An Initiative by
PANTOMATH Advisory Services Group

Re-CAP

A weekly mailer encapsulating capital market news
April 12th - April 18th, 2015

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

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25 Most Promising FINANCIAL CONSULTANTS

BLOOMBERG SERVICES' CRASH TRIPS MARKETS

DATA POINT Global markets, including D Street, thrown into disarray as terminals go blank for over two hours

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Fund managers said they could not take a call on market without Bloomberg terminal

Bloomberg terminals went on the blink for about two and-a-half hours on Friday throwing global markets, including Dalal Street, into disarray. Trade orders from institutional investors dipped as fund managers, who convey orders to brokers through Bloomberg, remained on the sidelines. Traders and analysts who depend on Bloomberg data and its analytical and technical tools also found themselves cast adrift.

Turnover on the NSE's equity futures and options segment dropped 18% on Friday from the previous day, while in the cash segment, the decline in activity was moderate. Institutional investors and broking firms usually communicate using the Bloomberg messaging system to keep a third-party record of orders. When a fund manager wants to buy or sell a stock, this is conveyed to the brokerage firm through a Bloomberg message, the contents of which cannot be erased or deleted.

"Fund managers did not give us orders today (Friday) because confirming the order through the chat is more of an informal compliance for them", said a senior institutional sales person with a Mumbai based broking firm. Some institutions, however, resorted to confirming orders by e-mail.

Many brokerages and institutional investors have alternative data suppliers such as Thomson Reuters as backup in the event of a major disruption. But for market participants habituated to the Bloomberg tools, the Reuters terminal was not an option. Brokers said there were fewer large bulk trades because of the decline in institutional activity. Sales desks of large institutional brokerages were unusually silent with executives stepping out for long lunch breaks.

Fund managers said they were un able to take a call on the market on Friday without the help of the various tools on the Bloomberg terminal. "As a fund manager, you need to track various aspects of the market before deciding to buy or sell. It was very difficult to get the larger picture without the Bloomberg terminal", said V Balasubramanian, senior fund manager, IDBI Mutual Fund.

Some market participants attributed the sharp sell off in several stocks late in Friday trade to the confusion sparked by the Bloomberg outage. "It was a situation where a lack of information helped a few people short-sell and make good money", said a top official with an institutional brokerage. The Nifty fell 101 points, or 1.2%, to 8,606.

Analysts also found themselves unable to create trading strategies as they are accustomed to using data from Bloomberg. "We create a personal back-up of some data. It is not possible to create it for everything. Without a data supplier, it is not possible to create effective strategies", said a derivatives analyst with a retail brokerage.

The terminals went down due to apparent technical problems, prompting the British government to postpone a planned £3 billion ($4.4 billion) debt issue, the Associated Press reported. "Significant but not all parts of our system experienced a disruption today (on Friday)", said a Bloomberg spokesperson."There is no indication this is anything other than an internal network issue. We apologize to our customers".

Source: The Economic Times
April 18 2015

SEBI BARS 129 ENTITIES; SUSPECTS MONEY LAUNDERING, TAX EVASION

The entities are estimated to have shown fictitious capital gains to the tune of ₹ 254 cr

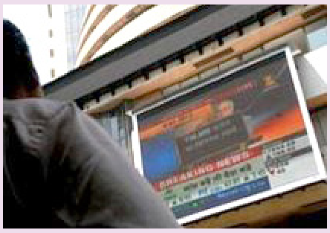
In a fresh crackdown on suspected tax evasion and laundering of black money through stock markets, The Securities and Exchange Board of India (Sebi) on Friday barred Mishka Finance and Trading Ltd and 128 other entities from the securities market.

While the total amount involved could not be ascertained, these entities are estimated to have shown fictitious capital gains to the tune of ₹ 254 crore and just 29 of them made unlawful gains to the tune of ₹ 92 crore on an investment of just ₹ 2 crore.

Source: Press Trust of India
April 17, 2015

BSE CURRENCY OPTIONS SEGMENT LARGEST IN THE WORLD

Number of contracts in currency options segment had grown by nearly 30% in March



The BSE currency options segment has now become the largest in the world, after three consecutive months of highest volumes, in terms of contracts traded. The number of contracts traded in March touched 24.71 million, up from 19.11 million contracts in February 2015.

In a release sent by the exchange, BSE said that the number of contracts in the currency options segment had grown by nearly 30% in March. The exchange has quoted data from the World Federation of Exchanges (WFE).

"BSE launched the Currency Derivatives Segment on its new trading platform, to Bolt+, a new platform which offers a response time of 200 microseconds, several times faster than the nearest competition. Traders can now place in around 500,000 orders in a second adding a completely new dimension to trading in the history of Indian stock markets," said AshishChauhan, MD & CEO, BSE.

Source: Business Standard
April 17, 2015

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ROLTA SHARES, BONDS SPOOKED BY GLAUCUS' 'STRONG SELL' RATING

Company denies contents of report, says exploring legal action

Shares and dollar-denominated bonds of Rolta India dropped sharply after Glaucus Research Group issued a 'strong sell' recommendation on the software developer's corporate notes.

The US-based research firm initiated coverage on Delaware-issued 2018 and 2019 corporate bonds and set a price target of only $0.16 compared to prevailing price of $1.04 and $0.99 respectively mentioned in the report.

Rolta's bonds due in 2019 dropped by an 11.8 points to $0.87 in Hong Kong, data provided by Bloomberg showed. Meanwhile, shares of Rolta plunged 12 per cent to end at ₹ 153.9 on the domestic bourses.

The company in a statement called the contents of the Glaucus report "baseless, erroneous and mala fide". "This undated Glaucus Research Report is completely baseless and has factual errors and inconsistencies. The Glaucus Research Group has never contacted Rolta to verify any facts. This report is malifide, malicious and aimed at misleading investors with an ulterior motive so that Glaucus Research Group can benefit from its short interest in Rolta's bonds", Rolta said in a press note.

Glaucus in its report said bond holders and ratings agencies "have fallen for the myth of Rolta" and thrashed rating agency Fitch's view on the company's bonds.

It further accused Rolta of fabricating its results.

"Based on the evidence and analysis presented in this report, we believe that Rolta has fabricated its reported capital expenditures in order to mask that it has materially overstated its Ebitda (earnings before interest, taxes, depreciation and amortisation). The margin for error is narrowing: Rolta's net debt has risen from $319 million at FYE 2011 to $740 mn in Q3 2015 and the company has almost nothing to show for its highly suspicious spending," said Glaucus in its 32-page report.

Mumbai-based Rolta, with operations in India and North America, said it is exploring all avenues, including legal remedies to protect its interests.

This is not the first time an Indian company has got hit by a scathing report issued by a foreign research firm. In the past, Indian companies belonging to the Reliance and Indiabulls group have been targeted by Canadian firm Veritas.

Following a recent rule change, foreign research firms are not allowed to distribute research on Indian securities except through a Securities and Exchange Board of India (Sebi)-registered entity.

In this case, however, Glaucus has issued recommendations on Rolta's bonds issued in the US and not its local shares, and therefore may not come under Sebi jurisdiction, say experts.

This is not the first time Glaucus has issued harsh views and recommendations on an Asian firm.

According to a Reuters report, Glaucus had 'strong sell' rating on Taiwan's Asia Plastic in April 2014, saying its financial reports were inflated. In 2013, shares of Chinese child skincare products producer Prince Frog International had dropped in Hong Kong trading after Glaucus took issue with the company's sales figures. Also, Singapore-listed Chinese company Minzhong Food Corp, too, came under fire in 2013 when Glaucus alleged the company misled investors about sales, the Reuters report said.

STUNG BY GLAUCUS

- California-based research firm has issued 'strong sell' on Rolta's bonds
- It said the software developer has fabricated accounts
- Rolta shares and bonds plunged
- Rolta denied content of the report, termed it mala fide
- Rolta is mulling legal action
- Glaucus has issued scathing reports on other Asian firms in the past

Source: Business Standard
April 16, 2015

VRL LOGISTICS GETS BEST IPO RESPONSE IN EIGHT YEARS

The initial public offering (IPO) of VRL Logistics received an overwhelming response from investors. The issue was subscribed 74 times on the final day of the IPO.

This is the highest response a public issue has received in the last eight years, beating the Reliance Power IPO (January 2008), which was subscribed about 73 times.

The IPOs of PFC and Zylog Systems (in 2007) were subscribed about 77 times while ICRA's public issue was subscribed 75 times.

The VRL Logistics public issue received bids for 120.8 crore shares against the total issue size of 1.63 crore shares, cumulative data on the BSE till 1900 hrs showed.

According to Pranav Haldea, Managing Director of Prime Database, which tracks the primary market, there is investor appetite for companies that come out with a reasonable valuation.

The VRL Logistics IPO consisted of fresh issue of equity shares worth ₹117 crore and an offer for sale of 1.71 crore equity shares by NSR-PE Mauritius LLC and the promoters' family. The company has fixed a price band of ₹195-205.

The institutional portion was subscribed by a little over 26 times on the BSE alone, while the non-institutional block was about 180 times. The retail investors' portion witnessed a subscription of 5.23 times.

Analysts said the logistics sector is currently the hot favourite for investors. Last year, the Gateway Distriparks-promoted Snowman Logistics' public issue was subscribed almost 60 times.

The company has raised ₹140.crore by allotting 68.5 lakh equity shares at ₹205 a share to 15 anchor investors, including Franklin India, ICICI Prudential, Eastspring Investments India Equity Fund, DSP Blackrock Small & Midcap Fund, Shinhan BNP Paribas Asset Management, Abu Dhabi Investment Authority and Morgan Stanley Mauritius Co.

VRL Logistics is the fourth company to hit the capital market with an IPO this year. While Inox Wind's public issue received a strong response from investors, Adlabs Entertainment and Ortel Communications struggled to sail through.

Source: The Hindu Business Line
April 17, 2015

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FIXED MATURITY PLANS: NO CAPITAL GAINS AT THE TIME OF ROLLOVER, SAYS CBDT

The Central Board of Direct Taxes (CBDT) has made it clear that capital gains will not arise in the hands of an investor at the time of exercising the option of rollover in a fixed maturity plan (FMP) scheme.

Same scheme clause

This will be the case as long as the rollover takes place in the same scheme, the CBDT said in a circular. However, capital gains will arise at the time of redemption of the units or opting out of the scheme, it said.

FMPs are close-ended funds having a fixed maturity date wherein the duration of investment is decided upfront.

The circular has come in response to clarifications sought on the applicability of tax on capital gains in the hands of the unit holder at the time of rollover of FMPs that are close-ended schemes. The doubt was whether rollover would be treated as "transfer" and hence subjected to capital gains tax.

"The approach of CBDT on this issue is right and tax-payer friendly", Milind Kothari, Managing Partner & Head — Direct Tax, BDO India LLP, told BusinessLine.

Will remove uncertainties

Amit Maheshwari, Partner, Ashok Maheshwary& Associates, a firm of chartered accountants, said the circular will remove uncertainty in the minds of investors.

The government had in July last year (Budget 2014-15) changed the holding period for unlisted shares and units of a mutual fund (other than an equity-oriented fund) to more than thirty six months for them to qualify as long-term capital asset.

Prior to this, a holding period of over 12 months was enough to categorise the unlisted shares and mutual fund units as long-term capital assets. Accordingly, FMPs held for a period of over 12 months qualified as a long-term capital asset.

With the changed regime in July 2014, some mutual fund houses proposed extending the FMPs' period to enable investors avail a beneficial tax regime on the capital gains front.

To enable FMPs to qualify as a long-term capital asset, some MFs had offered extension of the duration of FMPs to a date beyond 36 months from the date of original investment by providing investors an option of rollover.

Market regulator SEBI had allowed MFs to roll over their FMP schemes as long as certain conditions were met.

Source: The Hindu Business Line
April 17, 2015

M&A DEALS WORTH $12.1 BILLION RECORDED IN Q1 2015: REPORT

IN TERMS OF NUMBER OF DEALS, THE FIRST QUARTER SAW 86 DEALS AGAINST 76 DEALS IN THE SAME PERIOD LAST YEAR

Merger and acquisition (M&A) activity in India witnessed a jump of 236% to $12.1 billion in the first quarter of 2015 as compared with $3.6 billion a year ago, on the back of big-ticket deals, according to the M&A intelligence service Merger market's India trend report released on Friday.

In terms of number of deals, the first quarter saw 86 deals against 76 deals in the same period last year. The jump in M&A activity was helped by two big-ticket deals valued over $1 billion, the report said. "The average deal value standing at $227.7 million came close to beating the five-year record high of $243.5 million reached in Q2 2014", it said.

The biggest deal in the quarter was the acquisition of 42.49% stake in wind turbine manufacturer Suzlon Energy Ltd for $3.1 billion by a consortium led by billionaire Dilip

The biggest deal in the quarter was the acquisition of 42.49% stake in Suzlon Energy Ltd for $3.1 billion by a consortium led by billionaire DilipShanghvi, promoter of pharma company Sun Pharmaceutical Industries Ltd. Photo: iStockphoto

Shanghvi, promoter of pharma company Sun Pharmaceutical Industries Ltd.

The industrials and chemicals sector was the most actively targeted sector in the first quarter of 2015, attracting 13 deals worth $4.1 billion, an increase of 186% compared with the total deal value recorded in 2014. Energy, mining and utilities sector recorded the highest deal count of all sectors with 15 deals, also the highest quarterly deal count within the sector on Merger market record, the report said.

According to the report, inbound deals were valued at $5.8 billion in the quarter, up 31.3% compared with the previous quarter. "In terms of volume, however, there were 10 less inbound deals from the last quarter announced, with a total of 37 announcements, highlighting larger cap deals entering the M&A market", the report pointed out.

Private equity buyout deals fell 15.4% to 22 transactions in the quarter compared with the previous year. However, total deal value rose 73.7%, to $1.7 billion. The increase in buyout deal value reflects a growing interesting of larger-sized investment in buyouts, the report said.

The technology sector held the dominant position in buyout activity with seven deals worth $806 million accounting for 48.4% of market share. The biggest buyout deal in the space was $575-million acquisition of a 25% stake in One97 Communication Ltd by Ant Financial Services Group, which is jointly owned by SAIF Partners and Alibaba Group Holding Ltd.

Source: Live Mint
April 17, 2015

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NBFC-MFIS SHOULD STAY UNDER RBI AMBIT

The microfinance industry has informed the finance ministry of its view that the current regulatory architecture should continue for NBFC-MFIs

The microfinance industry wants the Reserve Bank of India (RBI) to continue regulating microfinance institutions (MFIs) registered as non-banking financial companies (NBFCs), although the government may make the proposed Mudra Bank a unified regulator for all MFIs.

The industry has informed the finance ministry of its view that the current regulatory architecture should continue for NBFC-MFIs and they not be brought under the regulatory framework of the proposed Mudra Bank. The finance ministry is working on drafting a legislation to give statutory powers to Mudra Bank.

While NBFC-MFIs are currently regulated by the central bank, other MFIs registered under various state society Acts called non-governmental organization (NGO)-MFIs are under no regulatory supervision.

"The industry is comfortable and happy with RBI as a regulator and would not want a change", said Alok Prasad, chief executive officer (CEO) of Microfinance Institutions Network (MFIN), the self-regulatory organization of MFIs. "We have conveyed our views to the finance ministry that we do not want RBI's

RaghuramRajan (left) and finance minister ArunJaitley (centre), listen as minister of state for finance JayantSinha (second from right), speaks at the launch of the Mudra Bank in New Delhi on 8 April. Photo: Bloomberg

role to be shifted to Mudra Bank".

The concept of a unified regulator for MFIs took root after a parliamentary standing committee of finance proposed the idea while discussing the Microfinance Institutions (Development and Regulation) Bill, 2012. RBI had expressed its inability to regulate the entire sector and was of the view that NGO-MFIs be left in the purview of individual state governments.

While NBFC-MFIs have a 95% market share, NGO-MFIs have only a 5% share, but they are numerous and scattered across the country.

Finance minister Arun Jaitley announced the launch of Mudra Bank, short for Micro Units Development Refinance Agency, with a refinance corpus of ₹20,000 crore and a credit guarantee corpus of ₹3,000 crore, to address the lack of access to funds for small entrepreneurs.

In a post-budget note, the finance ministry said the bank will be tasked with regulating MFIs, including overseeing their registration and policy framework.

However, after the launch of Prime Minister Mudra Yojana last week, financial services secretary Hasmukh Adhia said the government is yet to take a call on who will regulate NBFC-MFIs. "A decision will be taken at the time of framing of the Mudra bill", he said, adding that the bill will be introduced in Parliament in the next one year and will include many provisions of the microfinance bill that had lapsed in 2014.

"NBFC-MFIs are very well regulated by RBI and its supervision has brought a lot of stability to the sector" ,said Kshama Fernandes, CEO of IFMR Capital, an institution that facilitates capital-raising for MFIs. "NBFC-MFIs have successfully managed a transmission to a regulatory regime of margin caps, credit bureau reporting, etc., which is very good. However, many of the NGO-MFIs registered as Section 25 companies are not regulated today and that is not good".

As of December end, MFIs had provided microcredit to more than 28.7 million customers, a 23% increase from the year-ago period. The aggregate gross loan portfolio of MFIs also grew by 51% to ₹31,450 crore (excluding the sector's exposure in Andhra Pradesh, which has become a non-performing portfolio) during the same period, according to data collated by MFIN.

MFIs in Andhra Pradesh, then the largest market for small loans to the unbanked poor, ran into a crisis in 2010 after the state passed a law tightening oversight of the institutions following reports that the use of strong-arm loan-recovery methods by microlenders was causing suicides by over-extended borrowers.

Source: Live Mint
April 17, 2015

SEBI ISSUES NEW NORMS ON OPEN OFFERS, BUYBACKS

SEBI allows investors to participate in open offers and buybacks through stock exchange mechanism

The Securities and Exchange Board of India (SEBI) allowed investors to participate in open offers and buybacks through the stock exchange mechanism in a circular issued on Monday, and said it would be applicable to all offers announced from 1 July.

This facility for buying shares through stock exchange mechanism for such offers will be available on stock exchanges having nationwide trading terminals in the form of a separate window.

In case of competing offers, each acquirer will apply for and use separate acquisition windows during the tendering period, but at the same stock exchange.

If the offer falls under the takeover regulations, the merchant banker to the offer will finalize the basis of acceptance of the shares depending on the level of acceptances received in the offer.

The regulator said that once the basis of acceptance is finalized, the clearing corporation would facilitate execution and settlement of trades by transferring the shares from the special account to the escrow account of the acquirer.

Such trades shall be carried out in the manner similar to the secondary market process, and excess shares, if any, would be returned to the seller brokers by the clearing corporation.

Earlier, tendering shares in such offerings was treated as an off-market transaction and hence no securities transaction tax (STT) was applicable, but long-term capital gains were levied.

The Sebi move will bring on par secondary market trades and tendering in offers like buy backs, delisting and open offers, say market participants.

"The Sebi move will encourage more shareholders to tender their shares in such offerings. The market has been demanding this for long, as buybacks, open offers and delisting are all regulated transactions but still investors were paying capital gains instead of STT. The new norms will remove the anomaly and boost shareholder participation", said Mahavir Lunawat, managing director, Pantomath Capital Advisors, a merchant banking entity.

Source: Live Mint
April 17, 2015