

## NSE, BSE SMALL FIRM LISTING PLATFORMS SEE TRACTION OVER 50 COMPANIES

### SME IPOs SO FAR THIS YEAR

Small and medium enterprises (SMEs) are increasingly looking at equity as an option for funding growth. Industry players say initiatives taken by the government and exchanges have made the equity fund-raising route more accessible for the country's burgeoning SME sector, which is largely dependent on bank funding.

In the first two months of 2017, there have been 10 initial public offerings (IPOs) worth ₹135 crore on the SME platforms of the National Stock Exchange (NSE) and BSE. In comparison, there has been only one IPO on the main board, while no primary capital raising. The pace of new listings is likely to accelerate with more than 50 companies lining up before the exchanges with their fund-raising plans.

About 36 SMEs have approached BSE SME, while about 15 are eyeing listing on NSE Emerge, the SME platform of the country's biggest exchange. BSE SME has given the go-ahead to 28 companies, while

eight have filed their offer documents and are awaiting approvals. Some of these companies are Trine Entertainment, Monarch Apparels, Shareway Securities, Octaware Technologies and Perry Impex.

Meanwhile, NSE Emerge granted approval to four companies, which are Aakash Infrastructure, Sanginita Chemicals, Shree Ram Switchgear and RKEC Projects. Focus Lighting and Fixtures, Bohra Industries, Euro India Fresh Foods and Jalan Transolutions have filed their draft prospectus.

The companies eyeing to list are from sectors like apparels, chemicals, fertilisers, pharmaceuticals, realty, infrastructure and capital goods. Most of the companies are from Gujarat followed by Rajasthan and Maharashtra.

Investment bankers say encouraging participation in some of the recent IPOs bode well for new listings. Some of the SME IPOs this year saw record subscriptions.

line up to list

	Amount raised (₹cr)
Steel City Securities	27
Akash Infra Projects	26
Nitiraj Engineers	22
Krishana Phoschem	20
Global Education	10
Sanginita Chemicals	10
Tanvi Foods	7
Madhav Copper	4
RMC Switchgears	4
Super Fine Knitters	4

Global Education's ₹10-crore IPO was subscribed 82 times, generating demand worth around ₹840 crore. Krishna Phoschem's ₹20-crore IPO too saw a subscription of 33 times.

Exchange officials say SME-focused funds set up by the central and state governments are helping start-up listings. The government of Maharashtra and the

Small Industries Development Bank of India (Sidbi) have jointly set up one such fund, which has invested in four SME IPOs on the NSE's Emerge platform. A similar fund is also set up by the West Bengal government.

Both the NSE and BSE are talking to several state governments to help with SME IPOs. The framework for a separate SME platform was approved by the Securities and Exchange Board of India (Sebi) in 2012. The disclosure and regulatory requirements for the platform were less stringent than those relating to listing on the main board. Since 2012, around 165 companies have listed on BSE SME and another 60 on NSE Emerge. Some of these companies have migrated to the main platform of the BSE and NSE.

Source: Business Standard  
March 03, 2017

## AJAY TYAGI TAKES CHARGE AS 9TH SEBI CHIEF

Ajay Tyagi on Wednesday assumed charge as ninth chairman of Securities and Exchange Board of India (Sebi). The former additional secretary in the department of economic affairs made a confident entry in the Sebi's headquarters and is likely to hit the ground running.

Sources said the finance ministry has set some plan for Tyagi, particularly in the area of commodity markets. "He has been briefed to focus on integration of the commodity market by allowing interoperability for brokers. The government has a view that commodity market still lacks confidence even after the regulator's merger with Sebi and will need some regulatory changes," said a government official.

Another immediate focus for Tyagi would be corporate governance. "The government is not satisfied with the way a high-profile boardroom battles has been handled," said the person cited above.

Some of the recent corporate governance issues involve the Ratan Tata-Cyrus Mistry board tussle and tussle between Infosys management and founders.

Sources said that Sebi under Tyagi may soon come out with detailed guidance after considering market participants' opinion on overhauling the way listed firms discharge their duties.

National Stock Exchange (NSE)'s co-location issue and a new set of rules for high frequency trade (HFT)



Ajay Tyagi, new chairman of Securities and Exchange Board, arrives at its headquarters in Mumbai, on Wednesday.

would also be on his priority list. Tyagi may also finalise Sebi's action in the unfair access issue at NSE's co-location facility.

Sebi has set up a committee

to suggest changes to the HFT mechanism.

Other key issues involve start-up listing concept, which has failed to take off in a meaningful way. Similarly, other new instruments such as municipal bonds, real estate investment trusts, and infrastructure investment trusts also haven't made much headway.

Tyagi, a 1984-batch IAS (Indian Administrative Service) officer of Himachal Pradesh cadre, has handled capital markets division in the finance ministry.

Tyagi has diverse experience at the Centre.

Source: Business Standard  
March 01, 2017

## GOVT WANTS CAP ON DEBIT CARD CHARGES

Unhappy with the RBI's recommendation, the government is seeking a cap on the merchant discount rates (MDR), or the fee charged by banks for debit card transactions, to ensure that consumers are not discouraged from using plastic.

Last month, the RBI issued a draft circular, where it classified merchants into small and other categories with levy of 0.95% of the transaction size permitted. Small merchants can levy up to 0.4% of the transaction value as MDR. In any case, credit cards are not covered by the draft circular.

"This is too open-ended and good for banks. But it does not go down with the objective of reducing use of cash as consumers will have to pay extra for using debit cards," said an officer. The finance ministry is now in dialogue with the RBI to cap the fee to shield consumers.

Ideally, small transactions should be exempt from any fee and only beyond

a certain value a charge should be levied, said sources. "There is a cost of managing cash and even making and receiving payments by cheques. We need to incentivise new tools of payment," said a source.

In addition, sources in the government are suggesting a cap on amount that banks or the card issuers can charge. "It should not be more than ₹100-200. You are providing a service for which the effort does not go up because the size of transaction rises. After all, it's only a device that is being used," said another source.

### e CASH BOOST

The government has been pushing the use of non-cash payments, including debit and credit card, since PM Narendra Modi announced the scrapping of old ₹500 and ₹1,000 notes. While charges had been suspended amid cash scarcity in the economy, banks are back to levying fees.

Source: The Times of India  
March 02, 2017

## GOVT TO BANKS: GET ALL A/Cs ON NET BANKING BY MAR 31

The government has instructed banks to enable internet banking across all accounts by March 31 and mandatorily link them to the Aadhaar number to facilitate digital payments and online transactions. The measure has been approved at the "highest levels" in the government, and is aimed at facilitating digital payments across the banking system.

"This measure will further enable the rapidly-evolving digital payments setup in the country and will help add in a new set of consumers to the world of online transactions," IT minister Ravi Shankar Prasad told TOI here.

The ministry has been coordinating efforts to digitise transactions and is a nodal point for several initiatives in this direction, including ensuring digital safety and putting in place cyber security measures.

Prasad chaired a review meeting on the growth and proliferation of digital payments, and also the various issues associated with the measure. "These were focused around looking at regulatory and monetary framework related to digital transactions."

"Banks have been requested to get Aadhaar on board by March 31. This would mean that the bank account is ceded to Aadhaar that will enable easier digital transactions," Prasad said.

Top officials in the IT ministry said that around 35% of existing bank accounts do not have linkages to Aadhaar, which could be an obstacle in aligning them to online transactions and digital payments applications. "If net banking is not allowed, some of the applications may not be able to make digital transactions," an official said.

Source: The Times of India  
March 01, 2017

## BIGGEST EQUITY INVESTOR LIC WARY OF STOCKS

LIC, the country's largest institutional investor, is wary of equities. The corporation's equity investments barely increased during the current fiscal, despite a 40% jump in new business premium. LIC is, however, bullish on public sector divestment and looking at upcoming issues, including that of the state-owned insurance companies. "We are subdued in equity investments because the market has gone up very high. In any case, LIC has always been contrarian and we continue to follow our 1958 policy of investment, which says primary duty of LIC is to protect the hard-earned income of policy holders and investment return is secondary," said LIC chairman V K Sharma in his

first interaction with the media after taking charge last year.

Sharma said that LIC has used the rise in stock prices to book profits. In the first nine months of the current fiscal, the corporation booked profits of ₹16,000 crore as against ₹9,500 crore in the corresponding period last year. The corporation has sold shares worth ₹39,000 crore as against its purchases worth around ₹38,000 crore. Sharma said that there was no pressure on LIC to invest in PSU companies and the scenario was quite contrary to that belief. "In fact, we had applied for 60% of the issue of Bharat Electronics (part of government divestment), but we did not get a single share," said Sharma. He also

### TOP LIC HOLDINGS

Co	Stake (%)	Mkt value (₹cr)
ONGC	9.1	50,008
ITC	14.29	45,823
Reliance	9	36,161
L&T	16.03	21,958
SBI	9.62	20,568
HDFC Bank	5.67	20,233
ICICI Bank	10.94	17,761
Axis Bank	14.49	17,638
NTPC	12.74	17,348
TCS	3.44	16,870

indicated that LIC was keen to invest in shares of General Insurance Corporation.

When asked about the likelihood of LIC getting itself listed, Sharma said that being a statutory corporation, the reply to this question could be given only to Parliament. In the first nine months of

the fiscal, the corporation saw its total premium income grow 12.43% to ₹1.45 lakh crore and total assets rose 12.8% to ₹24.41 lakh crore from ₹21.64 lakh crore a year ago. Gross income (including investments) increased 15.8% to ₹3.37 lakh crore from ₹2.91 lakh crore. Sharma said that of the total investments of around ₹1.98 lakh crore during the current fiscal, the corporation has pumped ₹1.83 lakh crore into government and government backed bonds, and the rest had gone largely into fixed income investments.

When asked about the corporation's roles in boardroom battles taking place at Tata Group and Infosys, Sharma said that

LIC would primarily depend on the Insurance Regulatory Development Authority of India's proposed code on principles of stewardship. The principles are intended to strengthen the role of insurers as stewards on behalf of the policyholders. "We are sensitive to protecting every single rupee of the policyholder. But at the same time, we have no business to be in their business," said Sharma. "Our focus is on clean corporate governance, whether it is for us or whether it is for other companies," said Sharma.

Source: The Times of India  
February 28, 2017

## FOR SEBI, INVESTORS ARE TOP PRIORITY: U K SINHA

The outgoing chairman of regulator Sebi, U K Sinha, said on Monday that investor protection will take precedence over development of the market, if it ever came to a point where the organisation had to choose between the two. Sinha also said that during his six-year term, there were instances when Sebi acted harshly against those entities that threatened the integrity of markets, and he wasn't feeling shy to admit that.

Sinha, a former IAS officer of Bihar cadre, is set to retire on March 1 and Ajay Tyagi, also an IAS officer, who is currently an additional secretary in the finance ministry, will take over as the next regulatory chief.

Sinha said Sebi's main job was to protect the interests of investors and it will continue to do so. "This has been a major effort on our part and while we have to be fair, everyone should get uniform treatment," he said. "We also believe there should be competition in the market. So we have consciously encouraged that. We believe that if there is fair amount of competition in the market and the regulations are in place, then we will be able to avert many mishaps," Sinha said.

Speaking about some of the tough orders passed by Sebi during the last six years, he said he was aware of comments that Sebi was very harsh. "Well we have been (harsh). I don't think we will feel shy about



saying that. Whenever we have found there are aberrations, violations -we have taken action. I am sure this has given comfort not only to domestic investors but also to foreign portfolio investors (FPIs)," Sinha said.

The Sebi chief said that during his tenure, the market regulator had made all efforts to ensure uniform treatment to

every market participant, big or small, and aimed at promoting competition. He also said that Sebi is working hard to cleanse the markets and instruments of manipulation that were threats, including defunct regional stock exchanges, which have been closed down. "We have also been able to delist 345 companies and more than 2,000 companies have been brought to the dissemination board. If we saw there is some entity that could be a potential threat to the integrity of the market, we acted very hard on it," he said.

Sinha said he was very proud that about 200 SMEs have already been listed on the dedicated platform for these companies, which are smaller in size than the

ones that trade on the main platform.

In early 2012, BSE had launched its dedicated trading platform for SMEs and has a dominant position.

Sinha also said that regional stock exchanges where barely trading for several years, and were potential instruments for market manipulation and were creating difficulties in the financial system. During his tenure, 19 of those were closed down, despite legal hurdles. "Obviously we met with resistance and legal challenges, but Sebi was able to win all these cases and these exchanges were closed," Sinha said.

Source: The Times of India February 28, 2017

## 161 STOCKS MORE THAN DOUBLE IN 12 MONTHS

As many as 161 stocks from the BSE 500 and small-cap indices have surged over 100 per cent each in the past one year, amid a strong rally in equity markets.

Of these, 30 stocks that include Aptech, Lumax Industries, Vedanta, Indian Bank, Venky's India, Manappuram Finance, Escorts and Datamatics Global Services have risen over 200 per cent since February 29, 2016, when the S&P BSE Sensex hit a 52-week low in intra-day deals.

By comparison, the benchmark S&P BSE Sensex at around 28,984 has rallied 26 per cent since then. The S&P BSE 500 index and the S&P BSE Small-cap index have rallied 33 per cent and 44 per cent, respectively.

A strong inflow of a little above ₹90,000 crore collectively by foreign portfolio investors (FPIs) and mutual funds (MFs) in equities during the past year has fuelled the rally. Better financial performance by these companies for the trailing 12-month (TTM) period ended December 31 is also partly responsible for increased investor participation.

While FPIs have made a net investment of ₹47,841 crore, another ₹42,990 crore has come from MFs. Sectorally, 17 stocks are from chemical entities and 16 from financials,

Name	Feb 29, '16	Mar 01, '17	% chg
Thirumalai Chemicals	131.20	859.15	554.8
Tata Metaliks	86.50	520.85	502.1
Shilpi Cable Technologies	46.15	223.15	383.5
Alisec Technologies	93.50	424.10	353.6
Sudarshan Chem	79.50	350.45	340.8
Aptech	53.35	234.25	339.1
Jindal Stainless (Hisar)	28.90	119.40	313.1
I G Petro	82.10	337.70	311.3
Kushal Tradelink	107.90	440.90	308.6
Kiri Industries	75.50	300.00	297.4

Top gainers from BSE 500, smallcap indices Data compiled by BS Research

including banks. Stocks of companies in the steel, pharmaceuticals, automobile ancillary and cement sectors have seen good appreciation.

Of the 161 companies mentioned, 159 had seen strong 78 per cent year on year growth in aggregate net profit, of ₹32,546 crore for the TTM ended December 2016. They had profit of ₹18,208 crore for the TTM ended December 2015. Thirumalai Chemicals, largest gainer among these, has seen its market value appreciate 555 per cent, to ₹859. The company had reported a consolidated net profit of ₹75.8 crore for TTM-2016 against ₹5.9 crore in TTM-2015.

Vedanta has rallied 275 per cent, from ₹70.85 to ₹265.35, after the company trimmed its

consolidated net loss to ₹7,448 crore in TTM-2016. It had reported a loss of ₹16,907 crore in TTM-2015.

Ahead Though most experts remain positive on the outlook for Indian equities over the next few quarters, a pick-up in corporate earnings, stable global and domestic macros and flows into the equity segment by domestic institutions and foreign institutional investors remains key for the market to sustain at higher levels, they say.

"We expect the flows to continue in the near term. Investors should not look at a decrease in local flows as a lead indicator for Indian markets — flows will follow returns, rather than the other way round. This means the recent market strength might continue, despite the expected sharp earnings declines ahead," says Gautam Chhaochharia, head of India Research at UBS Securities, in a co-authored report with Sanjena Dadawala.

Source: Business Standard March 02, 2017

## PAY MORE FOR CASH SERVICES IN BANKS

### AXIS, HDFC BANK HIKE CHARGES FOR NON-FREE TRANSACTIONS AT COUNTERS



Customers of private lenders HDFC Bank and Axis Bank will have to shell out more for cash transactions beyond free limits from March 1. Other than senior citizens and children, HDFC Bank customers will be charged ₹150 per transaction at branches beyond the four free ones each month.

Axis Bank said that it will allow five free transactions a month (including deposits and withdrawals). From the sixth transaction onwards, customers would be charged at the rate of ₹2.50 per ₹1,000, subject to a minimum fee of ₹95 per transaction. For home branch transactions, HDFC Bank will allow deposits or withdrawals of up to ₹2 lakh free of cost at one go per day. Beyond this, customers will have to pay a charge at the rate of ₹5 per ₹1,000, or ₹150 would be charged. At non-home branches, transactions beyond ₹25,000 a day will attract a charge of ₹5 per ₹1,000, or ₹150.

In the case of Axis Bank, up to five non-home branch transactions will be free, subject to a maximum per-day deposit of ₹50,000. For larger deposits or the sixth transaction, Axis would charge ₹2.50 per ₹1,000, or ₹95 per transaction, whichever is higher.

A spokesperson said that no charges were imposed for "forced" cash deposits during demonetisation. However, some charges were restored from January 1.

ICICI Bank said that it has not increased its cash charges since last June. Other private banks such as Karur Vysya Bank, City Union Bank and DCB Bank confirmed that they are not charging their customers for cash transactions before or after demonetisation.

SBI has not announced any new cash-handling charges after demonetisation. An SBI official said that the public sector bank was not levying charges on cash transactions by their customers, for now. Canara Bank also said it was not charging its customers for cash withdrawals.

Sources said that banks have been reintroducing or increasing such charges in a piecemeal fashion after December 31, 2016. Union finance minister Arun Jaitley capped cash transactions at ₹3 lakh in the Union Budget in a bid to discourage cash usage and boost digital transactions. K Venkataraman, CEO, Karur Vysya Bank, said, "All banks do a review in March-April of the charges they levy before the next financial year. So a bank increasing charges isn't necessarily significant." Meanwhile, ICICI Bank has capped cash transaction by a third party at ₹50,000 per day, while HDFC Bank has placed a cap of ₹25,000 a day.

Source: The Times of India  
March 02, 2017

## BSE TO LAUNCH F&O ON BSE SENSEX 50 INDEX FROM MAR 14

The BSE will launch equity derivatives products, futures and options, on the S&P BSE Sensex 50 index from March 14. The S&P BSE Sensex 50 tracks the performance of the 50 largest and liquid stocks listed on the bourse. The index constituents are selected from S&P BSE Large Midcap Index and are weighted based on their float-adjusted market capitalisation. "The exchange is pleased to inform all trading members that exchange shall introduce futures and options contracts on the S&P BSE Sensex 50 index in equity derivatives segment with effect from March 14, 2017," BSE said in a circular on Thursday. The index represents more than half of the total market capitalisation of BSE-listed companies.

Source: Business Standard  
March 03, 2017

## BEING PROBED FOR HELPING INDIANS EVADE TAX: HSBC

Global banking giant HSBC has disclosed being probed by tax authorities in India and several other countries for allegedly helping four Indians and their families evade tax.

The bank said the investigation includes its Swiss and Dubai units. It has also been approached by the regulatory and law enforcement agencies of various countries for information on persons and entities named in the leaked 'Panama Papers'--which includes hundreds of Indians who have allegedly indulged in tax violations through offshore tax havens with help of a

**The bank has set aside \$773 m (over Rs 5,000 crore) as a provision for tax- and money laundering-related matters**

Panamanian law firm, Mossack Fonseca.

Disclosing the "tax-related investigations" in its latest annual report published last week, HSBC said it has set aside \$773 million (over ₹5,000 crore) as a provision for various tax and money laundering-related matters.

"There are many factors that may affect the range of outcomes, and the

resulting financial impact of these investigations and reviews. Due to uncertainties and limitations of these estimates, the penalties could differ significantly from the amount provided, "HSBC said, while adding that it is cooperating with the relevant authorities.

"Various tax administrations, regulatory and law enforcement authorities around the world, including in the US, France, Belgium, Argentina and India, are conducting investigations and reviews of HSBC Swiss Private Bank and other HSBC companies in connection with allegations of tax evasion or tax fraud, money-laundering and unlawful

cross-border banking solicitation," it said.

The bank said the Indian tax authorities in 2015 had issued a summons to an HSBC company in India. "In August 2015 and November 2015, HSBC companies received notices issued by two offices of the Indian tax authority alleging that they had sufficient evidence to initiate prosecution against HSBC Swiss Private Bank and an HSBC company in Dubai for allegedly abetting tax evasion of four Indian individuals and/or families.

Source: The Times of India  
February 28, 2017

## BSE ASKS BROKERS TO SUBMIT CLIENTS' FUNDING DETAILS

Leading stock exchange BSE has asked brokers operating in the cash segment to submit funding details of clients for February on its electronic filing system. According to the norms, brokers have to provide information on amount funded as margin obligation on behalf of clients as well as funding related to settlement obligations for institutional and non institutional clients, among others. "All the trading members who were active during the month of February, 2017 are required to upload client funding details for the month of February, 2017 through BEFS (BSE Electronic Filing System)," BSE said in a circular.

Source: Business Standard  
March 02, 2017

## SEBI, RBI DISCUSS MONITORING OF FOREIGN INVESTORS IN REAL TIME

### TALKS HELD AFTER RECENT BREACH OF FOREIGN SHAREHOLDING CAP IN HDFC BANK

Spooked by a recent breach of foreign ownership limit at HDFC Bank, regulators and intermediaries are grappling with the question of monitoring foreign investors in real time.

Both held talks on exchange of data to track real-time behaviour of foreign investors. According to sources, the Securities and Exchange of India (Sebi) and the Reserve Bank of India (RBI) met last week to discuss the February 17 breach at HDFC Bank. They also discussed whether new systems can be installed to observe foreign shareholdings and prevent breaches of investment limits.

At present, only the RBI monitors foreign investments daily. Its alarm goes off each time foreign ownership in a company breaches a certain limit, which is typically lower than the actual ceiling. However, that alarm goes off after market hours only; intraday, it never rings.

Hence, the need for real-time monitoring.

"There is a need for real-time data integration between depositories, custodians, and stock exchanges. If the stock exchange has a mechanism to automatically block trades in case the limit is reached, then the problem will

be taken care of and there will be no need for the regulator to step in," said Tejesh Chitlangi, partner, IC Legal.

Experts say stocks with high foreign investment need better monitoring to avoid HDFC Bank-like breach.

"There is a need to actively monitor the top 50 or top 100 stocks, for which foreign demand is highest. Data on ownership limits need to be provided to regulators or brokers, which can then block trades in real time," said a person at a foreign brokerage, who did not wish to be named.

According to him, depositories are best-poised to collate data and disseminate it to other intermediaries. However, they will not be able to do much on intra-day monitoring.

"Ownership limit could be breached at 10 am and then fall below the threshold after two hours. How do you deal with these fluctuations will be a key challenge," said an industry official.

#### Debate over trade annulment

In last week's meeting, officials also discussed whether trades, after a cut-off time, could be

annulled, and if brokers be held liable for the breach, according to sources.

Chitlangi believes annulment of trades should be last-resort measure, to be used only in extreme cases of technical or human error: "Why annul trade if it is not the trader's mistake?" "There are not too many instances of this (breach of foreign investment limit) and the current norms on annulment of trades are adequate. So no point adding to the rules as that will make things more confusing and impact foreign trading," said Prashant Gupta, partner, Shardul Amarchand Mangaldas. Annulment refers to cancellation of trades by exchanges, which can consider a trade for annulment on their own or on a request by a stockbroker. Stock exchanges have to examine the requests by brokers before the start of the next trading day. The exchanges may also choose to reset the price of the trade instead of annulling it to minimise impact on other brokers and investors.

Source: Business Standard  
February 27, 2017

## SEBI TIGHTENS SETTLEMENT REGULATIONS

Excessive delays in filing applications to settle cases will attract higher charges, markets regulator Securities and Exchange Board of India (Sebi) has said. Besides, a settlement notice would be issued before issuance of a formal showcause notice, except those that are excluded from settlement. Sebi has made various amendments to the existing norms for settlement of administrative and civil proceedings, to streamline and strengthen the settlement process. Among others, re-application of rejected or withdrawn applications in deserving cases, subject to payment of additional fees and interest, has been permitted.

Source: Business Standard  
March 01, 2017

## FINMIN ASKS BANKS TO EXIT NON-CORE BIZ

As part of capital raising exercise, the Finance Ministry advised PSU banks to prepare a list of their non-core assets and look at disposing them at opportune time. They have been asked to move forward on the idea based on deliberations at the Gyan Sangam last year.

Source: The Economic Times  
March 03, 2017

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