

S-CAP

SME CAPITAL MARKET WATCH

Edition - January - 2015

VALUATION OF INTELLECTUAL PROPERTY

DELISTING



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

SARTHI



PREFACE



India has become one of the most attractive destinations for investment owing to favourable government policies and reforms in the past couple of months. Growth in India is expected to rise to 5.6 per cent in 2014 and pick up further to 6.4 per cent in 2015 as both exports and investment will increase, according to the World Economic Outlook (WEO) report released by International Monetary Fund (IMF).

Indian markets grew by 19 per cent in the first half of FY15, the best performance by any market during this period, India has contributed 10.25 per cent of the overall 3.9 per cent rise in the global market capitalisation (market cap) this year, which has made it the second-highest contributor in the world.

Venture Capital (VC) investments in India have already breached the billion dollar mark this year. There were 189 early-stage deals in the first nine months of 2014 worth US\$ 1.09 billion.

The SME segment has lately come into the limelight, with increased focus from several institutions, corporate bodies and banks, and is viewed as agents of growth. Apart from the policy focus and government's thrust towards promoting the SME segment, globalisation and India's robust economic growth has opened several latent business opportunities for SME segment.

We at Sarthi, are committed for the betterment of the SME segment and have launched a book called "Doing Business in India" during the prestigious "Vibrant Gujarat Global Summit 2015". The book is a useful tool for new foreign and domestic SME entrepreneurs to understand the legal, structures and opportunities for SMEs in India.

In this issue of S-cap, we have covered newly proposed definition by SEBI for promoters and promoter group, articles on Demutualisation of exchanges, Valuation of Intellectual Property and recent notified guidelines for cost audit.

Regards,

Deepak Sharma
Group Managing Director

A FACILITATIVE PLATFORM FOR CREATING A VIBRANT ENTREPRENEURIAL ECO SYSTEM IN INDIA

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- Provides Incubation Services to entrepreneurs
- Our endeavor is to create a conducive environment for Entrepreneurs & provide value investment opportunities to Angels

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Sarthi Angels Venture Foundation is an initiative of Sarthi Group. Sarthi aims to be a major catalyst and driver in creating a vibrant and robust entrepreneurial eco system in India through its various initiatives in Investment Banking, Merchant Banking, Advisory Services and now Angel Funding Network. It is at Sarthi Angels we committed to bridge the gap between entrepreneurs and angels thereby creating value for both.

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- Latest happenings in SME world
- An in-depth research on listed SMEs & prospective IPOs.

& many more...



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DELISTING

"Delisting" is totally the reverse of listing. The removal of a listed security from the stock exchange on which it trades. As a consequence of delisting, the securities of that company would no longer be traded at that stock exchange and no official on-exchange price building is being tracked. "Delisting" i.e. the said removal from a Stock Exchange, occurs in one of the following two ways:



Compulsory or Forced Delisting

It occurs when a company is forced to delist itself from an exchange because it fails to meet the listing requirements mandated by the exchange. Listing requirements can be very complex and different types of issuers and securities may have different rules, but generally the guidelines include filing financial statements in a timely manner, a share price above a certain price, a minimum number of shareholders, a minimum market



capitalization, or certain revenue, profit, cash flow and trading activity requirements. Compulsory delisting of the stock from the exchange is arguably the worst outcome for shareholders. It is usually brought on by default, suspension of banking transactions, complete write-down of equity, refusal of audit opinion among others etc.

Voluntary Delisting

It occurs when a company voluntarily buys all the outstanding stocks in the exchange. This is done for many reasons. The primary reason could be the company wants complete control over its operations and doesn't want others to get significant say in their internal affairs (the founders want to run it as a family business with their heirs taking lead roles. Usually, these are the types of delisting that investors should carefully watch. The Company either for cost benefit, or to comply with any of the rules and regulations etc. may seek delisting from any of the exchange.

Causes of Delisting:

In case of compulsory delisting, the major causes may be:

- Non-payment of listing fees
- Non-compliance with listing requirements and provisions of listing agreement
- Absence of trading or negligible trading
- Non-redressal of investor's complaints despite repeated reminders



- Unfair trading practices at the behest of the promoters/ management
- Other malpractices such as fake, original or duplicate share certificates deliberately issued by the management
- Whereabouts of the company/ or its promoters/ directors not known
- Reduction in the number of public holders of securities

In case of voluntary delisting, the major causes may be:

- A listed company finds the listing fees payable to the stock exchange burdensome and disproportionate to the benefits accruing to the company and/or its security holders.
- The number of public shareholders of the listed securities is reduced to so low a level that it does not justify the securities to continue to be listed
- Regional imbalance of the holders of the securities either due to shifting of the companies registered office and/or location of manufacturing unit, or for any other reason
- Negligible trading or total absence of trading for a considerable long period of time
- The company has either suspended its business or is under closure or has become sick industrial company
- Small capital base or failure to comply with the requirement of increasing the capital, not justifying listing to be continued.



The Board of the company shall approve the proposal for delisting only after satisfying itself that delisting is in the interest of shareholders and that the company is in compliance with applicable securities

laws. Under the Delisting Regulations, earlier the responsibility of appointing merchant banker was on the promoters, however, now Board of Directors of the company will be required to appoint merchant banker.

Promoter/ promoter group are prohibited from making a delisting offer if any promoter/ promoter group entity has sold shares during 6 months prior to the date of the Board of Directors meeting approving the delisting proposal. And if any promoter entity has done so, then it will be barred from the delisting process and will be prohibited from selling shares on market and off market till the end of the delisting process.

Companies may decide to deregister for a variety of reasons that can be either good or bad for shareholders. There is variety of reasons for delisting from the stock market like serious

violation of the exchange rule(s) or an inability to meet financial commitments when they fall due, the company becomes a private company, the trading volume on the exchange it wishes to delist are not sufficient to justify the listing fees, the company declares a bankruptcy etc.

Company shares may be trading below intrinsic value, compelling the company to acquire its own shares as a strategic move. This typically results in shareholders being rewarded with substantial returns over the short term.

The lack of required liquidity makes the shares of a company unattractive, enough to turn the odds of benefiting of the advantages arising from listed company statute to minimal. In default of access to funding, of a positive image, notoriety in the economic landscape, the costs of trading stocks on the market can be unsustainable and thus companies can choose to deregister them instead.

On the other hand, there is another set of Companies, which are defunct or are not being traded or fall under the infrequently traded category at any of the Exchanges. These Companies, by getting delisted, pay off their shareholders on the basis of certain criterion like return on net worth, EPS etc., which may be much lesser than the intrinsic value of the share. In such cases from the shareholders' point of view, although might be receiving a lesser value than the actual worth, but he stands to benefit in the sense that his blocked funds get released, which now he can utilize in other scrips. Also, he is relieved of the tension of carrying the dead stock on his head.

There is yet another set of companies that came out with Public Issues, utilized the shareholders' funds, stopped making compliances with the Exchanges, the Exchanges suspended them, and as per the Guidelines, finally compulsorily delisted them. In fact, there is a long list of such companies which have been delisted by the Stock Exchanges. From the shareholders' point of view, this is the gravest situation. Here, the shareholders of the Companies are left in a lurch, without getting any money back for their investments in such companies. But from the Regulators (the Exchanges, SEBI etc.) point of view, such delisting are important because this cleans up the system and relieves them of the dead woodstock.

Delisting may make sense for companies, but how can the average investor take advantage of the situation? Well, the best opportunities are found in companies that voluntarily delist to go private and cash out their shareholders. Typically, this is



because management is confident that the company is undervalued or could save substantial money by operating as a private enterprise. These efforts to cash out shareholders can often yield substantial returns to investors willing to do a little homework.

In the end, delisting can provide profitable investment opportunities or lose major money for shareholders. Everything depends on the motivations behind the privatization, the size of the company and terms of the offer. Investors willing to invest the time and effort to find and research opportunities may uncover some gems for their portfolios that can perform extremely well in the short term. The delisting provisions have come to strengthen the interest of public shareholders, while simultaneously facilitating the promoters' objective to have greater control and flexibility of operations.

At a first glance, delisting seems to bring a round of disadvantages for the equity market, especially if the first effect is the reduction of number of active issuers. The main disadvantage is that the company could no longer get the financing through stocks market which is a fast and cheap solution.

More often than not, when a company gets delisted, it's a result of bad things, not good ones. Companies can be (and frequently are) delisted for failing to maintain the requirements set forth by their exchange. Some of these

requirements are based on a company's ability to meet filing deadlines, while others relate to the company's performance in the stock market.

Getting delisted from a stock exchange isn't a bad thing when the company delists by choice. Corporate restructuring can be another positive reason for delisting. Companies often change names as the result of a merger or acquisition, and sometimes companies choose to move to another major exchange. In either of these cases, delisting wouldn't be a reason for alarm.

Being delisted does not necessarily mean the company is going bankrupt or that stockholders will lose their investment. Many companies that are delisted survive and can even be profitable. The biggest disadvantage is getting delisted makes it more difficult for the company to raise money for operations and investment. For example, when a company is delisted, it may trigger creditors to withdraw lines of credit, and it may cause ratings agencies to downgrade the company's credit score making it more expensive to borrow.

On a comparison of all the above situations, we will realize all the situations have their pros and cons. If a situation is beneficial for one, the other stands to lose. In certain situations, delisting becomes imperative to relieve the system of the unwanted trash companies. Thus, a judicious mix of listing and delisting has to be there in the system, to make it run smoothly.

- Shubhra Agrawal

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Equity	36 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	48 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	60 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	72 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	84 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	96 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	108 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	120 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	132 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	144 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	156 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	168 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	180 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	192 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	204 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	216 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	228 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	240 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	252 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	264 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	276 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	288 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	300 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	312 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	324 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	336 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
Equity	348 Months	₹5,000	Monthly	Systematic Investment Plan (SIP)
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Mutual Fund investments are subject to market risks, read all scheme related documents carefully

DEMUTUALISATION

INTRODUCTION

Demutualisation is the process through which any member-owned organisation becomes a shareholder-owned company. This company could either be listed on a stock exchange or closely held by its shareholders. Originally, the term applied specifically to insurance companies converting into shareholder-owned entities from being mutually owned by policyholders.

Demutualisation involves the segregation of members' right into distinct segments, viz. ownership rights and trading rights. It changes the relationship between members and the stock exchange. Members while retaining their trading rights acquire ownership rights in the stock exchange, which have a market value, and they also acquire the benefits of limited liability. The shareholders in a corporatised stock exchange may be a diverse group, as members may decide to retain their shares or to sell them. Demutualisation however, does not insulate them from competition. A stock exchange whose management does not effectively work to maintain its position in the market may soon become a take-over target.

Demutualisation in a stock exchange means a stock exchange becomes a corporate entity with its own objectives. Moreover, it transforms from a non-profit organization, it becomes a profit-making company like any other corporate entity.

A stock exchange can demutualise in many ways. One common way is to split the membership into two parts – trading rights and ownership – in a desired ratio. The ownership right is then further split into a number of shares the total value of which would be equal to net assets of the exchange at book value. The shares would then be distributed to the members of the exchange and could even be listed on that exchange without making a public offer. This means that while retaining his trading rights, a broker would be able to sell his ownership rights through sale of his shares. This is how demutualisation leads to separation of ownership and trading rights.

The most obvious benefit of demutualisation is that it leads to the separation of the ownership and control of stock exchanges from trading rights of its members, which eliminates the conflict of interest between exchange and broker members. This reduces the chances of brokers using stock exchanges for personal gains.

For the stock exchanges, demutualisation means access to more resources, which has become very important of late given that they have to invest massively in technology to offer contemporary trading platforms. Also, with globalisation the need for entering into a strategic alliance with other exchanges

or acquiring other exchanges for growth or even survival has become important.

A corporatised structure is best suited for this as it facilitates faster decision making and easy access to finance. From the regulatory perspective too, demutualisation is beneficial as it makes the operations of the stock exchange more transparent. For the members too, demutualisation makes sense as it makes their asset (ownership in the exchange) liquid, which the member can easily sell. If not, since on demutualisation a stock exchange becomes a profit-making entity, members get a share of the profits made by the exchange through dividends. Meanwhile, their trading rights remain intact.

DEMUTUALISATION OF INDIAN STOCK EXCHANGES:



Most of the Indian stock exchanges, for that matter world over were non-profit and mutual or co-operative organisations. In simple terms, the brokers who trade on them collectively were owners and used to run them, since

the objective of a stock exchange and those of the brokers trading on them are different, the vesting of ownership and managerial rights with the brokers can often lead to a conflict of interests and in most cases, it is the interest of brokers that is preserved over the interest of wider investing public. In fact, in recent times a number of instances of this have been unearthed at the Indian stock exchanges. Demutualisation is increasingly being suggested as a measure to check this as it leads to the separation of the ownership and trading rights of the brokers.

There are a total of 23 Sebi-registered stock exchange in India, including BSE and NSE, MCX -SX among leading players. According to a



Sebi committee report on future of REs, NSE and BSE, they collectively account for almost 100% of the total turnover. There is no trading on any other stock exchanges except CSE and the Uttar Pradesh Stock Exchange (UPSE) where the business has also declined drastically post-FY01.

A few years ago, corporatisation and demutualisation was allowed in the RSEs. It was hoped that new investors will come in with exciting business plans and new technology to revive and develop them. However, not much has happened in the last 5-6 years. Only private investors have shown an interest in most of these exchanges and corporate participation has been restricted to the BSE. The chief reason for this being the government's decision to cap individual shareholding at 5 per cent. A foreign exchange can only invest 5 per cent. No exchange will come for minority holding and give away their technology."

When the such scheme of demutualization received a meek response from investors, SEBI through amendment to Securities Contract (Regulation) Act provided for compulsory demutualization of Regional Stock Exchanges.

After such step taken by SEBI, Almost all the Regional Stock Exchanges have been demutualised. But the demutualization has not yielded the desired results

Therefore the SEBI vide its circular dated May 30, 2012 had directed all exchanges that do not possess a trading platform with an annual turnover of at least Rs 1000 crore and a net worth of Rs 100 crore, and that do not have a tie-up with a clearing corporation, to exit. In case the RSE failed to meet the required deadline, the Regional Stock Exchange will be de-recognised as Stock exchange.

Further Hyderabad Stock Exchange, Saurashtra -Kutch Stock Exchange exited voluntarily from the business of stock exchange in the year 2013-14. The SEBI vide its order withdrew the recognition granted to Delhi Stock Exchange.

As per the media reports around 17 other regional stock exchanges had applied for voluntary de-recognition.

SEBI CIRCULAR DATED MAY 30, 2012 - Is it a final nail in the coffin for RSE?

There will always be an argument as to whether demutualization of other Regional Stock Exchanges along with SEBI Circulars dated May 30, 2012 were direction in the right step.

SEBI should have taken the following steps in order to augment its decision of demutualization of RSE's.

- 1) Post de-mutualisation, the SEBI could have consolidated or merge all the exchange regionwise and thus attracted investors by providing the country and its people one or more recognized exchanges thereby creating the competition for BSE & NSE.
- 2) The SEBI could have tweaked rules w.r.t to minimum % of

shareholding in stock exchanges, thereby allowing foreign exchanges to invest in the regional stock exchanges and also investing exchanges could have brought their indigenous technology at the disposal of such RSE, thereby creating a competition in the stock exchange business.

- 3) RSE should have been permitted to use the trading platform of other recognized exchanges thereby allowing facility for order/trade matching of securities amongst the RSEs and then if no match was found the same could have been moved to National Exchanges.
- 4) RSE's could have played more role in investor education, thereby educating and tapping the small local investors in the region and thus inducing them to invest their surplus money in the stock market.
- 5) SEBI could have facilitated RSE to convert themselves into SME Exchange thereby permitting the SME companies in the region to list on those SME Exchanges.

Fallout of SEBI Circular dated May 30, 2012



According to media reports there are about 700 firms listed on RSEs which have disappeared without trace of their existence at their registered office. The exchanges, too, have received no correspondence from these companies for a long time. According to investor association conservative estimates, the market capitalisation of the 4,644 companies exclusively listed at regional stock exchanges would be above Rs 2,00,000 crore, such huge sum of market capitalization would be wiped out.

RSE have a huge potential, if they are allowed to operate as SME exchange where they can cater to local SMEs in need of funds and those who cannot afford to listing on big exchanges

- Umashankar H

SEBI ISSUES NORMS FOR RECLASSIFYING PROMOTERS AS PUBLIC SHAREHOLDERS



The Securities and Exchange Board of India (SEBI) released a discussion paper on December 30, 2014 proposing new policy framework with respect to 're-classification of promoters as public shareholders'. At present, the regulatory framework does not prescribe any specific criteria for such re-classification, which SEBI believed is required to lend objectivity to the process of reclassification of promoters of listed companies as public shareholders under various circumstances.

This issue first attracted the attention of SEBI wherein it disallowed the proposal of Gillette India which involved termination of the existing shareholder agreement, so that the promoters could be termed as public shareholders to meet the minimum public shareholding norms.

Further, while implementing the mandatory requirement of minimum 25% public holding in private listed companies in terms of Rule 19A of Securities Contracts (Regulation) Rules, 1957, it was observed that some companies attempted to comply with the minimum public shareholding norm by reclassifying a part of the promoter group entities as public.

The discussion paper has been prepared after detailed deliberations by SEBI's Primary Market Advisory Committee detailing the various scenarios and conditions under which a promoter/promoter group entity can be re-classified as a public shareholder.

Some of the scenarios where such reclassification has already been sought by promoters include cases of split in a promoter family, a main promoter selling majority stake to another investor, marriage between members of rival business families and a promoter group wanting to exit from day-to-day operations of a listed company.

Adopting a key non-legislative recommendation of the Financial Sector Legislative Reforms Commission (FSLRC) panel for overhaul of financial sector regulatory framework, SEBI is now undertaking a public consultation process before finalizing all key policies.

The discussion paper, finalised by SEBI's Primary Markets Advisory Committee, has sought public comments till January 16.

Once this policy is finalized in this regard, it will lead to necessary amendments to SEBI (ICDR) Regulations, 2009, SEBI (SAST) Regulations, 2011 and the Equity Listing Agreement (or the proposed Listing Regulations). Thus, these norms may have a significant impact on the way some merger and acquisition deals are structured, as also in cases involving corporate restructuring that take place due to disputes among members of business families or after settlements between rival corporate.

Current Scenario:

Presently, Regulations 2(1)(za) and (zb) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as 'ICDR Regulations') defines promoter and promoter group as under:

(za) "promoter" includes:

- i. the person or persons who are in control of the issuer;
- ii. the person or persons who are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public;
- iii. the person or persons named in the offer document as promoters;

Provided that a director or officer of the issuer or a person, if acting as such merely in his professional capacity, shall not be deemed as a promoter:

Provided further that a financial institution, scheduled bank, foreign institutional investor and mutual fund shall not be deemed to be a promoter merely by virtue of the fact that ten per cent or more of the equity share capital of the issuer is held by such person;

Provided further that such financial institution, scheduled bank and foreign institutional investor shall be treated as

promoter for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them;

(zb) "promoter group" includes:

- i. the promoter;
- ii. an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and
- iii. in case promoter is a body corporate:
 - a. a subsidiary or holding company of such body corporate;
 - b. any body corporate in which the promoter holds ten per cent. or more of the equity share capital or which holds ten per cent. or more of the equity share capital of the promoter;
 - c. any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent. or more of the equity share capital in that body corporate also holds twenty per cent. or more of the equity share capital of the issuer; and
- iv. in case the promoter is an individual:
 - a. any body corporate in which ten per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of his immediate relatives is a member;
 - b. any body corporate in which a body corporate as provided in (A) above holds ten per cent. or more, of the equity share capital;
 - c. any Hindu Undivided Family or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than ten per cent. of the total; and
 - v. all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group":

Provided that a financial institution, scheduled bank, foreign institutional investor and mutual fund shall not be deemed to be promoter group merely by virtue of the fact that ten per cent. or more of the equity share capital of the issuer is held by such person:

Provided further that such financial institution, scheduled bank and foreign institutional investor shall be treated as promoter group for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them"

Further, Regulation 2(1)(s) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as "SAST Regulations") defines promoter as under:

"Promoter" has the same meaning as in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and includes a member of the promoter group."

Thus, under the SAST Regulations, promoters are defined in reference to ICDR Regulations. As per ICDR Regulations, promoter also includes person/s named in the offer document as promoters. This may lead to a scenario of "once a promoter, always a promoter".

Proposed Norms:

SEBI has proposed new rules on classification of promoters in order to plug several loopholes in the existing regulatory framework i.e reclassification would be permitted in three scenarios and for each of that, specific conditions would need to be met.

As per the SEBI's draft paper, an entity belonging to promoter or promoter group of listed companies may re-classify its shareholding to public category under three scenarios viz.

1. Open Offer under the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 or on account of the exemption granted under the said regulations;
2. Separation Agreement and
3. Promoter along with the entire promoter group shareholding, taken together, holds less than 5 per cent in a company (including any convertibles/ outstanding warrants/ ADR/ GDR Holding).

However, these re-classifications is subject to certain restrictions.

Common Conditions for all the three scenarios:

1. Post reclassification, no shareholding agreement will exist and all past agreements between (i) the outgoing and the continuing promoter and (ii) outgoing entities and the company, shall become null and void. The outgoing entities will only be entitled to rights similar to other public shareholder, said the discussion paper.
2. The outgoing entities cannot hold any key management personnel (KMP) position in the company and the other group or associate firms.
3. The outgoing entities/ company have not been debarred from accessing the capital market and have no control over the affairs of the company or any of the group / associate companies.
4. If the outgoing entities want to classify themselves as promoters again in future, they will be required to make an open offer to the public and will not be eligible for an exemption from the obligation.

Additional Conditions in case of 'Separation Agreement' and promoter group shareholding less than 5 per cent in a company

The said agreement shall be duly registered under the Registration Act, 1908 or the material terms of the separation agreement should be disclosed to the stock exchange

1. The promoter entity or the company will be first required to intimate the stock exchanges about the reclassification and its reasons, shareholding of the said promoter group, copy of agreements and other relevant documents.

2. In such cases the reclassification will be allowed only after one year from the date of intimation.

3. However, they will not be considered to be part of public shareholders for another three years for the purpose of compliance with minimum public shareholding requirements.

Additional Conditions in case of promoter group shareholding less than 5 per cent in a company

1. Outgoing promoter should have been disclosed as promoter since at least 3 FYs prior to the year in which the reclassification is desired.

2. Outgoing Promoter should not form part of Promoter Group wrt to the continuing promoter

All the listed companies shall separately disclose under various

heads as defined under the SEBI (ICDR) Regulations, 2009 to the Stock Exchanges and any changes shall be made only if Stock Exchanges are satisfied of such change.

The stringency of these requirements can be understood, given the potential for misuse in a situation where promoters/promoter groups may use the aforesaid regulations to reclassify certain members of their promoter group as public shareholders under the Act.

The larger idea of control as viewed by Sebi also seems to be moving away from rights tied solely to the holding of equity. It has also emphasized on the shareholder having significant veto rights apart from just equity stake in the Company. The regulators efforts are commendable and, provide a clear road for the transition. What will be interesting to see is the view the regulator will take where all conditions may not be satisfied and, discretion may be required for dispensation of the requirements.

- Nikita Chirania

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Cost Audit – Recent Amendments

Cost audit is the independent audit of cost records maintained by companies. The concept of cost audit was introduced in 1965 when Companies Act, 1956 was amended to incorporate the provisions relating to the maintenance of cost accounting records and cost audit.

The scope of Cost Audit was enlarged in the year 2011 when the Ministry of Corporate Affairs (MCA) introduced the following new rules and accordingly new reporting format was introduced in order to address the industry concern of confidentiality:

- 1) Companies (Cost Accounting Records) Rules, 2011;
- 2) Companies (Cost Audit Report) Rules, 2011;
- 3) Cost Accounting Records (Telecommunication Industry) Rules, 2011;
- 4) Cost Accounting Records (Petroleum Industry) Rules, 2011;
- 5) Cost Accounting Records (Electricity Industry) Rules, 2011;
- 6) Cost Accounting Records (Sugar Industry) Rules, 2011;
- 7) Cost Accounting Records (Fertilizer Industry) Rules, 2011 and
- 8) Cost Accounting Records (Pharmaceutical Industry) Rules, 2011

With the introduction of the Companies Act, 2013 it was expected that rules pertaining to Cost Audit would be more

streamlined and consolidated. The MCA vide its circular dated June 30, 2014 introduced new rules in the form of the Companies (Cost Record and Audit), 2014 which encompassed all the earlier Rules and Circular on the Cost Audit.

The Companies (Cost Record and Audit) Rules, 2014 introduced on June 30, 2014 mandated the maintenance of cost records in companies engaged in the production of specified goods in strategic sectors, companies engaged in an industry regulated by a sectoral regulator or a ministry or department of central government, companies operating in specified areas of public interest and companies engaged in the production, import and supply or trading of specified medical devices. The Rules also provide for a threshold in terms of net worth or turnover of companies, thus, restricting its applicability to large companies.

On December 31, 2014, MCA vide its circular amended the (Cost Record & Audit) Rules, 2014. The new amended rules has widened the scope of Cost Auditing by including the companies involved in the manufacturing of tea, coffee and milk powder within the scope of Cost Audit, in case they meet the threshold prescribed in the rules.

The following amendments were made by Companies (cost records and audit) Amendment Rules, 2014 in Companies (cost records and audit) Rules, 2014 which shall be effective from the date of publication i.e. 31st December, 2014:

Sr. No.	Particulars		
1.	<p>Rule 3 – Maintenance of Cost Records as Companies (cost records and audit) Rules, 2014 has been substituted as:</p> <p>Cost records are to be maintained by the Class of Companies including foreign companies engaged in products and services engaged in Table A (Regulated Sector) and Table B(Non regulated Sector) where the overall turnover from all its product and services in the preceding Financial Year is Rupees 35 Crore or more.</p> <p>Exception to maintenance of Cost Records:</p> <ol style="list-style-type: none"> a. Foreign Companies engaged in Point 33 of Table B having Liaison Office in India b. Micro enterprise or Small Enterprise including turnover criteria as per the Micro, Small and Medium Enterprises Development Act, 2006 		
	<p>Rule 4 - Applicability of Cost Audit and Cost Records as Companies (cost records and audit) Rules, 2014 has been substituted as:</p> <table border="1" data-bbox="184 1139 970 1310"> <tr> <td data-bbox="184 1139 523 1310"> <p>For Industry/ Sector/product/ services engaged in Activities mentioned in Table (A)- Regulated Sectors Rules, 2014 has been substituted as:</p> </td> <td data-bbox="523 1139 970 1310"> <p>Cost Audit -</p> <p>i) Overall Annual Turnover of the Company from all its product and Services in Preceding Financial Year is Rupees 50 Crores or more &</p> <p>ii) Aggregate turnover of the individual product or service for which cost records are required to be maintained is Rs.25Cr or more</p> </td> </tr> </table>	<p>For Industry/ Sector/product/ services engaged in Activities mentioned in Table (A)- Regulated Sectors Rules, 2014 has been substituted as:</p>	<p>Cost Audit -</p> <p>i) Overall Annual Turnover of the Company from all its product and Services in Preceding Financial Year is Rupees 50 Crores or more &</p> <p>ii) Aggregate turnover of the individual product or service for which cost records are required to be maintained is Rs.25Cr or more</p>
<p>For Industry/ Sector/product/ services engaged in Activities mentioned in Table (A)- Regulated Sectors Rules, 2014 has been substituted as:</p>	<p>Cost Audit -</p> <p>i) Overall Annual Turnover of the Company from all its product and Services in Preceding Financial Year is Rupees 50 Crores or more &</p> <p>ii) Aggregate turnover of the individual product or service for which cost records are required to be maintained is Rs.25Cr or more</p>		

2.		<p style="text-align: center;">&</p> <p>Cost Records - Aggregate turnover of individual product or services is Rupees 25 Crores or more</p>
	For Industry/ Sector/product/ services engaged in Activities mentioned in Table (B)- Non-Regulated Sectors	<p>Cost Audit -</p> <p>i) Overall Annual Turnover of the Company from all its product and Services in Preceding Financial Year is Rupees 100 Crores or more &</p> <p>ii) Aggregate turnover of the individual product or service for which cost records are required to be maintained is of Rs.35Cr or more</p> <p style="text-align: center;">AND</p> <p>Cost Records - Aggregate turnover of individual product or services is Rupees 35 Crores or more/dividual product or services is Rupees 25 Crores or more</p>
	For Industry/ Sector/product/ services engaged in Activities mentioned in Table (B)- Non-Regulated Sectors Item No. 12, 24 to 32	Company shall maintain cost records in form CRA-1 in respect of each of its financial year commencing on or after the 1st day of April, 2015.
3.	Casual Vacancy caused by death/ resignation/ removal of Cost Auditor shall be appointed by Board of Directors within 30 days of such occurrence	Intimate Central Government in Form CRA-1 with 30 days of such appointment
4.	<p>Rule 7: Cost Audit not apply to companies covered in Rule 3:</p> <p>(i) revenue from exports, in foreign exchange, exceeds seventy five per cent of its total revenue or</p> <p>(ii) which is operating from a special economic zone.</p>	OMITTED
5.	Form CRA - 1 (Form in which Cost Records shall be maintained)	Substituted
6.	Form CRA - 3 (Cost Audit Report)	Substituted

With the notification Companies (Cost Record & Audit) Amendment Rules, 2014, it can be ascertained that the following issues have been streamlined:

- 1) Reclassification of Broad Categories
- 2) Threshold of Cost Audit has been lowered.
- 3) Several new businesses brought under the ambit of cost records and audit.
- 4) Uniform threshold limits for maintaining Cost Records.
- 5) Procedure for appointment of Cost Auditor in Casual Vacancy.
- 6) Replacement of Forms of Cost Records & Reporting.
- 7) Deferred date of implementation for new business line

- Umashankar H



INTEREST RATES AND MONETARY POLICY TRANSMISSION - TIME FOR CHANGE

In a move that came as a mild surprise to many, the Reserve Bank of India (RBI) reduced its policy interest rate, the daily repo rate by 0.25% (from 8% to 7.75%) on January 15, 2015.

Raghuram Rajan, the RBI governor, in his statement after the last monetary policy statement in December 2014, had reserved the option of revising interest rates at any time and not necessary on the scheduled policy date. To that extent his action was not totally unexpected. However, with the next policy statement due very soon on February 3, 2015, some analysts had expected him to wait for the formal policy statement to make his move on interest rates.

The "rate cut" comes amidst a backdrop of falling headline inflation and a sharp fall in global crude oil prices. Both, wholesale price index based inflation and consumer price index based inflation have been falling sharply. Consumer price inflation for January 2015 is likely to be well below 6%, RBI's target for inflation next year i.e. January 2016. RBI's target for consumer inflation in January 2015 had been 8%. Given the trend in inflation we may see a revision in these target inflation rates very soon. RBI may advance its time table to achieve its medium term goal of achieving a 4% inflation rate on an average.

This rate cut by RBI is likely to be the first of many as we move forward into 2015. The Governor has already expressed his bias towards maintaining a "directional" interest rate policy over the medium term. We can therefore expect this to be the first of

many cuts as we move forward into 2015. If the Governor was really serious in his intent of reducing interest rates in the economy, we could expect a further 0.25% reduction in policy interest rates on February 3, 2015 - the scheduled date for the formal policy statement.

While policy rates have been reduced (and are likely to be reduced even further), it is unlikely to trigger a sharp fall in interest rates in the economy immediately. We may have to wait some more time to bear the fruits of the reduced rate regime.

The last quarter of the financial year is likely to witness an upsurge in economic activity and attempts by banks to shore up their balance sheets (and income statements). Further, sluggish revenues are placing a strain on the government finances and it is struggling to meet its fiscal deficit target. It is likely that we shall see slippage in the actual fiscal deficit (relative to the target of 4.1% of GDP). This may also prompt a revision of the deficit target for the next financial year. Such a move may impact market sentiment and could also delay further rate reductions from RBI.

These may therefore ensure that benefits of interest rate reduction may take some time to fructify. Personally, I estimate that the transmission of the benefits of the current reduction in policy rates would take place only after the end of the financial year in March 2015.

Interest rate transmission and base rates

Talking of interest rate transmissions, the RBI has also revamped the base rate regime of banks. Specifically

- It has allowed banks to calculate their base rates either on average cost of funds or on marginal cost of funds or any other method as long as the method is transparent and consistent.
- Base rates need to be reviewed once every quarter
- Banks have been allowed to review their base rate calculation methodology once every three years (instead of five years earlier). Banks can change their base rate calculation methodology only after the end of the review period and not earlier
- Banks now need to delineate components of the spread (over and above the base rate) charged to a customer. Any price differentiation has to be consistent with the bank's credit pricing policy
- Bank's internal pricing policy should spell out the rationale for, and the range of, spread for a given category of borrower(s).
- Spread charged to an existing borrower should not be increased except in case of a change in credit profile or change in tenor premium.

The changes proposed to the base rate regime have been largely welcomed both by banks as well as by the industry.

Junk the base rate, move to MIBOR

However, I argue that the base rate regime is unnecessarily complicated. If monetary policy transmission was indeed a serious concern, it would be much simpler and more efficient to just move all loan pricing to a transparent market driven benchmark (instead of the internal cost of funds benchmark that it is based on today). The most appropriate benchmark to use for this would be the overnight money market rates. MIBOR (or its equivalent from CCIL - CCBOR) are well accepted market benchmarks for the overnight money market rate. They are transparently determined and are widely used as benchmarks in derivatives transactions.

Making loan pricing linked to MIBOR (or CCBOR) would go a long way in fundamentally improving the banking system as well as ensure efficient transmission of monetary policy.

Making banks move to an overnight money market based pricing has significant benefits in the long run. Since assets will be priced on money market rates, banks would be naturally forced to move liabilities pricing too to be based on money market rates. This would give banks a natural hedge against interest rate fluctuations. Of course, in the interim banks will have to learn how to make the adjustment.

Further, moving to a transparent market determined benchmark for pricing of assets and liabilities has several other

benefits

- Greatly simplifies asset liability management for banks
- Forces banks and corporates to focus on interest rate risk management
- Ensures enhanced and more efficient use of interest rate derivatives
- Will force the banking workforce to learn and train themselves in modern market driven instruments and their pricing
- Give a fillip to the moribund CDS market which in turn has the potential to provide early warning signals on credit stresses
- Lead to a reduction in crony banking
- Eliminate lazy banking
- Last but not the least, ensure almost instant transmission of monetary policy decisions

On the flip side, we may witness slightly enhanced volatility in pricing as overnight money market rates can get volatile at times, but that can be easily taken care of through judicious use of interest rate derivatives like interest rate swaps.

We have a mature banking industry and it is time the sector take up the challenge of adopting modern market driven instruments as a primary means of conducting their business. Moving pricing of their assets and liabilities to a dynamic market benchmark lined model would go a long way in achieving this.

- Dheeraj Singh
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Dheeraj Singh runs "Finanzlab Advisors", a financial risk management consultancy



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DISSEMINATION BOARD

Securities and Exchange Board of India (SEBI) vide circular no. CIR/ MRD/ DSA/ 14/ 2012 dated May 30, 2012 has provided an exit option to the de-recognised stock exchanges and recognised stock exchanges seeking voluntary surrender of recognition ("exiting RSEs").

Companies listed exclusively on exiting or de-recognised RSEs will be required to seek listing on atleast any other RSE that is not seeking de-recognition and exit in terms of the aforesaid SEBI Circular. As per the aforesaid SEBI Circular, companies failing to list on any other RSE, such companies will be treated as an unlisted company and shall be moved to Dissemination Board (DB) by such exiting or de-recognised RSE. Therefore, in the interest of the investors of exclusively listed companies, a mechanism of dissemination board is being set-up by stock exchanges having nation-wide terminals (i.e NSE and BSE).

The Dissemination Board mechanism on Stock Exchanges has been launched with an aim of providing a platform enabling dissemination of bids/Offer placed by buyers and sellers of securities of companies that are listed exclusively on exiting or de-recognised RSEs using the services of the Trading Members of Stock Exchanges hosting the DB.

Features of Dissemination Board:

A. Company Related

- The Company admitted on the DB will be treated as an unlisted company.
- There will be no listing agreement executed by stock exchange with these companies and there will no monitoring of any compliance with respect to filings made by the Company.
- Information received from companies will be disseminated on the platform
- As per BSE guidelines, such companies can seek listing on BSE, subject to compliance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and SEBI circular SEBI/ CFD/ SCRR/ 01/ 2009/ 03/ 09 dated September 3, 2009.

B. Transaction Related

- The Trading Member shall act as "Point of Contact" for registered client, for executing the bid/ offers placed by such client and may impose such conditions as may be deemed fit.
- The Rules, Bye-laws and Regulations of Stock exchange will not be applicable to such trades emanating from bids/ offers placed by buyers and sellers on DB, including issuance of contract notes.
- No margin payments shall be applicable.
- These matched trades resulting out of bids/ offers posted on DB will be settled outside Stock Exchanges/Clearing

Corporations and they will not guarantee the clearing and settlement of such trades

- The details of the offer like order date, security name, number of securities, price, ISIN, buyer client, seller client shall be made available in the form of report on that particular page.
- The Trading Members executing the aforementioned transactions using the information dissemination on DB will have no recourse to the Trade Guarantee Fund of the Stock Exchanges.
- The buyers and sellers on DB will not have any recourse to the investor grievance redressal mechanism, including arbitration and investor protection fund, for trades executed pursuant to bid/ offers posted on DB.
- Stock Exchanges will have no surveillance oversight on the bids and offers placed on DB. A separate webpage will be created on the website of stock exchange for the dissemination board. The webpage shall contain information regarding the Exiting Stock Exchange, Symbol, Series and other details with respect to the Company, paid up capital, registered address, details of the promoters and directors and annual report. Further, information received from the companies shall be disseminated by the Exchange on the said webpage.

Obligations of the Existing RSEs:

The exiting RSEs can avail of the DB platform, subject to following:

- The Existing RSE shall enter into an agreement with the Exchange for providing the Exchange's DB;
- Pay one-time fees to the Stock Exchange, as prescribed by them, for the aforesaid arrangement;
- Provide list of companies alongwith relevant details (i.e. name of the promoters with contact details, latest annual report, latest shareholding pattern, last financial results of the company, paid up capital and face value, ISIN, other informations, if any) that are to be moved to DB.
- Wide publicity about the DB arrangement shall be provided in one leading national daily and one local daily as part of the agreement.

Obligations of Buyers and Sellers:

- The buyers and sellers will be required to register themselves with a Trading Member of Stock Exchange and are required to be KYC compliant
- The buyers and sellers will provide their bids and offers only through the Trading Member with whom they choose to offer their bids/ offers
- The bid/ offers can be given only with respect to the companies that are admitted to the DB.

VALUATION OF INTELLECTUAL PROPERTY

Definition

Intellectual property is any product of the human intellect that the law protects from unauthorized use by others. The ownership of intellectual property inherently creates a limited monopoly in the protected property.



Intellectual property describes a wide variety of property created by musicians, authors, artists, and inventors. The law of intellectual property typically encompasses the areas of Copyright, Patents, and trademark law. It is intended largely to encourage the development of art, science, and information by granting certain property rights to all artists, which include inventors in the arts and the sciences.

These rights allow artists to protect themselves from infringement, or the unauthorized use and misuse of their creations. Trademarks and service marks protect distinguishing features (such as names or package designs) that are associated with particular products or services and that indicate commercial source.

Intellectual property is traditionally comprised of four categories: **patent, copyright, trademark, and trade secrets.**

Need to Value the Intellectual Property

Valuation of intellectual property rights is part of the good management of intellectual property within an organisation. Indeed, knowing the economic value and importance of the intellectual property rights you create and develop assists in the strategic decisions to be taken on the assets, but also facilitate the commercialisation and transactions concerning intellectual property rights.

Situation that requires valuation:

- ❖ Assisting internal decision making.
- ❖ For accounting and taxation purposes.
- ❖ Valuation of a company for the purposes of a merger, acquisition, joint venture or bankruptcy.
- ❖ Negotiations to sell or license intellectual property rights.
- ❖ Support in situations of conflict, such as court proceedings or alternative dispute resolution mechanisms (such as arbitration).
- ❖ Fund raising through bank loans or venture capital.

strategic

Methods of Valuation

Different approaches of intellectual property valuation are used by organisations. Generally, these approaches are divided in two categories: the quantitative and qualitative valuation.

Quantitative Methods

Several methodologies are used on the quantitative approach, but generally they can be grouped in four methods

- ❖ Cost Based Method
- ❖ Market Based Method
- ❖ Income Based Method
- ❖ Option Based Method

A. Cost Based Methods

This method is based on the principle that there is a direct relation between the costs expended in the development of the intellectual property and its economic value. Cost based approaches measure, quantitatively, the value of IP through the calculation of the costs incurred if the company were to develop a similar asset either in-house or externally. The costs to produce the IP are taken to be its value.

There are two types of this method

- ❖ **Reproduction cost method:** Estimations are performed by gathering all costs associated with the purchase or development of a replica of the intellectual property under valuation.
- ❖ **Replacement cost method:** Estimations are performed on the basis of the costs that would be spent to obtain an equivalent IP asset with similar use or function.

In both methods we take today's price into account, i.e. the expenditures as of the valuation date and not the historical costs when these actually happened. 10 Costs of two sorts should be included:

- ❖ Direct expenditures, such as costs with materials, labour and management; and
- ❖ Opportunity costs, relating to the lost profits due to delays in market entrance or investment opportunities lost with the aim of developing the asset.

Advantages and disadvantages of cost based methods

One advantage of the method is that IP becomes visible in the



company's books and IP awareness is increased. The method is also a useful indicator of IP value in the case of IP assets whose future benefit is not yet evident.

There are many pitfalls associated with using the measurement of cost to determine the value of IP. The main disadvantage is that there is no direct correlation between cost of development and the future revenue potential of assets. It is a fact that IP that costs the most to produce may not necessarily be the most valuable. The same applies to IP which is many years old and has been written down in value. This IP could still be the most valuable to the company, even though the historical cost approach does not show this. The measure of historic costs is unreliable with rapid technological advancement. It is not always possible to provide accurate information on the resources spent on development and there will always be a practical challenge to determine which costs to include or exclude. Most importantly, cost based methods make no allowance for the future benefits which might accrue from the IP.

B. Market Based Methods

Market-based valuation method relies on the estimation of value based on similar market transactions (e.g. similar licence agreements) of comparable intellectual property rights. Given that often the asset under valuation is unique, the comparison is performed in terms of utility, technological specificity and property, having also in consideration the perception of the asset by the market.

Its valuation is priced according to transactions between third parties, so it is characterized by high objectivity, but especially in the case of intellectual property rights, similar transaction examples often do not exist, and its adoption is difficult in many cases. Also, there are generally few examples with intellectual property rights traded separately from the entire business, and assets which generate profits are often traded as one unit, thus one must extract the value pertaining to the intellectual property rights in the asset value of that one unit.

Market based valuation methods may also be based on the comparison of royalty rates used when licensing similar IP. Many sectors often use industry averages as a basis for setting royalty rates in license agreements or in establishing damages in litigation. The value of the IP is given through the comparison of the subject IP with the royalty rates in similar license agreements.

Advantages and disadvantages of market based methods

Observing the market is a relatively straightforward valuation method. It is useful to check the validity of other approaches. As well as the issues raised about the lack of IP markets and information, there are many other disadvantages to these approaches. Firstly, the uniqueness of IP makes direct comparison difficult. There is a risk of comparing the subject IP

with other IP which has been traded but which has still not been utilised to the full extent possible. In these cases the IP can be undervalued. When royalty rates are compared there are also some potential distorting problems. Royalty rates set using returns to R&D costs, return on sales figures or industry averages run the risk of valuing costs or other factors rather than value.

C. Income Based Methods

This method is based on the principle that the value of an asset is intrinsic to the (expected) income flows it generates. After the income is estimated, the result is discounted by an appropriate discount factor with the objective to adjust it to the present circumstances and therefore to determine the present value of the intellectual property.

There are different methods of calculation of the future cash flows:

- ❖ **Discounted cash flow method:** This method aims to estimate future cash flows, which are projected and after discounted by applying an appropriate discount factor, it considers the time value of money. Main source of information to estimate the cash flows is generally the business plan of the company that exploits or intends to exploit the asset.
- ❖ **Relief from Royalty Method:** In this method the value of the asset is considered as the value of the royalty payments from which the company is relieved due to its ownership of the asset. Hence, the appropriate royalty rate must be determined, allowing the estimation of the future royalty income stream. A discount rate is applied to determine the present value of the asset.
- ❖ **Risk adjusted net present value (rNPV):** This approach is an extension of the DCF method mainly used in the pharmaceutical and biotechnology industries. It was specifically developed to deal with technical risk during the development of IP assets, for example medicines. To account for risk, the method adjusts the cash flows of each stage of development by fixed probability rates based on established industry indicators. For example the statistical probability of successfully competing the first stage of clinical trials may be 20%, second stage 30% and so on. The cash flows are risk adjusted using these probability rates and discounted as with the DCF method.

Advantages and disadvantages of income based methods

The advantage of these methods is that it is relatively simple to assess the value on the basis of the conditions set up. With the likely availability of many of the required inputs from the firm's financial statements and market information it may be possible to identify and or forecast particular cash flows. The methods are conceptually robust but can prove difficult to

implement in high-uncertainty environments. This task always includes some uncertainty and subjective assumptions. A significant disadvantage of these methods is that both uncertain and distant cash flows and the discount rate have to be estimated. For example, there is rarely an experience base when estimating the market potential and therefore cash flow of early stage IP developments. In addition, all risks are lumped together and are assumed to be appropriately adjusted for in the discount rate and the probabilities of success, rather than being dealt with individually (such as legal risk, technological risk etc.). A significant drawback of the relief from royalty method is that a royalty rate can always be assumed, when in reality it may never materialise. Nevertheless, in specific circumstances this method is useful, especially if there are suitable comparable transactions involving third parties or industry standard royalty rates.

D. Option Based Method

The theory behind option pricing was primarily developed for use in pricing financial options but can also be applied to a number of other situations other than directly financial assets. The valuation of IP still in development or being commercialised is one such framework. Option based methods essentially belong in the income based methods category as they too use expected future cash flows to measure value.

The basic definition of an option is a right but not an obligation, at or before some specified time, to purchase or sell an underlying asset whose price is subject to some form of random variation. Options are priced using the Black-Scholes option-pricing model, which is a mathematical model for the valuation of options.

❖ **Real Options Method:** Real option valuation methods treat the development and commercialisation of IP as a series of options. As the IP is developed and commercialised, many decisions about investment timing, when to patent, abandonment, direction of research etc. must be made. The information to make these decisions is often not available at the time of valuation, but becomes available later. The real options method, using the Black-Scholes model, takes into account the flexibility of these future decisions.

Advantages and disadvantages of options based methods

The primary advantage of the real options method is that it incorporates the value associated with the uncertainty and accounts for the flexibility inherent in the development of IP. The value associated with the uncertainty of cash flows and the ability to manage the development of the IP is accounted for. Like the DCF method it values the stream of cash flows but it also accounts for acquired knowledge. As a result, it provides a more complete evaluation than the DCF as it captures more than simply cash flows and static costs.

Main disadvantage of the real options method is the complexity of the model. It is difficult to understand and the

evaluation can be costly to perform. Some experts doubt the accuracy of options based models for use with real investments such as IP. The main arguments are that option based models over-value IP through the inclusion of non-viable development and commercialization decisions.

Qualitative Method

Qualitative methods provide a value guide for the subject IP through the rating and scoring of different factors related to the IP. These factors or "value indicators" can influence the value of the IP both positively and negatively. In the same way as factors such as location, numbers of rooms, near by schools etc. affect the value of a house, a combination of these IP related factors acts as a proxy for the value of the IP.

Conclusion

There are a number of methods available to calculate the value of intellectual property. Some are specifically designed to measure the value of certain assets, such as the Technology Factor, while others are flexible enough to use on any type of intangible asset. The Cost Approach is sometimes better suited for early stage technology than others, while the Market Approach may suffer from a lack of available information. The method used in each case will depend on the assets being valued, the circumstances surrounding the analysis, and the availability of essential information. The quality of every



valuation analysis is a function of the accuracy of the data and assumptions that form the basis for any conclusions reached. If available, it is always better to use actual data or historical results than to rely on assumptions. Unfortunately, it is not always possible. However, it is possible to ensure that any assumptions made are based on the financial, market, economic and competitive characteristics in place during the appropriate timeframe for the analysis.

MARKET DEVELOPMENTS

- Captain Pipes Limited engaged in the business of uPVC threaded Column Pipes, uPVC Plumbing Pipes, uPVC Pressure Pipes, uPVC Casing Pipes, uPVC Plumbing Fittings and uPVC Agri Fittings opened for subscription on 26th November 2014. The issue was subscribed 1.82 times out of which Retail category was subscribed by 2.78 times while Non Retail investors category was subscribed by 0.94 times.
- Anubhav Infrastructure Ltd. engaged in providing land development, construction services and other related services for civil & structural construction and infrastructure sector projects opened for subscription on 28th November 2014. The issue was subscribed 1.21 times out of which Retail category was subscribed by 0.42 times while Non Retail investors category was subscribed by 0.74 times.
- AGI Infra Limited which is primarily into construction and development of commercial/ residential projects, in and around Punjab, has filed a draft prospectus with BSE SME Exchange to raise Rs.14.99 crores. The company intends to use the issue proceeds to part finance the construction of 215 Residential Flats in our on-going Group Housing Project - "Jalandhar Heights" in Punjab, repayment of loans & to meet issue expenses.
- Athena Constructions Limited, which is in the business of erection and construction of houses, buildings, commercial complexes and constructional works, has filed a draft prospectus with BSE SME Exchange to raise Rs.2.50 crores. The company intends to use the issue proceeds to finance the

development and construction related expenditures of "Anand Project", General Corporate purposes, & to meet issue expenses.

- SSPN Finance Limited, a financial services company which is into Project Advisory, Loan Syndication, Mergers & Acquisitions and Private Equity has filed a draft prospectus with BSE SME Exchange to raise Rs. 1.50 crores. The company intends to use the issue proceeds to augment long term working capital and to meet issue expenses.
- Filtra Consultants & Engineers Limited, which is in the water treatment business and providing strategic and technical support to OEMs for water treatment plants, RO plants and user of these plants has filed a draft prospectus with BSE SME Exchange to raise Rs. 3.11 crores. The company intends to use the issue proceeds for marketing activity like E-commerce platform and digital marketing by setting up of kiosk, working capital requirement, general corporate purpose and to meet issue expenses.
- Leone Infrastructure Limited engaged in providing land development, construction services and other related services for civil & structural construction and infrastructure sector projects has filed Draft Information Memorandum with BSE SME for listing on its ITP Platform.

Currently 89 companies are listed on SME platforms of BSE and NSE while 21 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)
AGI Infra Limited	BSE	14.99	54.00
Athena Constructions Limited	BSE	2.50	10.00
SSPN Finance Limited	BSE	1.50	10.00
Filtra Consultants & Engineers Limited	BSE	3.11	32.00
Karnavati Finance Limited	BSE	2.58	10.00
Raghuvansh Agrofarm Limited	BSE	3.60	11.00
O.P. Chains Limited	BSE	3.25	11.00
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
Prabhat Telecoms (India)	BSE	26.60	80.00

OTHER DEVELOPMENTS

MSME Ministry To Set Up Technology Centre Near Aerospace Park

The ministry of micro, small and medium enterprises (MSME) is planning to set up a technology centre near Chennai with an investment of Rs 160-200 crore, which would come as a support to the upcoming aerospace industrial park in the area.

The industrial park has so far elicited the interest of around 50 small, medium and large companies to set up their facilities, according to sources.

"Land has been identified for the technology centre and we are awaiting the state government's approval to start works," said S M Jamkhandi of the MSME Development Institute, under the ministry. The project is part of a World Bank-funded plan to set up technology centres to help small enterprises improve their productivity.

The centre will come up near the proposed 250-acre aerospace park in Oragadam, and will be spread over an area of 15-20 acres, with technology-related facilities for aerospace, automotive and electronics sectors. It will have expensive equipment, software and other technology facilities that otherwise would not be easily available to SMEs. The land for the centre has been provided by the state government. SMEs in Tamil Nadu are capable of producing quality products for the aerospace sector and the government has been supporting them in designing and developing quality components with international specifications, Jamkhandi added.

The state government is in talks with various multinational majors in the aerospace sector to become anchor firms, and will shortly start developing the common facilities infrastructure for the benefit of companies that will set up facilities in the park.

The park is expected to be supported by a proposal for a second airport on the outskirts of Chennai, which however has not yet been finalised.

MSME Act up for amendment to provide revival and exit route for ailing MSMEs

The Micro Small and medium enterprises Development Act 2006 is up for an amendment to address the issue of rising nonperforming assets and sickness in sector.

According to a note addressed by the ministry to all states, the major lacunae for restructuring and exit of promoters from the MSMEs is lack of legal framework for reorganising/ winding up/ exit for small units. Due to rising losses in the sector, there is a multiplying effect on the economy leading to huge waste of human resources both promoters and employees, capital lent by the banks and financial institutions and physical resources



and fiscal incentives extended in the form of industrial land, buildings, plant and machinery etc.

Thus the proposed amendment in the form of MSME Development (Amendment) Bill will incorporate amendments to cater to twin issues of revival of the sick SMEs and if not then exit of the MSME. The provisions will provide for standardised relief and concessions to revive and tackle difficult financial position. It will also provide for easier and expeditious exit mode for the benefit of promoters and guarantors through liquidation and change in management.

Besides, there is a proposal to review the definitions of the MSME to provide for higher capital ceiling. According to the draft, medium, small and micro enterprises are classified on the basis of investment in plant and machinery and the current definitions was fixed in 2006. Since 2006, price index and cost of inputs both have increased manifold. Thus it is proposed to increase the capital limit for the manufacturing sector wherein the capital ceiling for micro enterprises is expected to go up from Rs 25 lakh to Rs 50 lakh, small enterprises from Rs 5 crore to Rs 10 crore and medium enterprises from Rs 10 crore to Rs 30 crore. Similarly, for enterprises engaged in the services sector, the ceiling for capital investment will be increased from Rs 10 lakh to Rs 20 lakh in micro category followed by an increase of Rs 2 crore to Rs 5 crore for the small category and from Rs 5 crore to Rs 15 crore for the medium sector.

The MSME sector and related legal framework has come into limelight following the "make in India" initiative of the government and rising number of sick micro, small and medium enterprises in the country at the same time. In order to boost the growth of the MSME sector during the 12th Five-Year Plan, an outlay of Rs 24,124 crore has been allocated for the Ministry of MSME. This 12th Plan allocation represents an increase of 133.53 per cent over the 11th Five-Year Plan allocation of Rs 10,330 crore.

To promote MSMEs in the country, the government is implementing various schemes/programmes relating to credit, technology upgradation and skill development such as the Prime Minister's Employment Generation Programme, Credit Guarantee Scheme, Performance and Credit Rating

Scheme, Credit Linked Capital Subsidy Scheme, National Manufacturing Competitiveness Programme (NMCP) and Skill Development Programme to provide skilled manpower for the sector.

MSME products should be made competitive, cost-effective: Government

Stating that the MSME sector accounts for 45 per cent of the country's manufacturing output, Union Minister Kalraj Mishra today said it was "essential" to make products manufactured by MSMEs "more competitive" and "cost effective".

"Today's global environment has brought in new opportunities and challenges before micro, small and medium enterprises. They have to be content against larger volumes of mechanised production, better designs and marketing of products at lower costs," he said at the annual three-day event SOUMEX 2014.

"It is therefore essential for us to devise methods to make the products of our MSMEs more competitive and cost effective," he said.

Mishra was in Chennai to take part in the "SOUMEX 2014", the annual three-day event, organised by National Small Industries Corporation and Tamil Nadu Small and Tiny Industries Association.

"Prioritising credit to MSMEs, training and incubation, performance and credit rating scheme, technology upgradation are some of the steps taken by my Ministry to assist MSMEs compete in the global market," he said.

According to him, the MSME sector accounts for about 45 per cent of the manufacturing output and over 40 per cent of national exports of the country.

"In recent years, the MSME sector has consistently registered a higher growth rate compared to the overall industrial sector," he said.

Invest and scale up: Kalraj Mishra to small biz

Government's 'Make in India' programme would be a "game changer" for the micro, small and medium enterprises if they invest in scaling up businesses to become world-class entities, MSME Minister Kalraj Mishra said today.

He also said that in order to attract investments from private equity players without providing them management control, the small businesses will have to become viable and competitive.

"The game changer for the MSMEs is going to be the Make in India initiative. This ambitious programme has potential to attract foreign investment in both production and in venture and angel funds," he said at an All India Management Association (AIMA) event here.

When more Indian and foreign companies produce in India for global markets, MSMEs will be the biggest beneficiaries, he

said. "However, to take advantage of those opportunities, Indian MSMEs will have to invest in scaling up and becoming world-class."

The MSMEs are critical to the country's manufacturing sector and foreign trade, Mishra said. The sector accounts for about 45 per cent of the country's manufacturing output and over 40 per cent of exports.

On private equity investments, he said: "The government is considering ways to create a framework for directing private equity towards the small businesses. However, for private equity to give money without sharing management control, the MSMEs have to be viable and competitive without quotas or subsidies."

Mishra added that the outside financing necessarily requires small businesses to have a clear and credible plan to scale up. "Clearly, the MSMEs need to think big and not try to survive on the protection meant to support fledgling businesses."

Aiming to create a conducive eco-system for the venture capital in the MSME sector, the government proposes to establish a Rs 10,000 crore fund to act as a catalyst to attract private capital by way of providing equity, quasi equity, soft loans and other risk capital for start-up companies.

World Trade Center India Services Council pacts with NIESBUD to promote small businesses

The World Trade Center India Services Council (WTCIS) today signed an agreement with National Institute for Entrepreneurship and Small Business Development (NIESBUD) to promote and develop small businesses.

NIESBUD is an organisation under the Ministry of Micro, Small and Medium Enterprises, which is engaged in training, consultancy as well as research, to promote entrepreneurship.

Under the agreement, WTCIS would assist NIESBUD in promotion and development of entrepreneurial environment through training, research and consultancy, besides assisting organisations in developing and promoting entrepreneurship and self-employment, according to a release issued here. "The agreement is important in view of our endeavour to expand our services to the MSME sector in India. We believe that MSMEs play a vital role in socio-economic development.

"Our aim is to ensure they get a level playing field to compete with their larger counterparts in local as well as global markets," WTCIS Director Khairul Nissa said.

Commenting on the agreement, NIESBUD Director General Arun Kumar Jha said, "The agreement between NIESBUD and WTCIS will promote trade in the form of arranging events, holding conferences, seminars, training and providing incubation facilities as well as various opportunities for a global connect, with focus on MSMEs."

Odisha Mulls New MSME Policy

Aiming for vibrant growth of the MSME (micro small and medium enterprises) sector, the state government plans to formulate a new MSME development policy, apparently laced with new subsidy sops for the sector.

The MSME Development of Policy -2009 will be replaced with a new MSME policy to be formulated in 2015, said Panchanan Dash, state MSME secretary. We will seek views from all the stakeholders, he added. As per latest census, there are about 1.5 million MSME units in the state providing jobs to about 3.3 million people and Odisharanks among the top ten states in terms of providing employment. The growth rate of MSME in Odisha is 32 per cent against the all India rate of 28 per cent. Similarly, the growth rate in creation of jobs opportunities in the sector is 29 percent against the national average of 26 per cent.

The other leading states in terms of MSME job creation are Uttar Pradesh (9.23 million people), West Bengal (8.578 million), Tamil Nadu (8.09 million), Andhra Pradesh (7.069 million), Maharashtra (7 million), Kerala (4.96 million), Gujarat (4.77 million), Karnataka (4.672 million) and Madhya Pradesh (3.36 million).

During 2012-13, 5,931 MSMEs had gone into production in the state with investment of Rs 432.90 crore and 27,104 persons got

employment in the sector, according to the Economic Survey report-2013-14.

For growth of the sector, that generates largest employment after agriculture in the country, the state government has been organising trade fair under the banner of Odisha MSME Trade Fair for last three years. The state government is contemplating setting up of a separate cell at the Odisha Small Industries Corporation Ltd (OSIC) for taking up infrastructure development for the MSME sector.

OSIC is preparing the bye laws for execution of the infrastructure projects for the MSMEs. Officials said, with the state turning out to be a favoured destination for large scale industries, the scope for the growth of MSMEs is fairly large by way of downstream and ancillary units.

The plan for formulating new MSME policy is a welcome step and timely as both the state and the Union government have identified it as a thrust sector. The emphasis should be given on ease of doing business in the new policy, said Ramesh Mohapatra, president, Utkal Chamber of Commerce and Industry (UCCI), the apex industry chamber of the state.

- Business Standard

QUOTES



KALRAJ MISHRA
UNION MSME MINISTER

“The MSME sector, owing to its inherent characteristics and innate strengths, will play a much larger role in revival of Indian economy and emerge as a potent tool to exploit the demographic dividend enjoyed by the nation at present.”

“Gujarat’s growth story reveals that micro, small and medium enterprises (MSMEs) and robust infrastructure are the state’s strengths.”



ANANDIBEN PATEL
GUJARAT CHIEF MINISTER



GIRIRAJ SINGH
MINISTER OF STATE FOR MSME

“MSME units in India manufacture around 6,000 products. However, this is just 16 per cent of total output. Countries like Thailand (34 pc), Indonesia (24 pc) and Germany (22 pc) are way ahead of us. Our ministry’s main aim is to bring that contribution from 16 per cent to at least 25 per cent.”

Sr No	Company	Closing#	%Returns*	52 Week Low	52 Week High	Sr No	Company	Closing#	%Returns*	52 Week Low	52 Week High
1.	Ace Tours	12.02	-24.88%	11.42	64.00	42.	R&B Derivis	10.50	5.00%	10.25	15.43
2.	Agriomy Commodities	8.20	-10.67%	7.80	15.75	43.	RCI Industries	41.90	4.75%	22.55	48.45
3.	Alcorty Securities	5.75	-61.67%	5.20	9.00	44.	RCI Retail	21.25	112.50%	13.50	49.00
4.	Amrapali Capital	36.00	-64.00%	24.10	102.50	45.	RJ Biotech	39.00	95.00%	28.00	45.00
5.	Anaha Impex	11.25	12.50%	9.90	29.70	46.	Sangam Advisors	10.65	-51.59%	10.30	14.33
6.	Anshus Clothing	3.50	-87.04%	3.25	9.50	47.	Satkar Finlease	26.20	45.56%	25.70	154.35
7.	Ashapura	148.00	270.00%	84.00	164.80	48.	Shri Krishna Prasadam	23.60	136.00%	11.90	25.75
8.	Bansal Roofing	30.00	0.00%	30.00	34.45	49.	SI VI Shipping	36.00	44.00%	26.10	43.35
9.	BC Power	27.00	50.00%	17.15	27.00	50.	Silverpoint Infra	9.05	-39.67%	7.10	9.70
10.	BCB finance	25.00	0.00%	25.00	31.00	51.	SPS Finquest	84.35	12.47%	71.00	86.00
11.	Bhandari Infracore	120.00	-4.00%	107.80	124.00	52.	SRG Housing	56.95	184.75%	16.60	76.60
12.	Bothra Metals	24.00	-4.00%	18.00	34.00	53.	SRG Securities Finance	26.25	31.25%	18.25	31.00
13.	Bronze Infra	38.15	154.33%	13.65	63.50	54.	Stellar Capital	6.70	-66.50%	6.65	19.50
14.	Captain Polyplast	43.95	46.50%	27.70	64.00	55.	Subhlex	20.20	102.00%	14.30	29.10
15.	Carewell Industries	8.20	-45.33%	6.70	14.40	56.	Sunstar Realty	262.00	1210.00%	89.10	425.95
16.	Channel Nine	443.80	1675.20%	58.06	525.02	57.	Suyog Telematics	34.95	39.80%	24.50	39.85
17.	Chemtech	50.90	239.33%	13.50	54.80	58.	Tarini International	24.25	-40.85%	23.00	42.00
18.	Confort Comtrade.	10.00	0.00%	10.00	35.00	59.	Tendral Wires	10.05	-22.69%	7.00	15.00
19.	Dhanuka Commercial	8.50	-15.00%	4.71	9.95	60.	Tiger Logistics	160.20	142.73%	60.00	200.15
20.	Eco Friendly	534.00	2036.00%	51.13	565.00	61.	Unishire Urban Infra	9.54	-4.60%	6.70	21.90
21.	eDynamics	16.90	69.00%	15.15	221.55	62.	VCU Data	29.60	18.40%	23.10	64.00
22.	Esteem Bio	454.50	1718.00%	49.94	525.00	63.	Vishal Fabrics	57.00	26.67%	44.05	57.00
23.	GCM Capital Advisors	128.00	540.00%	33.55	141.6	64.	VKJ Infradevelopers	36.25	141.67%	25.55	220.00
24.	GCM Comm	13.25	-33.75%	7.55	20.00	65.	Women's Next	65.40	0.62%	64.60	81.00
25.	GCM Securities	86.00	330.00%	27.10	90.25	66.	ADCC Infocad Ltd	54.50	36.25%	43.50	76.55
26.	HPC Biosciences	458.00	1208.57%	131.00	757.50	67.	Aryaman Capital Markets	13.75	14.58%	12.05	14.15
27.	India Finaec	9.05	-9.50%	9.05	15.35	68.	Atshay Infotech Ltd	19.00	18.75%	17.00	22.75
28.	Jointeca Education	16.35	22.33%	10.95	21.50	69.	Dhatriya Polywood Ltd	23.80	58.67%	16.05	42.90
29.	Jupiter Infomedia	20.00	0.00%	13.78	20.25	70.	Encash Entertainment	116.85	192.13%	40.00	127.95
30.	Karnimata Cold Storage	19.50	-2.50%	19.50	30.00	71.	Samruddhi Realty	40.00	233.33%	29.16	50.00
31.	Kavita Fabrics	9.75	-75.63%	9.60	13.86	72.	Ultracab India Ltd	50.70	40.83%	36.90	54.95
32.	Kushal Tradelink	76.90	118.71%	16.80	82.35	73.	Naynaa Securities Ltd	17.10	14.00%	12.50	17.90
33.	Lakhotia Polyesters	11.20	-68.00%	11.00	14.57	74.	Powerhouse Fitness & Realty Ltd	32.50	8.33%	29.00	32.50
34.	Looks Health	151.00	277.50%	58.90	436.90	75.	Siroha & Sons Ltd	13.00	8.33%	11.25	17.50
35.	Max Alert	34.00	70.00%	34.00	198.50	76.	Starlit Power Systems Ltd	18.20	1.11%	17.05	19.00
36.	Money Masters	10.32	-31.20%	7.33	13.30	77.	Vibrant Global Capital Limited	18.90	-0.53%	17.35	21.00
37.	Newever Trade	20.65	106.50%	16.55	50.80	78.	JLA Infraville Shoppers Ltd	13.45	34.50%	10.50	15.35
38.	Oasis Tradelink	33.95	13.17%	27.85	35.90	79.	Jet Infraventures Ltd	128.00	2.40%	126.50	133.90
39.	Oceanax Biotech	11.40	14.00%	9.30	12.20	80.	**Captain Pipes Limited	41.00	2.50%	36.05	43.20
40.	Oneounce Technedia	6.19	-55.79%	4.75	8.70	81.	**Anchal Inpat Limited	15.95	-20.25%	15.95	22.90
41.	Polymac Thermofomers	96.00	174.29%	34.75	210.00	82.	**Anubhav Infrastructure Ltd	13.95	-7.00%	13.90	15.10

Sr No	Company	Closing#	%Returns*	52 Week Low	52 Week High
83.	Mitcon	59.60	-2.30%	41.50	61.10
84.	Opal	109.60	-15.69%	109.60	128.45
85.	Sanco	21.05	16.94%	15.40	29.70

Sr No	Company	Closing#	%Returns*	52 Week Low	52 Week High
86.	Thejo	200.00	-50.25%	164.00	210.00
87.	Veto	62.50	25.00%	50.75	73.00
88.	Momai	83.95	7.63%	78.00	103.00

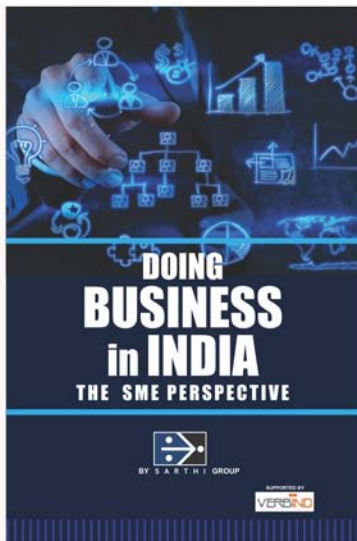
Absolute returns since IPO *Closing prices as on 1st January 2015** Closing prices as on 08th January 2015 *Source: BSE India Limited, NSE EmERGE

	Closing#	%Returns YTD
BSE SME IPO	1,113.74	708.35%
TSE MOTHERS	916.89	120.92%
CHINEXT PRICE INDEX	1,464.77	107.67%
FTSE AIM All Share Index	704.99	-1.54%
TSX Venture Composite	693.99	-44.03%
Hong Kong GEM Index	475.56	24.92%

Closing Values as on 08th January 2015

Sarthi launched book on "Doing Business in India - The SME Perspective"

At the recently held "Vibrant Gujarat-2015" event, Sarthi launched book on "Doing Business in India - The SME Perspective". This book was published with the intention of giving foreign and new Indian entrepreneurs a quick overview of the forms of business organizations, taxation, investment climate, business opportunities, capital markets and accounting practices prevailing in India.





MARKET WATCH

Particulars	Bothra Metals & Alloys	Tiger Logistics	RJ Biotech	RCI Industries & Technologies	B C Power	Starlit Power	JLA Infraville	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	7.97	3.20	5.02	8.606	5.54
Issue Size	12.21	7.52	5.00	11.52	10.37	2.95	2.00	8.56	7.515	10.62
Market Capitalization*	44.44	20.31	35.03	47.09	31.75	10.43	8.73	72.47	1302.14	677.98
B. Price Pattern	(Rs. per Share)									
Issue Price	25.00	66.00	20.00	40.00	18.00	18.00	10.00	15.00	25.00	20.00
CMP (Face Value Rs. 10)*	24.00	160.20	39.00	41.90	27.00	18.20	13.95	38.15	534.00	262.00

Particulars	Channe I Nine	Max Alert	Samru ddhi Realty	HPC Biosciences	SI VI Shipping	GCM Capital Advisors	Ace Tours World wide	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*	1036.39	31.28	41.39	730.97	21.86	128.00	14.47	39.63	90.00	39.41
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)*	443.80	34.00	40.00	458.00	36.00	195.32	12.02	20.65	151.00	43.95

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*	1128.80	48.94	64.71	21.12	290.45	10.02	18.04	104.13	34.34	72.12	36.81
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)*	454.50	26.20	36.25	20.20	148.00	10.00	21.05	62.50	200.00	59.60	109.60

*Closing prices as on 1st January, 2015

*Source: BSE SME, NSE Emerge websites

UPCOMING EVENTS

Name of Event	Date	Organizer
3rd Annual Flagship Activity India Sme Manufacturing Summit	13th February 2015	Mumbai
SME Manufacturing Excellence Awards	13th February 2015	Mumbai
4th EDITION Gujarat Sme Manufacturing Summit And Gujarat SME Excellence Awards	16th February 2015	Ahmedabad
SME BUSINESS SUMMIT Focus on Joint Venture Technology Transfer Contract Manufacturing Mergers & Acquisitions	February 2015	Mumbai
National Level Conference Packaging Industry Summit and India Packaging Industry Excellence Awards	February 2015	Mumbai
Annual Conference ACCELERATING BUSINESS PERFORMANCE THROUGH ADVANCED TECHNOLOGY IT ICT INDUSTRIAL TECHNOLOGY BUSINESS PROCESS	March 2015	Mumbai, Bangalore, Ahmedabad, Pune

NSE & SIDBI had organised an interactive workshop on SME Funding at Rajkot, Gujarat on 24th November 2014 & Sarthi Capital was invited to share knowledge with SMEs



(L-R) Mr. K.L Mani, General Manager, SIDBI, Mr. MurlidharRao, Executive Director, SEBI, Mr. Ravi Varanasi, Chief- Business Development, NSE & Mr. Deepak Sharma, MD, Sarthi Group.



(L-R) Mr. Ashish Goyal, Lead - Business Development & SBU Education, NSE, Mr. Deepak Sharma, Mr. Sunil Kadam, General Manager, SEBI & Mr. K.L. Mani



Mr. Deepak Sharma Addressing The Audience



Audience at The Workshop



SARTH I
Bridging the Gap

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

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