An Initiative by
PANTOMATH Capital Advisors (P) Ltd

Re-CAP

A weekly mailer encapsulating capital market news

November 16 - November 21, 2015

ORDER OF MERIT
Amongst BSE's Top Five Performers in Merchant Bankers 2013-14
PANTOMATH SMEX-30
25 Most Promising Financial Consultants

THREE GUJARAT COS TOPPING THE LIST ON BSE SME PLATFORM

PANTOMATH GETS BSE RECOGNITION FOR LEAD MANAGING TOP PERFORMING FIRMS

A latest report by merchant banker, Pantomath Advisors revealed that three out of the five top performing companies listed on the BSE SME platform yielded much higher returns for the investors as compared to other companies, thereby boosting the confidence on the small businesses from Gujarat.

The three companies, which yielded returns in the range of 27 per cent to over 500 per cent since their debut on the SME platform, include MD Inducto Cast and Jiya Eco Products from Bhavnagar and Ultracab (India) Ltd from Rajkot.

Of the three, Ultracab has market capitalisation of ₹ 212 crore with current market price of ₹ 249.9 against the issue price of ₹ 36.

Similarly, MD Inducto Cast has the market capitalisation of ₹ 142 crore. The issue price of the shares at ₹27 increased to ₹ 59 currently. Jiya Eco Products has reported sharp surge from its issue price of ₹ 19 per share to ₹ 24, showing 27 per cent appreciation.

"The SME capital markets segment has attained a significant size with 126 companies listed on SME platforms, with the overall market capitalisation having peaked ₹ 10,000 crores. PANTOMATH SMEX-30, index for SME scrips, has increased by 354 per cent in less than two years' time," said Mahavir Lunawat, MD, Pantomath Group, a SEBI Registered Category I Merchant Bankers.

Pantomath Group has developed PANTOMATH SMEX-30, a unique index for companies listed on SME Exchanges. "Companies Lead managed by Pantomath have given positive returns and they have a better liquidity than other companies listed on SME Platforms of BSE and NSE put together," said Lunawat.

Pantomath Capital Advisors emerged as the topmost merchant banker in SME segment and was awarded by the Bombay Stock Exchange (BSE). IPOs of three out of five listed SMEs that were awarded by BSE as "Top 5 performing companies on BSE SME Platform" were lead managed by Pantomath Capital.

Source: The Hindu Business Line
18 November, 2015

SHOW-CAUSE NOTICE TO NDTV BY ED

New Delhi Television (NDTV) has received a show-cause notice from the Enforcement Directorate about alleged violations of the Foreign Exchange Management Act (Fema).

NDTV informed the BSE it had, along with co-chairpersons Prannoy Roy and Radhika Roy, and executive vice-chairperson K V L Narayan Rao and NDTV Studios, received a showcause notice on Thursday from the Enforcement Directorate (ED) as to why adjudication proceedings should not be held for alleged contraventions of provisions of Fema.

The company said it had been advised that the allegations of the contraventions of provisions of Fema in the notice were not legally tenable. It said it would reply to the notice. On September 30, NDTV had replied to a clarification sought by the BSE on tweets alleging the ED had registered a case against the company and some of its officials, wherein it had said that such reports were false and baseless. It had clarified the ED had sought certain information/documents from the company, and that the company was assisting the ED in providing the requested information. The company had also clarified that there had not been any show-cause notice nor any action/case registered against the company or any of its officials by the ED.

NDTV informed the stock exchanges of this development before the markets opened. Its stock tanked seven per cent intra-day but recovered to close 2.6 per cent lower than Thursday's close of ₹ 85.7 on the BSE.

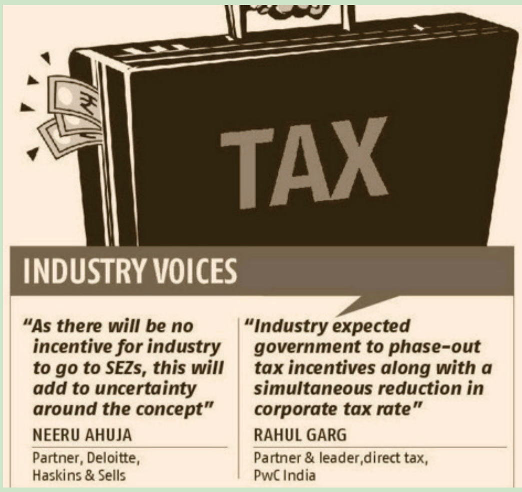
Source: Business Standard
21 November, 2015

PHASING OUT CORPORATE TAX SOPS

A SURPRISED INDIA INC HOPES FOR CORPORATE TAX RATE CUT IN 2016

India Inc seems to have been taken by surprise by the government's plans to reduce corporate tax breaks. It expects a cut in tax rates, too. "Industry expected government to phase out tax incentives, along with a simultaneous reduction in corporate tax rate," said Rahul Garg, partner and leader, direct tax, PwC India. That may happen if the government announces reduction in corporate tax rate in its Budget proposals for 2016. Some tax experts believe this move will pressure the government to announce at least one per cent reduction in corporate tax in Budget 2016. In Budget 2015, the finance minister had promised to reduce the corporate tax from 30 per cent to 25 per cent over the next three to four years.

Tax experts said companies that were enjoying profit-linked, investment-linked and are abased deduction would be exposed to higher rate of tax — in the range of 25 to 30 per cent — after expiry of the existing sunset clause. Those that kick start before the March 2017 cutoff date could claim the existing incentives. However, capital-intensive projects, especially those in infrastructure and power sectors, with long gestation periods, are unlikely to enjoy the benefits, noted Gokul Chaudhri, leader, direct tax, BMR & Associates. Experts said one would have to assess the changes in the depreciation rate along with the effective tax rate to gauge



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the full impact of the move on a company's finances.

Many feel the proposed move may sound the death knell for Special Economic Zones (SEZs), unless the government comes up with non-tax incentives for businesses to operate out of SEZs. "As there will be no incentive for industry to go to SEZs, this will add to uncertainty around the concept," said Neeru Ahuja, partner, Deloitte, Haskins & Sells. Research and development in the pharma sector is likely to take a hit with a reduction in incentives, she added. Consumer durables and food companies operating in backward regions would also be affected. Some are still not convinced whether the government should paint all sectors with one brush while taking away tax incentives. "It should first do an impact assessment of this move on sectors that need support to stand on their feet," said Rakesh Nangia, managing partner, Nangia & Co. They would need some non-tax support to help them make viable, say tax experts.

Source: Business Standard
21 November, 2015

GOVT PLANS TO PUT SMALL TOWNS ON AVIATION MAP

The government's move to connect airports in smaller towns seems to be gathering pace with around three dozen locations with existing airstrips expected to be on the aviation map soon.

While no names have been finalized, places such as Salem, Kota, Jaisalmer and even Purnea and Bhagalpur may see local players fly small aircraft under a new scheme being discussed by the aviation ministry.

While the ministry would leave it to operators to decide on the sectors that they want to fly, it is considering easier rules and lowest possible burden on carriers, such as doing away with the need to furnish bank guarantees.

At the same time, it is keen to ensure that the gains of connectivity are not confined to pockets of prosperity such as those in the South or West.

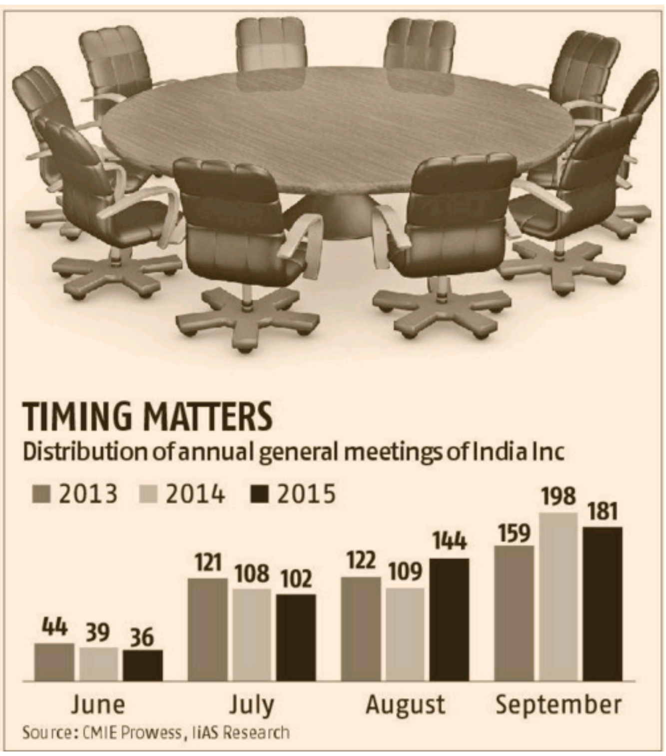
"The idea is to ensure a balanced spread across the country," civil aviation secretary R N Choubey told TOI, while indicating that there could be some caps at least in the first year. The government's strategy -which envisages capping airfares for those spending less than 60 minutes in air at ₹2,500 and a 2% levy on other sectors along with concessions from the state and the Centre -is expected to take off over the next few weeks.

Choubey, who has been driving the new aviation policy, also said that the government would clearly articulate its stance on the 520 rule when the final document is released. "We have given three options but we are open to accept another formulation if someone suggests it."

The aviation secretary, however, dismissed suggestions of linking the removal of the 520 rule and doing away with the route dispersal guidelines, arguing that the two were not just introduced at different points in time but were also meant to serve different objectives.

Source: The Times of India
21 November, 2015

COMPANIES THAT DELAY AGMS FARE BADLY: REPORT



Companies delaying their annual general meetings (AGMs) to the last minute often fare worse in financial metrics, says a study by corporate governance firm Institutional Investor Advisory Services (IiAS).

The report says around 35 per cent of the S&P BSE top 500 companies hold their AGMs in September. Companies following April March as their financial year have to conduct their AGMs before September.

"About 470 of the S&P BSE 500 companies maintain a March year-end. Of these, 181 companies held their 2015 AGMs in September, 38.5 per cent of the total pool and 54 per cent higher than a pure mathematical average," the report states. It says, 55 of the 470 companies reported losses in financial year 2015 and 28 of these held AGMs in September.

"Companies holding their AGMs in September have the lowest median return on equity, compared to companies that hold their AGMs in June, July or August," stated the report said.

The report also said certain groups tend to bunch AGMs of all listed entities on the same day, which doesn't accord shareholders enough time to ask the right questions.

"For the past three years, the Adani and ADAG (Anil Ambani) groups have held AGMs of all their listed companies on the same day, with a short interval (of two hours or less) — suggestive of a more check-the-box approach towards hosting AGMs."

Further, the report says the next year might not be better in terms of holding AGMs at the last minute, as half of the S&P BSE 500 companies would need to rotate their auditors next year to comply with the norms of Companies Act, 2013.

Under the norms of Companies Act, an auditor firm cannot be reappointed for more than two terms of five years and an individual auditor cannot be reappointed for more than one term of five years.

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Companies holding their AGMs in September have the lowest median return on equity, compared to companies that hold their AGMs in June, July or August, according to the report by IiAS

Adding to this complexity is the change in accounting standards: Voluntary conversion to the Indian accounting standards begins in 2016- 17, which coincides with the mandatory auditor rotation.

"If corporate India does not shift gear and strengthen its processes now, AGM timings next year will widen the Companies holding their AGMs in September have the lowest median return on equity, compared to companies that hold their AGMs in June, July or August, according to the report by IiA gap between the doers and the also rans," cautions the report.

Source: Business Standard
20 November, 2015

SEBI FROWNS AT LOW RETAIL IPO DEMAND

PLANS TO RAISE ISSUE WITH INVESTMENT BANKERS

Lukewarm retail participation in recent public floats of InterGlobe Aviation and Coffee Day Enterprises has caught the eye of the Securities and Exchange Board of India (Sebi), the stock markets regulator. Retail investors are those who invest less than ₹2 lakh each.

According to sources, it plans to ask investment bankers of the two transactions why this had happened. The retail quotas in both were under-subscribed. The regulator is also likely to take up the issue at the annual conference of the Association of Investment Bankers in India (AIBI) next month. An e-mail to Sebi wasn't answered.

NO BLOCKBUSTER

Retail participation in IPOs of IndiGo, Coffee Day was tepid

	Issue size (₹ cr)	Subscribed* Overall	Subscribed* Retail	No of retail applications
IndiGo	3,025	5.0	0.9	133,240
Coffee Day	1,150	1.6	0.9	113,366
Inox Wind	1,037	13.8	2.2	405,586
UFO Moviez	600	1.8	1.0	78,180
Navkar Corp	600	2.3	1.6	214,737
Syngene	550	23.7	4.8	318,544
Sadbhav	492	1.8	1.7	44,634
PNC Infratech	488	1.4	0.3	26,088
VRL Logistics	468	52.8	7.8	550,023
Power Mech	273	26.2	3.4	200,707

*Number of times

Compiled by BS Research Bureau

"The regulator wants to know if the issues were marketed properly," said a source.

Sources said Sebi will also raise other issues on primary markets at AIBI conference. Merchant bankers are likely to raise issue of the start-up listing platform. They're looking for clarity on how the proposed Institutional Trading Platform for start-ups will be different from the one available for small and medium enterprises.

"Retail investors saw the two IPOs as expensive. Not many expected the issues to make good gains," said an investment banker.

"Institutional investors are market makers. The concern for retail investors is not around making returns but the safety of their investments. There are safer options for them, such as mutual funds, to be part of the equity market, "said Pranav Haldea, managing director, Prime Database.

Source: Business Standard
17 November, 2015

SENSEX GAINS 359 PTS AS FED HINTS AT GRADUAL RATE HIKES

Reversing the losses of the past two sessions, the markets ended Thursday on a strong note after it emerged that the US Federal Reserve would hike rates gradually .Positive cues from the Asian and European markets helped too. The benchmark sensex rose1.4%, or 359 points, to close at 25,842. The broad-based nifty also advanced 1.4%, or 111 points, to 7,843. Over 80 scrips, mostly from the small and mid-cap space, touched their 52-week highs on Thursday.

Jayant Manglik, president (retail distribution), Religare Securities, said sentiments got a boost after the release of the minutes of the meeting by the US Fed, which showed that the pace of rate hikes will be slow and that it may start from as early as next month.

Vinod Nair, head (fundamental research), Geojit BNP Paribas Financial Services, said, "The FOMC (Federal Open Market Committee) minutes appear to indicate that the US rate hike will only be gradual, which is positive for EMs (emerging markets) since they are already under pressure due to FII outflows. The government's intention to push for reforms just before the start of winter Parliament session is being taken positively. "

Tracking global cues, the Indian markets on Thursday opened and remained in the positive zone. The buying in beaten down counters supported the markets.

MARKET WATCH

INDICES			BULLION	
SENSEX:	25,842	▲ 359	GOLD/10 GM:	25,700
NIFTY:	7,843	▲ 111	SILVER/1 KG:	34,700

TOP GAINERS			EXCHANGE	
ENGINEERS IND:	212	▲ 20	$: 66.19	€: 70.86
GRUH FIN:	262	▲ 21	£: 101.01	SG$: 46.77

The market breadth also changed to positive. While 1,768 stocks advanced, 949 stocks declined on the BSE. Investor wealth increased by about ₹1.19 lakh crore, pushing the BSE's market capitalization to around ₹97.2 lakh crore. The nifty volatility index, India VIX, closed at 15.84, down around 9%. Barring the healthcare sector, which ended marginally down, all other sectors closed in the green. The major gainers for the day were consumer durables and information technology (IT) indices, which rose around 1.9% and 1.8% respectively. The BSE mid and small-cap indices were up 1.2% and 1.3% respectively.

FIIs were net sellers in the cash market segment on Wednesday. They sold shares worth ₹768 crore. Domestic institutional investors (DIIs) net bought shares to the tune of ₹759.3 crore.

Source: The Times of India
20 November, 2015

INVESTORS NEED RBI NOD TO BUY 5% OR MORE IN BANKS

The RBI on Thursday said its prior approval will be required for acquisition of shares or voting rights in a private bank for increasing the aggregate holding to 5% or more, as it put in place detailed stake purchase norms in banks.

The RBI would undertake a due diligence on the applicant to assess his "fit and proper "status before according or denying permission or according permission for acquisition of a lower quantum than that has been applied for. The decision "shall be binding"on the applicant and the bank concerned.

The provisions will apply to the existing and proposed `major shareholders' of the private sector banks, besides all private sector banks, including local area banks. However, where the acquisition results in the aggregate holding of the major shareholder of up to 10% of the shares or voting rights of the bank concerned, prior approval of the RBI is not necessary.

Source: The Times of India
20 November, 2015

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STRICTER NORMS LIKELY FOR TRANSFER PRICING

BUDGET MAY DRAW FROM OECD PLAN TO STOP COS FROM SHIFTING PROFITS TO LOW-TAX NATIONS

India's forthcoming budget may draw from some of the recommendations, especially in the realm of transfer pricing, contained in the final package of `Base Erosion and Profit Shifting' (BEPS) measures, rolled out in October.

Certain anti-abuse measures, such as thin capitalization, which for tax purposes disallows interest payments beyond certain limits in the hands of the corporate borrower, could also be introduced. Controlled Foreign Corporation (CFC) Regulations that were contained in the direct tax code may also be on the cards. As of now, discussions on these issues are at the drawing board stage.

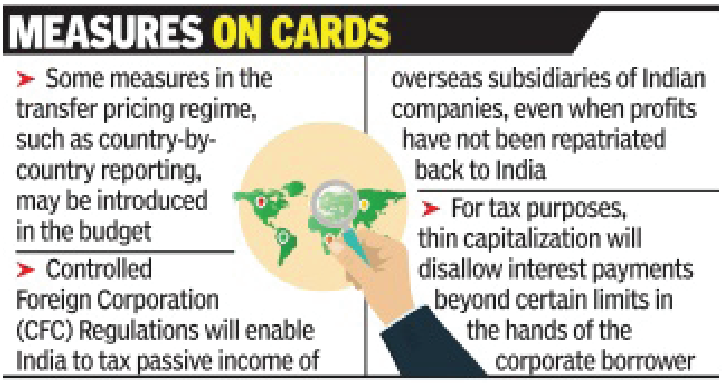
Several BEPS measures (or action points), if introduced, would enable India to get a higher share of taxes from multinational companies (MNCs). The BEPS project, led by the Organisation for Economic Co-operation and Development (OECD), aims at closing loopholes that enable MNCs to shift profits to low or nil tax countries.

It is learnt that the ministry of finance (MoF) is drafting various policies relating to the BEPS action plan. While some aspects would be captured in the forthcoming budget, other policies may be rolled out at a later date. Government officials are engaging with the industry, tax experts and other stakeholders, to make the process of BEPS implementation participative and collaborative.

High on the list of measures that could be introduced in the budget is the country-by country reporting (CBCR) requirement for transfer pricing purposes. MNCs headquartered in OECD or G20 countries, with consolidated revenues of at least 750 million Euros (₹5,000 crore approximately), will be required to maintain and furnish CBCRs to their tax authorities. CBCR requires details of the place of incorporation, tax residency, revenues, profits, taxes paid, capital, number of employees and details of activities on a country-by-country basis.

According to the BEPS action plan, this requirement is recommended for accounting years starting on or after January 1, 2016. MoF officials are having informal interactions with industry and experts on this point.

The tax authorities of a country where the MNC has its headquarters will automatically share the CBCR with other countries where the company operates, subject to the other countries having suitable confidentiality measures. "India is committed to safeguarding the data it receives, "say government sources. "CBCR will give tax authorities a global picture of the operations of an MNC; this will help them determine whether appropriate profits were apportioned to their country or whether there was revenue leakage. It is a crucial document for Indian transfer pricing authorities, "explains Sudhir Kapadia, national tax leader at EY (India).



"India - headquartered companies meeting these financial criteria will have to get used to higher level of transparency. CBCR outcome will require companies to review their global supply chain for intercompany transactions and evaluate the effectiveness of existing transfer pricing policies. Documentation will be time consuming but much needed to demonstrate that the group is globally compliant with the new tax landscape, "says Sanjay Tolia, transfer pricing leader, PwC (India).

Another aspect being discussed is the possible introduction of CFC rules. "Place of Effective Management was introduced, last budget, as one of the criteria to determine tax residency of a company. It took care of any tax abuse by setting up of shell entities overseas. In general terms, if key decisions for the conduct of the business of such an overseas entity were made in India, India could treat such an entity as an Indian tax resident and subject it to tax on its worldwide income. In this context, the need for introduction of CFC rules is negated, "explains Girish Vanvari, national head of tax, KPMG (India).

Source: The Times of India
20 November, 2015

BIG 4 BRING ALGOS TO INDIA TO DETECT FLAWS IN A|C BOOKS

USE OF ALGORITHMS MAY INCREASE FROM 2016 WHEN STRINGENT NORMS COME INTO FORCE

Algorithms, the software programs that are increasingly replacing humans in many complex jobs where precision and speed decide the winner, are becoming an essential tool for auditors as well. Algorithms, or algos, help auditors identify unusual patterns in the books of account for further analysis. While algorithm-based auditing isn't new globally, audit firms have just started introducing these software systems to India, at a time when local regulations are becoming stringent. Starting April 2016, failing to raise red flags or mentioning the exact problems they found during auditing of firms could even land auditors in jail.

Auditors rely on tech mostly in risk-based auditing. These algorithms could pinpoint the problem areas. The Big Four auditors -Deloitte, PricewaterhouseCoopers, EY and KPMG -which have invested millions of dollars to build in-house technologies globally are also the main players in India using algo-audit. Industry experts expect wider adoption of algorithms from April 2016, when the new rules take effect.

"As Indian companies as well as multinationals operating in India have grown tremendously in the past years, and accounting systems have become more technology-dependent, auditing too has undergone a sea change. Now we see a significant use of technology as enablers to a more effective and risk-based audit, "said Russell Parera, partner and assurance leader at Price Waterhouse Chartered Accountants LLP, which is part of PwC India.

So, while earlier an auditor would just sample the data and look if there are any problems, now with the help of algos, he could run a search through a sea of data. "Say, for examples, there are around 100,000 transactions in a company with its vendors, customers and debtors and creditors. Earlier, we would just take a 10% to say find out related-party transactions. Now we can go through all the transactions, "said an auditor.

"Adoption of the technology is in response to a need to obtain greater assurance than what traditional approaches using sampling or reliance on controls provide. These tools help us focus the audit on risk areas; increase coverage of the population tested and enhances the ability to respond to fraud risks, "Said Sudhir Soni, partner at an Indian member firm of EY. The different tools used by the auditors give them specifics of even the smallest of the transactions once it is defined by the auditor. The auditors need to have a basic knowhow to run these tools, but the results are transparent and elaborate.

In a recent case, for instance, the algos pinpointed some problem transactions in a commodities firm. "...out of about 10,000 transaction of sale, about 100 came from the same customer, who had given his PAN number. We suspected that this was a related-party transaction not permit ted by the regulations, "said a mid-level executive working on the audit. He refused to share more details.

In India, the Big Four audit about 27% of the top 1,437 listed Indian firms, according to a data compiled by Prime Database. Deloitte is the biggest when it comes to auditing, followed by PwC. These rankings, however, could change starting April 2017 when the rule on audit rotation kicks in, making it compulsory to change auditors every 10 years, say industry trackers?

The Big Four have been investing in technologies and training chartered accountants to use the software. In some cases, clients can see the auditing happening real time and even respond to the queries right away. PwC has such a system, called Connect.

The toughest part, however, is to train the young auditors with the technology. "We spend a significant amount of effort on training and through these auditing technology tools, we can cover larger populations of data analyzing unusual transaction types and ensuring that the audit effort is more risk-based and effort is directed to areas perceived of greater audit risk," said Parra of Price Waterhouse Chartered Accountants.

Source: The Economic Times
17 November, 2015

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