Edition – July-August - 2015

S-CAP
SME Capital Market Watch

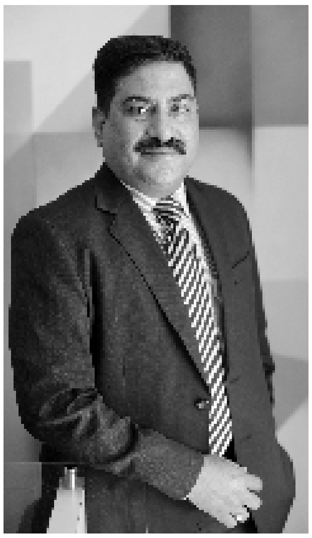
Quality is Crucial for SME's

In the Class Room- Hedging - Risk Mitigator

SARTHI

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

Preface



Small businesses in India have to go through various problems in their growth trajectory. The challenges are varied and sometime sound insurmountable. In this edition of 'S-cap' we have ventured to categorise some of them and underline the growth patterns of small businesses systematically. It is often seen that small businesses are controlled by the individuals whereas control is of essence of any business and should not be allowed to become a deterrent to growth. Control Vs Growth is one of the dilemma entrepreneurs have to go through in their entrepreneurial odyssey. We have tried to explain the trade-off between control and growth for small businesses in this edition.

Maharashtra Government, in a policy, has decided to create a fund to invest 10-15% in SME IPOs of the companies operating out of Maharashtra to encourage small entrepreneurs to raise capital through capital markets. It is a welcome policy which will help Maharashtra small businesses to gather capital resources for their growth needs.

BSE celebrated the 100th listing on their SME exchange on July 9th 2015. It took just three years for BSE to list 100th company on the SME exchange. It is an excellent milestone which demonstrates the focus and dedication of the Exchange to make a magic mark in just three years.

Capital markets have been doing well. The Sensex has crossed 28,500 mark, which indicates a significant change in the risk appetite of the investors even while the Chinese capital markets have been under corrective mode and have fallen almost 35% just in the last couple of months. The investors going forward are looking for Q1 results of the businesses to be reported.

In this issue of S-Cap, besides the write up on “Growth Vs Control”, we have covered the topics like Quality Need for SMEs, the relevance of Credit Rating for SMEs and have tried to make our readers understand the concept of hedging.

We, at Sarthi, are committed to a robust SMEs regime in India and to lend our support in the capital markets as a Merchant Banker and a partner in their progress.

Regards,

- Deepak Sharma

Group Managing Director

Sarthiangels.com

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

& many more...

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Introduction

Listing on SME exchange is matter for great pride and honour for any SME. However with this privilege also come some responsibility and accountability towards various stakeholders. After listing the SMEs are required to comply with the provisions of **SME Listing agreement, SEBI (Substantial Acquisition of Shares &Takeover) Regulations, 2011 and SEBI (Prohibition of Insider Trading) Regulations, 2015** and such other rules and regulations as may be applicable from time to time.

In our initiative to spread greater awareness about SME Listing and its benefits we present this article covering provisions of SME Listing Agreement w.r.t. notices and submissions to be made to the Stock Exchanges by Listed **SMEs.**

Listing compliance benefits for SME's over main board listed companies

Compared to the companies listed on the Main Board, post issue compliances for SME are relaxed and less stringent, for e.g.

- Most of the information such as financial results, shareholding pattern etc. which are required to be disclosed on quarterly basis for main board companies is required to be disclosed on half yearly basis for Listed SMEs.

Also the recurring cost of compliance is very minimal as compared to a company listed on Main Board as:-

- The Listed SME is not required to publish its half yearly results in newspapers. It just has to submit the half yearly financial results to the stock exchange and host it on its website.
- It is not required to send the entire annual report to its shareholders. It is just required to send only the abridged annual report to the shareholders and host the complete annual report on its website.
- Thus we can see that the recurring cost of compliance is drastically reduced in case of listed SMEs.

The provisions of SME Listing Agreement w.r.t. notices and submissions to be made to the Stock Exchanges by listed SMEs can be divided into submissions to be done within time limit and submissions to be done promptly:

Time Based Compliances

S.No.	Clause	Provision	Time frame
1.	18(a)	Book closure notice to be given to Stock Exchange.	Advance of at least seven working days.
2.	18(a)	Time gap between two book closures and record dates	At least 30 days.

3.	20(c)	Notice to Stock Exchange about Board meetings at which the proposal for Buy Back of Securities is to be considered.	At least 2 working days.
4.	20(d)	In case of a further public offer to be made through the fixed price route, the Company shall notify the Stock Exchange.	48 hours in advance.
5.	21	Intimation to the Stock Exchanges where the securities of the Issuer is listed.	Within 15 minutes of the closure of the board meeting by phone, fax, telegram, e-mail.
6.	23(a)	Dividend on shares, interest on debentures and bonds, and redemption amount of redeemable shares or of debentures and bonds will be payable and will issue simultaneously the dividend warrants, interest warrants and cheques for redemption money or redeemable shares or debentures and bonds, which shall be payable at par at such centres as may be agreed to between the Stock Exchange and the Issuer and which shall be collected at par, with collection charges	At least twenty-one days in advance.
7.	29	Prior notice to the Stock Exchange of the proposed change in the form or nature of any of its securities that are listed on the Stock Exchange.	Within twenty-one days.
8.	37	File with the Stock Exchange details related to equity shares/ security on half yearly basis.	Within 21 days from the end of each half year
9.	43(c)	The company has an option either to submit audited or unaudited half yearly financial results to the Stock Exchange.	Within forty-five days of end of first half year
10.	43(e)(i)	If the Issuer has subsidiaries it has to submit half yearly standalone financial results along with consolidated financial results to the Stock Exchange.	within forty-five days of the end of the half year
11.	43(e)(ii)	Issuer has to submit annual audited financial results prepared on stand- alone basis along with annual audited consolidated financial results to the Stock Exchange.	Within sixty days from the end ofthe financial year.
12.	43(iii)	The Issuer shall give prior intjimation of the date and purpose of meetings of the Board or Committee, in which the financial results will be considered.	At least seven clear calendar days prior to the meeting (excluding the date of the intimation and date of the meeting)to the Stock Exchange and shall immediately display it in its website.
13.	43(vi)	The Company shall provide the financial resultsto the Stock Exchange	Within 15 minutes of conclusion of the board meeting where the financial results were approved and shall ensure that it is displayed on its website immediately

Prompt Compliances

S.No.	Clause	Provision
1.	4(f)	To issue call notices and splits and duplicates thereof in a standard formacceptable to the Stock Exchange.
2.	7	The Issuer will, if so required by the stock exchange, certify transfer against letters of allotment, certificates and balance receipts.
3.	11	The Issuer will verify the signatures of shareholders on allotment letters, split, consolidation, renewal, transfer and any other temporary receipts and transfer deeds when so required by the shareholders or a member of the Stock Exchange or by the Clearing House.
4.	15	The Issuer shall notify the Stock Exchange of any attachment or prohibitory orders restraining the Issuer from transferring securities out of the names of the registered holders and furnish to the Stock Exchange particulars of the numbers of securities so affected, the distinctive numbers of such securities and the names of the registered holders thereof.
5.	25	To make such issues or offers in a form to be approved by the Stock Exchange and unless the Stock Exchange otherwise agrees to grant in all cases the right of renunciation to the shareholders and to forward a supply of renunciation forms to the stock exchange..

6.	27	Company granting any options to purchase any shares will notify the Stock Exchange of the number of shares covered by such options, of the terms thereof and of the time within which they may be exercised, of any subsequent changes or cancellation or exercise of such options.
7.	28	The Company will notify the stock exchange of any action, which will result in the cancellation of whole or in part of any securities listed on the Stock Exchange, of the intention to make a drawing of such securities, intimating at the same time the date of the drawing and the period of the closing of the transfer books (or the date of striking of the balance) for the drawing and of the amount of security outstanding after any drawing has been made.
8.	31	The Issuer will notify the Stock Exchange of any proposed change in the general character or nature of its business.
9.	32	The Company will notify the stock exchange of any change in the Issuer's directorate by death, resignation, removal or Otherwise, of any change of Managing Director, Managing Agents or Secretaries and Treasurers and of any change of Auditors appointed to audit the books and accounts of the Issuer
10.	38	**The following shall be intimated to the Stock Exchange:** i. Change in the general character or nature of business. ii. Disruption of operations due to natural calamity. iii. Commencement of Commercial Production/CommercialOperations. iv. Developments with respect to pricing/realisation arising out of change in the regulatory framework. v. Litigation /dispute with a material impact. vi. Revision in Ratings. vii. Any other information having bearing on theoperation/performance of the Issuer as well as price sensitiveinformation including those prescribed under clause 38.

General Stock exchange Compliances

S.No.	Clause	Provision
1.	10	The Company will not charge any fees exceeding those, which may be agreed upon with the Stock Exchange, for issue of new certificates in replacement of those that are torn, defaced, lost or destroyed, for sub-division and consolidation of share and debenture certificates and for sub-division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations other than those fixed for the market units of trading.
2.	16	If, in view of the volume of business in the listed securities of the company, the Stock Exchange so requires, the company will arrange to maintain a transfer register in cities satisfactory to the Stock Exchange on which all securities of the company that are listed on the Stock Exchange would be directly transferable; or a registry office or some other suitable office satisfactory to Stock Exchange within the Municipal Area of the City of Bombay which will receive and re-deliver all securities that are tendered for the purpose of transfer, sub-division, consolidation or renewal.
3.	35	Also company shall forward to the Stock Exchange copies of all notices sent to its shareholders with respect to amendments to its Memorandum and Articles of Association and will file with the Stock Exchange six copies (one of which will be certified) of such amendments as soon as they shall have been adopted by the company in general meeting.
4.	38	Apart from complying with all specific requirements as required, the company will intimate to the Stock Exchange, where the company is listed immediately of events such as strikes, lock outs, closure on account of power cuts, etc. and all events which will have a bearing on the performance / operations of the company as well as price sensitive information both at the time of occurrence of the event and subsequently after the cessation of the event in order to enable the security holders and the public to appraise the position of the company and to avoid the establishment of a false market in its securities. The Company will furnish to the Stock Exchange on request such information concerning the company as the Stock Exchange may reasonably require.
5.	39	The Company agrees to permit the Stock Exchange to make available immediately to its members and to the press any information supplied by the Company in compliance with any of the listing requirements provided that in cases where it is contended that such disclosure might be detrimental to the company's interest a special submission to that effect may be made for the consideration of the Stock Exchange when furnishing the information.
6.	40	The Company agrees that as soon as its Securities are listed on Stock Exchange, it will pay to the Stock Exchange an initial listing fee as prescribed in Schedule III annexed hereto and made a part thereof, and that thereafter, so long as the securities continue to be listed on Stock Exchange, it will pay to Stock Exchange on or before April 30, in each year an Annual Listing Fee computed on the basis of the capital of the Company as on March 31 and worked out as provided in Schedule III annexed hereto and made a part thereof. The Company also agrees that it shall pay the additional Annual Listing Fee, at the time of making application for listing of Securities arising out of further issue, as is computed in terms of Schedule III annexed hereto and made a part thereof for any addition in the capital after March 31.

7.	41	The Company agrees that in the event of application for listing being granted in pursuance of this agreement, it shall be subject to the Rules, Bye-laws and Regulations of the Stock Exchange in regard to listing of securities which now are or hereafter may be in force. As a pre-condition for continued listing the Company, further, undertakes to forthwith comply with such future conditions as may be stipulated by the Stock Exchange from time to time as conditions and requirements for listing of securities.
8.	43(ii)(c)	The financial results submitted to the Stock Exchange shall be signed by the Chairman or managing director, or a whole time director. In the absence of all of them, it shall be signed by any other director of the Issuer who is duly authorized by the Board to sign the financial results.
9.	43(iv)	Where there is a variation between the unaudited half year or year to date financial results and the results amended pursuant to limited review for thesame period, and – (I) the variation in net profit or net loss after tax is in excess of 10% or Rs.10 lakhs, whichever is higher; or (ii) the variation in exceptional or extraordinary items is in excess of 10% or Rs.10 lakhs, whichever is higher – the Issuer shall submit to the Stock Exchange an explanation of the reasons for variations, while submitting the limited review report.
10.	44(a)	The Issuer agrees that it shall be a condition precedent for issuance of new securitiesexcepting Mutual Funds, that it shall deposit before the opening of subscription list andkeep deposited with the Stock Exchange(in cases where the securities are offered forsubscription whether through the Issue of a prospectus, letter of offer or otherwise) anamount calculated at 1% of the amount of securities offered for subscription to the public and/or to the holders of existing securities of the Issuer, as the case may be, for ensuring compliance by the Issuer, within the prescribed or stipulated period, of all prevailing requirements of law and all prevailing listing requirements and conditions as mentioned in, and refundable or forfeitable in the manner stated in the Rules, Bye-laws and Regulations of the Stock Exchange for the time being in force.
11.	44(b)	50% of the above mentioned security deposit should be paid to the Stock Exchange in cash. The balance amount can be provided for by way of a bank guarantee. The amount to be paid in cash is limited to Rs. 3 Crores. The said amount at the security deposit will be released by the Stock Exchange after the issuer obtains No Objection Certificate from SEBI.
12.	45	The Issuer agrees that it will furnish on a half yearly basis a statement to the Stock Exchange indicating the variations between projected utilisation of funds made by it in its prospectus or letter of offer or object/s stated in the explanatory statement to the notice for the general meeting for considering preferential issue of securities and the actual utilisation of funds.
13.	46(a)	Where the Issuer has appointed a monitoring agency to monitor utilization of proceeds of a public or rights issue and such monitoring agency has pointed out any deviation in the use of the proceeds of the issue from the objects stated in the offer document or has given any other reservations about the end use of funds, the Issuer agrees to intimate the same to the stock exchange, without any delay
14.	50	The Issuer agrees to appoint the Company Secretary of the Issuer as Compliance Officer who will beresponsible for monitoring the share transfer process and report to the Issuer's board ineach meeting. The Compliance Officer will directly liaise with the authorities such as SEBI,Stock Exchanges, ROC etc., and investors with respect to implementation of various clauses, rules, regulations and other directives of such authorities and investor service &complaints related matter.
15.	52	Report on Corporate Governance: There shall be a separate section on Corporate Governance in the Annual Reports of Company, with a detailed compliance report on Corporate Governance. Non-compliance of any mandatory requirement of this clause with reasons thereof and the extent to which the non-mandatory requirements have been adopted should be specifically highlighted. The suggested list of items to be included in this report is given in Annexure- I C and list of non-mandatory requirements is given in Annexure – I D. The companies shall submit a quarterly compliance report to the stock exchanges within 15 days from the close of each quarter as per the format given in Annexure I B. The report shall be signed either by the Compliance Officer or the Chief Executive Officer of the Company. The Company shall obtain a certificate from either the auditors or practicing Company Secretaries regarding compliance of conditions of corporate governance as stipulated in this clause and annex the certificate with the director's report, which is sent annually to all the shareholders of the Company. The same certificate shall also be sent to the Stock Exchanges along with the annual report filed by the Company.
16.	54	If the Company opts for filing information, statements and reports as may be specified by the Participating Stock Exchanges through CFDS, then it agrees to file on the CFDS, such information, statements and reports as may be specified by the Participating Stock Exchanges in this regard.

- Mitali Mishra

Growth Conundrum

Prelude:

To understand and categorize thegrowth patterns of small businessesin a systematic way (useful to promoters / entrepreneurs), at first glance seems a herculean task. Small businesses vary widely in size and capacity for growth. They have independence of action, diverse organizational structures and mixed management styles.

However, as one delves in depth, it becomes apparent that in the course of their development, the problems faced by them are similar in nature. In this article an attempt has been made to classify these similarities to increases our understanding of the nature, characteristics, and problems of businesses ranging across industries.

Such understanding can help the promoters / owners in facing the current challenges and chart out a path of their growth be it the excessive time commitment for promoters during the start-up phase vs the right people needed for delegation as the business grows and becomes more complex or balancing the capital structure for resources required vs induction of financial partners, both, passive and /or active.

1. Start Up Phase

From the ideation, the promoters conceive a deliverable model of product / service to the targeted customers in this stage. Key problems for the business are obtaining customers and delivering the product or service wherein the customer perceives a better value. Promoters have to address the following questions:

a) To become viable, can we acquire customer / customers to deliver our products and services?

b) Do we have enough resources (cash) to meet the demands of the setup?

c) How do we broaden our sales base?

The structure of the organisation is simple and the promoter/s does everything. The subordinates are directly supervised. Business is run with elementary systems and planning is minimal. Management style is highly flexible. The business

target is to remain alive. Such a business is also grooming and learning place for subordinates as they get exposed to multiple areas

The business and the promoter/s is ONE and hence promoter/s provide the high level of energy and direction. The primary source of the capital is self, friends and relatives. Secondary sources are angel investors.

2. Stability Phase

By the time business reaches this phase, it has evolved into a workable company. The customer base has grown to a level that there is steady demand of the product / services offered. The focus therefore starts shifting from customers to revenues and expenses. Such businesses focus mainly on:

a) Break-even or start generating small cash surpluses.

b) In parallel, promoters start exploring expansion opportunities or even look at related new ideas.

Structurally, the organisation remains simple. The promoters may start developing a second line who act more like a supervisor with practically nil decision-making powers. People mainly carry out the well-defined orders of the promoter. Business starts moving towards rudimentary systems and planning is mostly limited to forecasting. Business is still known by the promoter's name and the goal continues to remain survival. The business also develops capacity to attract early investors (both capital and borrowing) to move on to next phase.

From this phase, the business may move on to “Accomplishment Phase” or may continue in this phase for some time. In the second case, businesses may get sold (even at a loss) or may fail with changing environment.

3. Accomplishment Phase

As the business grows, the company in this stage has achieved economic health, has decent profits and reasonable market share in the market it services, The business in this stage may remain for long period of time till the changing economic conditions (including competition) destroy its niche or management inefficiencies reduce the competitive abilities.

Business and systems have evolved to have segregated functions and functional managers who perform the erstwhile duties of the promoter. Managers are competent even though they may not be of highest calibre. Cash preservation is the mantra either to move to next stage of growth or ride out the business trough. Depending upon the business, the first professional manager may come on board as a controller and the power from the promoter start flowing to controller / manager. Planning moves to budgets and thus developing a culture of delegation.

Promoters have 2 alternatives:

a) To maintain status quo and pursue other interests (personal / other businesses).

b) To raise resources for the growth phase.

In the first alternative, the owner starts moving away from the business; however the business remains the means of support for the promoter. The promoter / managers just keep the company stable and profitable. This stage of maintenance can continue for long period of time as the business has developed managers and owner may move apart from the day to day running to pursue his other interests.

Ultimately, if the company is adaptive, it may be sold or merged for Growth phase; if it is not adaptive to changing circumstances, it may fold or drop back to previous stage.

In the second alternative, the promoter focusses on raising resources to catapult to high growth. The promoter may risk the entire cash and the leverage capacity available for financing growth.

The outlook therefore is to develop capacity in managers to ensure cash generation in the basic business and in parallel, meet the needs of future growth. Thus management style becomes more futuristic than managing the present.

Systems and planning undergoes tremendous change with equal focus on operational budgets and extensive strategic planning. The promoter is actively involved in all phases of the company' affairs. If successful, the company proceeds to Growth (soar) Phase. The promoter and managers need to be alert to fallback to the first alternative in case things do not proceed as planned.

4. Growth (Soar) Phase

The promoter and the managerial team need to address the problems arising with rapid growth and resources for managing the same. The key issues therefore become:

a) Management Delegation. The organisation becomes complex in structure and hence the promoters need to delegate both responsibilities and the powers, to improve the effectiveness of Managers. The promoters need to see mistakes as part of business, delegate powers (including financial) with appropriate checks and balances, set systems (together with managers) for performances.

b) Resources. With debt and equity growing, the promoters need to focus on value the business adds rather than mere control of equity. Procedures need to be in place for expenses control as well as promoters need to check their impatience for ill-advised investments.

Overall, the company / business has clear cut demarcation across functions with competent managers. The systems grow to high degree of refinement with flexibility to handle complexities. Strategic planning is given its due importance with even separate managers or team (may involve operation people). The business / company have independent existence.

The promoters face the biggest challenge in this phase. He need to shed the image of Supremacy and syndrome of "I Know All". He need to move from being an entrepreneur to highly effective manager.

Alternatively, the business may be successful to high-growth phase without the original management. With focus on value creation, the creditors and the investors play an equally important role besides the promoters.

On success of this phase, the company has arrived. It has size, resources and talent.

Overall, the key factors for success for any business are appropriate delegation, building systems, inducing financial partners (investors and creditors) and building base for robust strategic planning.

To Summarize:

Stage	Promoter / Business	Management Style and structure	Systems and Planning	Source of Capital
Start Up	Promoter and Business are ONE; Promoter is responsible for all the key functions with expertise in one of them.	Structure is simple with flexibility and the promoter supervises everybody.	Planning is minimal and systems are very elementary	Mostly self, friends and relatives. New avenues like crowd funding and maybe angel investing.
Stability	Promoter is still actively involved; Business breaks even or is generating small cash surpluses	Second line is getting developed with more supervisory role; Negligible delegation	Cash forecasting for survival; Systems still elementary as necessitated for business needs.	Angels and early VCs.
Accomplishment	Business has decent profits: economically viable and starts having its own identity; Promoters start delegation thus moving away from entrepreneurial role.	Functional Managers; may be professional controller.	Budgetary planning for operational efficiencies and strategic planning starts for future growth.	Vcs and early PE
Growth	Business has distinct identity; Promoter is more of manager ; stock control diluted	Competent management in place for various functions.	Highly refined systems; strategic and operation planning are in place.	PE ; IPOs

Today, with multiple avenues of funding being available, it is possible to skip one or two phases and jump to growth stage. India has taken multiple steps in this direction, mainly SME listing and ITP platform. These routes help the promoters to showcase their business strengths and create a visible track record for attracting investors to not only fuel the growth but also create value for the promoters in long run.

- Author is a Director & CEO of Sarthi Advisors Pvt Ltd

Source: *Internet and Internal research*

Definition of Quality

Quality is important to businesses but can be quite hard to define. A good definition of quality is:

"Quality is about meeting the needs and expectations of customers"

Customers want quality that is appropriate to the price that they are prepared to pay and the level of competition in the market.

Key aspects of quality for the customer include:

- Good design – looks and style
- Good functionality – it does the job well
- Reliable – acceptable level of breakdowns or failure
- Consistency
- Durable – lasts as long as it should
- Good after sales service
- Value for money

Competition in Business

Businesses organizations have to now operate in competitive markets they have to 'take on' and 'see off' rivals. Not all firms come up with the same answer and for good reason. Firstly, there are several different ways of gaining competitive advantage. Secondly, businesses need to play to their strengths and not all businesses have the same strengths. Thirdly, many markets are segmented and what is important to one set of customers may be less important to another set. So businesses need to decide which segments of the market they are targeting. Competitiveness is determined by the productivity with which an organization uses its human, capital, and natural resources. Productivity depends both on the value of products and services (e.g. uniqueness, quality) as well as the efficiency with which they are produced.

- Offering lower prices
- Offering clearly superior products at above average prices
- Delivering products more quickly
- Offering superior customer service, including after sales service.
- Offering better quality products in the market

Why is Quality Important?

We have read the business competition in the above paragraph now lets learn how quality is one of the most important parameter to survive and win in the business competition.

In the current business environment challenge for firms to become and to remain competitive has never been more pronounced. Bases for competition no longer just focus on cost, but on other key success factors such as quality, flexibility, delivery, service and innovation. Today's business environment is been full of cut throat competition and now a days in business.

Goodwill is the most important asset considered which can make a difference in the net worth of the company and the reputation of the company so it is very important for a new start up to invest most of it funds in quality management which helps a company in improving the quality standards of its product and help it to be a market leader in longer run.

A small firm has to concentrate more on quality than quantity. A layman would always ask a shopkeeper what is the quality assurance of a product. In India generally people have a tendency to ask "Bhaiyayehkitna din takchalega" this shows that a customer in India is solely reliant on the goodwill of the product which is always maintained by Quality. It is the process of controlling, ensuring, and improving quality; both in business operations and productivity. If customers are satisfied, chances are they feel they are receiving high-quality products that are constantly improved upon in order to keep up with the ever-changing times. Products and services are also important parts of quality management. No matter what a particular organization sells, quality is a necessary part of it. Customers expect good products and services and want to know that their hard earned money is going toward something that will not only benefit them now, but will also last for a long time.

Quality is often defined as 'fitness for purpose'. In other words a quality product is one that meets the needs and requirements of its consumer. Providing the market with quality products helps to increase customer satisfaction and loyalty. Satisfied customers have confidence that your products will continue to provide reliable performance in the future, and that increases the likelihood that they will buy from you again. Satisfied customers may also recommend your products to other companies, either directly or by providing testimonials that you can use in your marketing communications it is always been believed that word of mouth way of communication is considered to be best and if quality is maintained this would be possible.

Quality makes an important contribution to your company's reputation, particularly with the growth of social media. Customers share their views on products and services on product review sites and social media, such as Face book. Positive reviews and comments can reinforce your own marketing efforts, but quality problems can have a damaging effect on your reputation if the word spreads. A major quality issue, such as a product recall, may also attract media attention, causing further damage. There has been recent scenarios in which even a Multi national brands had to face criticism about their product which leads to a complete downfall in the market as they had failed to maintain the desired level of quality of their product due to a lot of media and social media the company had to face a huge downfall in the Indian market which had its establishment for more than 20 years so it is a well known fact that there can be no alternative for quality whether it's a small or a large business house.

Quality In Small Business

The goal of every small business should be to create a business system that is profitable, consistent, and predictable. As we have read above the importance of quality it is needless to say that a small business enterprise needs to make a difference in market and in this time of competition in the market quality is one of the parameter which can help an SME to enter into the competition so often we have seen that there have been companies charging a higher prices for their product it can only be possible if quality standards are maintained which in turn gives a company larger profits.

The Small business owners should review the performance of their product by keeping quality as the main parameter once the owner have reviewed it, have your team review and assess it as well. Then brainstorm as a team on ways to improve your processes so that you will not only meet but exceed your customers' expectations. The SME quality Assurance Process aims to ensure continuous quality throughout the delivery of systems and is done by implementing the following Quality Assurance Mile-stones during the procurement, manufacturing and assembly process. Quality is associated with consistency. A customer who is happy with the first buying experience needs and wants to be equally happy on each further occasion. Motto for quality 'Quality - this time - next time - every time'. Quality gives customer satisfaction it helps in increasing the Goodwill of company for small business organizations quality is a important tool as it helps in increase consumer satisfaction.

A small company should always invest more fund in quality management as that is the most important asset of a company. Small business managers shouldn't entirely overlook the importance of quality over quantity. If your product becomes known for its shoddy construction – and due to the Internet, word travels fast – your overall sales will be quickly damaged. If someone were to tell you that you can make your business more efficient, improve the quality of your products and services, win new customers and boost. Using quality standards can do all these things for small firms. Satisfied customers have confidence that your products will continue to provide reliable performance in the future, and that increases the likelihood that they will buy from you again. Satisfied customers may also recommend your products to other companies, either directly or by providing testimonials that you can use in your marketing communications. Organizations today face a continuous barrage of requests to improve quality. The development of a strategic quality plan is the key to determining the right quality initiatives for your organization

The Strategic Quality Planning process consists of two phases:

1. The Research Phase which includes everything required to collect and analyze the data required before strategic quality planning can begin.
2. The Strategy Phase which includes all of the steps required to develop the strategic quality plan.

How a small organization can be more quality focused?

1. To achieve quality, you have to define it, and you have to make sure that definition is disseminated throughout the rank and file. "It's the job of any business owner to be clear about the company's non-negotiable core values".
2. Collecting data is more common than ever, particularly with the advent of Web analytics. But companies that focus on quality have long stood out thanks to their passion for data. Moreover, the metrics they track go above and beyond either web or financial information.

3. An organization stretched thin on resources will never be able to over deliver, and quality depends somewhat on the ability of a company to exceed expectations.
4. So companies with a focus on quality know that one of the keys to success is to develop talent from within. Begin by looking for current employees who possess the characteristics of your best performers, and create mentoring relationships and employee training programs to bring them along. Recruiting employees from within has the added benefit that they will already understand your company's products and services.
5. When you survey your customers on the quality of service, make sure that everyone, from the top down, knows of the results and receives recognition for the things that are going well.

Now let's see how an organization should set up a successful quality plan

The Organizational Strategic Plan

Every quality management initiative can and must be tied to key business process performance indicators in order to have any real impact on productivity and the bottom-line. However, Strategic Plans are rarely translated into the quality strategies needed to ensure overall performance improvement gains.

The first task of the Strategic Quality Planning team is to examine the Strategic Plan and to identify and become familiar with all of the identified corporate strategies. They must ensure the quality strategies they develop align with and support the realization of these corporate strategies.

Identify the Organizational Quality Initiatives

The Strategic Quality Planning team will spend time analyzing all of the various quality initiatives that their organization has used in the past as well as continuing to use in the present.

Understand the Voice of the Customer

Organizational and customer requirements are the factors that will drive Strategic Quality Plans. The quality strategies must address the organizational needs. They must also address the customer needs. The Strategic Quality Planning process ensures these two are aligned.

Customer satisfaction results can be used to identify problems and opportunities, measure the performance of managers, executives and employees and reveal relative competitive performance. These can be obtained through customer surveys, interviews, etc. The results will help drive the right Quality Strategies which will in turn help drive new product and service development, manufacturing quality, product and service delivery and competitive positioning.

Customer satisfaction levels are impossible to assess unless customer's expectations, priorities and needs have been determined. That is why this Voice of the Customer process is so critical.

Engage the Employees through Feedback

It is essential to involve employees in the development of the quality strategies. Employee's input will:

- Provide insight into issues, challenges, concerns, and opportunities which may not have been known.
- Ensure their "buy-in" during the Strategic Implementation Stage which will link the Quality Strategy Development into Action Plans.

Conduct Benchmarking

We often miss the opportunity to go outside our organization to learn what others are doing so that we can incorporate these lessons learned into the development of our quality strategies. Benchmarking is highly beneficial and helps provide the Strategic Quality Planning team with ideas on how to improve their internal quality processes, products, processes, structures, etc.

Consumer Feedback

The favorite quality control tool is the "Ultimate Question." Use this tool all the time. This one question will tell you instantly what you need to know to assure that you have good quality control. The ultimate question is simply this: "On a scale of 0-10 (with 10 being highest), how likely are you to refer your friends or colleagues to our company?"

Looking at the above strategies it is well considered how quality is a crucial aspect for a SME. Most small businesses achieve success not because they bring a truly innovative idea to market, but rather because they dazzle customers with excellent service. Yet a focus on superior execution—that is, on quality.

- Prashant Makhija

Prior approval of RBI
in cases of acquisition/ transfer of control of NBFCs

Reserve Bank of India (RBI) recently came out with a notification (New Notification) that will increase its regulatory oversight on the non-banking financial company (NBFC) sector.The RBI through the New Notification mandated the requirement of its prior written approval in change in the shareholding of NBFCs.

This is not the first time the RBI has issued directions for its prior written permission on such takeovers of NBFCs. Back in September 2009, it had issued similar notification, albeit restricted to NBFCs accepting deposits and in January 2015 for acquisition or transfer of control of NBFCs. However, the New Notification proves to be a significant expansion in its regulatory regime.

According to the new notification, the prior written permission of the RBI shall be required for:

a) Any takeover or acquisition of control of an NBFC, which may or may not result in change of management;

b) Any change in the shareholding of an NBFC, including progressive increases over time, which would result in acquisition/ transfer of shareholding of 26% or more of the paid up equity capital of the NBFC;

c) Any change in the management of the NBFC which would result in change in more than 30% of the directors, excluding independent directors.

Prior approval would, however, not be required in case of any shareholding going beyond 26% due to buyback of shares/reduction in capital where it has approval of a competent court. The same is however required to be reported to the Reserve Bank not later than one month from its occurrence.

Also approval would not be required for those directors who get re-elected on retirement by rotation.

For obtaining prior approval, NBFCs will be required to submit an application, on the company letter head, along with the following documents:

a) Information about the proposed directors/ shareholders as per the Annex;

b) Sources of funds of the proposed shareholders acquiring the shares in the NBFC;

c) Declaration by the proposed directors/ shareholders that they are not associated with any unincorporated body that is accepting deposits;

d) Declaration by the proposed directors/ shareholders that they are not associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the Reserve Bank;

e) Declaration by the proposed directors/ shareholders that there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against them; and

f) Bankers' Report on the proposed directors/ shareholders. Further, Applications in this regard may be submitted to the regional office of the department of non-banking supervision in whose jurisdiction the registered office of the NBFC is located.

RBI also said that a public notice of at least 30 days shall be given before effecting the sale of, or transfer of the ownership by sale of shares, or transfer of control, whether with or without sale of shares. Such public notice shall be given by the NBFCs and also by the other party or jointly by the parties concerned, after obtaining the prior permission of RBI.

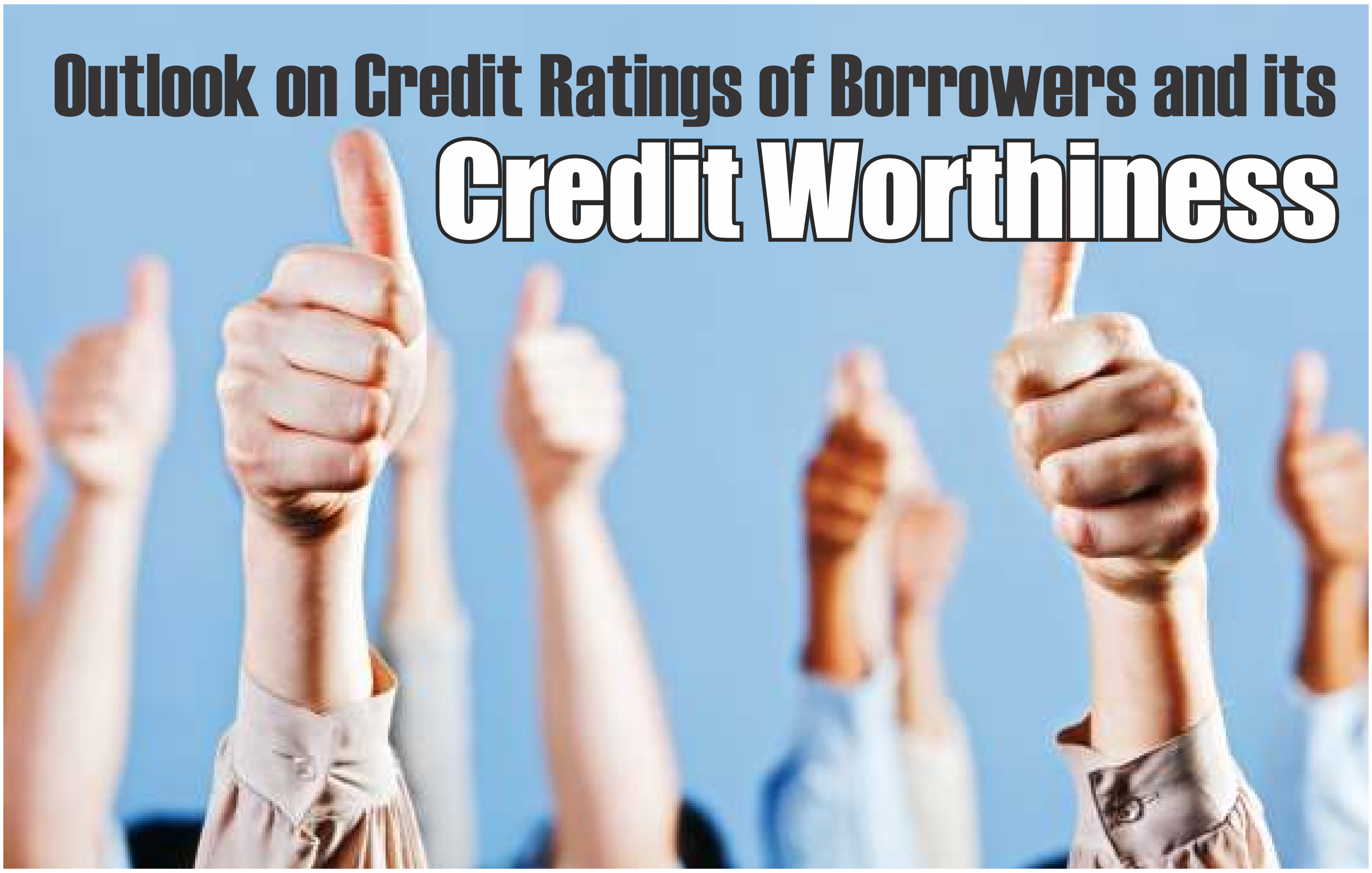
The public notice shall indicate the intention to sell or transfer ownership/ control, the particulars of transferee and the reasons for such sale or transfer of ownership/ control. The notice shall be published in at least one leading national and in one leading local (covering the place of registered office) vernacular newspaper.

These directions contained above are applicable with immediate effect, i.e., the same will apply on any takeover or acquisition of control, any change in the shareholding or any change in the management occurring after the date of the circular i.e July 09, 2015.

Any violation of the aforementioned directions would result in adverse regulatory action including cancellation of Certificate of Registration.

- Pari Vaya

Outlook on Credit Ratings of Borrowers and its Credit Worthiness



Over the years, the Indian financial system has come to regard credit ratings as an integral part of the framework for credit and investment decisions relating to larger enterprises. Today, as the banking sector increasingly focuses on lending and providing other financial services to the small and medium enterprises (SME) sector, ratings can play the same pivotal role as they do for larger enterprises. Ratings can make SMEs' access to financial services more efficient by providing benchmarks and improving transparency. Independent agency ratings for SMEs, based on high standards of analytical rigour, can provide greater confidence to lenders, and consequently broaden the range of financial resources available to SMEs.

The disbursal of credit is an indication of the confidence reposed by a seller in a purchaser without insisting on immediate payment reflecting in the seller's faith in the purchaser's intention and ability to pay.

The business dictionary defines creditworthiness as: Creditor's judgment of an entity's current and future ability, and inclination to honour debt obligations as agreed upon. It is usually based on the credit history, credit rating, and character of the entity. In other words, a borrower earns the respect of the lender through repaying its financial obligations in a timely manner. Bankers, lenders or for that matter any counter-parties to a transaction like importers and exporters would be interested in knowing the creditworthiness of the companies they deal with. Thus, a company that avails of credit in the nature of advances from their customers, supplier credit, bank loans and other borrowings etc. needs to assess its credit quality on a continuous basis.

Creditworthiness is a leading indicator of the reliability that can be placed on the company's ability to pay. Credit Rating Agencies (CRAs) play a great role in the market by acting as independent agencies that assess creditworthiness of companies especially when the resources are mobilised directly from the investors/savers. This is especially true in markets where there is a substantial amount of information asymmetry and complex transactions such as securitization.

Credit ratings are opinions on the creditworthiness or the relative degree of risk of timely payment of interest and principal on a debt instrument. A CRA in its role as an independent assessor of credit worthiness tracks all relevant factors that might affect the creditworthiness of the issuing companies, in order to provide ratings that depict what it considers a true reflection of the companies' credit quality.

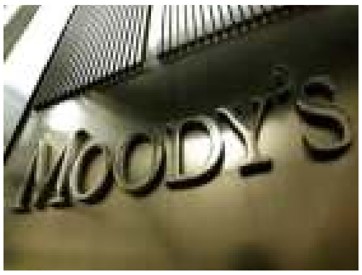
Various regulatory authorities RBI, SEBI, IRDA have customarily relied on credit ratings from CRAs for distinguishing between grades of creditworthiness in instruments. Regulatory bodies use the existing standard of credit-worthiness

through external credit ratings for identifying potential investments.

Ratings provide information on the creditworthiness of an investment and they also identify and provide one of the referral risk indicators. A wide range of investors like Banks, Insurance Companies, Mutual Funds and other individual investors use creditworthiness as a measure to invest or lend money in the issuing companies. An investor thus has the facility to compare the ratings of a wide range of instruments before making an investment decision, and use this to judge the relative creditworthiness of a wide range of issuers and borrowers.

Credit Ratings

A credit rating is an opinion about whether an issuer of a credit commitment, debt or debt like security is likely to make a timely repayment of its financial obligations with respect to the instrument/debt rated. The more creditworthy a borrower, the higher a CRA will rate it. A Credit Rating hence assumes an inexpensive form of outsourced due diligence. Ratings are denoted by simple alphanumeric symbols, for e.g. AA+, A-, etc. Each rating symbol is an alphanumeric representation of the probability of degree of repayment risk associated with debt instruments.



Ratings are Relative and not on a standalone basis It is important for investors and risk managers to recognize that a credit rating does not capture market risk but rather one aspect of credit risk. The value of a debt portfolio may decrease even if its credit rating does not change. For new instruments, data limitations may result in risk managers relying on professional judgment in specifying assumptions with respect to the probabilities of default, default dependence, and recovery rates when trying to assess the creditworthiness of a structure.

Ratings are based on a comprehensive evaluation of the strengths and weaknesses of the company fundamentals including financials along with an in-depth study of the industry as well as macro- economic, regulatory and political environment.

An investment grade rating signifies the rating agency's belief that the rated instrument is likely to meet its payment obligations. In the Indian context, debt instruments rated 'BBB-' and above are classified as investment grade ratings. Instruments that are rated 'BB+' and below are classified as speculative grade category ratings in which case the ability to meet the payment obligations is considered to be “speculative”. Instruments rated in the speculative grade are considered to carry materially higher risk and a higher probability of default compared to instruments rated in the investment grade.

Credit ratings are not standalone. They are a relative measure of creditworthiness. Further, the analysis is dependent upon the company's financial capabilities, its management and how it stands amongst its peers in the industry and its track record.

Ratings are forward looking

Credit ratings are forward looking and hence there is a need to look at the future performance of the entity as well. Rating philosophy includes assessing the performance of the entity based on the past and future potential performance. Rating gives due weightage to future projection and business scenario enabling it to provide forward looking rating. Ratings are, in principle, changed only when the rating agency believes an issuer has experienced what are likely to be enduring changes in fundamental creditworthiness. CRAs have processes to assess factors driving creditworthiness and to ensure that these factors are incorporated into its credit assessment methodology. To protect the interest of investors, SEBI has mandated that every credit rating agency shall, during the lifetime of the securities rated by it, continuously monitor the rating of such securities and carry out periodic reviews of all published ratings.

Each credit rating agency may have its own set of criteria and different weightage for each component for assigning the ratings. Some of the common factors that may be taken into consideration for credit rating are Issuer Company's operational efficiency, level of technological development, financials, competence and effectiveness of management, past record of debt servicing, etc.

Benefits of Credit Rating

CRAs play a very important role in most modern capital markets. A borrower with a high credit rating can raise capital at a lower cost than a borrower with a lower credit rating because investors who take on risk expect to be compensated with higher rates of return / interest rates on the risky investments. When investors have multiple investment options the credit rating helps to differentiate different investments. Since the CRA is not attached to either issuer or investor, it is often accepted as an independent opinion and as a common language among the investment community.

The benefits of credit rating would also provide an indicator of pricing risks. With greater information at the hands of say banks, they can price their products better. Credit ratings also provide a distinction between relatively higher risk bearing borrowings or companies vis-à-vis lesser risky borrowings or companies.

The benefits of credit rating to various stakeholders like regulators – leading to better protection of investors; investment bankers – better pricing of the debt products, issuers – where they stand vis-à-vis other issuers.

World over stakeholders like regulators, investors, insurance companies, mutual funds, pension funds, etc have used ratings to determine investment decisions.

Currently there are six credit rating agencies in India (India Ratings, CARE, CRISIL, Brickwork, ICRA & SMERA)

Understanding Credit Analysis

Normally, the lending institutions use Five Cs of part of credit analysis as part of their lending process.

Five 'Cs' of Credit Analysis

Capacity

The loan taken has to be repaid. The borrower will have to establish his capacity to repay the loan. The lender /investor would be keen to assess the cash generated from the business to repay the loan with interest and also meet its other obligations. A large reliance is placed on the accounting information which enables calculation of critical ratios and helps in establishing the accountability.

Financial discipline supported by data and documents go a long way in establishing the viability of the operations, realistic assessment of the prospects and estimating the liabilities and value of the assets. This would entail regular preparation of accounting and financial statements like Balance Sheet, Statement of Profit and Loss, Cash flow statements and any other documents which will provide information for the lender. In short, assessment of creditworthiness is a mix or a combination of all factors mentioned above. Needless to add, current information and forecasts play a great role in arriving at the creditworthiness. The banks though may be constrained because of sectoral exposure limits, indebtedness of the borrower, first time borrowers, regulatory fiats etc.

Capital

The borrower is expected to have invested in his own company. That is, he is expected to have committed his own funds to the business. The lenders would assess what is the risk the owner is bearing. In other words the strength of the networth is treated as a counter to inadequacy of the funds to meet the obligation during lean times. Every businessman is supposed to have a stake in his business through sufficient capital. The type of organisation presented is equally important. For instance, sole proprietor, partnership, a company and other forms of entities would be evaluated based on this. Eventually this becomes part of his networth. In times of difficulty, this aids the entity to tide over liquidity problems. A healthy networth is viewed as a great support to the ability and willingness to pay.

Collateral

The lenders seek a form of security of property which can be pledged to them. This additional security is called as collateral. In case of failure to repay the loan, the lender would liquidate this asset to offset the liability owed to him. Banks typically look for security in the form of pledged collateral. Obviously, this has to come from the assets available for security. For example, the plant and machinery, receivables, inventory, etc are considered as suitable collateral based on the industry in which the entity is operating or the prevalent economic conditions. If the borrower has adequate security for pledging, it increases the confidence of the lenders.

Conditions

It refers to the purpose of the borrowings. The purpose may be for capital expenditure, augment its working capital or generally to know where the funds will be deployed. Further, the lender may impose certain covenants based on the macro-economic environment or on the type of industry or even on the position the company is in at that point in time.

Character

Is the borrower worthy of the trust? The character will be assessed through the commitments, dependability of the business to provide a return on investment, responsible behaviour of the borrower towards the other stakeholders as a good corporate citizen. Alternatively, can be defined as the intention to pay and honour all the commitments made to all the stakeholders. A corporate entity will have various stakeholders – owners, workers, employees, customers, creditors, bankers and others. Not only has this but also to honour the commitments made gone a long way in displaying exemplary character.

- CA Snehal Kamdar

Online heathcare startup Lybrate raises over $10M from Tiger Global & Ratan Tata

India and US-based LybrateInc, the company behind Lybrate.com, an online platform for patients to book appointments with doctors, has raised $10.2 million in Series A round from VC firm Tiger Global Management and Ratan Tata, chairman emeritus of Tata Sons, the company said on Wednesday. The company would use the funding to develop products, hire people, augment technology and expand operations. Lybrate is an online and mobile-based platform that connects patients to doctors. Patients can use the service for free to find trusted doctors recommended by other patients near their locations and also book an online appointment with them. Doctors use the platform to manage appointments, medical records, payment, billing and expenses for their clinics. The company was founded in 2013 by SaurabhArora, VispiDaver and SandeepSinghal.

Tata, who has recently appointed as a special advisor by Singapore-based VC firm Jungle Ventures, has been actively investing in startups since retiring as Tata group's chief. His latest investment was in Coimbatore-based electric bike company Ampere Vehicles Pvt Ltd.

Ratan Tata invests in electric vehicle firm Ampere

Ratan Tata, chairman emeritus of Tata Sons, has made an undisclosed personal investment in Coimbatore-based electric bike company Ampere Vehicles Pvt Ltd. This would be Tata's ninth known investment in the technology space since he retired as executive chairman of Tata Sons in 2012. Ampere's existing investor Forum Synergies has also put money in this round, according to a report in The Hindu newspaper, which was the first to report this development.

Ampere, which sells electric vehicles and special purpose vehicles for the differently abled among others, will use the money to scale up operations and expand its talent pool. It sells products under brand names such as Angel, Bobo, Prince and V60 in Tamil Nadu, Karnataka and Andhra Pradesh.

US-based airborne wind turbine developer Altaeros Energies and Grameen Capital, which dabbles in microfinance, are also part of Tata's portfolio. He also invested in KAARYAH Lifestyle Solutions Pvt Ltd, which operates an e-commerce site selling women's fashion wear besides offering its products through third party e-tailers.

Franklin Templeton Picks Up Stake In Pantaloons Fashion And Retail

Franklin Templeton has acquired 8.49% stake in Pantaloons Fashion & Retail Limited worth over R143 Cr. It brought 7879902 equity shares worth R165/Share. The transaction took place on 2nd July, 2015. As per closing price of R181.50 on the day of the transaction, the stake was worth Rs 143 Cr. Out of the total shares, 4784239 Pantaloons Fashion & Retail shares were acquired by Franklin India High Growth Companies Fund and the remaining 3095663 by Franklin India Prima Fund.

Also, Future Corporate Resources Limited sold 5900000 shares at R165/share of the Kumar Mangalam Birla-led Aditya Birla Nuvo Ltd (ABNL) firm and PIL Industries Limited sold 2200000 shares at R165.36/share. Earlier last month, in a bid to capitalize large market presence in branded fashion space, Aditya Birla Nuvo had announced the consolidation of its branded apparel business under its subsidiary – Pantaloons Fashion & Retail Limited. The branded apparel business of Aditya Birla is housed under Madura Fashion and Madura Lifestyle, that was to be demerged into Pantaloons Fashions.

Pramerica Asset Managers To Buy Deutsche AMC

Pramerica Asset Managers, the AMC of Pramerica Mutual Fund and Pramerica Trustees, is set to acquire Deutsche Asset Management (India) Pvt Ltd for a consideration of Rs 400 Cr. The deal values Deutsche Asset Management at about 1.8% of its assets under management of about Rs.22,427crore as of March end.

Founded in 2002, Deutsche Asset Management launches and manages fixed income and balanced mutual funds for its clients. The firm invests in the public equity and fixed income markets of India and operates as a subsidiary of Deutsche

India Holdings Pvt Ltd.

Pramerica Asset Management is the Indian arm of Prudential group, engaged in the offering financial services like insurance, annuities, retirement related services, mutual funds and investment management services and mutual fund. Pramerica AMC has presence across 19 cities including Ahemdabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata and Pune. In Oct 2014, Dewan Housing Finance had acquired a 50% stake in Pramerica Asset Management for a consideration of Rs 244.92 Mn.

Tata Group Invests In Swiss Solar Firm Flisom

Swiss start up solar company Flisom, has received an additional investment of Rs 68 Cr (10 Mn Swiss franc) from Tata Industries and a group of strategic investors. Previously in 2013, Tata Group had invested Rs 290 Cr (42.5 Mn Swiss Franc) used towards pilot-production plant with an annual capacity of 15 MW at Niederhasli-Zurich in Switzerland. The company also renovates an old manufacturing building to install all the needed machines for solar module manufacturing.

Flisom AG, a Swiss company developing technologies for manufacturing of flexible thin film CIGS solar modules. Flisom designs photovoltaic modules of various sizes and electrical characteristics which finds application in Building-Integrated Photovoltaics (BIPV) and Building Attached Photovoltaics (BAPV) on roofs and facades, metal roof integrated solar modules, residential solar tiles, automotive solutions and marine applications. Flisom was founded in 2005 as a spin-off of the Laboratory of Solid State Physics of the Swiss Federal Institute of Technology Zurich (ETH Zurich).

Founded in 1945, Tata Industries provides management consulting services and is one of the main investment vehicles of Tata Sons, spearheads the investments in new business areas. Currently, the focus areas for these investments are in technology intensive sectors, such as life-sciences, alternative energy, advanced materials, emerging services and aerospace. Tata Industries also has an advisory services division, Tata Strategic Management Group , and an e-learning and schools division, Tata Interactive Services.

Mobile micro-payment startup Nearex raises funding from Tata Capital, others

Nearex, a Singapore-based mobile micropayment start-up, has received second round of funding from a clutch of existing investors led by Tata Capital Growth Fund LP. However, the amount of the investment was not disclosed. Nearex's existing investors, BEENOS Asia, a Japanese company with extensive payment industry investments around emerging markets and Xinvesco also participated in the funding, it said in a statement. Nearex is a privately held company with investment from individuals and industry and was founded by mobile technology industry veterans Mayank Sharma and ArunTanksali in 2012 to overcome the challenge of cashless micropayments.

Its XIP solution offers merchants XipPOS, a low cost credit card sized mobile point of sale device and consumers with XipTAG, a secured contactless card or a sticker. XIP system integrates with existing mobile wallet services and can be offered by mobile money service providers or other financial institutions to create a payment network at low-cost, Nearex said in the statement.

ArthVeda to raise $315M realty fund for low-cost housing

ArthVeda Fund Management Pvt Ltd (AVFM), an associate company of Dewan Housing Finance Ltd (DHFL), plans to raise a corpus of Rs 2,000 crore ($315 million) for investment in residential real estate aimed at the low-income group (LIG), the company said in a statement. Christened as ASHA, the fund has been launched in collaboration with Aadhar Housing, a joint venture platform formed between Dewan Housing and International Finance Corp (IFC) to exclusively extend mortgage finance to low-income households.

The fund aims to tie up with developers focused on development of affordable housing across geographies including tier II&III cities. "ASHA fund has been in the making for some time after the success of our affordable housing fund for middle income households, STAR Fund. It is a matter of satisfaction to us that the launch of ASHA Fund coincides with announcement of the PradhanMantriAwasYojana (PMAY). ArthVeda is proud to join in the efforts of PMAY in creating affordable housing stock," said BikramSen, chief executive officer, ArthVeda.

The company has scaled up the corpus of the fund after announcing early this year that it will be raising Rs 150-200 crore under ASHA. Now, it is looking at scooping up the overall corpus in chunks of Rs 200-400 crore. It will reach out to domestic investors such as banks, insurance companies and family offices for the fundraising.

Amazon Acquires Stake InBankbazaar

US based ecommerce giant, Amazon Inc has acquired minority stake in Chennai-based A&A Dukaan Financial Services Pvt Ltd, which runs a loan advisory and processing portal BankBazaar.com for an undisclosed amount. Previously, Bankbazaar had raised aised $13 Mn from Sequoia Capital and Walden International. In Jan 2011, it had raised $6 Mn in its second round of funding from Walden International and prior to this it raised $1.2 Mn from a strategic investor, AVT InfotechPvt Ltd.

Founded in 2008 by ArjunShetty, RatiRajkumar and AdhilShetty, Bankbazaar, an online portal to search and compare interest rates offered by different banks on various loans. It provides rate quotes on personal loans, home loans, home loan transfers, and car loans. Operating out of Chennai the company has tie-ups with commercial banks like ICICI Bank, Axis Bank and HDFC Bank to provide instant interest rate quotes and approvals on loans. In Dec 2014, Gift card technology and retail firm, QwikCilver Solutions had raised $10 Mn in a funding round led by Amazon along with existing investors Helion Venture Partners and Accel Partners.

Source: *VC Circle, Deal Curry*

- AmrapaliFincap Ltd filed filed Draft Prospectus with BSE SME Exchange to raise 42.48cr by offering 35,40,000 Equity Shares of face value Rs. 10 per share for cash at a price of Rs. 120 per share. Engaged into the business of providing loan and advances. Majority of our loan and advances are provided to parties which are related to the promoter or associate concern of promoters. . we provide unsecured Short term loans to our customers. We provide these loans to select customers and conduct credit checks for these loans as they are unsecured.
- Mangalam Seeds Limited filed Draft Prospectus with BSE SME Exchange to raise Rs 5.7 cr by offering 11,40,000 Equity Shares of face value Rs. 10 per share for cash at a price of Rs. 50 per share. The Company is currently engaged in the Producing and delivering high quality Seeds.
- Oyeeee Media Limited has filed Draft Prospectus with BSE SME Exchange to raise 15.90cr by offering 39,75,000 Equity Shares of face value Rs. 10 per share for cash at a price of Rs. 40 per share. The Company is currently engaged in the Film/TV Management services, Event Management, Artist Management and Celebrity Management services in Mumbai.
- Loyal Equipments Limited filed Draft Prospectus with BSE SME Exchange to raise 3.24cr by offering 18,00,000 Equity Shares of face value Rs. 10 per share for cash at a price of Rs. 18 per share. The company is currently engaged in manufacturing and supplying of coded pressure vessels & heat exchangers (ferrous & non ferrous), air cooled heat exchangers, skids for dynamic and static machineries, base-plates, sterilizers, chimneys and columns, tanks & receivers, site fabrication & erection activities.
- Vishal Bearings Limited filed Draft Prospectus with BSE SME Exchange to raise 3.24 cr by offering 12,96,000 Equity Shares of face value Rs. 10 per share for cash at a price of Rs. 25 per share. The Company is currently engaged in the manufacture of different kinds of Bearing Rollers.
- Emkay Taps & Cutting Tools Limited filed Draft Prospectus with NSE EMERGE Exchange to raise 15.55 cr Lakhs by offering 471,200 Equity Shares of face value Rs. 10 per share for cash at a price of Rs. 330 per share. The company is currently engaged in offering complete range of taps in standards viz. iso, din, ansi, bs&jis. companies taps are available in metric threads, unified threads, with worth threads, taper pipe threads and B.A. threads etc.
- Ratnaakar Infrastructure Limited filed Draft Information Memorandum with NSE EMERGE for listing on its ITP Platform. Company is engaged in the business of real estate. With projects that range from apartments to housing complexes, commercial complexes, software parks, global townships, hospitality service apartments, retails spaces and villa developments.
- P.B. Films Limited filed Draft Prospectus with BSE SME Exchange to raise 5crby offering 50,00,000 Equity Shares of face value Rs. 10 per share for cash at a price of Rs. 10 per share at par. The Company is currently engaged in the business of "Film Production".
- Sri Krishna Constructions (India) Limited filed Draft Prospectus with BSE SME Exchange to raise 11.34 cr by offering 25,20,000 Equity Shares of face value Rs. 10 per share for cash at a price of Rs. 45 per share. The Company is currently engaged in the business of Real Estate.

Name of the Company	Exchange	Issue Size (Rs. crore)	Issue Price (Rs. Per Share)
P. B. Films Limited	BSE	5.00	10
Sri Krishna Constructions	BSE	11.34	45
Emkay Taps & Cutting Tools	BSE	15.55	330
Vishal Bearings	BSE	3.24	25
Loyal Equipments	BSE	3.24	18
Mangalam Seeds	BSE	5.70	50
Oyeeee Media	BSE	15.90	40

Small Factory Bill likely in Monsoon Session

The Small Factory Bill, which seeks to exempt units employing less than 40 workers from 14 labour laws, among others, is likely to be tabled in Parliament during the Monsoon Session starting next month. "The Small Factory (Facilitation and Regulation of Employment Conditions of Services) Bill is expected in the Monsoon session of Parliament," Labour Minister BandaruDattatreya told PTI. The minister said that the bill would be sent for Cabinet approval before the start of Monsoon Session. The session is commencing from July 21. The Labour Ministry had held tripartite consultations on the Small Factory Bill. he minister said that the proposed law would ease operations of small factories thus catalyse employment generation through small manufacturing units without compromising on the basic aspect of provisions of social security, safety and health. The bill also proposes that very small factories employing not more than five workers would be exempted from the compliance burden relating to working shifts, attendance and late coming, responsibility to issue appointment letters and provisions on unfair labour practices.

The minister was hopeful of introduction of comprehensive amendment bill to make changes in Employees' Provident Fund & Miscellaneous Provision Act 1952 which seeks to provide an option to formal sector workers to choose between Employees' Provident Fund Scheme and New Pension Scheme (NPS). Another bill which is being finalised by the Labour Ministry is Labour Code on Wages which seeks to amalgamate and simplify provisions of four laws -- The Minimum Wage Act 1948, The Payment of Wages Act 1936, The Payment of Bonus Act 1965 and The Equal Remuneration Act 1976.

Union MSME ministry completes survey on industry and skills

The Micro, Small and Medium Enterprises Ministry has completed mapping industries and available skills in all districts. "It is big survey which we have carried out. We shall use the results to device government action for each district," Union Minister Kalraj Mishra said, while addressing a logistics industry summit here. The survey was carried out across 676 districts, going into what kind of industry thrived in a particular area, he said. It may be noted that the Modi government has been laying greater stress on skill development and also created a separate ministry for skill development under Rajiv Pratap Rudy.

Mishra said that the ministry does not want any small unit to go sick and has been urging small units to take advantage of schemes like the Credit Guarantee Trust for MSME (CGTMSE), under which banks give collateral-free lending up to Rs 1 crore. When asked about the Rs 10,000 crore venture capital fund for small businesses announced in the budget, Mishra replied that a committee appointed to look into it has presented its report recommending equity participation in companies as the way forward.

Handicraft exports may touch Rs 17000 crore this fiscal: Assocham

India's handicraft exports are expected to nearly double during the current fiscal to Rs 17,000 crore and further increase to Rs 24,000 crore by FY 2020-21 on account of increasing demand in Western markets, according to an Assocham report. In 2014-15, the country's handicraft exports stood at about Rs 9,000 crore. "The exports are likely to reach Rs 17,000 crore mark by the end of current fiscal and is further expected to cross Rs 24,000 croremark by 2020-21," the report said. It further said the exporters need to focus on areas such as design, innovation, technology upgradation and adequate financing to increase production and competitiveness in the global market.

The exporting community should also invest in research and development and keep on upgrading their capabilities to provide a variety of products. Uttar Pradesh has the maximum number of 325 handicraft clusters of the total 2,864 across India. Odisha, West Bengal, Maharashtra and Gujarat are other major states with significant number of such clusters. According to the EPCH data, India exported handicraft items worth USD 2.78 billion during the April to January 2013-2014 period, whereas the country exported handicrafts worth USD 2.30 billion during the same period in 2012-13.

The US accounts for 28 % in India's total handicrafts exports followed by UAE 11 %, Germany, UK and Latin American countries 5% each.

India to sign financial information exchange law by US to unearth black money

India will on Thursday sign the tough financial information exchange law enacted by the US, which will also give a boost to New Delhi's own attempts to unearth black money stashed away overseas with information inflow beginning as early as October. The Foreign Account Tax Compliance Act (FATCA) makes it mandatory for all foreign financial institutions to report accounts and financial transaction of US citizens held with them and also accounts of certain foreign entities with substantial US owners. In return, the US will provide India information on investments and financial transactions by its citizens.

The US is expected to start sharing information with India from October 1, a senior finance ministry official told ET. FATCA, which came into force on January 1 this year, was enacted by the US in 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act to combat tax evasion by US nationals holding investments in offshore accounts. India couldn't sign the accord by the December 31 deadline, but had expressed its commitment to the agreement. The Union Cabinet had in March cleared signing of the accord. The government has already held out the threat of greater information flow from the US to urge people to use the currently open one-time compliance window to come clean under the new black money law. "India is expected to start receiving information through AEOI (Automatic Exchange of Information) route under FATCA from USA later in the year 2015," the finance ministry said in a statement on Monday, detailing the nuances of the Black Money (Undisclosed Foreign Income & Assets) and Imposition of Tax Act, 2015, that came into force on July 1.

The law provides for 120 % tax on undisclosed foreign assets and imprisonment of up to 10 years.

The government has provided a threemonth window beginning July 1 for offenders to come clean after paying a tax of 30 % and penalty of another 30 % on the disclosed assets obtained from unaccounted income. A global agreement to combat tax evasion through sharing of information is to come into force from 2017. As many as 58 jurisdictions will start sharing information under this agreement from 2017 while another 36 will join the global protocol from 2018, boosting India's attempts to uncover black money stashed overseas.

India's true potential of GDP growth rate lies somewhere near 10%: Moody's

"India's negative output gap is showing little signs of closing in 2015. Though the economy has been in a cyclical upswing since late 2014, it has failed to gain broader momentum, global rating firm," Moody's said in a report. "Green shoots are slowly emerging, but the government's failure to deliver promised reforms is the major impediment. India's political infighting is denting business confidence," says the Moody's report authored by Faraz Syed.

He further added that key reforms such as the land acquisition bill, flexible labour laws, and the goods and services tax have failed to pass parliament. And given the political seesaw, these are unlikely to be delivered until later this year or even 2016.

Cabinet approves proposal for foreign investment in Alternative Investment Funds

To attract more overseas money into the country, the Union Cabinet today cleared a proposal allowing foreign entities to invest in Alternative Investment Funds (AIFs). The decision will help make available more funds to start-ups, early stage ventures, small and medium enterprises (SMEs), which are generally considered as high risk investments.

Official sources said the Cabinet has given its approval for foreign investments in AIFs that are set up under Sebi regulations and would widen the avenues for overseas entities to put in their money. Finance Minister ArunJaitley announced in this year's Budget that foreign investors would also be allowed to invest in the AIFs.

According to official sources, uncertainty in investors mind would be removed with the introduction of a clear cut written policy, which would not only improve the investment environment but also induce development activities. Now, foreign investments would be allowed in AIFs that are established as registered trust, structured as incorporated company or limited liability partnership. The same would be enabled in the FDI policy and FEMA regulations including foreign investment by way of units of AIFs set up as trust in terms of Sebi regulations, official sources said.

European Bank for Reconstruction and Development signs MoU for India investments

The European Bank for Reconstruction and Development (EBRD) signed MoU with one of India's top business chambers ASSOCHAM to facilitate co-financing opportunities. The aim of the agreement is to strengthen ties between EBRD and Indian corporations in the regions where the bank is active.

"We already work with some very high quality Indian companies in our countries of operations. By deepening our cooperation with ASSOCHAM we will be able to reach out to many more Indian partners as we invest to support countries that are still making the transition to market economies," said EBRD's first vice-President Phil Bennett.

"The EBRD has already had a number of successful investments in cooperation with Indian companies, but there was scope to do much more," Bennett said at bank's London headquarters with Sunil Kanoria, president-elect of Associated Chambers of Commerce and Industry of India (ASSOCHAM). EBRD has so far invested a total of over USD 960 million together with Indian firms.

Costly trade-off: Per capita debt burden at Rs 44,095 in FY15

A higher developmental expenditure for improved growth translated into an increase of Rs 2,966 in per capita debt burden at Rs 44,095 in 2014-15. The corresponding figure for India was at Rs 41,129 in 2013-14. The debt load comprised external and internal debt and other liabilities, government's provisional accounts showed.

The increase in per capita debt was mostly an outcome of higher developmental expenditure to achieve a better growth rate. According to International Debt Statistics 2015 of the World Bank, India takes the fourth spot on absolute external debt on a list of 20 developing countries. The domestic debt service payment in the government account stood at Rs 4.04 lakh crore, Rs 4.85 lakh crore and Rs 5.56 lakh crore in 2012-13, 2013-14 and 2014-15, respectively.The external debt service payment came in at USD 3.72 million, USD 3.66 million and USD 3.89 million in 2012-13, 2013-14 and 2014-15, respectively.

However, the government has reverted to the path of fiscal consolidation with a gradual exit from the expansionary measures in a calibrated manner. The government has announced a fiscal road map to bring down fiscal deficit to 3 per cent by 2016-17 with a reduction of 0.5-0.6% every year.

Government clears seven FDI proposals worth Rs 981 crore

Government today said it has cleared seven foreign investment proposals, including that of Hathway Cable and Datacom, totalling over Rs 981 crore.

The proposals worth Rs 981.15 crore have been cleared by the Finance Ministry following recommendations for the same by the Foreign Investment Promotion Board (FIPB).

Hathway Cable and Data Com Ltd has got approval for increasing foreign investment limit for FIIs and FPIs, among others under the portfolio investment scheme from the current 49% of its issued and fully paid up share capital to 74%.

Source: *Economic times*

Hedging-Risk Mitigator

Introduction *Hedging is a risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, or securities. In effect, hedgingisatransfer of risk without buying insurance policies. Hedging employs various techniques but, basically, involves taking equal and opposite positions in two different markets (such as cash and futures markets). Hedging is used also in protecting one's capital against effects of inflation through investing in high-yield financial instruments (bonds, notes, shares), real estate, or precious metals.*

A short history

Many think of hedging as the current flavor of the month in investing and capital markets. But scholars trace its roots back to a tale told by Aristotle in which the philosopher Thales bet on a bumper olive crop. Thales cannily wrangled with the owners of olive presses until he gained the exclusive rights to use the equipment in the upcoming harvest. Like today's hedge fund advisers, he used a contrarian trade to profit mightily.

Other experts attribute the invention of today's lightly regulated capital pools to a Eureka moment by Alfred Winslow Jones nearly sixty years ago. Alfred Jones was born in Melbourne, Australia in 1901 to American parents. He moved to the United States as a young child, graduated from Harvard in 1923 and became a U.S. diplomat in the early 1930s, working in Berlin, Germany. He earned a PhD in sociology from Columbia University and joined the editorial staff at Fortune magazine in the early 1940s. Captivated by the subject, he dropped journalism and decided to try finance himself. He created A.W. Jones & Co., a partnership of four friends, and invested $100,000 in stocks, using a mix of long and short positions buttressed by a healthy dose of debt. A year after he formed the fund, it earned 17.3 %, and during the next decade it outperformed every mutual fund by 87%, according to Alexander Ineichen's Absolute Returns: The Risk and Opportunities in Hedge Fund Investing.

This investing innovation is now referred to as the classic long/short equities model. Jones also employed leverage in an effort to enhance returns. In 1952, Jones altered the structure of his investment vehicle, converting it from a general partnership to a limited partnership and adding a 20% incentive fee as compensation for the managing partner. As the first money manager to combine short selling, the use of leverage, shared risk through a partnership with other investors and a compensation system based on investment performance, Jones earned his place in investing history as the father of the hedge fund.

Seventeen years after Jones's groundbreaking article, Fortune journalist Carol Loomis wrote about her precursor's success, referring to his strategy as a “hedge fund.” Soon after Loomis' article, hedge funds seemed to be pop up everywhere.In 1968, the Securities and Exchange Commission counted 140 investment partnerships that it considered hedge funds, according to research by economists Barry Eichengreenand Donald Mathieson. In an effort to maximize returns, many funds turned away from Jones' strategy, which focused on stock picking coupled with hedging, and chose instead to engage in riskier strategies based on long-term leverage. These tactics led to heavy losses in 1969-70, followed by a number of hedge fund closures during the bear market of 1973-74.The industry was relatively quiet for more than two decades, until a 1986 article in Institutional Investor touted the double-digit performance of Julian Robertson's Tiger Fund. With a high-flying hedge fund once again capturing the public's attention with its stellar performance, investors flocked to an industry that now offered thousands of funds and an ever-increasing array of exotic strategies, including currency trading and derivatives such as futures and options.

What is Hedging?

As mentioned earlier Hedging means reducing or controlling risk. This is done by taking a position in the futures market that is opposite to the one in the physical market with the objective of reducing or limiting risks associated with price changes. Hedging is a two-step process. A gain or loss in the cash position due to changes in price levels will be countered by changes in the value of a futures position. Let us try to understand this with an easy example. A wheat farmer can sell wheat futures to protect the value of his crop prior to harvest. If there is a fall in price, the loss in the cash market position will be countered by a gain in futures position. In this type of transaction, the hedger tries to fix the price at a certain level with the objective of ensuring certainty in the cost of production or revenue of sale. The futures market also has substantial participation by speculators who take positions based on the price movement and bet upon it. Also, there are arbitrageurs who use this market to pocket profits whenever there are inefficiencies in the prices. However, they ensure that the prices of spot and futures remain correlated. Hedging is like buying insurance. It is protection against unforeseen events, but investors usually hope they never have to use it. Consider why just about everybody purchases property holder's protection. Since the chances of having one's home pulverized are generally little, this may appear like a stupid venture. In any case, our homes are exceptionally significant to us and we would be crushed by their misfortune.

Utilizing alternatives to support your portfolio basically does likewise. Should a stock or portfolio take an unforeseen turn, holding a choice inverse of your position will help to restrain your misfortunes. It is particularly useful when a speculator has encountered a developed time of additions and feels this build may not be reasonable later on. Like all investment strategies, hedging requires a little planning before executing a trade. However, the security that this strategy provides could make it well worth the time and effort.

Techniques of Hedging

There are 5 types of hedging techniques. They are as follows:

- **Pairing:** Pairing seeks to offset a position with a similar but not identical security. It involvestaking an opposite position in a different security of the same sector to reduce risk. If you are long a position in one stock, you will want to choose another competitor in that same sector. This is to protect from industry risk, as most of the stocks of one sector will follow each other in large market movements. If you choose a stock from a different sector, the reliability of your hedge will be reduced as some sectors are negatively correlative.

- **Short against the Box:** Selling "short against the box" (SATB) is a unique hedging technique whereby a stock is hedged by short-selling the same exact stock. This was once a very popular strategy employed by many high-net-worth individuals and hedge funds to avoid capital gains taxes on low-cost- basis holdings.
- **Futures:** Futures contracts are one of the most common derivatives used to hedge risk. A futures contract is as an arrangement between two parties to buy or sell an asset at a particular time in the future for a particular price. The main reason that companies or corporations use future contracts is to offset their risk exposures and limit themselves from any fluctuations in price. The ultimate goal of an investor using futures contracts to hedge is to perfectly offset their risk. In real life, however, this is often impossible and, therefore, individuals attempt to neutralize risk as much as possible instead.

- **Exchange traded Funds:** The use of ETFs allows for a variety of hedging strategies. Investors who want to hedge against a drop in the market can purchase inverse ETFs or leveraged inverse ETFs, which rise when the market falls. An investor concerned about inflation can hedge it by investing in commodities or inflation-protected bond ETFs. Investors that have investments out side the U.S. can hedge their foreign currency exposure with currency ETFs. Of course, investors can short an appropriate ETF that can hedge against a very specific stock market exposure. Many ETFs have options that can be used for other hedging strategies, either separately or in conjunction with the underlying ETF.
- **Options:** An option is a contract which gives the buyer (the owner or holder) the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on or before a specified date, depending on the form of the option. Options are frequently used in hedging. For example, you can speculate that the market price will rise in the future and buy a call today. But, because the market is uncertain and you're not certain it will rise, you simultaneously buy a put option. By carefully selecting the appropriate combinations of strike price, expiration date and type of option an investor can minimize risk and maximize the probability of making a profit.

How to Hedge

Hedging, in the Wall Street sense of the word, is best illustrated by example. Imagine that you want to invest in the budding industry of bungee cord manufacturing. You know of a company called Plummet that is revolutionizing the materials and designs to make cords that are twice as good as its nearest competitor, Drop, so you think that Plummet's share value will rise over the next month. Unfortunately, the bungee cord manufacturing industry is always susceptible to sudden changes in regulations and safety standards, meaning it is quite volatile. This is called industry risk. Despite this, you believe in this company and you just want to find a way to reduce the industry risk. In this case, you are going to hedge by going long on Plummet while shorting its competitor.

The value of the shares involved will be $1,000 for each company. If the industry as a whole goes up, you make a profit on Plummet, but lose on Drop - hopefully for a modest overall gain. If the industry takes a hit, for example if someone dies bungee jumping, you lose money on Plummet but make money on Drop. Basically, your overall profit, the profit from going long on Plummet, is minimized in favor of less industry risk. This is sometimes called a pairs trade and it helps investors gain a foothold in volatile industries or find companies in sectors that have some kind of systematic risk.

Hedging techniques generally involve the use of complicated financial instruments known as derivatives, the two most common of which are options and futures. Determine your position in the security- If you are long a stock and you want to reduce downside risk, you will want to buy put options/ you will want to short contracts. If you are short a stock, and you want to reduce upside risk you should buy call options/ you should buy contracts.

Find the appropriate options/contracts: You will have to find the options/contracts appropriate for your timeframe, the strike price you are willing to take, and the premium you are willing to pay. You will want to pick a strike price you are happy with - if you have a strict discipline of cutting all your losses to a maximum of 10%, then you can choose an option/contract with a strike price of up to 10% away from your purchase (10% below with a put option/contract if you are in a long position, 10% above with call option/contract if you are short). Keep in mind there is nothing that says the strike has to be 10% away, it can be 5% away, 2% away,even the purchase price, as long as it fits your comfort level. If you are already profitable, you can keep a put option/contract above your purchase price or call option/contract below the short price to lock in some of the gains.

Sit back and relax. Your stock is literally locked in that price as long as the option/contract is not expired. If your stock is profitable at the time of your options/contract expiry, then your option/contract expires worthless, but you keep the profits from your investment. If your stock shows a loss at the time of your options/contract expiry, no matter how big the loss is, you can exercise your options/contract and sell/buy back your shares at the strike price, either cutting losses or reaping some previously locked in profits. The beauty of options is that it is optional whether or not you decide to exercise the option (in a long position), unlike futures contracts, which you are obligated to fulfill at expiry.

Benefits of Hedging

Price Risk Management

The risk of price movements in a physical market can be offset by locking in the price for the same commodity/investments in the futures market. The physical market is also known as the spot or cash market where commodities like shares, grains, crude oil and other items are bought for cash and delivered immediately. In the futures market, delivery and payment is done on a specified date in the future. The date is determined at the time of commencing the transaction agreement. As per price risk management, the brokerage house would sell the investor's commodity when the top or bottom price, already agreed upon between the investor and broker, is touched upon. In other words, hedging allows the individual investor or corporation to lock in an acceptable forward price. When hedging is used in price risk management, windfall profits have to be sacrificed, but the upside is that it helps to protect against windfall losses. Hedging is used as a financial tool to manage price volatility.

Minimizing Risk

Hedgers make use of futures to minimize risk in investment portfolios. Recently, futures were created on a variety of assets, moving away from traditional agricultural products. Futures on stock indexes and interest rates are now possible, providing greater investment opportunities for investors. Making use of futures to hedge investment portfolios equates to price risk transfer; the transferring of the price risk to someone (a speculator) who is willing to accept the risk to make a profit.

Precautions to be taken while Hedging

1. **Identify the risks:** The most important precaution while hedging is identifying the types of risks an investor might face. An investor can be a corporation too and hence it may have to face operating and financial risk.The second type of risk, financial risk, is the risk a corporation faces due to its exposure to market factors such as interest rates, foreign exchange rates and commodity and stock prices. A critical factor to consider when determining which risks to hedge is the materiality of the potential loss that might occur if the exposure is not hedged.

2. **Understand your Hedge tools and pick the right tool:** Most Derivative solutions are constructed from two basic instruments which are forwards and options. Lack of familiarity with these tools may deter investors from hedging. Choosing the right tool is very important. Investors should have enough knowledge so as to decide which tool is the best for them in that particular situation.

3. **Don't base your hedge program on your market view:** Many corporate risk managers attempt to construct hedges on the basis of their outlook for interest rates, exchange rates or some other market factor. However, the best hedging decisions are made when risk managers acknowledge that market movements are unpredictable. A hedge should always seek to minimize risk. It should not represent a gamble on the direction of market prices.

4. **Distinguish between Hedging and Speculation:** One reason investors are sometimes reluctant to hedge is because they associate the use of hedging tools with speculation. One should not get confused between the two. They believe hedging with derivatives introduces additional risk. In reality, the opposite is true. A properly constructed hedge always lowers risk. It is by choosing not to hedge that managers regularly expose their companies to additional risks.

Conclusion

Risk is an essential yet precarious element of investing. Regardless of what kind of investor one aims to be, having a basic knowledge of hedging strategies will lead to better awareness of how investors and companies work to protect themselves. Whether or not you decide to start practicing the intricate uses of derivatives, learning about how hedging works will help advance your understanding of the market, which will always help you be a better investor.

- Prateek Joshi

Power to decide on rates should remain with RBI governor, says C Rangarajan, former RBI chief

The government on Thursday issued a revised draft of the Indian Financial Code (IFC) to propose a monetary policy committee headed by RBI 'chairperson' to decide on key interest rates by a majority vote. The draft has sought to take away the veto power of the RBI governor while taking rate-related decisions, a proposal that is likely to pave the way for a confrontation with the central bank as it may curtail the powers of the governor.

The move is seen as a step to dilute RBI's power as an independent entity. The proposals, particularly the one to dilute the absolute powers the Reserve Bank governor enjoys in setting benchmark rates, may set the stage for another round of friction between the finance ministry and the central bank.

There is already a tension between the monetary and fiscal authorities over interest rate cut. Governor Rajan, although front-loaded interest rate cuts in June policy by a 25-basis point repo rate reduction, said that the government needs to reciprocate by 'strong' food policy management, higher public spending and recapitalisation of banks.

C Rangarajan, former Reserve Bank of India governor, has criticised the suggestion to take away the veto power of RBI governor in making the final decision on shortterm interest rates, sometimes overriding a majority vote. He said that the power to decide on interest rates should be vested in RBI governor as the central bank is responsible to rein in inflation.

NSIC targets Rs 24,000 crore turnover in 2015

National Small Industries Corporation Ltd (NSIC) has set a target of Rs 24,000 crore turnover this year. "The National Small Industries Corporation Ltd (NSIC) has fixed a target of total business of Rs 24,000 crore through its various schemes and services like raw material supply, raw material finance, B2B, B2C and its technical centresetc for facilitating micro, small and medium enterprises (MSME) in the country," MSME Minister of State Giriraj Singh said in a written reply to the LokSabha.

On the question of whether the digital and defence initiatives of the government were likely to give a boost to the country's

MSME sector, Singh said: "Government in the Ministry of Micro, Small and Medium Enterprises has taken several initiatives... NSIC also organisesdefence exhibitions, MSME buyer-seller meets, vendor development programmes to build an MSME database and facilitating supplies from MSMEs to obtain and execute defence orders."

Government to set up Rs 500 crore fund for SME pharma firms

The government will be setting up a Rs 500 crore fund for small and medium players in the pharmaceutical sector for up gradation of their manufacturing facilities to boost drug production in the country.

"Our department is in the process of setting up a pharmaceutical upgradation fund with corpus of about Rs 500 crore. The fund will provide loans through some bank to the small and medium players in the sector for upgradation of their technology and quality," Pharmaceuticals Secretary V K Subburaj told PTI.

The fund is being set up following recommendations submitted by a task force on pharmaceutical sector last month to Chemicals and Fertiliser Minister Ananth Kumar. The task force in its report titled 'Recommendations of the Task Force on Enabling Private Sector to lead the growth of Pharmaceutical Industry' had suggested that the Department of Pharmaceutical may come up with seed capital and facilitate funding with other financial institutions for the medium and small scale players in the pharmaceuticals industry.

Maharashtra government plans to invest 10-15% in IPOs of top SMEs

Maharashtra government plans to invest in initial public offerings (IPOs) of small & medium enterprises (SMEs) in order to boost investment in industries in the state. The state government is talking to the National Stock Exchange (NSE) to create a special fund which would be used to invest in IPOs of such enterprises. A top state government official said that while the proposal was in its early stages, they are looking to invest "between 10 and 15% in IPOs of established SMEs". "The move would be a win-win for SMEs as well as for us; for SMEs, a state investing in their IPOs would be the best endorsement for the company. It would work well for us too, as companies would have an added incentive to set up shop in Maharashtra," said a state government official on the condition of anonymity. He added that the state's purpose for creating the fund was not to make money, but to encourage industries to set up shop in the state. He added that the money would be invested throug ..

Quotes

My aim is to foster the spirit of entrepreneurship, something that really hasn't happened in India till now.

Kalraj Mishra
Union MSME Minister

"If we keep inflation under control and if there are some favourable global whims, the journey between 8% and 10% is not impossible and that is where India's real potential is."

Arun Jaitley
Union Finance Minister

SME MARKET STATISTICS

Sr No.	Company	Closing	% Return	52 Week Low	52 Week High	Sr No.	Company	Closing	% Return	52 Week Low	52 Week High
1	Aanchallspat Limited	8.70	-56.50%	8.00	22.90	46	Lakhotia Polyesters	12.35	-64.71%	10.50	14.57
2	Ace Tours	5.60	-65.00%	5.60	64.00	47	Looks Health	46.00	15.00%	38.60	151.00
3	ADCC Infocad Ltd	73.00	82.50%	43.50	81.50	48	MahabirMetallex	12.30	23.00%	9.79	13.00
4	AGI Infra	85.00	57.41%	54.05	100.55	49	Max Alert	16.25	-18.75%	16.10	198.50
5	Agrimony Commodities	6.50	-35.00%	6.50	11.40	50	Mishka Exim Ltd	13.50	35.00%	13.50	14.70
6	Alacrity Securities	6.00	-60.00%	4.75	8.34	51	Money Masters	7.55	-49.67%	7.24	11.86
7	Amsons Apparels Ltd	10.80	8.00%	3.55	14.72	52	Naysaa Securities Ltd	12.00	-20.00%	11.90	17.90
8	AnishaImpex	19.80	98.00%	6.49	21.00	53	Newever Trade	3.10	-69.00%	3.00	50.80
9	Anubhav Infrastructure Ltd	11.05	-26.33%	10.85	15.10	54	Oasis Tradelink	69.40	131.33%	27.85	73.20
10	Aryaman Capital Markets	13.80	15.00%	12.05	15.00	55	OceanaaBiotek	11.05	10.50%	9.50	13.00
11	Akme Star Housing Finance	37.00	23.33%	30.50	37.00	56	O. P. Chains Ltd	15.25	38.64%	11.25	17.22
12	Athena Construction	19.50	95.00%	15.05	39.90	57	OnesourceTechmedia	3.80	-72.86%	3.33	8.70
13	AtishayInfotech Ltd	51.00	218.75%	17.00	51.00	58	PolymacThermoformers	27.30	-22.00%	18.60	210.00
14	Bansal Roofing	32.00	6.67%	28.00	34.45	59	Powerhouse Fitness & Realty Ltd	29.50	-1.67%	24.50	54.00
15	BC Power	48.60	170.00%	18.50	52.30	60	RaghuvanshAgrofarms Ltd	40.90	271.82%	11.55	40.90
16	BCB finance	27.20	8.80%	25.00	31.00	61	RCI Industries & Technologies	112.50	181.25%	32.00	125.35
17	BhanderiInfracon	118.10	-1.58%	107.60	124.00	62	RCL Retail	15.40	54.00%	9.36	38.95
18	Bothra Metals	35.50	42.00%	18.00	44.95	63	RJ Biotech	31.50	57.50%	23.00	45.00
19	Captain Pipes Limited	38.00	-5.00%	31.00	43.20	64	R&B Denims	11.00	10.00%	9.00	15.43
20	Captain Polyplast	41.00	36.67%	36.00	64.00	65	Silverpoint Infratech	6.05	-59.67%	5.90	9.70
21	Carewell Industries	5.28	-64.80%	5.05	14.40	66	Samruddhi Realty	34.00	183.33%	25.00	50.00
22	Channel Nine	35.10	40.40%	21.85	52.50	67	SatkarFinlease	52.00	188.89%	19.00	154.35
23	Chemtech Industrial	32.50	116.67%	13.50	54.60	68	Shri Krishna Prasadam	25.00	150.00%	5.40	31.00
24	Comfort Commotrade	10.30	3.00%	10.00	30.00	69	Siddhi Vinayak Shipping	43.90	75.60%	25.00	49.50
25	DhabriyaPolywood Ltd	48.00	220.00%	16.05	49.00	70	Sirohia& Sons ltd	12.50	4.17%	8.00	17.50
26	Dhanuka Commercial	8.05	-19.50%	4.71	17.60	71	SPS Finquest	78.00	4.00%	75.00	86.00
27	Eco Friendly	49.40	97.60%	20.95	56.50	72	SRG Securities Finance	18.50	-7.50%	18.25	34.90
28	eDynamics Solution	6.75	-73.00%	6.59	117.65	73	SSPN Finance	14.60	-27.00%	13.70	15.00
29	Encash Entertainment	42.20	5.50%	40.00	127.95	74	Starlit Power Systems Ltd	17.10	-5.00%	12.00	21.50
30	Esteem Bio	27.20	8.80%	18.20	52.50	76	Subh Tex India	19.20	92.00%	14.30	29.10
31	Filtra Consultants	42.50	1.19%	39.00	47.10	77	Sunstar Realty Development	36.50	82.50%	18.76	42.60
32	Funny Software	9.95	-28.93%	9.95	13.50	78	Suyog Telematics	83.15	232.60%	25.50	83.15
33	GCM Capital Advisors	92.30	361.50%	33.55	141.60	79	Tarini International	14.00	-65.85%	13.95	41.00
34	GCM Comm	7.70	-61.50%	6.70	20.00	80	Tentiwal Wires	9.90	-23.85%	7.00	15.00
35	GCM Securities	19.00	-5.00%	19.00	90.25	81	Tiger Logistics	153.40	132.42%	66.00	200.15
36	HPC Biosciences	33.00	-5.71%	28.90	75.75	82	Ultracab India Ltd	69.00	91.67%	36.90	78.00
37	India Finsec	10.90	9.00%	9.05	11.52	83	Unishire Urban Infra	10.10	1.00%	6.70	17.10
38	Jet Infraventure Ltd	127.00	1.60%	126.50	133.90	84	VCU Data Management	28.25	13.00%	21.50	64.00
39	JLA Infraville Shoppers Ltd	20.00	100.00%	10.50	29.80	85	Vibrant Global Capital Limited	23.00	21.05%	17.00	25.25
40	Jointeca Education	16.90	12.67%	16.00	21.00	86	Vishal Fabrics	85.00	88.89%	44.05	85.70
41	Junction Fabrics and Apparels Ltd	19.05	19.06%	17.05	19.05	87	VKJ Infradevelopers	45.00	80.00%	23.85	220.00
42	Karnavati Finance Ltd	10.50	5.00%	10.10	11.60	88	VMV Holdings	10.50	5.00%	10.25	10.50
43	Karnimata Cold Storage	18.50	-7.50%	18.50	22.30	89	Women's Next	60.70	-6.62%	54.00	72.80
44	Kavita Fabrics	12.60	-68.50%	9.50	13.86	90	Yogya Enterprises	16.35	9.00%	11.62	17.90
45	KushalTradelink	155.00	342.86%	18.60	160.00						

Note: Absolute returns since IPO.
#Closing prices as on July10, 2015

Indices	Current	% Return YTD
BSE SME IPO	846.63	513.33%
TSE MOTHERS	924.19	122.67%
CHINEXT PRICE INDEX	2755.60	290.68%
FTSE AIM All Share Index	751.78	5.00%
TSX Venture Composite	643.47	(48.10%)
Hong Kong GEM Index	771.98	102.35%

#Closing prices as on July10, 2015

MARKET WATCH

Particulars	Bothra Metals & Alloys	Tiger Logistics	RJ Biotech	RCI Industries & Technologies	B C Power	Starlit	JLA Infraville	Eco-friendly	Sunstar Realty
A. Valuation / Market Cap									
Pre Issue Net Worth	20.82	16.34	11.64	25.63	10.29	7.97	3.20	8.606	5.54
Issue Size	12.21	7.52	5.00	11.52	10.37	2.95	2.00	7.515	10.62
Market Capitalization*	65.73	64.87	29.82	112.62	57.15	10.46	12.98	1223.39	869.33
B. Price Pattern									
Issue Price	25.00	66.00	20.00	40.00	18.00	18.00	10.00	25.00	20.00
CMP (Face Value Rs. 10)*	35.50	153.40	31.50	112.50	48.60	17.10	20.00	49.40	36.50

Particulars	Channel Nine	Max Alert	Samruddhi Realty	HPC Biosciences	SI VI Shipping	GCM Capital Advisors	Ace Tours Worldwide	Newever Trade	Looks Health	Captain Polyplast
A. Valuation / Market Cap	(Rs. Crore)									
Pre Issue Net Worth	5.56	7.10	4.39	4.80	3.09	25.30	8.71	17.53	0.75	7.36
Issue Size	11.67	8.00	2.60	15.75	6.86	9.00	8.00	6.30	7.20	5.94
Market Capitalization*	817.46	14.95	34.32	526.68	25.25	156.36	7.10	7.42	27.60	36.72
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)*	35.10	16.25	34.00	33.00	43.90	92.30	5.60	3.10	46.00	41.00

Particulars	Esteem Bio	SatkarFinlease	VKJ Infradevelopers	Subh Tex	Akme Star	Comfort Commotrade	Sanco Industries	Thejo Engineering	Mitcon Consultancy	Opal Luxury
A. Valuation / Market Cap	Rs in Crore									
Pre Issue Net Worth	8.56	21.16	5.40	16.43	10.13	4.43	16.43	25.8	54.42	11.82
Issue Size	11.25	13.51	12.75	3.50	4.80	6.00	4.32	19.00	25.01	12.00
Market Capitalization*	676.28	99.03	80.32	21.12	21.96	10.32	17.40	68.60	102.37	38.79
B. Price Pattern	Rs per share									
Issue Price	25.00	18.00	15.00	10.00	30.00	10.00	18.00	402.00	61.00	120.00
CMP (Face Value Rs. 10)*	27.20	52.00	40.00	19.20	37.00	10.30	20.30	200.00	84.60	115.50

*Closing prices as on 10thJuly, 2015
* Source: BSE SME, NSE Emerge websites

UPCOMING EVENTS

6th Annual National Conference on SME FINANCE & INVESTMENT SUMMIT	24th July, 2015	Mumbai
STARTUP & YOUNG ENTREPRENERUS SUMMIT	31st July 2015	Mumbai
2nd Annual International Event MAHARASHTRA INDUSTRY SUMMIT Theme : Make in Maharashtra - Reformation Plans for Industrial Growth	12th August, 2015	Mumbai
Conference on VENTURE CAPITAL AND PRIVATE EQUITY OPPORTUNITIES FOR SMEs	20th August, 2015	Mumbai
3rd Annual International Event INDIA SME MANUFACTURING SUMMIT and 20th Foundation Day Celebration	28th August, 2015	Mumbai
KARNATAKA INDUSTRY AND SME SUMMIT	August, 2015	Bengaluru
Global Innovation Summit	1st September, 2015	Dubai

Notes

SKOCH Award Function

Mr Deepak Sharmaa – MD Sarthi Group, receiving SKOCH Award

SARTHI
Bridging the Gap

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

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