Edition - Aug - 2014

S-CAP

SME CAPITAL MARKET WATCH

REITS

- An investment opportunity

SME EXCHANGES WORLDWIDE

An initiative by :
SARTHI CAPITAL ADVISORS PRIVATE LIMITED
SEBI Registered Category I - Merchant Banker

PREFACE

At its August 5 meeting, the Reserve Bank of India (RBI) left interest rates unchanged. This was in line with market expectations. Consumer price inflation (CPI) has fallen from 9.9% in December 2013 to 7.3% in June 2014 (Ministry of Statistics data). Lower food price inflation, which constitutes roughly half of the CPI basket, has been the primary reason, but RBI policy has been a contributing factor too. The RBI expects inflation to ~6.0% in the medium-term. However, the RBI is likely to cut rates, if inflation continues to fall as expected. (It has a FY2015 CPI target of 8%.) We believe that interest rates would provide a major boost for consumption and investment into the economy.

Indian equity markets scaled new highs during the month on the back of encouraging economic data and a series of measures announced by the Government in the Union Budget 2014-15 to support faster economic growth.

It is evident to see the investor confidence, once again, is building for the capital markets. The increase in equity investments in Mutual Funds, increased exchange turnover are quite visible. Even can see few of IPOs filing in the main board, and we are sure that in the coming days capital markets is expected to be more vibrant.

The capital market regulator SEBI has too given the draft guidelines for REITs in the country, this issue of S-Cap has explained the guidelines in details. For realty players and investors, REITs are going to be the game changer in the coming times.

We at Sarthi, are committed to the SMEs in India to support in the capital markets as a Merchant Banker for the growth of their business.

Regards,

Deepak Sharma

Group Managing Director

Sarthiangels.com

A Facilitative Platform for Creating a Vibrant Entrepreneurial Eco System In India

SALIENT FEATURES

- Sarthi Angels is a section 25 non-profit organisation
- Provides a platform to connect the budding entrepreneurs with Angels
- Provides Incubation Services to entrepreneurs
- Our endeavor is to create a conducive environment for Entrepreneurs & provide value investment opportunities to Angels

BRIDGING THE GAP BETWEEN ENTREPRENEURS AND ANGELS

Smelisting.net

Knowledge Portal

A One Stop Comprehensive Solution To SME Listing

SALIENT FEATURES

- Comprehensive content on procedural and regulatory aspects.
- Eligibility Calculator to gauge your eligibility for SME IPO.
- Knowledge Corner that provides regulatory & market insights.
- A platform to interact with the experts on SME Listing & related topics.
- Latest happenings in SME world
- An in-depth research on listed SMEs & prospective IPOs.

& many more...




Contents

SME Exchanges Worldwide

Introduction

At present more than 24 countries in the world operate separate Boards and Exchanges for SME. These Boards and Exchanges have been enabling SME as well as new entrepreneurs to access the capital market for financing their growth. Some of the important SME Exchanges / Boards are:

- MOTHERS, Japan,
- The Alternative Investment Market (AIM) in the United Kingdom,
- KOSDAQ in the Republic of Korea,
- TSX – Venture Exchange (TSX-V) in Canada,
- MESDAQ Malaysia
- NASDAQ in the USA

A large group of investors could be interested in SME exchanges like Private Equity (PEs) to Venture Capital (VCs)/ Angel investors, High Networth Individuals (HNIs) to strategic investors, VC-assisted companies looking for funding, subsidiaries of large firms looking to unlock value, are some who would be interested to invest on SMEs listed on these platforms. The only exception is retail investors who have nothing to benefit from these SME platforms.

SME Exchanges in different Countries

INDIA

SEBI first came up with a framework for setting up SME platforms in 2008, announced a detail guideline in 2010 and thereafter, in February 2012, set the norms for a minimum lot-size. The BSE finally launched its SME platform "BSE SME" with just one company on board, a Mumbai-based "BCB Finance", which raised Rs 8.85 crore by offering 35.40 lakh shares at Rs 25 each. Thereafter in March 2012 NSE launched its SME platform - NSE Emerge.

SME companies with post issue paid up capital up to 25 crore can list on the SME Exchange. The new thing about the SME Exchange is that the issue will be 100% underwritten and this means that the issue will be 100% success. Other new aspect is that there will be support of three years in the secondary market through market making activity. In 2013-14, there were 37 small and medium enterprises (SMEs) who got listed on Indian bourses, with public issues worth Rs. 317 crore.

The mission to establish SME Exchanges in India is to foster the development of a flourishing entrepreneurial culture and a competitive SMEs sector to support economic development. In India, Micro, Small and Medium Enterprises (MSMEs) contribute 8% of its GDP, 45% of the manufactured output and 40% of exports. It provides employment to about 6 Crore people through 2.6 Crore enterprises. Other benefit of listing on SME Exchange involves:

Greater Public Awareness through media coverage, publicly filed documents and coverage of stock by sector investment analysts can provide the SMEs with greater profile and credibility

A provision for mandatory Market Making during initial 3 years in the SMEs' scrips will provide them liquidity in secondary market which leads to better valuation of shares

Ensures stronger employee commitment as employees of a SME can participate in its ownership and benefit from being a shareholder

There is efficient distribution of risk as the capital markets ensure that capital flows to its best uses and that riskier activities with higher payoffs are funded

Most importantly, Going for public issue would provide the SMEs with equity financing opportunities to grow their business and lower the debt burden

JAPAN

The Tokyo Stock Exchange located in Tokyo, Japan is the third largest stock exchange in the world by aggregate market capitalization of its listed companies. The exchange is home to the largest and best-known Japanese giants, including Toyota, Honda and Mitsubishi. The main indices tracking the Tokyo Stock Exchange are the Nikkei 225 and the TOPIX. Stocks listed on the TSE are separated into the First Section for large companies, the Second Section for mid-sized companies, and the MOTHERS (Market of the high-growth and emerging stocks) section for high-growth startup companies. As of October 31, 2010, there are 1,675 First Section companies, 437 Second Section companies and 182 Mothers companies.

On November 11, 1999, Tokyo Stock Exchange established the market 'Mothers', in order to provide venture companies access to funds at an early stage of their development and to provide investors with more diversified investment products. Listing criteria for foreign companies seeking a listing on Mothers were introduced on November 1, 2000; almost exactly a year after Mothers was first established. TSE expects this move will allow foreign venture companies to raise capital and their corporate profile in Japan, while also allowing Japanese investors access to a wider range of investment opportunities.

CANADA

The TSX Venture Exchange is a stock exchange in Canada. It is a public venture capital market place for emerging companies. The exchange had its corporate headquarters in Calgary, Alberta, and its Operations headquarters in Vancouver, British Columbia, with additional offices in Toronto and Montreal. As of November 2010, the TSX Venture Exchange had 2,364 listed companies. This exchange basically contains small-cap Canadian stocks and is home to a lot of high risk penny stocks.

Companies listed on the exchange are primarily mining and traditional energy companies, while the majority of them are located in British Columbia, Alberta and Ontario. Canada's stock markets are relatively easy to access for U.S. investors, Canada and the U.S. have tax treaties that avoid problems commonly associated with international investing, such as double-taxation.

The most popular stocks on the exchange are grouped into an index known as the TSX Venture 50 - a group of strong performers from clean energy, diversified industries, mining, oil/gas, and life science sectors.

LONDON

AIM (Alternative Investment Market) is a sub market of the London Stock Exchange launched on 19 June 1995. The FTSE Group maintains three indexes for tracking the AIM: the FTSE AIM UK 50 Index, the FTSE AIM 100 Index and the FTSE AIM All-Share Index. Any type of company can be listed on AIM provided the relevant AIM Rules, have been complied with. AIM has helped more than 3,000 small-medium-sized companies raise equity to support their growth. Among these are companies from particularly high-growth areas such as technology, clean-tech and biotech.

AIM-listed companies usually are only required to adhere to the corporate governance requirements of their home jurisdiction, which vary widely. They are not subject to significant admission requirements, after admission is granted; firms must comply with ongoing obligations which are comparatively lower to the ones that govern the operation of larger exchanges.

AIM is supported by a wide community of experienced advisers, ranging from Nomads and brokers to accountants, lawyers and public relations and investor relations firms. Another important element of AIM's model is the composition of its investor base, its investor base is largely composed of institutional investors and wealthy individuals.

KOREA

KOSDAQ (Korean Securities Dealers Automated Quotations) was established in 1996. It is a trading board of Korea Exchange (KRX), and operated as SME Market Division of KRX. Different quantitative and qualitative requirements apply to the KOSDAQ markets relating to operating history, capital size, share distribution, business performance, management methods and stability. The fee for KOSDAQ market is lower than the KRXs main board. For the KOSDAQ markets, a track record including but not limited to meeting certain sales amounts over the three (3) most recent fiscal years is required. There are no special working capital requirements. The number of minority shareholders should be at least 500 for the KOSDAQ market. Companies incorporated overseas, including those already listed on an overseas market, are eligible to be listed on KOSDAQ.

MALAYSIA

MESDAQ (Malaysian Exchange of Securities Dealing and Automated

Quotation) is a part of Bursa Malaysia. It was launched on 6 October 1997 as a separate securities market, mostly for listing technology-based companies. Bursa Malaysia operates the Kuala Lumpur Stock Exchange (KLSE) that lists more than 1,000 companies on its main bourse, the second board for mid-caps and the tech-focused MESDAQ market.

The MESDAQ has now been changed to the ACE Market. The aim was to allow efficient access to capital and investments as well as making Bursa Malaysia a more attractive platform for Malaysian and foreign companies. While the Main Market consists of established companies with strong track records, the ACE Market facilitates the listing of emerging companies and is open to companies of all sectors.

AMERICA

NASDAQ is the largest stock exchange in the U.S. The exchange platform is owned by the NASDAQ OMX Group. NASDAQ OMX operations cover 26 markets, 3 clearinghouses, and 5 central securities depositories. NASDAQ quotes are available at three levels:

- Level 1 shows the highest bid and lowest offer— inside quote;
- Level 2 shows all public quotes of market makers together with information of market dealers wishing to sell or buy stock and recently executed orders;
- Level 3 is used by the market makers and allows them to enter their quotes and execute orders.

NASDAQ OMX Technology supports Equities, Options, Fixed income, Derivatives, Commodities, Futures, and Structured product

Nasdaq Capital Market is an equity market for companies that have relatively small levels of market capitalization. Listing requirements for such "small cap" companies are less stringent than for other Nasdaq markets that list larger companies with significantly higher market capitalization.

CONCLUSION

SME segment has been a key engine of growth, employment, wealth distribution and effective mobilization of resources (both capital and skills). SMEs play a very significant role by contributing to employment generation, development of entrepreneurial skills, providing goods & services at affordable costs by offering innovative solutions and sustainable development to the economy as a whole.

The ability of the MSMEs to grow depends on their ability to raise funds for investing in technology, expansion, innovation and research. This is the biggest challenge MSMEs face all over the world, whether they are in developed nations such as the US or in developing nations such as India or China. Once they have tapped the resources of family, friends and well-wishers, they are unable to raise additional funds as easily as larger and more established businesses.

In March 2012, both BSE and NSE launched their SME exchange platforms to enable MSMEs to raise funds and get listed as public entities. SME exchanges give SMEs the opportunity to raise equity through an Initial Public Offering (IPO) and then get listed on the exchange. The listing norms are written to specifically suit SMEs and Initial Public Offering is simplified which means the time taken to get your stock on the market is much less. Also a dedicated exchange gives a good visibility to the investor rather than finding the same on the small and mid-cap stock on a main exchange. It provides an immense opportunity for investors to identify and invest in emerging, high-growth SMEs and participate in the valuation of companies. This will ultimately create wealth for all the stakeholders, including investors. World over, trading platforms/exchanges for the shares of SMEs are known by different names such as Alternate Investment Markets or growth enterprises market, SME Board etc. Successful examples of SME exchanges across the globe include AIM (London), TSXV (Canada), GEM (Hong Kong), Mothers (Japan), KOSDAQ (Korea) and NASDAQ (US).

SMEs should work at positioning themselves to raise equity from the public as well. While this will depend on SME to SME. More measures are required to encourage banks to lend to SMEs. The best way to see growth in this segment would be done not only by removing the barriers to sources of financing for SMEs but also by providing knowledge ecosystem to such emerging enterprises. The SMEs also need to build on network and technology coupled with supply chain transparency and unique differentiation of their products to be identified easily and to get more orders. Listing of securities will promote the growth of such enterprises and will increase the marketability & liquidity of shares due to the existence of a ready market for trading the shares, the financial and managerial discipline that listing brings to the company since it is more closely scrutinized by the market and the prestige of being a listed company.

-Ronika Bharara

Real Estate Investment Trusts
-An Investment Opportunity

Preface

The India's real estate sector has witnessed rapid growth in recent years. The growing scale of operations of the corporate sector has increased the demand for commercial buildings and space including modern offices, warehouses, shopping centres, conference centres, etc. For such rapidly growing industry, it is crucial that investment vehicles such as Real Estate Investment Trusts (REITs) evolve in the country. Previously, the Securities and Exchange Board of India (SEBI) had attempted to introduce REITs in India wherein it had issued draft regulations in 2008 but withdrew it later. SEBI revived the five-year old proposal of REIT by issuing Consultation Paper on draft SEBI (Real Estate Investment Trusts) Regulations, 2013 on 10th October 2013.

The SEBI's board broadly approved proposals put out in the consultation paper to allow REITs and introduce a separate set of regulations to govern them, six years after it proposed introducing the trusts. Also, Finance Minister Mr. Arun Jaitley had, in his budget speech announced pass-through status for the purpose of taxation to this instrument to make it attractive to investors.

Introduction

REITs are common investment vehicles which pool monies of investors and invest primarily in completed, revenue-generating real estate assets and distribute a major part of the earnings among the investors. Investors who wish to invest in property for the lucrative gains it offers, but do not have sufficient capital to acquire physical real estate assets such as land or buildings now have a market option.

Basic features of REIT

Managed by professional managers having diverse skill bases in property development, redevelopment, acquisitions, leasing and management, etc.

An investment option available for HNIs and Institutions.

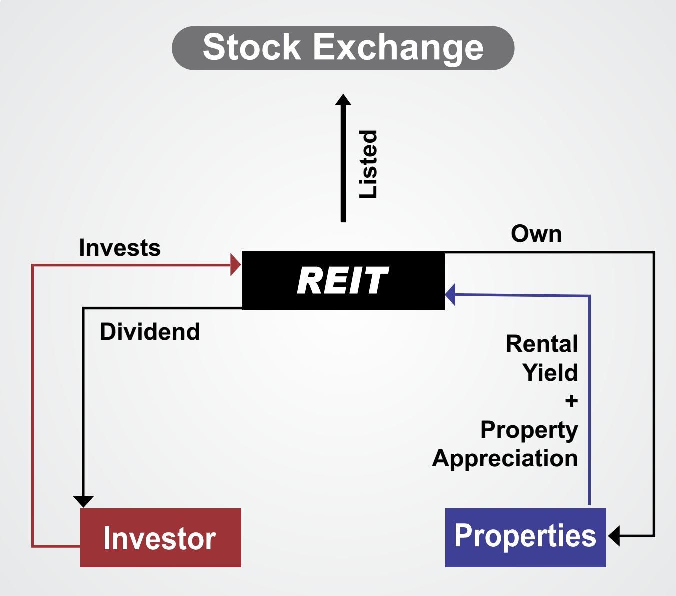
Provides an exit route for the developer/industry; For investors it gives an opportunity to invest in properties which they would not have normally been able to taken an exposure to.

Listed REITs provide liquidity thus providing easy exit to the investors.

Brings in transparency and accountability in the real estate sector.

Structure of REIT

- Set up as a Trust under the provisions of the Indian Trusts Act, 1882
- Shall have trustee (registered with SEBI), sponsor, manager and principal valuer
- To be registered with SEBI post which funds to be raised through an initial offer and post listing, may subsequently raise funds through follow-on offers.
- Mandatory listing of units within 15 days of closure of issue
- Investment in only completed properties which has obtained occupancy certificate
- Investment in other REIT not permitted



Eligibility Criteria

Trustee
- Should be registered with SEBI
- Should not be an associate of the Sponsor, Manager or the Principal valuer
- 50% Trustees directors should be independent
- Should not be an investor in REIT
- To have an overseeing role in the activity

Sponsor
- Maximum 3 sponsors subject to each holding at least 5% of the units of REIT
- Consolidated net worth to be at least INR 20 crore
- Should hold at least 25% of the total units of the REIT for minimum 3 years from date of listing
- After 3 years, sponsors shall hold minimum 15% of the units of REIT throughout the life of REIT
- Relevant experience of at least 5 years

Principal Valuer
- Should not be an associate of the Sponsor, Manager or the Trustee
- Minimum experience of 5 years in undertaking valuation for real estate
- Should not be an investor in REIT

Investment Committee
- At least 2 key personnel who meet the above mentioned 5 years experience criterion
- At least 50% members to be independent and not considered Related Parties to REIT

Manager
- Net worth of at least INR 5 crore
- Experience of at least 5 years in fund management / advisory services / property management in the real estate industry or in development of real estate
- To have operational responsibilities pertaining to REIT

Investments by REIT

Presently REITs can invest only in commercial real estate amongst which 80% of the investment should be in rent-earning projects. The balance 20% can be in other assets, including projects under construction which is capped at 10% of the total assets, listed or unlisted debt of real estate companies having 75% income from realty activities, government securities and money market instruments.

Borrowings and Valuation

Borrowings and deferred payments of the REIT is capped at 49% of the asset. If the same exceeds 25%, credit rating and approval from unit holders is required. A full valuation, including a physical inspection of the properties is required at least once a year. A six monthly update on valuation is also required capturing key changes in the last six months. NAV has to be declared at least twice a year within 15 days from the date of valuation/ updation. Additional Valuation is required in case of any material development.

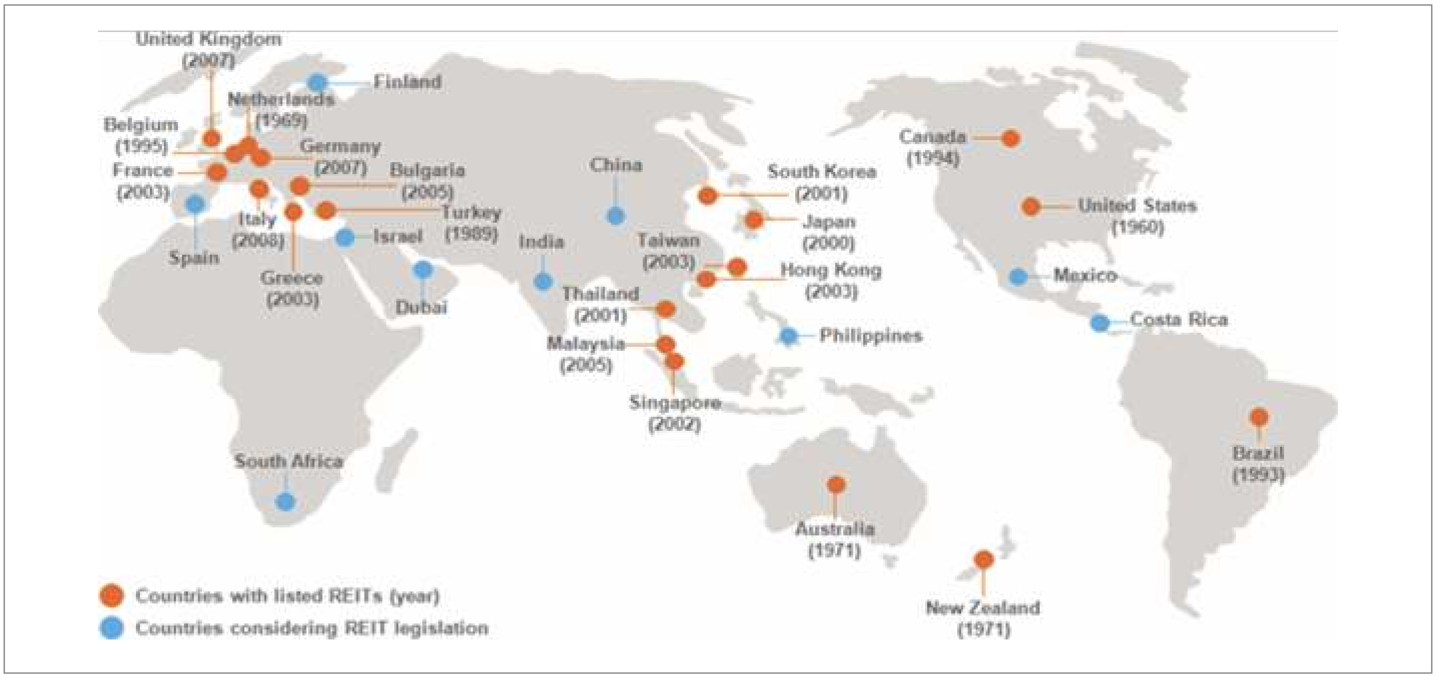
For purchase of a new property or sale of an existing property, a full valuation required and the value of the transaction shall be not less than 90% or more than 110% of the assessed value of the property for sale/ purchase of assets, respectively.

Global Scenario

Globally, REITs have been a key driver towards development of the real estate sector, by providing a platform for retail and institutional investors to invest in real estate properties, with the benefits of a regulated structure and risk diversification

The US, in 1960, was the first country to institute the REIT structure for holding commercial real estate

REITs globally have seen their market cap grow from $300bn in 2003 to just over $1tn as of September 2013



Country	United States	Netherlands	Belgium	France	Japan	Australia	Canada	Singapore	Hong Kong
Enacted Year	1960	1969	1995	2003	2000	1971	1994	1999	2003
Collective Investment Scheme	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Listed or listed Unlisted	Both	Both	Only listed	Only listed	Both	Both	Both	Both	Only
Closed-end or Open-end	Closed	Closed	Closed	Closed	Both (Only (only closed-end exist)	Closed	Both	Closed	Closed
Internal or External Management	Both (most internally managed)	Both	Both	Internal	External	External	Both	External	External
Fund Vehicle	Corporation, Trust	Corporation, etc.	Corporation, etc.	Corporation, etc.	Corporation, Trust	Trust	Trust	Corporation, Trist	Trust
Minimum Paid-in Capital	None	180,000 euros for unlisted corporations, 450,000 euros for listed corporations	1.25 million euros	15 million euros	100 million yen	None	None	20 million Singapore dollar	None
Minimum Number of Stockholders	100	None	None	None	More than 50 individuals or only qualified institutional investors	None	150	500	None
Investment in Real Estate	At least 75%	None	None	None	At least 75%	None	At least 80%	At least 75%	100%
Develop ment	Yes both investment in and active development of properties	Only Investment in develop-ment project	Only if development property is owned for over 5 years	Limited to 20% of total assets	No	Only if stapled securities is used	Only with business REITs	Up to 10% of total assets	No
Dividend Requirem-ents	At least 90%	100%	At least 80%	At least 85% of rental earnings, 50% of capital gains and 100% of dividend income	Over 90%	None	None	At least 90%	At least 90% of profit after tax
Conduit Structure	Pay through	Tax free	Tax free	Tax exempt	Pay through	Path through	Pay through	Pay through	Taxed
REIT Taxation	Corporation tax (35%) of unallocated amount	0% tax of taxable income	Corporation tax (33%) and value added tax (3%); however rental income and capital gains are not taxed.	Corporation tax (33.33%) and value added tax (3.3%) of non-exempt earnings	Corporation tax (30%) of unallocated amount	Trust tax (30%) of unallocated amount	Trust tax (16.5%) of unallocated amount	Corporation tax (17%) on unallocated amount Capital gains are not taxed	Business income tax (16.5%) and asset income tax Capital gains are not taxed

Original data was compiled by the Association for Real Estate Securitization (ARES)

REITs versus other Investment Avenues in Real Estate

Individual Real Estate Properly	• Benefits of tax advantage, leverage and control over property. However it comes with a cost of drain on time to manage properties • For commercial real estate, detailed knowledge of rent rolls, maintenance expenses and other critical data for executing major transactions is not widely available • Being illiquid assets, smallest possible purchase unit is likely to be above the means of many investors resulting in concentration risk
Traded Equity Stock of Real Estate Developers	• Relatively efficient way of taking exposure of real estate than investing directly in properties However, much more riskier • The stock in concern is highly correlated to market rist (as compared to individual property) exposing the investors to business and project risk of a single real estate developer
Investment through PE Funds	• May or may not be exposed to business risk and project execution risk depending upon the strategy of investment in completed properties or under construction properties • Minimum investments is above the means of many investors (minimum investment of Rs. 1 crore) and these investments come with some lock in period and may not be highly liquid
Real Estate Mutual Funds	• These were introduced by SEBI in 2008 • There are not many active real estate mutual funds
REITs	• Benefit of listing, stable source of income for investors, diversification of assets, small initial investment requirement (minimum investment of Rs. 2 Lakhs), professionally managed and no project execution risk • Risks of rent rollover risk and market risk

Challenges for REITs in India

The property market is highly localised and the transactions are affected by local taxes. Property taxes in India being on higher side at present, could be detrimental to the performance of the REITs directly impacting its yield and thus its attractiveness to investor. Moreover, Stamp duty in India is also on higher side and is a subject matter of States which will affect the capital gains of the REITs assets.

The rates and procedures are also not standardized. As a result, many a time, the property transactions are not registered and property is transferred through power of attorney creating ambiguity over the title of the property.

REITs are similar in principle to mutual funds except the underlying security (at least 90%) would be in the form of physical property. To offer a level playing field with the existing MFs, the tax structure of REITs also needs to be made similar. However, there is not much clarity on the tax front for I-REITs at present and many questions remain unanswered. Any adverse tax structure is likely to be detrimental to the acceptance of this new product in the market.

On the other hand, as REITs would be competing more with debt securities (due to the fixed income nature of REITs), any tax incentives similar to infrastructure bonds, will be helpful to attract investors.

CONCLUSION

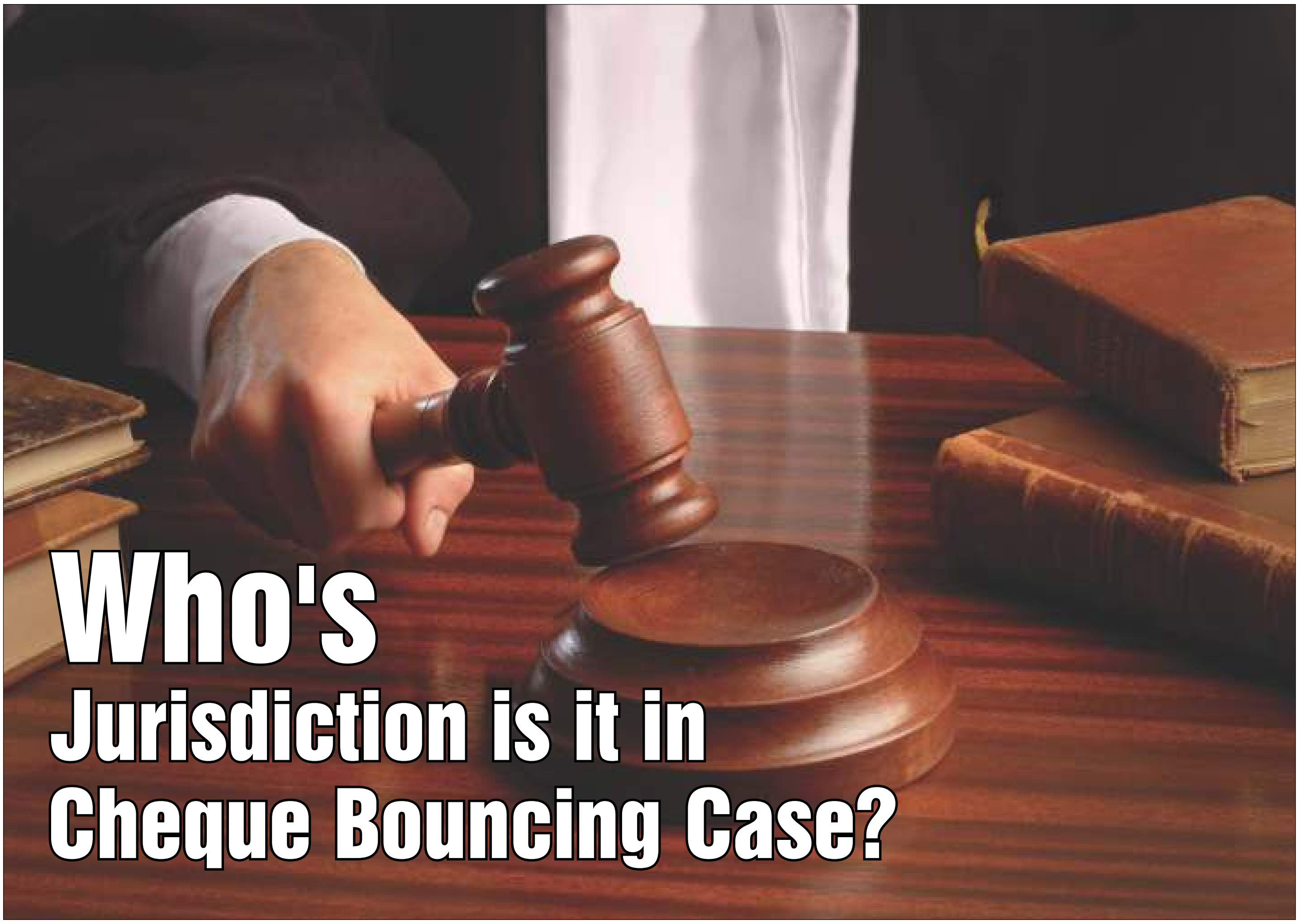
Introduction of REITs in India will have a very strong impact on the real estate market

- REITs being listed securities with stringent disclosure requirements can bring in the much needed transparency and accountability in the real estate sector as many properties might be developed with an objective to sell them through REITs
- They can inflate the property prices as REITs may have significant financial power to chase the quality properties and simultaneously investors may also be willing to pay premium for quality assets
- REITs will provide an easy exit option to the existing private equity or other investors in real estate
- They can provide relatively easy and transparent avenue for value unlocking to the existing real estate players with leveraged balance sheets, who may free up the capital to fuel further growth
- Depending on tax benefits offered by REITs, ownership of many corporate premises may be routed through REITs
- REITs may provide incentives to develop well planned rental housing schemes and may enable the residential properties to offer meaningful yields and make prices of residential properties predictable over the long term

India's capital market regulator approved a long-pending proposal to introduce Real Estate Investment Trusts—a move that will give cash-strapped developers easier access to funds and create a new investment avenue for institutions and high net-worth individuals, and eventually ordinary investors.

Apart from providing clarity on the tax front, the new guidelines have been made less stringent and hence becomes a viable option for small developers. With these new norms, the cash-strapped Indian realty sector is likely to see huge inflows from foreign and domestic investors.

- Sudeep Mendjoge



Who's Jurisdiction is it in Cheque Bouncing Case?

RISHIKESH VYAS
Associate Director
Sarthi Capital Advisors Pvt. Ltd.

In a landmark judgment, the Supreme Court has changed the ground rule under Section 138 of Negotiable Instruments Act to prosecute a person who had presented the cheque which bounced for insufficiency of funds, thus recovering money if a cheque bounces will now be a lot more tedious and costly. Earlier, a case under Section 138 could be initiated by the holder of the cheque at his place of business or residence. But, a bench of justices TS Thakur, Vikramjit Sen and C Nagappan ruled that the case has to be initiated at the place where the branch of the bank on which the cheque was drawn is located. This means, if a man from Delhi gave a cheque drawn on a Delhi bank for buying something in Mumbai and it bounced for insufficiency of funds, then the aggrieved person will have to travel all the way from Mumbai to Delhi to initiate prosecution under Section 138.

And the judgment would apply retrospectively. This means, lakhs of cases pending in various courts across the country would witness a interstate transfer of cheque bouncing cases. Writing the judgment for the 3-judge bench, Justice Sen said: "We are quite alive to the magnitude of the impact that the present decision shall have to possibly lakhs of cases pending in various courts spanning across the country." However, the court said that in those cases where recording of evidence has started after issuance of summons to the accused, would continue to be tried at the place they were instituted.

"To clarify, regardless of whether evidence has been led before the Magistrate at the pre-summoning stage, either by affidavit or by oral statement, the complaint will be maintainable only at the place where the cheque stands dishonoured," the bench said

The Supreme Court has overruled its own decision in K Bhaskaran v. Shankaran Vaidhyan Balan thereby holding that cheque bouncing cases can be filed only in those courts within whose jurisdiction the drawee bank is situated ie. where the cheque is dishonoured.

The Court has founded the above conclusion on the ratio that "bouncing of cheque" alone constitutes "offence" under Section 138 of the Negotiable Instruments Act and the series of acts postulated in the Bhaskaran's case are essential only for the initiation of prosecution and are not ingredients of the offence. This change has been brought about after nearly 15 years, during which time, the law laid down in Bhaskaran's case in 1999 was being followed.

The judgment was delivered by a three-judge Bench comprising Justices TS Thakur, Vikramajit Sen and C Nagappan. Justice Thakur wrote a separate concurring judgment. The Court in Bhaskaran's case had laid down that "the offence under Section 138 can be completed only with the concatenation of the following acts which are components of the said offence:

(1) Drawing of the cheque,

(2) Presentation of the cheque to the bank,

(3) Returning the cheque unpaid by the drawee bank,

(4) Giving notice in writing to the drawer of the cheque demanding payment of the cheque amount

(5) Failure of the drawer to make payment within 15 days of the receipt of the notice

However, the Court in the instant case demarcated the difference between the commission of an offence and its cognizance leading to prosecution:

"To this extent we respectfully concur with Bhaskaran in that the concatenation of all these concomitants, constituents or ingredients of Section 138 NI Act, is essential for the successful initiation or launch of the prosecution. We, however, are of the view that so far as the offence itself the proviso has no role to play. Accordingly a reading of Section 138 NI Act in conjunction with Section 177, CrPC leaves no manner of doubt that the return of the cheque by the drawee bank alone constitutes the commission of the offence and indicates the place where the offence is committed."

Stating that the Bhaskaran's case required reconsideration with the passage of two decades and recurring manipulative abuse of territorial jurisdiction, the Court held that, "The place, situs or venue of judicial inquiry and trial of the offence must logically be restricted to where the drawee bank, is located. The law should not be warped for commercial exigencies. An interpretation should not be imparted to Section 138 which will render it as a device of harassment i.e. by sending notices from a place which has no casual connection with the transaction itself, and/or by presenting the cheque(s) at any of the banks where the payee may have an account."

Justice Thakur in his concurring judgment has clarified that "the proviso to Section 138 simply postpones/defers institution of criminal proceedings and taking of cognizance by the Court till such time cause of action in terms of clause (c) of proviso accrues to the complainant... "The general rule stipulated under Section 177 of Cr.P.C applies to cases under Section 138 of the Negotiable Instruments Act. It is also now manifest that traders and businessmen have become reckless and incautious in extending credit where they would heretofore have been extremely hesitant, solely because of the availability of redress by criminal proceedings," the bench said referring to the rapid increase in institution of cases under Section 138 of NI Act after it was made a criminal offence. Today's reality is that every magistracy is inundated with prosecutions under Section 138 of the NI Act, so much so that the burden is becoming unbearable and detrimental to the disposal of other equally pressing litigation," the court said.

The court said for filing a criminal case under Section 138 NI Act, the holder of the cheque must have to travel to the place where the branch of the bank on which the cheque was drawn is located. In the alternative, he could institute a case under Section 420 (cheating) at the place of his residence or where he ordinarily carries out business.

"If the payee succeeds in establishing that the inducement for accepting a cheque which subsequently bounced had occurred where he resides or ordinarily transacts business, he will not have to suffer the travails of journeying to the place where the cheque has been dishonoured," it said. All remedies under the IPC and Crpc are available to such a payee if he chooses to pursue this course of action, rather than a complaint under Section 138 of NI Act. And of course, he can file a suit for recovery wherever the cause of action arises dependent on his choosing," the court said.

Mr. Ambareesh Baliga

Mr. Ambareesh Baliga, is experienced in different facets of the market for the last 30 years. Ambareesh has been acknowledged for his acumen and understanding of the stock markets.

Ambareesh, a cost accountant, began his financial career with Price Waterhouse, Kolkata. Since then he has worked with reputed firms like the Kotak, Karvy, Way2Wealth and Edelweiss and has headed businesses in sectors such as Wealth Management, Fund Management, Corporate Advisory, Retail Finance and Stock Broking.

Ambareesh has been an influential voice regarding stock market and his opinions are carried by leading magazines and newspapers including international publications. He is a regular contributor for Reuters and his blog appears every weekend in Reuters "Expert Zone". He is a regular guest on channels like CNBC, CNBC Awaaz, NDTV Profit, ET Now and Zee Business.

Ambareesh's twitter handle is @ambareeshbaliga

Q: What is your view on overall Indian economy and expectation on capital markets in the near future?

AB: Indian Economy seems to have bottomed out and the ground is laid for a bounce back. Whether this happens immediately or not depends on how fast the Government acts. The optimism displayed by the Government and the Finance Secretary's recent statement that the economy should grow by 5.8% for FY15 are excellent sound bites to improve the sentiment and create renewed energy in the system but unless the much awaited infrastructure projects take off and the business environment improves, it would be difficult to have sustained growth in the economy. Fortunately the Monsoon is not as bad as feared in June and with the Oil prices correcting sharply, the scenario is better than what it seemed a few months back. For any economy, Government is the catalyst and the expectations are quite high. Still I feel achieving 5.8% could be a tall task unless the 1st quarter growth surpasses 5%. We should be ready to brace for some disappointment in the short-medium term.

Markets have been on the roll initially based on expectation from the new Government and then due to the intent espoused by them. We need to see whether the intent gets converted into execution with the same speed. With the first 100 days getting completed, questions will now be raised on delivery. The ground reality shows a different picture and markets cannot sustain for too long on promises. The recent financial results too have been mixed with India Centric sectors and companies putting up a poor show. The secondary market valuations seem a bit stretched and it's possibly time that sentiments meet ground reality and we see a healthy correction which could provide a good entry point for those who missed out the rally in the last few months. The long term outlook is clearly bullish except for unforeseen circumstances.

Q: What is the Private Equity scenario in India like?

AB: Private Equity scenario is bound to improve with renewed interest in the Indian Markets. We have already seen a huge jump in July with Flipkart alone attracting US$ 1bn and others mopping up about US$ 850mn. As the interest improves, opportunities too will be abound like we saw in 2007-08.

Q: The private equity fundraising in India has slowed significantly in the last year. What do you attribute this to, and what challenges is the industry currently facing?

AB: Since FY2000 PE firms have invested more than US$ 90bn. CY 2013 Private Equity had invested about US$ 9bn, which could have been more if not for the economic downswing due to policy paralysis and innumerable scams in the preceding years. With the General Elections approaching, one was not sure of the stability of the new Government and thus as any prudent investor, they preferred to wait & watch. Exits too was challenging especially due insipid IPO market and sharp drop in the Rupee. A number of investments made during the boom period too turned out to be duds as due diligence process must have got diluted due to the hurry to invest.

The challenge going ahead would be to have a robust platform for PE investments in India but the first baby steps seems to be in place.

Q: Almost half of Indian Industrial Production is contributed by SMEs. What is your view on SME growth in India?

AB: If India needs to have a sustainable growth model, it has to be supported by a robust SME sector. Also it is the largest employer. Indians are per se entrepreneurial and have exhibited their caliber even in adverse economic and political scenarios. All that the Government needs to do is to ensure "ease of doing business" and remove regulatory hurdles to unleash the Indian Entrepreneurial spirit.

Q: Indian Promoters are difficult to deal with….what do you have to say on this?

AB: Indian Promoters have a difficulty in drawing a line between their ownership rights and managerial responsibility. Most of them believe in running their businesses as personal fiefdom without realizing that they may be destroying value. Hence when you are normally dealing with an Indian Promoter – you are dealing with the owner of an asset and not a Business Manager. Indian businesses will emerge on the top when even a proprietor stars to think and work like a professional manager.

Q: The most common factor plaguing the Indian PE industry is the exit options. What is your view and what you foresee on the successful exit options for PEs?

AB: When liquidity dries up and there are uncertainties about the future course of the economy, exits for a PE investor becomes difficult. This was the case in the last few years but with a robust secondary market and soon to be rejuvenated economy, we should see a droves of Investors coming to the Indian Markets. Already this year we have seen inflows exceeding US$ 13bn in equities and we should end with more than US$ 20bn. The primary market too becomes active and we should see that over the next few months providing better exit opportunities for the PE investors.

Q: What do you look primarily in a business to invest in?

AB: There are a number of filters applied to check whether the business is worth investing.

A) Management quality and corporate governance standards – There should be no compromise on this parameter as every other positive aspect could get diluted in case this link is weak

B) Financials – Among the other financial ratios I would specifically look for high ROE and consistently positive cash flows.

C) Opportunity Size – Always look for sectors and companies which can scale up and the market pie is large enough.

D) Leadership – Prefer investments which are in a commanding position in their respective sector – at least an emerging leader.

E) Moat around the business – Look for strong cues which could differentiate the business – could be USP or other entry barriers.

F) Earnings Visibility – Should be a business which I understand and have visibility for the foreseeable 5 years.

Q:Recently the Regulator has notified ITP guidelines where companies can list without IPO. Do you think this platform can help companies to raise capital privately & more efficiently?

AB: ITP guidelines for listing with an IPO is surely a step forward in helping companies raises capital privately . But whether it will immediately result in a huge number of companies listing and seamlessly raising capital – seems doubtful. To start with, it would be similar to the WDM segment of the debt market where the deals are struck offline but the transaction is put through the platform. Normally every new initiative takes time to be accepted. After all exchange platforms begin in a catch-22 situation – Investors participate if there is depth and one can have depth only if investors participate!!!! Hence, it would entail continuous education and PR exercise.

Q: Looking forward, what role do you see private equity playing in India over the next three to five years?

AB: India is on a threshold of an economic revival and this could be an appropriate time for the PE investors to get in as they can ride the up-cycle with the entry pricing which would be reasonable. PE Investors have had their learnings regarding India related investments and we could see more structured deals and management buy outs. Although PE investors normally look for stable policies and congenial investment climate, one of the catalysts going ahead could be the rupee stability.

Q:What advice or lessons learned would you pass along to first time fund managers

AB: Becoming a Fund Manager is the ultimate dream for a whole lot of young finance professionals. Achieving this overwhelms some of them along with a newly developed ego and sense of power. Having humility and willingness to learn continuously are the important attributes of a successful fund manager. They should develop skills of "reading between the lines and lips" as this could give them unique insights.

JLA Infraville Shoppers Limited

JLA Infraville Shoppers Limited was incorporated on October 09, 2013 for online trading and retailing of range of products including fabrics, clothing, furnishings, electronics, computers and its accessories, surgical instruments and Hearing Aid Accessories. The company is a start-up in the E-Commerce Industry. It is also venturing into Real Estate business, which shall include inter alia purchase of land, its development and further sale. Infraville follows the B2B2C business model, wherein, prime focus is to cater to both Customers and Merchants and Affiliates. With a vision of being the most convenient online store of India, Infraville has managed to strengthen human relationships by providing a prompt and hassle free shopping experience. Customer satisfaction ranks high in priorities along with best prices and timely delivery.

Key Growth Drivers:

- The company is involved into two business verticals named e-commerce and real estate and hence, it can diversify the revenue and reduces the business risk to the extent
- E-commerce industry in India is growing at the CAGR of 34% since past five years and hence, adding more opportunities to the company to grow in line with the industry standards over the period of time
- Annual disposable income per Indian household to grow by two-and-a-half times by 2015, which will change the mindset of an Indian consumer to go for shopping through online mode and this will increase the revenue base of the company in the years to come
- The company has diversified customer base and innovative payment mechanism. This will help the company to increase its top and bottom line
- Strong management team will help the company to achieve its business goals over a period of time

Key Challenges:

- Company has to invest heavily on the infrastructure front, where inventories can be placed safely
- There are many players coming into the e-commerce industry now a days, which is creating unhealthy competition among them and hence led them to offer lucrative schemes to the customers just to retain the market share
- Payment gateways have high failure rate, which can hamper the growth of e-commerce industry
- India is having low internet penetration, compared to western countries - India's e-commerce industry is still in its infancy. E-commerce contributes only 0.6% of the country's GDP vs 1-3% for other countries, with only 12% of India's online population transacting online vs 64% for the US and over 50% for China and hence, very low number of people goes online and buys
- The company is in the business of selling products online. Hence it bears the risk related to defaults in payment by customer
- The business and profitability will suffer if it fails to anticipate and provide new products and enhance the existing products in order to keep pace with rapid changes in products and the industries on which it focuses

Issue Details	
Issue Size (Rs. Cr)	2.00
No. of shares on offer (Cr)	0.20
Price (Rs.)	10
Face value (Rs.)	10
Mcap @ Rs.10 (Rs. Cr)	6.49

Objects of the issue (Cr)
Brand Building
Security Deposits with various suppliers
Purchases of Fixed Assets
Working Capital Requirements
Issue Expenses

Shareholding (%)	Pre IPO	Post IPO
Promoters	37.51	25.95
Others	62.49	74.05

Relative Valuation

Infraville is venturing into the e-commerce industry. The industry is growing with a handsome CAGR of 34% in the preceding period. Company's operating performance has grown with the rate of 246%. Infraville has reported an average EBITDA margin of 40% in the past period. It does not carry any borrowings in its balance sheet and hence, it will give an option to the company to borrow in the future to expand its operation at concessional rate, if the future operating growth persists at a stable rate. With the prospective boom of internet penetration into the country and changes in the preference of the customers will boost the top and bottom line of the company in the years to come.

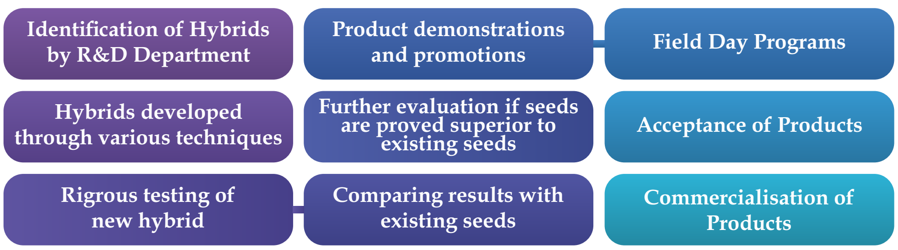
Financial Performance
(Rs. In Lacs)

Y/E	Q1FY15	FY14
Sales	6.43	5.36
EBITDA%	34.7	48.1
PAT%	16.3	28.4
ROCE%	0.4	0.9
RONW%	0.3	0.6
ROA	0.3	0.6
Debt/ Equity	0.0	0.0
EPS	0.04	0.24

R J Bio-Tech Ltd.

R J Bio-Tech Ltd is an Aurangabad based agri-biotechnology company focusing on crop genetics and developing superior hybrids. The company has focused on R&D since incorporation in 2005 and started trial marketing of proprietary products in 2008. Presently, it is engaged in research, crop improvement, production and marketing of superior quality hybrid seeds in 8 field crops and 16 vegetable crops. RJ Biotech is being driven by strong research backed growth strategy. It has approximately 55 acres of farm area for R&D activity and an array of in-house capabilities and state- of the art R&D infrastructure facilities which include Grow-out Test (GOT) centers, open poly houses, control poly houses, screen houses and cold chambers for germplasm storage etc. At present, the company has a collection of more than 2700 varieties of germplasm in various crops.

Process:



Key Growth Drivers:

- RJ Biotech has strong R&D based business model. It has vibrant R&D program with portfolio of products in pipeline to compete with any product in the market
- The company has dedicated team of full time researchers and marketing people located across 10 states. Periodic recruitment of personnel, educating and training them with the required skills is a prime activity of a human resources department
- It has more than 55 types of hybrid seeds in 8 field crops and 16 vegetable crops. These varieties give an edge in the market and it has ability and infrastructure to further develop different hybrids in these crops
- RJ Biotech has skilled marketing team with wide distribution reach with approximately 1000 distributors across 10 states. This enables it to reach many important markets of country
- The company has tie up with Bt.Cotton leader Mahyco Monsanto for its Bollgard-II. The Bt.Cotton hybrids developed through this tie-up will be commercialized in Kharif 2014 giving a boost to the company's growth plans in cotton segment.

Key Challenges:

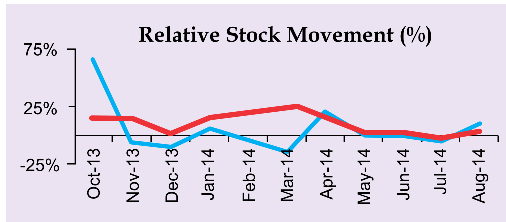
- RJ Biotech is heavily dependent on the success of research and development and the failure to develop new and improved products could adversely affect the business
- The company relies on third party seed growers for seed production. The occurrence of any problem with such third party seed growers can adversely impact the operations of the company
- The company has not entered into long term contracts with any of the customers. Any disruption with the customer relationships can affect the operating revenue of the company
- As the company is involved into the operations of seeds manufacturing and hence any usage of pesticides and other hazardous substances in the operations may lead to environmental damage and result in increased operating cost

Stock Info

Sector	Other Agriculture Products
BSE code	536456
No of shares (Mn)	9.5
CMP (Rs.)	39.00
M.Cap (Rs. Cr)	36.92
Book Value (Rs.)	26
52 week High/Low	48.75/ 21.00
Face Value (Rs.)	10

Shareholding (%)

Promoters	60.29
Bodies corporate	1.27
Others	38.44



Relative Valuation

The company has posted robust sales numbers in the first quarter of this financial year. EBITDA of the company has also improved but the margin has seen some pressure from the preceding financial year due to increase in the raw material cost. Seed is the basic and most critical input for sustainable agriculture. It is estimated that the direct contribution of quality seed alone to the total production is about 15-20% depending upon the crop and it can be further raised up to 45% with efficient management of other inputs. This will increase the revenue base of the company in the future.

Financial Performance
(Rs. In lacs)

Y/E	Q1FY15	FY14	FY13
Sales	1760.91	2868.11	1985.19
EBITDA%	19.4	20.4	20.1
PAT%	14.1	10.0	6.6
ROCE%	12.3	22.2	19.2
RONW%	10.0	12.8	9.9
ROA %	3.9	5.0	3.0
Debtors days	78	153	174
Creditors days	30	39	37
Debt/ Equity	1.1	1.1	1.7
EPS	2.6	3.0	1.9

Market Developments

- Bansal Roofing Products Limited, engaged in the business of manufacturing of roofing sheets and roofing accessories opened the issue for subscription on 25th June 2014. The issue was subscribed 1.42 times out of which Retail category was subscribed by 1.42 times while Non Retail Investors was subscribed by 1.46 times.
- Oasis Tradelink Limited, engaged in the business of trading and marketing of branded and packaged edible oils opened the issue for subscription on 23rd June 2014. The issue was subscribed 1.04 times out of which Retail category was subscribed by 0.79 times while Non Retail Investors was subscribed by 1.29 times.
- JLA Infraville Shoppers Limited engaged in the operations of online trading and retailing of range of products filed a draft prospectus for a public issue of Rs. 2.00 crore. Equity shares are proposed to be listed on the SME Platform of the BSE. The company intends to use issue proceeds for brand-building, for Security Deposits with various Suppliers, to purchase fixed assets, for working capital requirements and to meet the expenses of the issue. The Issue is being Lead Managed by Sarthi Capital Advisors Pvt Ltd and is its seventh issue to be listed on BSE SME Platform.
- Amsons Apparels Limited engaged in the business of trading of fabrics filed a draft prospectus for a public issue of Rs. 3.25 crore. Equity shares are proposed to be listed on the SME Platform of the BSE. The company intends to use issue proceeds to part-finance incremental working capital requirements, for general corporate purposes and to meet the expenses of the issue.
- Sylph Education Solutions Limited engaged in the business of professional skill development, corporate training and assessments integrated talent management, business excellence and HR solutions filed an Information Memorandum. Equity shares are proposed to be listed on the Institutional Trading Platform of the BSE Emerge.
- QVC Realty Co. Limited engaged in the business of developing large, integrated mixed-use projects in major

•Tier I and Tier II cities in India filed an Information Memorandum. Equity shares are proposed to be listed on the Institutional Trading Platform of the NSE Emerge.

- Currently 69 companies are listed on SME platforms of BSE and NSE while 12 companies are listed on ITP Platforms of BSE and NSE.

FORTH COMING IPOs

Name of the Company	Exchange	Issue Size (Rs. crore)	Issue Price (Rs. Per Share)
Amsons Apparels	BSE	3.25	10
JLA Infraville Shoppers	BSE	2.00	10
Naysaa Securities	BSE	1.50	15
Western Agro-tech Innovative	BSE	3.30	10
Powerhouse Fitness & Realty	BSE	7.20	30
Encash Entertainment	BSE	4.39	40
Starlit Power Systems	BSE	2.95	18
Vishal Fabrics	BSE	15.63	45
Carewell Industries	BSE	4.96	15
Shareway Securities	BSE	4.99	14
Sirohia & Sons	BSE	3.60	12
Ekdant India	BSE	4.03	10
Anubhav Infrastructure	BSE	9.00	15
Prabhat Telecoms (India)	BSE	26.60	80

MSME Ministry to re-launch modified SFURTI scheme soon

The MSME Ministry will soon re-launch the modified Scheme of Fund for Regeneration of Traditional Industries (SFURTI) in order to give a fillip to the Khadi and coir sectors.

The government launched the SFURTI scheme for development of around 100 clusters from khadi, village and coir sectors with a total plan outlay of Rs 97.25 crore.

The Scheme envisages need-based assistance for replacement of production equipment, setting up of common facility centres (CFC), product development, quality improvement, improved marketing, training and capacity building.

Brand Rajkot' to give fillip to SME sector

The Rajkot Engineering Association (REA) is working on building 'Brand Rajkot' to ensure that small and medium enterprises (SMEs) reap benefits out of it. As part of this effort, the REA will organise an international trade exhibition in the city to allow SMEs to showcase and market their products.

To promote 'Brand Rajkot,' REA will invite national and international delegations to participate in the exhibition to be organised in November this year. Top officials of auto, plastics, machine tools, submersible pumps and other sectors are expected to participate in the exhibition.

Survey shows 58% units doing better than last year

A nationwide survey of micro, small and medium enterprises (MSMEs), instituted by the India SME Forum and executed by SDRC India, conducted over a nine-month period and covering 26 states and 330,000 MSMEs across the country, has revealed that 58 per cent of enterprises polled were doing far better business than last year in terms of turnover and profitability; 24 per cent were doing marginally better than last year.

Sixty-one per cent of the respondents had employed new staff this year, 19 per cent had no change in the number of employees from last year and a sizeable 20 per cent had reduced the workforce. The survey findings are based on the responses of 54,968 enterprises.

MSME ministry joins Facebook, Twitter

In line with other ministries using social media to reach out to the masses, the ministry of micro, small and medium enterprises (MSME) has also launched its Facebook and Twitter accounts.

The minister said that the Facebook and Twitter accounts will be made informative enough so that it will benefit large a number of employment seekers. The accounts can be accessed using the keyword "minmsme" in both Facebook and Twitter.

Sidbi associate firm to help MSMEs save energy

India SME Technology Services Ltd (ISTSL), an associate firm of Small Industries Development Bank of India (Sidbi), is implementing a solution to improve energy efficiency in the MSME sector. The move is expected to benefit about 3,000 MSMEs in the next three years.

"SIDBI has initiated a 4E Solutions Product aimed at improving energy efficiency in MSMEs," according to a Sidbi press note issued today and quoted by a post on the web site of the Federation of Indian Micro, Small and Medium Enterprises (FISME).

Single labour law proposed for MSME sector

There is proposal for single labour law for the entire micro, small and medium sector (MSME) to enhance its competitiveness and improve work culture.

The Ministry of Labour is preparing single law by merging all other existing labour laws regulating the MSME sector in consultation with the MSME Ministry. According to official sources, the MSME sector contributes 8% of the country's GDP, 45% of the manufactured output and 40% of its exports. On the other hand, the MSME sector is labour intensive and highly disorganized. Different labour laws prevalent in different states has made the sector more scattered and difficult to regulate.

While this decision has already been taken, views have been sought from states as stakeholders.

RING FENCING

Introduction

"Ring-fencing" refers to the "walling off" of assets. Ring Fencing means financial separation of a regulated public utility business from its parent company that engages in non-regulated business. This is done mainly to protect consumers of essential services such as power, water and basic telecommunications from financial instability or bankruptcy in the parent company resulting from losses in their open market activities. Ringfencing also keeps customer information within the public utility business private from the for-profit efforts of the parent company's other business.

The parent company can also benefit from ringfencing; bond investors prefer to see public utilities ringfenced because it implies greater safety in the bonds. Also, the parent company is usually freer to grow its non-regulated business segments once a ringfence is in place. Individual states are chiefly involved with ringfencing utilities within their borders, as no federal mandate is currently in place requiring that all public services be ringfenced.

Uses of Ringfencing:

Functionally, ring-fencing has at least four uses which include to protect a firm from becoming subject to liabilities and other risks associated with bankruptcy; to help ensure that a firm is able to operate on a standalone basis even if its affiliated firms fail; to protect a firm from being taken advantage of by affiliated firms thereby preserving the firm's business and assets; and to limit a firm from engaging in risky activities.

1. Ring-Fencing to Make a Firm Bankruptcy Remote

   Ring-fencing can be, and often is, used to make a firm bankruptcy remote. This use of ring-fencing is most common in securitization and covered bond transactions. It also is common for public utility companies, which are private-sector companies that generate or otherwise provide the public with power, clean water, communications, and other essential utilities.

2. Ring-Fencing to help A Firm Operate on a Standalone Basis

   Ring-fencing can also be used to help ensure that the ring-fenced firm is able to operate on a standalone basis even if its affiliated firms fail. Such assurance would be needed if, for example, a utility company is dependent on its affiliates for goods and services, such as raw materials or administrative or operating services. This form of ring-fencing thus would include putting into place back-up contracts with independent third parties to provide any such needed goods and services.

3. Ring-Fencing to Preserve a Firm's Business and Assets

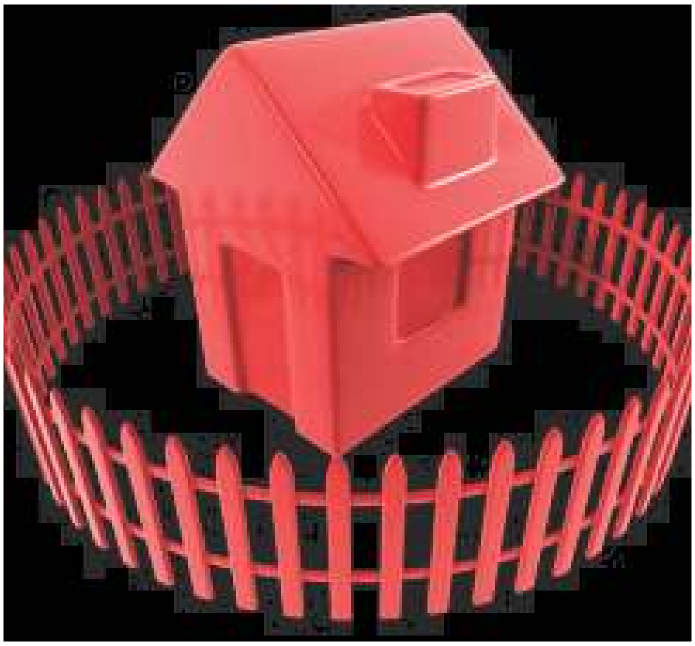
   Ring-fencing can also be used to protect the ring-fenced firm from being taken advantage of by affiliated firms. In a utility-company context, this may entail mandating that all transactions between the utility and its affiliates be arm's length. This form of ring-fencing is also commonly applicable to banks. Regulation may require, for example, that all transactions between a bank and its affiliates be arm's length.

4. Ring-Fencing to limit a Firm's Risky Activities and Investments

   Ring-fencing can also be used to limit a firm from engaging in risky activities and making risky investments.

Global Scenario

Prime Example of Ringfencing is of a high-profile success story on ringfencing occurred during the Enron meltdown of 2001-2002; Enron acquired Oregon-based Portland General Electric in 1997, but the local power generator was ringfenced by the state of Oregon prior to the acquisition being completed. This



protected Portland General Electric's assets, and its consumers, when Enron declared bankruptcy amidst massive accounting scandals.

Ring-fencing has been advanced in the United States and abroad as a regulatory solution to a wide range of financial and business problems. On December 10, the much acclaimed Volcker rule was finalised by five US regulators the Federal Reserve, the Securities and Exchange Commission, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Commodity Futures Trading Commission. The rule was part of the Dodd Frank Act, which was passed in the wake of the global financial crisis. There are similar initiatives in the UK (Vickers Commission) and the EU (Liikanen Report). While the latter two are yet to be translated into legislation, the hotly contested but crucial rule-writing process for the Volcker Rule has been completed after three long years of deliberation.

The genesis of these three initiatives in key financial jurisdictions lies in the attempts to reinstate a Glass-Steagall-type firewall which was in existence in the US since 1933, but repealed in 1999 by the Clinton administration between deposit-based and investment banking. Glass-Steagall restricted commercial banks, which had access to deposit insurance and liquidity buffers from the central bank, from underwriting or dealing in securities, and investment banks from accepting deposits. Like Glass-Steagall, the Volcker Rule is part of a slew of measures designed to maintain financial stability by insulating the critical economy-wide payments system from the kind of classic bank runs that haunted major advanced economies right up to the Great Depression, necessitating large taxpayer bailouts.

What's in Press?

MSME Ministry inks MoU with Samsung to open technical schools

The Ministry of Micro, Small & Medium Enterprises (MSME) and Samsung Monday entered in to a partnership to set up Technical Schools in MSME Technology Centres across India.

Under the MoU, 10 MSME-Samsung technical schools will be set up across India - one each in Delhi, Ahmedabad, Aurangabad, Bhubaneswar, Chennai, Hyderabad, Kolkata, Ludhiana, Mumbai and Varanasi.

The first MSME-Samsung Technical School has also been established at the MSME Extension Centre, Bal Sahyog, Connaught Place, in Delhi.

"The initiative would train 10,000 youths per year who would have the opportunity to find placements in various appliances manufacturing organisations including Samsung," Kalraj Mishra, Minister of Micro, Small and Medium Enterprises said.

The schools will run Samsung's Advanced Repair and Industrial Skills Enhancement (A.R.I.S.E.2) program, providing students trade-specific training on various aspects of repair and troubleshooting for consumer electronics products such as mobile phones, televisions, home theatres, home appliances and their related accessories.

"India is a key growth market for global consumer electronics manufacturing which lends itself to enormous employment opportunity. Our collaboration with the Ministry of MSME to create a pool of skilled workforce through the MSME-Samsung Technical Schools is a step in this direction," B.D. Park, president & CEO, South West Asia, Samsung Electronics said.

The students will also get real-time working experience at Samsung-authorised service centres. The partnership will provide a boost to trainees by incorporating a strong component of hands-on industry training, Samsung said.

Samsung has already established one such lab at the ITI in Dheerpur, Delhi, in collaboration with the Directorate of Training and Technical Education, Government of NCT. It also has plans to establish more such labs across India.

Source: Economic Times

QUOTES

"It is only the SME sector that can eradicate poverty and we will come out with schemes to foster growth in the sector"

Kalraj Mishra
Union Minister for MSMEs

"We look forward better trade ties between Small and Medium Enterprises (SME's) of India and Canada. We would like to offer our expertise in the fields of renewable sources of energy, liquor and wine, real estate, education, environment engineering and waste management and looking for joint ventures for mutual benefits."

S Samapathraman
FKCCI President

SME Market Statistics

Sr. No.	Company	Closing#	% Returns*	52 Week Low	52 Week High
1.	Ace Tours	35.60	122.50%	19.50	47.25
2.	Agrimony Commodities	11.40	14.00%	8.00	15.75
3.	Alacrity Securities	6.40	-57.33%	6.10	13.25
4.	Amrapali Capital	36.10	-63.90%	30.50	103.00
5.	Anisha Impex	16.20	62.00%	11.60	29.70
6.	Anshus Clothing	3.80	-85.93%	3.50	15.63
7.	Ashapura	140.00	250.00%	69.00	149.65
8.	Bansal Roofing	31.50	5.00%	30.00	32.00
9.	BC Power	21.00	16.67%	17.15	22.80
10.	BCB finance	25.00	0.00%	25.00	25.35
11.	Bhanderi Infracon	107.85	-13.72%	107.85	115.00
12.	Bothra Metals	23.25	-7.00%	18.00	34.20
13.	Bronze Infra	51.10	240.67%	5.80	63.50
14.	Captain Polyplast	59.00	96.67%	27.49	63.00
15.	Channel Nine	573.40	2193.60%	46.75	573.40
16.	Chemtech	14.50	-3.33%	14.00	15.50
17.	Dhanuka Commercial	24.00	140.00%	20.40	35.00
18.	Comfort Commotrade	8.10	-19.00%	7.75	9.95
19.	Eco Friendly	398.90	1495.60%	34.40	446.00
20.	eDynamics	68.35	583.50%	37.25	221.55
21.	Esteem Bio	400.00	1500.00%	80.85	645.00
22.	GCM Capital Advisors	46.50	132.50%	33.55	46.5
23.	GCM Comm	18.90	-5.50%	7.55	21.25
24.	GCM Securities	625.00	3025.00%	119.00	625.00
25.	HPC Biosciences	535.00	1428.57%	84.85	652.00
26.	India Finsec	9.05	-9.50%	9.05	19.40
27.	Jointeca Education	20.75	38.33%	10.95	21.50
28.	Jupiter Infomedia	31.50	57.50%	25.00	31.50
29.	Karnimata Cold Storage	20.30	1.50%	20.25	30.00
30.	Kavita Fabrics	11.00	-72.50%	11.00	14.82
31.	Kushal Tradelink	19.10	-45.43%	18.60	53.25
32.	Lakhotia Polymers	34.70	-0.86%	34.00	40.80
33.	Looks Health	68.00	70.00%	67.85	437.00
34.	Max Alert	184.20	821.00%	90.00	198.50
35.	Money Masters	8.47	-43.53%	7.33	19.65
36.	Newever Trade	39.00	290.00%	12.20	46.05
37.	Oasis Tradelink	30.00	0.00%	27.85	35.90
38.	Oceanaa Biotek	11.25	12.50%	9.30	11.25
39.	Onesource Techmedia	8.25	-41.07%	3.95	8.70
40.	Polymac Thermoformers	150.45	329.86%	34.75	150.45
41.	R&B Denims	10.70	7.00%	10.55	15.43
42.	RCI Industries	38.50	-3.75%	22.55	48.45
43.	RCL Retail	16.20	62.00%	14.15	49.85
44.	RJ Biotech	35.50	77.50%	21.00	48.75
45.	Samruddhi Realty	42.50	254.17%	30.50	58.00
46.	Sangam Advisors	10.65	-51.59%	10.30	15.89
47.	Satkar Finlease	88.65	392.50%	19.90	88.65
48.	Shri Krishna Prasadam	24.55	145.50%	11.90	24.55
49.	SI VI Shipping	35.00	40.00%	26.10	43.35
50.	Silverpoint Infra	7.50	-50.00%	5.70	14.80
51.	SPS Finquest	76.25	1.67%	71.00	81.00
52.	SRG Housing	39.45	97.25%	16.60	78.54
53.	SRG Securities Finance	21.50	7.50%	20.00	31.00
54.	Stellar Capital	6.70	-66.50%	6.65	21.10
55.	Subhtex	24.70	147.00%	12.00	29.10
56.	Sunstar Realty	194.55	872.75%	51.20	218.00
57.	Suyog Telematics	25.50	2.00%	24.50	26.90
58.	Tarini International	37.25	-9.15%	34.25	42.00
59.	Tentiwal Wires	14.00	7.69%	7.00	15.00
60.	Tiger Logistics	89.00	34.85%	57.00	90.00
61.	Unishire Urban Infra	10.75	7.50%	9.45	21.90
62.	VCU Data	51.50	106.00%	23.10	54.50
63.	VKJ Infradevelopers	220.00	1366.67%	15.55	220.00
64.	Women's Next	69.95	7.62%	64.60	81.00
65.	Mitcon	55.10	-9.67%	37.95	60.00
66.	Opal	119.50	-8.08%	107.30	128.45
67.	Sanco	29.30	62.78%	16.55	29.70
68.	Thejo	210.00	-47.76%	208.00	210.00
69.	Veto	61.50	23.00%	50.75	75.00

**Absolute returns since IPO. # Closing prices as on 08th August, 2014*
**Source: BSE India Limited, NSE Emerge*

	Closing#	% Returns YTD
BSE SME IPO	914.62	563.83%
TSE MOTHERS	856.35	106.33%
CHINEXT PRICE INDEX	1,377.44	95.29%
FTSE AIM All Share Index	749.39	4.66%
TSX Venture Composite	997.47	-19.55%
Hong Kong GEM Index	525.08	37.64%

 # Closing Values as on 08th August, 2014

Market Watch

Particulars	Bothra Metals & Alloys	Tiger Logistics	RJ Biotech	RCI Industries & Technologies	BC Power	eDynamics solutions	RCL Retail	Bronze Infra	Eco-friendly	Sunstar Realty
A. Valuation / Market Cap										(Rs. Crore)
Pre Issue Net Worth	20.82	16.34	11.64	25.63	10.29	8.55	5.60	5.02	8.606	5.54
Issue Size	12.21	7.52	5.00	11.52	10.37	15.60	5.80	8.56	7.515	10.62
Market Capitalization*	43.05	37.64	33.61	41.96	24.70	148.26	19.94	88.28	987.88	459.59
B. Price Pattern										(Rs. per share)
Issue Price	25.00	66.00	20.00	40.00	18.00	25.00	10.00	15.00	25.00	20.00
CMP (Face Value Rs. 10)*	23.25	89.00	35.50	38.50	21.00	68.35	16.20	51.10	398.90	194.55

Particulars	Channel Nine	Max Alert	Samruddhi Realty	HPC Bioscie nces	SL VI Shipping	GCM Capital Advisors	Ace Tours World wide	Newewer Trade	Looks Health	Captain Polyplast
A. Valuation / Market Cap										(Rs. Crore)
Pre Issue Net Worth	5.56	7.10	4.39	4.80	3.09	25.30	8.71	17.53	0.75	7.36
Issue Size	11.67	8.00	2.60	15.75	6.86	9.00	8.00	6.30	7.20	5.94
Market Capitalization*	890.28	169.45	35.75	853.86	20.13	78.77	45.11	93.39	40.80	52.84
B. Price Pattern										(Rs. per Share)
Issue Price	25.00	20.00	12.00	35.00	25.00	20.00	16.00	10.00	40.00	30.00
CMP (Face Value Rs. 10)*	573.40	184.20	42.50	535.00	35.00	46.50	35.60	39.00	68.00	59.00

Particulars	Esteem Bio	Satkar Finlease	VKJ Infrade velopers	Subh Tex	Ashapura Intimates	Comfort Commotrade	Sanco Industries	Veto Switch Gear	Thejo Engine ering	Mitcon Consultancy	Opal Luxury
A. Valuation / Market Cap											(Rs. Crore)
Pre Issue Net Worth	8.56	21.16	5.40	16.43	10.98	4.43	16.43	32.70	25.80	54.42	11.82
Issue Size	11.25	13.51	12.75	3.50	21.00	6.00	4.32	25.00	19.00	25.01	12.00
Market Capitalization*	596.72	168.83	392.69	27.17	272.54	24.05	25.11	102.47	36.05	66.67	40.14
B. Price Pattern											
Issue Price	25.00	18.00	15.00	10.00	40.00	10.00	18.00	50.00	402.00	61.00	120.00
CMP (Face Value Rs. 10)*	400.00	88.65	220.00	24.70	140.00	24.00	29.30	61.50	210.00	55.10	119.50

** Closing prices as on 08th August, 2014*
** Sources: BSE India Limited, NSE Emerge*

UPCOMING EVENTS

Name of Event	Place	Date	Organizer
SME Manufacturers & Exporters Summit	Ahmedabad	22 August 2014	SME Chamber of India
SME Business Club Meet	Mumbai	23 August 2014	SME Chamber of India
India SME Banking Conclave	Mumbai	August 2014	SME Chamber of India
Seminar on Funding SMEs - The Challenges & Risks Within	Hotel Four Seasons, Mumbai	27 August 2014	ASSOCHAM
India SME Manufacturing Summit	Mumbai	August 2014	SME Chamber of India
India SME Manufacturing Excellence Awards	Mumbai	August 2014	SME Chamber of India
Streamlining Export & Trade Finance for SMEs	Mumbai	August 2014	SME Chamber of India
SME Export Excellence Awards	Mumbai	August 2014	SME Chamber of India
10th International SEZ Convention - Growth Centers for SMEs-	Hotel Le Meridien, New Delhi	03 September 2014	ASSOCHAM
SME Finance & Investment Summit	Mumbai	September 2014	SME Chamber of India
2nd National Annual Conference- Export Finance For SMEs	Mumbai	September 2014	SME Chamber of India
2nd National Annual Conference- SME Export Excellence Awards	Mumbai	September 2014	SME Chamber of India
Conference on Private Equity and Venture Capital – Opportunities for SMEs	Mumbai	September 2014	SME Chamber of India
20th Foundation Day Celebration and India SME Leadership Summit	Mumbai	October 2014	SME Chamber of India

Sarthi Capital Advisors organized a seminar on "Preparedness for Future Growth" in association with BSE Ltd., WTC and P.K. Advisory Services Ltd. at Ahmedabad on 25th July 2014

Mr. Deepak Sharma, Group MD, Sarthi, giving a presentation on "Listing Opportunities for SMEs"

Mr. Ajay Thakur, Head – BSE SME, addressing the audience at the seminar

A seminar on "Preparedness for Future Growth" was organised by Sarthi Capital Advisors in association with BSE Ltd. & The Southern Gujarat Chamber of Commerce & Industry at Surat on 12th July 2014

Mr. Deepak Sharma, Group MD, Sarthi, addressing the audience at the seminar

Eminent Speakers at the event – (L-R) Mr. Deepak Sharma, Group MD, Sarthi, Mr. Kamalesh Sarangi, Partner, IL&FS Investment Managers Ltd, Mr. Hemant Desai, Hon. Secretary, SGCCI & Mr. Ajay Thakur, Head- BSE SME

SARTHI

Bridging the Gap

Sarthi Capital Advisors Private Limited
SEBI Registered Category I Merchant Banker
SEBI Registration No. :INM000012011

Mumbai
159/11, Amar Brass Compound
Vidya Nagari Marg,
Kalina, Santacruz (E),
Mumbai - 400098
Landline:022-26528671-72
Fax: 022-26528673

New Delhi
Anthem House,
E-360, 1st Floor,
Nirman Vihar, New Delhi – 110092
Landline: 011-22449817, 011-22449815
Fax: 011-22439816

CONTACT US

Please write to us with your feedback,
Suggestion or query at smelisting@sarthiwm.in
www.sarthiwm.in

DISCLAIMER

This document has been prepared by Sarthi Capital Advisors (P) Ltd as a part of research only. In rendering this information, we assume and relied upon without independent verification, the accuracy and completeness of all information that was publicly available to us the information has been obtained from the sources we believe to be reliable as to the accuracy or completeness. This document should not be construed as an offer to sell or solicitation to by the securities and the information contained hear in is meant exclusively for the recipient and its not for circulation, publication or reproduction in any manner what so ever. This information is given in good faith and we make no representations or warranties, express or implied as to the accuracy or completeness of the information and the expectation of income and capital appreciation and shall have no liability to you or your representatives resulting from use of this information. We shall not be liable for any direct or indirect losses, loss of profits, hardships, inconveniences arising from the use their of and accept no responsibility for statements made and information provided and you would be relying on this document at your own risk.

R.D. PRINT MEDIA • 9811267209