India's New Stock Exchange

CORPORATE EXCHANGE

A Newsletter for Indian Corporates

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From MD's Desk

Dear Readers,

We are overwhelmed by your response to our outreach efforts through 'Corporate Exchange' (CE). This issue of CE covers disinvestment of PSUs by the Government of India, by summarizing the happenings about OFS ,for your quick reference.

The current issue also includes critical regulatory developments related to scheme of arrangement, issue and listing of non-convertible redeemable preference shares etc.

MCX-SX proposes to launch innovative services for listed corporates, in its endeavor to connect issuers with investors. In this regard, we are glad to announce that the Exchange has now started its listing services.

Joseph Massey,
Managing Director & CEO

You may like to post your views at ***listing-issuerservices@mcx-sx.com***

About MCX Stock Exchange

MCX Stock Exchange Limited (MCX-SX), India's new stock exchange, is recognized by Securities & Exchange Board of India under Section 4 of Securities Contracts (Regulation) Act, 1956. The Exchange was notified as a "recognized stock exchange" under Section 2(39) of the Companies Act, 1956 by the Govt. of India on December 21, 2012. In line with global best practices and regulatory requirements, clearing and settlement of trades done on the Exchange is conducted through a separate clearing corporation – MCX-SX Clearing Corporation Ltd. (MCX-SX CCL).

MCX-SX commenced operations in Currency Futures in the Currency Derivatives (CD) segment on October 7, 2008 under the regulatory framework of SEBI and Reserve Bank of India (RBI). The Exchange commenced trading in Currency Options on August 10, 2012. MCX-SX commenced trading in Capital Market (Equity Cash) and Futures & Options (Equity Derivatives) Segments with effect from February 11, 2013.

Commitment to Financial Literacy and Inclusion

'Information, Innovation, Education and Research' are the four cornerstones of the unique market development philosophy adopted by MCX-SX and supports its mission of Financial-literacy-for-Financial Inclusion™, as is envisaged by the Government of India.

As part of this mission, MCX-SX conducts large-scale investor education and awareness programmes across the length and breadth of the country. Till date, 1,726 such programmes, averaging at least one per working day, have been organised by the Exchange. MCX-SX collaborates with academic institutions of repute, media, trade bodies, international organisations and industry experts for organising these programmes.

MCX-SX is the only exchange that has come up with a 'Manifesto of Change', which is a roadmap of what the Exchange intends to achieve in terms of driving market development and inclusive growth over the next 10 years.

Board of Directors

The Board of Directors of the Exchange have proven expertise in financial markets, managing exchanges across multiple asset classes, and vast regulatory experience. Their vision, expertise and experience enables MCX-SX to ensure continuous product innovation, over cutting-edge technology as well as world-class services and cost optimisation.

- **Mr. S S Thakur – Public Interest Director**
  Former Chairman, Central Depository Services (India) Ltd.; Founder Chairman, HDFC Bank Ltd.
- **Mr. S U Kamdar – Public Interest Director**
  Former Judge of the Bombay High Court
- **Prof. (Mrs.) Ashima Goyal – Public Interest Director**
  Professor, Indira Gandhi Institute of Development Research
- **Mr. Jignesh Shah – Vice-Chairman (Shareholder Director)**
  Chairman & CEO, Financial Technologies (India) Ltd.
- **Mr. Ashok Jha, IAS (Retd.) – Shareholder Director**
  Former Finance Secretary; Former Secretary, Dept. of Economic Affairs and Dept. of Industrial Policy & Promotion
- **Mr. B D Sumitra – Shareholder Director**
  Former MD, CCIL; Former Deputy MD, SBI
- **Mr. Joseph Massey – Managing Director & CEO**
  Chairman, South Asian Federation of Exchanges (SAFE);
  Former MD & CEO, Multi Commodity Exchange of India Ltd.
- **Mr. U Venkataraman - CEO- Currency Derivatives Segment & Whole Time Director (Shareholder Director)**
  Former Head-Treasury, IDBI Bank Ltd.

Shareholders

MCX-SX's shareholders include India's top public sector banks, private sector banks and top Indian financial institutions.

Allahabad Bank | Andhra Bank | Axis Bank | Bank of Baroda | Bank of India
Corporation Bank | Financial Technologies | HDFC Bank | IFCI | IL&FS
Indian Bank | Indian Overseas Bank | MCX | Oriental Bank of Commerce | Punjab & Sind Bank
Punjab National Bank | State Bank of India | Syndicate Bank | UCO Bank | Union Bank of India
Vijaya Bank

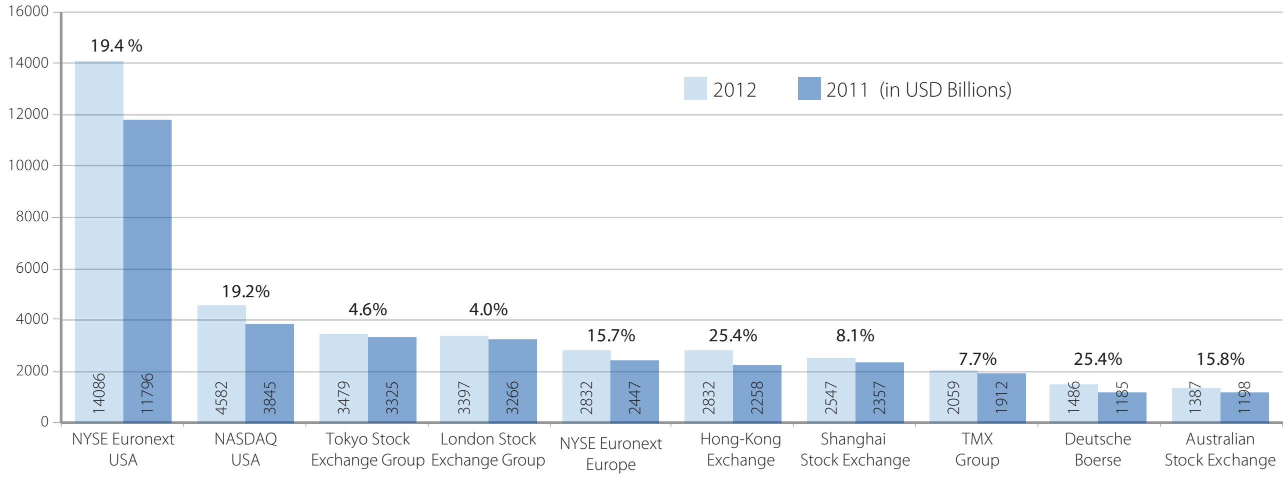
In alphabetical order

Global Market Snapshot

Market Capitalisation

Most of the Global Markets (Top 10 Markets by Market Capitalisation) ended the year 2012 on a positive note as far as Market Capitalisation is concerned. Hong Kong Exchange and Deutsche Boerse gained the most in terms of Market Capitalisation and observed Y-o-Y growth of close to 25.4% followed by NYSE Euronext - USA, NASDAQ etc.

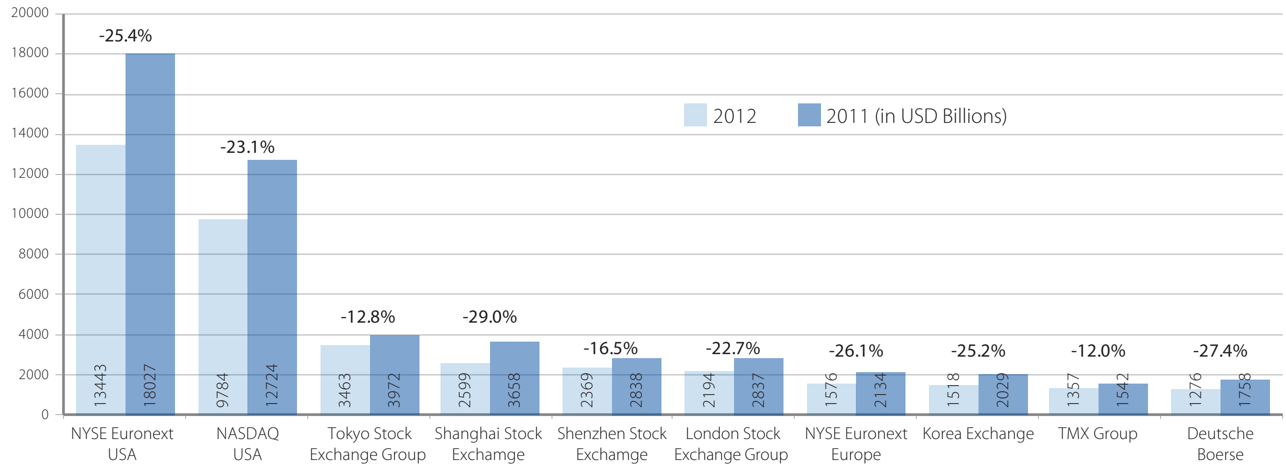
Top 10 Stock Exchanges by Market Capitalization (Year End)



Value of Shares Traded

Though Market Capitalisation of various Global Stock Exchanges has witnessed a reasonable growth, value of shares traded globally on all the Stock Exchange has dwindled. Shanghai Stock Exchange had seen the maximum fall i.e. close to 29% in its value of shares traded followed by Deutsche Boerse's, NYSE Euronext, Korea Exchange, etc.

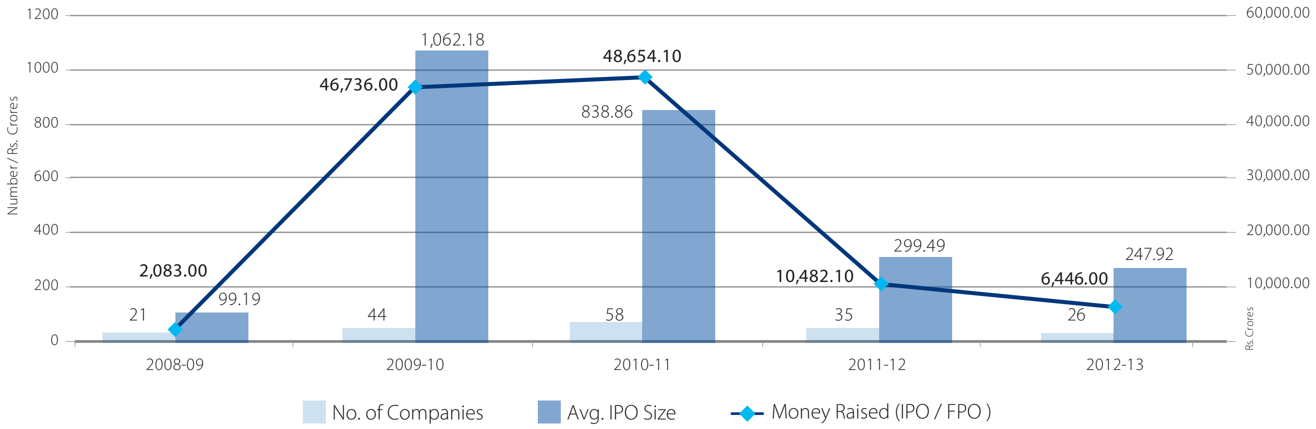
Top 10 Stock Exchanges by Value of Shares Traded (Year End)



Fund Raising Scenario

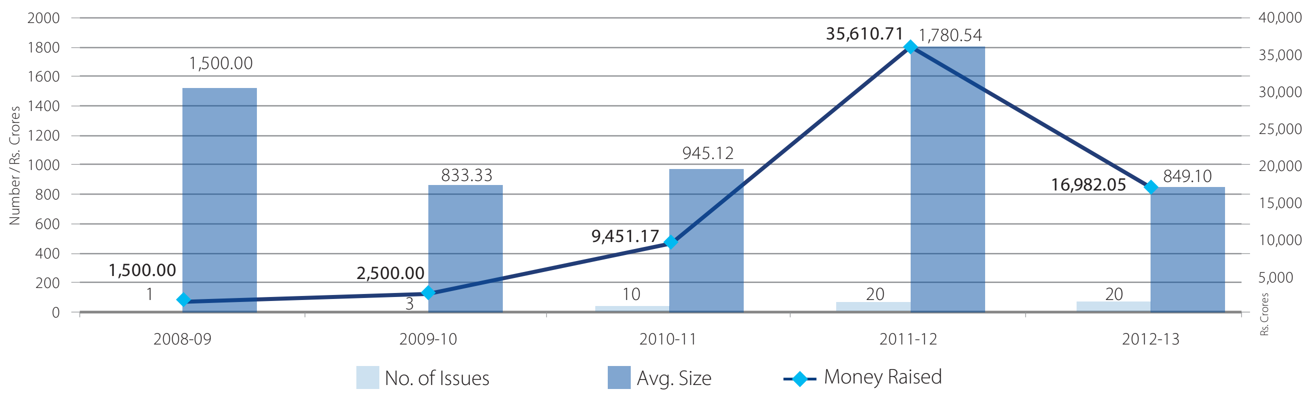
Money Raised through Public Issue – Equity Issuance

Year 2012-13 as compared to last 3 years remained sluggish in terms of money raised through Public Issue (IPO / FPO). The same situation was observed in the year 2008-09, where it was most sluggish in last 10 years, but it saw sudden spurt in the next years i.e. 2009-10 and 2010-11.



Money Raised through Public Issues - Debt Issuance

Year 2012-13 as compared to last financial year 2011-12 remained sluggish in terms of money raised through Debt Public Issue.



Public Issues - Pipeline

S. No	Public Issues (IPO)	Expected Issue Size (In Crs.)
1	ACB (India) Ltd.	1000
2	Bharat Business Channel Ltd.	700
3	IFCI Factors Limited	130
4	Just Dial Limited	650
5	Loha Ispaat Limited	250
6	Vishwanath Sugar Industries Ltd.	375

Government Disinvestments

Government's
disinvestment
target accomplished

PSU Disinvestments

Government of India has raised Rs. 24,348 crores against a downward revised target of Rs. 24,000 crores in the current fiscal year 2012-13. The fiscal year 2012-13 has been marked as the highest fundraising by the government through divestment in a single financial year. The snap shot of last 5 years disinvestment is as follows:

Year	Budgeted Target	Receipts through Disinvestets (Rs. in crores)
2008-09	No Targets	-
2009-10	No Targets	23,552
2010-11	40,000	22,144
2011-12	40,000	13,894
2012-13	24,000	24,348

PSU Disinvestments - So far through OFS

SEBI's Offer for Sale (OFS) mechanism proved a big support in achieving big ticket disinvestment in various PSUs. A summary of PSU's disinvestment by using OFS mechanism as below:

Year	Company	Date of offer	Disinvest-ment (Rs. in crores)
2011-12	Oil and Natural Gas Corporation Limited	March 1, 2012	12,405
2012-13	Hindustan Copper Limited	November 23, 2012	1,375
2012-13	NMDC Limited	December 12, 2012	5,828
2012-13	Oil India Limited	February 1, 2013	3,065
2012-13	NTPC Limited	February 7, 2013	11,357
2012-13	Rashtriya Chemicals and Fertilizers Limited	March 8, 2013	310
2012-13	National Aluminum Company Ltd	March 15, 2013	515
2012-13	Steel Authority of India Limited	March 22, 2013	1,514

Besides all the above through OFS, one of the government owned enterprise National Buildings Construction Corporation Limited (NBCC) came out with a public issue (offer for sale) and raised Rs. 127 crores. The next fiscal year 2013-14 may also see lot of big ticket PSU disinvestment.

Process along with timelines - Scheme of Arrangement

SEBI vide its circular dated February 4, 2013 has come up with certain important regulatory changes pertaining to the process required to be followed by Listed Companies with respect to Scheme of Arrangement. We have summarized the process along with timelines for easy understanding and reference

Time	Listed Company (LC)	Stock Exchanges / SEBI
T	Filing of draft scheme with Stock Exchange in terms of Clause 24(f) of the Listing Agreement and Submission of Documents prescribed in Para 2 of Part A of Annexure I of SEBI Circular to Stock Exchanges (SEs) for Scheme of Arrangement • Place Audit Report obtained from Independent Chartered Accountant before the Audit Committee. • Choose Designated Stock Exchange (DSE) • Display of all scheme related document of the website	SEs upon receipt of document pertaining to scheme from company should display the scheme documents on its website for public comments
T + 2	-	Designated Stock Exchange (DSE) to submit all the documents to SEBI
T + 27	LC to submit Complaints report to the SE from the date of filing of Draft Scheme with the SE	SEs upon receipt of complaints report will submit the same with SEBI
T + 28	-	SEs shall forward their "Objection/No-Objection" letter on the Draft Scheme to SEBI
T + 59	-	SEBI to provide its comments/observations
	-	SEBI to forward all complaints received on Scheme to DSE and DSE to forward to company for resolution / reply.
T + 66	-	SE upon receipt of comments from SEBI, shall issue Observation letter after incorporating comments received from SEBI. SEs shall also upload this observation letter on its website
T + 67	LC shall the disclose observation letter of SE on its website within 24 hours from receipt	

Applicability:

a) It shall be applicable to listed companies which, on the date of this Circular, have not submitted the Scheme with the Hon'ble High Court.

b) It shall also be applicable to companies who have submitted the Draft Scheme with the stock exchanges under Clause 24(f) of Listing Agreement and such schemes have not yet been submitted with the Hon'ble High Court for approval.

The Observation Letter of Stock Exchanges shall be valid for six months from the date of issuance, within which the Scheme shall be submitted to the Hon'ble High Court

Time	Listed Company (LC)	Stock Exchanges / SEBI
-	LC shall include SE observation letter & Complaints Report in the notices sent to shareholders and bring to the notice of High Court regarding observation letter of SE	
-	Upon sanction of the Scheme by the Hon'ble High Court, the listed company shall submit the documents mentioned in Para 2 of Part B of Annexure I of SEBI Circular, to the SEs	The DSE shall forward its recommendations to SEBI on the documents submitted by the listed company
-		SEBI shall endeavor to provide its comments/approval to DSE within 30 days Upon receipt of SEBI approval SEs shall issue Listing and Trading Approval

Timelines may change from case to case basis.

Note

- As per the said Circular, promoters' shares shall be locked-in to the extent of 20% of the post-merger paid-up capital of the unlisted issuer, for a period of 3 years from the date of listing of the shares of the unlisted issuer. The balance of the entire pre-merger capital of the unlisted issuer shall also be locked-in for a period of 3 years from the date of listing of the shares of the unlisted issuer.
- Listed companies shall ensure that the Scheme submitted with the Hon'ble High Court for sanction, provides for obtaining shareholders' approval through special resolution passed through postal ballot and e-voting. The special resolution shall be acted upon if the votes cast by public shareholders in favor of the proposal amount to at least two times the number of votes cast by public shareholders against it.

Issuance & Listing of non-convertible redeemable preference shares

Another landmark development in the Capital Market has been brought by SEBI by putting in place Draft regulation related to Issuance and Listing of non-convertible preference shares. SEBI at its Board meeting held on March 8, 2013 approved the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 thereby providing a comprehensive regulatory framework for issuance and listing of non-convertible redeemable preference shares. As in case of SEBI (Issue and Listing of Debt Securities) Regulations, 2008, the proposed Regulations provide framework for public issuance of non-convertible redeemable preference shares and also listing of privately placed redeemable preference shares.

Salient features of the draft Regulations for issuance and listing of Non- convertible redeemable preference shares are as follows:

i. The issuer proposing to make public issuance of non-convertible redeemable preference shares shall inter-alia ensure that:

a) The minimum tenure of the instruments should not be less than 3 years;

b) The issue has been assigned a rating of not less than "AA-" or equivalent by a SEBI registered credit rating agency;

c) The issuer shall create Capital Redemption Reserve in accordance with the provisions of the Companies Act, 1956;

d) The issuer shall not issue these instruments for providing loan to or acquisition of shares of any person who is part of the same group or who is under the same management, other than to subsidiaries of the issuer;

e) In case of public issue of these instruments, issuer shall appoint one or more merchant bankers registered with the Board at least one of whom shall be a lead merchant banker.

f) The issuer while making a public issue will submit a draft offer document with the designated stock Exchange which shall be hosted by the Exchange for a period of seven working days on its website inviting public comments.

Draft regulations for issuance & listing of non-convertible redeemable preference shares

Framework for
public issue &
private placement
non-convertible
redeemable
preference shares

g) The issuer shall make an advertisement in one English national daily newspaper and one Hindi national daily newspaper with wide circulation at the place where the registered office of the issuer is situated.

h) The issuer may decide upon the amount of minimum subscription which it seeks to raise by issue of non-convertible redeemable preference shares.

i) Issue may be underwritten by the issuer.

j) Listing of non-convertible redeemable preference shares issued through public issue is mandatory.

ii. The issuer proposing to list their privately placed non-convertible redeemable preference shares shall inter-alia ensure that:

a) the minimum application size for each investors is not less than Rs. 10,00,000 (Rupees Ten Lakhs), and;

b) the issue has obtained a credit rating from a credit rating agency and disclosed the same in the disclosure document.

iii. Considering the requirements in Companies Act, 1956 that redeemable preference shares can be redeemed only out of distributable profits or out of fresh issue of capital, a prominent disclosure in bold writing on the cover page of offer document.

Updates on General Changes by SEBI, RBI & MCA

- **Usage of Electronic Payment modes for making cash payments to the investors** *(Ref. CIR/MRD/DP/10/2013 dated March 21, 2013)*

  SEBI vide its circular dated March 21, 2013 has modified the framework for distribution of dividends or other cash benefits to the investors in view of Advancements in the field of electronic payment systems and advised the companies to use ECS / NEFT etc.

- **Sharing of information regarding issuer companies between Debenture Trustee (DT) and Credit Rating Agencies (CRA)** *(Ref. CIR/MIRSD/3/2013 dated March 15, 2013)*

  SEBI vide its circular dated March 15, 2013 has informed that in consultation with DTs & CRAs, it has been decided that registered DTs & CRAs shall share information with each other as specified in the Annexure. DTs & CRAs may share any other information from time to time in respect of issues/issuer companies which would help them in effective discharge of their duties.

- **Guidelines for Enabling Partial Two-Way Fungibility of Indian Depository Receipts (IDRs)** *(Ref. CIR/CFD/DIL/6/2013 dated March 01, 2013)*

  SEBI vide its circular dated March 1, 2013 has informed that In order to encourage more number of foreign companies to issue IDRs in the Indian market and also to enable the investors to take informed investment decision, it has been decided to provide a detailed roadmap and guidelines for the future IDR issuances as well as for the existing listed IDRs.

- **Introduction of Periodic Call Auction for Illiquid Scrips & Extension of Pre-open Session to all Scrips** *(Ref. CIR/MRD/DP/6/2013 dated February 14, 2013)*

  SEBI vide its circular dated March 1, 2013 has informed on Introduction of trading through periodic call auction for illiquid scrips in equity market and Extend the pre-open session to all other scrips in the equity market.

- **Updates on General Changes by RBI:**

  Guidelines for Licensing of New Banks in the Private Sector

  (Ref. Press Release dated February 22, 2013)

  RBI vide its press release dated February 22, 2013 releases Guidelines for licensing of New Banks in private sector.

- **Updates on General Changes by Ministry of Corporate Affairs (MCA)**

  Clarification under Section 372A (3) of the Companies Act, 1956

  (Ref. General Circular no. 06/2013 dated March 14, 2013)

  The Ministry of Corporate Affairs vide circular dated March 14, 2013 has clarified that in case where effective yield on tax free bonds issued by the corporates is greater than the yield on prevailing bank rate, there is no violation of section 372A(3) of the Companies Act, 1956.

Introduction of
Periodic Call Auction
for Illiquid Scrips &
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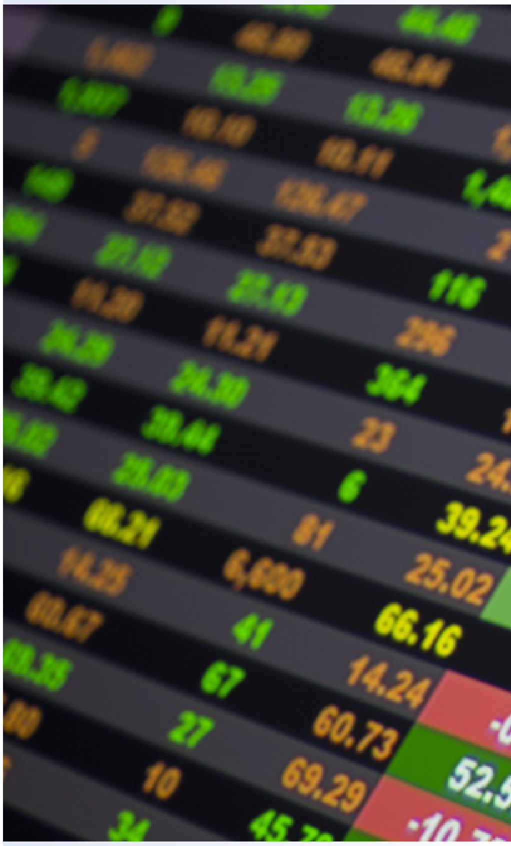

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