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S-CAP

SME Capital Market Watch

Do's & Don'ts of opening Foreign Bank Account

True Cost Of Compliance

RBI's Trilemma on Interest Rates

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

PREFACE

Best wishes for the New Vikram Samwat 2070. The festive season ends and the start of the busy session begin.

The new government has started their expected action to probe on black money issue by submitting the list of foreign account holders. The domestic inflation rests and all eyes are on RBI for the reactions with cutting the domestic interest rates. The new MSME policy also has been notified. Maharashtra gets its new Chief Minister with lot of hopes and expectations.

Internationally crude prices fell and gold too touched lowest prices in last four years. U.S. economy grows at steady clip. The gross domestic production of United States grew at an annual rate of 3.5%, Is this the end of the long period of economic malaise that has affected the world economy from 2007? Or is this just another illusionary signal? Indian capital markets are touching new highs and as usual many investors are feeling left out.

In this issue of S-Cap, we bring to you the new notification by SEBI on ESOPs, Do's and Don'ts for having foreign bank accounts, true cost of compliance and a guest article by Mr. Dheeraj Singh on RBI's trilemma on Interest Rates.

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

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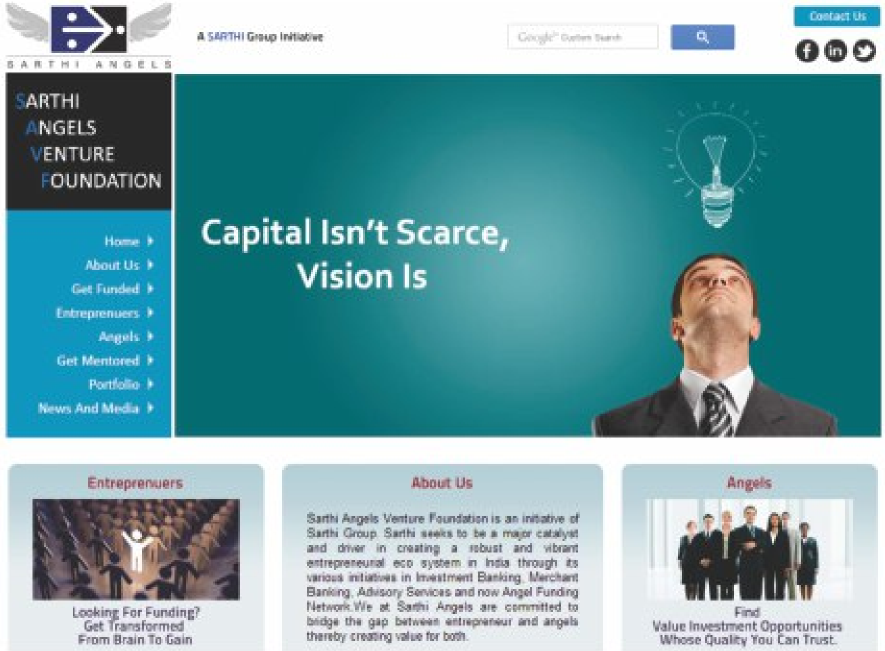

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& many more...


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True Cost Of Compliance

Introduction

In its business sense, "compliance" refers to a company meeting its legal obligations, often to protect the regulatory action, health, safety and welfare of others. To put it aptly and simply the perfect example of it is obtaining Shop & Establishment Licence for opening up of office or payment of taxes. But in current times the ambit of laws is very large and it is not limited to traditional compliance limited to only taxation. Compliance issues become more complex as your business grows. You will have expanded responsibilities regarding your workers, covering hiring, firing, discrimination, harassment, safety, wages, payroll and benefits and the list goes on. The way you make and sell your product and service might fall under the auspices of a government agency, such as a restaurant needing to meet health department guidelines.

The most obvious consequence of compliance is that it decreases your risk of fines, penalties, work stoppages, lawsuits or a shutdown of your business. But in today's time the phrase Compliance is not only related to regulatory Compliances but also used as Control tool of the Management to check the process and procedures adopted by it. Failing to meet your legal obligations, such as in your manufacturing procedures or advertising methods, can also help someone suing you strengthen his case.

In today's time with the advent of Laws like Competition Act, Environment Laws, Class Action Suits, Insider Trading , Consumer Laws , it is very daunting task for any Corporation not to take Compliance on priority. Following table demonstrates how costly Non Compliance can be -

S. No.	Area	Entity	Amount (Rs.)
1	Competition Act	DLF	630 Crs
2	Capital Markets	Taksheel Solutions	76 Crs
3	Environment	Adani Group	200 Crs
4	Telecom Regulatory Authority of India	Telecommunication Companies	50 Lakhs
5	Reserve Bank of India	Banking Companies	50 Crs

Is Compliance a Cost Centre or a Profit Centre?

In current times ,it is very organic for any business to operate out of numerous geographies not only domestic but also globally and thus it may sound natural for many companies to view compliance programs as a headache something they're required to invest time and money in, but which produces little value addition. But contrary to this view, global studies have shown that opposite is the case. Investing in strong compliance programs saves money in the long run and more importantly reputation. When business opportunities are scarce, no entity wants the risk of misconduct or non-compliance because it is severely dents the reputation. Thus, continuing vigilance by company in form of mandatory disclosures are far less painful and costly than undetected corporate wrongdoing, which can literally destroy a Company. Thus, it should be asked whether the code supported by meaningful policies, procedures,

standards and guidance on specific requirements and conduct are adequate or are routine internal audits or risk assessments performed. Besides this high-risk subject areas should be identified and Compliance plans should be developed to mitigate such high-risk areas

Vital aspects to incorporate in a successful corporate compliance program

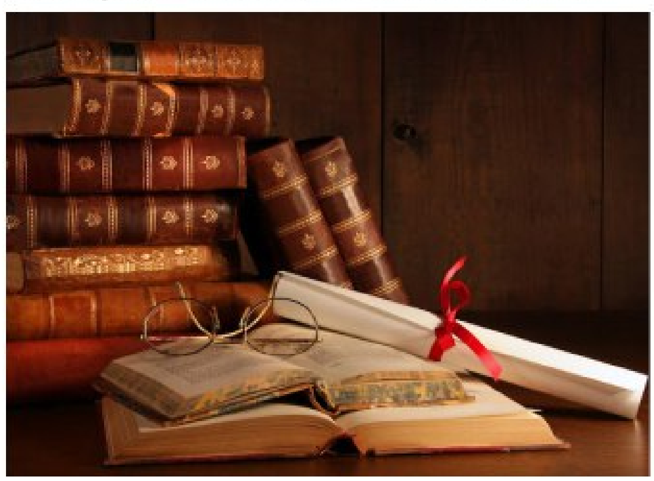
- Expectations
- Obligations
- Objectives
- Standards
- Law
- Procedure
- Process

Key Advantages of Compliances

- Quality Information
- Improved effectiveness
- Protected reputation
- Cost Reduction
- Optimum Respource Utilization

Conclusion

Compliance can be, and should be, viewed as a legitimate business enablement tool. Working with the other functional areas of the business, compliance departments can help to identify potential regulatory risks and prevent unforeseen costs, such as assessments, fines and penalties. It can also help manage costs by avoiding expensive re-designs to new products in order to achieve



compliance. In some cases, rare though they may be, compliance can actually help drive innovation. The overarching point here is that compliance need not be a resource drain, as it is often portrayed, but can be a vital and contributing factor in a companies ultimate success.

By adopting integrated approach to governance, risk, and compliance, compliance professionals can assist management in making the critical connection between strong compliance processes and tangible business results in areas as wide ranging as revenue enhancement, reputation and brand protection, customer attraction and retention, higher profitability/lower costs, improved workforce performance, asset protection, and so on. In other words, many of the key attributes of an effectively run business! By keeping in mind what is important to the business bottom line, it is possible to build a more compelling a case for integrated governance, risk, and compliance as a valuable enabler of the corporate strategy. Identifying the optimal marriage of compliance and operational goals requires an intelligent connection, integration, and harmonization of the key activities that produce bottom line operational results. This involves gaining an understanding of current-state costs, locating redundancies, and identifying gaps and unnecessary complexities. Having this fundamental understanding of the business can enable compliance professionals to play a crucial role. Organizations need to anticipate how changing threats will affect their ability to comply with external, internal and contractual demands, the report said. The implication for an organization that does not manage compliance risks with the right integrated and holistic response to data security and related compliance challenges are a decrease in revenue that results from both the loss of customer trust and loyalty and the inability to deliver services and products.

Rishikesh Vyas
Associate Director
Sarthi Capital

Share Based Employee Benefits (SEBI) Regulations,2014

Introduction

The Financial year 2014-2015 is the year of change especially in the field of Corporate Laws. After the coming into effect of much awaited Companies Act, 2013, in coming days, new Insider Trading Code and revamped Listing Agreement is expected to come into force. In the mid of these changes the Capital market regulator Securities Exchange Board of India (SEBI) has unveiled new set of regulations on Employee Stock Option Plan (ESOP) in the name and style of Share Based Employee Benefits (SBEB) Regulations,2014. The said regulations have been notified and comes into effect from October 28, 2014. Employee stock options (ESOP) are a practice followed world over and the market regulator has outlined certain safeguards to improve the governance and transparency of the schemes and also address concerns regarding potential market abuse. In this very dynamic era, most of the organisations are faced with a persistent challenge of attracting and retaining talented employees. Equity based compensation or stock based incentive schemes are widely used by the organisations in India and across the globe for their perceived benefits to both employer and employees in the long run.

The SEBI Guidelines were silent on the acquisition of shares of the company from the secondary market. As a result, some listed companies were framing their own employee stock based incentive schemes wherein trusts were set up to deal in their own shares through the secondary market acquisitions and this was not really envisaged by the SEBI Regulations.

In order to address this concern, SEBI prohibited the listed companies from framing any employee stock based incentive scheme involving acquisition of own securities from the secondary market. Such a prohibition was not in line with the internationally accepted practice and accordingly, there was a clear need to review the prohibition of secondary market acquisitions of shares by the trusts, subject to necessary safeguards.

Vital Changes brought in by the new Share based employee benefits are –

1. The force of the New Regulations is on the conditions under which the share based schemes can be implemented through a trust.
2. The New Regulations cover the following –

   a. Employee Stock Option Plan (ESOP)
   b. Employee Stock Option Scheme (ESOS)
   c. Stock Appreciation Rights Scheme (SARS)
   d. General Employee Benefits Scheme (GEBS)
   e. Retirement Benefit Scheme (RBS).

3. The flexibility has been given to the Companies to implement the scheme either directly or by an irrevocable trust. If the scheme involves secondary acquisition and / or gift, then it is mandatory for the company to implement such scheme through a trust and such an implementation has to be decided upfront at the time of taking shareholders' approval for setting up the scheme.
4. It is upon the Company to implement several schemes, as permitted under the New Regulations, through a single trust, provided it maintains proper books of accounts for each scheme to give a true and fair view of the state of affairs of each scheme.
5. The trust deed and any modifications thereto is mandatorily to be filed with the stock exchanges in India where the company's shares are listed.
6. In the course of time SEBI may specify the minimum provisions to be included in the trust deed.
7. A Director, Key Managerial Personnel (KMP) or promoter of the Company or its Holding, Subsidiary or

Associate company or any relative of such person; or a person who beneficially holds 10 per cent or more of the paidup share capital of the company cannot be appointed as a trustee.

8. The trustees of such trust shall not vote in respect of the shares held by such trust.

9. The trustees should ensure appropriate approval from the shareholders in order to implement the scheme and undertake secondary acquisition further the trust shall not deal in derivatives and shall undertake only delivery based transactions for the purpose of secondary acquisitions.

10. The shareholding of the trust shall be shown in the category of non - promoter and non-public shareholding for disclosure purpose to the stock exchange.

11. There is a cap on secondary acquisition in a financial year by the trust shall not exceed 2 per cent of the paid up equity capital as at the end of the previous financial year.

12. The total number of shares under secondary acquisition held by the trust (including multiple trusts and schemes, if any) shall not exceed the prescribed limits as at the end of the financial year immediately prior to the year in which the shareholder approval is obtained for the secondary acquisition.

13. The un-appropriated inventory of shares which are not backed by grants, acquired through secondary acquisition by the trust under the New Regulations, shall be appropriated within a reasonable period which shall not extend beyond the end of the subsequent financial year. If such trust existing as on the date of notification of the New Regulations is not able to appropriate the unappropriated inventory within one year of such notification, the same shall be disclosed to the stock exchange at the end of such period and then the same shall be sold on the recognized stock exchange where shares of the company are listed, within a period of five years from the date of notification.

14. The trust shall be required to hold the shares acquired through secondary acquisition for a minimum period of six months except under specified circumstances.

15. The trust can undertake off-market transfer of shares only under the following circumstances:

    a. transfer to the employees pursuant to the scheme;

    b. when participating in an open offer

    c. participating in buy-back, delisting or any other exit offered by the company generally to its shareholders.

16. The conditions in respect to pricing, vesting, lock-in etc. as provided in the erstwhile ESOP guidelines have been retained. However, certain key changes are as highlighted below:

    a. Independent directors - Independent directors have been excluded from the category of eligible employees to whom share based employee benefits can be granted. This is in conformity with the Companies Act, 2013.

    b. Composition of compensation committee – The compensation committee shall be constituted as provided under the Companies Act 2013 i.e. it shall consist of three or more non-executive directors, out of which not less than half shall be independent directors.

    c. Terms of scheme - The company shall be entitled to vary the terms of the scheme to meet any regulatory requirements. In case of winding up of the schemes, the excess money or shares remaining with the trust after meeting all the obligations shall be utilised for repayment of loan or by way of distribution to employees, as recommended by the compensation committee.

    d. Conditions for new schemes - For the GEBS and RBS, the shares of the company or shares of its listed holding company shall not exceed 10 % of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet for the purpose of such schemes.

    e. To ensure a smooth transition for complying with the new regulatory framework, the existing employee benefit schemes have been provided with a time period of one year from the date of notification. Also a longer transition period of five years from the date of notification has been provided for the following:

        - Re-classifying shareholding of existing employee benefit schemes separately from 'promoter' and 'public' category.
        - Bringing down the trust's holding in shares within the permissible limits.
        - For GEBS or RBS, reducing trust's share component to 10 per cent of the total assets of the trust.
        - Miscellaneous provisions added:

The biggest sigh of relief for the listed companies is that these regulations permit the listed companies to set up a trust to administer the employee stock based incentive schemes and purchase shares of the company from the secondary market subject to adequate safeguards. Secondary market purchases avoid dilution of share capital of the company and do not impact the value of the existing shares. This will help the listed companies who want to provide stock benefit to the employees yet do not want a dilution of their share capital. While providing this relief, SEBI has provided very strict compliance requirements to ensure that there is no misuse of the regulations. It aims at facilitating smooth operation of employee benefit schemes, while preventing any possible secondary market unfair practices. It may become essential for the listed companies to revisit their ESOP and other equity-linked schemes and ensure that they are in line with the New Regulations, within the transition period. Listed companies which have such schemes dealing with shares are required to review the existing schemes and align the same with the new regulations within one year from the date of its applicability. Additionally, listed companies who are proposing to implement such schemes should also ensure compliance with these regulations. Unlisted companies proposing to go in for Initial Public Offering would also need to ensure compliance with these regulations in certain situations.

- Rishikesh Vyas

First e-commerce start up, JLA Infraville Shoppers, IPO oversubscribed more than 2.5 times on BSE-SME Platform. Sarthi Capital Advisors Pvt Ltd was the Lead Manager to the issue.

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The IPO of JLA Infraville Shoppers Ltd, which was open from October 16-27, 2014 witnessed a very good response from the public. The subscription for the IPO was INR 5.06 cr (provisional) whereas the issue size was INR 2 crs with over 275 applications.

This is so far the biggest oversubscription for SME IPO on BSE SME Exchange.

JLA Infraville was incorporated on October 09, 2013 for online trading and retailing of range of products including fabrics, clothing, furnishings, electronics and computers and its accessories, surgical instruments and Hearing Aid Accessories. They have been expanding their product range and have moved up the value chain by identifying new opportunities and diversifying their product portfolio.

Directors

In the New Era of Companies Act, 2013

The Companies Act, 2013 introduces significant changes in the provisions relating to Directors, their Appointment and Qualification. The changes in the 2013 Act have far-reaching implications that are set to significantly change the manner in which corporates operate in India.

The provisions of section 149 of the companies act, 2013 provides for the appointment and qualification of directors. Every company shall have a Board of directors consisting of individuals as directors.

"Director" means a director appointed to the Board of a company.

"Board of Directors" or "Board" in relation to a company, means the collective body of the directors of the company.

NUMBER OF DIRECTORS

- A public company shall have a minimum of *three* directors;
- A private company shall have a minimum of *two* directors; and
- One person company shall have *one* director.

A company can have a maximum up to fifteen directors. Provided that a company may appoint more than fifteen directors after passing a special resolution.

TYPES OF DIRECTOR

Managing Director

Managing Director means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

Whole Time Director

A whole time director includes a director in the whole time employment of the company.

Nominee Director

The Board may appoint director nominated by any institution in pursuance of any law or of any agreement or by the Central Government or the State Government by virtue of its shareholding in a Government company.

Additional Director

The articles of a company may confer on its Board of directors the power to appoint any person, other than a person who fails to get appointed as a director in a general meeting, as an additional director who shall hold the office up to the date of next annual general meeting or the last date on which the annual general meeting should have been held, whichever is earlier.

Alternate Director

The Board of directors of a company may, if so authorized by its articles or by a resolution passed by the company in general meeting, appoint a person not being a person holding any alternate directorship for any other director in the company, to act as an alternate director for a director during his absence for a period of not less than three months from India.

An alternate director shall not hold office for a period longer than that permissible to the director in whose place he has been appointed and shall vacate the office if and when the director in whose place he has been appointed returns to India.

Only an independent director can be appointed as alternate director to an independent director.

Directors appointed in casual vacancy

In case of a Public company, if the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may be filled by the Board of directors at a Board meeting. However, such Director appointed in casual vacancy shall hold office only upto the date which the original Director should have held.

Independent Director

An Independent director in relation to a company, means a director other than a managing director or a whole time director or a nominee director.

The companies act, 2013 provides that every listed public company shall have at least one-third of the total number of directors as independent directors and the Central Government may prescribe the minimum number of independent directors in case of any class or classes of public companies.

In addition to this, the Companies (Appointment and

Qualification of Directors) Rules, 2014 provide that the following class or classes of companies shall have at least two independent directors:

- Public company having paid up share capital of Rs. 10 crore or more;
- Public company having turnover of Rs. 100 crore or more;
- Public company having outstanding loans, debentures and deposits and deposits in aggregate exceeding 50 crore

However, as per Clause 49 of the listing agreement there should be an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors. Also where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors.

Provided that where the regular non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors.

Tenure: An Independent director shall hold office for a term up to five consecutive years, but shall be eligible for re-appointment on passing of a special resolution. He shall not hold office for two consecutive terms but shall be eligible for re-appointment after the expiration of three years of ceasing to become an independent director provided during such period of three years he should not be associated with the company in any other capacity directly or indirectly.

Compliance: The company and independent director shall abide by the provisions specified in Schedule IV i.e. Code for Independent Directors. The code provides the guidelines for professional conduct of independent directors, their roles and functions, their duties etc.

As per the Schedule:

- **Re-appointment:** The re-appointment of independent director shall be on the basis of report of performance valuation and the performance evaluation shall be done by the entire Board of Directors.
- *Separate Meetings:* The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management.
- *Appointment:* The appointment of independent directors of the company shall be approved at the meeting of the shareholders. An explanatory statement annexed to the notice, shall include a statement that in the opinion of Board he fulfills the condition for such an appointment.
- *Resignation or Removal:* An independent director who resigns or is removed from the Board of the Company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal as the case may be.

APPOINTMENT OF DIRECTORS

Where no provision is made in the articles of a company for

the appointment of the ***first director***, the subscribers to the memorandum who are individuals shall be deemed to be the first directors until the directors are duly appointed.

No person shall be appointed as a director until he has been allotted the Director Identification Number and shall furnish the same along with a declaration that he is not disqualified to become a director.

He is also required to give his consent to hold the office as director and the same shall be filed with the registrar within thirty days of his appointment.

Where an ***independent director*** is to be appointed in the general meeting, an explanatory statement annexed to the notice, shall include a statement that in the opinion of Board he fulfills the condition for such an appointment.

Proportion of directors liable to retire by rotation

Where the articles do not provide for the retirement of all the directors liable to retire by rotation, then at least two-third of the total number of directors of a public company, shall be liable to retire by rotation at every annual general meeting and the remaining directors shall be appointed by the company in general meeting.

It is to be clarified that "total number of directors" shall not include independent directors.

Number of directors who would retire at the first and subsequent annual general meeting

Two-third directors shall be liable to retire by rotation, and of this one-third shall retire at the first annual general meeting and at every subsequent annual general meeting. The directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment. However those who became directors on the same day, retirement shall be subject to an agreement between them and if no such agreement exists then by lot.

Re-appointment of Retiring directors

Where the vacancy of the retiring director is not filled up in the same annual general meeting, the meeting shall stand adjourned till the same day in the next week, at the same time and place.

If at the adjourned meeting also, the vacancy of the retiring director is not filed up then the retiring director shall be deemed to have been re-appointed at the adjourned meeting.

A Woman Director

Listed companies and every other Public company having paid up capital of 100 crores or more or a turnover of 300 crores or more have to compulsorily appoint a women director.

Small shareholder Director

A listed company may have one director elected by small shareholders.

Small shareholders means a shareholder holding shares of nominal value of not more than twenty thousand rupees or such other sum as may be prescribed.

Resident Director

Every company shall have at least one director who stays in India for a total period of not less than one hundred and eighty two days in the previous calendar year.

DISQUALIFICATION FOR APPOINTMENT OF DIRECTOR

A person shall not be eligible for appointment as a director of a company, if

- He is of unsound mind and is declared by a competent court;
- He is an undischarged insolvent;
- He has applied to be adjudicated as an insolvent and his application is pending;
- He has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced to imprisonment for six months and a period of five years has not elapsed from the date of expiry of the sentence;
- A person if has been convicted of any offence, and sentenced to imprisonment for a period extending up to seven years or more;
- An order of disqualification has been passed by a court or tribunal and the order is in force;
- He has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- He has been convicted of the offence dealing with related party transactions at any time during the last preceding five years;
- He has not been allotted director identification number.

Disqualification for re-appointment in the same company

If any person who is or has been director of any company, who fails to file financial statements and annual return for 3 continuous financial years or has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or to pay any dividend declared and such failure continues for one year or more, shall not be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.

A private company may by its articles provide for any other disqualifications in addition to those specified above.

NUMBER OF DIRECTORSHIPS

A person cannot be a director in more than twenty companies at the same time including a sub-limit of ten for public companies i.e. a person cannot be a director of more than ten public companies. Private companies that are either holding or subsidiary of a public company shall be included for the purpose of counting such directorship. Also,

Alternate directorship will be included while calculating the directorship of twenty companies.

However, the shareholders have been empowered to lower the limits of directorships an individual can hold in a company by passing a special resolution.

Where any person holds office as director in more than the specified limits, he shall within a period of one year from the commencement of this act choose the companies in which he wishes to continue as a director and resign from the remaining companies. He shall also intimate the choice so made to the companies in which he was a director and to the registrar having jurisdiction in respect of each such company.

RESIGNATION OF DIRECTOR

A director may resign from his office by giving a notice in writing to the company and the Board shall on receipt of such notice take note of the same.

The company shall intimate the registrar and also place the fact of such resignation in the directors report to be laid in the immediately following general meeting of the company.

A director shall also forward a copy of his resignation along with the reasons for the resignation to the registrar within thirty days of resignation.

The resignation shall take effect from the date on which the notice is received by the company or the date specified by the director in the notice, whichever is later.

The director who has resigned shall be liable even after his resignation for the offences which occurred during his tenure.

Where all the directors of a company resign from their offices, or vacate their offices, the promoter or in his absence, the Central Government shall appoint the required number of directors who shall hold the office till the directors are appointed by the company in general meeting.

REMOVAL OF DIRECTORS

A company may remove a director before the expiry of his period of office by passing an ordinary resolution and after giving him a reasonable opportunity of being heard.

A special notice shall be required of any resolution, to remove a director or to appoint somebody in place of a director so removed, the company shall send the copy of the notice to the concerned director and he shall be entitled to be heard on the resolution at the meeting.

Where a notice has been given and the director concerned makes any representation in writing to the company and request its notification to members of the company, the company shall-

- State the fact of the representation having been made in the notice of the resolution given to the members; and
- Send a copy of the representation to every member of the company to whom notice of the meeting is sent.

If the copy of the representation is not sent, the director may require that the representation shall be read out at the meeting.

Provided that the copy of representation need not be sent and the representation need not be read out at the meeting if, on the application either of the company or any other aggrieved person, the tribunal is satisfied that the rights conferred are being abused to secure needless publicity for defamatory matter.

A vacancy created by the removal of a director may be filed by the appointment of another director in the meeting in which he is removed, provided special notice has been given of the intended appointment.

DUTIES OF DIRECTORS

- A director of a company shall act in accordance with the articles of the company.
- He shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interest of the company, its employees, the shareholders, and the community and for the protection of environment.
- He shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- He shall not involve in a situation in which he may have a direct or indirect interest that conflicts or may conflict, with the interest of the company.
- He shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners or associates and if such director is found guilty of making undue gain , he shall be liable to pay an amount equal to that gain to the company.
- He shall not assign his office and any assignment so made shall be void.

The Companies Act, 2013 has endowed responsibility and introduced high standards for directors so that they are accountable to the shareholders for their action and personally liable for any damage caused by them. Several aspects relating to independent directors have been introduced so as to build up a strong framework of corporate governance. Women too are encouraged to join the board room thus bringing in diverse view points and talent. Every director, whether independent/non-independent has a distinct role in the functioning of the company. However, good corporate governance can be achieved only when the entire board functions effectively and benefit minority as well as majority shareholder in its long term which maintains a good corporate image in the market.

- Ronika Bharara

"On Interest Rates... & RBI's Trilemma"

The chorus directed towards the RBI Governor exhorting him to cut policy interest rates is getting louder by the day.

Various reasons are being cited in support of this argument.

1) Inflation has declined:

- Inflation as measured by the Consumer Price Index (CPI – *the inflation barometer preferred by the current RBI dispensation*) is on a downward trend. The September print for the CPI (Combined) was 6.54% and the October print is likely to be below 6%.
- RBI's committee for strengthening monetary policy framework (*headed by the Dy Governor in charge of monetary policy himself*) had recommended a CPI based inflation target of - 8% for early 2015 and 6% for early 2016. In the long run, the committee had recommended setting an inflation (based on CPI) target of 4% while allowing a +/- 2% leeway.
- Not only has CPI based inflation already hit RBI's target set for 2016 it is also well within the long term goal of keeping inflation anchored around 4% with a 2% leeway in either direction.

2) Crude Prices have eased further:

- International prices of crude oil have been on a downward trend. As I write this, Brent Crude Futures trade at approx. $82 per barrel while the WTI contract is at $77 per barrel. The same contract traded at approximately $110 per barrel of oil when the new government took over reins in Delhi.
- This price fall has come as a boon to India since it has enabled the new government free up pricing of diesel and link it to market determined prices. In turn, this would help control the oil subsidy since diesel contributed to the bulk of the oil subsidy. Kerosene and LPG prices continue to be regulated though.
- The net effect of this price fall is twofold – it softens inflation and also helps the government in managing it's subsidy burden.
- Linking fuel prices to market linked rates had been a long standing demand of RBI, and has now been largely met.

3) Other central banks continue to maintain low interest rates:

- While the US Federal Reserve has ended it's bond buying program (*euphemistically called Quantitative Easing or QE*) it has pledged to maintain low interest rates for some time. Many analysts feel that the Fed may start raising rates sometime in 2015.
- In contrast, Japan has unveiled an even larger monetary expansion plan. Also, the European Central Bank has announced an enlarged bond buying program.
- In short, central banks around the world continue to print tons of money to support asset prices, hoping to boost economic activity.

4) Cutting interest rates would stimulate investment and revive growth:

- While it is debatable interest rate reductions have any impact on investments, rate cut proponents do have a view that the central bank should do all it can to revive growth in the economy, now that inflation has cooled off from the heady double digit levels seen till about a year ago.

There is no gainsaying the fact that inflation has been on a downtrend and will possibly decline further provided international crude oil prices remain stable or weaken further. It would therefore not be very easy for the RBI to fend off calls for a rate reduction especially since policy interest rates provide an important signaling mechanism to economic agents. Even if RBI waits for a confirmation of the downward trend in inflation it could at most delay reducing policy interest rates by a few months

If the December policy statement does not cut the policy repo rate, the likelihood of a rate cut in one of the subsequent policy statements due in February and April are likely to be very high.

The Government tightens it's belt to meet deficit target

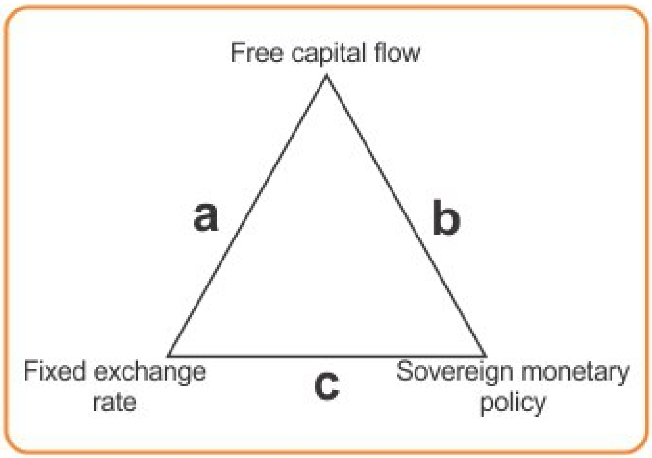
Arun Jaitley, the NDA government's finance minister had, unwisely in my opinion, decided to retain the 4.1% fiscal deficit target, that the previous UPA government had set, in his budget for the current financial year. Faced with sluggish growth in revenue as the economy takes time to revive, mid year fiscal deficit has already hit 82% of it's yearly target. While this is not as alarming as it seems at first glance (*The government collects most of it's tax and non tax revenue in the second half of the year. Also oil subsidies had been budgeted at higher oil prices. This should be much lower than budgeted*), it is still cause for worry and the government has now imposed expenditure control measures. Non plan expenditure has been cut by a mandatory 10%. There are other token measures like a ban on first class air travel, ban on purchase of vehicles but these are likely to prove to be proverbial drops in the ocean.

The roots of this deficit problem lie in Mr Jaitley's decision to retain the 4.1% fiscal deficit target set by his predecessor Mr P Chidambaram. Many have argued (rightly, in my opinion) that the NDA government should have begun with a clean slate and not worried about the ambitious deficit target set by the UPA government, especially since economic growth was anemic and the ruling dispensation enjoyed an overwhelming majority in Parliament. Mr Jaitley would have been better advised to focus on reviving growth first and worrying about the deficit in subsequent years to come.

RBI's Trilemma

Getting back to the subject of interest rates and RBI's dilemma (or should I call it trilemma).

The Indian central bank faces the classic trilemma in



international economics known as the "Impossible Trinity" which states that it is impossible to have all three at the same time

- Fixed exchange rate
- Free Capital Flows (or absence of capital controls)
- An independent monetary policy

According to this hypothesis a central bank can pursue only two of the three policies mentioned above simultaneously. Any attempt to follow all three simultaneously inevitably leads to a crisis. The Mexican crisis of 1994 and the Asian financial crisis of 1997 were caused by a combination of all three policies being followed simultaneously.

India too needs to be wary of this.

When it comes to exchange rate, India is in a peculiar situation. All major currencies in the world have depreciated sharply against the dollar (*the Yen is now at a 7 year low*), but healthy foreign capital flows (*Foreign capital flows, equity and debt, are likely to be highest ever this year*) are putting an upward pressure on the Indian Rupee. If allowed, this could make India a victim of the "***Dutch Disease***", a phenomenon wherein a country's export competitiveness suffers due to a relatively stronger exchange rate.

Wary of this, RBI seems to have been making an attempt, successfully, to stabilize the rupee through dollar buying. This dollar buying has led to liquidity injection in the domestic money markets which the central bank has been attempting to sterilize through open market sale of securities and reverse repo auctions. We have seen a large absorption of liquidity through this mechanism in the first week of November.

This brings the impossible trinity in sharp focus. With the option to impose capital controls largely infeasible, any sustained attempt to artificially maintain an exchange rate would inevitably lead to loss in control of monetary policy.

At some stage, RBI may have to decide on letting the burden of adjustment of the foreign flows fall on the exchange rate, in order to remain in control of monetary policy.

While there's nothing to be alarmed about currently, it is prudent that we draw lessons from the experiences of other economies in the past and adopt policies accordingly.

- Dheeraj Singh

Runs a proprietary risk management and advisory consultancy. Also busy in developing a kickass online product in the data analysis / visualization domain

AKME Star Housing Finance Limited

AKME Star Housing Finance Limited (ASHFL), established in 2005 is a professionally managed housing finance company headquartered at Udaipur, Rajasthan. The Company offers a variety of home loan products which are designed to cater the dynamic needs of rural and micro-rural borrowers. ASHFL is committed to offer the home loans comprise of products like 'Loan to purchase new housing units', ' Loan to construct new units', 'Loan to purchase plot and construction of units thereon', 'Extension & Renovation Loan' etc.

Business Strategies:

Business Expansion: ASHFL plans to expand their business operations in a phased manner in the adjoining areas of their existing business venues to help them generate significant business.

Operational Efficiency: Maintaining strong asset quality through continued focus on risk management forms the backbone of the company's product and service quality. It intends to continuously improve their operating processes and customer turnaround to provide superior customer experience.

Technology Driven: ASHFL continues to invest in their IT infrastructure to scale up the loan assets, reduce operating costs and ultimately improving the profit margins.

Strong asset quality coupled with disciplined risk management: ASHFL has maintained high quality loan and investment portfolios through careful targeting of customer base and diligent risk monitoring and remediation procedures.

Accessing low cost and diversified sources of funds : The company plans to explore access to low cost sources of funds in order to maintain their CRAR and strengthen their balance sheet. In addition to the traditional sources of finance, the company also plans to diversify their sources of funding and tap into alternative long term and short term sources.

Innovative Solutions Model: It also offers customized products and services that are designed to suit the needs of segments of customers.

Key Strengths:

- **Client Relationship:** ASHFL focuses on local advertising and organizes loan camps at frequent intervals. They endeavor to explore new distribution channels and increase their reach to smaller Indian cities, which present attractive opportunities.
- **Quality assurance, standards and transparency:** To generate repetitive orders and enhance the brand image ASHFL focuses on adherence to quality standards and maintains highest quality for service offerings.
- **Respected Brand:** ASHFL extend loans on a priority basis to the interior rural segments where getting bank finance is a cumbersome process. ASHFL is a valuable brand in the surrounding districts of Udaipur division and holds a vide customer base and loyalty.
- **Experienced management team:** Directors of AKME Group are from varied backgrounds and possess significant expertise, extensive experience and financial acumen which provide the Company with a distinct competitive advantage.
- **Focus on priority sector lending:** Loan size falls in the range of Rs. 0.50 lacs to 5.00 lacs, called as microfinance falls under the priority sector finance and will be financed majorly to the individuals from weaker sections and rural areas by ASHFL.

Key Challenges:

- Any lending or investment activity is exposed to credit risk arising from the risk of default of nonpayment by borrowers and other counterparties.
- There is absence of formal documentation for the low income customers. The prime reasons for the traditional players not lending to this segment is the lack of availability of formal income documents, the credit appraisal is more of a qualitative analysis than formal credit analysis methods. For this business to become lucrative and scale, conducive and clear policies are required.
- ASHFL faces competition from NBFCs, public sector banks, private sector banks, co-operative banks and foreign banks.

Stock Info

Sector	Finance-Housing
Issue Size (Rs. Cr)	4.80
No of shares on offer (Lakhs)	16.00
Price (Rs.)	30.00
Face value (Rs.)	10.00
Mcap @ Rs.30 (Rs. Cr)	17.80

Objects of the issue (Lakhs)

Augmentation of capital base & meeting fund requirements for increasing operation scales	400.00
General Corporate Purposes	35.00
Issue Expenses	45.00

Pre-Issue Shareholding (%)

Promoters	70.00
Bodies Corporate	04.08
Others	25.92

Relative Valuation (Rs. In Lacs)

Peers	ASHFL*	SRG Housing	Sahara Housing Fin Corp Ltd
Sales	112.65	474.05	1994.28
EBITDA%	81.9	65.0	24.30
PAT%	32.6	25.2	13.2
ROCE%	9.0	10.4	2.9
RONW%	3.6	8.7	8.2
ROA	2.8	4.0	1.5
Debt/Equity	0.27	1.19	4.14
EPS	2.11	1.48	3.77
Book Value	47.15	16.93	45.76

* ASHFL Figures are extracted from Restated Financials

Enn Tee International Limited

Enn Tee International Private Limited (ETIPL) incorporated in 1999, is based out of Delhi. The company is engaged in the business of manufacturing of Polypropylene Multifilament Yarn under the brand name of "MINKLENE". It manufactures variety of polymers like polypropylene in all colors and denier range with qualities like crimp yarn, textured yarn, crimp twisted yarn, POY, FDY, HE HOY, FDY TW, POY TW, HE TW, HOY TW. Twisted for various textile applications such as socks, undergarments, Tapes, Belt, Dories, Chord, Crochets, Laces, Stitching, Bag closing, Fishing Nets, Ropes and Twines, /embroidery Threads, Carpets, Upholstery, Zipper, Malaidori etc. ETIPL has their manufacturing unit at Uttarakhand. They also manufacture Polyester Filament Yarn at Nalagarh (Himachal Pradesh) in the name of their group company HIM CHEM LIMITED.

Key Highlights

- **The company** strongly believes in maintaining client relationship; their existing clientele is an example of its long-term client relationships.
- **ETIPL** intends to grow its customer base and also look at exploring the international markets for exporting their existing products line.
- **The Company offers** competitive pricing to its customers to remain aggressive and capitalize a good market share.
- *ETIPL* believes in the best quality processes and products and hence adhere to quality standards.
- *ETIPL* benefits from the leadership of the management team which has extensive experience in textile industry. The Promoters actively get involved in operations which results in driving the business in successful execution and profitable manner.

Key Challenges:

- Due to cheaper imports of goods of higher quality, there is a stiff competition within the country. Such competition can affect profitability which could have a material adverse effect on business, financial condition and results of operation
- The textile industry is still plagued with some historical regulations such as knitted garments still remaining as a SSI domain.

Stock Info

Sector	Textiles
Issue Size (Rs. Cr)	19.80
No of shares on offer (Lakhs)	60.00
Price (Rs.)	33.00
Face value (Rs.)	10.00
Mcap @ Rs.33 (Rs. Cr)	32.00

Objects of the issue

- Technological up-gradation & setting up of micro high bulk carpet yarn.
- Installation of a new line for manufacturing polyester yarn
- Long Term working Capital Requirement
- General Corporate Purposes
- Issue expenses

Shareholding (%)

Promoters	41.43
Bodies Corporate	58.57
Total	100.00

Relative Valuation (Rs. In Lacs)

Peers	ETIPL	Shekhawati Poly yarn	Sumeet Industries
Sales	4879.92	35188.36	110799.62
EBITDA%	6.6	9.7	3.17
PAT%	0.8	2.0	1.6
ROCE%	48.5	17.0	2.2
ROA	1.6	3.1	2.0
Debt/ Equity	0.53	1.57	2.15
EPS	1.08	0.32	3.04
Book Value	14.28	3.34	38.06
M Cap	24.71	156.41	1999.49
CMP	121.75	38	317.55

Market Developments

- Karnavati Finance Limited, a non deposit taking Loan Company primarily in the business of providing loans as per the requirement of customers and they are both secured and unsecured finance, has filed a draft prospectus for a public issue of Rs. 2.58 crore. Equity shares are proposed to be listed on the SME Platform of the BSE. The company intends to use issue proceeds to augment its capital base and provide for fund requirements for increasing their operational scale with respect to NBFC activities/Financing Operations and to meet public issue expenses.
- Raghuvansh Agrofarms Limited, engaged in cultivation of Organic Vegetables, Organic Grains and Cereals, and also engaged in dairy farming and production and distribution of dairy products, filed a draft prospectus for a public issue of Rs. 3.60 crore. Equity shares are proposed to be listed on the SME Platform of the BSE. The company intends to use issue proceeds for Construction of 1000 M3 capacity of bio-gas plant for power generation, investment in their own subsidiary companies, and to raise funds for General Corporate Purposes.
- Captain Pipes Limited, which is into the business of uPVC threaded Column Pipes, uPVC Plumbing Pipes, uPVC Pressure Pipes, uPVC Casing Pipes, uPVC Plumbing Fittings and uPVC Agri Fittings has filed a draft prospectus for a public issue of Rs.1.101 crore. The equity shares are proposed to be listed on BSE SME platform. The company intends to meet Working Capital Requirement, repayment of Unsecured Loans, General Corporate Purposes and to meet the Issue Expenses.
- O.P. Chains Limited, engaged in the business of trading of fabrics has filed a draft prospectus for a public issue of Rs.3.25 crore. The equity shares are proposed to be listed on BSE SME platform. The company intends to use the issue proceeds to meet working capital requirements, general corporate purpose and to meet the issue expenses.
- 3rd Rock Multimedia Limited, engaged in the business of planning, organizing and managing events, filed an Information Memorandum. Equity shares are proposed to be listed on the Institutional Trading Platform of the BSESME.
- Currently 77 companies are listed on SME platforms of BSE and NSE while 16 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)
Karnavati Finance Limited	BSE	2.58	10.00
Raghuvansh Agrofarms Limited	BSE	3.60	11.00
Captain Pipes Limited	BSE	1.10	40.00
O.P. Chains Limited	BSE	3.25	11.00
Aanchal Ispat Limited	BSE	16.00	20.00
Akme Star Housing Finance Limited	BSE	4.80	30.00
Mahabir Metallex Limited	BSE	3.90	10.00
Amsons Apparels Limited	BSE	3.25	10.00
Monarch Apparels	BSE	5.01	11.00
Majestic Research Services & Solutions	BSE	1.43	12.75
Western Agro-tech Innovative	BSE	3.30	10.00
Shareway Securities	BSE	4.99	14.00
Ekdant India	BSE	4.03	10.00
Anubhav Infrastructure	BSE	9.00	15.00
Prabhat Telecoms (India)	BSE	26.60	80.00

9 Companies that have been listed on SME Exchanges:

Company Name	Date of Issue Open	Date of Issue Close	Subscription		
			Retail Investors	Non-Retail Investors	Total
Naysaa Securities Ltd	5th Sept 2014	12th Aug 2014	1.78	1.24	1.48
Powerhouse Fitness & Realty Ltd	29th Sept 2014	9th Oct 2014	0.32	1.34	1.17
Starlit Power Systems Ltd	29th Sep, 2014	10th Oct, 2014	1.23	1.80	1.49
Vibrant Global Capital Limited	29th Sep, 2014	7th Oct 2014	1.17	1.02	1.09
ADCC Infocad Limited	30th Sep, 2014-	8th Oct, 2014	1.71	1.74	1.69
Dhabriya Polywood	29th Sep, 2014	7th Oct 2014	1.80	1.55	1.64
Atishay Infotech	25th Sep, 2014	29th Sep, 2014	0.99	0.46	1.50
Ultracab (India)	15th Sep, 2014	23rd Sep, 2014	0.49	2.16	1.31
Aryaman Capital Markets	25th Sep, 2014	1st Oct 2014	0.54	1.20	1.15

OTHER DEVELOPMENTS

Government To Come Out With SME Policy Over Next Few Days

In the 67-odd years since Independence, while micro, small and medium enterprises (MSME) have contributed to form a major chunk of industry, the MSME sector still does not have a policy for itself. That is going to change over the next few days as the central government comes out with a policy targeted at small and medium enterprises. This was stated by Amarendra Sinha, development commissioner & additional secretary, ministry of MSME at the launch of the BW Businessworld SME Whitebook.

What the policy aims to do is to make it much simpler to register SMEs. One can expect the policy to redefine the sector in terms of turnover, capital employed and labour employed. That is expected to make a huge difference to the over 46 million small and medium enterprises that account for over 40 per cent of Indian exports and employ over 106 million people.

In a way, the MSME policy could well be a pivot for furthering Prime Minister Narendra Modi's 'Make in India' plan of making the country a manufacturing hub. While it is not clear what all changes are expected, there is talk of amending exemptions of excise duty on goods made by MSMEs. The big problem that the sector faces today is that it is largely unorganised. As a result, access to finance emerges as one of the biggest problems.

Uttarakhand government to come out with new MSME policy

A new policy for Micro, Small and Medium Enterprises (MSME) is being worked out in Uttarakhand to help around one thousand unemployed youth to become efficient entrepreneurs and provide them all facilities and incentives to start their ventures, the state government has said.

This announcement was made by Chief Minister Harish Rawat at a programme held yesterday to honour entrepreneurs who have done outstanding work in the MSME sector.

Stating that the peaceful environment of Uttarakhand offers tremendous scope for investment, he said the policy for the MSME is being redrafted to make it more attractive for local entrepreneurs so that they get more opportunities.

Besides, the Hill Industries Policy made in 2008 is also being amended to make it more luring to big industrial houses and give further push to investments in the state, Rawat said.

Asking investors to come forward to invest in Uttarakhand without any hesitation, Rawat said they will be given all facilities and incentives to make the process smooth.

Government to set up 15 tech centres to scale up SME clusters

The Government is setting up 15 new technology centres to scale up competitiveness of small and medium enterprises (SMEs) through clusters.

Announcing this at CII's 7th National Cluster Summit here on Wednesday, Madhav Lal, Secretary, MSME Ministry, said "capacity building in areas of cost, productivity, design and soft skills training can altogether transform the growth trajectory of an existing enterprise without a need to invest in infrastructural requirements like land, machinery etc."

Lal also launched the CII-ZED clusters, which aim to focus on fast-track competence building of the Indian manufacturing sector through intervention in areas like discipline, team work, 'zero defect, zero effect' on environment, the Confederation of Indian Industry said in a statement.

Government plans to revamp SME, SEZ tax regime

The government is getting down to business to boost local manufacturing and create jobs and is working on a series of measures, including revamp of the tax system for the small-scale sector, ship-building and special economic zones (SEZs). Work has also begun on speeding up the system of clearances for the mining and power sector, including allocation of coal, after the government managed to rework the environment and forest clearance mechanism that was seen as a major hurdle for projects to take off.

Senior officials said with elections in two states out of the way, the Narendra Modi government is expected to speed up decision-making in the coming weeks.

The finance ministry has made it clear that all tax related proposals — such as those related to restoration of minimum alternate tax and dividend distribution tax exemption – will only be taken up at the time of the Budget.

Similarly, discussions on a new policy for the small-scale sector, including a reworked tax regime, have also started with the cabinet secretariat stepping in on Friday to work out steps that will boost the sector that accounts for around 45% of the manufacturing activity in the country and employs close to 6 crore workers.

A large section in the government believes that a push to the micro, small and medium enterprises is critical to boost job-creation and to check unnecessary imports. The ship-building industry is seen to be a significant employment generator, a key theme of the 'Make In India' campaign launched by the government last month.

Government plans Rs 10,000 crore fund to create tech giants

The journey of tech behemoths like Google, Apple and Facebook, from startups to global giants, has caught the fancy of the Indian government, which is planning a Rs 10,000-crore electronics development fund to support ambitious startups in attaining scale.

The government feels that India needs to incubate tech giants from its soil, like those emanating from the West, as the country has a fast-growing mass of internet users and possesses a rich list of highly-skilled techies. The basic groundwork for kick-starting the initiative has been completed.

"It is in the process of finalization and we will get an approval very soon," a source in the ministry of information technology told TOI. This is a different fund from the Rs 10,000-crore venture fund announced in the Budget for startups in micro, small and medium enterprise (MSMEs).

The government will not make the investments directly, but will rather route the money through venture capital funds that are focused on electronics hardware and IT startups. "We will take small subscription in them. Thus, we will invest in the capital of the fellows who do the investments," the source said.

The government feels that India has missed the bus in terms of creating technology giants, both in software and electronics hardware. "For example, in software, a Google or a Facebook or a Microsoft Office has not been developed in India. Despite being such a big IT power, India has not been able to make any products. We are able to do just services," the source added. The government will create the electronic development fund to make the investments. "We are not directly funding the startups .

The segments earmarked for funds include electronics, components and software. "The idea is to create a startup culture, a product culture, and innovation," the source said. Both domestic and foreign venture capital funds will be targeted by the government to route its investments.

Dos & Don'ts of Opening Foreign  Account

A veil of secrecy is normally associated with Swiss banks, thanks to the way they have been depicted in Hollywood movies and novels. Men or women in black suits are shown as escorting the 'account holder' to his safety vault or seeking details of their 'numbered accounts'. India got a reality check of Swiss Bank operations when names of seven Indians were disclosed by the government as having 'black money' accounts in these banks. The Supreme Courthas now asked the government to disclose all names and details of 700 account holders Of the 700-odd Indians having foreign bank accounts, not all can be deemed to be operating these illegally.

Though Swiss banks also operate as regular banks, it is the associated confidentiality that has made them popular. A stringent code of secrecy is not something new for Swiss banks. These banks have been holding on to their secrets for over 300 years. The Great Council of Geneva, in 1713, established regulations that required bankers to keep registers of their clients but prohibited them from sharing the information with anyone except the client unless the City Council agreed with the need to divulge such information. In fact, in Switzerlandit is a criminal offence on the part of a banker to reveal client information.

This code of secrecy made Switzerland a safe haven for unaccounted-for funds. Earlier, no questions were asked on the source of money or other forms of wealth (Gold, Jewellery, Paintings among others) that entered Switzerland. But with terrorism, corruption and tax evasion on the rise, Swiss authorities (with some serious nudging from various countries) have now started rejecting such applications.

Important Points one should know if willing to have Such Account

1) *Who can open an account?*

Any individual over the age of 18 is allowed to open a Swiss Bank account. However, "the bank has the right to reject a politically exposed person or if the bank suspects that the money stems from an illegal activity. If the origin of money is questionable or if its origin goes against Swiss regulations, the bank can reject the account. Strict money laundering laws have made scrutiny of money origins and subsequent deposits a high priority.

2) *Can a resident Indian open a Swiss bank account?*

Under the new Liberalised Remittance Scheme, an Indian can open an account but with a ceiling for the financial year. However, for the purpose of conducting business such an account is permitted under the Foreign Exchange Management Act (FEMA). Further, there is an exception for a NRIwho later becomes a resident Indian to continue holding his international bank account for unlimited time and there is no cap on the money that can be maintained in such accounts.

3) *How does one select the right Swiss bank?*

There are nearly 400 banks in Switzerland with the top two – UBS and Credit Suisse Group --accounting for nearly half the balance sheet of all banks. Depending on one's need for secrecy and end use, an individual has a choice to select from a big bank, regional or a private bank. In case you do not want to disclose your account details easily, choose a bank which does not have a branch in your country. Bank branches have to follow the law of the country in which the branch is located and not where the head office of the bank is located.

4) *What type of accounts provides the most secrecy?*

If secrecy is the only reason for you to open an account in Switzerland, then go in for a 'numbered account'. All interaction with the account is through the account number. Very few people in the bank will know the name behind the numbered account. But such accounts are not easily provided. An individual wanting to possess a 'numbered account' has to be physically present while opening the account and personal details provided with an initial deposit of at least $100,000.

5) *Accessing your money*

Unless you want to be tracked down, do not accept a credit/debit card or a cheque facility on your account. Bank transfers, the kind which is shown in movies can also be tracked as the receiving bank normally requires details of the origin of money. The best way to operate the account is by using traveller's cheques.

6) *Closing your account*

You can close your account any time without any restrictions or cost. But before you book your flight to Switzerland, it is important that you know the colour of your money as per Indian government norms. Money used to be either white (accounted and tax duly paid) or black (tax evaded). But now government has defined a new colour - red - for the money found in Swiss accounts. Red money is one where the source is not known - it can be bribes, commissions in foreign currency, or drug or blood money. While black money is by and large only a tax evasion issue if one is able to prove the source or generation of income, red money is a completely different ball game. Needless to say, it is a serious criminal offence.

of Operating Foreign Bank Account

An Indian resident is allowed to open a foreign bank account bank if she/he has to engage in any current or capital account transaction and remit money to or from India under the Liberalised Remittance Schemefor undertaking current or capital account transactions. They can remit money from India - only up to a specified limit within a financial year - as prescribed under the (FEMA) of 1999

- At the time of opening an account, it is advisable for such persons to first approach an authorized dealer, appointed under Reserve Bank of India (RBI) guidelines.
- The account holder has to meet the know-your-customer compliance requirements of the foreign bank.
- Once the bank account is opened, credit to such an account has to be from the resident's Indian account through normal banking channels
- Under (Fema)regulations, there is no restriction on an Indian resident to get a loan from a foreign bank in which he has an account. However, the account holder is not allowed to provide any guarantee to the foreign lender bank, without prior RBI approval
- Under (Fema)regulations, there is no restriction on an Indian resident to get a loan from a foreign bank in which he has an account. However, the account holder is not allowed to provide any guarantee to the foreign lender bank, without prior RBI approval
- Any amount received in the foreign bank account, in the form of any fees or any other income for any services rendered from India, has to be brought back to the country within a specified period of time
- As an exception, a person resident in India, who was a NRI earlier, and had a foreign bank account opened then, can continue to hold and maintain it even after returning to India. FEMA provisions allow such a person resident in India to use foreign bank accounts for any purpose without any monetary limits.

- Separately, the Resident Indian should avoid utilizing the monies in the said foreign bank account opened under LRS, for investing back into India.
- The penalty for contravention of the (FEMA) provisions could be up to three times the amount involved. In case the amount cannot be quantified, the penalty imposed could be up to Rs 2 lakh. According to (FEMA) provisions, in addition to the penalty, any currency, security, money or property involved in the contravention could be confiscated.
- If funds deposited in a foreign bank result from any activity considered illegal, the act is treated as a criminal offence.

What's in Press?

Sebi bats for 'priority sector' tag for listed SME

The Securitiesand Exchange Board of India (Sebi) has proposed that bank funding to listed small and medium enterprises(SMEs) be given a priority lendingtag.

The move will give a huge fillip to the SME trading platform introduced by Sebiin 2012, to ease the financing needs of smaller companies.

According to sources, Sebi's proposal has received an in-principle approval from the Union finance ministry. However, the Reserve Bank of India (RBI) will need to agree. By RBI norms, banks compulsory have to lend 40 per cent of advances (of the previous year) to the so-called priority sector.

There are over 80 SME companies listed, with 77 listed on BSE itself.

In November, RBI had allowed incremental bank loansup to the credit limit of Rs 13 crore, (extended after November) to medium-size manufacturing enterprises (as defined in the MSME Act, 2006) to be considered as priority sectoradvances. Priority sector lendingin India to MSMEs includes direct finance to manufacturing enterprises, loans for food and agro processing, service enterprises, the khadi and village industries sector and indirect finance through loans to persons involved in such activities.

As of now, a little over 2,000 specialised bank branches are available for lending to MSMEs.

Market experts say that there is a lack of formal financing to meet SMEs long-term funding demands. "While accessing bank funding, they face a high cost of borrowing, a need for collateral and instances of delay in release of funds. Such a categorisation for listed small to mid-sized companies would aid in diversifying long-term funding instruments available to them and reduce dependency on their own capital and informal finance," said an investment banker who has worked on SME initial public equity offers.

There is an estimated need for $12.8 billion of equity funding for the SME sector, of which only $1.8 bn has been provided for so far, through domestic and global venture capital funds.

To meet the increasing capital requirements for SMEs, the capital markets regulator in 2012 had launched the SME listing platform in 2012, called the Institutional Trading Platform (ITP). It facilitates the listing of SMEs without a public offer.

As an additional measure to enhance funding for listed SMEs, the markets regulator could also reduce the disclosure requirements for banks if they agree to lock-in their investments for one to two years in listed SME companies. Currently, banks need to disclose total investments made in equity shares, convertible bonds, units of equity-oriented mutual funds and advances against shares in their balance sheets.

FILLIP TO FUNDING OF LISTED SMEs

- Sebi pitches bank funding for listed SMEs should be categorised as priority lending
- Finance ministry gives in-principle approval; final decision rests with RBI
- RBI in November 2013 allowed loans to medium enterprises as priority lending
- Banks compulsorily lend 40% of advances to priority sector
- Banks may need lower disclosures if investments are locked for 1-2 years

Source: ***Business Standard***

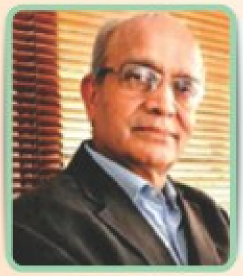
Quotes

"With SAP solutions, Rajasthan state will surely benefit and will also help in further expansion of SMEs."

Mr. K L Jain
Secretary General, Rajasthan Chamber of Commerce

"To enable medium, small and micro enterprises (MSMEs) to grow, there is a need to look at different verticals,"

Madhav Lal
MSME Secretary

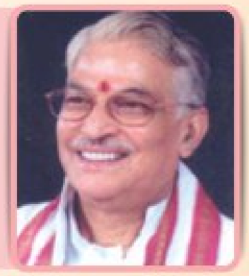


It was only because of SMEs that the car-maker existed today. "When we started, not a single component was made here. Now, 75 per cent of our inputs are brought to our vendors."

Mr. RC Bhargava
Chairman, Maruti Suzuki India

"Small and medium scale industries are doing 70 per cent production of the country. If they do not remain in good health, the country's economy won't remain in good health. But the economy is doing very little for this sector."

Mr. Murali Manohar Joshi
Senior BJP leader



MARKET WATCH

Particulars	Bothra Metals & Alloys	Tiger Logistics	RJ Biotech	RCI Industries & Technologies	B C 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*	39.81	39.50	39.39	43.71	21.76	54.44	43.82	25.48	1007.69	604.63
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)*	25.20	93.40	41.60	40.10	18.50	25.10	35.60	14.75	406.90	255.95

Particulars	Channel Nine	Max Alert	Samruddhi Realty	HPC Biosciences	SI VI Shipping	GCM Capital Advisors	Ace Tours Worldwide	Newever 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*	772.44	57.40	47.16	693.06	20.71	179.56	26..80	71.84	40.20	55.53
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)*	497.50	62.40	46.75	434.25	36.00	106.00	21.50	30.00	67.00	62.00

Particulars	Esteem Bio	Satkar Finlease	VKJ Infradevelopers	Subh Tex	Ashapura Intimates	Comfort Commotrade	Sanco Industries	Veto Switch Gear	Thejo Engineering	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	25.8	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*	625.74	75.22	98.89	22.22	292.01	10.12	13.63	109.96	35.19	72.72	38.83
B. Price Pattern		(Rs. per Share)									
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)*	419.45	39.50	55.40	20.20	150.00	11.11	15.90	66.00	205.00	60.10	115.60

** Closing prices as on 30th October, 2014*
** Source: BSE India Limited, NSE Emerge*

UPCOMING EVENTS

Name of Event	Date	Place
Monthly Networking and Business Promotion Meeting SME BUSINESS CLUB	22nd November 2014	Pune
Monthly Networking and Business Promotion Meeting SME BUSINESS CLUB	27th November 2014	Navi Mumbai
Karnataka Industry & SME Summit & Karnataka Industry & SME Excellence Awards	29th November 2014	Bangalore, Karnataka
3rd Edition Maharashtra Economic Summit & Maharashtra Industry and Business Excellence Awards	November 2014	Mumbai
Conference on PRIVATE EQUITY AND VENTURE CAPITAL - OPPORTUNITIES FOR SMES	November 2014	Mumbai
2nd Annual National Awards SME EXPORT EXCELLENCE AWARDS	November 2014	Mumbai
Quarterly Networking and Business Promotion Meeting WOMEN ENTREPRENEURS CLUB	November 2014	Pune
National level Conference BUSINESS PROFESSIONALS & SERVICE PROVIDERS SUMMIT Theme: Building Business Partnership for better growth	November 2014	Mumbai
20th Foundation Day Celebration & INDIA SME LEADERSHIP SUMMIT	November 2014	Mumbai
Annual Flagship Activity INDIA SME PARTNERSHIP SUMMIT	November 2014	Mumbai
Annual Conference ACCELERATING BUSINESS PERFORMANCE THROUGH ADVANCED TECHNOLOGY IT | ICT | INDUSTRIAL TECHNOLOGY | BUSINESS | PROCESS	November 2014	Mumbai, Bangalore, Ahmedabad, Pune
SME FINANCE AND INVESTMENT SUMMIT	6th December 2014	Mumbai
Monthly Networking and Business Promotion MeetingSME BUSINESS CLUB	5th December 2014	Hyderabad

SME Market Statistics

Sr. No.	Company	Closing#	%Returns*	52 Week Low	52 Week High
1	Ace Tours	21.15	32.19%	21.15	64.00
2	Agrimony Commodities	10.35	12.50%	8.00	15.75
3	Alacrity Securities	7.30	-51.33%	6.10	10.65
4	Amrapali Capital	25.10	-74.90%	24.10	103.00
5	Anisha Impex	12.02	20.20%	10.02	29.70
6	Anshus Clothing	3.50	-87.04%	3.50	14.60
7	Ashapura	150.00	275.00%	84.00	160.00
8	Bansal Roofing	33.50	11.67%	30.00	34.00
9	BC Power	18.50	2.78%	17.15	22.80
10	BCB finance	31.00	24.00%	25.00	31.00
11	Bhanderi Infracon	120.00	-4.00%	107.60	121.00
12	Bothra Metals	25.20	0.80%	18.00	34.20
13	Bronze Infra	14.75	-1.67%	10.20	63.50
14	Captain Polyplast	62.00	106.67%	27.49	64.00
15	Carewell Industries	7.00	-53.33%	6.70	14.40
16	Channel Nine	497.50	1890.00%	51.50	631.00
17	Chemtech	37.40	149.33%	13.50	37.40
18	Comfort Commotrade	11.11	11.10%	10.10	35.00
19	Dhanuka Commercial	5.45	-45.50%	4.71	9.95
20	Eco Frendly	406.90	1527.60%	40.14	446.00
21	eDynamics	25.10	151.00%	25.10	221.55
22	Esteem Bio	419.45	1577.80%	80.85	645.00
23	GCM Capital Advisors	106.00	430.00%	33.55	140.4
24	GCM Comm	15.00	-25.00%	7.55	19.45
25	GCM Securities	86.50	332.50%	20.56	87.00
26	HPC Biosciences	434.25	1140.71%	110.25	652.00
27	India Finsec	9.50	-5.00%	9.05	15.35
28	Jointeca Education	21.00	40.00%	10.95	21.50
29	Jupiter Infomedia	4.27	-78.65%	4.27	4.27
30	Karnimata Cold Storage	21.30	6.50%	20.25	30.00
31	Kavita Fabrics	9.75	-75.63%	9.75	14.82
32	Kushal Tradelink	31.55	-9.86%	18.60	53.25
33	Lakhotia Polyesters	11.00	-68.57%	11.00	14.57
34	Looks Health	67.00	67.50%	58.90	437.00
35	Max Alert	62.40	212.00%	62.40	198.50
36	Money Masters	10.78	-28.13%	7.33	16.20
37	Newever Trade	30.00	200.00%	12.20	50.80
38	Oasis Tradelink	35.00	16.67%	27.85	35.90
39	Oceanaa Biotek	11.90	19.00%	9.30	12.00
40	Onesource Techmedia	6.70	-52.14%	4.75	8.70
41	Polymac Thermoformers	153.55	338.71%	34.75	210.00
42	R&B Denims	11.00	10.00%	10.25	15.43
43	RCI Industries	40.10	0.25%	22.55	48.45
44	RCL Retail	35.60	256.00%	13.50	49.85
45	RJ Biotech	41.60	108.00%	28.00	45.00
46	Samruddhi Realty	46.75	289.58%	25.41	50.00
47	Sangam Advisors	10.65	-51.59%	10.30	14.33
48	Satkar Finlease	39.50	119.44%	31.15	154.35
49	Shri Krishna Prasadam	23.25	132.50%	11.90	25.75
50	SI VI Shipping	36.00	44.00%	26.10	43.35
51	Silverpoint Infra	7.75	-48.33%	5.70	11.25
52	SPS Finquest	79.00	5.33%	71.00	84.95
53	SRG Housing	72.75	263.75%	16.60	78.54
54	SRG Securities Finance	26.00	30.00%	18.25	31.00
55	Stellar Capital	6.70	-66.50%	6.65	21.10
56	Subhtex	20.20	102.00%	12.00	29.10
57	Sunstar Realty	255.95	1179.75%	51.20	256.00
58	Suyog Telematics	29.50	18.00%	24.50	31.50
59	Tarini International	29.50	-28.05%	23.00	42.00
60	Tentiwal Wires	12.75	-1.92%	7.00	15.00
61	Tiger Logistics	93.40	41.52%	60.00	94.00
62	Unishire Urban Infra	8.13	-18.70%	6.70	21.90
63	VCU Data	46.50	86.00%	23.10	54.50
64	Vishal Fabrics	52.00	15.56%	44.05	55.60
65	VKJ Infradevelopers	55.40	269.33%	25.55	220.00
66	Women's Next	65.00	0.00%	81.00	64.60
67	ADCC Infocad Ltd	55.20	38.00%	43.50	55.30
68	Aryaman Capital Markets	12.30	2.50%	12.05	12.60
69	Alishay Infotech Ltd	22.50	40.63%	17.00	22.75
70	Dhabriya Polywood Ltd	22.70	51.33%	16.05	22.70
71	Encash Entertainment	71.15	77.88%	40.00	71.15
72	Samruddhi Realty	46.75	289.58%	25.41	50.00
73	Ultracab India Ltd	40.95	13.75%	37.20	40.95

*Absolute returns since IPO. # Closing prices as on 30th October, 2014
*Source: BSE India Limited, NSE Emerge

	Closing#	% Returns YTD
BSE IPO	900.89	553.86%
TSE MOTHERS	872.92	110.32%
CHINEXT PRICE INDEX	1,525.77	116.32%
FTSE AIM All Share Index	713.79	-0.31%
TSX Venture Composite	781.07	-37.00%
Hong Kong GEM Index	528.19	38.45%

Notes

Sarthi Capital Advisors Pvt Ltd was awarded one of the Top 4 Performers in SME IPO Category in terms of filing by BSE.

Mr. S. Ramadorai, Chairman BSE & Vice Chairman TCS & Mr. Ashish Chauhan, MD BSE with Sarthi Team

M.R. Organisation Ltd (MRO) got listed on the ITP Platform of NSE Emerge on 9th October 2014

M.R. Organisation being felicitated by Mr. Ravi Varanasi, Chief – Business Development, NSE

(L-R) Mr. Rakesh Kamdar, Director, MRO, Mr. Deepak Sharma, Mr. Ravi Varanasi & Mr. Mayur Kamdar, MD & Promoter, MRO, during their listing ceremony

B.C. Power Controls Ltd, whose IPO was lead managed by **Sarthi Capital** was awarded as BSE's Top 3 Performers on SME Platform 2013-14.

Mr. Deepak Sharma accepting the award on behalf of B.C. Power from Mr. S. Ramadorai

S A R T H I
Bridging the Gap

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SEBI Registration No. :INM000012011

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