

## WE MUST AIM FOR CHINESE MFG JOBS: PANAGARIYA

**M**aking a strong push for Prime Minister Narendra Modi's 'Make in India' policy, NITI Aayog vice-chairman Arvind Panagariya said that India must gariya said that India must aim to capture a significant part of the space in the world market for manufacturing apparel and light consumer goods that China is poised to vacate.

Pointing out that half of India's workforce remains dependent on agriculture despite the sector's contribution to output falling to less than 15%, Panagariya said reforms that help farmers receive remunerative prices for their produce, get higher productivity, and genuine inclusion in the long run requires creation of good jobs in industry and services. He was delivering the sixth R K Talwar memorial lecture organized by the State Bank of India on Friday. "It is in this context that initiatives such as Make in India, Skill India and Smart Cities, launched by Prime Minister Narendra Modi, assume special significance. These three initiatives, propelled by policy actions on land acquisition, labour market

reforms and reduced uncertainty on taxation, can potentially create a large number of good jobs for the masses and accelerate growth further," said Panagariya.

In his speech, the former chief economist at the Asian Development Bank said India can continue to grow at the rate it did in the decade following 2003-04 which will result in the economy rising to \$8 trillion in size in 15 years, overtaking Japan.

According to Panagariya, firms in employment-intensive sectors are small and in the unorganized sector. "The most dramatic case is that of the apparel industry. Not only do these firms generate meagre income and pay low wages, they are also largely absent from export markets. In turn, this explains the tepid performance of India in clothing and accessory exports when compared to China."

Source: The Times of India  
July 18, 2015

## PAY VAT ON INTANGIBLES' TRANSFER: MAHARASHTRA

**A** circular dated July 13, issued by the Commissioner of Sales tax (Maharashtra), has thrown open a Pandora's box as it concludes that VAT (value-added tax) can be levied on transfer of right to use goods of intangible nature, such as trademarks, copyright, and technical know how, even if such a right is transferred to multiple users.

Tax experts fear that this circular may trigger issuance of VAT demand notices to companies. There is an added ear that the parties involved may end up paying both VAT and service tax. Transfer of intangibles to multiple users is quite common among group companies. In Maharashtra, the VAT rate on such intangibles is 5%.

The circular is based on an earlier decision of the Bombay high court in the case of Tata Sons. The high court had held that the use of the 'TATA' trademark will attract VAT under 'The Transfer of Rights to use Goods for any Purpose Act, 1985 (Act)'. The circular reiterates the observations of the high court, which had held that in case of intangible goods, the right to use them is capable of

being transferred, and if transferred it would attract VAT levy.

The high court had added that the Act does not indicate that the right

to use intangible goods should be 'exclusively' transferred to the transferee (user). The high court had also

distinguished the Tata Sons case from that of BSNL where it had been held that in order to attract levy under the Act, the transfer has to be to the exclusion of the transferor and once the right is transferred, the owner cannot again transfer the right to others. In the Tata Sons case, the high court had concluded that VAT could be levied on transfer of right to use intangibles, even if the right is transferred to multiple users.

Jayraj Sheth, indirect tax partner at EY, says, "In many such arrangements of permitting use of intangible goods, the parties may already be paying service tax. If VAT is also made applicable on them, it would cause significant hardship due to double taxation. The matter will end up in litigation."

Source: The Times of India  
July 18, 2015

## BSE ASKS GOVT TO SCRAP TAX ARBITRAGE

BSE wants the capital gains arbitrage between listed & unlisted cos to go to stem possible misuse of capital mkt transactions, especially in penny stocks

of capital gains arbitrage between listed and unlisted companies to stem possible misuse of capital market transactions, especially in penny stocks.

The letter to the finance ministry comes after a regulatory crackdown and a tax probe in around 90 cases which was

**T**he Bombay Stock Exchange (BSE) has written to the government seeking removal

reported by TOI on Thursday.

Pointing to Sebi orders BSE's chief regulator officer Nehal Vohra has told the department of economic affairs that "the current differential capital gains treatment between listed and unlisted securities should be harmonized to prevent tax arbitrage." Tax experts said this can be done only through two means - by either exempting capital gains tax on all security transactions or by levying on listed as well as unlisted ones.

"The Parthasarathi Shome committee had recommended doing away with the capital gains tax exemption or having a uniform rate for all. That will require a more detailed study but it is a matter of fact that some of the companies are misusing the capital gains tax benefit to convert black money into white," said Dinesh Kanabar, CEO of Dhruva Advisors.

A top official at a leading tax consulting firm said BSE's suggestion was surprising. "The arbitrage should be dealt with administratively or by preventing misuse rather than get the government to change policy for that."

Source: The Times of India  
July 17, 2015

## RIGGED BIDS - CCI FINES 4 PSU INSURERS ₹ 671CR

The Competition Commission of India (CCI), the country's fair play watchdog, has imposed a hefty penalty of ₹ 671 crore on four state run insurance companies for manipulating the bidding process of the Kerala government for selecting insurance service providers under the Rashtriya Swasthya Bima Yojna (RSBY).

The final order was passed by CCI on July 10 in a matter, which was taken up suo moto based on an anonymous information received

by the commission under section 19(1) of the Competition Act, 2002 against National Insurance, New India Assurance, Oriental Insurance and United India Insurance, alleging contravention of the provisions of section 3 of the Act, which deals with anti-competitive agreements, including bid rigging.

CCI noted the impugned conduct of these companies has resulted in manipulation of the bidding process in contravention of various provisions of the Act. While

imposing penalties, CCI noted that the present case related to bid rigging in public procurement for social welfare schemes, the beneficiaries of which were BPL and poor families and this was taken as an aggravating factor. Accordingly, penalties of ₹ 162 crore, ₹ 251 crore, ₹ 100 crore and ₹ 156.6 crore were imposed upon National Insurance, New India Assurance, Oriental Insurance and United India Insurance respectively. The director general (DG) of the commission had conducted a detailed investigation

into the actions of the insurance companies relating to the tenders issued by the Kerala government in 2010-11, 2011-12 and 2012-13 for the implementation of RSBY and Comprehensive Health Insurance Scheme ('CHIS'). The DG came to the conclusion that the insurance companies colluded with each other and manipulated the tendering process initiated by the Kerala government.

Source: The Times of India  
July 17, 2015

## I-T DEPT STARTS PROBE AGAINST 90 COS

### Checks Possible Evasion, Money-Laundering In Penny Stock Transactions

The tax department has launched an investigation against 90 companies for possible evasion, money laundering and for converting black money into "white" through a series of transactions in little-known shares, commonly called penny stocks.

Sources said this is a massive scam which the department is probing and is the latest element of the government's drive against black money.

Over the past few months, market regulator Sebi passed orders related to around 10 companies, resulting into suspension of 36 companies that were involved in irregular trades and banning of 900 entities. Sources said the money involved in the 36 companies could add up to close to ₹ 20,000 crore. In his orders, Sebi member Rajiv Agarwal had said that the cases should be investigated by the tax department, the enforcement directorate as well as the Financial Intelligence Unit. On December 22 last year, TOI had reported that Sebi was investigating around 50 companies.

The tax department had started the probe much before, started the probe much before, which has turned out to be wider and is monitored at the level of revenue secretary Shaktikanta Das after the authorities stumbled upon evidence

suggesting money laundering and use of black money.

Sources said the transactions were all done by "entry operators," who would collect cash from "investors" and buy shares of unknown companies, which largely existed on paper. In most cases, preferential allotment of shares was done at a premium. Then a group of traders would trade among themselves to ramp up the share price.

After raising the price significantly, they would issue bonus shares to the investors or go for a stock split. And, despite all this, the share price would rise further. Typically, the "investors" would exit after 14-15 months or two years to avoid paying capital gains tax on the transactions. In the final settlement, the person who had routed cash through the operators would be paid in cheque, helping convert his black money into legitimate funds on payment of 8-10% commission. Sources in the I-T department and Sebi said the crackdown by the tax authorities and regulators has resulted in this kind of business coming to a near halt over the past few months.

Source: The Times of India  
July 16, 2015

## E-COMMERCE VALUATIONS ARE HIGH: TATA

After investing in nearly a dozen startups, most of them in the e-commerce space, Ratan N Tata, chairman emeritus, Tata Sons, said valuations in the industry were high. "The valuations are high and reflect what new investors put in. I have some concerns," he said.

After retiring from executive role, the 78-year-old Tata has invested in 10 companies including Xiaomi, Urban Ladder, Snap Deal, Blue Stone and Ampere Vehicles. To a query, he said: "When I was in the Tata group, I was deathly afraid of personal investments because one might say it's a conflict of interest. And, it is difficult within the Tata group, given its diversity. Now for the last three years, I have been a free person. So, in a small way, I am investing. I have spread myself across 10 companies, hoping some may succeed."

On Nano, Tata said, "It was an exhilarating experience to produce a car which could be purchased for ₹ 1 lakh. The launch of the vehicle was a success far beyond expectations." The average age of team which designed the car was 26. However, positioning the car as the cheapest car, instead of most affordable car, was a mistake, which drove away customers.

Source: The Times of India  
July 16, 2015

## GOVT PLANS COMPOSITE FOREIGN INVESTMENT CAP

The government will settle for composite foreign investment limits including foreign direct investment, foreign institutional investment, non-resident investment and venture capital in a move that will have a bearing on several sectors ranging from e-commerce and single-brand retail to insurance, commodity exchanges and asset reconstruction. The issue, which has been pending for several months, is expected to be finally decided by the Union Cabinet on Thursday with the department of industrial policy and promotion (DIPP), which is piloting the proposal, recommending grandfathering of earlier holding structures to comfort existing investors.

At present, in several sectors, there are sub-limits within the overall foreign investment ceiling. But, following the government go ahead, any one set of investors can raise their stake up to the sectoral cap. The move is seen to be especially beneficial to foreign institutional investors in some of the sectors as they can increase their stake up to the sectoral limit.

"The whole idea is to provide flexibility to investors," said an official. Sources said the move would help in removing ambiguity in application of sectoral caps, conditions and approval requirements indifferent sectors. The

ministry has proposed a composite foreign investment cap in sectors including agriculture, tea, mining, broadcasting, media, airports, retail, e-commerce, asset reconstruction companies, banking, commodity exchanges and insurance. Over the past 14 months, the government has initiated several steps to improve the rules related to foreign investment, including allowing overseas flows into hitherto closed sectors such as railways, while increasing the limits for defence and insurance, two areas of special interest to investors. Rules have also been eased for sectors such as construction and efforts are underway to clearly stipulate

### ON THE AGENDA

- Amendment to the Arbitration & Conciliation Act to end delays and eliminate high costs, improve ease in doing business
- Recapitalization of regional rural banks
- Clearance for setting up of e-courts

the rules for Indian manufacturers to enter into the e-commerce arena.

Source: The Times of India  
July 16, 2015

## BSE SME EXCHANGE HITS THE 100-MARK WITH 5 NEW COMPANIES

The ₹ 330 crore, MD Inducto Cast Ltd became the 100th SME and one of the five SMEs to list on the Bombay Stock Exchange's (BSE's) SME platform on Thursday. Four out of the five companies are from Gujarat. The Bhavnagar based, three-year old M D Inducto Cast is the biggest manufacturing company on the SME Exchange and is part of the ship recycling to steel re-rolling MD group set up in 1991.

The SME exchange launched in 2012, which now has 100 companies listed on it, has the distinction of providing the cheapest way to raise funds through IPO's according to the



International Organisation of Securities Commissions. It is also the fastest growing with 40 SME's listing last year. Over ₹ 700 crore have been raised through IPOs and the returns have been seven to eight times, the highest of any global SME exchange, said

Mahavir Lunawat, group MD, Pantomath Capital Advisors, who lead-managed the initial public offerings (IPOs) of three of the five companies.

He said market makers keep the stocks liquid with live quotes when

necessary, as each company keeps five per cent inventory with them. Six of the 96 small and medium enterprises (SMEs) have migrated to the main exchange having fulfilled the conditions. Ten more have been given in principle approval to shift.

Mr Lunawat said that Life Insurance Corporation (LIC), India's largest investor should keep aside a certain amount for investment in SME's and this would encourage NRIs and high net individuals (HNIs) to invest in SMEs.

Source: Deccan Chronicle  
17, July, 2015

## LISTINGS ON BSE'S SME PLATFORM CROSS 100 MARK

The total number of companies listed on BSE small and medium enterprises (SMEs) platform today crossed the 100 mark, with five companies getting listed on Thursday.

The five companies which got listed on BSE SME are MD Inducto Cast, Jiya Eco Products, Majestic Research Services & Solutions, Gala Print City and Loyal Equipments.

As many as 104 companies have managed to raise ₹ 756 crore by listing on BSE SME since the launch of the platform in March 12, 2012. Of these, six companies have migrated to the exchange's main board.

"BSE SME platform has become an alternative engine for growth of SME companies by offering a great opportunity to entrepreneurs to raise equity capital for expansion and acquisition, said Ashishkumar Chauhan MD & CEO BSE .

He said that 20-25 companies are expected to list on SME platform in the next 2-3 months. "In this fiscal, 100 more SMEs are expected to hit the markets," he added.

"SME companies represent

entrepreneurial potential of India. They contribute to job creation and enhance opportunities for entrepreneurs as well as facilitate much more equitable distribution of wealth and spread of industry across the country. They also help in achieving Make in India dream," Sebi whole-time member Rajeev Kumar Agarwal said.

Of the five companies Gala Print City, M D Inducto Cast, Loyal Equipments and Jiya Eco Products are based in Gujarat, while Majestic Research Services & Solutions is located in Karnataka.

SMEs list themselves on bourses for easy access to capital, enhanced visibility, growth opportunities, exit route for old shareholders, among others.

"The capital market has witnessed the historic moment of listing of five companies on a single day on BSE SME Exchange and we are indeed pleased to have lead managed three out of the five IPO listed today, says Mahavir Lunawat group MD Pantomath Advisory Services group.

**Source : Financial Chronicle**  
17 July, 2015

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Four out of the five companies are from Gujarat. The Bhavnagar-based, three-year old M D Inducto Cast is the biggest manufacturing company on the SME Exchange and is part of the ship recycling to steel re-rolling MD group set up in 1991.

The SME exchange launched in 2012, which now has 100 companies listed on it, has the distinction of providing the cheapest way to raise funds through IPO's according to

the International Organisation of Securities Commissions.

It is also the fastest growing with 40 SME's listing last year. Over 1700 crore have been raised through IPOs and the returns have been seven to eight times, the highest of any global SME exchange, said Mahavir Lunawat, group MD. Pantomath Capital Advisors, who lead-managed the initial public offerings (IPOs) of three of the five companies.

He said market makers keep the stocks liquid with live quotes when necessary, as each company keeps five per cent inventory with them.

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## GUJARAT-BASED COS QUEUE UP TO GET LISTED ON SME BOURSE

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 Lukewarm, 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

enterprises (SMEs) have migrated to the main exchange having fulfilled the conditions. Ten more have been given in principle approval to shift.

Mr Lunawat said that Life Insurance Corporation (LIC), India's largest

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 Rs 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**  
16 July, 2015

investor should keep aside a certain amount for investment in SME's and this would encourage NRIs and high net individuals (HNIs) to invest in SMEs.

**Source : Business Standard**  
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