

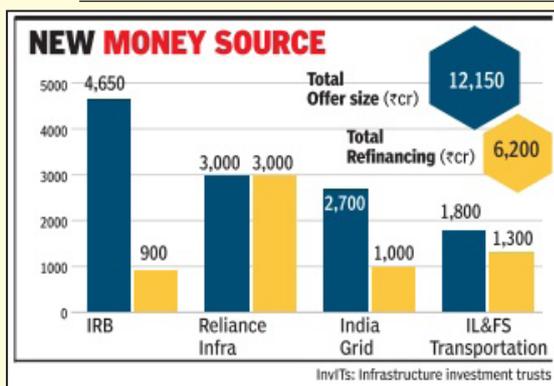
4 INVITS TO HELP INFRA COS CUT RS 13K-CR DEBT

PROVIDE FUNDS FOR REPAYMENT TO LENDERS

The current fiscal year is seeing banks weighed down by huge bad loans, which in turn is making it difficult for them to grow their loan books at a faster rate. However, in what could be good news for infrastructure companies, four infrastructure investment trusts (InvITs) could help them deleverage up to Rs 13,000 crore.

Of this, about Rs 6,000 crore is estimated to flow into the banking sector for onward lending, a report by India Ratings noted.

InvITs entered into the market last week through IRB's Rs 5,035-crore InvIT, of which loans worth about Rs 900 crore are expected to



be paid back to the banks by the roads infrastructure company. The report also pointed out that another three InvITs -Sterlite Power, Reliance Infra and IL&FS Transportation -are in the pipeline. Of these three, Sterlite Power's India Grid

InvIT is scheduled to open next week, aiming to raise Rs 2,700 crore.

These four InvITs, together, could reduce the overall debt of sponsor groups by close to Rs 13,000 crore, thereby providing cash flow

relief to the beleaguered sector, the report said. "InvITs will enable infrastructure developers to deleverage their balance sheets and refinance remaining debt (potentially Rs 3,600 crore) at lower costs. Deleveraging will provide a fillip to the coverage metrics of SPVs housed under the InvIT structures and refinancing (through bondbank loans) and will further improve the credit profile of InvITs," the report said.

In December 2016, the RBI in its Financial Stability report noted that banks recorded stressed loans of Rs 8.25 lakh crore, or 12.3% of their total loans. The banking sector's exposure to the infrastructure

segment has reached Rs 8.21lakh crore, which is 12.2% of the total loans.

"The banking sector has been grappling with NPAs and cleaning up its balance sheets. Bank financing to the infrastructure sector has been declining, which makes it imperative for investors developers to scout for alternate sources of funding such as masala bonds, InvITs, etc. The current low interest rates regime is favourable for the bond market as well as for InvITs," the report noted.

Source: The Times of India
May 10, 2017

BANKRUPTCY COURTS WILL SPRING TO LIFE AS GOVT TARGETS BAD LOANS

The regulatory and government drive to resolve the bad loans issue is likely to crowd the bankruptcy courts which till now remained deserted because bankers weren't very keen on using them.

"I can see that IBC (Insolvency & Bankruptcy Code) is on the table when strategy for distress situation is being discussed," said Abhijit Joshi, founding partner, VeritasLegal. "Previously the threat of winding up was not a great threat, but now it's a credible deterrent which slowly but surely is being taken seriously."

According to RBI data, the stressed asset ratio in the banking system has crossed 12.3% at the end of September 2016, and rough estimates suggest that stressed loans in the system are more than Rs. 10 lakh crore.

"Considering the fact that stressed assets in the system have reached deplorably high levels, the ordinance will enable banks to take stringent action, particularly initiate insolvency in respect of default under

Insolvency and Bankruptcy Code, 2016," said Alok Gupta, director-taxation with Agora Partners, a Delhi-based consulting firm.

Indian banks and companies have filed claims over ` 5,000 crore under the Insolvency and Bankruptcy Code, which seeks to ensure a time-bound settlement of insolvency. Data accessed by ET shows that 41 cases were registered for insolvency resolution between December and February with the National Company Law Tribunal, the adjudicating body under the new code.

The government's move to arm the regulator with powers to tell the banks how to go about bad loans' resolution has come as a shot in the arm for the industry which has been hobbling along for years due to differences between the lenders themselves.

"IBC is a great law; it's a pity the regulator has to be given the powers to tell banks to use it," said H Jayesh, cofounder, Juris. He added at the start, the regulator will

not direct banks to file cases under the insolvency Act, but as banks start using the NCLT, other creditors, including bond holders, will take the same route.

While sceptics believe that since the ordinance relies heavily on the resolution process under the Insolvency and Bankruptcy Act, it will be a while before the new rules start showing meaningful results.

"We have barely four months of experience so far, and not even a single success story of the resolution," said Vinod Kothari, an insolvency practitioner. "While IBC may be an effective tool, there are two issues under IBC --the need for 75% voting consent which may make decision-making by committee of creditors' difficult; and a very stringent timeline of six months. These may push companies mandatorily on the liquidation path."

Source: The Economic Times
May 08, 2017

NEW IndAS ACCOUNTING NORMS - COS ARE ON THE MAT, AGAIN

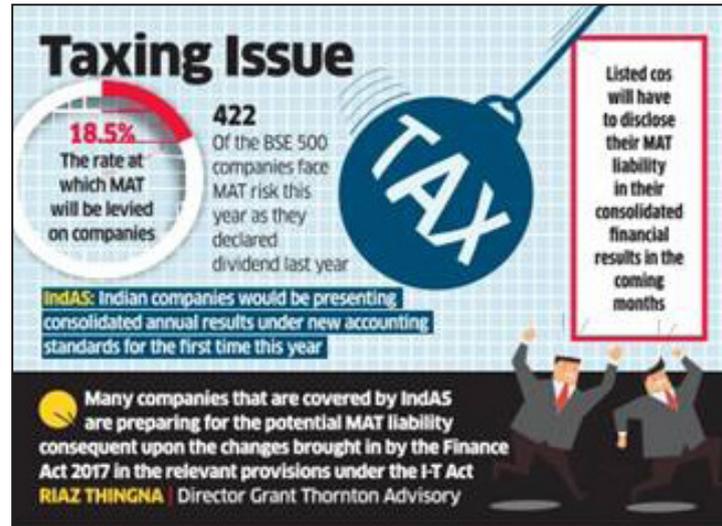
COS THAT DECLARED DIVIDEND LAST YEAR OR RESTRUCTURED DEBT WILL HAVE TO PAY MINIMUM ALTERNATE TAX

Minimum alternate tax, or MAT, a levy on the book profit of companies that avail of exemptions and concessions, is now back to haunt companies – both Indian and multinationals operating in the country.

Companies that had announced dividend or restructured debt in the previous financial year will face this liability in the current financial year. This is because under IndAS, the new Indian accounting standard, both dividend and debt restructuring could increase the book profit of companies and would attract MAT.

Of the BSE 500 companies, 422 had announced dividend last year, according to the ET Intelligence Group. Many companies, including almost all the BSE 100 companies, are already provisioning for the MAT liability. Listed ones will be compelled to disclose this tax liability in their consolidated financial results in the coming months.

“Many companies that are covered by IndAS are preparing for the potential MAT liability consequent upon the changes brought in by the Finance Act 2017 in the relevant provisions under the Income Tax Act,” said Riaz Thingna, a director at Grant Thornton Advisory in Mumbai. “There may be a major



impact on some companies in specific accounting treatment of issues like reversal of provisions for dividends in the financial statements and also in cases of corporate debt restructuring.”

India changed its accounting standards from GAAP to IndAS, which is on par with International Financial Reporting Standards, from April 2016. All companies will report their consolidated financial results as per IndAS in the coming months for the first time. Industry experts said if the tax demands are made, it could trigger a legal standoff between Indian companies and the government.

“The impact may run into crores in tax demands and could also lead to a lot of litigation,” said Thingna.

While the government has clarified the applicability of MAT under IndAS in the budget, it fell short of explaining the impact on companies that paid dividend or those that restructured debt.

Experts said that since proposed dividend is accounted for under IndAS in the year it is approved by shareholders rather than in the year to which it relates, as was the practice earlier, companies have recorded a reversal of the proposed dividend liability on transition to IndAS. This has resulted in a

temporary increase in the net worth of these companies.

“While this was meant to be a timing difference for recognition of the dividend liability, this may now have some impact on the MAT computations of companies,” said Sai Venkateshwaran, head accounting advisory services at KPMG in India. “Possibly one of the unintended fallouts of the recent amendments to the MAT provisions for companies using IndAS, this reversal of dividend liability may be added to the book profit for computing MAT liability over a period of five years.”

Even for companies with debt restructured in the previous financial year, MAT liability would arise. The amount by which debt is reduced after restructuring would be treated as income, increasing a company’s book profit. “As the efforts in debt restructuring gather further momentum, companies may end up recording the restructured debt at a significantly lower amount than before and this difference being recorded as a gain in the P&L, which in turn may attract MAT,” said Venkateshwaran.

Source: The Economic Times
May 08, 2017

ICAI ASKS AUDITORS FOR DISCLOSURE ON JUNKED NOTES

NEW DELHI: Chartered accountants’ apex body ICAI has asked its members to ensure that companies have made adequate disclosures about transactions involving cancelled notes post demonetisation till December 30, 2016. Companies are required to disclose details about transactions involving scrapped notes from November 8 till December 30 in the annual financial statements and auditors are required to mention in their reports about such details. In this regard, the Corporate Affairs Ministry has made amendments to certain provisions under the Companies Act, 2013.

Source: The Economic Times
May 08, 2017

I-T DEPT SIMPLIFIES LINKING OF PAN, AADHAAR

THE INCOME TAX DEPARTMENT HAS SIMPLIFIED THE PROCESS TO LINK PAN WITH AADHAAR

The tax department has made it mandatory to link your Aadhaar and PAN. Tax payers will also have to mention their 12-digit Aadhaar number as well PAN in the new I-T return form. In case you don't have an Aadhaar number, you will have to provide details of the 28-digit Aadhaar enrolment number if you are eligible for it. The forms will be applicable for the assessment year 2017-18.

Responding to grievances of taxpayers regarding difficulties in linking PAN with Aadhaar as their names did not match in both systems (such as names with initials in one and expanded initials in the other), the tax department has come out

with a simple solution.

Taxpayers can go to the department's website for e-filing (<http://www.incometaxindiaefiling.gov.in>) and click on the link on the left hand side of the home page. There is no need to log in or be registered on the e-filing website. This facility can be used by anyone to link their Aadhaar with PAN.

Once you click on the website a window will open which will ask for your PAN number, Aadhaar number and your name in the Aadhaar card. Once you fill in the details, you have to click submit after typing in the verification code. After

verification from UIDAI (Unique Identification Authority of India), the linking will be confirmed.

In case of any minor mismatch in the Aadhaar name provided by the taxpayer when compared to the actual data in Aadhaar, a one-time password (Aadhaar OTP) will be sent to the registered mobile number.

Taxpayers should ensure that the date of birth and gender in PAN and Aadhaar are the exactly same.

Source: The Times of India
May 12, 2017

STATEMENT ON HIGH-VALUE TRANSACTIONS - ENSURE CLIENTS FILE SFT BY MAY 31: I-T DEPT TO CAS, CFOS

SOME PROFESSIONALS, FINANCIAL ENTITIES HAVE TO FILE DETAILS FOR THE FIRST TIME EXPERTS

Senior tax officials are reaching out to chartered accountants and CFOs to drive home the point that by May 31 business establishments, various financial institutions and professionals, including doctors, lawyers and architects, will have to report a slew of high-value transactions such as cash deposit, credit card payments, share sale, property deals, debentures and mutual fund units among others.

Salaried individuals are not required to file the newly introduced statement of financial transactions (SFT). Entities that will have to report are banks, professionals, fund houses, forex dealers, post office, nidhis, non-banking finance companies, property registrars, companies issuing bonds and debentures, and listed companies buying back shares from specific persons.

"Many are not fully aware of the new requirement. Under the modified rules, the earlier requirement of filing annual information return (AIR) has



Taxing Times Ahead

Banks, businesses and professionals will have to report high-value transactions by **May 31**

Inaccurate reporting would attract fine of **₹50,000**

Salaried persons will not have to file statement of financial transactions (SFT)

Tax officers reaching out to bullion dealers, stock brokers, and luxury good merchants

Forex dealers, property registrars, nidhis, NBFCs covered in new reporting rule

now been replaced by SFT. The changes have created new classes of first time filers who have to file SFT of specified transactions for FY 2016-17," said Jai Raj Kajla, Director of Income Tax (Intelligence & Criminal Investigation) while addressing tax practitioners here on Friday.

The nature of transactions includes cash payment for purchase of demand drafts or pay orders of Rs.10 lakh or more in a year; cash payment of Rs.10 lakh or more for purchase of pre-paid RBI instruments, cash deposit or withdrawal of Rs.50 lakh or more from current account; one-time deposit of Rs.10 lakh or more with banks, nidhis, NBFCs and post offices; payment of Rs.1 lakh or more

in cash and Rs.10 lakh or more by other mode against credit card bill issued to a person during the year; and property registrars for deals worth Rs.30 lakh or more. Kajla and his colleagues met close to 300 tax practitioners and corporate CFOs to explain the new rules, which would require the reporting entity to register online with the tax office. SFTs have to be filed in separate form and not along with the regular Income tax returns.

"The Directorate is conducting workshops to address various categories of reporting entities like bullion dealers, stock brokers, and dealers of automobiles and luxury goods," said Anu Krishna

The earlier requirement of filing annual information return (AIR) has now been replaced by statement of financial transactions

Aggarwal, Additional Director of Income Tax (I&CI).

As per the new requirements, apart from specific filers like banks which used to file similar AIR returns, SFT regulations would cover any person who is liable to audit under Section 44AB of the Income Tax Act, 1961. The particular section relates to audit of businesses and professions.

The purpose of the workshops was to spell out the rules to the chartered accountants who in turn can assist taxpayers in ensuring timely

and accurate SFT compliance.

Laxman Singh Gurjar, Manpreet Singh Duggal, and Aastha Madhur – all deputy directors of Income Tax – and Vishnu Agarwal, chairman of the western India council of ICAI, participated in the discussions which also dealt with the finer points of compliance.

For instance, while reporting an entity will have to take into account all the accounts of the same nature maintained in respect of a person during a financial year; also, while attributing the entire value of the transactions to all the persons in cases where the account is maintained or transactions recorded in the name of more than one person.

Filing of inaccurate information will attract penalty of ₹50,000.

Source: The Economic Times
May 13, 2017

INSOLVENCY RESOLUTION TIME FOR SMALLER COS MAY BE SHORTENED

BANKRUPTCY BOARD WANTS TO BRING DOWN TIME FRAME FOR THE RESOLUTION PROCESS TO 90 DAYS

The Bankruptcy Board is looking to shorten the time for insolvency resolution of smaller companies, which will also include startups, said Insolvency and Bankruptcy Board of India (IBBI) chairperson MS Sahoo.

"We had put out a discussion paper to allow this for small companies which have a capital of less than Rs.50 lakh and a turnover of Rs.2 crore," he said, adding the idea is to bring down the time frame for resolution process from 180 days to 90 days. "This will also include startups, as defined by department of industrial policy and promotion (DIPP)," said Sahoo, adding all firms which do not have borrowing in excess of `2 crore may be covered under the fast track process.

The bankruptcy code provides for a fast track process for certain categories of corporate persons with provision for one time extension up to 45 days. "So we are looking at which are the cases that can be put on fast track, which essentially means we cut down on the procedures," added Sahoo.

In all other cases, as per the existing norms, the corporate insolvency resolution process (CIRP) will need to be completed in 180 days, where a one-time extension of 90 days is permitted by



For Quick Windup

Bankruptcy Board aims to shorten period for insolvency of smaller cos, startups

Idea is to bring down time frame for resolution from 180 to 90 days

Bankruptcy board had floated a discussion paper on this

Cos with capital of less than ₹50 lakh, turnover of Rs 2 cr will be eligible

We're looking at cases which can be put on fast track, which means we cut down on procedures

MS SAHOO
IBBI chairperson

the National Company Law Tribunal (NCLT) in deserving cases.

At present, 157 applications for insolvency has been filed with NCLT of which five are filed by operational creditors (OCs), seven by financial creditors (FCs) and 18 by corporate debtors (CDs).

A bank executive said that if the time frame for the insolvency process is reduced, it will help to fast track resolution of smaller value debts. "There are some firms where the loan amount is not high but it remains in bank's book as bad loan because the resolution process is tedious," he said, adding that the process needs to be completed early to capture the best value in the asset.

Last week, the government issued an ordinance amending the Banking Regulation Act, 1949, and

empowered RBI to issue directions to banks for resolution of stressed assets.

RBI will further identify cases of bad debt to be taken up for resolution under the new NPA ordinance in consultation with the Indian Banks' Association (IBA).

The ordinance also authorises RBI to issue directions to any banking company or companies to initiate insolvency proceedings following a default under the Insolvency and Bankruptcy Code (IBC), 2016.

ET VIEW

A Good Idea

A shorter time frame for swift resolution of financial distress is a good idea. The bankruptcy code offers window of opportunity ~180-270 days ~ failing which the company is liquidated. But it excludes any provision akin to Chapter 11 of the US bankruptcy law which also allows an appeal by a debtor to turn things around. This is something the bankruptcy board should consider as well.

Source: The Economic Times
May 12, 2017

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