**FDI policy set for revamp**

Govt moves to bring in more clarity on definition of ‘control’

In its bid to bring more clarity on the definition of ‘control’ in the country’s foreign direct investment (FDI) policy, in sync with that in the Companies Bill, the Department of Industrial Policy and Promotion (DIPP) would soon move a Cabinet note to amend the policy.

This would be to clearly define the rights of a person or company, especially foreign, with controlling stake in an Indian entity. Accordingly, the Reserve Bank of India (RBI), too, would amend the Foreign Exchange Management Act (Fema) to include the new definition.

Besides, in what could be seen as a revamp of the FDI policy, a committee on ‘improvement of capital flows - FDI and portfolio’, under the finance ministry, has decided to bring rules to allow foreign investment in consultancy and advisory services for the construction & development sector.

It has also allowed warrants and partly paid shares to be considered as instruments for FDI and imposed new equity limits for Indian investors in construction & development joint ventures, among other things.

**CARE: Bad loans rise 42% to Rs 1.83 trn**

Gross non-performing assets in the system have risen to Rs 1.83 lakh crore as of December 2012 from Rs 1.28 lakh crore a year ago

Slowing down in growth and high interest rates have resulted in a 42.6% rise in bad assets in banking system to Rs 1.83 lakh crore till December 2012, CARE Ratings has said. The gross non-performing assets in the system have risen to Rs 1.83 lakh crore from Rs 1.28 lakh crore a year ago, witnessing a growth of 42.6%.

"Consistent high interest rates have impacted the debt repayment capacity of corporates thereby resulting in asset quality deterioration and rise in the quantum of restructured assets across the banking sector,” CARE Ratings said. The agency also attributed the stress to subdued economic activity that dented top lines of corporates.

The gross NPA ratio of the system has increased to 3.53% in December 2012, as against the 2.88% level in December 2011, it said. State-run banks contributed the maximum to the increase in NPAs, with a 48% surge while the same for private banks stood at 10%, CARE said.

Restructured assets have grown 23% since March 2012 to Rs 3.2 lakh crore, or 6.1% of the total advances, it said. The same ratio of restructured assets had stood at 5.4% in March, 2012.

However, in some solace for the sector, the ratings agency said it did not expect credit growth to fall below the expectations and expects the margins to remain stable in the near term.

**SKS Microfinance pays penalty to insurance watchdog**

SKS Microfinance said it has paid Rs 50 lakh as fine to the Insurance Regulatory and Development Authority (IRDA) along with Rs 50 lakh penalty on the SKS Microfinance which had collected extra funds, apart from the premium, as a corporate insurance agent without proper disclosure to policy-holders.

As per the Insurance Regulatory and Development Authority (IRDA) order, a microfinance institution (MFI), which also operates as a corporate insurance agent, cannot collect more than the premium amount charged for the policy on behalf of an insurance company.

It held the company which acted as a corporate agent of Bajaj Allianz Life Insurance Company, guilty on that score and charged a penalty.

Meanwhile, the company in a separate statement said that it has appointed Ranjana Kumar, former vigilance commissioner with Central Vigilance Commission, as an Independent Director on its Board.

**Lenders to ‘name and shame’ loan defaulters**

Banks to publish photographs and details like name and address of wilful loan defaulters in newspapers and bank branches, market leader SBI takes the lead.

These persons had taken export credit loans of Rs three lakh each and their outstanding amounts were in the range of Rs 2.6 lakh to Rs 2.93 lakh.

Executives at many other banks said that they would also publish photographs and other details of their wilful defaulters in local newspapers circulated in areas of residence of such persons.

As per RBI’s regulations, wilful defaulters are mostly those who are found to be engaged in deliberate non-payment of dues despite adequate cash flow and good networth.

Besides, banks can also classify defaulters as ‘wilful’ if the loans are utilised for purposes other than those previously stated, funds are siphoned off from the bank-facilitated activity, records are falsified, securities are disposed of without bank’s knowledge.

**SOURCE: BUSINESS STANDARD**

**SOURCE: FREE PRESS JOURNAL**

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**SOURCE: BUSINESS STANDARD**

**SOURCE: FINANCIAL EXPRESS**
Fin Min moves to recover IT waiver availed by Cadbury for ‘ghost’ unit

The move is believed to have come after DGCEI slapped a notice demanding Rs.252 cr that was allegedly evaded by the chocolate maker that was allegedly evaded by the chocolate maker for its new unit in Baddi, Himachal Pradesh even before it came into existence, official sources said.

Phone calls and email query to the company did not elicit any response. Sources said on top of the excise duty exemption, Cadbury is alleged to have wrongly claimed tax exemption on profit earned through its production unit. As per central government norms, 100% income tax exemption for initial period of five years and thereafter 30% for companies and 25% for other than companies for a further period of five years is given to industrial units in Himachal Pradesh from the date of commencement of commercial production. However, for availing this, the unit should have been established before March 2010.

The certificate of commercial production by the Industries Department of Himachal Pradesh was issued to Cadbury sometime in January 2011 which showed that the Baddi unit had not commenced commercial production till March 2010. All exemptions (excise and income tax) had been wrongly availed, the sources said.

Suspicious trades: Brokers to get alerts on client accounts

Leading bourses BSE andNSE have put in place a mechanism that will generate automated alerts for stock brokers whenever suspicious transactions are detected in their clients’ accounts. The alerts will be generated in case of unusual changes in the trading pattern of the clients, sudden trading in dormant accounts as also in suspected cases of circular trading, ‘pump-and-dump’, front running and ‘wash sale’ activities.

In market parlance, ‘pump-and-dump’ involves sudden sale of shares after creating huge volumes with significant buying activities, while in ‘wash sale’ transaction, an investor sells a losing security to claim a capital loss, only to repurchase it again for a bargain. Trading members have also been asked to analyse the trading activity of clients on the basis of transactional alerts and can seek explanations from them for entering into such transactions.

MRPL retracts Haldia PetChem buyout plan

Cites legal battle among latter’s promoters as reason for staying away from cash-strapped venture

"There was an interest in HPL but that has died down. The key promoters are fighting a legal battle which is getting more complex every day and a solution doesn’t seem to get any nearer. In such conditions, I would rather stay away from a company like this,” he said.

In June last year, key officials of MRPL, citing forward integration interests, had come here to meet Partha Chatterjee, chairman of HPL. West Bengal Industrial Development Corporation (WBIDC), through which the government holds close to 40 per cent stake in HPL, has been in a hurry to get out of the troubled joint venture, set up in 1984.

FCI plans Rs 5k cr bonds to cut borrowing costs

Food Corporation of India (FCI) will soon issue bonds worth Rs 5,000 cr to reduce borrowing costs and increase cash flow. While the food ministry has already given its nod, sources say the corporation is waiting approval from the Finance Ministry. FCI had issued bonds worth Rs 3,914 cr in 2005. After FCI mops up the requisite amount through bonds, it will reduce dependence of the corporation on cash credit limit. FCI depends on cash credit limit of Rs 54,495 crore from 62 public sector

MMTC disinvestment shelved

An inter-ministerial panel on Tuesday deferred the government’s 9.33 per cent stake sale in state-owned trading company MMTC on valuation concerns. “MMTC issue has been deferred for now... EGoM did not accept recommendations of merchant bankers on valuation issues,” Disinvestment Secretary Ravi Mathur told reporters after the meeting. The issue was originally planned to hit the markets on March 14. According to sources, the sale is likely to be shifted to the next financial year, 2013-14, which begins on April 1. Erasing early losses, shares of MMTC settled over 7% higher at Rs 317.70 after rising by 9.42% intra-day.

After opening weak and falling over 5% to Rs 280.25 – its 52-week low in morning trade, the stock bounced following the announcement of stake sale deferment. Since the public float of the company is very less, sources said the merchant bankers had a tough time in evaluating the share price which will be acceptable to investors.

MRPL, told Business Standard it made no sense to buy the shares of a loss-making company at this stage.

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Infosys open to returning surplus cash to shareholders

The company management has been reluctant to return cash to shareholders saying it is constantly looking for potential acquisitions.

Infosys, long regarded as a wealthy but tight-fisted company, has indicated its willingness in recent weeks to spend the cash one way or another - either by buying other companies or returning money to investors. This new openness with managing its cash pile - it has enough money to buy at least 16 Boeing 787 Dreamliners - is reflective of a broader shift in the Bangalore company's approach to doing business, which is now being perceived as more flexible and less conservative.

Analysts who have met top Infosys officials in recent weeks were positively surprised by the attitude of the company to questions regarding its $4 billion (Rs 22,000 crore) cash reserves. While earlier Infosys would give every impression of wanting to hang on to the money if no acquisition came its way, the line now is quite different.

So, during an interaction with brokerage CLSA, chief financial officer Rajiv Bansal said that Infosys has set itself a deadline of 12-15 months for making an acquisition. If there is no major deal in this period, the company will seriously consider returning money to shareholders.

Similar statements have also been made by chief executive officer S D Shibulal. He told analysts at BNP Paribas recently that he would 'never say never' to a share buyback. At a recent investor meet organised by Morgan Stanley, he said the Infosys board is debating the subject of cash utilisation. The latest change of mind comes amid growing perception among industry observers that Infosys has become more flexible about engaging with clients, overcoming its earlier reluctance to take on what it perceived as risky or lesser margin contracts. For many years Infosys has been perceived as being overly conservative, especially in its approach to mergers and acquisitions, limiting the company's ability to utilise cash on acquisitions. However, the Infosys management has also been reluctant to return the cash to shareholders saying it is constantly looking for potential acquisitions.

Govt seeks Rs 1,842 cr from telecom firms in additional fees

The government had in 2009 ordered an audit of these firms' books after allegations of under-reporting revenue every year with the government as misuse of its compulsory licence norms. "Despite being a member of the WTO and an important global trading partner, India has systematically failed to interpret and apply its IP laws in a manner consistent with recognised global standards. Compulsory licenses are intended for use in extraordinary situations of extreme urgency or other national emergency," Roy F Waldron, chief intellectual property counsel of Pfizer Inc, told top US lawmakers during a Congressional hearing.

LIC rescues RCF share auction

The insurance behemoth bought 46%, or 31.63 mn of the 69 mn shares during the offer for sale last week.

We will examine the future issues in a similar manner and then take a call," D K Mehrotra, chairman of LIC, told Business Standard on Wednesday. However, an investment banker said LIC was "asked to keep the powder dry" for the RCF offering. "As the share sale was not even half-covered an hour before the close of bids, LIC had to put in a large-ticket application," he said, requesting anonymity.

After the OFS, LIC now holds 6.69 per cent stake in RCF, compared with 0.96 per cent earlier. The shares of RCF on Wednesday closed at Rs 43.1, about four per cent below their OFS price of Rs 45 per share.

Investments made by LIC are typically for the long term but the RCF-to-market losses on LIC's investments in the RCF share auction stand at Rs 6.2 cr.

Credit growth to industry slows to 15.2%

Bank credit to industry witnessed a slower growth at 15.2% in January as against 20.2% reported a year ago, pulling down the overall non-food credit growth to 14.6% for the month, RBI said on Tuesday.

Banks have stayed away from aggressive lending due to rise in non-performing assets even as the overall economic slowdown has hurt demand. "Deceleration in credit growth to industry was observed in all the major subsectors, barring chemicals and chemical products, petroleum, coal products and nuclear fuels, beverages and tobacco, leather and leather products, wood and wood products, rubber, plastic and their products, and cement and cement products," the RBI said.

However, data showed that credit to agriculture sector grew significantly. "Credit to agriculture increased by 19.8% in January, up from 6.3% in January 2012," it said. Credit to the services sector also saw a slower growth of 12% against 15.1% in the previous month. "Meanwhile, personal loans increased 13.5% from 13.2% a year ago."
Pay self assessment taxes before 31 Mar or face penalties: I-T dept

Taxpayers have so far defaulted on self assessment taxes amounting to Rs 3.859 crore in this financial year. The department urged all taxpayers to pay their self assessment taxes before 31 March, or face penalties.

Self assessment tax is the difference between the actual tax payable and what has been already paid during the year through advance tax and tax deducted at source. This needs to be paid before filing of income tax returns for a particular year, otherwise the taxpayer is considered an "assessee in default".

"An analysis of returns filed electronically in the current Financial Year (2012-13) reveals that nearly 73,388 taxpayers have defaulted on such payments aggregating to Rs 3.859 crore," the tax department said in a statement.

Online sale of insurance policies

The Insurance Regulatory and Development Authority (IRDA) has informed Online Sale of Insurance Policies is one of the ways of distribution of insurance policies. IRDA has put in place a regulatory framework for enhancing the transparency and improving the informed choice amongst all classes of policyholders during the course of solicitation of insurance business and all Insurers are required to comply with the IRDA (Protection of policyholders’ interests) Regulations, 2002. The online sale of insurance policies should also comply with IRDA Guidelines on Distance Marketing of Insurance Products. All other extant regulatory framework are equally applicable to online sale of insurance policies.

Govt to introduce plastic currency notes

The Reserve Bank of India (RBI) is moving towards introducing plastic currency notes in the country. The plastic notes are said to last more in comparison to the paper notes and will also help in tackling the issue of fake currencies.

In a pilot project, the RBI is going to release one billion plastic currency notes of Rs 10 denomination across five cities in the country. In a written reply to Rajya Sabha, the Minister of State for Finance Namco Narain Meena said that the plastic currency notes will be released in Kochi, Mysore, Jaipur, Bhubneshwar and Shimla. The cities are selected on the basis of its diversity in the geographic locations and environment.

Meena also said that the RBI, Finance Ministry, Home Ministry and several other security and secret agencies are working in unison to find ways to arrest fake currency flow in the country.

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The Free Press Journal is an 84-year-old newspaper based in Mumbai that has often been described as the best friend of Company Secretaries and those studying to enter the profession.