

Connect...

NMA

to the Road of New Opportunities

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NEWS ROOM

Satyam eyeing listing on NYSE Euronext

Satyam Computer Services (SCS) is eyeing listing on NYSE Euronext, a pan-European stock exchange. It will be the first IT major in India to be listed on this exchange. The listing will provide India's fourth largest software exporter the strategic advantage to penetrate into the European market and enlarge its investor base. In 2006, Yatra Capital, a real estate player became the first large Indian-origin company to list on the Euronext. The company had raised 100m Euros through a placement.

Sterlite plans to invest Rs. 34K Crore in power units

Mining and metals major Vedanta Group is planning to invest over \$8.5 billion (about Rs 34,000 crore) to generate 10,000 mw of power through coal-based plants in Orissa and Chattisgarh. Sterlite Industries, a part of the Vedanta Group, has recently incorporated a subsidiary, Sterlite Energy, for the power venture. Sterlite Energy will make an initial public offer (IPO) shortly to fund these projects

Merill seeks \$ 4 bn. Kuwait leads pack

The Kuwait Investment Authority may also invest as much as \$2 billion or \$3 billion in Citigroup. Merrill Lynch is seeking about \$4 billion in a second capital raising, as the hole in the US investment bank's balance sheet continues to grow. The Kuwait Investment Authority is expected to be a significant investor in the new deal, which could be announced as soon as midweek, according to people familiar with the matter. Other investors could come from Europe. KIA, which may also invest as much as \$2 billion or \$3 billion in Citigroup, is emerging as a large source of rescue finance on Wall Street. Once among the most conservative of sovereign wealth funds, KIA is changing its strategy in order to move more quickly than competitors and seize opportunities amid the turmoil in the US credit markets

Sony Max, World Sports bag 10-year IPL media rights for \$ 1bn

Sports broadcasters Sony Max together with World Sport will pay \$1.026 billion for the 10-year global media and production rights for the BCCI's 20:20 cricket, Indian Premier League. A total of 59 matches will be played over 44 days in 11 cities. An advertising slot of 50 seconds is available between the fall of a wicket and the resumption of batting by the next batsman, besides the time taken in between overs. Rough estimates put the total advertising time at around 60 minutes per match lasting three-and-a-half hours of cricket.

M&M pulls out of joint venture with Renault, Nissan

Mahindra & Mahindra (M&M) will go its separate way and what was to be a three-way joint venture involving Renault and Nissan for car production on the outskirts of Chennai has become just a Franco-Japanese venture involving Renault and Nissan .

Government spikes RIL, HPCL ethanol making plans

The government has put a spanner in the plans of oil companies like Reliance Industries Ltd (RIL) and Hindustan Petroleum Corporation Ltd (HPCL) to make ethanol directly from sugarcane, without producing sugar. Pollution control rules require these companies to spike diesel and petrol with five per cent ethanol. The government issued a notification on 28 December 2007 amending the Sugarcane (Control) Order, 1966 that, in effect, allows only sugar mills to produce ethanol from sugarcane. Both RIL and HPCL have bid for closed sugar mills in Bihar and planned to produce ethanol there for their own consumption. While HPCL has emerged as the highest bidder for three mills, RIL is leading the race for one. The move will benefit leading sugar companies like Bajaj Hindusthan, Renuka Sugars, Balrampur Chini and Triveni Engineering that have made huge investments in beefing up their ethanol production capacity.

JP Morgan and IDFC eye stake in Seaways

Private equity players J P Morgan and IDFC are learnt to be eyeing a minority stake in Hyderabad-based logistics company Seaways. One of the two PEs may get a stake in a deal likely to be valued at over Rs 250 crore, according to a person close to the negotiation. Seaways, which clocked a revenue of Rs 600 crore last fiscal, is likely to close this financial year with a revenue of Rs 750 crore and a profit of Rs 20 crore. Seaways provides integrated and turnkey services in shipping, supply chain logistics, warehousing, container handling and international trade. It has 27 branches in the country. Over seven PEs had initially expressed interest in buying a stake in the company, but now the promoters have narrowed it down

Emaar, Fortis plan JV to set up 25 hospitals

Realty company Emaar MGF Land Limited (Emaar MGF) and Ranbaxy Group-promoted hospital chain Fortis Healthcare plan to form a joint venture to set up 25 hospitals across major cities in India, with an investment of Rs 1,200 crore. Envisaged as a "one-stop shop" for healthcare at Emaar MGF residential complexes and other locations, the hospitals will focus on upper secondary and lower tertiary levels of treatment facilities

VALUE CREATION

Micro, Small and Medium Enterprises Development Act, 2006 – Implications from an Accounting Standpoint

The Micro, Small and Medium Enterprises Development Act, 2006 ("the Act") has been notified and has received the assent of the President on 16th June 2006. Subsequently, notifications defining the authorities under the Act and for classifying various categories i.e. micro, small or medium have been made on September 29 and 30, 2006 respectively. The provisions of the Act came in force in respect of Annual Financial Statements for all periods ending on or after October 2, 2006.

One of the primary objective of the Act is to make provisions for ensuring timely and smooth flow of credit to SME's and minimize sickness amongst them. The Act strengthens provisions relating to delayed payments to SME's by specifying a maximum credit period and higher penal interest if delayed beyond that period.

The Act requires certain additional information to be furnished in the Annual Accounts of enterprises, which are subjected to an audit under any law for the time being in force and who are buyers of goods or services from micro or small enterprises. Such disclosures are in addition to those required to be made under Schedule VI in respect of the total outstanding to small scale industrial undertaking and the names of such undertakings together with interest outstanding for more than 30 days.

Before proceeding to the provisions of the Act, let us try and understand the meanings of various terms used

A "**buyer**" means whoever buys any goods or receives any services from a supplier for consideration;

An "**enterprise**" means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services;

A "**supplier**" means a micro or small enterprise, which has filed a memorandum with the authority referred to in clause (a) of sub-section (1) of section 8, and includes, the National Small Industries Corporation, being a company, registered under the Companies Act, 1956; the Small Industries Development Corporation of a State or a Union territory, by whatever name called, being a company registered under the Companies Act, 1956; any company, cooperative society, society, trust or a body, by whatever name called, registered or constituted under any law for the time being in force and engaged in selling goods produced by micro or small enterprises and rendering services which are provided by such enterprises.

Classification of industrial units in Micro, small or medium may be done with the help of provisions contained in Section 7 of Act. The details are as under:

Micro Industrial Units: For a manufacturing enterprise with investment in plant and machinery less than Rs. 25 lakhs and for service enterprise, investment in equipment less than Rs. 10 Lakhs

Small Industrial Units: For a manufacturing enterprise with investment in plant and machinery more than Rs. 25 lakhs but upto Rs. 5 crores and for service enterprise, investment in equipment more than Rs. 10 Lakhs but upto Rs. 2 crores.

Medium Industrial Units: For a manufacturing enterprise with investment in plant and machinery more than Rs. 5 crores but upto Rs. 10 crores and for service enterprise, investment in equipment more than Rs. 2 crores but upto Rs. 5 crores.

The above investment excludes investment in certain plant and machinery or equipment such as pollution control, research and development, industrial safety devices, gas producer plants, extra transformers, etc., and certain other items of expenditure such as installation costs, technical know-how fees and bank charges and services charges paid to National or State Small Industries Corporation etc.

From above the definition of 'supplier', it appears that a "medium" enterprise is not covered and it can be construed that the provisions on interest payment/provision and disclosure requirements under this Act do not apply to "medium" enterprises. Further, organizations established by State Governments, such as Small Industries Associations, Coir Industrial Cooperative Societies, small scale industrial cooperative societies etc., i.e. establishments that assist in sale of products of its members, would also fall within the definition of a 'supplier' as above.

The following points describe the nature and intent of the Act in detail and will help in understanding its implication on the enterprises dealing with Micro and Small enterprises.

Liability of a buyer to make payment:

Where any supplier, supplies any goods or renders any services to any buyer, the buyer shall make payment thereof on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the appointed day, provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the day of acceptance or the day of deemed acceptance. In this regard, "Appointed Day" has been defined to mean as "the day following immediately after the expiry of the period of fifteen days from the day of acceptance or deemed acceptance of goods or services by a buyer."

VALUE CREATION

Micro, Small and Medium Enterprises Development Act, 2006 – Implications from an Accounting Standpoint.....(Contd.)

Day of acceptance refers to day of the actual delivery of goods or the rendering of services, in case no objections are received within 15 days thereof. If objections are made, then the date of removal of the objections would be considered as the day of acceptance. Further, if no objections are made within the 15 days, the date of delivery or rendering of services shall be "deemed day of acceptance"

This means that the maximum period that is allowed under the Act for payment to be made is 45 days from the date of delivery of goods or receipt of services, if no objections are made within 15 days from such a date. In the event of any objections being made, then the number of days gets extended by the number of days taken to remove the objection. Any delay beyond such days would result in a levy of interest at the rates stated in the Act.

Date from which and rate at which interest is payable.

Where any buyer fails to make payment of the amount to the supplier, as required under section 15, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force, be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank. The charging provisions of the Act are contained in this Section. The applicable bank rate as notified by RBI on the appointed day should be applied for computing the interest payment / provision.

Requirement to specify unpaid amount with interest in the annual statement of accounts.

Where any buyer is required to get his annual accounts audited under any law for the time being in force, such buyer shall furnish the following additional information in his annual statement of accounts, namely:

the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year;

•the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;

•the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;

•the amount of interest accrued and remaining unpaid at the end of each accounting year; and

•the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.

Interest not to be allowed as deduction from income.

Notwithstanding anything contained in the Income-tax Act, 1961, the amount of interest payable or paid by any buyer, under or in accordance with the provisions of this Act, shall not, for the purposes of computation of income under the Income-tax Act, 1961, be allowed as deduction.

Overriding effect

The provisions of sections 15 to 23 shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force.

A clarification from the Ministry of Corporate Affairs, ICAI or any other concerned Government/autonomous bodies is much needed to help the Companies comply with the intent of law.

CORPORATE WATCH

Punjab National Bank

Established in 1895 at Lahore, undivided India, Punjab National Bank (PNB) has the distinction of being the first Indian bank to have been started solely with Indian capital. The bank was nationalised in July 1969 along with 13 other banks. From its modest beginning, the bank has grown in size and stature to become a front-line banking institution in India at present.

A professionally managed bank with a successful track record of over 110 years. Largest branch network in India - 4525 Offices including 432 Extension Counters spread throughout the country Strategic business area covers the large Indo-Gangetic belt and the metropolitan centres. Ranked as 248th biggest bank in the world by Bankers Almanac , London. Strong correspondent banking relationships with more than 217 international banks of the world. More than 50 renowned international banks maintain their Rupee Accounts with PNB. Well equipped dealing rooms; 20 different foreign currency accounts are maintained at major centres all over the globe.

Chairman of the Company	Dr. K C Chakrabarty
Face Value of the Share	10.00
52 week High	720
52 week Low	380

Amount in Rs. (Crores)

Particulars	Mar 05	Mar 06	Mar 07
Operating Income	8459.85	9584.15	11,537.48
Other Income	1854.54	1478.23	1,343.64
Total Income	10314.39	11062.38	12881.12
Total Expenses including Depreciation	3257.26	3263.15	3926.05
Interest and financial charges	4453.11	4917.39	6022.91
PBT	2604.02	2881.74	2932.16
Tax	1193.90	1442.53	1392.08
Net Profit	1410.12	1439.31	1540.08
Earnings Per Share	44.72	45.65	48.84
Equity	315.30	315.30	315.30
Face Value	10	10	10

CORPORATE WATCH

DETAILS AS ON 21st January 2008

Top 3 Shareholdings in the Company

Resident individuals	13.07
Total Institutions	7.50
Total Foreign	79.40

Top 3 Mutual Fund Holding

Scheme Name	Amount (Rs. Crores)
HDFC Mutual Fund	283.51
UTI Mutual Fund	30.02
Reliance Mutual Fund	27.83

Comparative Data of Punjab National Bank with its Peer Companies

<i>(in Rs. Crore)</i>					
Company Name	Last Traded Price	EPS (TTM)	PE Ratio	Face Value of Share	Market Capitalisation
State Bank of India	2,159	106.32	20.31	10	113,633
Bank of India	391	29.60	13.22	10	19,074
Bank of Baroda	369	33.73	10.95	10	13,500
Punjab National Bank	547	67.52	8.10	10	17,244

NOTIFICATIONS AND PRONOUNCEMENTS

NOTIFICATIONS AND CIRCULARS

NABARD Rural Bonds under Section 80 C

The CBDT has notified vide Notification No. **293/2007** dated 31/12/2007, in exercise of the powers conferred by clause (xxii) of sub-section (2) of section 80C of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby specifies the NABARD Rural Bonds of National Bank for Agriculture and Rural Development (NABARD) for an amount of rupees five thousand crore for the purposes of the said clause.

http://law.incometaxindia.gov.in/DitTaxmann/Notifications/IncomeTaxAct/2007/Notif293_2007.htm

Applicability of Section 194 I to the cold storage owners

The CBDT has notified vide Notification No. **1/2008** dated 10/01/2008, clarification on the applicability of Section 194 I to the cold storage owners.

http://law.incometaxindia.gov.in/DitTaxmann/circular/cir1_2008.htm

Clarification in respect of renting of immovable property service and works contract service

"Input credit of service tax can be taken only if the output is a 'service' liable to service tax or a 'goods' liable to excise duty. Since immovable property is neither 'service' or 'goods' as referred to above, input credit cannot be taken."

http://www.servicetax.gov.in/circular/st-circular08/st_circ_98-2k8.htm

CASE LAWS

Tax Planning

C.I.T. Vs. Biharji Construction (India) Ltd. 27/11/2006 [2007] 161 TAXMAN 312 (Gauhati)

Decision:

Held by the Hon`ble Court that tax Planning to reduce the burden of tax is not an offence, provided it is not violative of any of the provision of the income- tax Act.

Capital gain

Bharat S.Shah Vs. J.C.I.T. 16/03/2006 (2006) 285 ITR 174 (Mumbai)

Decision:

Held by the Hon`ble Bench that as per section 55(2) clause (aa) in case assessee becomes entitled to an additional financial asset by virtue of original holding of shares the cost of acquisition of the original shares cannot be spread over for calculating the capital gain. .

Duty of Assessing Officer

C.I.T. Vs. Raza Textiles Ltd. 03/10/2006 [2007] 293 ITR 92 AIR

Decision:

Held by the Hon`ble Court that, it is not open to the assessing authority to embark upon any other enquiry and reopen the case which is already decided by the Tribunal in the favour of the assessee.

Interest free loan

C.I.T. Vs. Govind Agencies P. Ltd. 16/08/2007 [2007] 295 ITR 290 (All)

Decision:

Held by the Hon`ble Court that it had come on the records that due to bad financial position no interest has been charged in order to safe guard the principal and assessee acted as an prudent person. Therefore no notional interest, on interest free loan for business purpose, will includible in the income of assessee

DUE DATES

Due Date	Assessee Covered	Obligation / Event
PROVIDENT FUND AND ESI		
20th January	PF Applicable Units	EPF Monthly Return.
20th January	PF Applicable Units	EPF Deposit for December 2007
21st January	ESI Applicable Units	ESI Deposits for December 2007
INDIRECT TAX		
28th January	DVAT Assessee	Electronic return for those who have been prescribed to file monthly returns under DVAT for the month of December 2007 and 3 rd Quarter DVAT return.
5th February	Service Tax Assesses	In respect of payment received towards the value of taxable services in January for corporate assesses
DIRECT TAX		
31 st January	Income Tax Assesses	Issue TDS certificate for tax deduction in previous month
7th February	Income Tax Assesses	Deposit of TDS/TCS deducted during the month of January 2008.

BUSINESS GAGS

The Best Boss in the World

Smith goes to see his supervisor in the front office.

"Boss," he says, "we're doing some heavy house-cleaning at home tomorrow, and my wife needs me to help with the attic and the garage, moving and hauling stuff."

"We're short-handed, Smith," the boss replies. "I can't give you the day off."

"Thanks, boss," says Smith, "I knew I could count on you!"



Good judgment comes from bad experience, and a lot of that comes from bad judgment.

Anonymous

Queries/Feedback/Suggestions on this newsletter may be addressed to:
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