An Initiative by
PANTOMATH
Advisory Services Group

Re-CAP

A weekly mailer encapsulating capital market news

(March 30th – April 3rd, 2015)

Amongst BSE's Top Five Performers in Merchant Bankers 2013-14

PANTOMATH SMEX-30

Amongst 25 Most Promising FINANCIAL CONSULTANTS - Consultants review

FROM THE MANAGING DIRECTOR'S DESK

We received overwhelming response on Re-Cap. We thank Readers and well-wishers to make use of this unique initiative and also share their feedback with us.

Your continuing feedback will help us improve Re-Cap even better.

Our heartiest compliments to the Pantomath Research Team for making this project a reality.

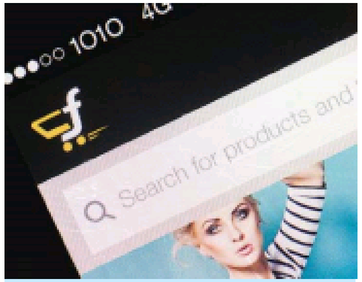
Trust you find this a useful read. Please do share your feedback at mahavir.lunawat@pantomathgroup.com

YOU MAY NEED Rs.10 LAKHS TO INVEST IN A START-UP IPO

Sebi sets minimum investment size of Rs 10 lakh; minimum trading lot set at Rs 5 lakh

The Securities and Exchange Board of India (Sebi) has prescribed a ticket size of one million rupees (Rs 10 lakh) for individual investors who want a piece of the start up pie. The move has been included as part of Sebi's proposed new regulations for start-up companies to list domestically. The regulator released a discussion paper on a new framework for such companies on Monday evening. Sebi has proposed a separate platform to benefit companies, especially in the technology and e-commerce space, to raise capital and list in the home market without much difficulty. As the regulatory safeguards will be lenient compared to listing on the main bourse, Sebi has strived to discourage small investors from investing in such companies. "The start-up platform will mainly be for institutional investors and other investors will need to have a minimum investment ticket size of Rs 10 lakh. Those investing less than that will not be permitted," said Sebi chairman U K Sinha. He was speaking on the sidelines of the Confederation of Indian Industry's (CII's) sixth capital market summit. The move on a million-rupee ticket size will help keep the high-risk investment out of the hands of smaller, unsophisticated players, say experts. "The high ticket size will ensure that high net worth and institutional investors, who understand such companies, will be able to invest. It will be too big a risk for an investor wanting to invest just Rs 50,000," says Sanjay Israni, partner, Rajani, Singhania & Partners. "Such businesses are generally funded by sophisticated investors. A high ticket size will help keep it out of reach of the small investor who may not necessarily be as well informed," says Gautam Gupte, director, Ambit Corporate Finance. The discussion paper also says that trading in the company would only be allowed with a minimum lot of Rs 5 lakh. The discussion paper mentions that as much as 75 per cent of the allotment would be to institutional shareholders, with the remainder to non-institutional investors. No single institution would be allowed to hold more than 5 per cent, and every issue would have at least 500 investors. Companies must remain listed for at least a year, after which they would have the option of migrating to the main board.

"New-age companies having innovative business models and belonging to the knowledge-based technology sector, where no person (individually or collectively with persons acting in concert) holds 25 per cent or more of the pre-issue share capital, may be considered as professionally managed companies and access capital through the said institutional platform," said the Sebi paper. The lock-in would be for all pre-IPO shareholders, for a period of six months. The main board requires a three-year lock-in for promoter shares.



GETTING STARTED

Differences between start-up listing and normal listing

MINIMUM INVESTMENT SIZE
START-UPs: ₹10 lakh
MAIN BOURSE: ₹10,000 to ₹15,000

MINIMUM VALUE THAT CAN BE TRADED
START-UPs: ₹5 lakh
MAIN BOURSE: No prescribed minimum level; even a single share can be traded

POST-IPO LOCK-IN
START-UPs: Six months for all shareholders
MAIN BOURSE: Three years for promoters

PROFITABILITY TRACK RECORD
START-UPs: Can be loss-making
MAIN BOURSE: Average pre-tax operating profit of ₹15 crore for the past three years

DISCLOSURE REQUIREMENTS
START-UPs: Relaxed
MAIN BOURSE: Strict

CAN THEY BE PART OF BENCHMARK NIFTY, SENSEX?
START-UPs: Not eligible
MAIN BOURSE: Eligible

Companies need not go into details of how the money would be put to use, and can merely say 'general corporate purposes' under the required disclosures .Institutional investors will include non-bank finance companies, family offices and alternative investment funds, according to the Sebi paper. Disclosures would also require to be made on creditors, about group companies and pending litigation. The move to have a separate platform for trading of such companies, different from the main board for the regular listed companies, is likely to have an impact on liquidity, according to experts. "The only negative aspect of this start-up framework is that they will be listed separately and will not be part of the main exchange. You won't see much trading in them till the time they come to the main board Exempting promoters from the three-year post-IPO lock-in is important. These are high growth companies and are in regular need of investments. The lock-in exemption will also help promoter's monetise," said Israni.

Platforms of the BSE and the NSE that started about three years ago. In addition, more than a dozen are at various stages of listing, exchange officials and merchant bankers said. Gujarat is the first state to take such a decision, which is likely to encourage SMEs, which are mostly hard pressed for funds, to tap public money by going public.

(Source: Business Standard, March 31, 2015)

INDIAN ENTREPRENEURS CHARGED WITH INSIDER TRADING IN U.S.

Two Indian-origin entrepreneurs have been charged by a top U.S. regulator with insider trading in connection with the 2013 proposed acquisition of American company Cooper Tire and Rubber by India's Apollo Tyres.

Amit Kanodia of Massachusetts, a 47-year-old entrepreneur and private equity investor, and Iftikar Ahmed, of Connecticut, a general partner at a venture capital firm have been charged with fraud by the Securities and Exchange Commission (SEC) in a complaint filed in US district court in Connecticut.

The SEC is seeking to have Kanodia and Ahmed return their allegedly ill-gotten gains with interest and pay civil monetary penalties.

The US Attorney's Office for Massachusetts today announced parallel criminal charges against Kanodia and Ahmed.

Ahmed, 43, is a graduate of the Indian Institute of Technology in New Delhi and Harvard Business School, while Kanodia received degrees from the University of Massachusetts.

While the acquisition of Cooper by Apollo was never completed, the SEC complaint said that Cooper Tire's stock price jumped 41 per cent when the acquisition was announced in June 2013.

The SEC alleges that Kanodia tipped Ahmed and another friend prior to the acquisition announcement after learning of the deal from his wife, who was Apollo's general counsel at the time, more than two months before the merger was announced.

Kanodia shared the highly confidential information with Ahmed who began buying significant amounts of Cooper Tire stock and options.

Once news of the deal was public, Ahmed immediately liquidated his Cooper Tire holdings, reaping more than $1.1 million of ill-gotten profits, according to the complaint.

Ahmed later paid Kanodia a kickback by transferring US$ 220,000 to Lincoln Charitable Foundation, a supposed charity that Kanodia controlled and used to mask kickbacks.

A second close friend of Kanodia, identified in the complaint as 'Tippee 1', also profited by trading on the confidential information provided by Kanodia and paid a portion of his illicit gains to Kanodia using the same charity, the SEC's complaint alleges.

SEC Enforcement Division's Market Abuse Unit Co-Deputy Chief Joseph Sansone said that Kanodia gave inside information to two close friends who then paid a portion of their insider trading profits to a supposed charity that Kanodia controlled.

"Despite Kanodia's attempts at concealment, the SEC staff was able to uncover and unravel the scheme," Sansone said.

The SEC's complaint charges Kanodia and Ahmed with violating federal anti-fraud laws and a related SEC rule.

The SEC named Rakitfi Holdings LLC, a company owned by Ahmed, and Lincoln Charitable Foundation as relief defendants.

Apollo had agreed to buy Cooper Tire and Rubber for about US$ 2.5 billion in 2013. The merger was abandoned in December that year.

(Source: Business Standard, April 3, 2015)

E-VOTING: NSE SENDS LIST OF 18 NON-COMPLIANT FIRMS TO SEBI

Names SBI, apart from some private banks, companies

The National Stock Exchange has forwarded to SEBI a list of 18 companies that had not complied with the mandatory e-voting norm prescribed under the listing agreement.

Ball in SEBI's court

Some top notch state-owned banks including State Bank of India and some private banks formed part of this list, sources close to the developments said.

The list also comprised several private sector companies, they said, adding that the ball is now in SEBI's court to take further action.

SEBI had in mid-April last year amended the listing agreement (clause 35B) to stipulate that e-voting facility be provided for all shareholder resolutions in general meetings.

The market regulator SEBI had asked both NSE and the BSE to monitor compliance of this requirement.

Not mandatory: SBI

The task of monitoring was split between the two bourses by SEBI and NSE has now for its part forwarded a list of erring companies to SEBI. Many public sector banks including SBI are contending that the Acts governing their working do not provide for mandatory e-voting of resolutions passed at shareholder meetings.

Interestingly, there is no provision in the listing agreement for any penal action for non-compliance to clause 35B, say experts.

SN Ananthasubramanian, former President of the Company Secretaries Institute, told BusinessLine that the regulator should show teeth by taking credible effective action to restore the sanctity behind listing agreement.

(Source: The Hindu Business Line, April 1, 2015)

NEW ORDERS BREATHE LIFE INTO MFG.IN MAR: SURVEY

Manufacturing activity gathered pace in March on the back of new orders bringing some cheer for the sluggish sector, a survey showed on Thursday.

The HSBC India Purchasing Managers Index, compiled by Market, rose to 52.1 in March up from 51.2 in February. The 50-point mark divides expansion from contraction.

Output rose for the seventeenth consecutive month in March and at a solid pace that was faster than in February .The latest increase in production was broad-based by sector with growth signalled by consumer, intermediate and investment goods companies.

Underpinning the expansion in output was a quicker rise in new order flows. According to survey participants, demand conditions improved. "Momentum is building in manufacturing as the sector begins to build up a head of steam. Stronger expansions of output, new orders and stocks of purchases, all contributed to a higher PMI reading in March, " said Pollyanna De Lima, economist at Markit. "To add to the good news, all three monitored market groups delivered faster growth, with consumer goods production continuing to lead the way, "De Lima said.

March PMI data pointed to an overall improvement in manufacturing conditions across India. A stronger increase in new orders led firms to boost production levels and raise buying activity, the survey said. The data, which is an advance indicator, augurs well for the manufacturing sector that has been reeling under the burden of a slowdown, sluggish investment and high interest rates. Other data show that the sector still remains sluggish. Although solid, the overall growth rate moderated to the weakest in 10 months.

(Source: The Times of India April, 3 2015,)

SENSEX MAKES 25% GAIN IN 2014-15

Healthcare, Cap Goods Emerge Winners As Index Rises Most since FY10

It was equities all the way in 2014-15. With the stock markets hitting new peaks on a regular basis, the just concluded financial year turned out to be a bonanza for investors. While the benchmark indices were up by about 25%, the small and mid-cap indices gave higher gains surging 54% and 51% respectively during the year. Gold was the worst performer among widely traded asset classes recording nearly 9% decline in the period. The 25% jump is the best fiscal year gain for the Sensex since 2009-10.

The market capitalization of companies listed on BSE soared by about Rs. 26 lakh crore in the fiscal to around Rs.101.5 lakh crore. The Sensex touched its all-time high of 30,025 intra-day on March 3. Interestingly, the BSE-Healthcare index topped the gainers list by posting 71% jump during the fiscal. Pharmaceuticals majors Cipla and Sun Pharmaceuticals were among the top performers in the Sensex pack.

The poor show of index heavyweights RIL and ITC dragged down the Sensex.

While the RIL stock declined nearly 12%; the ITC scrip lost 8% during the fiscal. RIL and ITC have a combined weight age of nearly 20% on the Sensex and were among the biggest losers on the index.

The fall in commodity prices pushed companies that depend on natural resources into the red. Most stocks in the metals and oil and gas sectors recorded losses in 2014-15.While the BSE-metals index was the worst performer declining by 6.3%, the BSE-oil and gas index was down 2.9%.

All the frontline stocks in these sectors including index heavyweights RIL, ONGC, Tata Steel and Hindalco Industries recorded losses. Metals and oil and gas companies have a combined weightage of 13.15% in the Sensex.

Interest rate sensitive sectors such as automobiles and banking saw maximum traction during the year. With the RBI setting in motion the rate reduction cycle, stocks in these counters received a boost. The BSE-Bankex and BSE-Auto indices zoomed 44.9% and 44.7% respectively during 2014-15. Incidentally, Maruti Suzuki was the top performing stock in the Sensex pack during the fiscal recording a 88% jump.

Shares of companies in consumer durables and capital goods sectors also surged due to the improvement in sentiments. While the BSE consumer durables index zoomed 57.5%, the second best performance among indices, the capital goods index gained 49.7%. Stocks of FMCG (fast moving consumer goods) and IT firms however posted only a modest increase in 2014-15.

(Source: The Times of India, Apr 01, 2015)

EXPATS, FAMILIES MAY LAND IN NEW BLACK MONEY NET

Bill that proposes harsh penalties & prosecution defines assesses as all persons who are residents of India

The proposed black money law aimed at cracking down on concealed income will not just apply to Indians. Expatriates and their families will need to pay close heed to observing its conditions if they're not to fall afoul of the legislation, which stipulates exemplary punishment.

Tax advisors have begun to receive queries from companies that employ foreigners, with some planning to lobby the government to relax the requirements. But relief seems unlikely since other countries such as the US impose similar obligations.

The Undisclosed Foreign Income and Assets (Imposition of Tax) Bill, 2015, which proposes harsh penalties and prosecution for non-disclosure of overseas assets defines assesses as including all persons who are residents of India. In the case of individuals, an exception has been made in the case of `not-ordinarily residents' but expatriates usually become residents after a stay of 2-3 years.

“Expatriates who become residents, based on their physical stay in India, should be careful in disclosing their foreign income and assets in their Indian tax return going forward as non-disclosure or non-adequate disclosure could thereby trigger a dispute,“ said Vikas Vasal, partner, KPMG.

Currently, resident but not ordinarily resident individuals with bank accounts or assets in a foreign country are required to file their returns in India even if they do not have any locally taxable income. If a taxable income. If an expatriate employee is accompanied by a spouse with assets in his or her home country, then the spouse is also obliged to file returns in India once he or she acquires this status.

“Now is the time to review overseas bank accounts and assets and ensure that they were properly reported in past returns. If not, now is also the time to correct the reporting because once the proposed legislation comes into force, there could be severe consequences, “said Kuldip Kumar, leader, personal tax, PwC.

Currently, the Indian tax form requires disclosure of foreign assets such as bank accounts, interest in any entity, immovable property. It also requires disclosure of investments, accounts in an institution where an individual has a signing authority, and trusts in which the person is a trustee, beneficiary or settler.

Kumar cautioned that companies should share this information with their expatriate employees who are ordinarily resident in India or are to be posted to the country so that they are aware of their obligations.

Once the Bill becomes law, India will join the US and others in mandating such disclosures on the part of individuals, including expatriates who have become tax residents. India will also sign an agreement with the US that will facilitate exchange of information on their respective citizens.

(Source: The Economic Times, March 31, 2015)

MICROFINANCE SECTOR WOOS BIG-TICKET PE INVESTMENTS

With the crisis years over, India’s microfinance sector is regaining investor confidence as some of the companies private equity deals valued over $100 million in the first quarter of 2015, which otherwise saw total investments down by 36 per cent against the December quarter. There were fewer number of big-ticket e-commerce deals in the last quarter .The largest investment in the last quarter was IFC’s $260 million commitment to micro financier-turned-bank license holder Bandhan Financial Services. Another microfinance firm Ujjivan Financial Services attracted a $100 million investment from investors, including CDC Group, IFC and CX Partners, as per the data from Venture Intelligence. In the microfinance sector, Arohan Financial Services raised $10 million from Tano Capital. “Bandhan’s receipt of banking licence has been a catalyst for the investments in the sector. Janalakshmi had managed to attract investments even during the crisis times and last quarter also they had a big ticket investment,” said Arun Natarajan, CEO of Venture Intelligence. “Apart from Janalakshmi and Equitas, others also have started bagging large investments. The regulatory system seems to have improved investor confidence in the sector,” he added. In the first three months of 2015 itself, the sector could garner a total of $535.15 million in four deals, whereas in the full calendar of 2014 it received only $192 million out of five deals. In 2013, the total investment was much lower at $93 million through three deals. Apart from microfinance, healthcare too was able to clinch big-ticket deals. Manipal Health Enterprises attracted $150 million from TPG Capital and Temasek invested $114 million in Medanta Medicity via a secondary purchase from Punj Lloyd.

Healthcare has been seeing large deals in the previous years as well. In 2012 the sector witnessed a few big deals including Advent International investing $110 million in Care Hospitals, Olympus Capital investing in DM Healthcare and GIC investing $100 million in Vasan Healthcare. In 2013, Global Health received $155 million from Carlyle and IFC invested $100 million in Fortis Healthcare. “A few regional players were expanding nationally in 2012 and 2013 for which they needed large capital. But there are not too many companies in the space which can sustain deals with a size of over $100 million. In 2015 and 2016, we might see sub-$50 million deals more, but healthcare will remain a strong sector. Once the funds that had invested earlier in the big companies exit, there could be subsequent rounds of funding, are attracting big-ticket private equity deals. Microfinance and healthcare clinched

which could be large enough,” said Sridhar Venkiteswaran, partner, Avalon Consulting. However, the investments in the first quarter of 2015 was 36 per cent lesser than the previous quarter. Private equity firms invested about $2,646 million across 124 deals during March quarter while $4,120 million was invested across 112 transactions in the December quarter. The December quarter had witnessed a few blockbuster deals in e-commerce, especially in Flipkart and Snap deal. The largest e-commerce deal reported in March quarter was $100 million raised by ShopClues.com from investors led by Tiger Global. “The larger consolidation happening in the e-commerce sector is being reflected in the investments as well. The number of deals has not gone up, the deal sizes have and the few large companies are taking away major share of the investments," said Srini Vudayagiri, investment director and partner of Peepul Capital.

The power sector too has witnessed a return of interest with IDFC Alternatives committing $81 million to an SPV of Diligent Power executing a 1,200-MW thermal power project in Chhattisgarh. "PE investors had almost given up power sector and now they are returning. It is good that investments are coming into infrastructure projects. The investor interest in infrastructure is a positive sign of the economy,' said Natarajan.

(Source: Financial Chronicle, Apr 02 2015)