RBI cuts rates for 3rd time this yr, sees little space for more easing

Duvvuri Subbarao says, "monetary policy will also have to remain alert to the risks on account of the CAD and its financing, which could warrant a swift reversal of the policy stance"

The Reserve Bank of India (RBI) cut the repurchase (repo) rate by 25 bps to 7.25% and kept the cash reserve ratio (CRR) unchanged at 4%, in line with expectations but said that high consumer inflation and record current account deficit were among the major risks that would constrain the central bank from further policy easing.

RBI Governor Duvvuri Subbarao said "monetary policy action, by itself, cannot revive growth. It needs to be supplemented by efforts towards easing the supply bottlenecks, improving governance and stepping up public investment, alongside continuing commitment to fiscal consolidation." RBI also warned against upside risk to inflation from suppressed prices, supply constraints and minimum support price increases.

The central bank's projection of 5.7 per cent GDP growth for the current fiscal year, sharply lower than the finance ministry's projection of 6.1 to 6.7 per cent. The Prime Minister's economic advisory council has pegged the growth at 6.4 per cent.

Justifying the limited easing, RBI Governor Duvvuri Subbarao said "monetary policy will also have to remain alert to the risks on account of the CAD and its financing, which could warrant a swift reversal of the policy stance".

The upside risks to inflation, which cooled to a three-year low in March, "still remain significant" in the near term on suppressed inflation on the energy front, Subbarao added.

The central bank expects inflation to hover broadly around the 5.5 per cent mark in the current fiscal and said it will deploy "all instruments at command" to bring it down to 5 per cent by March next year.

RBI's caution is driven by uncertain outlook for commodity prices and capital inflows, which can pose macroeconomic risks for India.

FM: No wealth tax on farm land

In the annual policy review, RBI has projected economic growth at 5.7 per cent for the current financial year, sharply lower than the finance ministry's projection of 6.1 to 6.7 per cent. The Prime Minister's economic advisory council has pegged the growth at 6.4 per cent.

In a "big relief" for diversified group, Lanco said it will pay AUD 7.5 million to settle the protracted AUD 3.5 billion-legal battle with Australia's Perdaman Chemicals over coal supply issues. Lanco has agreed to pay the amount without admission of any allegations raised by Perdaman related to fuel supply from Griffin Coal, which was acquired by the group for about AUD 730 million in March 2011.

Perdaman had filed the lawsuit against Lanco, alleging non-compliance with fuel supply pact by Griffin Coal. Lanco, which is in fact a small fraction of the nominal offer in the settlement proposed by Perdaman. "... Perdaman had no choice but to accept the company has agreed to "pay Perdaman its gal costs to be taxed by the Court, without admission of any of the allegations of Perdaman.""
The Directorate General of Hydrocarbons (DGHI) wants Reliance Industries to give up 86% of its KG-D6 gas block area, including 8 gas discoveries worth at least $5 billion, saying that the firm has overshot the time allotted to it for developing the area, reports PTI.

Rejecting RIL’s offer to relinquish 4,233 sq km of “low prospectivity area” in the eastern offshore KG-DWN-98/3 or KG-D6 block, the oil regulator has stated that the company should contractually give up 6,601 sq km out of the total 7,645 sq km total area in the block.

In a 6-page note excluding 3 annexures, DGHI Director General R N Choubey on April 15 wrote to Oil Secretary Vivek Rae that of the 19 oil and gas discoveries claimed by RIL, three finds have not been established as commercially viable in the absence of test data and the company has not submitted any investment plans for another five.

He said the area proposed for cessation has at least 1.15 trillion cubic feet of known recoverable gas reserves valued at $4.83 billion at current prices.

Of the 19 finds, RIL began crude oil production from MA field in September 2008. It started gas output from MA field and Dhirubhai-1 & 3, the largest of the 18 gas discoveries in the block, in April 2009.

D-21, 29, 30 & 31 finds, according to DGHI estimates, may hold 345 billion cubic meters of recoverable reserves, valued at USD 1.45 billion. D-42, which holds 11.46 bcf recoverable gas reserves, lies within approved mining lease area of four satellite gas discoveries (D-2, 6, 19 and 22) and hence will have no bearing on relinquishment sought.

The Finance Ministry has asked private sector insurer ICICI Prudential to cough up over Rs 130 crore for alleged evasion through non-payment of service tax.

The Directorate General of Central Excise Intelligence has issued a show-cause-cum-demand-notice recently to the firm alleging irregularities including fudging records of commission paid to field agents or channel partners in lieu of policies being sold by them among others, official sources said.

Officials of the DGCEI, an investigative arm of Revenue Department under the Ministry, verified the accounts book of the company for the last five years—2007-08 to 2011-12— and claimed to have found irregularities vis-a-vis adherence to service tax laws.

SOURCE: PTI

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Supreme Court clears hurdles for FDI in retail

The Supreme Court has cleared the hurdles for the implementation of FDI in multi-brand retail sector saying that the “consumer is king and if that is the philosophy working behind the policy then what is wrong”.

The apex court said the policy aimed at “throwing the middleman, who are ‘ curse to Indian economy’ and ‘sucking’ it, has to be ‘welcomed’.

A bench headed by Justice R M Lodha said the policy does not suffer from any unconstitutionality or illegality requiring it to be quashed.

“The court does not interfere in the policy matter unless the policy is unconstitutional, contrary to statutory provisions or arbitrary or irrational or there is total abuse of power.

“The impugned policy cannot be said to suffer from any of the vices,” the bench, also comprising justices Madan B Lokur and Kurien Joseph, held while dismissing a PIL challenging the notification on the FDI in multi-brand retail sector.

Before pronouncing the order, the bench said the policy was for the benefit of the consumer, farmers and the retailers with the objective to eliminate middlemen.

“Consumer is the king and if that is the philosophy working behind the policy what is wrong. The policy is to free the economy from the middleman. Middleman is sucking our economy. These are suckers to be thrown out for direct benefit of consumers. If that is the objective of the policy what is wrong with it.

“The middleman is a curse to Indian economy. They work as sucker and they have to be thrown out and that is the object of the policy and you have to welcome it,” the bench said and added that the policy would bring choice for the consumers who are the real king. The bench in its order said “it is thus left to the choice of state governments whether or not to implement policy to allow FDI up to 51 per cent in multi-brand retail”.

ECB norms for low-cost housing likely to be eased

The Finance Ministry and Reserve Bank of India (RBI) officials are likely to meet this week to consider relaxing norms for raising funds through the external commercial borrowing (ECB) window for low-cost housing sector.

“The meeting assumes significance as India’s Current Account Deficit (CAD) widened to a record 6.7 percent of GDP in December quarter driven by heavy oil and gold imports and muted exports. Amid high domestic interest rate regime in the country, India companies are increasingly availing ECB route, raising funds at lower cost from the overseas markets. Earlier, in December 2012, RBI had allowed real estate developers and housing finance companies to raise up to $1 billion through ECBs to promote low cost housing projects.

Indian firms raised about $5.08 billion from overseas markets in March, as against $2.34 billion through ECBs and Foreign Currency Convertible Bonds in the previous month.

SOURCE PTI

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The Finance Ministry and Reserve Bank of India (RBI) officials are likely to meet this week to consider relaxing norms for raising funds through the external commercial borrowing (ECB) window for low-cost housing sector.

"We will meet RBI officials this week to consider easing the norms for raising funds through ECB route for low-cost housing sector," a senior finance ministry official said.

The meeting assumes significance as India’s Current Account Deficit (CAD) widened to a record 6.7 percent of GDP in December quarter driven by heavy oil and gold imports and muted exports. Amid high domestic interest rate regime in the country, India companies are increasingly availing ECB route, raising funds at lower cost from the overseas markets. Earlier, in December 2012, RBI had allowed real estate developers and housing finance companies to raise up to $1 billion through ECBs to promote low cost housing projects.

Indian firms raised about $5.08 billion from overseas markets in March, as against $2.34 billion through ECBs and Foreign Currency Convertible Bonds in the previous month.

SOURCE PTI
**Jaguar wins patent war against Swiss co**

In a major victory for Tata Motors, which had acquired British luxury car brand Jaguar, the Intellectual Property Appellate Board (IPAB) in Chennai has disallowed Switzerland-based Manufacture Des Montres Jaguar SA, from using the trademark ‘Jaguar’ for its watches in India.

Earlier, the Deputy Registrar of Trade Marks in Kolkata had allowed the Swiss company to use the Jaguar brand name for its watches (excluding clocks).

The official had argued that Jaguar cars had not filed any evidence to prove that the Swiss company was using the ‘Jaguar’ trademark in promotional materials including advertise-
ments to sell its watches in India. Besides, he said, Jaguar was a common dictionary word and both companies have been coexisting in over 30 countries.

Challenging the order, Jaguar Cars Limited - since renamed as Jaguar Landrover Limited - had moved the IPAB. It argued that the Swiss company had "dishonestly" adopted its trademark name ‘Jaguar’ with a malafide intention to cash in on the car maker’s hard earned goodwill in the market.

Allowing the appeal, IPAB vice chairperson S Usha and technical member V Ravi, in an order held: "We must remember that economic activity must not be hindered by mindless investigation and prosecutions... All legitimate trading and investment activity must be fully respected and protected even while we investigate crimes involving money and laundering of money," he said while addressing officials of Enforcement Directorate (ED).

He further said caution was necessary in deciding which cases to prosecute under the money laundering law. "Otherwise, we will be overwhelmed with cases that we would be required to prosecute," he said.

The ED, which probes cases involving foreign exchange violation and laundering of money, is investigating alleged violation of FEMA regulation by cash and carry chain Bharti-Walmart, money laundering by Saradha Group and other high profile cases.

Stating that money laundering was behind crimes like human and drug trafficking and terror financing, the Minister called for greater international cooperation to deal with the menace.

"It is important that agencies across the world cooperate, share information and chase the offend- ers," Chidambaram said.

**ICICI PRUDENTIAL GETS RS 130 CR NOTICE FOR SERVICE TAX EVASION**

The Finance Ministry has asked private sector insurer ICICI Prudential to cough up over Rs 130 crore for alleged evasion through nonpayment of service tax.

The Directorate General of Central Excise Intelligence (DGCEI) has issued a show-causecum-demand notice recently to the firm alleging irregularities including fudging records of commission paid to field agents or channel partners in lieu of policies being sold by them among others, official sources told PTI. Officials of DGCEI, an investigative arm of Revenue Department, verified the accounts book of the company for the last five years—2007-08 to 2011-12— and claimed to have found irregularities vis-a-vis adherence to service tax laws.

The officials found nonpayment of appropriate service tax on the commission paid to their channel partners for generation of life insurance business and collection of service tax from their corporate agents without any authority in law and not depositing the same to the government exchequer, they said.

In an email response to PTI, an ICICI Prudential spokesperson said the company will respond to the notice issued to it.

The officials alleged that the company was paying huge sums of money to their channel partners under different heads in lieu of commission, thereby not paying service tax on the correct amount paid.

**FM cautions ED against ‘mindless investigation’**

Finance Minister P Chidambaram cautioned the Enforcement Directorate not to hurt legitimate investments while probing money laundering cases, and to focus on the ones that are important, reports PTI. "We must remember that economic activity must not be hindered by mindless investigation and prosecutions... All legitimate trading and investment activity must be fully respected and protected even while we investigate crimes involving money and laundering of money," he said while addressing officials of Enforcement Directorate (ED).

Chidambaram says, “all legitimate trading and investment activity must be fully respected and protected even when investigating crimes involving money and laundering of money”

**Cash purchase of gold to get dearer from June**

Cash purchase of gold, including coins and articles, exceeding over Rs 2 lakh will attract one per cent tax from June 1. "The sale of bullion (including coins/articles) in cash in excess of Rs 2 lakh shall be subject to TCS (Tax Collection at Source) at rate of one per cent. Similarly, sale of jewellery in cash in excess of Rs 5 lakh shall be subject to TCS of one per cent," it said in a clarification on the changes made in the Finance Bill 2013.

The modified tax provisions will come into effect from June 1, 2013. As per existing provisions, coins are neither included in bullion nor in jewellery, therefore, coins, even when amounting to more than Rs 2 lakh in value, were being sold in cash without TCS.

**Rs 9,000 cr earmarked for loans to MSME sector: SBH**

Will provide loans to the MSME sector during this financial year

The bank, which has 39 MSME speciality branches across the country, will open five more branches, he added. When asked about the reservation to extend loans to certain industries coming under MSME due to recovery problems, he said though the bank is facing the challenge of recovery, particularly power-starved Tamil Nadu, SBH is choosing those units that are not power intensive, such as having good generator back up facility.

The bank’s overall NPA under MSME portfolio is about five per cent and loans were given at the interest rate of 11.5% to 16.5%, Pai said.

**State Bank of Hydarabad**

www.freepressjournal.in
The BSE and S&P Dow Jones Indices have launched an Islamic equity index – S&P BSE 500 Shariah index -- comprising the largest 500 companies in the Indian index, reports PTI. The S&P BSE 500 Shariah index, the first index from the strategic partnership between BSE and S&P Dow Jones Indices in February this year, was designed to represent all Shariah-compliant stocks trading at the BSE.

Shariah, an Islamic canonical law, has certain structures regarding finance and commercial activities permitted for Muslims. "This is an exciting landmark moment for our partnership, which aims to provide market participants with the relevant and transparent index solutions needed to gauge the performance of various market sectors while facilitating access to the world’s financial markets," said Alka Banerjee, Managing Director of Global Equity Indices at S&P Dow Jones Indices.

"We are delighted to see the launch of the first joint product to come out of the partnership between BSE and S&P Dow Jones Indices," BSE Managing Director and Chief Executive Ashishkumar Chauhan has said. "The product will serve an important role in measuring this segment of the market," he added.

Amendment to Sec 206-C of Income Tax Act

Currently, sale in cash of bullion (excluding coin or any other article weighing 10 grams or less) in excess of Rs 2 lakh or jewellery in excess of Rs 5 lakh is subject to Tax Collection at Source (TCS) @ 1%. As coins were neither included in bullion nor in jewellery, therefore, coins, even when amounting to more than Rs 2 lakh in value, were being sold in cash without TCS. The Finance Bill, 2013 proposes to delete exclusion of coins/articles weighing 10 grams or less from bullion. Hence, the sale of bullion (including coins/articles) in cash in excess of Rs 2 lakh shall be subject to TCS @ 1%. Similarly, sale of jewellery in cash in excess of Rs 5 lakh shall be subject to TCS @ 1%.

SOURCE: FREE PRESS JOURNAL

Auction for sale of government stocks

Government of India have announced the sale (re-issue) of (i) “7.83 per cent Government Stock 2018” for a notified amount of Rs.3,000 crore (nominal), (ii) “8.33 per cent Government Stock 2026” for a notified amount of Rs. 6,000 crore (nominal), (iii) “8.97 per cent Government Stock 2030” for a notified amount of Rs.3,000 crore (nominal), and (iv) “8.83 per cent Government Stock 2041” for a notified amount of Rs.3,000 crore (nominal) through price based auction. The auctions will be conducted using multiple price method.

SOURCE: MINISTRY OF FINANCE

Curb on fake MLM firms

Multi Level Marketing Schemes involving enrollment of a vertical chain of investors/agents constitute “Money Circulation” and are banned under the Prize Chits & Money Circulation (Schemes) Banning Act, 1978 which is implemented by the States. Giving this information in written reply to a question in the Rajya Sabha, Shri Sachin Pilot, Minister of Corporate Affairs, said that in order to facilitate effective control of MLM, a Group of Officers from Ministries of Finance, Corporate Affairs & Consumer Affairs along with representatives of Reserve Bank of India, Central Economic Intelligence Bureau and the Serious Fraud Investigation Office have prepared Model Rules called Money Circulation Scheme (Banning) Rules, to explicitly cover MLM under the said Act. Ministry of Finance (Department of Financial Services) has sent the rules for notification to the States.