E-Bulletin

Aug-Sep 2012

DELHI STOCK EXCHANGE LIMITED
DSE House, 3/1 Asaf Ali Road, New Delhi – 110002
Phone: 011 46470000
Fax 011 46470053
Email: contact@dseindia.org.in
Web: www.dseindia.org.in

INDEX	
1.	Editorial
2.	Retail focus for divestments, using RGESS
3.	FDI in Aviation, Multi Brand Retail
4.	EASY OIL: THE STORY OF CONTINUOUS PRICE RISING
5.	Extracts from SEBI Circulars
6.	Important stock market news
7.	Review of Market : August - September 2012
8.	Stock Market Movement : August - September 2012

Dear readers,

The Prime Minister Manmohan Singh a couple of days ago, made a scintillating announcement of further relaxing the norms for allowing foreign direct investment under multi brand retail, single brand retail, broad casting and aviation sector giving a shock to many of his severest critics both within his party and outside, who had sung swan song about his imminent departure from growth economics and had almost written him off from the Indian Political scene. A die hard reformist who paved the way for the economic revolution of 1990s rose from the ashes and set the tone for strongest measure to pep up the sentiments. The industry has welcomed the move as also the global economists who have had witnessed policy paralysis in the promising Indian economy. The m*anmohanomics phase II* is back with a bag and has indicated that the Government will move with determined steps towards unleashing some of the harshest measures which bring in economic revival of the country. Further announcements followed with the Finance Minister declaring norms of relaxing withholding tax and relief on bank credit across sectors besides paving way for disinvestment in performing PSUs. The party at the Centre has taken a 'do or die' decision which is by far the toughest decision discounting some of the threats by its allies of complete withdrawal reducing the Government into a minority. The Prime Minister has rallied the nation to echo the fact that the time for big-bang reforms has come and has volunteered to take the bull by its horns and pave the way for big ticket reforms.

It is believed that FDI in retail will help the farmers maximize their earning and value, drive the modernization of India's expansive agri-retail marketplace, diesel price hike will probably help address the fiscal deficit, and to arrest further depreciation of rupee. For the record, these bold and positive measures came after the recent bullish 12 per cent hike in the price of diesel. This sends out a clear message to the global investor community that the Government is committed to taking forward the next generation economic reforms. While reforms set a positive tone, the Government is still reeling under pangs of 2G and Coalgate scams, unabated. The Judiciary will once again take the centre stage in deciding the fate of adversities.

The Reserve Bank of India announced a 25 basis points cut in the CRR, a move that is expected to release Rs 17,000 crore of primary liquidity into the system. The domestic banking industry is of a view that the CRR cut is a very positive move and RBI has given a clear signal that the central bank is willing to respond to complement the measures announced by the government to boost the growth of the economy.

Singing the positive story, Indian Equities have attracted more foreign institutional flows than any other Asian market so far in 2012 as portfolio investments resumed in July on renewed hopes of policy action by the government to revive the economic growth. Foreign funds have poured close to $13.7 billion (Rs 71000 crore) into Indian equities so far this year with the second highest being South Korea, around half of this amount.

On the global front, the market seems to be benefiting from improved global sentiment in the wake of the US Federal Reserve's aggressive stimulus plan launched recently. The new Fed's action, coupled with easing concern about the eurozone's debt crisis after the European Central Bank announced plan to purchase debts of indebted countries as well as the German constitutional court's decision to give the go-ahead to Germany's participation in the bailout fund, improved risk sentiment. Market experts now anticipate that monetary stimulus measures such as quantitative easing function might pump in liquidity into the financial system, making equity investments attractive around the globe and underpin demand for riskier assets.

This issue of E-Bulletin contains more of such information about the investment options in capital market, review capital market, SEBI circulars, important news etc which readers may like to review, and some knowledgeable articles for the benefit of readers.

This is an effort to invite views, feedback and articles from readers on various subject matters of interest, to add value to the DSE E-Bulletin. So do drop a line at ramanatha.kn@dseindia.org.in or narula.r@dseindia.org.in .

With best wishes,
Ramnath Kotagal
Chief Operating Officer

Retail focus for divestments, using RGESS

Prithvi Haldea

The Rajiv Gandhi Equity Savings Scheme (RGESS) was announced by the Government in this year's Budget. The objective was to get small savers to come into the capital market, by inducing them with a tax break. This scheme is for new small investors for investing in listed stocks with a lock-in.

A lot of debate has already happened on this subject. Most are arguing that this scheme would expose "equity illiterate" people to individual stocks whose selection itself may be arduous and lock-in would force investors to stay in even such stocks whose fortunes are falling. On another front, the Government has been struggling to effect divestments…the total mobilization stands at zero this year against the target of Rs. 30,000 crore.

There is a way forward which will help meet both the objectives. This can be done by earmarking divestments mainly for small investors as a means to increase the equity cult. This can then be linked to the RGESS.

Before making an investment decision, an investor typically looks at the company and then the price. In the context of divestments, PSU paper offers investors the 'safety of company', given the long-standing track record and high credentials of the PSUs that are already listed or are planning to get listed. Most of these companies have been in business for decades, are profitable, and in many cases are dominant players in their respective sectors. The concerns regarding an unknown private promoter do not exist at all in case of PSUs.

That brings us to the second aspect-the price. The Government has been struggling on this front. Given the declining and volatile state of the markets, decision making seems to have come to standstill…who will take the decision to sell shares of an existing listed company at a discount to the market price, or in the case of an IPO, at an offer price which is say lower than the book value? Worse, the government has been behaving like any greedy private promoter. It keeps telling the market that it is waiting for an "opportune time". It continues to state its intentions of maximizing the proceeds, as one of the recent quote shows: "We will list PSUs as soon as the markets are in good shape. We want to gain maximum advantage of the markets".

It is time we got out of this logjam and not only raise the funds so desperately needed to cut our growing fiscal deficit, but also get more small investors and reenergize our markets.

Pricing of already listed PSU stocks

Pricing of subsequent offerings by already listed companies present a unique challenge. If the offer is through FPOs, the FPO offer price has to be at a significant discount to the current market price. In a volatile market, this discount may disappear over the mandatory 7 days-from the date of announcement of the price to the issue closing date, making the issue unsalable. Market prices can even be suppressed by "operators" before the FPO price announcement, forcing the government to settle for lower prices.

For already listed PSUs, 100 per cent of the offer should be reserved for the retail. The shares should be offered at a discount of 15 per cent to the current market price.

It is absurd to have both secondary and primary market discover the price of the same company at the same point of time. Thus, FPO intention should be announced only one day prior to the opening date and trading in the relevant company's shares should be suspended immediately upon this announcement and continue to the closing date of the FPO. Since no price is required to be "discovered", the market price should be used as a benchmark for the discount.

Pricing of PSU IPOs

For IPOs, reservation for retail should be increased to 70 per cent (from the present 35 per cent). Of the balance, 10 per cent should be reserved for schemes of Indian Mutual Funds dedicated to PSU stocks and 10 per cent for the other QIBs (These offers will, of course, have the claw back option). Since there is no benchmark price, the 20 per cent block for the QIBs should be offered through closed auction. Once the price has been discovered, retail offering should follow immediately at a discount of 10-15 per cent on the discovered price. The retail offering should be done only through the fixed price route as retail investors are ill-equipped for auction/bookbuilding.

Such pricing of FPOs and IPOs shall surely not maximize returns for the Government. But we should recognize that in this manner, the public wealth shall be shared rightfully only with the public. Significantly, such discounted offerings to retail would be criticism-free as allotments shall be made to anonymous, and not selected, investors. At the same time, it would bring in millions of small investors into equity investing.

Questions may be raised about the depth of the retail market. This is a bogey, given the experience of the recent past. Just as an example, the Reliance Power IPO could attract as many as 46.23 lakh retail investors who collectively put in a massive Rs. 39,919 crore as advance application money in just 5 days. And, these were man-on-the-street investors, who put in applications of less than Rs. 1 lakh each, and were genuine investors, sans the multiple applications, following the strict enforcement/regulations post the IPO scam.

RGESS

Divestments can be integrated with RGESS. RGESS may be made applicable only to investments in PSU stocks, purchased through an IPO or an FPO (along with investment in Mutual Funds, as suggested earlier). For the purposes of RGESS, the definition of listed stocks can be expanded to include such companies which shall list within one month of allotment. This would, as such, enable PSU IPOs to be also eligible for investments.

There should also be a cap of Rs. 50,000 on such investments. Moreover, the scheme should not be available just to new investors (they are most equity averse) but to any individual whose annual income is less than Rs. 10 lakhs. There are millions of small investors who have a demat account with zero shares or very small number of shares, and they should not be excluded.

To avoid instant profit taking, such investments can rightfully have a lock in, say of one year. This lock-in would be defendable as the shares are being offered at a discount.

Investors should also be allowed to get allotments in the physical mode or through a bank depository mode. The small investor would be saved from the hassles of opening demat accounts and subsequent charges; many investors may like to hold the "family silver" for long periods. Only for selling, demat account should be mandated.

If RGESS is linked to divestments, the level of discount could also be made lower, as some benefits would accrue to the investor because of the tax break.

The above policies would be politically correct…what better opportunity to please millions, the "aam aadmi"! This approach shall also help meet the Congress manifesto promise that "every Indian has a right to own shares in PSUs".

Such retail policy will also have a major positive impact. It will provide the much needed depth and width to our capital market. Household savings of millions of retail investors brought to the capital market shall help grow the much needed equity cult. It will also address the grave scarcity of good listed companies which causes excessive speculation and volatility.

This is the best time, as ever, for the government to divest aggressively. People have been devoid of any capital market opportunity for nearly two years now. PSU issues can actually be the instrument for reviving the sentiments; remember that it was a PSU divestment- Maruti in June 2003- that had earlier led to the recovery of the market.

Prithvi Haldea is the Chairman and Managing Director of PRIME Database.

FDI in Aviation, Multi Brand Retail

Jagannadham Thunuguntla
Head of Research, SMC Global Securities Limited

After battling stiff opposition, the government of India succeeded in rolling out key policy reforms & also partially lifting subsidies in Diesel & LPG. The Corporate India has welcomed these announcements with open arms & it appears that this is only the beginning before we find a slew of reforms & announcements coming our way. The Industry is also looking forward for the guidelines & modus operandi to follow, before the action starts happening. Let's look at briefly into each of these to understand a bit more.

FDI In Aviation

As the aviation industry adapts to the soaring demand of air travel and the expansion looks certain in the next decade, Indian civil aviation authorities have ambitious plans for expansion of airport infrastructure which undoubtedly will boost air travel. The much awaited reform is also the most-sought-after reform & the industry welcomes this initiative. This is indeed a lifeline for debt ridden carriers, as unfortunately the sector is bleeding with mounting losses at 12000 cr & an announcement like this might cheer up & hopefully look forward for strategic investors for capital infusion. The much needed infusion should help airline companies cut losses, restructure assets, rework their business plans & also look at adding capacity to explore newer routes. We may also see some new entrepreneurs entering into Aircraft leasing business which even today is reasonably profitable. Also another positive development is that you would see small regional specific airline companies with FDI participation starting operations into connecting tier 2to tier 3 locations (For ex – Gopinath's Deccan shuttle for operating in Gujarat state & Vijayawada based lingamaneni group's Air Costa). Such airlines can harness the seasonality of air traffic to their advantage and do without deploying a dedicated aircraft like the existing norm of 20 aircraft to be a pan India player.

FDI In Multi Brand Retail

The Indian Retail Industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially the retail industry in India was mostly unorganized, however with the change of taste and preferences of consumers, the Industry is getting more popular these days and getting organized as well. With the arrival of FDI in retail govt has taken a bold step while announcing & specific conditions like 30% local sourcing & 50% investment in backward integration with an initial investment of $ 100 million is welcome news. As far as the urban areas are concerned, they will be allowed to open stores only in cities with a population of more than one million but the final decision will be up to the respective state governments. The challenges are to modernise the entire retail system, Purchase system (with the help of state Agri federations). But the challenges to implement are going to be a huge task in terms of Supply chain, logistics, Cold chains & backward integration. From a farmer point of view it is good news – This policy can prevent the annual 240 tons of wastage or roughly 25% of farmer's produce from foods & vegetables due to lack of cold chains & warehouses. To help the farmer command competitive price & to enhance farm incomes is to let agro-processing take place in. This would also help in farmer's incomes going up, rise in economic prosperity will in turn increase average per capita income of rural Indian citizens & generate more employment

Finally Spending on major subsidies including fuel, fertiliser and food is likely to hit 2.4 per cent of GDP in the current fiscal year, up from 1.9 per cent targeted in the federal budget, Though the rise of fuel prices has brought some cheer for OMCs in terms of de regularising petrol completely the under recoveries on other items can spiral if there is spike in global oil prices. Also to ease the delay on implementation of 89 large projects struck due to bottlenecks at various levels, setting up of National Investment Board under the direct authority of the PM is expected to bring in consensus across ministries & hopefully release those bottlenecks & bring in focus on execution. Reining in fiscal deficit is key to India's growth story & one would be pleasantly surprised if we can end up with 5.1% as projected during the budget. The real expectation should be around 6%.

There is plenty for the government to do. The challenge before the government is to communicate its case effectively to ensure participation, balance fears and mitigate risks through consensus. We have a very long way to go & hopefully the first step is laid towards positive effect. We should also look forward for RBI to cheer up capital markets with some good news on interest rates as well.

EASY OIL: THE STORY OF CONTINUOUS PRICE RISING

CS Ashish Pandey

I'm sure you remember my last article "Gold as an Investment Tool" published two years ago in the same news letter. Since then the Prices of the Gold has increased many fold. It is not an exception but actually this is the age of Commodity bubble where Food Prices have increased and diminished many times, steal prices went to the top of the moon and comes down.

During all these happenings, what the world economy has missed is - a great investment opportunity, that is … or should I say, ***"Easy oil".*** The reason… easy oil no longer exists in today's world. Reserves that the slew of exploration and production companies are finding around the globe nowadays are miles below deep oceans, hidden in remote jungles where no infrastructure exists, or locked in tight shale formations that requires new technology to tap into. ***In short, the easy oil is long gone.***

In its place we have what I'll call ***"challenging oil,"*** a far-more expensive oil to produce. This is the oil that requires ever-more technology to unlock because of the location, where it is available - geographically or geologically or both.

Throw on top of it the fact that more and more people, with more and more money to spend in the developing world, are increasingly consuming more and more petroleum in their quest to live their version of good life and you come to the only possible conclusion, i.e., the oil prices are ultimately heading higher despite their euro-inspired weakness today.

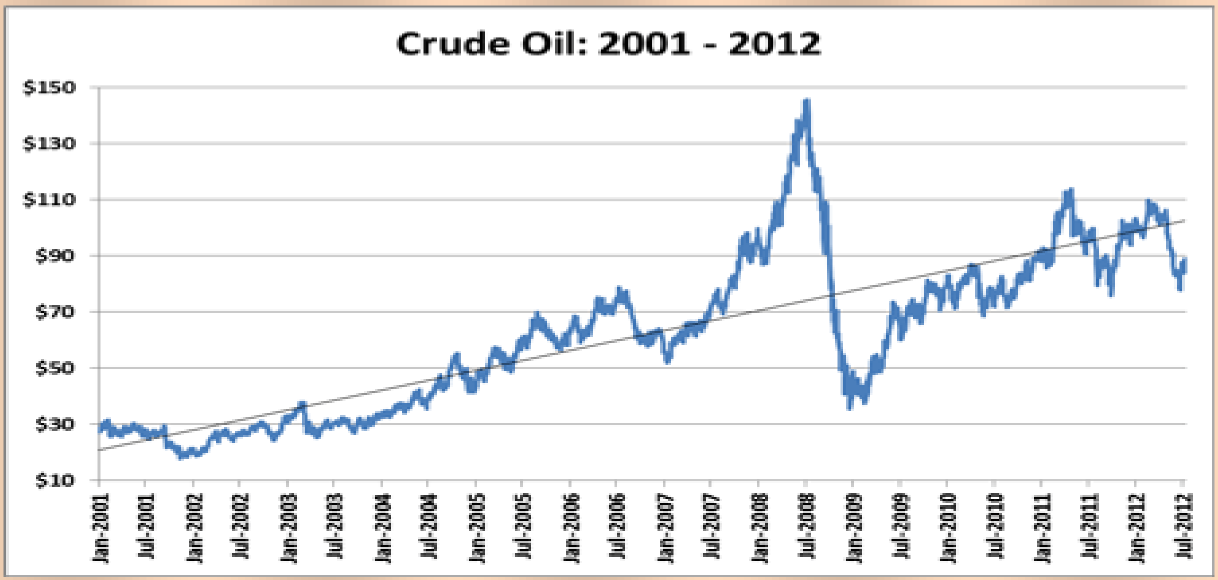
That is the mathematical reality of ***'challenging oil'***, and it means that your portfolio should have long-term exposure to oil simply as a hedge against the likelihood that I'm right. To be clear, I'm not making a "peak oil" argument. Personally, the reports I read from inside the industry imply that there is still quite a bit of oil out there – decade's worth, easily. But that oil is proving hard to reach … and ***"hard to reach" always implies added costs.***

The pessimists, however, have some other view, i.e., "the oil boom is over", because of the shale-oil fields in the U.S. and Canada, where an abundance of oil is floating around now (some days before having search "KG Basin" in India we were also talking in same way) … and that must drive prices down. They point out that some of America's shale oil is profitable at prices as low as $50 a barrel." But is it true? Can oil be so cheaper?" While it might be true that some shale oil is profitable at $50 a barrel, but, oil is not priced based on what it costs to produce a barrel in America's shale belt.

Oil is priced at the margin … means, the market price is determined by how much it costs to produce the last barrel of oil necessary to meet current demand. If you think about it, it makes perfect sense. If a barrel of oil costs a producer $90 to produce, then there's no way the producer will pull the oil from the ground if current demand dictates a per-barrel price of $50. It would make no sense economically.

Instead, that oil will sit in the ground as "proven reserves" until the moment comes when the global demand for oil justifies a price that covers the cost of producing that marginal barrel the world needs. As demand consumes all the $50 oil, prices will naturally rise … and the oil that was marginal at $60, $70 or $90 becomes profitable. It is purest example of supply-demand economics.

You can see, this played out perfectly over the past decade in this chart of crude oil prices, I put together as part of a recent recommendation in the oil-service sector for my *Global Growth Strategist* subscribers …



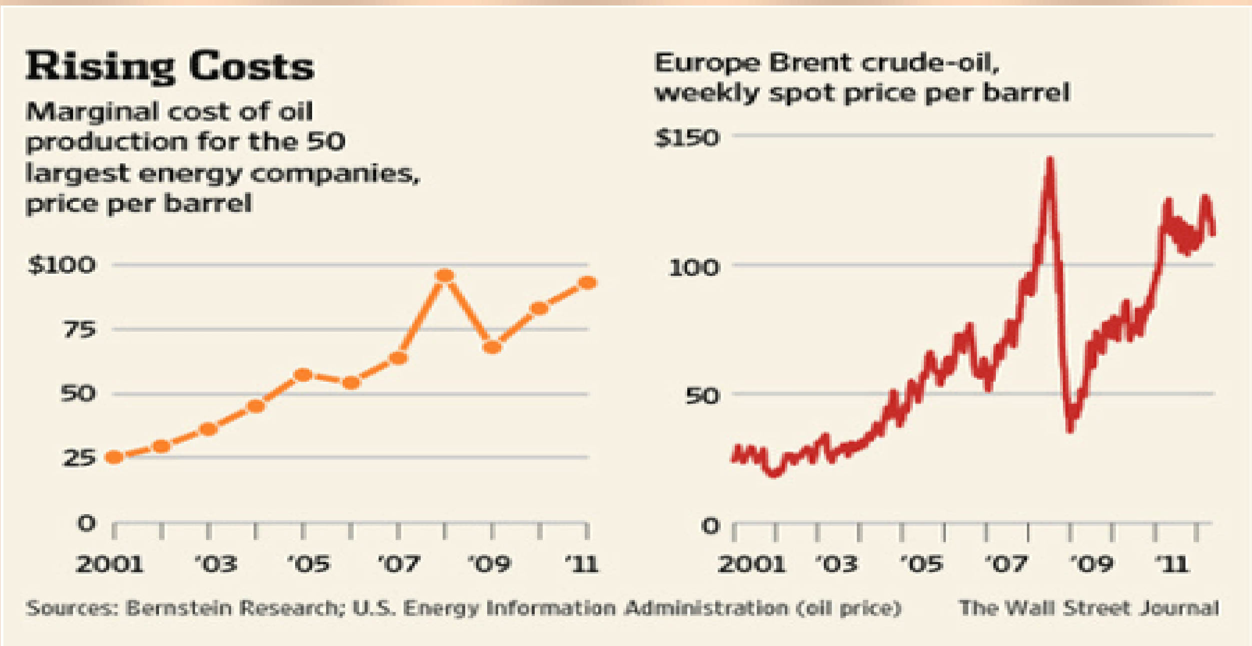
The chart's message is very simple: Oil prices have marched higher and higher over time (with great volatility, no doubt) because demand is rising as the easiest-to-produce oil runs dry. I've included the trend line that shows you exactly what has been happening. So…..mathematically, American shale oil cannot meet global demand at $50 a barrel.

Heck, throw in Canadian shale, too, if you want. You still can't meet global demand at $50 a barrel – or even $70. The marginal demand that exceeds what America and Canada can produce – and even what the two biggest producers, Saudi Arabia and Russia can pump out – has to be filled by many other wells around the world.

And those many other wells most assuredly are not capable of producing oil profitably at $50 a barrel.

Take a look at what's going on in Brazil, for example. A few years ago, oil giant Petrobras and other companies discovered as much as 100 billion barrels of recoverable reserves in very deep waters off the Brazilian coastline. But the company is struggling with the unexpectedly high costs of extracting that oil – despite all the technology that has made these extreme wells possible. Drilling through the rock and thick layers of salt is proving a very expensive task. Petrobras recently announced that its deep-water developments would cost $141.8 billion, 11% more than planned.

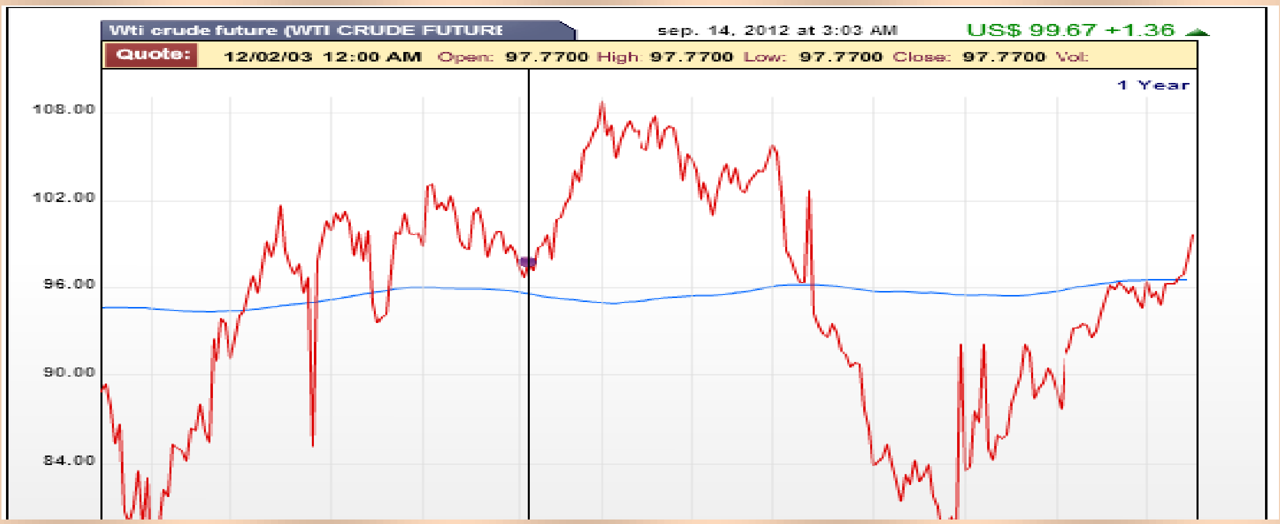
That puts upward pressure on the marginal cost of producing that oil, because if oil prices stay low for an extended period, then Petrobras will slow or, more likely, shut-in production of the most marginal oil … which has the effect of reducing global supply, which begets higher prices as demand inexorably rises around the world with each passing year … which ultimately gets us back to a point where prices are high enough that Petrobras' marginal oil becomes profitable again.
Even in America, despite the fact that some shale reserves might be profitable at $50 a barrel, the marginal cost of extracting oil was $92 in 2011, up 11% from the year before. Don't take my word for it that the cost of oil continues to rise over time; take a look at this chart, based on an analysis by a respected oil analyst at research firm Bernstein. It shows production costs over the last decade for the 50 largest producers globally. The trend seems remarkably clear to me…



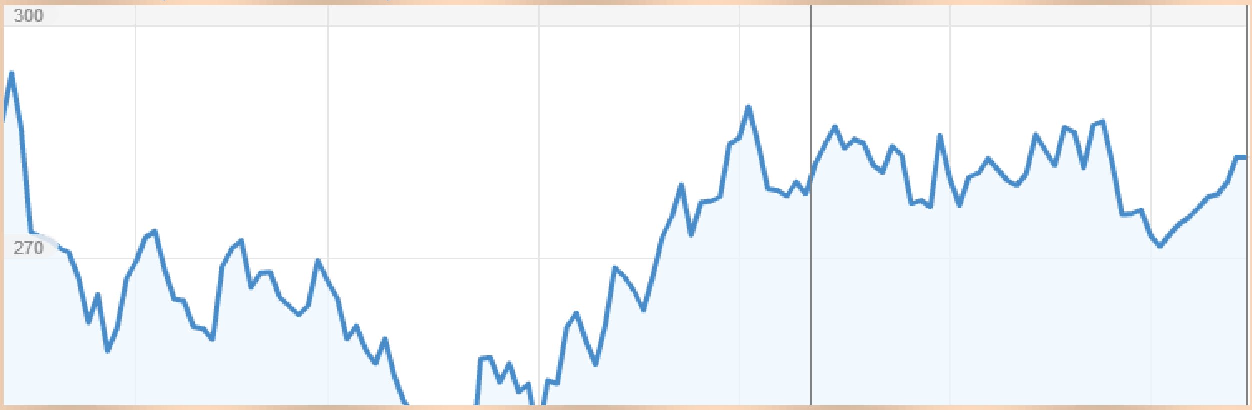
Look, to assume the oil boom is over because of temporary weakness in the oil patch today means betting that the cost of exploring for and producing oil will fall … and having spent my formative years as an investor learning from some of Texas' smartest oil men, I'll take the opposite side of that bet any day of the week.

So, you might rightly be thinking at this point, how do I translate the rising marginal cost of oil into a profitable trade? ***ONGC is the answer***.

Oil & Natural Gas Corporation Limited (NSE: ONGC) is the India's largest Oil Exploring Company and has a presence in various other countries through its subsidiary ONGC Videsh Limited also. Its Operations range from exploration and development of oil sands, to shipping and refining. As such, ONGC stands to benefit across the board from higher oil prices.



CRUDE OIL (for last one Year)



ONGC SHARE PRICES (for last one Year)

If you believe, as I do, that the increasing cost of bringing new oil reserves to the surface means oil prices will rise over time, then you clearly want a stock that shadows oil prices. The company looks cheap today, trading at a low P/E ratio of just 8.19. It also has a solid balance sheet and a long history of dividend payments. ONGC is has paid dividend twice in 2012.

So now what you will say about those who claim that oil will head lower because of the massive supply of shale oil and other unconventional sources. Actually they forget that the cost of finding, drilling, extracting, lifting and transporting oil is much higher in fields elsewhere in the world (and even in America, the average shale-oil field is marginal at $80 to $85 a barrel.)

So, it is the marginal cost of producing oil on those fields elsewhere that ultimately sets the price of oil. Don’t forget that. if you expect that oil prices will be lower three, five or even 10 years from now and reserve your investment decision for the right time still to come…. Think again, the right time is right now, simply invest in OIL.

Extracts from SEBI Circulars

Activation of ISIN in case of additional issue of shares/ securities

In addition to circular No SEBI/MRD/DEP/Cir-2/06 dated January 19, 2006, it has now been decided that in case of IPO for debt securities the ISINs shall be activated only on the date of commencement of trading on the stock exchange. Further, in order to curtail the transfer of additional issue of shares/securities viz. further public offerings, rights issue, preferential allotment and bonus issue of the listed company, prior to receipt of final listing/ trading approval, it has been decided that the depositories shall devise a mechanism so that such new securities created shall be frozen till the time final listing/ trading permission is granted by the exchange.

(CIR/MRD/DP/ 21 /2012 dt. August 02, 2012)

Aadhaar Letter as Proof of Address for Know Your Client (KYC) norms.

In consultation with Unique Identification Authority of India (UIDAI), Government of India, it has now been decided that the Aadhaar Letter issued by UIDAI shall be admissible as Proof of Address in addition to its presently being recognized as Proof of Identity. In partial modification, in point 9. d of SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011, the date shall be read as 'January 31, 2000' instead of. 'January 3, 2000' and in point 4 of SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011, the date shall be read as 'February 1, 2012' instead of 'February 1, 2011'.

(CIR/MIRSD/ 09 /2012 dt. August 13, 2012)

Manner of Dealing with Audit Reports filed by Listed companies

Clause 31(a) of Equity Listing Agreement, inter-alia, requires listed companies to submit six copies of annual reports containing audited annual financial statements to the stock exchanges. SEBI has decided to put in place a system to monitor the audit qualifications contained in the audit report accompanying the audited annual financial statements submitted by listed companies. The exact text of amendments to Equity Listing Agreement in this regard is given in the Annexure to this circular.

Accordingly, listed companies shall now be required to submit the following forms, as may be applicable, along with copies of annual reports submitted to stock exchanges:

- Form A: Unqualified/ Matter of Emphasis Report
- Form B: Qualified/ Subject To/ Except For Audit Report

The format of Form A and Form B is available at SEBI website. These forms shall be signed by the a) Chief Executive Officer / Managing Director, b) Chief Financial Officer, c) Auditor and d) Chairman of the Audit Committee. The information submitted as per these forms shall also draw attention to relevant notes in the annual financial statements, management's response to qualifications in the Directors' report and comments of the Board/ Chair of the Audit Committee.

(CIR/CFD/DIL/7/2012 dt. August 13, 2012)

Redressal of investor grievances against listed companies in SEBI Complaints Redress System (SCORES).

SEBI had issued Circular No.CIR/OIAE/2/2011 dated June 3, 2011 regarding commencement of SEBI Complaints Redress System **(SCORES)** and advising all companies whose securities are listed on various stock exchanges to comply with the provisions of the said circular.

In this regard, all companies whose securities are listed on stock exchanges, are hereby advised to obtain SCORES authentication by September 14, 2012 in terms of the aforesaid circular. All companies against whom complaints are pending on SCORES, shall take appropriate necessary steps within 7 days of receipt of complaint by the concerned company through SCORES, so as to resolve the complaint within 30 days of receipt of complaint and also keep the complainant duly informed of the action taken thereon.

In case of failure to comply with the above, SEBI would be constrained to initiate enforcement actions as per the law as may be deemed appropriate.

(CIR/OIAE/1/2012 dt. August 13, 2012)

Rationalization of process relating to surrender of registration by sub-brokers

Considering the present role of sub-broker where he is not permitted to deal with funds and securities of the investors, in consultation with the major stock exchanges and stock brokers' associations, it has been decided to rationalize the procedure for surrender of sub-broker registration, as follows.

- The affiliating stock broker shall issue a public advertisement in a local newspaper with wide circulation where the sub-broker's place of work is situated, informing the investors/general public about the surrender of registration of his sub-broker and not to deal with such sub-broker.

- Further, in case of transition from sub broker to Authorized Person (AP) (where the sub broker surrenders registration while seeking approval as AP) with the same stock broker and the same stock exchange, issue ofadvertisement in newspaper regarding surrender of sub broker registration shall not be required. However, the affiliating stock broker shall furnish an undertaking/ confirmation to the stock exchanges at the time of surrender of sub broker registration that he has sent communication to the clients of the sub broker individually about the surrender of sub brokership and also the fact of approval as AP.

- The affiliating stock broker and/or stock exchange shall publish the details of sub-brokers whose registration has been surrendered or their new status as AP, as the case may be on their respective websites for the information of the investors.

SEBI Circular MIRSD-DR1/SRP/Cir-43/28408/04 dated December 15, 2004 stand modified to the extent of the above changes.

(CIR/MIRSD/10/2012 dt. August 27, 2012)

Manner of achieving minimum public shareholding requirements in terms of SCRR, 1957

In continuation of circular Nos. CIR/CFD/DIL/10/2010 and CIR/CFD/DIL/1/2012 dated December 16, 2010 and February 08, 2012 respectively, and with a view to facilitate listed entities to comply with the minimum public shareholding requirements within the time specified in Securities Contracts (Regulation) Rules, 1957 ("SCRR, 1957"), the following additional methods shall be available:-

a. Rights Issues to public shareholders, with promoters/promoter group shareholders forgoing their rights entitlement.
b. Bonus Issues to public shareholders, with promoters/promoter group shareholders forgoing their bonus entitlement.

Listed entities desirous of achieving the minimum public shareholding requirement through other means may approach SEBI with appropriate details. Further, listed entities desirous of seeking any relaxation from the available methods may approach SEBI with appropriate details. Such requests would be considered by SEBI based on merit. SEBI would endeavour to communicate its decision within 30 days from the date of receipt of such requests.

(CIR/CFD/DIL/11/2012 dt. August 29, 2012)

Know Your Client Requirements

This has reference to SEBI circulars No CIR/MIRSD/16/2011 dated August 22, 2011 and MIRSD/SE/Cir-21/2011 dated October 5, 2011 on know your client norms for the securities market. SEBI has received representations regarding operational issues in the implementation of aforesaid SEBI Circulars in case of foreign investors viz. Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors. In consultation with the Stock Exchanges, Depositories and Intermediaries, certain clarifications are issued, with respect to these investors.

Further, the intermediaries shall strictly follow the risk based due diligence approach as prescribed by SEBI Master Circular on AML No. CIR/ISD/AML/3/2010 dated December 31, 2010. Also, they shall conduct ongoing client due diligence based on the risk profile and financial position of the clients as prescribed in the Circular. **(CIR/MIRSD/ 11 /2012 dt. September 5, 2012)**

Addendum to Circular No. CIR/MRD/DP/21/2012 dated August 02, 2012 on activation of ISIN in case of additional issue of shares/ securities

In partial modification, the earlier point 3 and 5 of SEBI circular CIR/MRD/DP/21/2012 dated August 02, 2012 shall be replaced as under -

"3. Further, in order to curtail the transfer of additional issue of shares / securities including by way of further public offerings, rights issue, preferential allotment, bonus issue etc of the listed company, prior to receipt of final listing / trading approval, the depositories shall devise a mechanism so that such new securities created shall be frozen till the time final listing/ trading permission is granted by the exchange."

"5. The stock exchanges are advised to provide the details to the depositories whenever final listing / trading permission is given to securities. Further, in case of issuance of equity shares by a company, listed on multiple stock exchanges, the concerned stock exchanges shall synchronize their effective dates of listing / trading approvals and intimate the same to depositories in advance."

3. The Depositories are advised to:-

- make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately, as may be applicable/necessary;
- bring the provisions of this circular to the notice of their DPs and also to disseminate the same on their website.

(CIR/MRD/DP/ 24 /2012 dt. September 11, 2012)

Detailed Circulars are available on SEBI website at www.sebi.gov.in.

Stock Market News

SEBI may get access to call data record, but not for phone tapping… Likely to help prevent black money entry and an eye on insider trading

Capital market regulator may finally get access to Call Data Record. But, the regulator may not be given the right to tap the phone calls. According to sources, "This issue was discussed in a meeting held last week. It seems the Finance Ministry is in favour of accepting SEBI's request. However, this will require an amendment in the Telegraph Act to bring SEBI in the list of classified agencies. We hope to see some action soon." With this power, the market regulator aims to prevent black money coming into the market as well as to keep an eye on insider trading. **(03 AUG, 2012, B L)**

SEBI open to allowing more routes to meet public shareholding norm

SEBI is open to allowing more alternative routes to help listed companies comply with the minimum public shareholding norms. This was stated by SEBI Chairman U.K. Sinha at a conference on minimum public shareholding organised by the PHD Chamber of Commerce and Industry here on Saturday. Sinha indicated that listed companies would not be given any leeway beyond the July 2013 deadline to conform to the minimum public shareholding norm. **(05 Aug, 2012, B L)**

Causes and cures for India's current account deficit

India's current account deficit has been a source of worry and merits deeper discussion. The CAD reached 4.2% of GDP in 2011-12. As global risks rose, capital inflows were lower at 3.7%, requiring the Reserve Bank of India's draw-down of reserves, amounting to $ 12.8 billion, to make up the difference. The problem in this formulation is that 2011-12 also happened be a year when India's GDP growth rate fell to 6.5%, compared to 8.4% in the previous year. Moreover, growth in aggregate demand categories like consumption and fixed investment fell from about 8% to 5%. **(09 AUG, 2012, B L)**

Safety net for IPO investors likely

In a move that will cheer retail investors, the Securities and Exchange Board of India is planning to introduce a 'safety net' for them in all initial public offerings (IPOs). The 'safety net' would put the onus on the promoter to compensate small investors if the share price falls below a threshold limit within six months of listing.

According to sources close to the development, this will be one of the main discussion points in the board meeting on August 16. The definition of 'small investor' and the threshold limit are still under discussion. **(11 Aug , 2012, B S)**

SEBI allows Aadhar letter as address proof

Aadhaar letter issued by Unique Identification Authority of India is now admissible as proof of address, said SEBI. The Aadhaar letter will be added to the list of documents admissible as proof of address for uniform KYC requirements. In another circular, SEBI directed all listed companies to obtain authentication on SCORES (SEBI Complaints Redress System) by September 14. The regulator said companies have to take necessary steps on complaints pending against them within seven days of re receipt of complaints on SCORES. **(14 AUG, 2012, B L)**

SEBI has lots for firms, investors : investment advisors under watch

SEBI unraveled a slew of measures aimed at jump-starting a somnolent primary market that will help companies raise resources and also at persuading savers to invest in mutual funds. The capital market regulator also rolled out measures that might encourage small investors to start buying into initial public offerings (IPOs).
Sebi chairman is keen that a long-term mutual fund policy be put in place. Casting aside the current method of proportionate allotments, Sebi announced that from now on, every retail subscriber will be allotted a minimum number of shares irrespective of the size of the application. **(17 Aug , 2012 , F E)**

Tightening of listing norms a booster for SME platform

SEBI has given an indirect fillip to the separate listing platform for small and medium enterprises by tightening the listing norms for companies that do not have a profitability track record. This, experts say, will lead to more companies opting for the SME platform. According to the regulator, any company with a profit before tax (PBT) of less than Rs. 15 crore can list on the exchanges only if it is able to ensure 75% allotment to institutional investors, also known as QIBs. The other avenue is to list on the SME platform.

New allotment norms to change IPO play

Though the SEBI decision to change the allotment process for initial public offerings (IPO) is aimed at providing allotment to all retail applicants, it may have some unintended consequences. Market experts say the new process will lead to a sharp drop in average application size, encourage multiple applications during popular issues and hurt IPO financing. The new allotment process gives preferential allotment to all investors in the retail category irrespective of the application amount. Under the erstwhile process, allotment was first made on proportionate basis and then on lottery basis. **(22 Aug , 2012, B S)**

SEBI cracks down on misuse of ESOPS

SEBI has cracked down on the misuse of Employee Stock Option Plans and other employee benefit schemes by promoters. In its latest board meeting, the regulator decided such schemes would not be allowed to make purchases from the secondary market. “Such schemes will be restrained from acquiring their shares from the secondary market,” the Sebi decided last week. In the absence of any express provision in the companies’ law or Sebi guidelines, companies use both fresh issuances and secondary market purchases to accumulate shares for these schemes. **(22 Aug , 2012, B S)**

Sebi may Open New Windows for Promoters to Dilute Stake...Regulator likely to give nod to QIP, pref. issues & secondary market sale routes to raise public float

Companies looking for ways to achieve a minimum public shareholding of 25% will now have more avenues to dilute equity. Capital market regulator Sebi is expected to approve transactions like qualified institutional placement (or QIP), preferential issues, and secondary market sale by promoters to enable companies to increase public equity float. The move will come as a relief to around 200 companies with public shareholding of less than 25%. **(24 Aug 2012, E T)**

No-frills demat a/c introduced... Sebi directs all depository participants to provide basic services demat account

In a bid to give a push to equity investing, capital markets regulator introduced no-frills or basic trading accounts for small shareholders. The regulator has directed all depository participants to provide 'basic services demat account', which will have substantial lower costs and will come with basic services. BSDAs will have no annual maintenance charges if the value of securities held in the account is less than Rs 50,000. **(28 Aug, 2012, B S)**

IDR fungibility: Regulator okays 25% a year

SEBI has allowed partial fungibility of Indian Depository Receipts in a financial year of up to 25 per cent of those originally issued. Fungibility refers to redemption/ conversion of IDRs in underlying equity shares. SEBI said instructions to modify the legal framework so that IDR conversion to equity and re-conversion of equity into IDR will be issued separately. **(29 AUGUST 2012, B L)**

RBI permits qualified foreign investors to hedge currency risk

With a depreciating rupee and a volatile forex market, the Reserve Bank of India has allowed the QFIs to protect their investment through the hedging mechanism. The RBI has issued a circular providing hedging facility to QFIs. This has twin purposes. First, for hedging the currency risk on the market value of entire investment in equity and debt on a particular date. And, second, to hedge Initial Public Offer-related transient capital flows under the ASBA mechanism which ensures that investors’ funds leave their bank accounts only upon allocation of shares in public issues. **(03 SEPT, 2012, B L)**

SEBI set to relax collateral norms for FIIs

In an effort to revive market sentiments, SEBI is ready with another booster dose for foreign institutional investors in its next board meeting. This will be the second set of initiatives for investors in a month. The meeting may take place as early as next week. **(07 SEPT ,2012 ,BL)**

Finmin aims to clear hurdles for PSU Investments

In an effort to boost investments, the government is planning to liberalise investment rules for public sector undertakings (PSUs) to help the cash-rich ones among them to start investing. Currently, Navratna and Maharatna PSU boards can invest up to Rs 1,000 crore and Rs.5,000 crore respectively, without prior approval from the administrative ministry. Sources said the government is considering to enhance and possibly double these limits, as it would help them strike investment deals and pursue acquisitions. **(12 Sep , 2012 , F E)**

Review of Market : August – September 2012

In the last few months, Government was under pressure several times to take measures for improving the fiscal situation of the economy.

So, the Government took some bold measures and announced a sharp increase in the price of heavily subsidised diesel, allowed FDI in aviation and multi-brand retail sectors. It is a move which is expected to infuse liquidity in the industry. Although these measures are expected to ease pressure on fiscal deficit, but at the same time, will raise prices of products and will have an adverse impact on the inflation. Thus, in the short term, inflation is expected to rise and reducing key policy rates would further add to the pressure. It is apparent now that the government is all prepared to change the business environment in the country with these major policy changes.

On the domestic front, although monsoon rains have revived during the later part of the season but still the situation is not very promising. Thus, in order to secure a sustainable growth path, check inflation and ensure liquidity in the economy, the RBI reduced the CRR by 25 bps and kept other policy rates unchanged in its mid-quarter policy review. Post the cut, CRR stands at 4.5 per cent while the repo rate remains unchanged at 8 per cent. In order to improve liquidity in the banking system, the central bank has reduced the CRR by 25 bps and would infuse in the system Rs. 17,000 crore of primary liquidity.

The Reserve Bank of India (RBI) eased the external commercial borrowing (ECB) rules and hiked the maximum limit to $3 billion for one company. RBI also hiked the overseas borrowing cap to 75% of the company's last three-year average forex earnings. The foreign loan cap has also been raised to 75% of last three-year average forex earnings. ECB refers to commercial loans in the form of bank loans, buyers' credit, suppliers' credit, securitised instruments availed of from non-resident lenders with a minimum average maturity of three years. Last month, the Finance Ministry had liberalised the norms for raising funds through ECBs by domestic firms, particularly those in the realty sector. The High Level Committee on ECBs also permitted FIIs to invest up to $5 billion in rupee bonds within the overall corporate bond limit of $45 billion.

As per latest data, GDP rose 5.5% in Q1 June 2012. The services sector grew 6.9%, industry grew 3.6% and agriculture sector grew 2.9%. Manufacturing output rose 0.2% while mining sector grew 0.1% in Q1 June 2012. The economic activities which registered significant growth in Q1 June 2012 are construction at 10.9%, 'financing, insurance, real estate and business services' at 10.8% and 'community, social and personal services' at 7.9%. The key indicators of construction sector viz.

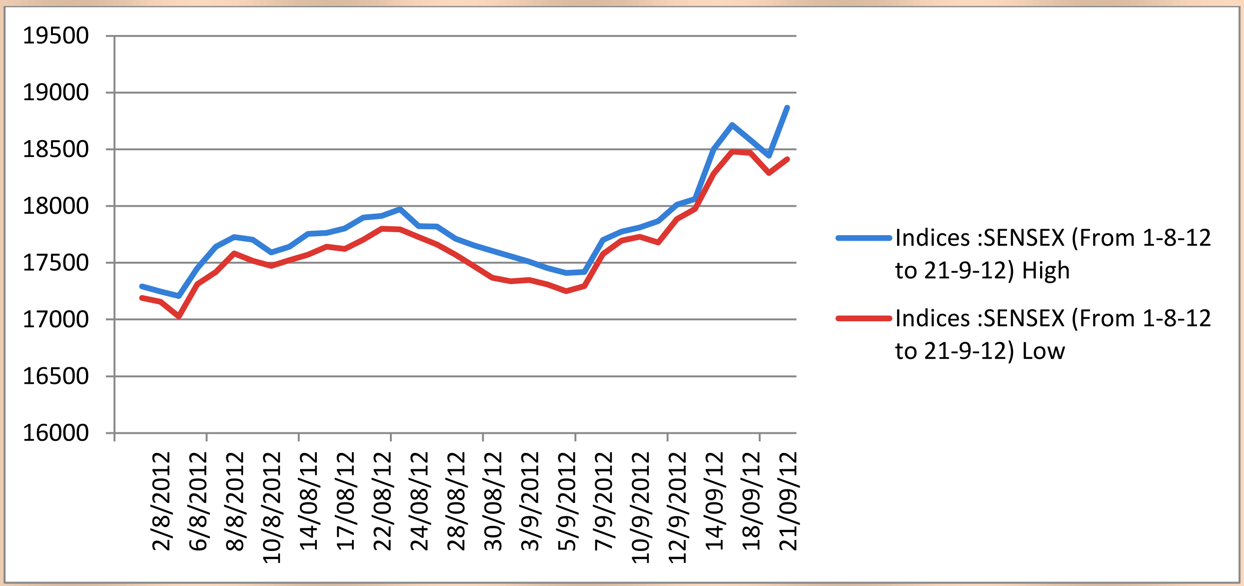
production of cement increased by 11% and consumption of finished steel registered growth rate of 8.8% in Q1 June 2012.

The Sensex had gained 1,228.97 points or 7.09% in nine trading sessions to settle at 18542.31 (on 17 September 2012), from a recent low of 17,313.34 on 5 September 2012. The Sensex has gained 1,066.45 points or 6.11% in this month so far (till 18 September 2012). The Sensex has jumped 3,041.09 points or 19.67% in calendar 2012 so far (till 18 September 2012). From a 52-week high of 18,715.03 on 17 September 2012, the Sensex has declined 219.02 points or 1.17%. From a 52-week low of 15,135.86 on 20 December 2011, the Sensex has risen 3360.15 points or 22.19%. BSE Sensex, reached its highest closing level (18752.83 points) in nearly 14 months. The S&P CNX Nifty attained its highest closing level (5691.15 points) in almost 14-1/2months.

On the global front, despite taking stimulus measures by the European Central Bank (ECB) and the Federal Reserve, growth is expected to remain weak amid a negative investment scenario. Also, growth in several major emerging and developing economies are moderating. These will impact the exports segment of the economy and subsequently the demand will also be low.

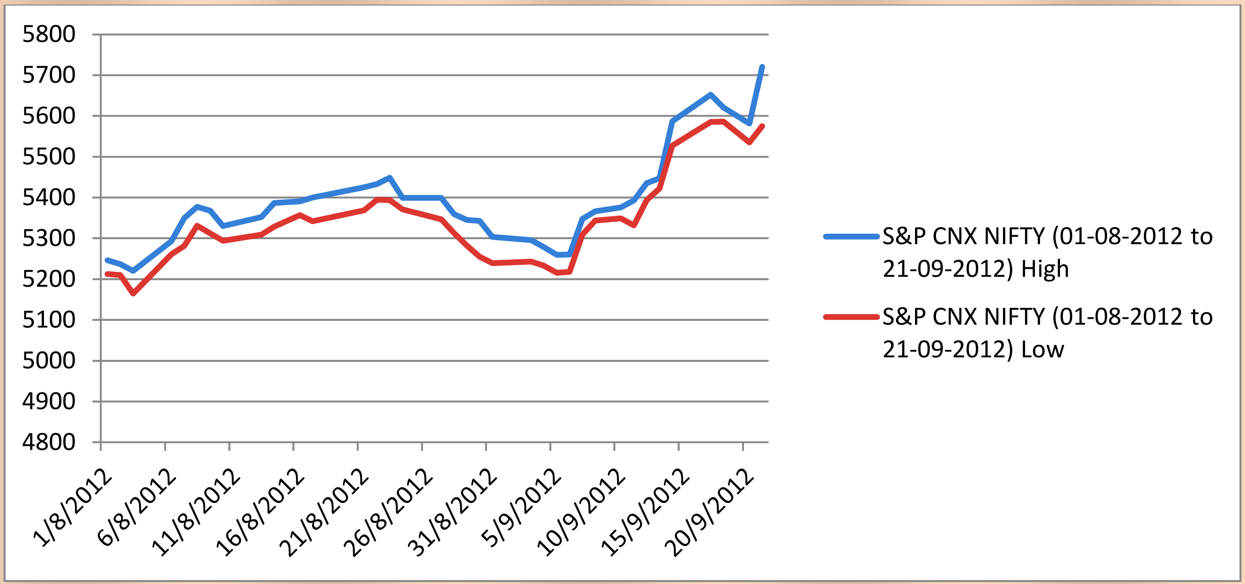
STOCK MARKET MOVEMENT

SENSEX:



(Source: www.bseindia.com)

S&P CNX NIFTY:



(Source: www.nseindia.com)