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PANTOMATH CAPITAL ADVISORS PVT. LTD.

Re-CAP

A weekly mailer encapsulating capital market news
June 19, 2017 - June 24, 2017

COS RUSH TO MEET CRECHE DEADLINE

With the July1deadline to provide creche facilities under the amended maternity benefit law nearing, a survey by ProEves indicates a large majority (81%) of companies are considering day care tie-ups, while another 10% are investing in an on-site set up. Certain small and medium-sized organisations had conveyed concerns around incurring high costs on account of the new law, but progressive companies believe the greater outcome of retention of women employees in the workforce far outweighs the cost factor.

According to ProEves -which provides childcare, maternity and parental support solutions to companies to help young mothers return to work -the average total cost of post-maternity employee is estimated to be in the range of Rs 10-60 lakh per maternity case. ProEves said such costs can be safeguarded by investing 1% of cost of post-maternity employee loss, that is, paid liability (leave and benefits) + rehiring budget (12% over and above salary) in case the employee quits her job. The survey states if companies invest 1% of this average cost, which is Rs 30,000 per maternity employee, it would ensure retention of an experienced and talented resource.

Divya Agarwal, co-founder, ProEves, said, "Companies are incurring a high maternity leave cost with the amended maternity benefit law. We have taken the median salary at junior mid-senior levels of management for India Inc. About eight months of leave is granted (six months according to the Act, plus employees consume about 60 days of accumulated leave during this period) and an additional Rs 75,000 (average maternity medical reimbursement) is taken to arrive at paid liability per maternity employee at each level of management. If this employee does not return back quits after return, the employer will spend an additional 12% as hiring cost. The total cost of post maternity employee loss could be Rs 10-60 lakh per maternity case across management. The average being Rs 30 lakh per employee. "Agarwal said few of the progressive companies are investing Rs 10, 00015,000 per maternity employee.

FINANCIAL COSTS OF EMPLOYEE LOSS

High cost of post-maternity employee loss (in ₹ lakh) — Management Levels:	Junior	Middle	Senior
Salary	12	40	80
6 Months Paid Leave (+ 2 Months Accumulated Leave)	8	26.7	53.3
Paid Liability (Leave & Benefits)	8.7	27.4	54.1
Rehiring Budget (12%)	1.4	4.8	9.6
Cost of Post-Maternity Employee Loss	**10.2**	**32.2**	**63.7**

➤ Companies should **look at spending at least 1% of the cost of post-maternity employee loss** in the maternity connect programmes to safeguard investments made in maternity benefits

Source: ProEves (illustrative numbers)

B P Biddappa, executive director (HR), Hindustan Unilever, said, "HUL has been progressive in this respect and we have been privileged to have similar policies since over a decade. We have always looked at it as the right thing to do and the impact this could have on women's life, career and future generations far outweighs the costs. It helps in retaining talent and providing a supportive environment and culture for enhanced long-term careers. "

The law requires cos to provide day care tie-up in all locations having more than 50 employees

Emrana Sheikh, VP (HR), Asian Paints, which currently has two in-house creche facilities to support working parents, said, "Our existing policies of 26 weeks maternity break, extended maternity break and child care leave covers more than the stated requirements under the maternity act amendment.Creche facility provided in our organisation is genderneutral." Sheikh said the company plans to review needs and establish relevant tie-up arrangements for other locations as well.

According to the maternity benefit amendment act, employers have the primary liability of providing day care benefits. The survey by ProEves -which covered 70 companies across sectors like FMCG, IT, manufacturing, ITeS, e-commerce, retail and financial services -said 51% companies are conducting day care audits before finalising the tie-up. All companies are providing day care benefit at the head office and factories, while 60% are providing it at the branch level. The law requires companies to provide day care tie-up in all locations (shops, factories, offices, mines or branches) having more than 50 employees.

Jun 23 2017
The Times of India

NEW SEBI EXECUTIVE DIRECTORS

Sebi appointed Nagendra Parakh and Amarjeet Singh as its new executive directors on Thursday. The regulator is yet to allocate portfolios to them. Both Parakh and Singh were chief general managers. Parakh was earlier whole time member at Forwards Market Commission, after the merger of FMC with Sebi he moved to the latter. Singh has worked as executive assistant to three chairmen-CB Bhave, UK Sinha and Ajay Tyagi. With these two appointments, Sebi will now have eight executive directors.

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TIME-BOUND NPA RESOLUTION TOUGH UNDER BANKRUPTCY CODE

Debt Cases To Crawl On Legal Hassles, Lack Of Infra: Experts

The RBI's big bang announcement directing banks to proceed against 12 borrowers under the Insolvency and Bankruptcy Code (IBC) has raised expectations of an early resolution. But experts say the new law is unlikely to be a magic wand to immediately cleanse balance sheets of banks, adding that legal tangles and lack of infrastructure for executing bankruptcies may emerge as impediments to early resolution of bad debts.

Borrowers have already been able to stymie lenders in the National Company Law Appellate Tribunal (NCLAT). Also, in one of the early cases filed by ICICI Bank, the National Company Law Tribunal (NCLT) fined the lender Rs 50,000 for inflating the claim against the defaulter. In another case, the appellate body overturned a ruling by the NCLT and declared the appointment of an interim resolution professional as illegal. In light of this experience, industry watchers say that prospects for either a resolution in 180 days (extendable by 90 days) or recovery through liquidation looks challenging.

"One needs to evaluate if the necessary infrastructure for executing such a mandate is available and prepared to manage these 12 cases. The entire ecosystem, including insolvency professionals, tribunals, banking and investors, is still building capacity and capabilities," said Ashish Chhawchharia, partner at Grant Thornton Advisory. Given the strict timelines under the code, it will take considerable efforts from all stakeholders to reach desirable solutions, he added. Insolvency professionals step in after bankruptcy is initiated and manage the process until resolution. According to bankers, there are not enough insolvency professionals in the country to keep up with defaults. The RBI has not made the list of 12 borrowers public, but the names are already doing the rounds in banking circles and news reports (see graphic).

According to Karthik Srinivasan, group head (financial sector ratings), ICRA, a key imponderable is the extent to which these decisions could be challenged in the courts, thus delaying the process. ICICI Bank had registered the maiden case with the IBC in mid-January against Innoventive Industries, which has approached both the Bombay high court and NCALT on grounds that the principles of natural justice were violated since the company was not given adequate notice. "The outcome of the first case filed under IBC can be expected later this month or early next month, which will also provide clarity on kind of resolution agreements reached between different counter-parties," said Srinivasan.

The other concern is the relief that needs to be provided to businesses to make them viable enough to be sold. "Even the large stressed companies need a 30-80% reduction in interest burden to fully cover interest at current profitability. Therefore, stress resolution will need additional provisioning and capital. ICICI Bank is the only corporate lender that appears comfortable on capital, "said Ashish Gupta and Kush Shah of Credit Suisse in a research report.

While banks now have the power to sell off assets, offloading several steel plants at the same time might lead to a crash in valuations. "If there is a large number of assets put up immediately for liquidation, mostly in the next one year, only a few may get closer to a realisable value while the rest may have to be liquidated at very high discounts," said M B Mahesh of Kotak Institutional Equities Research in a report.

The option available to banks would be to temporarily take over the company by converting debt to equity.

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The Times of India

ERRORS IN RETURNS NOT TO ATTRACT FINE FOR 1ST THREE MTHS, SAYS SITHARAMAN

Penalties will not be levied for wrong entries and errors in GST returns in the first three months of the rollout, union minister of state for commerce and industry, Nirmala Sitharaman, has said. "There will be no penalty in the first three months for wrong entries. We will give a chance for taxpayers to correct it (errors), "she told industry captains here on Thursday. The Centre will do a review on the implementation of the GST after three months, Sitharaman assured industrialists at a conference on GST organised by the BJP in the city. Several industries and associations, especially the MSMEs have sought more time for the implementation of the GST, which has been dubbed as the single biggest taxation reform since Independence. "It is a good system to weed out low level corruption, "she stated. Contending that there would be some teething troubles in any major reform process, Sitharaman said that there would be "some difficulties"in the initial days of the rollout. "There should be no confusion. There is no need to fear GST, "she said.

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SEBI TO RECRUIT OWN FORENSIC AUDITOR IN NSE SCAM

Market regulator Sebi is in the process of appointing a forensic auditor to probe once more if the National Stock Exchange (NSE), its employees and some brokers connived to gain access to trading data ahead of other brokers between December 2012 and May 2014. Sebi chairman Ajay Tyagi indicated that he was not convinced with a report that global consultancy major Deloitte Touche Tohmatsu had presented to the exchange in which it had pointed out that one broker, OPG Securities, was definitely given preferential treatment by NSE employees.

However, Deloitte did not comment if NSE's employees and the exchange had colluded with the brokers when it had access to trading data ahead of others in NSE's co-location of servers facility in its premises. On Wednesday, the Sebi chairman said that the regulator wanted to have its own investigation into NSE's co-location (co-lo) scam. "Deloitte didn't go into the connivance issue. Sebi has started investigation into the issues of connivance between (NSE) employees, exchange and the brokers," he said. Tyagi said there were some unfair games played by brokers, and that Sebi was in the process of engaging a forensic auditor. Under pressure from Sebi, NSE had appointed Deloitte, which had other consultancy assignments with the exchange, to look into this issue as well.

The issue at NSE related to allowing brokers to set up servers next to NSE's trading servers in the exchange's building --called co-location or co-lo -so that they could take advantage of the split-second faster access to trading data compared to brokers who have their servers in their offices around the country .Brokers who use the co-lo facility also use high-speed computers to churn out thousands of trading strategies every second, called high frequency trading or HFT, to make huge profits.

Jun 22 2017
The Times of India

NATIONAL ANTI-PROFITEERING AUTHORITY TO HAVE THE POWER - COS MAY LOSE LICENCE IF THEY FAIL TO PASS ON GST BENEFITS

New rules allow 5-member body to slap penalty or even cancel registration under Central GST Act

Any business entity that fails to pass on benefits from lower taxes under the goods and services tax (GST) to consumers faces penalties and cancellation of licence under new anti-profiteering rules.

The rules notified on Tuesday allow for a five-member National Anti-Profiteering Authority that would be empowered to force reduction in prices to the extent of lower taxes, and impose penalty or even cancel registration under the Central GST Act, effectively stopping an entity from doing business.

A secretary-level officer in the government will head the authority that will have powers to force a business to return any undue profit earned by not passing the benefit of lower taxes to consumers along with 18% interest. The authority is seen as transitory body for two years unless the GST Council extends its tenure. Besides, as a safeguard, it will not be able to take any of these steps suomotu or on its own under the Anti-Profiteering Rules 2017.

The authority will itself decide the methodology and procedure for determining if tax benefits have been passed on to consumers by way of reduction in prices. There will be a national level standing committee on anti-profiteering constituted to look into all complaints that have to be made in writing.

Separately, each state will constitute a screening committee to examine local issues. A two-month limit is set for preliminary examination of complaint. Screening committees will send their findings to the standing committee. If a prima-facie case is made out, then same would be referred to the director general of safeguards for a proper investigation. The director general would submit its report to the authority within three months. within three months.

"The authority shall, within a period of three months from the date of receipt of the report from the director general of safeguards, determine whether a registered person has passed on the benefit of reduction in rate of tax on the supply of goods or services or the benefit of input tax credit to the recipient by way of commensurate reduction in prices, "the rules said. The authority would reach a decision by a majority.

All entities would be bound by orders passed by the authority and failure would result in action to recover the amount in accordance with the GST law. The chairman and members of the authority would be appointed by the central government on recommendations of a selection committee constituted by the GST Council.

The chairman would be paid a monthly salary of `2.25 lakh plus other allowances and benefits as are admissible to a central government officer holding post carrying the same pay. Technical members shall be paid a month `2, 05,400 salary of .Nandlal Rohira, part Suresh Nandlal Rohira, partner at Grant Thornton India, said that the rules "look like a double-edged sword".

"Accordingly, while it's important that any legitimate reduction is passed on to the consumer, however, the industry would now lo ok at the receptivity of the department wherein it could justify that there is indeed no significant reduction to be passed on," he said.

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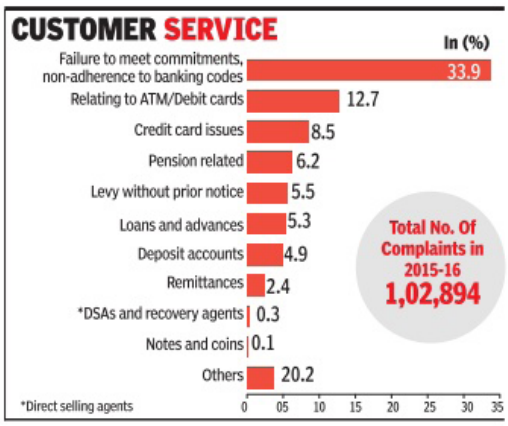
FOR 1ST TIME, RBI MAKES BANKS ACCOUNTABLE FOR MISSELLING

Ombudsman's Ambit To Cover Mobile Banking Complaints

Banks for the first time have been made accountable for misselling third-party products like insurance policies or mutual fund schemes. Customers can also file complaints against banks for problems with mobile and digital banking services.

The RBI on Friday said that it has widened the scope of its Banking Ombudsman Scheme 2006 to include deficiencies arising out of sale of third-party investment products by lenders. Under the amended scheme, a customer would also be able to lodge a complaint against banks for non-adherence to the RBI instructions with regard to mobile or electronic banking services.

Following the amendment, the pecuniary jurisdiction of the ombudsman to pass an award has been doubled from Rs 10 lakh to Rs 20 lakh. The ombudsman has been empowered to award compensation not exceeding Rs 1 lakh for loss of time, expenses incurred and also harassment and mental anguish suffered by the complainant. There is also an option for customers to go in for appeal in respects to closed complaints which was not available earlier. Until now, if the buyer of an insurance policy or mutual fund was mis sold she had to seek redressal from the insurance company or the mutual fund. This was a departure from global practices. For instance, last year in UK four of the biggest banks, Barclays, HSBC, Lloyds and RBS, faced large fines for misspelling payment protection insurance. There are 20 ombudsmen in India, each with a territorial jurisdiction. Aggrieved customers can lodge their complaints with the ombudsman either through an email or a post. However, before filing a complaint with the ombudsman the customer has to approach the grievance redressal department of the bank and wait 30 days for a response. Unlike the courts, no fees are required to be paid. However, the ombudsman can refuse to hear a complaint if it is time-barred or already heard in some other court. In FY16, the office of banking ombudsman received 1.03 lakh complaints.



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The Times of India

LOOKING TO LIST HDFC SUBSIDIARIES, SAYS PAREKH

HDFC chairman Deepak Parekh has said that the corporation would look to extract value from listing of subsidiaries. Be sides HDFC Life, which has announced listing plans, HDFC General, HDFC Mutual Fund and HDFC Credila are the fast growing subsidiaries of the corporation.

In his letter as chairman, Parekh told investors that growth expectations need to be recalibrated as the base of the country's largest housing finance company gets bigger."Short-termism is becoming worryingly dominant. I strongly believe time has come for an open dialogue on the perils of extreme short-termism. We need a change in the mindset and perhaps a different matrix to better evaluate corporate performance. Patient, engaged and productive capital must not become elusive, "said Parekh.

HDFC has been consistent in growing its loan book. However, the growth rate has marginally dipped as the base increased. For the past decade, home loans grew at a compounded annual growth rate (CAGR) of over 20%. But in the last five years the CAGR has been 19%. In recent quarters, HDFC's profit has made exceptional profits by unlocking value in its subsidiaries. These include stake sale in insurance arms.

"In any sector, when unrealistic expectations override, there is undue pressure on management to deliver. If this repeatedly happens every three months, it leaves little time to focus on the long-term, big picture. Short-termism undermines a company's ability to invest and grow, "said Parekh.

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GST COULD CUT TAX RATES, SAYS RBI GUV

The Reserve Bank of India (RBI) governor Urjit Patel has said that the Goods and Services Tax, which comes in to effect from July 1, could be the precursor to lower tax rates.

Besides creating one national market, GST would reduce inefficiencies within a state by eliminating city taxes, Patel said. "The broader point is that GSTN itself is a digitisation revolution, plus the reforms on the tax information side in terms of processes have the potential of augmenting tax base considerably. I think the widening of the tax base is an important outcome of GST, "said Patel.

Speaking at the Indian Merchant Chamber's banking conference in Mumbai on Thursday , Patel said that the emergence of technology in financial services had resulted in both opportunities and risks to financial stability which needs to be addressed by policymakers, regulators and supervisors."The reason is obvious. Many innovations have not been tested through the full financial cycle. We really come to know what works and what does not when we go through a cycle. Decisions taken at an early stage could set precedents and therefore some caution is not unwarranted given that the world is not yet fully recovered from the 2008-09 crisis, "said Patel.

The governor said that even in India from a very low base the fintech industry has almost tripled in size from 2013 with the value of transactions rising to $30 billion. "Without mentioning fintech, the RBI has taken steps to facilitate innovation in banking, "said Patel.

He gave the example of payments banks, the Bharat Bill Payment System, the proposed account aggregators and the norms for peer-to-peer lending. "We have facilitated launch of payments systems. UPI is the most well known. The Trade Receivables Discounting System (TReDS) has been set up to help SMEs"said Patel, According to Patel, startups in the IT space could help offset job losses in larger firms. While there could be pressure on employment in some of the IT sectors, it is not necessarily in terms of literally job destruction, but may be the growth rate is affected by what is happening. The number of startups in that same space is almost compensating for most of this, "he said.

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FILING DEADLINE RELAXED FOR FIRST 2 MONTHS

The GST Council on Sunday rejected demands for postponing GST rollout but eased the filing deadlines for the first two months to help businesses prepare better.

The government said a new form (GSTR-3B) will be available for the first two months, which will enable businesses to file returns and pay taxes. They will then get an additional 25 days to complete the online filing requirement for July. For August, they will get an additional 10 days. If there are gaps between the new form and final filing (GSTR-3), additional tax will be collected.

"Registration is going on fairly satisfactorily. As of today, 65.6 lakh, which is 81.1% of all registered businesses, have taken provisional registration for GST... when thousands and lakhs register, they don't make a complaint. When five people register, they go through the Twitter," FM Arun Jaitley said. Last week, TOI had reported about central ministers discussing a plan to ease the filing requirements. Fresh registration is scheduled to commence from June 25 and revenue secretary Hasmukh Adhia suggested that businesses should not rush as 30 days will be given to register. Similarly, for those with provisional IDs, there was no need to rush as they will have three months, he added.

THE NEW SCHEDULE

GSTN registration window to reopen on June 25

Facility for uploading outward supplies for July to be available on GSTN website from July 15

	Form 3B	GSTR-1	GSTR-2*
Filings for July			
Earlier	NA	Aug 10	Aug 15
Now	Aug 20	Sept 1-5	Sept 6-10
Filings for August			
Earlier	NA	Sept 10	Sept 15
Now	Sept 20	Sept 16-20	Sept 21-25

* Data to be auto-populated

With consensus still to emerge, the Council also postponed a decision on transition to E-way bills.

Tax experts welcomed the relaxation in deadline. "This measure should significantly help in assuaging the concerns of inadequate readiness of GSTN being faced by the industry and confirms that preparedness of GSTN will not be a roadblock for the implementation of GST as was being anticipated by the industry ," said Rajeev Dimri, leader for indirect tax practice at consultancy BMR & Associates.

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SECRETARY-LEVEL BUREAUCRATIC RESHUFFLE - SUBHASH GARG TO REPLACE SHAKTIKANTA DAS AS THE NEW ECONOMIC AFFAIRS SECRETARY

He currently serves as executive director at World Bank; Rajiv Gauba will be new home secy

Subhash C Garg, a Rajasthan-cadre IAS officer of the 1983 batch and currently posted to the World Bank as executive director, will be the new economic affairs secretary, replacing Shaktikanta Das who retired last month. Urban development secretary Rajiv Gauba will be the new home secretary after the completion of the tenure of Rajiv Mehrishi on August 30. The 1982batch officer of the Jharkhand cadre will however join immediately as an officer on special duty (OSD) in the home ministry. Gauba has earlier served as the additional secretary in the home ministry in 2014 and was in charge of the crucial left wing extremism division before he went to Jharkhand as the chief secretary. Garg, the new secretary of Department of Economic Affairs, has been at the World Bank since 2014 and his tenure there was ending soon. He has served earlier as a Director in the Department of Economic Affairs (DEA) and Joint Secretary in the Department of Expenditure (DoE), in the union ministry of finance and also in Rajasthan in various senior capacities such as the secretary (Expenditure), secretary (Budget) and the principal secretary of finance. Other important secretary-level changes made by the government on Wednesday had Kerala-cadre senior officer Aruna Sundararajan moving from the ministry of electronics & information technology to the telecom department as the secretary. The telecom department has not had a full-time secretary since March when JS Deepak was moved out. Bihar-cadre 1980 batch officer NK Sinha, the present culture secretary, will be the new secretary of the I&B ministry while 1982 batch officer of Himachal Pradesh cadre, Ajay Mittal, will move from I&B to DoPT as new secretary . Current DoPT secretary BP Sharma is retiring on June 30. Ajay Kumar Bhalla, the director general, Foreign Trade, will be the new power secretary as Gujarat-cadre PK Pujari is also retiring on June 30.NHAI chairman Yudhvir Singh Malik will be moving as the new secretary, ministry of road transport & highways, and will be replaced by Deepak Kumar, a 1984-batch officer of the Bihar cadre who was till now posted as Director General, ESIC. Food processing secretary Avinash K Shrivastava will meanwhile trade places with consumer affairs secretary Jagdish Prasad Meena. New and renewable energy secretary Rajeev Kapoor will be the new secretary of department of chemicals and petrochemicals. Durga Shanker Mishra, UP-cadre IAS of the 1984 batch will move up from being additional secretary in the ministry of urban development as secretary, following Gauba moving to the home ministry.

Kerala-cadre senior officer Aruna Sundararajan is moving from the ministry of electronics & IT to the telecom department as secretary


Rajiv Gauba


Subhash Garg

Jun 22 2017
The Economic Times

SEBI EASES NORMS FOR LENDERS BUYING STAKE IN STRESSED COS

Tightens Guidelines For Issuance Of Participatory Notes

Lending a helping hand to the government and the RBI's move to reduce the huge pile of bad loans, markets regulator Sebi on Wednesday made it easier for lenders to buy stakes in distressed listed companies by exempting such buyers from making open offers to shareholders of the troubled companies. Under normal circumstances, any lender buying more than 25% stake in a company has to compulsorily make an open offer to the rest of the shareholders. However, such a relaxation is subject to certain conditions, including a nod from the shareholders of the company that is being acquired. The Sebi decision came within a week of the government and the RBI forwarding a list of 12 companies to banks to start insolvency proceedings under the Bankruptcy Code. Sebi's relaxed norms will apply to listed companies which go under this code. The regulator has also eased norms for preferential issue to lenders which are involved in restructuring of distressed companies under RBI guidelines. Earlier, only banks and financial institutions were exempted from such open offers. Experts said that Sebi's new norms will reduce the cost of buying distressed assets for all types of investors. "It is expected that soon many big stressed listed companies would undergo management changes under these schemes and hence Sebi's exemption would be a great relief to investors, "said Manoj Kumar, partner and head-M&A and transactions, Corporate Professionals, a Delhi-based advisory firm. Sebi also tightened norms for issuance of participatory notes (P-Notes) and levied a fee of $1,000 for every such user for every three years. It also said that issuance of P-Notes on equity derivatives should only be for hedging and should not be used for speculative purposes. Sebi also issued a consultation paper for relaxing rules for FPIs which, among other steps, aims to eliminate duplication of paperwork for registration of FPIs. The market regulator allowed hedge funds to invest in the commodity derivatives market. The Sebi chief also said that it was in the process of coming out with a consultation paper relating to tightening the rules for credit rating agencies.

MAKING PROCESSES EASIER

- To ease norms for acquisition of distressed assets of listed cos
- To tighten P-Note rules and charge $1,000 every 3 years from P-Note issuers
- To issue discussion paper for easier registration of FPIs
- To relax lock-in rules for real estate, PE funds during IPOs
- To look at tighter rules for credit rating agencies

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