

News Room

(Major news highlights of the month)

Value Creation

(NMA's value add to the "K" Factor)

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(Financial and Statistical review of select listed Companies)

Notifications and Pronouncements

(Gist of important case laws, notifications and announcements)

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NEWS ROOM

L&T wins Rs. 980 Crore order from Tata Steel

Larsen & Toubro (L&T) has won yet another contract from Tata Steel, order valued at Rs 980 crore, for the supply and installation of Blast Furnace for Tata Steel's project in Kalinganagar, Orissa. According to a release issued by L&T to the BSE today, the company will supply and install the Blast Furnace as a part of the first phase of Tata Steel's Greenfield project. Having a capacity of 3.2 MTPA this blast furnace will have a furnace volume of 4300 cu.m and would be the largest Blast Furnace in Tata Steel and the first of its kind in India.

Barry Callebaut to enter India

Zurich-based Barry Callebaut, a \$3.3 billion world leader in manufacturing cocoa, chocolate and confectionery products, is set to enter the Indian market in September this year. To be headquartered in Mumbai, the company is also planning to set up its chocolate training academy in India by December to keep pace with the demand for talent as chocolate giants such as Hershey's and Ferrero Rocher launch their products in India. The strategy is in line with the company's aim to increase the share of sales in regions outside Western Europe and North America from 11 per cent to 20 per cent by 2010.

Government to Launch Biometric PAN cards

All the new income tax payers in the country will soon begin to get biometric Permanent Account Number (PAN) cards with enhanced security features like fingerprints or retinal scans, aimed at checking duplicate cards and better tax compliance. Referring to the fate of current PAN card holders, Chidambaram said, "they will be persuaded to switch over to biometric PAN cards in their own interest". Earlier PAN cards will, of course, remain valid. The sources said, it will involve collaboration of information gathered about tax payers through annual information reports (AIRs) regarding bank accounts, credit cards, mutual fund investment, purchase of property and share market to investigate tax evasion.

Tata Motors to set up unit in Thailand

Tata Motors will invest 1.3 billion baht (\$38 million) to launch its first production base in Thailand. It plans to roll out one-tonne pick-up trucks by the end of this year with initial output capacity of 7,000 units per year.

Birla Corp plans Greenfield expansion for cement biz

Birla Corporation Limited, the flagship company of MP Birla group, is planning to expand its cement manufacturing capacity by setting up Greenfield units. The current installed capacity of the company is 5.78 million tonnes. The Managing Director said that as a concurrent exercise, the company would also go for brown field expansion at its Chanderia and Satna plants. This would entail an additional capacity of 1.75 million tonnes, which was expected to be completed by 2009. The cement business of the company contributed to more than 92 per cent of Birla Corporation's revenue.

Hindalco to buy Alcan stake in Utkal

Aditya Birla group flagship, Hindalco Industries, has reached an agreement to buy out joint venture partner Alcan's 45 per cent holding in Utkal Alumina International (Utkal) for an undisclosed amount. The transaction will be completed over the next 30 days. It will mark the complete exit of Alcan from the Utkal project. Alcan will have no surviving rights or obligations, as Hindalco will become sole owner of the Utkal project. Utkal is currently executing a 1.5 million tonne alumina refinery in Orissa in addition to developing a new bauxite mine

I-T Dept gearing up to check tax evasion

The Income Tax Department is gearing up to prepare a 360-degree tax profiling of individual tax payers in the country to keep a tab on tax evasion and money laundering. Finance Minister has given a go-ahead for integrated 360-degree mapping of individual tax payers by utilising data collected from various sources like annual information returns (AIRs) from banks, credit cards, mutual funds, stock market and property registrars. The government has so far gathered information about Rs 60,00,000 crore investment by tax payers through AIRs. Under the tax mapping, the department plans to explore cases involving large scale tax evasion. The sources said the Financial Intelligence Unit (FIU) under the ministry will also provide information about potential tax evaders, as it collects and analyses information about financial transactions through banks and other financial institutions

Bharti Group Buys stake in Bharti Airtel

Sunil Mittal-led Bharti Group on Wednesday bought back 4.99 per cent direct stake from U.K.'s Vodafone at an estimated \$1.4 billion, raising its holding in Bharti Airtel to over 50 per cent. The transaction is part of the agreement with Vodafone

VALUE CREATION

REGULATION OF FOREIGN CONTRIBUTION

Winston Churchill once said "If you have ten thousand regulations, you destroy all respect of the law".

However what he said might be right but the requirement of more regulations is inevitable to secure the democracy of a country and independence of the sub units operating therein.

The Foreign Contribution Regulation Act (FCRA), as the name suggests, is an act to regulate the inflow and utilization of foreign contribution or hospitality so that foreign money does not influence the functioning of key political and democratic institutions. The Act came into force at a time when there was a strong suspicion of foreign intervention in the affairs of the country and involvement of foreign funded NGO's in the economically vulnerable sections of the society. It was then considered important to have an act to monitor the receipt and utilization of foreign funds by such organisations to ensure that they are not employed for anti-national purposes, or in creating any kind of religious or social tensions within the country.

The Act, quite logically applies to the whole of India, all Indian citizens outside India and associates/branches/subsidiaries outside India, of companies or bodies corporate, registered or incorporated in India.

To understand the Act, first of all the following terms will need to be understood:

Foreign contribution means the donation, delivery or transfer made by any foreign source-

- of any article, (not being a gift, if the market value, in India, of such article, on the date of such gift, is Rs.1, 000 or less.)
- of any Indian/foreign currency or of any foreign security.

Even if such a transfer is effected through indirect means, it shall nonetheless be deemed to be a foreign contribution.

Foreign Source would include governments of foreign countries, international agencies, foreign cos.including its subsidiaries and MNC's, foreign trusts etc.

Foreign hospitality means any offer, not being a purely casual one, made by a foreign source for providing a person with the costs of travel to any foreign country or territory or with free boarding, lodging, transport or medical treatment

Let's have a look at some of the provisions of this Act:

Persons not to accept foreign contribution

- No foreign contribution shall be accepted by any-
- candidate for election, (duly nominated as a candidate for election to any Legislature)
 - correspondent/ columnist/cartoonist, editor, owner, printer or publisher of a registered newspaper
 - judge, government servant or employee of any corporation,
 - member of any Legislature,
 - political party or office-bearer thereof.

Further, any person resident in India/ citizen of India resident outside India, shall not accept foreign contribution/ currency from a foreign source, on behalf of any political party/ or any of the above-mentioned persons. Also, such a person shall not deliver any currency, which has been accepted from any foreign source, to any person if he knows or believes that such other person intends to deliver such currency to any political party or any of the above-mentioned persons.

Further prohibitions come into play in case of a person who receives any currency, (whether Indian or foreign) from a foreign source on behalf of prescribed associations and delivers the same to any other association. Such a delivery made through indirect means shall also be barred.

Acceptance of foreign contribution only with the prior permission of the Central Government

Any organisation of a political nature, not being a political party, is permitted to accept any foreign contribution with the prior permission of the Central Government. Even if a person resident in India or a citizen of India who is resident outside India accepts foreign contribution on behalf of the prescribed organisations, the prior permission of the Central Government is required.

The same shall hold true in case of a person resident in India who knows or believes that the recipient intends, or is likely, to deliver such currency to an organisation as referred above.

Also, a citizen of India, resident outside India, shall deliver any currency accepted from any foreign source, to-

- any such organisation or
- any person, if he knows or has reasonable cause to believe that such person intends to deliver such currency to an organisation only with the prior permission of the Central Government.

VALUE CREATION

REGULATION OF FOREIGN CONTRIBUTION (CONTD.)

Certain associations and persons receiving foreign contribution to give intimation to the Central Government

Any association (other than a political organisation) having a definite cultural, economic, educational, religious or social programme shall accept foreign contribution only if such an association, -

- a. registers itself with the Central Government
- b. agrees to receive such foreign contributions only through such one of the branches of a bank as it may specify

Every such association so registered shall give an intimation to the Central Government as to the

- amount of foreign contribution received,
- the source from which and the manner in which such foreign contribution was received,
- purposes for which, and the manner in which, such foreign contribution was utilised by it.

Recipients of scholarship to give intimation to the Central Government

Every citizen of India receiving any scholarship, stipend etc. from a foreign source shall intimate the Central Government in the same format. In case of **recurring payments**, it shall be sufficient if the intimation referred to above includes precise information as to the intervals at which, and the purpose for which such recurring payments will be received. However, such intimation shall not be necessary if the annual value of such scholarships or stipends does not exceed the prescribed limits.

Exempt Situations

Acceptance of any foreign contribution by any person

- (a) by way of salary, wages or other remuneration due to him or to any group of persons working under him, from any foreign source or by way of payment in the ordinary course of business transacted in India by such foreign source; or
- (b) by way of payment, in the course of international trade or commerce, or in the ordinary course of business transacted by him outside India; or
- (c) as an agent of a foreign source in relation to any transaction made by such foreign source with the government;
- (d) by way of a gift made to him as a member of any Indian delegation, provided that such gift or present was accepted in accordance with the regulations made by the Central Government;
- (e) from his relative when such foreign contribution has been received with the prior permission of the Central Government;

No such permission shall be required if the amount of foreign contribution received by him from his relative does not exceed, in value, Rs.8, 000/- p.a. and an intimation is given by him to the Central Government.

(f) by way of remittance received, in the ordinary course of business, through any official channel, post office, or any authorised dealer in foreign exchange under the Foreign Exchange Regulation Act, 1973.

Restrictions on acceptance of foreign hospitality

A member of a Legislature, office-bearer of a political party, Judge, government servant or employee of any corporation shall, while visiting any country outside India accept any foreign hospitality only with the prior permission of the Central Government. However, relief is granted in case an emergent medical aid is needed on account of sudden illness contracted during a visit outside India, provided the recipient intimates the Central Government within one month from the date of receipt of such hospitality.

PENALTIES

Penalties for non compliance with the provisions of this Act are in form of fine, imprisonment ranging from 1 to 5 years or both along with prohibition on acceptance of foreign contributions.

Recipients of foreign contribution to maintain accounts, etc.

Every association shall maintain an account of any foreign contribution received by it & the manner in which such contribution has been utilised.

Act not to apply to government transactions

Nothing contained in this Act shall apply to any transaction between the Government of India and the government of any foreign country or territory.

CORPORATE WATCH

ITC is one of India's foremost private sector companies with a market capitalization of nearly US \$ 15 billion and a turnover of over US \$ 4.75 billion. It is rated among the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine, also ranked among India's Most Respected Companies by Business World and among India's Most Valuable Companies by Business Today. While ITC is an outstanding market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of packaged Foods & confectionery, branded apparel and greeting cards. ITC's agri-business is one of India's largest exporters of agricultural products. ITC is one of the country's biggest foreign exchange earners (US \$ 2.8 billion in the last decade). The Company's 'e-Choupal' initiative is enabling Indian agriculture to significantly enhance its competitiveness by empowering Indian farmers through the power of the Internet. This transformational strategy, which has already become the subject matter of a case study at Harvard Business School, is expected to progressively create for ITC a huge rural distribution infrastructure, significantly enhancing the Company's marketing reach.

Chairman of the Company	Yogesh Chander Deveshwar
Face Value of the Share	1.00
52 week High	196.70
52 week Low	130.00

Amount in Rs. (Crores)

Particulars	Mar 05	Mar 06	Mar 07
Sales Turnover	13,349.58	16,224.43	19,505.05
Other Income	599.19	295.02	349.96
Total Income	8,309.16	1,0227.22	12,978.74
Total Expenses	4,918.09	6,649.61	8,673.08
Operating profit	2,791.88	3,282.59	3,955.70
Gross Profit	3,391.07	3,577.61	4,305.66
Interest	50.80	21.10	16.04
PBDT	3,340.27	3,556.51	4,289.62
Depreciation	312.87	332.34	362.92
PBT	3,027.40	3,224.17	3,926.70
Tax	836	988.82	1,226.73
Net Profit	2,191.40	2,235.35	2,699.97
Earnings Per Share	83.92	5.58	6.65
Equity	2482.20	37552	37622
Face Value	1.00	1.00	1.00

CORPORATE WATCH

DETAILS AS ON 15TH JULY 2007

Top 3 Shareholdings in the Company

Total Promoters	13.49
Total Institutions	36.81
Total Foreign	47.73

Top 3 Mutual Fund Holding

Scheme Name	No. of Shares
UTI Equity Fund (G)	6,395,759
Franklin India Blue chip Fund (G)	5,691,412
UTI Master Share	4,976,627

Comparative Data of ITC with its Peer Companies

(in Rs. Crore)

Company Name	Last Traded Price	EPS (TTM)	PE Ratio	Face Value of Share	Market Capitalisation
Godfrey Philip	1383.1	83.21	16.70	10.00	1445.24
VST	352	32.17	10.96	10.00	544.57
GCT Industries	215.55	29.43	7.33	10.00	379.37

NOTIFICATIONS AND PRONOUNCEMENTS

Notifications and Circulars

Master Circular on Export of Goods and Services has been amended effective 01 July, 2007 vide RBI/2007-2008/25. Same has been issued with a sunset clause of one year. For complete text click on the link below <http://rbidocs.rbi.org.in/rdocs/content/PDFs/78479.pdf>

Case Laws

Imprisonment and Fine (FEMA)

Standard Chartered Bank and Others Vs. Directorate of Enforcement and Others

05/05/2005 (2005)275 ITR 81(SC)

Case Fact: Whether a company can be prosecuted for an offence under Foreign Exchange Act ,if imprisonment is compulsory.

Decision: Held by Supreme Court that under section 56(1) (i) of the Foreign Exchange Regulation Act, although imprisonment is compulsory for not less than six months, yet the company can be prosecuted. It is clear and explicit that statute do not provide any immunity to the body corporates in this respect.

Sale of Computer Software off the Shelf (VAT)

Tata Consultancy Services Vs. State of Andhra Pradesh

(2004) 271 ITR 401 (SC)

Case Fact: Whether the transaction of sale of computer software package off the shelf be considered as sale of goods.

Decision: Held by the Court that the computer software sold off the shelf comes under the purview of definition of Goods under section 2(h) of the Andhra Pradesh General Sales Tax. Therefore these can be termed as sale of goods and hence sales tax is leviable.

Nature of Receipts (Service Tax)

C.K. Jidheesh Vs. Union of India

10/27/2005 (2005) 149 Taxman 446(SC)

Case Fact: Whether in business of developing and printing photographic films, receipts have to be bifurcated into an element of sale of goods and an element of services.

Decision: Held by honorable court that business of developing and printing of photographic films is only a service contract and does not include any element of sale of goods. Hence, question of bifurcating receipts into sales and service elements does not arise.

Valuation of stock (Income Tax)

Sanjeev Woollen Mills Vs. CIT

11/24/2005 (2005) 149 Taxman 431 (SC)

Case Fact: Whether A.O. was justified in invoking section 145 to value closing stock at cost or market price which ever is lower where assessee had adopted the policy of valuing its closing stock at market price only.

Decision: Held by honorable court that by showing closing stock at market price assessee had earned profit out of itself since the stock remained with the assessee itself. Further, it is a settled position that closing stock is to be valued at lower of cost and market price. Hence A.O. was justified in invoking provisions of section 145.

Credit on Input used outside Factory (Excise)

CCE Jaipur Vs. J.K.Udaipur Udyog Limited

Case Fact: Whether credit can be taken on inputs which are used outside the factory.

Decision: Held by the Court that the inputs which are not used in the factory can not be termed as Inputs for the purpose of section 2(g). Also to avail credit on inputs it is necessary that they are received in the factory .

DUE DATES

Due Date	Assessee Covered	Obligation / Event
PROVIDENT FUND AND ESI		
25 th July	PF Applicable Units	EPF Monthly Return.
20 th August	PF Applicable Units	EPF Deposit for July 2007
21 st August	ESI Applicable Units	ESI Deposits for July 2007
INDIRECT TAX		
28 th July	DVAT Assessee	Electronic return for those who have been prescribed to file monthly returns under DVAT
28 th July	DVAT Assessee	Last date of filing the return for the Quarter ended 30 th June, 2007.
5 th August	Service Tax Assessee	In respect of payment received towards the value of taxable services in July for corporate assessees
DIRECT TAX		
28 th July	Income Tax Assessee	Issue TDS certificate for tax deduction in previous month
31 st July	Income Tax Assessee	Return of Income and Fringe Benefit Tax for non corporate assessees who are not required to get their accounts audited
7 th August	Income Tax Assessee	Deposit of TDS/TCS deducted during the month of July 2007.

BUSINESS GAGS

INVESTMENT COUNSELOR

An investment counselor decided to go out on her own. She was shrewd and diligent, so business kept coming in, and pretty soon she realized that she needed an in-house counsel. The investment banker began to interview young lawyers.

"As I'm sure you can understand," she started off with one of the first applicants, "in a business like this, our personal integrity must be beyond question." She leaned forward. "Mr. Mayberry, are you an honest lawyer?"

"Honest?" replied the job prospect. "Let me tell you something about honest. Why, I'm so honest that my father lent me \$15,000 for my education, and I paid back every penny the minute I tried my very first case."

"Impressive. And what sort of case was that?" asked the investment counselor.

The lawyer squirmed in his seat and admitted, "He sued me for the money."



“We didn’t actually overspend our budget. The allocation simply fell short of our expenditure”

Keith Davis

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