tree can be grown in loamy sandy soils with a temperature beyond 36° C and cold winters.

The nuts have high calorific value as food containing mono and poly unsaturated fats which are good for health. The nuts are rich in B6, Vitamin A, Calcium, Potassium, zinc and iron.

The gum from the tree is used in making blood clotting agents. This nut like other nuts is fibrous and believed to have aphrodisiacal effects on the consumers.



### **Dry Fruits**

Dry fruits are also edible fruits which are dehydrated to remove the moisture content and meant for preservation for longer duration to consume either directly or

making confectionaries. Popular varieties of such fruits are raisins, dates, figs and apricots.

### Raisins

Raisins are dried or dehydrated grapes. The color of raisins depends on the color of the grapes. They are in golden color, black or green. They are with or without seeds. The word raisins is of French origin though the fruit is of Persian origin. Raisins are also made out of blue berries.

The fruit after drying has concentrated sugar content and give instant energy. The fruit contains Vitamin B, Calcium, iron and potassium. The fruit is an anti-oxidant, it is cholesterol free with low sodium content. These properties are blood purifiers and help to fight osteoporosis in females. This high nutrient and fibrous fruit fights constipation, good for teeth and gums and also helpful in fighting macular degeneration in eyes.

### Dates

The date fruits are derived from date palm tree. The tree is of Persian origin and the word date is from Greek word Daktua. The fruits are grown in bunches on the tree.

The tree can be grown in sandy loamy soils with less humid conditions. The trees need

sunshine and does not require lot of irrigation. During flowering and fruit formation, rain should be avoided. Dates are being cultivated commercially in Gujarat, Rajasthan and Tamil Nadu.

The fruit is spread from Middle East to Spain, Mexico, USA and mediteranian regions.

Fruits are dried and dehydrated for consuming over long time. Dates are consumed as regular food in

Middle East. It is rich in potassium content and low in fat, cholesterol and sodium, highly fibrous and nutritious.

### Figs

Fig tree is historical and Biblical. The word fig is of French origin. The fruit is of Turkish origin. The tree is from genus ficus family and the fruit is also known as ficus in Latin. The tree travelled from Turkey to Greece, Spain, and USA. The fruit is a staple food in certain countries like Egypt and Greece. The fruits are dried and cut into slices. The fruit contains potassium, calcium, vitamins as well as minerals.





### Apricot

The fruit is orange in color. Its origin is from Asia and its cultivation in China is nearly thirty centuries old. The fruit's botanical name 'Prunus Armenaica' is derived after it is grown in Armenia. It is grown in Spain and Greece. In India it is cultivated in Jammu and Kashmir and Himachal Pradesh. The fruits are dried and sliced. They can be consumed directly or in combination of food preparations like puddings, cakes, ice creams etc. Apricot kernel oil is used in preparation of balms, lotions, creams and other cosmetics. The oil can be directly applied to skin for dry skin conditions.

Apricots are rich in vitamin A. The presence of anti-oxidant lycopene, Phyto chemicals like carotenoids help in reducing the heart diseases. This fibrous fruit also contains calcium and potassium.

### Indian scenario of nuts and dry fruits sector

This sector in India has been growing in good volume in the recent times.

- The demand for dry fruits in India is highest in the festive seasons as they are gifted to friends, neighbours on festivals and other special occasions. The other reasons for dry fruits having good demand in India are its health benefits, growing health awareness, increasing purchase power and change in life style.
- A good percentage of dry fruits are consumed by the food processing industries.
- Cashew in India provides sustainable employment opportunities to 1.5 million people in processing and agrarian sector, especially for women.





- The per capita consumption of dry fruits in India is as low as 150 gm per annum compared 1.8 kg in USA.
- Consumption pattern of dry fruits in India is in the sequence of Cashews first then almonds, walnuts and then pistachios.
- There is a healthy growth of 10% CAGR in Nuts and Dry Fruits industry in volume terms in India. The present market size is Rs. 15000 crores and is expected to double by 2020.
- The country earns foreign exchange through export of cashews Rs. 5168 crores, walnuts Rs. 55 crores and raisins Rs. 269 crores (as per APEDA). Besides these India also export apricots, figs and dates.

### Issues and Challenges

The nuts and dry fruit sector faces few challenges that are similar to those faced by other agricultural products and some in addition to them which are all mentioned below:

- There is no serious effort in developing farming of these crops and marketing the produce except in case of cashews. Wherever soil conditions and climatic conditions suit the crop, growing of these crops should be propagated to increase the area under cultivation for all major edible nuts. Date palms can be grown even in a backyard in many regions in the country. The farming should go beyond its traditional areas.
- Replanting and rejuvenation of the old plants is required like in any other plantation crops with high yielding varieties. The agriculture extension services for nuts and fruits are to be intensified.
- Educating the farmers in hygienic handling of nuts in processing is needed.
- Grading, processing, storage and packaging requires modern methods and facilities at par with international standards.



- Like any other agriculture and plantation crops, this sector also faces pests and diseases besides uncertain weather conditions.
- There is need for developing certified nurseries for plants and seeds.
- Organised marketing and post-harvest infrastructure are required.
- The nuts and dry fruits industry has approached government of India for exempting them under GST like other fresh fruits.

So far the fruit crops that produce edible nuts are not the thrust areas for development, in spite of many schemes like area expansion in integrated project mode, productivity enhancement of existing orchards etc.

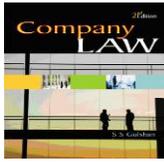
The working group on horticulture for 12th plan recommended that dates, walnuts almonds are to be included in the 'Focus Crops'. If thrust is given to the sector for integrated development the demand and supply gap can be met and imports can be avoided.

**- Team at Raju and Prasad**



## Policy Watch

### Company Law



#### Issue of duplicate share certificate not required in case of transfer of shares to Investor Education and Protection Fund (IEPF)

Ministry of Corporate Affairs vide circular no. 07/2017 dated 5th June, 2017 has clarified that in case where shares are transferred to IEPF under section 124(6) of the Companies Act, 2013 the company need not issue duplicate shares and as transfer takes place by operation of law the procedure followed for transmission of shares shall be followed in such cases.

[http://www.mca.gov.in/Ministry/pdf/IEPFGcircular07\\_05062017.pdf](http://www.mca.gov.in/Ministry/pdf/IEPFGcircular07_05062017.pdf)



## RBI

#### Amendment to Section 24 and 56 of Banking Regulation Act, 1949 (Maintenance of Statutory Liquidity Ratio)

The Reserve Bank of India vide notification no. DBR.No.Ret.BC.71/12.02.001/2016-17 dated 7th June, 2017 has decided to reduce



the Statutory Liquidity Ratio of commercial banks, primary (urban) co-operative banks, state co-operative banks and central co-operative banks from 20.5% of their net demand and time liabilities to 20% with effect from 24th June, 2017 as announced in the second Bi-Monthly Monetary Policy Statement 2017-18.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI3187B520C9414C1483293DFD1F3FDBFA522.PDF>

#### Introduction of Legal Entity Identifier (LEI) for Over-the-Counter (OTC) derivatives market

RBI vide notification no. FMRD.FMID No.14/11.01.007/2016-17 dated 1st June, 2017 has decided to allot Legal Entity Identifier code which is a 20 character unique identity code for all the participants

of the OTC markets. This is to improve the quality and accuracy of financial data systems for better risk management. The participants can obtain the LEI from Legal Entity Identifier India Limited (LEIL) before the specified time lines. The entities without LEI will not be eligible to participate in the OTC derivatives market after the specified dates.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI3143399AEE12E684FCF9FEEA7E03E0E9064.PDF>

### **Rationalisation of risk weights and Loans to Value (LTV) ratios in case of individual housing loans**

RBI vide notification no. DBR.BP.BC.No.72/08.12.015/2016-17 dated 7th June, 2017 has reduced the risk weights and standard asset provisioning rate for individual housing loans sanctioned after 7th June, 2017 and the rates shall be as follows:

<b>Outstanding loan</b>	<b>LTV ratio (%)</b>	<b>Risk Weight (%)</b>	<b>Standard Asset Provision (%)</b>
Up to Rs.30 lakh	≤ 80	35	0.25
	> 80 and ≤ 90	50	
Above Rs.30 lakh and up to Rs.75 lakh	≤ 80	35	
Above Rs.75 lakh	≤ 75	50	

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI3171E66547E9D0E49B4B616A8509EF84872.PDF>

**Direct  
Tax**

## **Direct Tax**

### **Extension of date for filing Form 61A under rule 114E under Income Tax Rules, 1962**

The Central Board of Direct Taxes vide its notification dated 31st May, 2017 has extended the date of furnishing the statement of financial transactions (in form 61A) under rule 114E for the Assessment Year 2017-18 from 31st May, 2017 to 30th June, 2017.



## **SEBI**

### **Digital mode of payment of fees, penalties, remittances etc, and online registration mechanism for entities as mutual funds**

SEBI vide notification no. SEBI/HO/IMD/DF3/CIR/P/2017/52 has decided to operationalise SEBI Intermediary Portal (<https://siportal.sebi.gov.in>) for the entities to submit their mutual fund registration applications online which includes online application for registration, processing of application, grant of in-principal approval, grant of final registration online. Further SEBI vide notification no.

SEBI/HO/GSD/T&A/CIR/P/2017/42 has notified that all the registered intermediaries and other entities making payment to SEBI by way of fees, penalties, remittance or other payments by electronic mode

(RTGS/NEFT/IMPS) shall provide the information on such payments in the following format to their respective departments and to the Treasury & Accounts division at tad@sebi.gov.in.

Date	Dept. of SEBI	Name of Intermediary/ other entity	Type of intermediary	SEBI registration no. (if any)	Purpose of payment	Bank details and a/c no. from which the remittance was made	UTR No.

[http://www.sebi.gov.in/legal/circulars/jun-2017/online-registration-mechanism-for-mutual-funds\\_35007.html](http://www.sebi.gov.in/legal/circulars/jun-2017/online-registration-mechanism-for-mutual-funds_35007.html)

[http://www.sebi.gov.in/legal/circulars/may-2017/digital-mode-of-payment\\_34885.html](http://www.sebi.gov.in/legal/circulars/may-2017/digital-mode-of-payment_34885.html)

## Verdicts

### Direct Taxation

Direct  
Tax

**Lump sum of royalty paid by a newly set up company to a foreign company to be treated as capital expenditure**

**-vide the decision of Supreme court of India vide Honda Siel Cars India Ltd. Vs. Commissioner of Income Tax**

The honourable Supreme Court of India vide Honda Siel Cars India Ltd. Vs. Commissioner of Income Tax held that where a new company is set up with technical know-how from a



foreign company, the lump sum of royalty paid to the foreign company towards the technical know-how shall be treated as a capital expenditure and not as revenue expenditure.

<https://www.taxmann.com/filecontent.aspx?Page=CASELAWS&multipage=false&id=10101>

[000000175601&isxml=Y&search=&tophead=true&tophead=true](https://www.taxmann.com/filecontent.aspx?Page=CASELAWS&id=101010000000175601&isxml=Y&search=&tophead=true&tophead=true)

### **PAN of individuals without Aadhar Card shall not be treated invalid until the judgment is passed by the special constitution bench**

**-vide the decision of the Supreme Court of India vide Binoy Viswan Vs. Union of India.**

The Supreme Court of India vide Binoy Viswan Vs. Union of India held that the PAN of Individuals who do not possess an Aadhar Card shall not be made invalid under section 132AA(2) until the constitution bench decides on it. However it was also clarified that in case of individuals who are already enrolled and have an Aadhar Card, it is mandatory to link their Aadhar with PAN and quote their Aadhar number or enrollment number in their IT Returns.

<https://www.taxmann.com/filecontent.aspx?Page=CASELAWS&id=101010000000175602&isxml=Y&search=&tophead=true&tophead=true>

**Search and seizure on the accounts of a person on whom the search warrant is not issued but is somehow connected or is suspected to be connected to the person on whom the search warrant is issued also comes under the ambit of section 132(1)**

**-vide the decision of the High Court of Delhi vide Strategic Credit Capital (P.) Ltd. Vs. Ratnakar Bank Ltd**

The High Court of Delhi vide Strategic Credit Capital (P.) Ltd. Vs. Ratnakar Bank Ltd held that in case where a search warrant is passed against a person under section 132(1), the search can not only be conducted on him but also on the accounts of another person(s) whom the department suspects to be involved in a financial transaction with the former person and where there is an undisclosed income from such transaction by him (former person).

<https://www.taxmann.com/filecontent.aspx?Page=CASELAWS&id=101010000000175476&isxml=Y&search=&tophead=true&tophead=true>

#### **Disclaimer**

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▶▶▶ **PHOTOGRAPH OF THE MONTH**

**Pelican family in their nest at Ranganathittu Bird Sanctuary**

**- Clicked by M Siva Ram Prasad**



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