An Initiative by
PANTOMATH Advisory Services Group

Re-CAP

A weekly mailer encapsulating capital market news

June 15th - June 20th, 2015

SME EXCHANGES HAVE PEAKED HIGH

The SME segment has attained a significant size with more than 100 companies filing offer documents with the exchanges The overall market capitalisation of the SME exchanges has peaked at ₹ 10,000 crore.

The time is ripe to review some of the norms to further boost the segment. One of the most required measures, which the government and the market regulator could immediately look into, is the need for broadbasing the investor class.

The concept of 'priority investing' should be introduced based on the lines of priority debt lending to SMEs, Institutions and banks should be mandated to invest a small portion of their investment portfolio in SME IPOs," said Mahavir Lunawat, managing director of Pantomath Capital Advisors, a leading merchant banker in the SME market.

"Another policy reform required is to review the minimum IPO size. This is mismatch between valuations of niche businesses run by promising SMEs and their immediate funding needs" Lunawat said.

We are dealing with various progressive SMEs, whose valuations are around ₹ 50 crore for a 25 per cent stake, whereas their immediate funding requirement is as low as 50 per cent of that value or even lower. The idea is not to dilute the overall policy norm of 25 per cent public float, and a relaxation could be considered with the condition ther public float of 25 per cent be ensured on or before the SMEs, migrate to the main board", he said.

There is also a demand for measures to make trading on the platforms more liquid by increasing invetor participation. This could be done by reducing the lot size higher in order to reserve the segment for more in formed investors because of higher inherent risks.

Source: Financial Chronicle
June 16, 2015

THREE REASONS WHY THE SENSEX GAINED 891 POINTS IN 5 DAYS

Contrary to expectations that they will continue their losing streak in the current week, the markets staged a surprise recovery over the past five sessions. The CNX Nifty, which was quoting at 8,433 levels on May 29, dropped 5.3 per cent, or 451 points, till 12 June. On Friday alone, the S&P BSE Sensex gained 0.7 per cent, or 200 points, to the 27,316 level while the CNX Nifty added 0.6 per cent, or 50 points, to end at 8,225. For the week, the S&P BSE Sensex rallied 891 points, or 3.4 per cent, while the 50-share Nifty gained three per cent, or 242 points. The turnaround also comes amid a mixed set of economic data that saw retail inflation (CPI-based) edging up to 5.01 per cent in May, while annual industrial output (IIP) growth accelerated to a two-month high of 4.1 per cent in April. For the coming week, Amar Ambani, head of research at IIFL, expects the markets to consolidate in a range, though he expects the current Nifty pullback to extend till 8,400. "Global factors, F&O (futures and options) expiry and FII (foreign institutional investment) inflows may dictate the near-term direction. Market participants will also keep an eye on how the monsoon progresses after beating IMD forecast," he adds. Here are three factors that led to a change in sentiment: US Fed's dovish stance: The US Federal Reserve (US Fed), while maintaining the status quo on key rates in its two-day meeting that ended June 17, sounded dovish on the outlook. This saw a relief rally across emerging markets, including India. "We have maintained our December call since the start of last year. A number of 'transitory' factors are still playing a role. The strong dollar remains a headwind for US exporters, and the low oil price has reduced the incentives to invest in the energy sector. We expect only a modest re-acceleration of the US economy in Q2, which should delay the Fed's first rate hike to the final quarter of the year, most likely December," said Philip Marey, senior US strategist with Rabobank International in, a report. Pick-up in monsoon: After projecting a sub-normal monsoon in the first week of June, the India Meteorological Department (IMD) revised its forecast for June while maintaining a cautious view for July. Analysts say the markets, to a large extent, are factoring in the news of below-average monsoon as of now. However, a disappointment can see the markets correct again. A normal monsoon could help keep a lid on inflation and prompt the Reserve Bank of India to slash key rates going ahead. Adds G Chokkalingam, founder & managing director at Equinomics Research & Advisory: "Fears of monsoon performance were overdone as it was too early to worry. We also ignored the fact that India quite rarely had two consecutive failed monsoons in the past two decades. Over 10 per cent excess rainfall as of Thursday, expectation of continued good rainfall for the rest of this month and a substantial improvement in water storage in major reservoirs have reduced the concern on monsoon." However, HSBC in a recent report cautions the forecast of a weak monsoon following the heat wave in certain parts of the country should serve as a warning to policymakers, even if the first weeks of monsoon rains turned out to be better than expected. Rally in heavyweight stocks: Rally in heavyweight Reliance Industries (RIL) also added to the market sentiment. The stock is trading at its highest level since December 2014 and has gained nearly 12 per cent in the past week to ~997 a share. Besides RIL, Hindustan Unilever (HUL), Tata Motors, Sun Pharma, ONGC and Larsen & Toubro, were some of the top gainers during the week, helped push markets higher. Analysts remain bullish on the road ahead for RIL, especially after the 41st annual general meeting and have revised upwards their targets for the stock. Antique Research, for instance, estimates FY16/17 earnings at ~86/101 a share, respectively. "We value RIL on sum-of-the-parts basis to arrive at a target price of ~1,050 per share. We reiterate our Buy rating," the brokerage said in a recent report.

Source: Business Standard
June 20, 2015

GOVT OKAYS ₹ 6,751CR WORTH FDI PROPOSALS

The government on Wednesday approved 16 foreign investment proposals, including those of Torrent Pharmaceuticals and Star India, amounting to ₹ 6,751 crore. "Based on the recommendations of Foreign Investment Promotion Board (FIPB) government has approved 16 proposals of foreign direct investment (FDI) amounting to ₹ 6,750.86 crore", the finance ministry said in a statement. The proposals were cleared during the FIPB meeting held on May 28, it added. However, a total of 21 proposals were deferred during the meeting and six others were rejected. The government has approved Torrent Pharmaceuticals' proposal for increasing FII investment from 13.09% to 35%. While, Syngene International has been allowed to raise foreign investment to 44% from 10% by initial public offering of equity shares to FIIs, FPIs and NRIs. Broadcaster Star India has been given approval for further issuance and transfer of shares to its foreign collaborator and acquisition of another Indian company engaged in broadcasting sector on a slump sale basis. Among others, FDI proposals of Stericat Gut Strings, BASF Chemicals India, Ordain Health Care Global, Mumbaibased TRIF Kochi Projects, TRIF Real Estate and Development, Berggruen Real Estates and Today Magazines Lifestyle, were also approved.

Source: The Times of India
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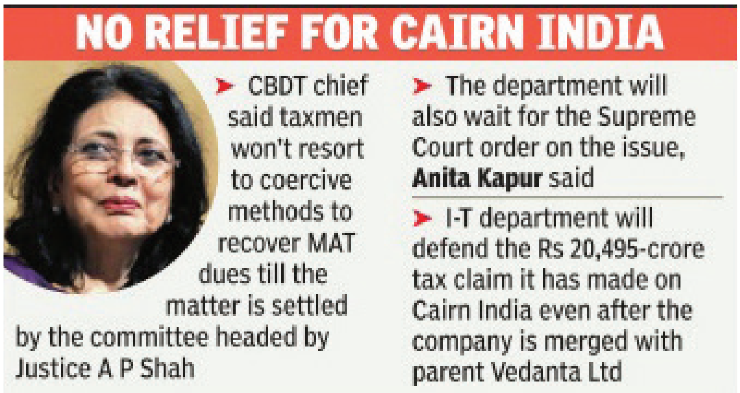
25 Most Promising FINANCIAL CONSULTANTS

MAT ORDER CAN'T BE REVERSED, BUT NO COERCION TO RECOVER TAX DUES: CBDT

Central Board of Direct Taxes (CBDT) chairperson Anita Kapur on Tuesday said that it will be difficult for income tax officers to undo their order on levying the minimum alternate tax (MAT) on capital gains made by FIIs. She, however, said that till the matter is settled and the committee headed by law commission chairman Justice A P Shah gives his report, taxmen won't resort to coercive methods to recover dues. The CBDT chief said the department would also wait for the Supreme Court order on the issue. "Assessing officers cannot redo their order, but if order is in appeal, then we can certainly tell our assessing officer `please don't take it further', and this is exactly what we did in Shell and Vadafone tax cases", the CBDT chief said. "Shell and Vodafone cases went against us and once we accepted that judgment, we told our officers `please don't do future assessments and please don't further agitate these in appeals'", she added. Kapur defended the merit of levying MAT on capital gains but said the matter will be decided by the A P Shah Committee and the apex court. "I am certain on the process on the levy of MAT on FIIs, but merit of the issue can also be decided by the SC", the CBDT chief said. She said the I-T department will, however, defend the ₹ 20,495-crore tax claim it has made on Cairn India even after the company is merged with its parent Vedanta Ltd. Cairn India has challenged the March I-T notice seeking ₹ 20,495 crore in tax for its alleged failure to deduct withholding tax on alleged capital gains made by its erstwhile promoter, Cairn Energy Plc .Kapur said a high-level committee, set up by CBDT to scrutinize all I-T cases arising out of the retrospective tax amendment, has received less than 10 applications so far. Last year, the government had set up a four-member committee, headed by a joint secretary level officer of the Foreign Tax and Tax Research unit of the CBDT, to scrutinize all such cases arising out of the retrospective tax amendment.

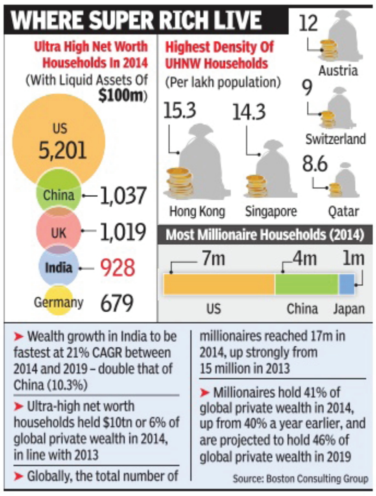


Source: The Times of India
June 17, 2015

NO. OF INDIANS WITH OVER $100M

RANKS 4TH GLOBALLY IN 2014, SAYS REPORT

The number of ultra high net worth (UHNW) individuals in India has more than trebled to 928 in 2014 from 284 in 2013, according to a Boston Consulting Group (BCG) report. Though BCG has clarified that the two figures cannot be compared because there has been a change in methodology, following the new study , India's ranking among countries in terms of the number of UHNW individuals has risen to number four in 2014 from the 13th position in 2013. The report defines individuals with financial wealth (excluding residential properties) of $100 million (₹ 640 crore) as UHNW. BCG executives said, "Currency impacts versus the US dollar (our segments are in US dollars) and methodological changes to the national accounts' data make a comparison between the 2014 and 2015 reports very difficult". Going by 2015 methodology , UHNW individuals in India have increased to 928 in 2014 from 800 in 2013. According to BCG, the Asia-Pacific region will be the main driver of increase in global wealth, fuelled by the rich in China and India. What's more, wealth in India is projected to record the fastest growth of 21% between 2014 and 2019 -double the growth rate of the next fastest wealth creator China (10.3%).In its 2015 wealth report called `Winning the Growth Game', BCG has said that private wealth in China and India showed solid market gains, drien mainly by investments in local equities. China's equity market rose by 38% and India's by 23%. The US remained the country with the largest number of UHNW households at 5,201, followed by China (1,037), the UK (1,019), India (928), and Germany (679). The highest density of UHNW households was found in Hong Kong (15.3 per 100,000 households), followed by Singapore (14.3), Austria (12), Switzerland (9), and Qatar (8.6). UHNW households held $10 trillion, or 6%, of global private wealth in 2014, which was in line with 2013. At a projected CAGR of 12% over the next five years, private wealth held by the UHNW segment will grow to an estimated $18 trillion in 2019. This top segment is expected to be the fastest growing, in both the number of households and total wealth. The number of households in this segment is projected to grow at a CAGR of 19% over the next five years. "With such a large number of households entering this segment, the average wealth per household is projected to decline at a CAGR of 6%," the report said. Private wealth held by the upper high net worth (HNW) segment (those with between $20 million and $100 million) rose by a healthy 34% in 2014 to $9 trillion. Private wealth held by the lower HNW segment (those with between $1 million and $20 million) is expected to grow at a slightly lower rate (7%) over the next five years. Globally , the total number of millionaire households (those with more than $1 million in private wealth) reached 17 million in 2014, up strongly from 15 million in 2013. The increase was driven primarily by the solid market performance of existing assets, in both the new and old worlds.



Source: The Times of India
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FIN WORLD BENDS, TWISTS AND TURNS ON YOGA CURVE

It's not just the government machinery which is gearing up for the International Yoga Day on Sunday . It seems Mumbai's financial community is also firmly behind the idea which was first introduced at the United Nations by Prime Minister Narendra Modi.

In the run-up to the International Yoga Day, banking and financial services companies have started introducing their employees, clients and other stakeholders to yoga. From renowned spiritual leaders to professional yoga trainers, firms are engaging teachers of the age old Indian practice, which combines mental, physical and spiritual well-being and helps inculcate discipline in all aspects of life.

Global financial major Morgan Stanley, in its India Summit that was attended by about 450 investment professionals, including more than 200 foreign fund managers, last week had a session by spiritual leader Sadguru, who introduced them to the benefits of yoga and spirituality. Titled `Investing in Self Transformation', the objective of the session "was to give an entirely different perspective to investors. To be a successful investor, one has to first invest in one's own self ", said Sanjay Shah, country head and co-head of Indian equities business, Morgan Stanley.

Some of those who attended the Morgan Stanley session said the global major's plan to introduce such a session was very well received even by foreign fund managers. "We all work for 18-20 hours. Somewhere, because of the immense work pressure, there's always a chance to lose perspective of things we are doing. Yoga helps us in keeping ourselves focused on the work we are doing, "said a top professional from the financial services industry .

On Friday, several top investment professionals are also planning to attend a session by Sadguru that is being organized by the Kishore Biyani-led Future group. Madhusudan Kela, chief investment strategist, Reliance Capital, a recent convert to yoga who is also encouraging his friends from the investment community to attend the session, said that for him practising yoga brought peace of mind, and it makes one a good human being.

During the current week, about 850 employees of HDFC Bank, one of the largest private banks, are set to attend yoga sessions in their office, while Reliance Capital, the holding company for all financial services business within the Anil Ambani-

TAKING A NEW POSITION

run Reliance group, has hired professional teachers to initiate its employees into yoga.

According to Abhay Aima, group head (equities & private banking), HDFC Bank, one could co-relate yoga with the investing process.

Source: The Times of India
June 17, 2015

TOP GLOBAL VCS SHIFT FOCUS TO INDIA, CHINA

As the number of private companies valued at $1 billion rise rapidly in the US, three of the most prominent technology investors are looking increasingly to India and China.

Tiger Global Management, Coatue Management and Russian investor Yuri Milner's Digital Sky Technologies or DST Global have shifted 79% of their new investments (as against follow on rounds) outside the US, according to New York-based venture capital (VC) data tracking firm CB Insights.

Tiger Global, one of the most reputed technology investors, has made 82% of its new investments of this year in India. And quite unlike the fund's profile, 71% has come in the first round of funding. The cheques were smaller than what Tiger writes in other countries. Tiger has made investment commitments of $269 million across 11 deals in January-April, 2015, in India.

DST made two-thirds of its first-time investments since the start of 2014 to international companies, with all of its 2014 investments going to Chinese and Indian technology companies. Coatue has made 43% of its investments in China.

"Outside of US, there are not many markets which are still growing. In India and China, you can still look for a three to four times growth by 2020, and they are bigger than any Western market", said Karthik Reddy, co-founder and managing partner of Blume Ventures, an early stage seed fund. "These are large hedge funds and they are happy with three times return even if they are investing in early stages".

The shift towards Asia is also evident in the emergence of big investments by Asian corporate investors like Japanese telecom giant SoftBank, Chinese technology investment firm Tencent, which owns WeChat, Samsung Ventures, and the Chinese e-commerce giant Alibaba Group. Since 2010,

Source: The Times of India
June 17, 2015

SEBI ISSUES DETAILED ESOP DISCLOSURE NORMS

The Securities and Exchange Board of India (SEBI) on Tuesday come out with detailed disclosure norms for listed firms while exercising employee stock ownership plan (Esop) to address concerns regarding potential market abuse. According to the norms the compensation committee constituted by companies for Esop schemes will be required to formulate detailed terms and conditions. In addition they have to disclose information about the trust, powers and duties of trustee. These disclosures are part of market regulator SEBI's efforts to improve governance and transparency of such schemes. The SEBI circular details wide ranging disclosures that listed firms are required to make with regard to employee stock option scheme (Esos), SAR (stock appreciation right) and description of the schemes, among others. SEBI in October had notified new Esop regulations, including for purchase of shares by employee welfare trusts from the secondary market with adequate safeguards. It had allowed companies to have employee stock option programmes where they can buy their own company shares subject to certain conditions. SEBI said companies will have to disclose description of each scheme that existed.

Source: Business Standard
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GUJARAT COMPANIES QUEUE UP TO GET LISTED ON SME BOURSE

EASY PROCESS AND AGGRESSIVE MARKETING ATTRACTS ENTERPRISES TO EXCHANGE

With far easier listing rules and significantly smoother regulatory mechanism, many small and medium enterprises (SMEs) have made a beeline for listing on the SME exchange of the BSE. At present, 94 companies are listed on the SME bourse and about 32 companies, most of which are located in Gujarat, are in queue to get listed. "Out of the total 32 companies, which have filed Draft Red Herring Prospectus (DRHP) with BSE SME exchange, 12 are from Gujarat, representing more than 37 per cent of the companies who have made recent filings," said Mahavir Lunawat, managing director, Pantomath Capital Advisors Private Limited. Earlier this month, a BSE SME official said the exchange is targeting to list about 100 companies by the end of current financial year. Recently, BSE SME Exchange had revised the listing norms thereby requiring higher post-issue paid-up capital at ₹.3 crore against the previous requirement of ~1 crore. Also, now the net worth requirement and tangible assets requirement has been increased to ₹ 3 crore from ₹ 1 crore. Similar platform on the National Stock Exchange (NSE) named Emerge, however, has received lukewarm response from SMEs. So far, only seven companies have been listed on NSE Emerge since its inception. Commenting on the disparity in listing numbers on the two bourses, B Madhuprasad, chairman of Keynote Corporate Services, said, "Aggressive marketing of SME platform at the ground level is the key strength of BSE SME, which NSE is not doing and because of this, listing is higher on BSE." Of the 94 companies listed on SME bourse till date, six have migrated to the main board — BSE Limited. According to the existing norms, companies that have completed two years on the SME platform and have achieved post-issue paid-up capital of ~10 crore and above are eligible for migration to the main board. The market-capitalisation of the BSE SME platform is ₹ 7,819 crore, as on June 15. The total market capitalisation of NSE Emerge is ~430 crore. Gaurav Jain, director, Hem Securities Ltd, said, "The SME platform offers a great opportunity to entrepreneurs to create wealth for themselves, for investor community and for expansion and acquisition. It helps SMEs create visibility, strong balance sheet and credibility." According to merchant banker Hem Securities, so far 20 companies from engineering, chemicals, industrial machinery, plastic products, renewable energy, textile, gems and jewellery, pharmaceutical, cement and home furnishing sectors have approached them for understanding the process of listing. Entrepreneurs are showing interest on listing on BSE SME exchange and NSE Emerge as the companies listed in past on both these platforms have created wealth for themselves and for their investors.

Source: Business Standard
June 17, 2015

NSEL SCAM: SEBI TO INITIATE FRESH PROCEEDINGS

EXAMINING ADJUDICATING AND DISGORGEMENT PROVISIONS FOR ENTITIES

The securities and exchange board of India (SEBI) is going after the guilty in the National Spot Exchange (NSEL) scam in a more concerted way, as the securities market regulator's merger with the commodities market regulator gets closer to completion. SEBI is looking to initiate enforcement proceedings against entities involved in the scam, according to sources. People privy to the developments said the regulator had sought a report on Forward Contracts and Regulations Act (FCRA) violations by the entities. "Once the merger is announced, after September, the regulator may initiate adjudication and disgorgement proceedings against entities found culpable in the NSEL scam," said a source. On a fresh probe of commodities law violation would continue to be tried under the Forwards Act, but SEBI would have enforcement powers over it. "A fresh proceeding related to an offence under the Forward Contracts Act may be initiated by the Security Board under that Act within a period of three years from the date on which that Act is repealed and be proceeded with as if that Act had not been repealed," stated the Finance Act. It is learnt that SEBI has sought a report on the entire NSEL crisis from the regulator, which pinpoints the culpable parties. The SEBI's legal department would deal with the scam cases in the Bombay High Court. The markets regulator would also coordinate with the Ministry of Corporate Affairs on the merger of NSEL with the parent company Financial Technologies (FTIL). This will come as a major relief to FMC, according to a source, which faced difficulties in the cases due to personnel issues. For example, they faced problems to defend the challenge to the 'fit & proper' against FTIL due to lack of in-house legal department. FMC on many occasions had to rely on outside help on the legal matters. But, unfortunately they did not have the provisions to get legal consultants on board. SEBI would also take up enforcement in the recently completed investigations, pertaining to multi-commodity exchange, United Commodities Exchange. The regulator would also be required to coordinate with police and other investigative agencies for criminal proceedings with respect to commodities markets in various states. One would argue that it is only the commodities market that is benefiting from the merger. But SEBI would gain from informer's network that FMC maintains and allocates a budget for every year, said a source. SEBI has highlighted the need for action on the market intermediaries. According to sources, there are more than 1,700 audit reports on the commodity market intermediaries pending for the past five years.

Source: Business Standard
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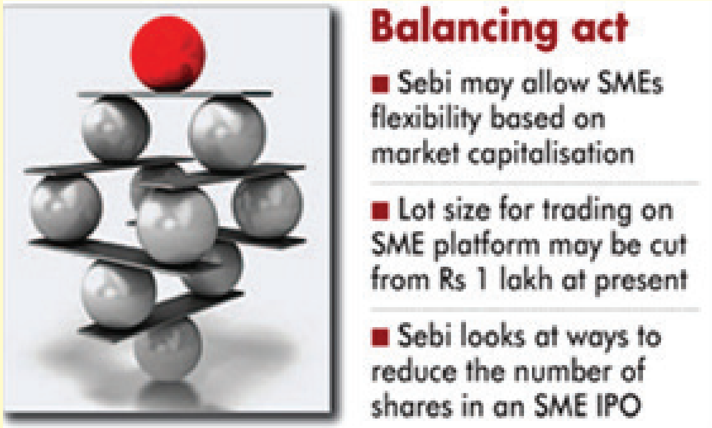
PUBLIC FLOAT LIMIT MAY BE LOWERED TO 15% FOR SMES TO EASE FUND RAISING

Small and medium-sized companies may soon have more flexibility in raising funds, with market regulator Sebi considering to relax some of the rules governing the SME trading platform.

Among the various changes being weighed by the regulator to help smaller companies to raise funds include a reduction in the minimum number of shares to be offered to public in the initial public offering. Under the current requirement, a minimum 25 per cent of the share capital should be offered to the public to get listed on the SME platform of stock exchanges.



Sources said the regulator may look at reducing the minimum public holding limit to 15 per cent and allow flexibility based on market capitalisation.

A number of other steps are also likely to boost trading volumes on the SME platforms and improve participation by more players. Sources said SEBI may reduce the lot size for trading on the SME platform from the existing ₹ 1 lakh limit.

SEBI recently recieved the SME platforms with industry, stock exchanges, Sidbi, merchant bankers and venture funds.

Source: Financial Chronicle
June 16, 2015