



COMMON PLATFORM Once the merger happens, stock exchanges will be able to become universal exchanges wherein equities, debt instruments and currencies are traded under the same roof as commodity derivatives

Two sides of the Sebi-FMC merger

The proposed merger will present more opportunities to the exchanges but could also pose serious challenges for the watchdog

RAJESH BHAYANI
Mumbai, 24 March

The proposal to merge the Securities and Exchange Board of India (Sebi), the stock market regulator, with the Forward Markets Commission (FMC), which regulates the commodities market, was proposed by Finance Minister Arun Jaitley in his Budget for 2015-16. So that it doesn't require separate parliamentary approval, the legal changes required for the merger were incorporated in the Finance Bill. Once the president gives his assent to the Bill, the changes will get automatically notified.

The implications of the merger are significant. Stock exchanges will be able to become universal exchanges wherein equities, debt instruments and currencies are traded under the same roof as commodity derivatives. Stock exchanges already have depositories and clearing corporations that will cater to the needs of commodity traders as well.

However, after talking to experts, it is evident that the commodity exchange space will see consolidation and ultimately three or four players will remain on the scene, as compared to six now, including existing large stock exchanges such as the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) and National Commodity and Derivatives Exchange (NCDEX).

Jaitley has proposed repealing the Forward Contract Regulation Act and changes in the Securities and Contract Regulation Act in the Finance Bill. However, to give effect to the merger, even the Sebi Act needs to be amended to allow commodities derivatives as security and also to allow Securities Appellate Tribunal to hear cases related to commodities as well. However, these changes are seen only as procedural hiccups.

Opening avenues

The changes will provide enormous opportunities: investment derivatives such as exchange traded funds for silver and other metals, weather and freight derivatives, and index futures and options trading in commodities. It will offer arbitrage opportunities across segments in an exchange, and make margin money fungible for trading across various asset classes like commodities, currencies and equities. Thus, if BSE or NSE starts commodity derivatives, margin money for equities or currencies will also be available for commodities because the clearing corporation will be the same.

After Jaitley announced the proposed merger in the Budget, Sebi called all com-

TRADING NUMBERS

Daily average turnover (FY15)

	₹ crore	Market share (%)
Equity (Cash + F & O)		
NSE	2,43,507.93	73.88
BSE	86,109.75	26.12
Commodities		
MCX	20,139.48	83.82
NCDEX	3,508.45	14.60
NMCE	280.09	1.17
ACE	98.35	0.41
Currency market		
NSE	12,608.54	53.64
BSE (+USE)	8,186.80	34.83
MCX	2,709.17	11.53
Interest rate futures		
NSE	1,725.43	88.21
BSE	183.34	9.37
MCX	47.27	2.42
Source: Exchanges		
Compiled by BS Research Bureau		

Source: Exchanges

modity exchanges to make presentations. In-house expertise is being built and other organisational changes required are also being made. The merger was discussed at the Sebi board meeting held on March 22 in Delhi.

The exchanges, equity as well as commodity, have initiated deliberations on their future strategies when the two market regulators are merged.

an An industry insider says one should not be surprised if NSE acquires NCDEX, in which it holds 15 per cent, or launches metals and energy derivatives on its own platform. NCDEX is predominantly into farm commodities, and has a separate subsidiary for spot trading. Another insider says that BSE, which has Sebi's approval to

independent. Spokespersons for NSE, BSE, MCX and NCDEX say that since the proposal is yet to be implemented, they are not in a position to comment.

The question is, will the merger add more depth to the market? Aditya Gandhi, director of Sapient Global Markets (India), says: "It is hoped that with time institutional investors like banks and mutual funds will also be allowed to participate in these markets, which will increase liquidity and, therefore, price discovery, and offer more opportunities for hedgers to execute their transactions."

The government is acquiring power to define certain instruments as derivatives that will allow weather and freight derivatives. Weather derivatives could succeed in India as the vagaries of monsoon weigh heavily on the prospects for major crops. These two types of derivatives were discussed by the government a decade ago, but they were never on its priority list as the FCRA amendment to strengthen FMO never fruited.


"This should provide a full array of instruments for farmers, producers, shippers and consumers to manage their risks and therefore should increase participation and depth of the market," adds Gandhi.

High and low


The merger will give a significant boost to the integrity of the commodities market. FMC was dependent on the government for finances. It was short-staffed and technologically constrained to regulate and monitor the markets. A Nielsen report in 2013 suggested that *dabba* trading (illegal off-exchange derivative trading) in commodities had increased 5-7 times after the commodity transaction tax was introduced in July 2013. Sebi should be able to play an instrumental role in controlling this and to bring back the *dabba* trading to the exchanges.

The merger should also mean an improvement in the overall efficiency for the market participants, including a reduction in transaction costs. Two CEOs, one of a commodity exchange and the other of a stock exchange, agree that all segments under one exchange will help reduce the compliance costs and will result in better utilisation of margin money.

On the flip side, Gandhi says the proposed merger poses serious challenges for Sebi. "As commodity prices have significant implications for the common man, especially in times of famine or drought, it will need to do justice with the expectations of Dalal Street, but also manage the perception of the impact of derivative trading on the common man," he says. "It will also need to wade into new territory and help commodity exchanges manage warehouses, inspections and standardisation to help strengthen the markets."



KIOCL Ltd
 (A Government of India Enterprise)



E-auction on 26th March 2015
 Online auction for disposal of Used Transformers (120 MVA,
 Make: Crompton Greaves India Ltd.)
 in good working condition.

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 www.indiaengineering.com , www.synise.com

(This is only an advertisement for information purposes and not a Prospectus announcement.)									
		O. P. CHAINS LIMITED							
		CIN: U27205UP2001PLC026372							
Our Company was originally incorporated on December 4, 2001, as "O.P Chains Limited" under the provisions of the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies,Uttar Pradesh, Kanpur. Subsequently, our Company has received a Certificate of Commencement of Business dated December 7, 2002 issued by the Registrar of Companies, Uttar Pradesh, Kanpur.For details, please see section titled "History and Certain Corporate Matters" on page 106 the Prospectus.									
Registered Office: 8/16 A, Seth Gali, Agra - 282003, Uttar Pradesh, India; Tel: +91- 0562-3059117; Fax: +91-0562-4044990;									
Email: cs@opchainsltd.com; Website: www.opchainsltd.com									
Contact Person: Mrs. Swapnila Gupta (Company Secretary & Compliance Officer)									
THE ISSUE									
PUBLIC ISSUE OF 18,50,000 EQUITY SHARES OF FACE VALUE OF ₹ 10.00 EACH ("EQUITY SHARES") OF O. P. CHAINS LIMITED ("O. P. CHAINS" OR "OUR COMPANY" OR "THE ISSUER") FOR CASH AT A PRICE OF ₹ 11.00 PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ 1.00 PER EQUITY SHARE) ("ISSUE PRICE") AGGREGATING TO ₹ 203.50 LAKHS, OF WHICH 1,00,000 EQUITY SHARES OF FACE VALUE OF ₹ 10.00 EACH FOR CASH AT A PRICE OF ₹ 11.00 PER EQUITY SHARE AGGREGATING TO ₹ 11.00 LAKHS WILL BE RESERVED FOR SUBSCRIPTION BY MARKET MAKER ("MARKET MAKER RESERVATION PORTION"). THE ISSUE LESS THE MARKET MAKER RESERVATION PORTION I.E. ISSUE OF 17,50,000 EQUITY SHARES OF FACE VALUE OF ₹ 10.00 EACH AT AN ISSUE PRICE OF ₹ 11.00 PER EQUITY SHARE AGGREGATING TO ₹ 192.50 LAKHS (HEREINAFTER REFERRED TO AS "NET ISSUE"). THE ISSUE AND THE NET ISSUE WILL CONSTITUTE 27.00 % AND 25.54 %, RESPECTIVELY OF THE POST ISSUE PAID UP EQUITY SHARE CAPITAL OF OUR COMPANY.									
THE FACE VALUE OF THE EQUITY SHARES IS ₹ 10.00 EACH AND THE ISSUE PRICE IS ₹ 11.00. THE ISSUE PRICE IS 1.1 TIMES OF THE FACE VALUE									
THIS ISSUE IS BEING IN TERMS OF CHAPTER XB OF THE SEBI (ICDR) REGULATIONS, 2009 AS AMENDED FROM TIME TO TIME.									
THIS ISSUE IS A FIXED PRICE ISSUE AND ALLOCATION IN THE NET ISSUE TO THE PUBLIC WILL BE MADE IN TERMS OF REGULATION 43(4) OF THE SEBI (ICDR) REGULATIONS, 2009									
FOR FURTHER DETAILS SEE "ISSUE RELATED INFORMATION" BEGINNING ON PAGE 210 OF THE PROSPECTUS									
MINIMUM APPLICATION SIZE OF 10,000 EQUITY SHARES AND IN MULTIPLES OF 10,000 EQUITY SHARES THEREAFTER.									
OPENS ON : MONDAY, MARCH 30, 2015									
CLOSES ON : WEDNESDAY, APRIL 8, 2015									
ASBA*		Simple, Safe, Smart way of Application - Make use of it !!!							
		*Applications Supported by Blocked Amount (ASBA) is a better way of applying to issues by simply blocking the fund in the bank account, investors can avoid all the same. For further details, check section on ASBA below.							
PLEASE NOTE THAT IN ACCORDANCE WITH THE PROVISIONS OF SEBI CIRCULAR BEARING NUMBER CIR/CFD/DIL/1/2011 DATED APRIL 29, 2011, ALL APPLICANTS WHO ARE QIBS, NON – INSTITUTIONAL INVESTORS SHALL MANDATORILY MAKE USE OF ASBA FACILITY. ALL QIBS AND NON-INSTITUTIONAL INVESTORS, COMPLYING WITH THE ELIGIBILITY CONDITIONS OF SEBI CIRCULAR DATED DECEMBER 30, 2009, MUST MANDATORILY INVEST THROUGH THE ASBA PROCESS. NON-RETAILS INVESTORS HAVING BANK ACCOUNT WITH THE SCBSs THAT ARE PROVIDING ASBA IN CITIES / CENTERS WHERE NON-RETAIL INVESTORS ARE LOCATED ARE MANDATORILY REQUIRED TO MAKE USE OF ASBA FACILITY. OTHERWISE APPLICATIONS OF NON-RETAIL INVESTORS ARE LIABLE FOR REJECTION. ALL NON-RETAIL INVESTORS ARE ENCOURAGED TO MAKE USE OF ASBA FACILITY WHEREVER SUCH FACILITY IS AVAILABLE.									
PROMOTERS OF OUR COMPANY: MR. OM PRAKASH AGARWAL, MR. ASHOK KUMAR GOYAL & MR. SATISH KUMAR GOYAL									
Listing: The Equity Shares offered through the Prospectus are proposed to be listed on the BSE SME Platform. In terms of the Chapter XB of the SEBI (ICDR) Regulations, 2009, as amended from time to time, we are not required to obtain an in-principle listing approval for the shares being offered in this issue. However, our Company has received an approval letter dated November 19, 2014 from BSE for using its name in this offer document for listing of our Equity Shares on the SME Platform of BSE. For the purpose of this Issue, the Designated Stock Exchange will be the BSE Limited ("BSE").									
Disclaimer Clause of SEBI: Since the Issue is being made in terms of Chapter XB of the SEBI (ICDR) Regulations 2009, the Draft Offer Document was not filed with SEBI. In terms of the SEBI Regulations, the SEBI shall not issue any observation on the Offer Document. Hence there is no such specific disclaimer clause of SEBI. However investors may refer to the entire Disclaimer Clause of SEBI beginning on page 198 of the Prospectus.									
Disclaimer Clause of BSE (Designated Stock Exchange): It is to be distinctly understood that the permission given by BSE Limited ("BSE") should not in any way be deemed or construed that the Prospectus has been cleared or approved by BSE nor does it certify the correctness or completeness of any of the contents of the Prospectus. The investors are advised to refer to page 204 of the Prospectus for the full text of the Disclaimer Clause of BSE.									
IPO GRADING: Since the issue is being made in terms of Chapter XB of the SEBI (ICDR) Regulations, there is no requirement of appointing an IPO Grading agency.									
ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 30 OF THE COMPANIES ACT, 2013									
Main Objects As Per Memorandum of Association of Our Company: 1. To takeover the existing business of M/s O. P Chains & Others AOP and its all assets and liabilities and other title, rights, goodwill or any other assets or liabilities acquired or self generated. To acquire all its tangible and non tangible assets and liabilities of the above AOP. 2. To carry on the business of manufacture, dealers, exporter, importer of precious and non precious metal in India or Outside India. The precious metal will include gold, silver, platinum or any metal or compound which is termed as precious metal on the international or national recognized metal exchange. The non precious metal includes the iron, cooper, aluminum etc or any metal or compound which is termed as precious metal on the International or national recognized metal exchange. 3. To carry to business of manufacture, dealers, exporter, importer of jewelry, fancy items, daily use items made up of precious and non-precious metal in India or outside India. The precocious metal will include gold, silver platinum or any metal or compound which is termed as precious metal on the International or national recognized metal exchange. The non precious metal includes the Iron, cooper aluminum etc. or any metal or compound which is termed as precious metal on the International or national recognized metal exchange. 4. To open the subsidiary or wholly owned subsidiary in India or outside India to transact the business of manufacture trading importer, exporter of precious metal, non precious metal, items of personal or industrial use made up from the precious metal and non precious metal. 5. To carry on the business of lending money as loan or financial assistance, make investments in securities or projects or business of other nature, accept money from others, to act as merchant bankers, investors, lenders officers, installers, to draw, make, accept, endorse, discount, negotiate, execute and issue bills of exchange, promissory notes, and other negotiable instruments, subjects to approval of Reserve Bank of India. 6. To purchase, acquire take on lease or in exchange or in any other lawful manner make investment in Property and to turn the same in to account, develop the same and dispose off or maintain the same and to create Land Banks and to build townships, commercial complex, or other buildings or conveniences thereon and to equip the same or any part thereof with all or any amenities or conveniences and to deal with the same in any manner what so ever and to carry on the business as planners, designers, architects, engineers, promoters, consultants, advisors, interior decorators, real estate agents in all the matters connected with real estate and building construction and to promote, manage and administer co-operatives, groups housing societies for buying, maintain and developing lands, building, hereditament, facilities, amenities and to manage sell, allot lease out houses, apartments, flats, shops, offices to the shareholders, members, participants of such co-operatives, groups, societies or to any other person on their behalf and to invest the fund of the Company in Securities, Shares, Government Securities, Commodities and Derivatives from time to time in the ordinary courses of business.									
Amount of Share Capital of Our Company And Capital Structure: Authorized Share Capital of ₹ 725 Lacs divided into 72,50,000 equity shares of Face Value of ₹ 10 each; Issued, Subscribed and paid-up Capital Prior to the issue is ₹ 500 Lacs divided into 50,00,000 equity shares of Face Value of ₹ 10. Proposed Post Issue Paid-up Capital: ₹ 685 Lacs divided into 68,50,000 equity shares of ₹ 10 each.									
Liability of Members as per MoA: The Liability of the members of the Company is limited.									