

SIRC Newsletter

PRICE - Rs.5

DECEMBER 2012 | Volume 38 ■ Part 06



Southern India Regional Council ▶ THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA ▶ SET UP BY AN ACT OF PARLIAMENT

Financial Management & Capital Markets

NG STOC

Sl. No.	Company Name	BSE Code	Company (Prev. Cl.)
10127	...	571226	...
10128	...	571227	...
10129	...	571228	...



SIRC OF ICAI Wishes

Happy and Prosperous New year 2013

January

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
31					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

April

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June

Sun	Mon	Tue	Wed	Thu	Fri	Sat
30						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

July

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

September

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5			
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
					2	
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Chairman writes ...



My Dear Professional Colleagues,

November and December months are periods where time is spent on reviewing what has been done in the past three quarters and planning and scheduling for the last quarter and training and education. I wish you all the best. I also take this opportunity to wish you all advance New Year Greetings for the year 2013.

The Economy

Between 2000-2012, India received Foreign Direct Investment (FDI) worth more than US \$170 billion which highlights its (FDI's) importance for the Indian Economy. As compared to other forms of international capital flows such as portfolio investment, Foreign Institutional Investment etc., FDI considered to be much more preferred form of foreign investment. Though FDI flows are considered to be relatively more long term (permanency factor) in nature it is governed by multiple laws, policies and regulations.

In view of its Impact on other micro economic units (such as small and medium enterprises), there has been a controversy with respect to the recent policy pronouncements of the Government of India. It is sincerely hoped that most appropriate policy fillip will be given to the FDI ensuring business stability of the Indian economy simultaneously ensuring due care of the developmental aspirations of the stakeholders of Indian Economy.

According to Shri M. Damodaran former SEBI Chief a safe and sound market is one in which all information that is relevant to existing and potential investors in the public domain through disclosures that are correct, complete and contemporaneous. Our profession has been associated with the correctness of information and the stakeholders have been relying upon the certification, diligence role played by all of us and we have to keep the reliability factor in fact to sustain sound capital market and financial management practices.

Theme issue: Capital Markets and Financial Management

In a 'Financial System' consisting of investors, intermediaries and the organisations (which require funds), Capital Markets plays a crucial role not only in maintaining the liquidity of various financial instruments through which funds are raised but also rewards the organisations which adopts sound financial management practices and

ensures that unscrupulous players are sent out of the system at the earliest possible time.

Similarly the financial management is the field - in which our members are having the core competencies - encompasses financing, investment and dividend policy decisions of individual organizations which have their own influence on the short term and long terms prospects of the organizations. Accordingly this newsletter has been devoted to both capital markets and financial management.

CA. Krishna Prakash, in his article, has attempted to provide us a snapshot on the Recent Regulatory Developments in Indian Capital markets covering primary markets, secondary markets and the role of various regulators such as SEBI, RBI etc. . . In his first part of the series of articles, on the theme 'Developed India by 2040', CA. S. Balakrishnan takes stock of the macro economic features of our country and takes us through the issues involved in Financial Management of business establishments. Similarly, in his article on 'Indices - Certain Issues' CA. Deepak K Bhat has attempted to explain the significance of two most popular indices in our country viz. Sensex and Nifty.

With an objective of limiting the application of Non Banking Finance Companies (NBFCs) Regulations to entities with investment in other than related entities, the Reserve Bank of India (RBI) issued a circular on Regulatory Framework for Core Investment Companies. The article on 'CIC - Regulatory Framework - the last lap' by CA. C.S. Subrahmanyam discusses in detail about the issues involved in that Regulation. Similarly in his article entitled 'PPPs in India: Public Audit Perspective' CA. B.S. Chakravarthy, discusses the audit perspective so that the objectives envisaged in going for the PPP model is achieved in the overall interest of the stakeholders involved.

The capital markets rallied around 20% this year. There are worries that this (20% returns) is not supported by fundamentals (micro or macro). Studies have revealed that a significant portion of this return, of course for quite some time, comes from the capital market itself with sound portfolio management. According to some experts, the markets-over the medium to long term, do well, given the existing below average price earnings (P/E). Nevertheless investors

while deciding to pickup individual stocks should be guided by the future performance potential of the company concerned and not necessary its past performance. Investors, according to a research report published in Harvard Business Review should take cognizance of the following factors while deciding about the individual portfolio picks:

1. Clear, well communicated strategy
2. Ability to execute strategy
3. Governance strength
4. Quality of top management
5. Innovativeness
6. Low price strategy
7. Superior products or services strategy
8. Balance sheet strength
9. organizational culture
10. High performance compensation
11. Projected industry growth
12. Industry (international) competitiveness.

To our Members in Industry

Many leading organisations in India and abroad are family owned. Conventional wisdom holds that the unique ownership structure of family owned enterprises gives them a long term orientation that other public enterprises often lack. Above all, little is known about exactly what makes these family/owned enterprises different. Interestingly performance of such enterprises on an average, outperform other enterprises over the long term. According to a study carried out by Ms. Sophie Mignon an US based research outfit, family owned business enterprises have the following differences in their approach (of managing):

- a. They are prudent in good and bad times
- b. They keep the bar for Capital Expenditures
- c. They carry little debt
- d. They acquire fewer (smaller companies)

- e. May show a surprising level of diversification
- f. They are more international
- g. They retain talent better than their competitors do
3. Financial Models for stock prices and volatility
 4. Ethical Issues
 5. Accounting for Taxes
 6. Pharmaceutical Industry
 7. International Taxation
 8. Banking Sector
 9. Advanced Excel

It is my sincere wish that the members in industry who are serving in family owned enterprises in India should keep these unique features of their employers in mind and contribute their mettle for the development of their organization thereby contributing for the economic development of the country.

As a specific Continuing Professional Education endeavour targeting our professional brethren in industry, the SIRC has started conducting industry focused programmes focusing on Accounting (Reporting), Auditing, Direct Taxation and Indirect Taxation. We have received appreciable level of participation in those programmes and we will line up further programmes in the days to come. As has been acknowledged by various economic experts that Indian private sector has become the focus of job creation. Every one of us who are associated with these private sector enterprises as consultant, auditors, and executives should play the role of catalyst and create systems where job creation takes place in appreciable manner.

Programmes and Activities of SIRC

November 2012 has emerged as another active month which has increased member of CPE programmes on the following areas:

1. Transport Industry
2. Service Tax Practice

As a social responsibility measure, we have conducted one Investors Awareness Programme which has attracted sizeable number of members and general public.

We have organised an Orientation Programme for the personnel handling the affairs of the Branches of SIRC and I am sure that the inputs and value addition in that programme would go a long way in further improving the service quality to our members and students.

Students Related Activities

SICASA and its Branches were active during November 2012 and I am happy to inform you that the youngsters are taking each and every possible steps, interms of academic and community development measures which will keep the flag of the ICAI to fly high.

Support for the SIRC Newsletter

As an endeavour to publish the SIRC Newsletter on a self sustainable basis (ie without the financial outlay at the Institute level), we are seeking promotional materials (advertisements) for our Newsletter. It is

believed that those promotional materials will also improve the general ambiance of the newsletter in the interest of its readers. We solicit your indulgence to prevail upon various organizations known to you which are capable of providing quality service to our profession to use the Newsletter as their media channel.

ICAI Elections 2012

I once again reiterate my request to everyone of you to spare your valuable time on 7th / 8th December 2012 (for members in Bangalore, Chennai and Hyderabad) or on 8th December 2012 (for members in rest of Southern Region) to participate in the ICAI Elections – for the Central and Southern India Regional Council – by way of exercising your franchise to elect our leaders so that the glory of the Institute and the profession could be taken to further heights.

Feedback

With a view to further improve the quality, contents and presentation, we solicit your valuable feedback on our Newsletter. I wish to seek your valuable cooperation and indulgence in promoting this Newsletter amongst your clients to show case their products and services through the pages of this newsletter.

Until next month to share my thoughts with you again, I remain,

Yours in professional service



CA. K. VISWANATH
kviswanath.sirc@gmail.com

TWO DAY IT AUDIT AND SECURITY SUMMIT – 2012 UNDER THE AUSPICES OF IT COMMITTEE OF SIRC OF ICAI

GET AHEAD WITH THE LATEST IN IT AUDIT AND SECURITY

CPE Credit

12
HOURS

Friday & Saturday
December 14 & 15, 2012

Venue: Hotel Rain Tree, Anna Salai, Chennai

Timings: 9.30 a.m. to 5.30 p.m.

[Day – I – Dec. 14, 2012 - Friday]		[Day – 2 – Dec. 15, 2012 - Saturday]	
Topics	Resource Person	Topics	Resource Person
IT Governance – Audit perspective	CA. Sunder Krishnan, Mumbai	Integrated ERP Audits	CA. Babu Jayendran, Bangalore
Managing Risks in Cloud Computing	Eminent Faculty	Audit Analytics – Imperative for every auditor	CA. Anand Jangid, Mumbai
IS Audit – How Much Concern for External & Internal Auditors	CA. R. Vittal Raj, Chennai	Cyber Crime & Digital Forensics	Eminent Faculty
Web 2.0 – Value and Risk Perspectives	Dr. K. Prabhakar, Chennai	Panel Discussion – Do Financial Auditors need to be experts in IT? If so how much?	

DELEGATE FEE Members - ₹ 3000/-
Non Members - ₹ 3500/-

Delegate fee by way of Cash or by Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai shall be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034. Phone: 044-30210320; Fax: 044-30210355; Email: sirc@icai.in

SIRC CALENDAR DECEMBER 2012 & JANUARY 2013

Contact: Dr. T. Paramasivan, Senior Deputy Director (Tech.) – ICAI - Phone: 044 – 30210361 / 320 – Email: sirc@icai.in

DATE and TIME	PROGRAM DETAILS	RESOURCE PERSON	FEE (₹)	CPE CREDIT
Dec. 01, Saturday 10.00 a.m. – 05.30 p.m	*CPE Seminar on COST AND FINANCIAL MANAGEMENT		750/-	6 hrs
Dec. 12, Wednesday 06.15 p.m. – 08.30 p.m	*CPE Study Circle Meeting on TAXATION OF E-COMMERCE	CA. N. Madhan Chennai	150/-	2 hrs
Dec. 14, Friday 04.00 p.m. – 07.30 p.m	*INVESTOR AWARENESS PROGRAMME	Details will be hosted in the SIRC website www.sircoficai.org	No Delegate fee	2 hrs
Dec. 14 & 15, Fri. & Sat. 09.30 a.m. – 05.30 p.m	***IT SUMMIT	Details at page 4	3000/-	12 hrs
Dec. 18, Tue. 09.30 a.m. – 05.30 p.m	*SEMINAR ON CORPORATE LAWS	Details at page 26	750/-	6 hrs
Dec. 19, Wednesday 06.15 p.m. – 08.30 p.m	*CPE Study Circle Meeting on FCRA- LATEST DEVELOPMENTS & IMPLICATIONS	CA. M. Kandasami Chennai	No Delegate fee	2 hrs
Dec. 21, Friday 06.15 p.m. – 08.30 p.m	*S VAIDYANATH AIYAR MEMORIAL LECTURE	Details at page 24	No Delegate fee	2 hrs
Dec. 21 & 22, Fri. & Sat. 10.00 a.m. – 05.30 p.m	* TWO DAY SEMINAR ON TAXATION	Details at page 25	1500/-	12 hrs
Dec. 22, Saturday 06.15 p.m. – 08.30 p.m	**Hands on “Practical Workshop” on ADVANCED EXCEL FOR CHARTERED ACCOUNTANTS	Details at page 25	1200/-	6 hrs
Dec. 22, Saturday 06.30 p.m. – 08.00 p.m	*D RANGASWAMY MEMORIAL LECTURE	Details at page 24	No Delegate fee	
Dec. 26, Wednesday 06.15 p.m. – 08.30 p.m	*CPE Study Circle Meeting on RECENT AMENDMENTS TO TN VAT ACT	CA. J. Murali Chennai	150/-	2 hrs
Dec. 28, Friday 06.15 p.m. – 08.30 p.m	*CENTENARY CELEBRATIONS OF LATE CA. K SADAGOPACHARI	Details at page 24	No Delegate fee	
Dec. 29, Saturday 10.00 a.m. – 05.30 p.m	****SEMINAR ON INTERNATIONAL TAXATION	Details at page 25	1800/-	6 hrs
Dec. 31, Monday 09.30 a.m. – 01.30 p.m	*Half - day CPE Seminar	Details at page 26	500/-	3 hrs
Jan. 2, Wednesday 06.15 p.m. – 08.30 p.m	*CPE Study Circle Meeting on CLIENT RELATIONSHIP MANAGEMENT	CA. Abraham Zachariah Chennai	150/-	2 hrs
Jan. 3, Thursday 04.00 p.m. – 07.30 p.m	*INVESTOR AWARENESS PROGRAMME	Details at page 22	No Delegate fee	2 hrs
Jan. 4&5, Fri. & Sat. 10.00 a.m. – 05.00 p.m	*Workshop on ENABLING SERVICE TAX PRACTICE	Details at page 26	1500/-	12 hrs
Jan. 9, Wednesday 06.15 p.m. – 08.30 p.m	*CPE Study Circle Meeting on SEBI TAKEOVER CODE - 2012	CA. N.R. Sridharan Chennai	150/-	2 hrs
Jan. 25, Friday 04.00 p.m. – 07.30 p.m	*INVESTOR AWARENESS PROGRAMME	Details at page 22	No Delegate fee	2 hrs

* Programmes at “ICAI Bhawan”, SIRC Premises, Chennai – 600034.

** Programme at IIT Lab, 3rd Floor, Annexe Building, ICAI Bhawan, SIRC Premises, Chennai - 600034

*** Programme at Hotel Raintree, Anna Salai, Chennai.

**** Programme at Hotel Taj Connemara, Anna Salai, Chennai.

Tally

Power of Simplicity

RK Solutions

Endless possibilities...

Authorized Tally Integrater, Tally Extender, Tally Sales & Service Partner

NOW TALLY IS CUSTOMIZABLE TO ANY EXTENT**Our ready to work modules in Tally ERP 9**

- | | |
|---------------------------------------|-----------------------------------------|
| ✦ Hospital Management Module | ✦ Hatchery Module |
| ✦ Dairy Management Module | ✦ Temple & Trust Module |
| ✦ Rice mill Management Module | ✦ NGO/Trust/Mission Module |
| ✦ Transport/Freight Management Module | ✦ Paying Guest/Hostel Management Module |

Our Specialized Capabilities

- ✦ End to End customization for any Business in Tally ERP 9
- ✦ Report customization – Extensive
- ✦ Excel/SQL/Oracle to Tally ERP 9
- ✦ Web Inventory module with connectivity to Tally ERP 9
- ✦ Web module for Educational Institution with connectivity to Tally ERP 9
- ✦ Document Management connected to Tally ERP 9
- ✦ Multi Branch Connectivity
- ✦ Auto Synchronization Tool

Enterprise Solutions	Customizations	Data Connectivity	AMC	Support Services	Corporate Training	Sales
----------------------	----------------	-------------------	-----	------------------	--------------------	-------

Office 1: Burkit Road, T.Nagar, Chennai - 600 017

Ph: 044 - 24346532, 24321086 Mr. Nareshraj - 09600035549

Office 2: Plot No.209, Sarada Devi St, M.G.Nagar Phase - II & III
West Urappakkam, Chennai - 603 211

Tel/Fax: 044-27467278 Email: mani@tallysoftware.co.in

Web: www.rksolution.co.in

C.MANIGANDAN - 9789495540 M.AKILA - 9789495541 S.RAJESH - 9791037239

Branch Offices:

Hyderabad: Mr. Arul - 09003026840

Bangalore: Mr. Arun - 09036191863

**CA. Krishna Prakash**

Chennai

ekprakash@deloitte.com

Recent Regulatory Developments in Indian Capital Markets

Introduction

Capital Markets in India are characterised by their vibrant equity and debt markets assuming a fast paced growth. Indian Capital Markets have shown tremendous growth in the post liberalisation era. From the closed economy of the 1980s, the 1990s was a decade of liberalisation of the economy and in the 2000s, the economy witnessed stupendous growth. Indian economy remains one of the most resilient and is poised to be one of the top destinations for domestic and global businesses to expand and invest in. As global economy moves for imminent recovery, India has shown extraordinary strength to bounce back with greater stability and sustainability.

Foreign Institutional Investor (FII) inflows into the Indian equity markets have touched US\$ 90,856 million by 2011 and that coupled with the rise in the number of retail investors have brought into focus further issues of corporate governance and investors' protection more prominently. There is huge potential for the capital markets growth as at present retail investors comprise just 2% of the population and the lowest strata of the pyramid still remains untapped. The real inclusive growth also needs penetration of the capital markets to the last mile.

As Indian capital markets move a step forward to integrate with the global capital markets, financial stability and resilience assume increased importance. Most importantly, capital market reforms need to be aimed at establishing a strong regulatory framework and protecting the interests of the investors. This article explores the current status of the Indian Capital Market and the significant regulatory developments in Indian Capital Markets during 2011 and 2012.

Capital Markets Environment – Pre 1992

Capital Markets

The depleting foreign currency reserves in 1991 forced India to start the process of economic liberalisation. The reforms were accomplished by allowing increasing competition and greater foreign participation to provide fillip to the troubled economy.

The capital markets reforms in 1991 were preceded by a regime which ensured almost complete control of the state over the financial markets. Initial Public Offerings (IPOs) were controlled through the Capital Issues Control Act. The Controller of Capital Issues (CCI) controlled the price and quantity of the IPO and trading practices were short of transparency. The banking sector suffered from lack of competition, low capital base, low productivity and high intermediation cost. The Unit Trust of India (UTI) created in 1964 was the only mutual fund and it enjoyed complete monopoly of the mutual fund business until 1988.

Stock Exchanges

The Bombay Stock Exchange (BSE), the oldest and the largest stock exchange in India, traded for two hours in a day with an open outcry system! The exchange was managed in the interests of individual members, a majority of whom had inherited their seats. A large proportion of stocks listed on the exchange were not actively traded. There was minimum supervision from the management and speculation was rampant. There were regional exchanges which were unconnected and also engaged in open outcry system of trading.

The early 1990s, therefore, was a time when the primary role of the financial system in India was to channel resources from the sectors with excess liquidity to those with need for resources. The role of technology was limited and customer relationship and service was not a priority. Risk management procedures and prudential norms were weak, affecting asset portfolio and profitability. Hence, the emphasis of the capital market reforms in the 1990s was based on improving two fundamental aspects. First, the improvement in the legal reporting framework and second, the improvement in the technology framework.

Current Capital Markets Status

Primary Markets

The Primary Markets are the prominent sources of fund raising for corporates

and governments. A healthy and efficient primary markets are important to the capital markets and mirror the underlying strength of an economy that further provides favourable investment opportunities to the investors. Studies of the past performance of stocks in the primary and secondary markets have shown the performance of the primary markets for equities is very often linked to the performance of equities on the secondary markets.

The primary markets for equity issuances were largely restrained in 2011-12 from both the demand and the supply side. On the demand side, there was a tepid response from investors to issues due to low risk appetite emanating from poor returns of previously listed IPOs and volatile secondary markets. From the supply perspective, corporates exhibited cautiousness and abstained from resource mobilisation with the signs of slowdown in global and domestic economies. As a result, the amount raised through IPOs during 2011-12 was considerably lower at Rs. 5,904 crores (34 IPOs) as compared to Rs. 35,559 crores (53 IPOs) during 2010-11.

Secondary Markets

The Secondary Markets are often referred to as the barometer to a nation's health. In the secondary markets, existing securities are sold and bought among investors or traders, usually on a stock exchange or elsewhere. The existence of secondary markets increases the willingness of investors in primary markets, as they know they are likely to be able to swiftly cash out their investments if the need arises.

Indian stock markets mirrored the global sentiments with the indices sliding during 2011-12. The market capitalisation of BSE stood at Rs. 62 lakh crores as of March 2012 (Rs. 68 lakh crores as of March 2011) with the number of companies listed in the BSE standing at 5,133 as of 31 March, 2012 when compared to 5,067 as of 31 March, 2011.

Corporate Debt Market

In many countries, debt market (both sovereign and corporate) is larger than equity markets. The debt market in India,

especially the corporate bond market, is yet to establish a firm foothold in the capital markets. In spite of a well-developed regulatory and financial system, the corporate bond market in India is only 3.3% of the Gross Domestic Product (GDP) whereas the share of corporate debt to GDP is 10.6% in China, 41.7% in Japan and 49.3% in Korea.

However, in the recent past, the development of the corporate bond market has been high on the agenda of the regulators since a well-developed corporate bond market is critical for the Indian economy as it (i) enables efficient allocation of funds, (ii) facilitates infrastructure financing, (iii) promotes financial inclusion for the Small and Medium Enterprises (SMEs) and the retail investors and (iv) safeguards financial stability.

Legal Framework governing Capital Markets

Securities and Exchange Board of India (SEBI)

The SEBI Act established the SEBI as an autonomous body. The apex capital market regulator was empowered to regulate the stock exchanges, brokers, merchant bankers and market intermediaries. The SEBI Act provided the SEBI the necessary powers to ensure investor protection and orderly development of the capital markets. The introduction of free pricing in the primary capital market has significantly deregulated the pricing control instituted by the erstwhile CCI regime. While the issuers of securities can now raise capital without seeking consent from any authority relating to the pricing, the issuers are required to meet the SEBI guidelines for Disclosure and Investor Protection, which, in general, cover the eligibility norms for making issues of capital (both public and rights) at par and at a premium by various types of companies.

SEBI has been delegated most of the functions and powers under the Securities Contract Regulation Act, the Depositories Act and the Companies Act.

Reserve Bank of India

The Reserve Bank of India (RBI) has regulatory involvement in the capital markets, which is limited to debt management through primary dealers, foreign exchange control and liquidity support to market participants. Securities transactions in the form of equity infusion, loans etc. that involve foreign exchange transactions need the permission of the RBI. The master circular on Foreign Investment in India issued by the RBI annually and the

annual consolidated FDI policy issued by the Department of Industry Policy and Promotion under the Ministry of Commerce and Industry form the basis on which foreign investment and funding into India is controlled and regulated.

Recent Developments in Domestic Capital Markets

The SEBI has introduced various measures to protect the interests of investors and for the development and regulation of the securities market. A snapshot of regulatory changes made in the recent past is as follows:

- Eligibility Criteria under the Profitability Track Record

The eligibility norms for issuers coming out with IPOs through the profitability track record criteria were amended to clarify that the track record of distributable profits for at least three out of the immediately preceding five years should be complied with, both on stand-alone as well as on consolidated basis.

- Review of Bid-cum-Application Form and Abridged Prospectus

The structure, design and contents of bid-cum-application form and abridged prospectus were revised so as to provide material information to investors in a user-friendly manner.

- Disclosure of Price Information of Issues handled by Lead Managers

In order to apprise investors regarding the performance of issues brought in the past by Merchant Bankers (MBs), it was mandated that the price information of issues handled by MBs in the past be disclosed in the offer documents.

- Adjustment of Eligible Discount at the time of Application

Investors eligible for discount in public issues have been allowed to make payment at a price net of discount, if any, at the time of bidding. This amendment confers certain benefits on the investors such as lower cash outflow at the time of application, the ability to apply for more shares with the same cash outlay, etc.

- Reservation for Convertible Security Holders in Rights / Bonus Issuances

Reservation in rights/bonus issuances shall be made only to holders of compulsorily convertible debt securities. Earlier, the regulatory framework mandated a compulsory reservation in case of rights / bonus

issue to the entire category of fully or partially convertible debentures.

- Requirements in Respect of Minimum Public Shareholding

Two additional methods viz. Institutional Placement Programme (IPP) and Offer for Sale of Shares through the stock exchange mechanism were introduced to enable listed companies to achieve and maintain minimum public shareholding at 25 percent (10 percent for public sector companies).

- Offer for Sale of Shares by Promoters through the Stock Exchange Mechanism

The SEBI has permitted the offer for sale of shares by promoters of companies through a separate window provided by the stock exchanges in order to facilitate promoters to dilute / offload their holding in listed companies in a transparent manner with wider participation. All investors registered with the brokers of the BSE and the National Stock Exchange (NSE) other than promoter(s)/promoter group entities are allowed to participate as buyers under the scheme.

- Guidelines on Algorithmic Trading

The SEBI has put in place broad guidelines for Algorithmic Trading in the securities market based on the recommendations of the Technical Advisory Committee (TAC) and the Secondary Market Advisory Committee (SMAC). The guidelines define algorithmic trading as any order that is generated using the automated execution logic.

The Stock exchanges shall put in place effective economic disincentives with regard to high daily order-to-trade ratio of algorithm orders. The Stock exchanges shall also have a system to identify dysfunctional algorithms and take suitable measures.

- Guidelines for Intermediaries

Various guidelines have been issued by the SEBI recently for monitoring and regulating the operations of Intermediaries with regard to:

- ❖ Outsourcing of Activities by Intermediaries
- ❖ Review of Networth of Intermediaries
- ❖ Enhancing the level of Compliance of the Intermediaries through revision in reporting formats

- ❖ Introduction of Continuous Professional Education for enhancing the competency levels of the employees of the Market Intermediaries

- Mutual Fund Operations

The recent months have witnessed substantial regulatory initiatives towards the development and growth of mutual funds industry in India. The developmental goals were addressed by providing provisions for infrastructure debt funds, bringing depth in terms of allowing new class of investors i.e. Qualified Foreign Investors (QFIs) and new investment avenues for fund managers by enabling repo-transactions in corporate debt securities. Some of the measures undertaken to vitalise the mutual fund industry in India are as under:

- ❖ Option to hold Units in Dematerialised Form

In order to facilitate investors, an option has been provided to the investors in all existing and new schemes to mention their demat account details in the subscription form, in case they desire to hold units in dematerialised form while subscribing.

- ❖ Intended Portfolio Disclosure in Close Ended Debt Schemes

In order to enable investors to make a more informed decision regarding the quality of securities and risk associated with different close ended debt oriented schemes, mutual funds / AMCs were advised to make additional disclosures with respect to intended allocation for instruments such as commercial papers, debentures, securitised debt, etc. with floor ceiling without indicating the portfolio or yield, directly or indirectly. Variations between intended portfolio and final portfolio will not be permissible.

- ❖ Disclosure on Assets Under Management (AUM)

Mutual funds are required to disclose assets under management with bifurcation of the AUM into debt/equity/ balanced etc. and percentage of AUM by geography (i.e. top 5 cities, next 10 cities etc.)

- ❖ Review of Valuation Norms

The valuation norms were reviewed to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem

units of mutual funds. The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realisable value of the securities/assets. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.

Recent Developments in the Foreign Investment Regulations

The Department of Industrial Policy & Promotion under the Ministry of Commerce and Industry has been highly vibrant in the recent past by introducing various reform measures to boost the economy, a snap shot of which is included below.

- Power Exchanges

In September 2012, the Government of India has reviewed the position relating to investment in power exchanges and decided to permit foreign investment up to 49%, in Power Exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010. Such foreign investment would be subject to an FDI limit of 26 per cent and an FII limit of 23 per cent of the paid-up capital. FII investments would be permitted under the automatic route and FDI would be permitted under the approval route.

- Broadcasting Sector

The foreign investment limit for companies in the broadcasting sector has been increased from 49% to 74% with investment upto 49% under the automatic route and investment beyond 49% and upto 74% under the Government approval route. The aforesaid limits include investment in FDI, investments by FII, NRIs, FCCBs, ADRs, GDRs and convertible preference shares held by foreign entities.

- Civil Aviation Sector

Hitherto, no foreign airlines were allowed to participate directly or indirectly in the equity of an Air Transport Undertaking engaged in operating Scheduled and Non-Scheduled Air Transport Services except Cargo airlines. The Government of India has recently reviewed the position in this regard and has decided to permit foreign airlines also to invest, in the capital of Indian companies operating scheduled and nonscheduled air transport

services up to the limit of 49% of paidup capital under the approval route.

- Retail

Earlier FDI was prohibited in retail trading except in single-brand product retail trading in which FDI, up to 100% was permitted under the Government route, subject to specified conditions. Whilst the matter is proposed to be discussed at the Parliament, the government has also decided to permit FDI upto 51% (under approval route) in Multi Brand Retail, subject to specified conditions.

- External Commercial Borrowings

The Reserve Bank of India has issued notifications in the recent past to relax the guidelines relating to External Commercial Borrowings (ECBs) by Indian Companies, pursuant to which the companies can now obtain ECBs to the extent of USD 10 billion for repayment of rupee loans availed in India or for fresh capital expenditure in Indian rupees under the approval route subject to certain specified conditions.

Conclusion

The Indian capital markets have undergone significant changes in the last two decades. Further, the Indian economy, after exhibiting strong growth for two preceding years, treaded on a path to moderate growth in 2011-12, partly mirroring the global turmoil and partly the domestic issues. However, change is constant and therefore the Indian capital markets also need to continue to evolve to ensure that they meet the challenges of the current day. Emerging trends such as relative dominance of derivatives market segment over the cash market segment will require effort and attention on the part of the regulators.

Keeping in view the changing scope and nature of the market structure, the regulators, need to prescribe appropriate rules and regulations to maintain a safe, fair and orderly market to protect the interests of the investors, development of the securities markets and supervision.

References:

1. Annual Reports of the Securities and Exchange Board of India
2. Monthly Bulletins of the Reserve Bank of India
3. Publications of the Ministry of Finance and Ministry of Commerce and Industry, Government of India ■



CA. S. Balakrishnan
Bangalore
balamng@gmail.com

Financial Management: Towards a Developed India by 2040

India is a country with population of 1.2 bil and a glorious past. However our main problem is poverty and illiteracy. We have 40% of our population who earn less than Rs.40 per day! Estimates suggest that we have about 30% of our population who are illiterate. For ensuing equitable growth, first we need to ensure universal education for all upto the age of 18 and provide opportunities for either vocational training or higher education beyond that age. Second we need to create employment opportunities for all. This is the greatest challenge if we realize that we have a young population—more than 50% of our population is below the age of 25. This means that in the next 25 years we need to create employment opportunities for about 60 Cr people. We need to remain focused on growth—growth alone can generate fresh jobs and only with growth, government will have money for social sector outlays which can lead to balanced growth—geographically and numerically. In 1988, GDP of India and China were at the same level—around US \$ 300 bil. Look at the GDP of China now—it is more than 4 times that of India's. If India had grown at a faster rate during the last 20 years and our GDP is atleast 2 times of the present GDP of US\$1800 bil, government would have had additional revenue of about US\$200 bil (with about 10-12% of Tax-GDP ratio). Goal setting and financial management is imperative for government, business establishments and individuals. By a series of articles, I am planning to put the facts together so that we see a different India by 2040.

With the above objective, the first part of this article will focus on financial management of business establishments. Ownership of business establishments may be—sole proprietorship, partnership or corporate (small, medium or large). When such business establishments deal with money, they should realize that they are accountable for better management of resources and should be reminded of their social obligation

to create jobs. Are these business establishments socially responsible? After reading this article, readers may form their own opinion.

If we go through the data of large public companies, we will realize that the asset turnover is roughly 1, which means for achieving a turnover of Rs.1 Cr, capital employed is also Rs.1 Cr. Personnel related expenses(PRE) of such large corporate is about 6-7%, which means employment of maximum 2 persons with capital employed of Rs.1 Cr. If anyone goes through the RBI website and read data of large companies, the above will be clearer. Our young population data requires us to create jobs for atleast 2 Cr people every year and this means that if we have to have more job creation, we also need growth of small/medium establishments. This article will also focus on the integrated approach of SMEs and large Corporations.

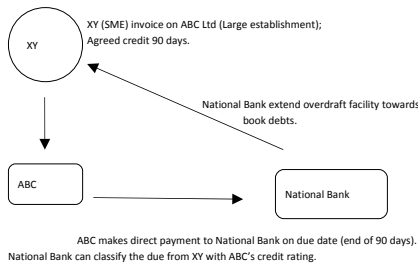
Even small business establishments which are run by sole proprietors need to have financial discipline. This is because even these establishments touch other sections of the society—employees, suppliers and customers. Further even these establishments may owe money to public institutions like banks and to suppliers & employees.

Small, medium establishments (SMEs) are large in number compared to large corporations. Nearly 80-90% of the output of such SMEs are supplied to large corporations. Large corporations enjoy financial clout and have better credit rating. They can raise resources at a much cheaper rate. If we understand the reasons for such cheaper cost, then we can look at the ways of reducing the cost to SMEs.

Banks are the main source of provider of funds to business establishments. Banks raise money through capital and deposits. Their lending rates are dictated by cost of such deposits. Cost of funds to banks increases with provisioning norms. When any borrower account is treated as sub-standard, then banks need

to make provision toward such account. To illustrate, if a bank has a loan book portfolio of 1000, and 3% of bank's loan portfolio is doubtful of recovery, then they need to provide Rs.30 towards bad debt provision. Further they can accrue interest only on the remaining 970 (less of bad debt provision). This mean that the cost of funds to bank increases with the provisioning cost and further the cost has to be recovered from the good accounts. However banks cannot charge solid customers such higher interest since they will have the option to borrow from other sources. Hence banks tend to charge disproportionately higher rates for sub-standard accounts to take care of the provisioning norms.

The standard norm for large corporations is to force their suppliers to extend credit which is normally called 'vendors credit'. The normal practice is to extend credit of 45-90 days. When SMEs effect supplies to large corporations, they extend such credit of 45-90 days. We have the enactment of mandatory interest on delayed payment to SMEs. SMEs, to finance such outstandings (book debts), enjoy overdraft facility from banks. If we assume that business is not done with charity in mind, then the total cost for such SMEs are to be recovered from the supplies, which means price charged by such SMEs will be higher with higher interest cost. Large corporations, if they realize the importance of 'cost management' and focus on lowering the ultimate price to customer, they will realize that they can bring down the cost of supplies by either providing finance to such SMEs or by entering into tri-partite arrangement with banks and vendors. Banks, when they extend overdraft facility to SMEs for financing the book debts, they can reckon the credit rating of the customers who are large corporations, provided such customers agree to make payment directly to banks on due dates. There can be reduction in ultimate customer price by about 2% if the above is understood by banks, SMEs and large corporations. The process is illustrated below—



We need to realize the important role played by SMEs in job creation. Normally the cost of operations of SMEs will be lower, except that of interest cost and material cost. SMEs have to procure their materials from

local sources whereas large corporations can directly deal with producer/manufacturer and enjoy lower rates. Here also large corporations can extend the facility of direct procurement from producer/manufacturer to SMEs by allowing their vendors to effect purchases on their account. All other costs for SMEs will be lower, compared to large corporations. Hence procuring from such SMEs, after taking care of material cost and interest cost, will mean lower cost of procurement for large corporations and thereby their price to their customers will be lower. This way our goods/services will be cost competitive in export market.

Further the level of automation will be lower for small enterprises and hence they will be employing more people. Such outsourcing will also create jobs for various service providers. Hence the SME model will meet our objective of 'lower cost' and create more jobs.

Before concluding, one more aspect which need attention is to ensure that cash dealings of business establishments are reduced. This calls for penetration of banking services to the entire population. More of this when we deal with financial management for individuals in subsequent articles. ■

(To be continued)

CPE CREDIT REQUIREMENTS FOR THE MEMBERS OF ICAI DURING THE BLOCK PERIOD OF 3 YEARS i.e. FROM 1.1.2011 TO 31.12.2013

Holding COP (except all those members who are residing abroad)				Not holding COP (Including all the members who are residing abroad whether holding COP or not)		
All the members who attained the age of 60 years during the calendar year 2011 (i.e. 1.1.2011 to 31.12.2011 – both days inclusive)	Total CPE Hours required : 70 hrs			Total CPE Hours required : 35 hrs		
	Year	Either Structured/ Unstructured Learning Activity	Balance 20 CPE hours at any point of time in the block of three years either Structured or Unstructured as per the discretion of the member	Year	Either Structured / Unstructured Learning Activity	Balance 10 CPE hours at any point of time in the block of three years either Structured or Unstructured as per the discretion of the member
	2011	10 minimum }		2011	5 minimum }	
	2012	20 minimum }		2012	10 minimum }	
	2013	20 minimum }		2013	10 minimum }	
All the members who attains the age of 60 years during the calendar year 2013 (1.1.2013 to 31.12.2013- both days inclusive)	Total CPE Hours required : 70 hrs			Total CPE Hours required : 35 hrs		
	Year	Structured	Balance 20 CPE hours at any point of time in the block of three years either Structured or Unstructured as per the discretion of the member	Year	Either Structured / Unstructured Learning Activity	Balance 10 CPE hours at any point of time in the block of three years either Structured or Unstructured as per the discretion of the member
	2011	20 minimum }		2011	10 minimum }	
		Either Structured/ Unstructured Learning Activity		2012	5 minimum }	
	2012	10 minimum }		2013	10 minimum }	
	2013	20 minimum }				
All the members who attains the age of 60 years during the calendar year 2013 (1.1.2013 to 31.12.2013- both days inclusive)	Total CPE Hours required : 70 hrs			Total CPE Hours required : 35 hrs		
	Year	Structured	Balance 20 CPE hours at any point of time in the block of three years either Structured or Unstructured as per the discretion of the member	Year	Either Structured / Unstructured Learning Activity	Balance 10 CPE hours at any point of time in the block of three years either Structured or Unstructured as per the discretion of the member
	2011	20 minimum }		2011	10 minimum }	
	2012	20 minimum }		2012	10 minimum }	
		Either Structured/ Unstructured Learning Activity		2013	5 minimum }	
	2013	10 minimum }				
All the members (below the age of 60 years)	Total CPE Hours required : 90 hrs			Total CPE Hours required : 35 hrs		
	Year	Structured	Balance 30 CPE hours at any point of time in the block of three years either Structured or Unstructured as per the discretion of the member	Year	Either Structured / Unstructured Learning Activity	Balance 15 CPE hours at any point of time in the block of three years either Structured or Unstructured as per the discretion of the member
	2011	20 minimum }		2011	10 minimum }	
	2012	20 minimum }		2012	10 minimum }	
	2013	10 minimum }		2013	10 minimum }	



CA. Deepak K. Bhatt
Chennai

INDICES - CERTAIN INSIGHTS

An Index tells us which way the markets are moving. The stock market index is akin to the whole sale price index. While the latter indicates the extent of inflation, the former indicates the direction of stock prices. The Bombay Stock Exchange Sensitivity Index (Sensex) is the most popular of all indices. Also popular is the National Stock Exchange Fifty (NIFTY) index.

WHAT DOES AN INDEX MEASURE?

It is a statistical measure of change in an economy or a securities market. In the case of financial markets, an index is an imaginary portfolio of securities representing a particular market or a portion of it. Each index has its own calculation methodology and is usually expressed in terms of a change from a base value. Thus, the percentage change is more important than the actual numeric value.

WHAT IS SENSEX?

- SENSEX is a scientifically developed, 30 stock index, reflecting the market movement of the Indian markets.
- It comprises of some of the largest and most liquid stocks traded on the BSE.
- It acts as a proxy for the barometer of the Indian markets.
- First constructed in 1979 today only 5 of the original 30 stocks are on the Sensex!

WHAT IS NIFTY?

- S&P CNX Nifty (Nifty), is a scientifically developed, 50 stock index, reflecting the market movement of the Indian markets.
- It comprises of some of the largest and most liquid stocks traded on the NSE.

- It is maintained by India Index Services & Products Ltd. (IISL), which is a joint venture between NSE and CRISIL.
- The index has been co-branded by Standard & Poor's (S&P).

WHAT IS THE DIFFERENCE BETWEEN SENSEX AND NIFTY?

	SENSEX		NIFTY
1	Sensex is based on 30 stocks	1	Nifty is based on 50 stocks
2	It is calculated using the "free-float market capitalization" method.	2	It is calculated using the "full - float market capitalization" method.
3	Sensex was first constituted in 1979 with the base as 100 points.	3	NIFTY was first constituted in 1995 with base as 1000 points.
4	The stocks of 'Sensex' account for nearly twenty percent of the capitalization of the Bombay Stock Exchange	4	The stocks of the 'Nifty companies' account for approximately sixty percent of the stocks traded at the National Stock Exchange

HOW IS THE SENSEX CONSTRUCTED?

SENSEX is calculated using the "Free-float Market Capitalization" methodology. As per this methodology, the level of index at any point of time reflects the Free-float market value of 30 component stocks relative to a base period. The market capitalization of a company is determined by multiplying the price of its stock by the number of shares issued by the company. This market capitalization is further multiplied by the free-float factor to determine the free-float market capitalization.

The base period of SENSEX is 1978-79 and the base value is 100 index points. This is often indicated by the notation 1978-79=100. The calculation of SENSEX involves dividing the Free-float market capitalization of 30 companies in the Index by a number called the Index Divisor. The Divisor is the only link to the original base period value of the SENSEX. It keeps the Index comparable over time and is the adjustment point for all Index adjustments arising out of corporate actions, replacement of scrips etc. During market hours, prices of the index scrips, at which latest trades are executed, are used by the trading system to calculate SENSEX every 15 seconds and disseminated in real time.

SENSEX MILESTONES	
Date	Sensex Level
July 25, 1990	1000
January 15, 1992	2000
March 30, 1992	4000
October 11, 1999	5000
February 11, 2000	6000
June 21, 2005	7000
September 8, 2005	8000
February 7, 2006	10000
April 20, 2006	12000
December 5, 2006	14000
September 19, 2007	16000
October 9, 2007	18000
October 29, 2007	20000
January 8, 2008	21000

WHAT IS FREE-FLOAT MARKET CAPITALISATION?

Free float market capitalization refers to

Free float shares x Market price per share

Free float shares refer to:

Total shares – shares not available for sale.

Shares not available for sale include:

1. Promoter’s holding
2. Government holding
3. Strategic holding and
4. Other locked-in-shares that will not come to the market for trading in the normal course.

Number of Companies listed on:
 National Stock Exchange **1,646**
 (as of October 2012)
 Bombay Stock Exchange **5,133**
 (as of October 2012)
 Source: nseindia.com, Source: bseindia.com

HOW IS THE SENSEX ALTERED WITH RIGHTS AND BONUS ISSUES?

- **Adjustments for Rights Issues:** When a company, included in the index, issues right shares, the free-float market capitalisation of that company is increased by the number of additional shares issued based on the theoretical (ex-right) price. An offsetting or proportionate adjustment is then made to the Base Market Capitalisation.

- **Base Market Capitalisation Adjustment:**

The formula for adjusting the Base Market Capitalisation is as follows:

$$\frac{\text{New Base Market Capitalization}}{\text{Old Base Market Capitalization}} = \frac{\text{New Market Capitalization}}{\text{Old Market Capitalization}}$$

Suppose a company issues right shares which increases the market capitalisation of the shares of that company by say, Rs.200 crores. The existing Base Market Capitalisation (Old Base Market Capitalisation), say, is Rs.3,000 crores and the aggregate market capitalisation of all the shares included in the index before the right issue is made is, say Rs.5,000 crores. The “New Base Market Capitalisation “ will then be:

$$\frac{3,000 \times (5,000 + 200)}{5,000} = \text{Rs.3,120 crores}$$

This figure of 3,120 will be used as the Base Market Capitalisation for calculating the index number from then onwards till the next base change becomes necessary.

- **Adjustments for Bonus Issue:** When a company, included in the compilation of the index, issues bonus shares, the market capitalisation of that company does not undergo any change. Therefore, there is no change in the Base Market Capitalisation, only the ‘number of shares’ in the formula is updated.
- **Other Issues:** Base Market Capitalisation Adjustment is required when new shares are issued by way of conversion of debentures, mergers, spin-offs etc. or when equity is reduced by way of buy-back of shares, corporate restructuring etc. ■

CORRIGENDUM

In the photograph that has appeared under P. Brahmayya Memorial Lecture in page No. 23 of November 2012 issue of SIRC Newsletter, the member name is CA. U. Suresh Rao and not CA. L. Mallikharjuna Rao. The inadvertent mistake is sincerely regretted.

**THE MONTH THAT WAS
(NOVEMBER 2012)**

3 rd	Industry Focussed Seminar Transport Industry
5 th & 6 th	Workshop on Enabling Service Tax Practice
9 th	Workshop on Ethical Issues
16 th	Industry Focussed Seminar Pharmaceutical Industry
17 th	CPE Seminar on International Taxation
19 th	Industry Focused Seminar - Banking Sector
24 th	Hands on Practical Workshop on Advanced Excel for CAs
30 th	One Day CPE Seminar

SIRC acknowledges the contribution and support extended by Immediate Past President of ICAI, Central Council Members of ICAI, Regional Council Members of SIRC, Resource Persons and the delegates/participants for making all the programmes a resounding success.

**Invitation for
Contribution of Articles**

SIRC of ICAI invites Articles from Members for publication in the SIRC Newsletter. SIRC is releasing Theme Based monthly Newsletter. The theme finalized for the January and February 2013 issues are as follows:

Month	Theme	Articles to reach SIRC on or before
January 2013	Insurance & Risk Management	December 10, 2012
February 2013	Business Management & Corporate Governance	January 10, 2013

Members may send the soft copy of their article, profile and passport size colour photograph to SIRC by email to sirc@icai.in and sircnewsltr@icai.in for consideration by the Editorial Board on or before the above said dates.

DISCLAIMER

The SIRC/ICAI does not accept any responsibility for the views expressed in different contributions/ advertisements published in this Newsletter.

**CA. C.S. Subrahmanyam**Hyderabad
mbr_co@eth.net

CIC – Regulatory Framework – the last lap

Introduction

RBI with an intention to liberalise the regulatory norms of NBFCs to certain companies released draft regulatory framework, for Core Investment Companies (CICs) in April 2010 for public comment. Based on the response received, these draft regulations have been notified as a circular Dt. 12/08/2010 (DNBS (PD) CC No.197/03/10/001/2010-11). This circular titled Regulatory Framework for CIC was the first step towards the realization of the ultimate goal of limiting the application of NBFC Regulations to entities with investment in other than related entities.

Following the above notification, RBI issued further notification titled DNBS (PD) 219/220/221 CGM (US)-2011 dated January 5, 2011. These directions were to be known as the Core Investment Companies (Reserve Bank) Directions 2011.

Further by a circular DNBS(PD) CC.No.206/03.10.001/2010-11 Dt. January 5, 2011, RBI had modified the guidelines contained in the first referred circular (197/03/10/001/2010-11) above. It further stated that the modification as per CC.No.206/03.10.001/2010-11 to the earlier circular (197/03/10/001/2010-11) were also incorporated into the Regulatory Framework for CIC issued as per circular 219/220/221 Dt. January 5, 2011. Hence, the Regulatory Framework as contained in circulars 219/220/221 became final and the contents of 197/03/10/001/2010-11 became redundant.

This article attempts to throw light on the definition contained in the latest circular with a particular focus to bring clarity to the understanding of the definition of Core Investment Company (CIC) and Systematically Important - Core Investment Company (SI-CIC). Both the categories of NBFCs prescribe for varying degrees of compliance. Hence, a better understanding provides for a smoother compliance.

Rationale

The RBI in its wisdom and to the relief of certain categories of NBFCs thought it wise to reduce the compliance required by entities falling within the directions stated above. Being a regulator RBI exercised its power to monitor and regulate the operations of NBFCs in the public interest. Such an effort created unwarranted levels of compliance to certain entities in which neither the public money nor public interest is likely to be effected. For example, companies which are essentially investment companies with investments into group companies involved in various projects even without any public deposits were required to comply with applicable NBFC regulations. These entities fall within boundaries of NBFCs and would require different levels of compliances. In order to bring relief to these entities, the new regulatory framework is put into place. Hence, attempt in this article is to trace/ascertain, in accordance with the latest regulatory framework, entities which will fall within the defined categories (CIC or SI-CIC) to be entitled to the diluted levels of compliance.

Core Investment Company (CIC)

A Company qualifying as a CIC is almost out of the regulatory framework of RBI either under the framework applicable to NBFCs or the CIC's. The definitions of CIC underwent a change as compared to the original definition given under circular No.197 issued in 2010 and referred above. The degree of group company investment is measured as a percentage of assets. In the original directions (given in 2010) it was a percentage of total assets and in the amended and final directions it is a percentage of net assets (as defined in the said directions).

Before proceeding further it is appropriate to understand the definition of CIC as per the notification DNBS PD No. 219/CGM(US)-2011.

“These directions shall apply to every Core Investment Company, that is to

say, a non-banking financial company carrying on the business of acquisition of shares and securities and which satisfies the following conditions as on the date of the last audited balance sheet:-

- (i) *it holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies;*
- (ii) *its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies constitutes not less than 60% of its net assets as mentioned in clause(i) above;*
- (iii) *it does not trade in its investments in shares, bonds, debentures, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;*
- (iv) *it does not carry on any other financial activity referred to in Section 451(c) and 45(f) of the Reserve Bank of India Act, 1934 except*
 - a) *investment in*
 - i) *bank deposits,*
 - ii) *money market instruments, including money market mutual funds*
 - iii) *government securities, and*
 - iv) *bonds or debentures issued by group companies*
 - b) *granting of loans to group companies and*
 - c) *issuing guarantees on behalf of group companies.”*

The definition covers all NBFCs whose investments/advances are predominantly parked in group

companies. Further the entity is not involved in trading of shares, bonds, debentures etc. It carries the permitted activities such as investment in deposits, money market instruments, granting of loans and guarantees to group companies.

The definition does not carry any limitation on the size of the assets or the public funds that are raised to fall within the definition of CIC.

Let us now proceed to SI – CIC.

Systematically Important Core Investment Company.

“Systemically Important Core Investment Company” means a Core Investment Company having total assets of not less than Rs.100 crore either individually or in aggregate along with other Core Investment Companies in the Group and which raises or holds public funds.”

The definition requires compliance with both the conditions. They are cumulative conditions. This is also clear from the amending regulations DNBS (PD) C.C.No. 206/03.10.001/2010-11 where it categorically stated that both the conditions have to be fulfilled.

Analysis

A combined reading of both the above definition establishes the following.

- a) At the threshold, the investments (in group companies) independently, and together with advances (to group companies) should not exceed the prescribed limit to qualify as a CIC.
- b) Further it should also satisfy certain qualitative characters such as not to trade in shares / debentures etc.
- c) It carries out such investment activities as prescribed.

An entity which satisfies the above conditions should also satisfy the following both the conditions to become a SI-CIC. They are

- a) Asset size is more than Rs.100 Crore and
- b) The entity has raises or holds public fund.

Where an entity is either not having assets of over Rs.100 Crores or where it has not raised public funds it is out of the definition of SI-CIC. Placing the definition of both CIC and SI-CIC the following scenarios emerge

	Qualifying qualities	Remarks
1.	a) Assets less than Rs.100 Cr b) Public funds raised	CIC
2.	a) Assets more than Rs.100 Cr b) No public funds raised	CIC
3.	a) Assets more than Rs.100 Cr b) Raised public funds	SI - CIC

Business Model

Given the above understanding of the definition of CIC and SI-CIC, we need to examine the Business Model of group Investment Company to ascertain the class of Investment Company they will fall into.

It is observed that many business groups incorporate a parent holding to route all their equity investments into specific projects. The said parent holding company may not raise any public funds / loans in these entities as the funds necessary for the respective projects shall be raised in the Special Purpose Vehicles incorporated for this purpose. Further the parent holding company is generally structured to channelize equity investment into the respective projects (SPV). It may not be able to raise debt from financial institutions as they may prefer to refrain from funding entity with main focus as investment activity. However, the public funds such as debt from financial institutions will be raised in the respective SPVs depending on the strength of project. Further, the parent holding company may pledge its shares in the respective SPV as collateral to the loans raised by respective SPV. A snapshot of the structure would be as follows

Is it CIC or SI-CIC?

Parent Holding Company A Ltd (currently SI-ND-NBFC)	SPV-1 A Ltd - 34% Partner 1 - 33% Partner 2 - 33%
<ul style="list-style-type: none"> • Assets more than Rs.100 Cr • No public funds • Investment and advance to group-within limits • carrying permitted activities 	<ul style="list-style-type: none"> • Equity XXX • Debt XXX • Secured by first charge on assets • Second charge - pledge of shares held by A Ltd., P-1 and P-2 in SPV -1 or • Guarantee by three partner of SPV - 1

Given the above analysis it is very simple to classify A Ltd as CIC. As the A Ltd has not raised any public funds, A Ltd fails to satisfy the second limb of the definition of SI-CIC. Hence, it can safely be classified as CIC.

However, care should be exercised to understand that definition of public funds also includes rising of funds indirectly. The definition reads as under

““Public funds” includes funds raised either directly or indirectly through public deposits, Commercial Papers, debentures, inter-corporate deposits and bank finance but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue.”

Hence, provision of shares held by Parent Holding Company in SPV 1 as collateral may be viewed as rising of public funds requiring registration as SI CIC. However, a collateral security is a second line of defense to recover the loan by a bank. The primary security which is the business assets is expected to cover the outstanding loan from the bank.

In this regard the latest Circular by the RBI on the subject RBI/2011-12/557DNBS. PD.CC.No.274 /03.02.089/2011-12 dated May 11, 2012 provides certain guidance. According to the circular a CIC should ensure that it can meet any contingent liability arising on it on account of having given a guarantee or having taken any other contingent liability of group companies without recourse to the

public funds before providing such guarantee. It obviously goes to show that RBI is keen on continuing CIC out of regulatory framework as long as they refrain from accessing public funds directly or indirectly. At the same time where CICs have ensured that the guarantee or liability (say on account of collateral security) can be met without recourse to the public funds, they still will continue to retain their status. However, the circular is silent on how to demonstrate that the said liability can be met without recourse to the public funds. Under such circumstances it may be wise to consider that, where the loan taken by the group company is secured by the primary/collateral security by more than 150% of the loan outstanding then it should be considered as adequate compliance of the requirement. This should also

be made applicable to the existing guarantees or collateral securities given by the Parent Holding Company or CIC referred in this article. This mechanism enables achieving balance between control to RBI (through registration as SI CIC) and freedom to Companies by allowing them to continue as CIC.

Conclusion

Classification either as CIC or SI – CIC is unlikely to cause serious compliance issues. SI – CIC contemplates a diluted level of compliance (compared to earlier requirements under NBFC norms) as against CIC which does not require specific compliance at all. Earlier NBFC norms became difficult to comply and created unwarranted business limitations particularly to entities which are involved investment into group entities. The CIC regulations

were a step in the right direction. The requirement of including the guarantee given or collateral given to the loans raised by the group company as part of public funds creates stumbling block. But the apprehension that extension of such facilities may result in access to public funds is genuine and well founded and may require such entities within the regulatory framework of RBI. However, the well founded intention of liberalization will not be realized unless a mechanism is provided to exclude those entities which are truly investment companies focusing on group entities from the disqualification of being a CIC. RBI may consider prescribing a percentage of asset backing to the guarantees or collateral provided by parent holding company to the SPV loans beyond which they will become SI CIC. ■

CLASSIFIED

We are looking for young, bright Chartered Accountants with excellent English oral and written communication, aged not more than 35 years, willing to grow in the academic field and to be a part of our organization in tutoring, mentoring and counseling young and budding prospective CA students. If interested mail CV to info@greymatteracademics.com

Adv.

GENERAL MANAGEMENT AND COMMUNICATION SKILLS-I COURSE

The New GMCS-I Course of BOS of ICAI is being organized by SIRC. Students, who have registered for Articled Training on or after 1st May, 2012 must complete the course while serving the first 12 months of practical training. Students, who have undergone existing GMCS Course, can also on their option undergo GMCS-I by paying the required fee. The batch commences on 12th Dec 2012 at Chennai and will continue till 29th Dec 12 except on Sundays and 25th Dec being X'mas. The course is for 15 days full time. Classes are held for 6 hours a day for 6 days a week [15 days X 6 hrs/day = 90 hours]

The timings are-
9.30 a.m. - 1.00 p.m. {with half an hour break}
2.00 p.m. - 5.30 p.m. {with half an hour break}

The GMCS-I aims to equip entrants to the profession with some essential skills, such as-

- ◆ To develop effective communication and presentation skills
- ◆ To inculcate business acumen and public relation skills
- ◆ To develop all round personality with mature outlook to function effectively in different atmosphere

The allocation of time among the broad areas of the course contents may be as follows:

◆ General Management	06 Hours
◆ Developing Personal Traits	12 Hours
◆ Business Communication & Presentation	48 Hours
◆ Interpersonal & Negotiation Skills	18 Hours
◆ Technical Skills	06 Hours

Multiple methods including lectures, case studies, presentations group discussions, management games, projects, mock interviews etc. would be used. The fees is Rs.4000/- on non-residential basis. For application and further details Ref SIRC website www.sircoficai.org - under 'Students' – 'GMCS-1'. Email kirubakarti@icai.in Application and Cash Payment Challan are available at SIRC office at Chennai.



ANALYSING INVESTMENTS WITH CARE

NHAI • REC • PFC • IRFC • IIFCL • HUDCO
TAX FREE BONDS ISSUED BY PSUs
AVAILABLE AT ATTRACTIVE YIELDS



SPRISM INVESTMENT SERVICES PVT. LTD.,
21, Raja Glitz, 1st Floor, K H Road, Bangalore - 560027.

Bangalore Sales Office: Tel: 080 30267869 / 73 / 77 , Fax: 080 - 30267876

Branches: Chennai: 044 3914 1228/30, Coimbatore: 0422 3950 700
Hyderabad: 040 3056 6495/99, Mumbai: 022 3026 8502/12,

Adv.



CA. B. S. Chakravarthy

Executive Director - Business Consulting
Capital Fortunes Private Limited

PPPs in India: Public Audit Perspectives

Indian PPPs: An Overview

The Public-Private Partnership (or PPP) model of project delivery in India has come a long way since its early stages in the nineties. Broadly defined as “a contractual arrangement between a government entity and a private sector entity for provision of public assets/services”^[1], PPP projects are typically characterised by a public procuring authority sharing project risks with a private entity via a long-term, output-based contract. In return, the private entity collects payment either from the public authority or from the public asset users, or both^[2].

In India, the PPP model gained momentum in the 1990’s to meet the nation’s growing infrastructure needs while addressing constraints in traditional government contracting, such as lack of public funds and an inefficient public procurement mode^[3]. Since then, the Indian PPP environment has seen healthy growth through government initiatives like establishing a dedicated PPP fund (called the India Infrastructure Project Development Fund) and providing Viability Gap Funding for PPP projects. From a policy perspective, the Indian PPP framework has seen key milestones like the establishment of the Model Concession Agreements, a set of standardised contractual guidelines, a PPP Cell at Central and State Government level for identification of potential PPP projects, and the ongoing development of a National PPP Policy. Enabling PPP initiatives of this nature have made PPP an indispensable procurement pathway for Indian infrastructure development.

During India’s Eleventh Plan (2007-2008 to 2011-2012), PPP investments in infrastructure sectors (airports, energy, ports, roads) was valued at Rs. 430,972 crore. (See Figure 1 for sector-wise split). During the Twelfth Plan period, private sector sourced financing is expected to meet half the planned infrastructure investment target of Rs. 41 lac crore.

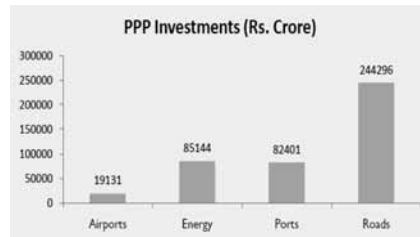


Figure 1 Sector-wise PPP Investment during Eleventh Plan

Source: Athena Research (2012).

“PPPs in India: Overview

PPPs today have a high level of overall acceptance in India^[4], with high PPP activity seen in several states, including Karnataka, Andhra Pradesh, Madhya Pradesh, Maharashtra and Gujarat. Sector wise, PPP activity has been prominent in transport (roads, ports, urban infrastructure), power and urban development^[5]. Thus, PPPs have seen a remarkable growth in the Indian context.

Although the PPP model has thus gained popularity in Indian infrastructure development, it is, however, complex. A framework of checks and balances is needed to enable the private partner to achieve a reasonable return at manageable risk, while ensuring the Government achieves a Value for Money in procuring a public asset of adequate service quality^[6]. This is a complex task, owing to the long-term nature of PPP arrangements, which have multiple stakeholders with seemingly divergent goals. Inadequate or inefficient preparatory work during PPP procurement stages, i.e., project identification, private partner selection, and contract management, can lead to excessive transaction costs and delay in project delivery. This has in turn created a need for a sound audit process for PPP projects.

Audit in Public Private Partnerships

Nuances of the audit mechanism for PPP procurement in India have been discussed in two key sources of Indian PPP policy literature: the Department of Economic Affairs’ *Draft National*

PPP Policy, and Comptroller and Auditor General of India’s Report on guidelines for public audit of PPPs, *PPPs in Infrastructure Projects: Public Auditing Guidelines*.

- The Draft National PPP Policy (2011): Issued by the Department of Economic Affairs, the Draft National PPP Policy’s main goals include facilitating PPP expansion in India by defining broad principles for PPP identification, providing a framework for structuring and procuring PPP projects, and defining a cross-sectoral institutional architecture for implementing PPPs^[7].

The Draft Policy recognises the need for an audit mechanism for public sector entities entering into a PPP arrangement. It highlights the importance of financial management, accountability, and audit obligations, to verify the development and procurement processes of the public sector entity.

The Policy extends the scope of audit to cover monitoring the public entity’s functioning in selecting a private party, releasing payments, contractual management, and monitoring of quality of service and Value for Money analysis. The Draft clearly identifies that these audit stipulations apply only to the public sector entity involved in the PPP transaction, and not the PPP entity itself.

- *PPPs in Infrastructure Projects: Public Auditing Guidelines* (2009): The Comptroller and Auditor General of India issued a guidelines report titled, “PPPs in Infrastructure Projects: Public Auditing Guidelines” in 2009, to provide “a comprehensive coverage of various aspects of Indian PPP contracts, and a framework to test the transparency, accountability, and value for money aspects of the PPP project activities”^[6].

Unlike the Draft PPP Policy Report, this document covers the audit aspects pertaining to the PPP entity. However,

the report recognises that the scope of public audit for a PPP entity is a contentious issue. On one hand, a PPP arrangement sees a public sector entity as a minority stakeholder and the private partner as a majority stakeholder, who owns responsibilities such as arranging for project financing and the burden of technical and operational risk. Moreover, a PPP arrangement is more output-driven than process-driven. This therefore

challenges the scope of the public audit of PPP projects. However, on the other hand, a public audit of PPP projects can be supported on grounds that although the private partner now holds the authority to provide goods and services to the public at an affordable cost, plus levy tolls/ user charges, it is the government that retains accountability for the provision of public service at a reasonable cost.

This makes the case for a public audit of PPPs.

To address both views, the report identifies that the most significant factor for the Supreme Auditing Institution (SAI) to conduct the audit of PPP projects is to ensure Value for Money is achieved in such projects.

The following table compares audit perspectives presented in the two reports.

	Draft PPP Policy Report	CAG Report
Document Scope	Policy to establish PPP structure and facilitate PPP growth in India	Guidelines for public audit of PPPs in India
Audit Objectives	<i>“to maintain transparency, equity and fairness in developing and implementing projects” and to “verify the robustness of the development, procurement processes adopted, and functioning of the public sector entities”</i>	<i>“to provide a reasonable assurance ... (about the) efficiency and effectiveness of the PPP arrangement and to ensure that the infusion of the private sector agency into the project has resulted in improving the value for money for the government”</i>
Audit Scope	<ul style="list-style-type: none"> Private Entity Selection Process Procedures in releasing payments Reviewing Quality of Service and Value for Money Analysis Post-Award Negotiations/Contract Modifications Contract management: Monitoring adherence to: <ul style="list-style-type: none"> Key Performance Indicators Ensuring Conditions Precedents VfM Performance Assessments Impositions of Non-Performance Penalties Assessing Termination Payments 	<ul style="list-style-type: none"> Verifying the efficiency and competence of project implementation Monitoring Actual Vs Planned demand and revenue trends Accuracy and reliability of result reporting Monitoring economy in operations costs Monitoring the need to re-adjust the contract period if needed Quality of service at affordable costs Other project specific issues
Applicability of Audit Guidelines	<ul style="list-style-type: none"> Public Sector Entities Alone NOT to private sector entities (including project-specific private entities [Special Purpose Vehicles]) 	<ul style="list-style-type: none"> Public Sector Entities PPP Entities (Special Purpose Vehicle)

Table 1 Comparison of Audit Perspectives ^{[6],[7]}

Guidelines to Perform PPP Audit

- To assist public auditors in India, the Public Auditing Guidelines for PPPs Report provides the following set of guidelines to facilitate the audit of PPP projects.
- Examining the status of internal controls in public entities entering into a PPP agreement
- Verifying the strategic plan setting out the PPP project objectives
- Reviewing the appointment process of advisors
- Examining guarantees and assurances, generation of adequate competition,

- contractual stipulations, sharing of surplus revenues
- Using a set of performance measures to evaluate the qualitative and quantitative aspects of the partnership
- Carrying out audit tests to evaluate systems and procedures and management of performance indicators
- Examining whether a range of vehicles have been considered and reviewing if chosen structure option takes into consideration the Return on Investment

- Examining whether third party reviews and cost benefit analyses were undertaken, and whether contractual payments are linked to milestones
- Monitoring the system to receive regular information and returns on partner’s performance and obligations

Risks in PPP Audit

- The Public Auditing Guidelines for PPPs Report identify key risks facing the Governments and the Supreme Audit Institutions (SAIs) in developing and auditing PPP projects, as shown in the table below.

State's Risks	SAIs' Risks
<ul style="list-style-type: none"> • Lack of clarity about partnership objectives • Inadequate definition of business model of the partnership • Risks due to negotiating an appropriate partnership • Risks to the State's interests as a minority shareholder • Risk due to monitoring of the State's interests in the partnerships • State's exposure in case of difficulties 	<ul style="list-style-type: none"> • Insufficient domain knowledge • Lack of expertise required to examine the process and the results • Failure to identify worthwhile lessons • Absence of following up the audit work.

Table 2 Risks in Performing a Public Audit for PPPs [6]

Note on Value for Money Analysis:

- As seen in the previous section, both the Draft National PPP Policy and the C & AG PPP Audit Guidelines stress the need to ensure that a PPP project ensures Value for Money. A Value for Money (VfM) analysis is a conceptual framework employed to decide if a project should be procured via PPP mode or through conventional procurement [8]. The VfM assessment has a qualitative and quantitative component.
- **Qualitative Component:** The qualitative component reviews how the PPP mode for a project measures up based on factors like:
 - **Viability:** Does the project have measurable outputs, a clear project scope, flexibility of requirements, and clear efficiency reasons for private participation?
 - **Desirability:** Do the benefits of private participation outweigh the costs?
 - **Achievability:** Is the project market-friendly? Are the timelines realistic?
- **Quantitative Component:** The quantitative analysis determines whether the value of risk transfer to private capital justifies the cost charged by the private capital for accepting the burden of risks. The analysis compares the life-cycle cost of the project procured through conventional contracting versus the

PPP alternative [9]. This life-cycle cost analysis under conventional contracting is therefore set as the benchmark for analysis, known as the Public Sector Comparator. A project is feasible for PPP procurement if the quantitative VfM analysis demonstrates that the PPP cost is lesser than the Public Sector Comparator (See figure 2).

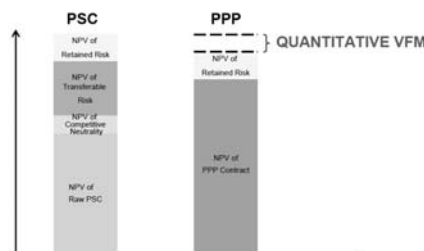


Figure 3 Quantitative Value for Money Analysis [9]

- Together, the qualitative and quantitative approaches assess a range of outcomes along with project cost, such as increased benefits to end users and greater certainty of financial outcome.

Conclusions

The key goal of a public audit process is to ensure accountability and transparency in governance processes, thereby providing the public exchequer the guarantee and assurance of proper and efficient utilization of public assets. As seen in the recent controversy surrounding

the 2G spectrum and coal block allocations, irregularities and inefficiencies in government project procurement practices can greatly impact public confidence. In case of Public-Private Partnerships, being complex projects having multiple stakeholders with diverse business perspectives, require a sophisticated and objective public audit process to ensure accountability, transparency, and boost public confidence.

However, the effectiveness of a public audit can be limited by its retrospective, after-the-fact nature, more so in the case of PPP agreements which are more susceptible to the volatility of market dynamics due to their long term nature. Therefore, a comprehensive set of checks and balances are needed for various project stages, so as to act as a pre-audit mechanism. An integral aspect of such checks and balances is the Value for Money analysis framework of PPP projects, which can demonstrably compare whether the public exchequer gains value for money by procuring a public asset or service via private participation.

Thus, well-defined guidelines for a public audit can protect the interests of a PPP project's many stakeholders by ensuring transparency and accountability, while accounting for the flexible and output based nature of such arrangements. ■

References

- [1]. Department of Economic Affairs, Government of India (2011). "Defining Public Private Partnerships" < <http://164.100.52.24/Defining-PPP.php>> (Last accessed: 24th Nov 2012)
- [2]. European Investment Bank (2012). "The EPEC PPP Guide: An Introduction to PPPs" < <http://www.eib.org/epec/g2g/intro2-ppp.htm>> (Last accessed: 24th Nov 2012)
- [3]. Athena Infonomics Research (2012). "Public Private Partnerships in India: An Overview"
- [4]. Asian Development Bank (2011). "Evaluating the Environment for Public-Private Partnerships in Asia-Pacific: The 2011 Infrascop"
- [5]. IDFC (2011). "Overview of Status of PPP Projects in Different States"
- [6]. Comptroller and Auditor General of India (2009). "Public Private Partnerships in Infrastructure Projects: Public Auditing Guidelines"
- [7]. Department of Economic Affairs, Government of India (2011). "National PPP Policy: Draft for Consultation"
- [8]. Department of Economic Affairs, Government of India (2011). "Value for Money Analysis" < <http://164.100.52.24/valueformoney.php>> (Last accessed: 24th Nov 2012)
- [9]. World Bank Institute (2009). "Value for Money (VfM) and the Public Sector Comparator (PSC)" < <http://www.adbi.org/files/2009.6.24.cpp.sess5.anastasi.vfm.public.sector.comparator.pdf>> (Last accessed: 24th Nov 2012)

Updates on Direct Taxes

1. **Penalty under section 271D leviable when there are no business exigencies prompting acceptance of cash loans:**

In *Builtec Engineers & Builders v. Dy.CIT (2012) 76 DTR (Mad) 410* the assessee engaged in construction activity borrowed loans by way of cash of Rs.20,000 and above, which were in contravention of section 269SS of the Act. The assessee pleaded that the necessities of making payment to labourers and small suppliers had prompted it to take the loans in cash and sought relief from penalty by invoking section 273D. The court held that the assessee had not shown any acceptable or unavoidable circumstances or impracticability or difficulty in complying with the provisions of section 269SS and hence the plea of the assessee was rejected. The alternative claim of the assessee, that the transaction be viewed as gift was also dismissed as devoid of merit as an after thought which did not merit any consideration including, remand of the matter. With respect, the decision of the court is somewhat incomplete since the objective behind the introduction of section 269SS was not discussed in the judgment.

2. **Assessment under section 143(1) is no bar for initiating reassessment proceedings:**

In *Inductotherm (India) P Ltd v. M.Gopalan, Dy.CIT (2012) 77 DTR (Guj) 1* the return of income of the assessee was processed under section 143(1) and subsequently the AO recorded four reasons which prompted him to invoke reassessment provisions. Of the four reasons, bad debts write off and claim of royalty was sought to be verified without any adverse evidence in the possession of the AO. The other two reasons were based on audit objections such as excess claim of deduction under section 80HHC and warranty expenses claim, being more than the actual expenditure incurred. The Court held that intimation under section 143(1) and lapse of time limit under section 143(2) are not relevant factors for considering the validity of initiating reassessment proceedings. The court held that the two reasons cited by the AO for verification for bad debts write off and claim of royalty as not tenable in law since fishing or roving enquiry could not be made for justifying a reassessment proceeding. However, with regard to other two reasons based on audit findings, it

was held that there were sufficient reasons for initiating reassessment proceedings.

3. **Bona fide mistake in claiming deduction does not attract concealment penalty:**

In *Price Water House Coopers (P) Ltd v. CIT (2012) 348 ITR 306 (SC)* the assessee claimed deduction of provision towards payment of staff gratuity though in the annexure to the tax audit report in Form No.3CD it was indicated as provision towards gratuity. The tax audit report accompanied the return filed and it was clear that the claim was apparently inadmissible. Penalty at 300% was imposed on the assessee. The tribunal reduced the penalty to 100% and the High court confirmed the order of the tribunal. The assessee explained the circumstances and stated that the tax return was finalized and filled in by a person who was not a chartered accountant and was from a common resource. The return was signed by the director who proceeded on the basis that the return was correctly drawn up. The court held that the assessee had committed a 'silly mistake' which was acknowledged both by the tribunal and High Court. At the time of assessment even the AO omitted to notice the discrepancy between the tax audit report and the claim of the assessee in the statements furnished. Citing the peculiar facts of the case, the levy of penalty was deleted since the error committed was an inadvertent and bona fide error not intended to conceal income or furnish inaccurate particulars.

4. **Reassessment proceedings could not be made on genuine sale and leaseback transaction with complete details furnished to the Revenue:**

In *CIT v. High Energy Batteries (India) Ltd (2012) 348 ITR 574 (Mad)* the assessee acquired boilers from sister concern and paid Rs.50 lakhs and the balance of the purchase price was paid by means of outside borrowing. The acquired asset continued to remain with the sister concern by entering into lease agreement. All the details were furnished and depreciation was allowed on those leased assets in the preceding years. Reassessment proceedings initiated subsequently was held as not tenable since there was no material to doubt the genuineness of the transaction. With regard to sale and leaseback arrangement, the court held that the law recognizes

constructive delivery as valid mode of delivery and possession of ownership and hence in spite of the assessee not having physical possession of the asset at or after acquisition, the genuineness of lease transaction was held as not to be doubted.

5. **Amount collected as contingent deposit from customers to protect from sales tax liability at a later date is a trading receipt:**

In *Sundaram Finance Ltd v. Asstt. CIT (2012) 76 DTR (SC) 417* the assessee collected Rs.36.48 lakhs by way of contingent deposit from leasing / hire purchase customers in the financial year relevant to the assessment year 1998-99 in order to protect itself from sales tax liability that may arise at a later date. Factually for the assessment years 1986-87 to 1996-97 the tribunal had disallowed the assessee's appeal against sales tax levy which were pending before the High Court. The assessee claimed that the contingent deposits from the customers are refundable if the appeal was decided in its favour. The court held that for determining whether a receipt is liable to tax, the taxing authorities cannot ignore the legal character of the transaction which is the source of the receipt. The amounts so collected were not kept in a separate interest-bearing bank account but formed part of the business turnover and hence the amount collected was part of trading receipt liable to tax.

6. **Waiver of loan to purchase capital asset is not taxable under section 28(iv):**

In *CIT v. Xylon Holdings (P) Ltd (2012) 26 taxmann.com 333 (Bom)* the assessee acquired a motor car on which depreciation was claimed. Subsequently the car loan liability was taken over by the holding company. The motor car continued to remain in the schedule of assets on which depreciation was also claimed. The court held that extinguishment of loan for purchase of capital asset is a capital receipt hence it is not taxable under section 41(1). Further section 28(iv) could be applied only when a benefit or perquisite is received in kind and it has no application where the benefit is received in cash or money. Take over of loan by the holding company did not have any tax implication on the subsidiary company since it was a capital receipt. ■

Updates on Indirect Taxes

CA. J. Murali
Chennai
jmuraliandco@gmail.com

1. VAT

Online Generation of C and F form in Tamilnadu: In a major amendment the State Government of Tamilnadu have now introduced online generation of C and F forms by their Dealers. A new Annexure in form IA is to be filed with the regular monthly return. The details of Interstate Purchases and Stock transfers for which the saleable forms such as Form C and Form F to be issued is to be uploaded in Annexure IA. The Dealers can generate the forms at any time as per their convenience and then they can take printout of the forms and submit it to be connected parties.

2. Sales made to Police Canteens in Tamilnadu is exempted by Notification No.II(2)/CTR/616/2012 (TNGG Extraordinary/September 26,2012.:

Exemption from payment of Value added tax by Policecanteens in Tamilnadu as well as subsequent sales to the serving, Retired and Deceased Uniformed Personnel of Fire and Rescue Services and prisons and their families under Tamilnadu Value Added Tax Act 2006 is exempted.

3. Amendments to the Hosiery Goods CST sale in Tamilnadu:

The Government have carefully examined the request of the South India Hosiery Manufactures' Association in consultation with the Principal Secretary/Commissioner of commercial taxes and issue the following orders which will be effective from 12.7.2011.

- the dealers who make inter-State sale of hosiery goods and file 'C' form declarations shall be assessed at the reduced rate of 1% as per the Government Notification No.II(1)/CTRE/84(a-2)/96 dated 5.8.1996.
- the dealers who make inter-State sale of hosiery goods but could not file 'C' form declarations shall be assessed at 5% as per the mandatory provisions of filing of 'C' forms under the Central Sales Tax Act, 1956 effective from 12.7.2011.
- to give effect to the notified reduced rate of 1% to the dealers who are assessed at 5% referred to in clause (b) above, the difference between the amount

of tax assessed at 5% and the amount of tax at reduced rate of 1% shall be given as refund.

- the refund of the tax paid in (c) above shall be treated as specific industrial incentive to the dealers referred to above.

The refund of the Central Sales Tax paid referred to above is subject to the following conditions:-

- there shall be no branch transfer or consignment transfer of hosiery goods to a place outside the State in a year.
- the dealer should have paid all tax payable under the Tamil Nadu Value Added Tax Act, 2006 and Central Sales Tax Act, 1956 as per the monthly returns filed including the period for which refund is claimed and not in arrears of tax during the financial year.
- the dealers who have collected 5% tax in their inter-State sale invoices/bills are not eligible for the refund.
- the dealers shall file a declaration in the Form annexed to this order along with proof of movement of hosiery goods to a place outside this State.

It is further ordered that the assessing authority shall make the refund to the dealers immediately, who satisfy the above conditions on receipt of the claim with the documents prescribed above after confirming the realization of the tax at 5% paid by them.

This order issues with the concurrence of the finance department vide its U.O.No.41466/Revenue/2012,dated 13.8.2012.

4. Service Tax

54 VST 353(CES7A7-New Delhi)
Mehta Plastic Corporation
Vs
Commissioner of Central Excise,
Jaipur I

Assessee is engaged in fabrication and installation of Retail visual identity elements and sign boards for petrol pumps under contracts is entitled to exemption of value of materials sold under notification. The material value arrived by the Central Excise Authorities will be adopted.

5. VAT

54 VST 448 (Kar)
S.R.Ravishankar
Vs

Additional commissioner of
commercial taxes Zone I, Bangalore
(Sales tax appeal 7 and 8 of 2009)

and
S.R. Udhayasankar
Vs

Additional commissioner of
commercial taxes zone I, Bangalore
(Sales tax appeal 9 of 2009)

The dealers who has compounded the works contract is not allowed to effect inter-State purchases" for use in works contract". They are prohibited from Inter-State purchases even though the title in goods so purchased need not pass to the customer. It means the dealer is disqualified even for purchasing the spares and accessories from the inter-State.

6. Service tax

54 VST 465 (Karnataka)
TOYOTA KIRLOSKAR MOTOR
PRIVATE LIMITED
Vs
COMMISSIONER OF CENTRAL
EXCISE, BANGALORE

Service tax - input services - definition - cenvat credit - state function arranged by industry once a year for welfare of employees and to protect and preserve culture of state - cannot be separated from business of manufacture of final product - security of establishment specifically provided for as relating to business - shamiyana and photography services in respect of rajyosthava day and inaugural function of police station are input services - cenvat credit of tax paid thereon can be availed - cenvat credit rules, 2004, s. 2(1).

7. Service Tax

54 VST 530 (CESTAT-Ahd)
AKBARALI FODARALI ANSARI
Vs
COMMISSIONER OF CENTRAL
EXCISE, BHAVNAGAR

Service tax - penalty - labour contractor - tax on labour charges received paid along with interest before issue of show-cause notice - on facts penalty under section 78 justified and that under section 76 set aside - finance act (32 of 1994), ss. 76,78,80.

8. Luxury Tax

55 VST 285 (Ker)
[In the High Court of Kerala]
Sree Narayana Dharma Samajam
Vs

Commercial Tax Officer (Luxury Tax & works contract), Ernakulam and others

The assessee is having an auditorium outside the worshipping place. The worshipping place will not come

under levy of Luxury tax. Exemption is available to place of worship alone. Held the revenue received from the auditorium is liable for luxury act.

9. Service tax

54 VST 231 (Ker)

Kerala state insurance department
Vs

Union of India and others

Service Tax – Taxable service – Life insurance – General insurance –

Government – Insurance Department of Government – Activities relating to “life insurance” coverage to State Government employees – Not taxable – General Insurance coverage for assets of Government – Not Taxable - Insurance of commercial institutions and individuals – Taxable even if of Government institutions – Finance act (32 of 1994), ss. 65(105)(d), (105) (zx), 93 – Kerala service rules, Part I, r. 22A. ■

New Office-bearers of Society of Auditors, Chennai for the year 2012-13

CA. P. Anand	President
CA. R. Sivakumar	Vice-President
CA. S. Ramakrishnan	Vice-President
CA. B.K. Moorthy	Secretary
CA. P.S. Prabhakar	Joint Secretary
CA. V. Swaminathan	Treasurer

SIRC of ICAI congratulates the new team of Office-bearers

SIRC CONGRATULATES

CA. R. Subramanian
on his election
as President,
Hindustan Chamber
of Commerce.

INVESTOR AWARENESS PROGRAMMES (2012-13)**EMPOWERMENT OF INVESTORS**

organized by
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

under the aegis of
INVESTOR EDUCATION AND PROTECTION FUND (IEPF) OF MCA OF GOVERNMENT OF INDIA

DATE: 3/1/2013

DAY: THURSDAY

TIME: 4:00 p.m. to 7:30 p.m.

Sessions	Topics (indicative)	Resource Persons
Session I	Commodities Market in India	Shri. Senthil Velan, Chennai
Session II	Returns on Indian Market	Shri. A. K. Narayanan, Chennai
Session III	Investors Population and their Perception	Shri. C. Palaniappan, Chennai

DATE: 25/1/2013

DAY: FRIDAY

TIME: 4:00 p.m. to 7:30 p.m.

Sessions	Topics (indicative)	Resource Persons
Session I	Indian Stock Market – Present and Future	Shri. Regi Thomas, Chennai
Session II	Development of Derivative Market in India	Shr. S. Nagappan, Chennai
Session III	Investment Opportunities for Small Investors	Shri. Vivek Karwa, Chennai

OBITUARY

M.No	Name	Status	Place	Date of Death
003651	MR. AKHILANDAM A	FCA	BANGALORE	09/10/2012
009155	MR. KRISHNA RAO GOPARAJU	FCA	TADEPALLIGUDEM	01/08/2012
011440	MR. RAVINDRANATHAN C	FCA	PALAKKAD	19/09/2012
018321	MR. VENKATARAMAN R	FCA	TIRUCHIRAPALLI	05/10/2011
022509	MR. WALES P G	FCA	THRISSUR	10/10/2012
022612	MR. BALASUBRAMANYAM V K	FCA	BANGALORE	10/01/2012
206774	MR. VENKATARAMAKRISHNAN K	ACA	BANGALORE	21/03/2012
216356	MS. NEETA OJHA	FCA	HYDERABAD	20/10/2012

May the Almighty Architect of the Universe rest their souls in peace.

ROC COLUMN

Mr. Henry Richard
Registrar of Companies
 Tamil Nadu, Andaman & Nicobar Islands
 Chennai

Ever since launching of MCA-21, Ministry of Corporate Affairs has extended the facility of Registrar's Front Office (RFO) as a handholding support to all the stakeholders in the process of transition from manual filing to online filing system. Nearly after more than five years since the introduction of online filing system, the Ministry has now decided to discontinue the operation of RFOs across the country. However, keeping in view, one of the objects of the Ministry as a facilitator, the Ministry has not totally discontinued the handholding operation as originally envisaged while launching MCA-21. Though the Office of RFO was closed in Chennai with effect from 8th October 2012, the hand holding operation is continued by establishing Help Desk in the Office of the Registrar of Companies, 2nd Floor, B-Wing, Shastri Bhavan, 26, Haddows Road, Chennai-600006. The Office of ROC has also obtained and installed a dedicated Telephone Line in the Help Desk with Telephone No. 28270071 for the benefit of all the stakeholders. In case any stakeholder requires any clarification or any help in the area of uploading of eforms, they can contact

the Help Desk through the above telephone number for guidance.

The Stakeholders and the Corporate Sector are expected to reciprocate the good initiative of the Ministry by positive response and compliance. I had already informed through this column that only 60% of the Active Companies have filed the financial statements and Annual Returns for the year 2010-11. This is not a very satisfactory level of compliance. The number of Dormant Companies is increasing due to lack of compliance. There are more than 13000 dormant companies under the jurisdiction of ROC, Chennai which have been placed under "Dormant" category due to non-filing of Balance Sheets and Annual Returns continuously for more than three years. Even the companies under Active Category are not prompt in compliance. The Professionals and the Corporate Sector should endeavor to improve the image of the corporate sector by achieving 100% compliance. The compliance rate in developed companies like Singapore, UK and others range between 95 to 99%. MCA-21 is lauded world over as the most

successful initiative of the Government. MCA-21 has provided enormous facility in the sphere of company incorporation, inspection of documents etc. RFO was one such facility and the handholding operations of RFO is continued through Help Desk.

The Ministry has extended the time limit for filing XBRL Balance Sheets without payment of additional fee upto 15th December 2012 or within 30 days from the date of Annual General Meetings, whichever is later. All the companies must ensure to complete the filing of the financial statements well before the deadline. The Ministry has also emphasized through press release that the companies must avoid last minute rush and carefully plan their activity in such a way so that the annual filings take place in a smooth manner and the pressure on the system is not created on the last few days before the extended date of filing which may even crash the system. Hence keeping in view to interest of all concerned, filing of Annual Return and Financial Statements should be evenly phased out during November and December 2012. ■

SOUTHERN INDIA REGIONAL COUNCIL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Two months Coaching Classes for Common Proficiency Test (CPT) for students appearing for June, 2013 CPT Examination will commence on Friday, 18th January, 2013.

COURSE FEE : RS.3,000/-

(2 months intensive coaching, revisions in each subject and one model examination)

Timings	Morning Batch	Evening Batch	Highlights
Monday to Friday	6.30 a.m. to 12.00 noon	2.00 p.m. to 8.00 p.m.	✓ Renowned Faculty
On Saturdays & Sundays	Between 7.00 a.m and 5.00 p.m.		✓ Affordable Fees
The coaching class fee should be remitted through Syndicate Bank, Nungambakkam branch, Chennai-34. The application form and bank challan can be had from SIRC office. The outstation students may remit the fee by way of demand draft drawn in favour of "SIRC of ICAI" payable at Chennai. The demand draft along with the details of name, address, contact nos. and student Regn. No. should be sent to SIRC of ICAI, "ICAI Bhawan", 122 Mahatma Gandhi Road, Chennai 600034. Last Date for enrolment: 10 th January, 2013			✓ Backing of ICAI
			✓ Special attention for weak students
			✓ Mock Tests
			✓ Doubt clearing sessions

For further details contact SIRC Office.
 Phone No.044-30210322/320 Email : sircclasses@icai.in.

WE WISH YOU ALL WELL
 SHRI G. MADHAVAN KUTTY



Retired on superannuation on October 31, 2012

Shri G. Madhavan Kutty, LDC, ICAI retired on Superannuation after about 32 years of meritorious service on October 31, 2012. He joined the Institute on 1st January 1980 as a peon and rose up to the position of Clerk (LDC) by his sincerity, dedication and hard work.

May the almighty give him sound health, wealth, prosperity, peaceful, productive and long retired life.

S VAIDYANATH AIYAR MEMORIAL LECTURE

*Southern India Regional Council of
The Institute of Chartered Accountants of India*

Cordially invite you to the

S VAIDYANATH AIYAR MEMORIAL LECTURE

by

Dr. S.S. Badrinath

Chairman Emeritus, Sankara Nethralaya

on

Professional Social Responsibility

High Tea : 05.30 pm

Date :	Friday the 21 st December 2012
Time:	6:15 pm

Venue:	SIRC Premises, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai - 600034
--------	-----------------------------------------------------------------------------------------

D RANGASWAMY MEMORIAL LECTURE

*Southern India Regional Council of The Institute of Chartered Accountants of India
The Society of Auditors, Chennai*

and

D Rangaswamy Academy for Fiscal Research, Chennai

Cordially invite you to the

D RANGASWAMY MEMORIAL LECTURE

by

Hon'ble Justice Shri. S. Ramasubramanian

Judge, Madras High Court

has kindly consented to deliver Memorial lecture

High Tea : 05.45 pm

Date :	Saturday the 22 nd December 2012
Time:	6:30 pm

Venue:	SIRC Premises, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai - 600034
--------	-----------------------------------------------------------------------------------------

CENTENARY CELEBRATIONS OF LATE CA. K SADAGOPACHARI

*Southern India Regional Council of The Institute of Chartered Accountants of India
The Society of Auditors, Chennai*

and

D Rangaswamy Academy for Fiscal Research, Chennai

Cordially invite you to the

**Centenary Celebrations of
Late CA. K Sadagopachari (Retd. President of ITAT)**

by

Hon'ble Justice Shri. S. Ranganathan

Judge, Supreme Court (Retd.)

has kindly consented to preside over and also deliver special lecture

High Tea : 05.45 pm

Date :	Friday the 28 th December 2012
Time:	6:30 pm

Venue:	SIRC Premises, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai - 600034
--------	-----------------------------------------------------------------------------------------

Dinner : 08.00 pm

TWO DAY SEMINAR ON TAXATION

SIRC Premises, ICAI Bhawan
No.122, Mahatma Gandhi Road,
Nungambakkam,
Chennai - 600034

CPE Credit
12
HOURS

Day -1: Direct Taxes Friday, December 21, 2012

Timings: 10.00 a.m. - 05.30 p.m.

Topics	Resource Person
Sec 40 (a)(ia) of Income Tax Act & Recent Developments in TDS-	Shri. Vinod Singhania , New Delhi
Recent Decision of relevance of SC, HC and ITAT	CA. T. G. Suresh , Chennai
Issues in Corporate Taxation	CA. N.S. Srinivasan , Chennai
Taxation of Real Estate Transactions	CA. Karthikeyan , Chennai

Day -2: Indirect Taxes Saturday, December 22, 2012

Timings: 10.00 a.m. - 05.30 p.m.

Topics	Resource Person
Emerging Issues in Indirect Taxation	CA. V. Raghuraman , Bangalore
VAT Audit TN VAT Laws	CA. J. Murali , Chennai
Central Excise - An Introduction	CA. V. Prasanna Krishnan , Chennai
Export Import Trade / Customs Valuation Law – Rules & Compliances	CA. Hari Sudhan , Chennai

DELEGATE FEE Members - ₹ 1500/-

Delegate fee by way of Cash or by Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai shall be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034. Phone: 044-30210320; Fax: 044-30210355 ; Email: sirc@icai.in

HANDS ON "PRACTICAL WORKSHOP" ON ADVANCED EXCEL FOR CAs

(Financial Analysis, Modelling & Case Studies)

Organised by IT Committee of SIRC of ICAI

CPE
6
HOURS

Saturday, December 22, 2012
10.00 a.m. to 06.00 p.m.

IIT Lab, Third Floor, Annexe Building, ICAI Bhawan
No.122 Mahatma Gandhi Road, Nungambakkam, Chennai – 600034

Course Contents:

Resource Persons: **CA. K. Srinivasan**, Tiruchirapalli

- ◆ Absolute & Relative Referencing
- ◆ Text Functions
- ◆ Lookup functions
- ◆ Date arrangement techniques
- ◆ Conditional SUM- (SUM IF, SUM IFS)
- ◆ Formula Auditing
- ◆ IF Functions
- ◆ Match & Index
- ◆ Sort, Filter, Subtotal
- ◆ Pivot Table, Report
- ◆ Conditional Formatting
- ◆ Protection
- ◆ Data Validations
- ◆ Advanced Filter
- ◆ Advanced Sorting Data
- ◆ Macros
- ◆ Logical, Date/Time Functions
- ◆ Goal Seek
- ◆ What if Table
- ◆ Scenario

DELEGATE FEE: ₹ 1200/-

Seats limited to 35 only on first-come-first-serve basis. Kindly send email to sirc@icai.in for early registrations. Since seats are limited, SPOT registrations are NOT encouraged.

Delegate fee by way of Cash or by Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai shall be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034. Phone: 044-30210320; Fax: 044-30210355 ; Email: sirc@icai.in

SEMINAR ON INTERNATIONAL TAXATION

Hotel Taj Connemara,
Anna Salai, Chennai

CPE Credit
6
HOURS

Timings: 10.00 a.m. - 05.30 p.m.

Inaugural Session: 9.30 a.m. – 10.00 a.m.

Saturday, December 29, 2012

Topics	Resource Person
Domestic Transfer Pricing	CA. T. P. Ostawal , Mumbai
Royalties & FTS	CA. Sivam S , Chennai
Taxation of Non Resident Indians – Recent Developments	CA. T. Banusekar , Chennai
Recent Developments in International Taxation in India	Adv. Niranjan , Chennai

DELEGATE FEE

Members - ₹ 1800/-

Delegate fee by way of Cash or by Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai shall be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034. Phone: 044-30210320; Fax: 044-30210355 ; Email: sirc@icai.in

WORKSHOP ON ENABLING SERVICE TAX PRACTICE

Organised by Indirect Taxes Committee, ICAI and Hosted by SIRC of ICAI

SIRC Premises, ICAI Bhawan
No.122, Mahatma Gandhi Road,
Nungambakkam,
Chennai - 600034

CPE Credit
12
HOURS

Day -1: Friday, January 4, 2013

Timings: 10.00 a.m. - 05.00 p.m.

Topics	Resource Person
Valuation of Taxable Service:	CA. Samad, Chennai
Definition of Service and its taxability 'Declared service' & Place of provision of Service	CA. J. Purushothaman, Chennai
Concept of negative list of services, 'Exempted Service',	CA. N K Bharat Kumar, Chennai
CENVAT Credit Rules	CA. P. Sankaran, Chennai

Day -2: Saturday, January 5, 2013

Timings: 10.00 a.m. - 05.00 p.m.

Topics	Resource Person
Point of taxation - Concepts & Opportunities in Service Tax	CA. Prasanna Krishnan, Chennai
Tax liability under 'Reverse charge Mechanism' & Joint Charge Mechanism	CA. N K Bharat Kumar, Chennai
Recent issues in service tax including Construction Activities & Works contract	CA. J. Purushothaman, Chennai
Statutory compliance like registration, issue of invoice, payment of Tax, Adjustment of Excess Payment of Tax: filing of Periodical Returns, Refund of Service Tax, etc.,	CA. Vijay Anand V, Chennai

DELEGATE FEE Members - ₹ 1500/-

Delegate fee by way of Cash or by Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai shall be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai - 600034. Phone: 044-30210320; Fax: 044-30210355; Email: sirc@icai.in

ONE DAY CPE SEMINAR ON ISSUES IN CORPORATE LAWS – NEW DIMENSIONS

Timings: 09.30 a.m. - 05.30 p.m.

Inaugural Session : 9.30 am – 10.00 am

Tuesday, December 18, 2012

SIRC Premises, ICAI Bhawan
No.122, Mahatma Gandhi Road,
Nungambakkam,
Chennai - 600034

CPE Credit
6
HOURS

Topics	Resource Person
Validity of restrictions on the transfer of shares of private and public companies	Shri. B. Ravi, Chennai
New Dimensions of the Role Of Regulators In Corporate Affairs -Experiences in Recent Cases	CA. CA. Ambati Chinna Gangaiah, Hyderabad
Accounting Issues in Mergers & Demergers	CA. N. R. Sridharan, Chennai

DELEGATE FEE Members - ₹ 750/-

Delegate fee by way of Cash or by Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai shall be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai - 600034. Phone: 044-30210320; Fax: 044-30210355; Email: sirc@icai.in

HALF DAY CPE SEMINAR

Timings: 10.00 a.m. - 01.00 p.m.

Monday, December 31, 2012

SIRC Premises, ICAI Bhawan
No.122, Mahatma Gandhi Road,
Nungambakkam, Chennai - 600034

CPE Credit
3
HOURS

Topics	Resource Person
Using Technical Analysis in Share Market To Create Wealth	CA. A.P. Prakasan, Chennai

DELEGATE FEE Members - ₹ 500/-

Delegate fee by way of Cash or by Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai shall be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai - 600034. Phone: 044-30210320; Fax: 044-30210355; Email: sirc@icai.in

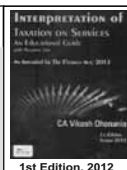
Book Corporation, Kolkata NEW RELEASES

This book will enable the readers to have a quick understanding of the basic concepts, explanation of principles in practice, key focus points and a comparative analysis with old Schedule VI. A complete FAQ on judgemental areas (including the views of ICAI) has been included topic wise so as to allow the readers to have clear understanding of positions to be taken for a given concept.

A unique feature of this book is the exhaustive Illustrative Chart of Accounts which contains a complete list of possible account heads (500+) and their classification/presentation requirements under Revised Schedule VI. One can simply glance through the chart as a ready reckoner and apply the principles/ concepts of Revised Schedule VI with much ease. The cross referencing provided in the Chart will help easy navigation to all the related requirements of the notification issued by MCA, the guidance provided by ICAI and the related FAQ.



by
Chinnamy Ganesan
1st Edition 2012
₹ 475/-



In 3 Volumes
9th Edition, 2012
Rohini Aggarwal
₹ 2795/-

INTERPRETATION OF TAXATION ON SERVICES
An Educational Guide with Negative List
As amended by The Finance Act, 2012
CA Vikash Dhanania
₹ 825/-

SERVICE TAX LAW & PRACTICE
A complete Referencer on Service Tax Law Incorporating
This book is the fully amended and updated edition on service tax law and practice as it stands after passing of the Finance Act, 2012 and implementation of the Negative list Based 'Service Tax Regime w.e.f. 1st July 2012 and including Cross Referencing with the Old Regime. Also including Amended Statutory Provisions, Section wise Legislative History, Statutory provisions before amendment-Erstwhile Act, Rules, Notifications and Circulars upto 4/7/2012 with unique reference index and formats of applicable Forms.
As amended by The Finance Act, 2012

How to Handle Income Tax Problems
Assessment Year 2012-13
Narayan P. Jain
Dilip Loyalka
In 2 Volumes
₹ 2495/-

Income Tax PLEADING & PRACTICE
Assessment Year 2012-13
Narayan P. Jain
Dilip Loyalka
In 2 Volumes
Releasing in December, 2012

Distributors:
Bangalore: Puliani & Puliani: 080-2265500, MPP House: 09845021835, Mohan: 09845091662, Sapna: 08040114456/57, Ganesh: 09845266516, Gangaram: 08025581618, **Chennai:** C. Sitaraman: 09841011516, Book World: 09444108624, **Ernakulam:** Law Book Shop: 04842397895/2398484, **Hyderabad:** Asia: 09849025906, Lovely Book Corp.: 09346494478, **Vijaywada:** Deccan: 08662576242, **Vishakapattanam:** Vinod: 09849690878
Ph. 033-22306669, 5367 / 64547999, 9830010297
Web : www.bookcorporation.com,
E mail : bookcorporation@gmail.com



INVESTORS AWARENESS PROGRAMME

November 23, 2012 - Chennai

Resource Persons



CA. S. Muradharan
Karakudi



CA. A.P. Prakashan
Chennai



CA. S. Sundararaman
Chennai



CA. B. Sriram
Chennai

CPE STUDY CIRCLE MEETINGS

Resource Persons

07.11.2012



CA. Mathew Thomas Aloor
Chennai

14.11.2012



CA. S. Sundararaman
Chennai

21.11.2012



CA. R.G. Rajan
Chennai

ORIENTATION PROGRAMME FOR EMPLOYEES OF BRANCHES OF SIRC OF ICAI

November 24 & 25, 2012 - Chennai

ONE DAY CPE SEMINAR

November 30, 2012 - Chennai



CA. K. Viswanath, Chairman, SIRC, addressing the Employees of Branches of SIRC of ICAI on November 24, 2012.



CA. K. Viswanath, Chairman, SIRC, inaugurating the One day CPE Seminar held on 30th November, 2012.

ONE DAY CPE SEMINAR

November 30, 2012 - Chennai



CA. Sriraman Parthasarathy
Chennai



CA. Krishnan Parameswaran
Chennai



Adv. K. Vaitheswaran
Chennai



CA. M.P. Vijay Kumar
Chennai



CA. P. Selvamoorthy
Chennai



Group Photograph taken on the occasion of Orientation Programme for Employees of Branches of SIRC of ICAI

INDUSTRY FOCUSED CPE SEMINAR ON TRANSPORT INDUSTRY

November 3, 2012 - Chennai

Resource Persons



CA. Srivatsa
Ranganathan
Chennai



CA. Arunkumar
Chennai



Advocate. V S Jayukumar
Chennai



CA. V. Prasannakrishnan
Chennai

WORKSHOP ON ETHICAL ISSUES

November 9, 2012 - Chennai

Resource Persons



CA. G. Narayanaswamy
Chennai



CA. K. Ravi
Chennai

WORKSHOP ON ENABLING SERVICE TAX PRACTICE

November 5 & 6, 2012 - Chennai



CA. V. Prasanna Krishnan
Chennai



CA. Shaikh Abdul Samad Ahmad
Chennai



CA. N.K. Bharath Kumar
Chennai



CA. V. Vijay Anand
Chennai



CA. P. Sankaran
Chennai



CA. J. Parushothaman
Chennai

INDUSTRY FOCUSED CPE SEMINAR ON PHARMACEUTICAL INDUSTRY

November 16, 2012 - Chennai



CA. Arunkumar
Chennai



CA. Bhavani Balasubramanian
Chennai



CA. Sandeep Neogi
Chennai



CA. Shankar Raman
Chennai



CA. P. Anand
Chennai



CA. Harisudhan
Chennai

SEMINAR ON INTERNATIONAL TAXATION

November 17, 2012 - Chennai

Resource Persons



CA. Divakar
Vijayasaratthi
Chennai



CA. Sriram Seshadri
Chennai



CA. B. Ramana Kumar
Chennai



CA. P. Venkatesan
Chennai



CA. K. Viswanath, Chairman, SIRG, inaugurating the
Seminar on International Taxation.

INDUSTRY FOCUSED CPE SEMINAR ON BANKING SECTOR

November 19, 2012 - Chennai

Resource Persons



CA. P.S. Narasimhan
Chennai



CA. S. Rajeshwari
Chennai



CA. P. Anand
Chennai



CA. Mahesh Krishnan
Chennai

ADVANCED EXCEL FOR CAs

November 24, 2012 - Chennai

Resource Person



CA. K. Srinivasan
Tiruchinappalli