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# NEWS ROOM

## Foreign Companies can open Escrow Account

Reserve Bank has allowed foreign companies to open escrow or special accounts in authorised banks for buying shares in Indian firms (open offers, delisting offers and exit offers) -- a move that gives them more flexibility in acquiring domestic companies. As per the notification, these banks will not require prior approval of the Reserve Bank to open such accounts. Such accounts could be operated by persons appointed by the firms.

## Tata Steel inks MoU with Vietnam Steel Corp

World's sixth largest steel maker Tata Steel signed an MoU to form a joint venture with Vietnam Steel Corporation (VSC) to build a 4.5 million tonne (MT) steel plant in Ha Tinh province in Vietnam. The Indian steel giant would hold 65 per cent stake in the joint venture and the remaining would be owned by VSC. The proposed plant will be built over a period of 10 years.

## US tightens China export restrictions

The US has tightened restrictions on exports of technology to China in a move aimed at curtailing Beijing's military modernization. The Bush administration has posted on its website its "China policy rule", which would expand the number of military end-use items for which US companies would need licenses to export to China drafted by the commerce department. The rule lists 20 separate product groups that US companies will be required to seek a license to export. The items include high-powered computers and certain kinds of lasers.

## Mumbai among world's top ten in financial flow

Driven by high trading volumes for equities and a good presence of global banking and financial services firms, Mumbai has grabbed a place in the world's top ten financial flow hubs list, beating Hong Kong and Beijing in China. The city has been ranked tenth among the world's largest centres of commerce in terms of financial flow volumes by a survey compiled by MasterCard Worldwide, which takes into consideration the size of the financial services network, besides equity, bond, derivatives and commodity contract transactions.

## Mars, Nirulas adorn US Co. IHC's platter

Delhi's iconic restaurant chain Nirula's and Mumbai's Mars Restaurants — owners of eateries such as Not Just Jazz By The Bay and Tendulkar's are changing hands yet again. This time, it's the little known India Hospitality Corp (IHC), promoted by two US-based entrepreneurs, which is snapping up the two companies from Malaysian private equity fund Navis Capital Partners. While the deal with Mars and its sister airline catering company Sky Gourmet Catering has already been sealed for \$110 million, IHC has the option of buying out Nirula's by the year-end.

## Government sets up panel on loan repayment by Sugar Mills

The Centre has set up a committee headed by the National Bank for Agriculture & Rural Development (Nabard) executive director SK Mitra to look into the possibilities of rescheduling loan repayment of sugar factories covered under the Vaidyanathan task force. The committee will also explore whether those sugar factories which remained to be covered under the revival package can be covered for next crushing season. It is expected to submit its report to the Centre by end of August.

## ICICI, Spanco take over GTL BPO

Mumbai-based IT company GTL has entered into an agreement with ICICI Bank and Spanco Telesystems to lease out its BPO assets for 25 years for Rs 253 crore. GTL has two BPO facilities located in Navi Mumbai and Pune with a combined capacity of 1,500 seats. In terms of area, these two units have a combined capacity of over 1.5 lakh sq ft.

## Railways, industry to rake it in with long-term plan

The giants of India Inc, the likes of Reliance Industries, Tata Steel, SAIL, Anil Dhirubhai Ambani group (ADAG), Lafarge and Gujarat Ambuja — will now receive freight service guarantee from Indian Railways. They would soon be able to enter into long-term service agreement with Railways for on-time movement of products. A failure on the part of the Railways to deliver goods on time or a failure by the companies in using a specified number of wagons would attract penalties. It is potentially a win-win situation for both the parties. The move would guarantee a strong customer base for the Railways as transportation contracts would range from 10 years to 30 years.

# VALUE CREATION

## REVERSE MORTGAGE

Peace and rest at length have come, All the day's long toil is past; And each heart is whispering, "Home, Home at last!"

Thomas Hood, *Home At Last*

A relatively new concept of "reverse mortgage" has brought a huge wave of relief to the older generation in India. It is a loan available to the elderly (62+) and is used to release the home equity in the property as one lump sum or multiple payments. The homeowner's obligation to repay the loan is deferred until the owner dies, the home is sold, or the owner leaves (i.e. into aged care). **Put simply, a reverse mortgage is a loan against your home that you do not have to pay back for as long as you live in that house.**

### Concept

In a typical mortgage the homeowner makes a monthly amortized payment to the lender; after each payment the equity increases within his or her property, and typically after 30 years the mortgage is paid in full and the property is released from the lender. However, in a reverse mortgage, the home owner makes no payments and all interest is added to the lien on the property, which means that as long as the borrower or the co-owner (spouse) stays in the house, loan taken against it need not be repaid. The loan is repaid only when the borrower sells the house or no longer lives there as their primary residence.

The reverse mortgage is aptly named because the payment stream is "reversed." Instead of making monthly payments to a lender, as with a regular mortgage, a lender makes payments to the borrower. Such payments shall be extended as regular monthly or periodic cash advances or as a line of credit to be drawn at the time of need. Lump sum withdrawal of loan shall be permitted for restricted uses such as for upgradation, renovation and extension of residential property.

### Procedure

One has to approach a housing finance company (HFC) or a bank and express interest in pledging his home for the reverse mortgage scheme. The HFC will assess the value of the house and the loan payable amount would be decided only after considering the age of the requestor and the prevailing interest rate.

### Re-reverse mortgage

Going further, one may free his property midway through the tenure of reverse mortgage on payment of dues to the bank. Also, the same property can again be pledged for reverse mortgage in future.

### Costs

Costs of reverse mortgage include closing costs of the primary lenders such as loan processing charges, documentation costs and commitment fees on undrawn loan amount. Usually costs that the consumer bears are charges similar to that of a normal mortgage in addition to an origination fee and an inspection and appraisal fee."

### Benefits

In the absence of provisions for social security in the country, a product like reverse mortgage has numerous benefits, financial independence being the primary one. Reverse mortgage enables fund inflows when income sources are generally restricted and tend to fall markedly as compared to one's working life.

### An investment option

With reverse mortgage expected to become a reality soon, it makes sense to buy a house early in your working life so that you can unlock its value in your retirement years. The overriding objective of reverse mortgage is to address the financial needs of the house-owning, asset-rich but cash needy senior citizens as a significant option.

### Issues

Since the concept of reverse mortgage is new in India, there are a number of issues that may arise and need to be addressed by the authorities for ensuring its successful implementation. These issues mainly pertain to tax-treatment, accounting, legal and regulatory aspects.

# CORPORATE WATCH

Chairman of the Company	A M Naik
Face Value of the Share	Rs. 2.00 each
52 week High	Rs. 2060.00
52 week Low	Rs. 1227.00

Larsen & Toubro Limited (L&T) is a technology-driven engineering and construction organization & one of the largest companies in India's private sector. The company was founded in Bombay (Mumbai) in 1938 by two Danish engineers, Henning Holck-Larsen and Soren Kristian Toubro - both of whom were strongly committed to developing India's engineering talent and enabling it to meet the demands of industry. A thrust on international business over the last few years has seen overseas earnings growing to 18 per cent of total revenue.

*Amount in Rs. Crores*

Particulars	March 06	Sep 06	Mar 07
Sales Turnover	8306.35	7219.01	10359.83
Other Income	171.84	153.12	309.17
Total Income	8478.19	7372.13	10669.00
Total Expenses	7413.42	6730.74	9101.56
Operating profit	892.93	488.27	1258.27
<b>Gross Profit</b>	<b>1064.77</b>	<b>641.39</b>	<b>1567.44</b>
Interest	50.59	26.38	7.55
PBDT	1014.18	615.01	1559.89
Depreciation	59.06	64.53	105.48
PBT	955.12	550.48	1454.41
Tax	229.00	192.13	409.74
<b>Net Profit</b>	<b>726.12</b>	<b>358.35</b>	<b>1044.67</b>
Earnings Per Share	--	25.77	--
Equity	27.48	28	56.65
Face Value	2.00	2.00	2.00

# CORPORATE WATCH

DETAILS AS ON 15TH June 2007

## Top 3 Shareholdings in the Company

Total Institutions	37.87
Total Public & Others	37.59
Total Foreign	21.32

## Top 3 Mutual Fund Holding

Scheme Name	No. of Shares
HDFC Equity Fund (G)	1,255,811
Reliance Vision Fund (G)	600,947
Franklin India Flexi Cap Fund (G)	588,085

## Comparative Data of Larsen & Toubro with its Peer Companies

*(in Rs. Crore)*

Company Name	Last Traded Price	EPS (TTM)	PE Ratio	Face Value of Share	Market Capitalisation
Punj Lloyd	246.70	2.36	111.86	2	6,897
Engineers India	479.50	26.12	18.46	10	2,707
Reliance Infra	462.55	12.66	36.30	10	694

# NOTIFICATIONS AND PRONOUNCEMENTS

## Case Laws

**Exemption under sections 54 and 54F is allowable in respect of one residential house only.**

If the assessee has purchased more than one residential house, the choice is with the assessee to avail the exemption in respect of either house. Where more than one unit is purchased and the two units are adjacent to each other & are converted into one house for the purpose of residence by having common passage, common kitchen etc, then it is a case of investment in one residential house and the assessee is entitled to exemption.

## Notifications

### **CBDT RULING ON FBT ON ESOP/SWEAT EQUITY**

CBDT has ruled that the first installment of Fringe Benefit Tax, which was payable by 15<sup>th</sup> June in respect of transfer or allotment of specified security or sweat equity shares to its employees, may now be paid by 15<sup>th</sup> of September, 2007 (the date of second installment). CBDT is currently in the process of notifying the method for determination of the fair market value. In the meantime, the first installment of advance tax in respect of fringe benefit tax falls due on 15<sup>th</sup> of June. In the absence of a method for determination of the fair market value, it will not be possible for an employer to determine the value of the first installment of advance tax related to fringe benefit tax in respect of allotment or transfer of specified security or sweat equity shares to its employees.

### **NEW SERIES OF FORMS FOR FILING OF INCOME TAX RETURN FOR THE ASSESSMENT YEAR 2007-08**

For the assessment year 2007-08, the Central Board of Direct Taxes has introduced eight forms under the new series:

ITR-1 - return of income for Individuals having salary and interest income and no other income.

ITR-2 - return of income for Individuals and HUFs having income from any source except from business or profession.

ITR-3 - return of income for Individuals and HUFs being partners in firms and not having proprietor business or profession.

ITR-4 - return of income for Individuals and HUFs having proprietor business or profession.

ITR-5 - combined form for return of income and fringe benefits for Firms/AOP/BOI .

ITR-6 - combined form for return of income and fringe benefits for Companies.

ITR-7 - combined form for return of income and fringe benefits for Charitable / religious trusts, political parties and other non- profit organizations.

ITR-8 - stand alone form for return of fringe benefits for persons who are not liable to file return of income but are liable to file return of fringe benefits

### **INTELLECTUAL PROPERTY RIGHTS (IMPORTED GOODS) ENFORCEMENT RULES, 2007**

The Central government, acting through the Ministry of Finance, department of revenue has notified vide notification no. 47/2007-customs (N.T.) notified the above mentioned rules for enforcement of IPRs on imported goods.

### **CIC RULING**

The Central Information Commission (CIC) has brought the country's stock exchanges under the purview of the Right to Information Act. The CIC has directed all the bourses in the country to comply with the RTI rules within three months.

# DUE DATES

Due Date	Assessee Covered	Obligation / Event
<b>PROVIDENT FUND AND ESI</b>		
25 <sup>th</sup> June	PF Applicable Units	EPF Monthly Return.
20 <sup>th</sup> July	PF Applicable Units	EPF Deposit for June 2007
21 <sup>st</sup> July	ESI Applicable Units	ESI Deposits for June 2007
<b>INDIRECT TAX</b>		
25 <sup>th</sup> June	DVAT Assessee	Electronic return for those who have to file monthly return and those who have been prescribed to file monthly returns under DVAT
28 <sup>th</sup> June	DVAT Assessee	DVAT return for those assesses who are filing quarterly returns
5 <sup>th</sup> July	Service Tax Assessee	In respect of payment received towards the value of taxable services in June 2007 for Corporate Assessee.
<b>DIRECT TAX</b>		
28 <sup>th</sup> June	Income Tax Assessee	Issue TDS certificate for tax deduction in previous month
7 <sup>th</sup> July	Income Tax Assessee	Deposit of TDS/TCS deducted during the month of June 2007.

# BUSINESS GAGS

## Differences Between You And Your Boss

When you take a long time, you're slow.  
When your boss takes a long time, he's thorough.

When you don't do it, you're lazy.  
When your boss doesn't do it, he's too busy.

When you make a mistake, you're an idiot.  
When your boss makes a mistake, he's only human.

When doing something without being told, you're overstepping your authority.  
When your boss does the same thing, that's initiative.

When you take a stand, you're being pig-headed.  
When your boss does it, he's being firm.

When you overlooked a rule of etiquette, you're being rude.  
When your boss skips a few rules, he's being original.

When you please your boss, you're ass-kissing.  
When your boss pleases his boss, he's being co-operative.

When you're out of the office, you're wandering around.  
When your boss is out of the office, he's on business.

When you're on a day off sick, you're always sick.  
When your boss has a day off sick, he must be very ill.

When you apply for leave, you must be going for an interview.  
When your boss applies for leave, it's because he's overworked.



*"Only one thing is impossible for God: To find any sense in any copyright law on the planet."*

*Mark Twain*

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