An Initiatve by

PANTOMATH CAPITAL ADVISORS PVT. LTD.

Re-CAP

A weekly mailer encapsulating capital market news

April 24, 2017 - April 29, 2017

SMES FORM 50% OF AWFIS USERS

Call it the WeWork effect, Indian venture capital firms are warming up to the nascent shared workplace market locally. Sequoia Capital is putting $20 million (or Rs 130 crore) in Awfis, a network of collaborative co-working spaces, which wants to establish 100 centres within a 10-minute driving distance of each other across metros. This is the largest financing round for any player in the segment and also the most significant early-stage bet by a risk investor on a domestic startup in this segment.

Awfis was jointly incubated by its founder Amit Ramani and The Three Sisters: Institutional office, a family office led by the three daughters of Yes Bank's Rana Kapoor, with a total corpus of $11million.

The funding round comes on the back of WeWork, the New York-based shared workplace startup that is valued at $17 billion, having already mapped out its India plan by forging a joint venture with the Bengaluru-based developer Embassy Group.

Awfis, which has about 7,500 seats across 21 centres in eight cities, is looking to expand to 35,000 seats over the next two years. "No one sits at their desks and gets their work done. Today's workforce is mobile and we want to cater to this set of growing professionals in the country with a shared economy platform like ours, "Ramani told TOI.

The two-year-old company uses a combination of managed franchise model and leasing properties to open its centres. Unlike WeWork, which takes up huge spaces, Awfis says it differentiates itself by being a 350-400 seater, neighbourhood co-working centre. Ramani said Awfis was pushing its just-in-time usage which costs Rs 350 for a seat on a per-day basis as it's far more lucrative than clients which take up monthly and annual packages.

Office rental startups are gaining traction especially among small to medium enterprises (SMEs) which do not want to lease offices at high rentals. Awfis has 50% of its users come from the SME sector, 25% are freelancers and startups, while the rest are corporates.

Abhay Pandey, MD at Sequoia Capital, said Awfis is playing on two significant global trends -sharing economy and communities. This being delivered through a superior user experience at a lower total cost makes it exciting. WeWork, which had announced its India entry and is expected to start operations soon, has disrupted the traditional real estate sector across the globe. The company recently leased1.9 lakh sq ft space at the Enam Building in Bandra Kurla Complex (BKC). Bhive, 91 Springboard, Investopad, Breathing Room, Innov8 are some of the local startups offering co-working spaces in India.

Source: The Times of India
26 April, 2017

13,000 INACTIVE COMPANIES COME UNDER GOVT LENS

Nearly 13,000 companies have come under the government scanner for not carrying out business activities for a prolonged time amid stepped up efforts to clamp down on illicit fund flows through shell firms. In a span of just two days, the corporate affairs ministry has issued show cause notices to these many companies to explain why their registration should not be cancelled as they were not making the required regulatory filings to prove their business continuity. These notices have been issued in addition to similar warnings given earlier to more than 2.5 lakh firms.

Source: The Economic Times
28 April, 2017

SENSEX CLOSES ABOVE 30,000 FOR FIRST TIME IN ITS 31-YEAR HISTORY

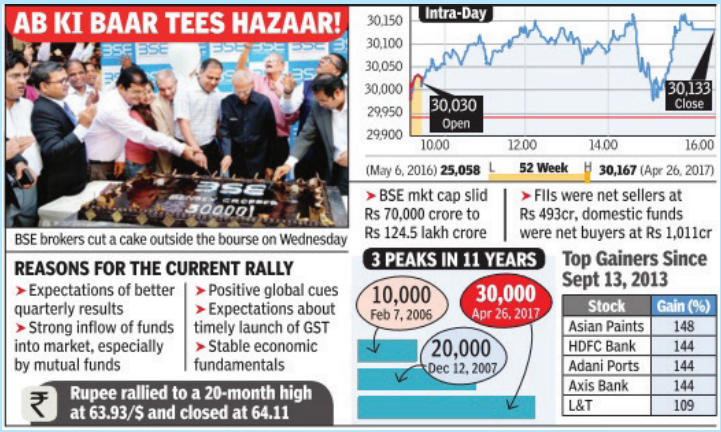
GAINED OVER 50% SINCE BJP MADE MODI PM CHOICE

Stable domestic economic fundamentals, steady buying by local and foreign funds and strong global cues helped the sensex to finally close above the elusive 30,000 mark for the first time in its 31-year history.

After a strong opening backed by index heavyweights ITC, HDFC, ICICI Bank and HDFC Bank, the Bombay Stock Exchange's bellwether index of thirty companies scaled an all-time high at 30,167 and overcoming a bout of late selling, closed at 30,133, up 190 points on the day. Nifty on the NSE too closed 42 points higher at 9,352, also an all-time high.

The sensex, in intra-day trades, had crossed the 30,000mark more than two years ago and then again earlier this month, but had never closed above this mark as strong selling emerged soon after in both the sessions. The market has risen nearly 53% since Narendra Modi was named the BJP's prime ministerial candidate in September 2013.

According to Pankaj Pandey, head of research, ICICI Direct, the index crossed the 30K mark on the back of expectations of strong economic and earnings growth in the coming months. "The economy is on a strong footing with relatively strong macroeconomic fundamentals, lower inflation-interest rate regime, possibility of a major reform such as GST and a favourable demography supporting sustainable growth," Pandey said. Going forward, Pandey feels, growth of corporate earnings would be the key driver for the markets.



The recent market rally, combined with a non-intervention strategy by the Reserve Bank of India, has led to strengthening of the rupee. On Wednesday, the Indian currency rallied to a 20-month high at 63.93 to a dollar and closed at 64.11, up 17 paise from Tuesday's close. During Wednesday's session, foreign funds were net sellers at Rs 493 crore while domestic funds were net buyers at Rs 1,011 crore. Official data showed that so far in the year, while foreign funds have net bought stocks worth Rs 43,200 crore, domestic funds have net pumped in nearly Rs 15,800 crore during the same period. However, in the current month, while FPIs have been net sellers of stocks worth about Rs 1,000 crore, domestic funds have more than made up for the outflow with a net inflow of Rs 6,300 crore.

Interestingly, during the day's rally, midcap and smallcap stocks witnessed some selling. In the past few weeks, these stocks had outperformed the large caps and blue chips which in turn had led to cautious words from market analysts. In Wednesday's market, BSE's smallcap index closed 0.6% lo wer while the midcap index was down by a marginal 0.1%. As a result, despite the sensex's record close, investors' wealth, measured by BSE's market capitalisation, dipped by Rs 70,000 crore to Rs 124.5 lakh crore.

Meanwhile, BSE chief executive Ashish Chauhan appealed to investors to invest only in good companies or opt for the mutual funds route and refrain from investing in penny stocks, reports PTI. "As an exchange, we advise investors not to be carried by the 30,000 points euphoria. We would also advise investors don't fall prey to fly-by night operators, "Chauhan told reporters after celebrating the milestone at the Dalal Street.

Source: The Times of India
27 April, 2017

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COS TOLD TO GIVE GEO-LOCATION OF TANGIBLE ASSETS

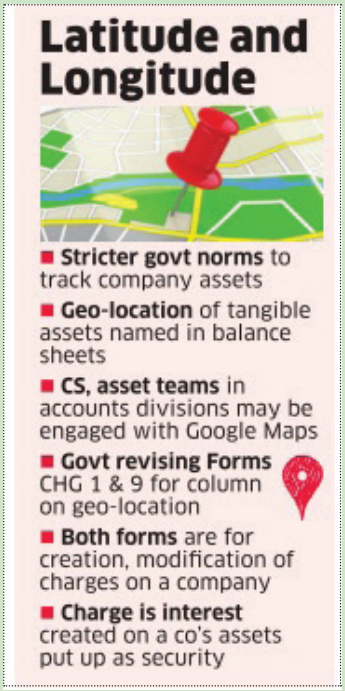
THIS WILL HELP VERIFY PROPERTIES RECORDED WITH THE REGISTRAR AS 'CHARGES' FOR A FIRM

Corporate India will have to furnish the geo-location data of tangible assets appearing on the balance-sheets, with the government seeking to establish stringent norms for verifying the details of properties recorded with the registrar as 'charges' for a company

Simply put, a charge is the interest created on a company's assets that have been put up as security or are mortgaged.

Revising disclosure standards, the ministry of corporate affairs has told companies that supplying the latitude and longitude of their tangible assets is now mandatory. Company Secretaries and asset teams in the accounts divisions might now be engaged with Google Maps, with the ministry revising Forms CHG 1and 9 to include a column on the latitude and longitude of the asset.

Both forms pertain to applications for the creation and modification of charges on a company and were modified through a gazette notification this month.



"If the `Type of Charge' is `immovable property or any interest therein', the location parameters (Latitude and Longitude) shall be mandatory, "according to a notification on the ministry's website.

"It is a unique move, " said Shyam Agrawal, president of the Institute of Company Secretaries of India (ICSI). "There were instances wherein the property entered in to the charge registration form is not identifiable and it takes years to take the correct position and location of the property. It will also be helpful for lending institutions, and the data would be verifiable on line with the latitude and longitude. "

To be sure, no other agency presently requires geolocation data for property in any form and this, some experts say, might make the move a mere data gathering exercise.

"Properties should be geo-tagged at the registration stage itself. Once this requirement is applied across all government documents, there will be higher accountability. But until then, we still have to see", said a Delhi-based tax professional, who declined to be named.

Agarwal said that "if the latitude and longitude is made a part of the agreement(s) itself, "the verification process would be more accurate, and help all categories of professionals.

Ministry of corporate affairs has told cos that supplying the latitude and longitude of their tangible assets is now mandatory

The latest move follows the requirement to authenticate the Aadhaar on the ministry's e-governance platform. Mandatory geo-location data should ensure stricter documentation and verification of companies and their liabilities.

Highlighting the difficulties that arise when creditors want to review charges, Agarwal said: "There are instances where the address details have been changed. Further, if a property is located in a remote area, it can only be identified by the revenue records, and it is very difficult to get the location of the property. "

Source: The Economic Times
26 April, 2017

IND DIRECTORS ARE NOT INDEPENDENT: SEBI CHIEF

Sharply critical of the existing corporate governance practices, Semi chief Ajay Tragic on Friday said "independent directors are not independent" and audit committees are not working but admitted he does not have a solution to fix the lacunae.

Pitching for a "common stewardship code" for institutional investors, he said the worrying part is that there is no such code for these entities once they become significant shareholders in companies. Tyagi, who took over the reins as markets regulator last month, said there are too many lacunae with respect to the concept of independent directors with many having "no commitment to any cause". "I must admit I have no solutions on what should be done but it will be anyone's case that existing system has lot of lacunae, "he said here.

Mincing no words, Tyagi said, some independent directors are appointed at the mercy of promoters "(with) no prescribed qualifications or procedures, favouritism, (many are from) closed clubs (such as) only those people being in all boards, no commitment to any cause". There are people appointing friends just to "fulfill the requirement of Companies Act (and) Sebi's listing regulations is not at all working... One needs to really think through these", he added.

Taking a strong note of independent directors resigning from boards of companies without giving proper reasons, the Sebi chief said some of the reasons given are actually fake."Many times they conveniently resign, independent directors just resign and I mean that is very odd... Some of the reasons are fake reasons actually, "he said at an event organised by industry body CII.

Source: The Times of India
29 April, 2017

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NOW, PULL OUT YOUR MONEY IN EPF THROUGH SELF-DECLARATION

As part of its attempts to ease rules for its subscribers, the Employees Provident Fund Organisation has decided to allow individuals to withdraw money through self-declaration for treatment of illnesses, purchase of equipment for a handicap and for education and building houses.

"We are seeking to do away with all types of certification needed for withdrawals. This will make life easier for subscribers," said a senior EPFO official.

The move will do away with the need to submit detailed certificates and expedite fund withdrawal by over 4 crore EPFO subscribers. The agency has issued fresh rules to enable employees contributing to provident fund to take non-refundable advance for illness and purchase of medical equipment. They can now seek an advance from their corpus for treatment of illness, major surgery, as well as for hospitalisation of over one month in case they are suffering from TB, leprosy, paralysis, cancer, mental derangement or heart ailment.

Earlier, the advance was granted only after receipt of a certificate from the employer or employee that the member or his dependent was not covered under Employees' State Insurance Scheme. Subscribers were required to submit a certificate from a doctor. The new rules, however, do away with the requirement to submit any certificate or document to avail of the advance. Similarly, a physically handicapped member was allowed an advance to purchase equipment but withdrawals were allowed only on submission of the medical certificate from a doctor or an officer authorised by the EPFO.

In recent months, EPFO has taken a series of steps to ease rules. Recently, subscribers were allowed to withdraw up to 90% of the funds in their accounts for home purchase, including for down payment as well as EMIs.

Source: The Times of India
28 April, 2017

NSE LOOKS TO RESOLVE CO-LOCATION ALLEGATION BEFORE LISTING

The initial public offering of National Stock Exchange may get delayed as the exchange is keen to first resolve the allegations on co-location before its public listing, said a top regulatory official. "NSE doesn't want to list before the allegations related to co-location are resolved. So the IPO may take some time, "Sebi chairman Ajay Tyagi said. NSE filed an application for an IPO in late December and is estimated to raise as much as $1 billion, but Sebi is yet to give its approval. Tyagi, however, said the regulator would soon take a call on whether to approve NSE's nomination of Vikram Limaye as its next CEO.

Source: The Economic Times
27 April, 2017