SKS Micro fined Rs 50 lakh by Irda

The institution allegedly overcharged and violated regulations

Insurance Regulatory and Development Authority (Irda) has slapped a penalty of Rs 50 lakh on SKS Microfinance for violating insurance norms. Irda said the microfinance institution (MFI) levied a charge on its members, which was more than the premium amount, in violation of insurance regulations.

Irda has asked SKS to remit the penalty within 15 days from the date of receipt of the order.

According to the group insurance guidelines, an MFI cannot collect from its members amounts that are higher than the policy premium charged by the insurance company. MFI has not collected any ‘premium’ amount from its members but it collected one per cent of the loan amount as DRF fee.

According to the Irda order, the MFI was acting as a group policyholder and administrator for group life insurance policies, taken to cover the loan amount granted to its members.

Irda noticed that the group policy holder was recovering one per cent of the loan amount towards DRF (death relief fund). A portion (around 55 per cent) of the DRF fee is utilised to fund the DRF (death relief fund) fee.

Vodafone has sought extension of its licence period for Delhi, Mumbai and Kolkata circles, which are coming up for renewal in November 2014.

Vodafone has filed a petition in the Delhi High Court challenging Telecom Department’s move to put its 900 MHz spectrum to auction despite its applications for licence extension pending with the Department.

The UK telecom operator had in December last year sought extension of its licence period for Delhi, Mumbai and Kolkata circles, which are coming up for renewal in November 2014.

Vodafone has around 24 MHz spectrum in 900 MHz band in these three circles. The telco has sought extension under clause 4.1 of the licence agreement under which the government can extend the period of licence by 10 years at one time if the request is made by the operator during the 19th year of the licence period.

We are entitled to a fair and reasonable extension of its licence as per mutually agreeable terms, says Vodafone

Vodafone has filed a petition in the Delhi High Court challenging DoT’s action of putting its 900MHz spectrum to auction even when Vodafone’s applications for licence extension are pending with DoT, the company said in a statement.

Vodafone said it is entitled to a fair and reasonable extension of its licence as per mutually agreeable terms. The government plans to hold spectrum auctions in three frequencies—1800 MHz, 900 MHz and 800 MHz—on March 11.

NBFCs likely to get tax treatment parity with banks

The finance ministry is likely to extend the favourable tax treatment currently given to banks, public financial institutions and state finance corporations on their income from non-performing assets (NPAs) to non-banking financial companies (NBFCs) as well, making them taxable only in the year of receipt.

At present, NBFCs are taxed on such income in the year of accrual, while banks, PFIIs, state finance corporations and state industrial investment corporations are taxed only when it is received or credited to the profit and loss account, whichever is earlier.

Sources said the department of financial services and the banking regulator have favoured the extension of the accounting benefit under Section 43D of the Income Tax Act to NBFCs too at pre-budget consultations within the financial year of receipt.

However, income tax authorities do not recognise these norms and tax NBFCs on such deferred income on accrual basis resulting in tax on unrealised income.

Sources in the department of financial services said the government is “positively inclined” to offer tax parity to NBFCs and the other lenders describing it a “reasonable demand” and hinted that the Budget could announce this change. The issue came up for discussion during a meeting in Mumbai on February 9 between industry representatives and officials including finance minister P Chidambaram, and senior officials from the department of financial services and the RBI.

BSE adds S&P brand to Sensex, other indices

In a move that would give the Sensex greater international recognition, premier bourse Bombay Stock Exchange Ltd (BSE) has roped in Standard and Poor’s Dow Jones Indices to have a fourth major operable parity to NBFCs.

We have entered into a long-term strategic partnership with S&P Dow Jones Indices and will share revenues on 50:50 basis,” BSE MD and CEO Ashish Chauhan said.

The partnership would allow S&P Dow Jones Indices to further implement its South Asia growth strategy. It also permits S&P Dow Jones Indices to have a fourth major operational hub by which to support clients globally after operations in Hong Kong, London and New York.

As of December 31, 2011, more than USD 1.5 trillion is directly indexed to S&P Dow Jones Indices’ family of stock market indices.
Sebi to get tough on offenders

The Securities and Exchange Board of India (Sebi) has sought major overhaul of securities laws including greater authority to nail manipulators by way of powers to conduct ‘search and seizure’ operations and to demand information from any person in relation to its probes.

It has also proposed recovery of monetary penalties through Income-Tax arrear mechanism, setting up of special courts to deal with criminal prosecution for violation of securities laws and recognition of Sebi’s counsels as public prosecutors. The proposals have been discussed by the Sebi board and are being sent to the Ministry of Finance for necessary amendments to the relevant securities laws, a senior regulatory official said.

Sebi has decided to pursue these proposed amendments in view of the challenges faced by it in areas such as the recovery and realisation of monetary penalties and regulation of pooling of monies from public by schemes including those in the nature of collective investments, among others.

The market regulator has been facing impediments on its investigation and enforcement powers with regard to protecting investments by attachment of assets.

It has also faced challenges to enforcement and implementation of its orders, the official said.

In addition, Sebi has been facing restraints in taking necessary actions against market manipulators as it lacks an effective power of search and seizure, and due to limited sharing of information with overseas regulators as well as lack of power to call for information from any person in relation to enquiry or investigation.

It has sought powers to recover any unpaid penalty either as arrears of income tax, which is the case with another regulator CCI as well. There are no specific provisions for recovery of monetary penalties, and the total unpaid amount to it stood at over Rs 117 crore as per the latest data.

RBI Governor: Room for monetary easing limited

Although WPI-based inflation in January has come down to 6.62%, lower than RBI’s March end projection of 6.8%, Subbarao said the high current account deficit could escalate inflationary pressures.

But the Reserve Bank said there is a limited scope for easing of monetary policy over the next few months as there is a risk of inflation escalation as well as concerns over fiscal and current account deficits.

“There is room for monetary easing over the next few months, but that room is limited because of the outlook for inflation and outlook for growth,” RBI Governor D Subbarao told CNBC TV18 here.

He is in Russia to attend the meeting of G-20 Finance Ministers and heads of central bank governors.

The Governor said the RBI would also take into account the fiscal consolidation measures and deficit projections by the Finance Minister in the upcoming Budget to decide on the monetary policy action.

Subbarao said the high Current Account Deficit (CAD) could escalate inflationary pressures. “Important variable for monetary policy calibration is the fiscal adjustment that the government will do. The government will come up with deficit status in the Budget. We will look at the headline fiscal deficit number but also look at the quality of the fiscal adjustment,” Subbarao said.

The Finance Minister will present the 2013-14 Budget in the Lok Sabha on February 28.

The government aims to restrict fiscal deficit in the current financial year at 5.3 per cent of GDP and bring it down to 4.8 per cent in 2015-16.

Subbarao said the high Current Account Deficit (CAD) could escalate inflationary pressures.

GMR targets to slash debt by Rs 10,000 crore during next fiscal

GMR Infrastructure, which is deep in a debt of Rs 37,000 crore under a gearing of 5.5 times, is looking to slash this number by Rs 10,000 crore during next fiscal through its asset light - asset right - asset churn strategy. The company, which manages three airports, five power generating stations and five highways, has said that they are in advanced stages of discussions with various players to offload at least three highway projects as part of this move to start with.

A Subba Rao, Group CFO, GMR Infrastructure told Business Standard that they are targeting to raise Rs 5,000 crore through the sale of highway projects and the rest through sale of other assets, which he did not spell out. However, it is learnt that besides the highway projects, GMR may be targeting to either exit or reduce its stake in the three coal mines it has in South Africa and Indonesia besides reducing its stake in one of its power projects in Singapore.

“Times are challenging and we are progressing in the strategy of divesting some of the road projects. The National Highways Authority of India allows an operator to reduce 74% of their stake to another investor. We should be achieving this at least around three highway projects within the next couple of quarters,” Rao added.

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**Rs 12K cr bond issue to contain fiscal deficit**

The government on Monday cancelled Rs 12,000 crore bond auctions, lowering its market borrowing programme for the current financial year in its bid to contain the fiscal deficit at 5.3%. With this, the total market borrowing by the government in the current fiscal would come down to Rs 5.58 lakh crore from Rs 5.70 lakh crore as envisaged in the 2012-13 Budget.
The government has already borrowed Rs 3.7 lakh crore in the first half ending September 30, which is 65% of the total planned borrowing.
The government has already asked the Ministry of Finance and Ministry of Defence to hold high level meetings to discuss issues. It has also discussed plans to cut expenditure by Rs 12,000 crore bond auctions. The Ministry of Finance has asked the government to hold high level meetings to discuss issues.

**RIL-BP to invest $5 bn to boost flagging D6 output**

In their first joint meeting with Oil Minister Moily, BP Chief Bod Dudley and RIL Chairman Mukesh Ambani also discussed the dispute with CAG over audit of spendings in KG-D6 block.

**Briefs Moily about plans to develop 4 trillion cubic feet of gas reserves in the KG-D6**

Moi, who was joined by Oil Secretary Vivek Rae at the meeting, assured expeditious decision making. In a joint statement from RIL-BP, Ambani is quoted as saying that his firm’s partnership with BP was “focused on finding more hydrocarbons and addressing the complexities of the geology along the east coast of India.”

**Funds managed by insurers to touch Rs 30 trn in 5 yrs: IRDA**

The size of funds managed by insurers in the country is expected to reach a whopping level of Rs 30 lakh crore in the next five years, marking a 70% jump from current level, outgoing insurance regulator J Hari Narayan said. The centre is yet to announce the successor to Hari Narayan, whose five-year stint as IRDA chairman concluded on Wednesday. Former LIC chairman T S Vijayan’s name has been proposed for heading the post.

**Expressing concerns over difficulties faced by flat buyers in two DLF projects despite a long-pending anti-competition case, the Competition Appellate Tribunal has said payments made for possession of the apartments would not adversely impact their rights after a final order.**

“The dispute between the Residents’ Welfare Associations in respect of the DLF Park Place and in respect of The Bellevare Schemes of DLF has been pending since at least more than two and half years. It is a common ground that, owing to this dispute, number of persons, who had entered into the agreement of sale with DLF, have not been able to get the possession,” the Tribunal said in an order, while disposing of DLF’s appeal for an interim stay on CCI’s supplementary orders regarding changes in Flat Buyers Agreement.

The Tribunal said that the CCI’s supplementary orders were anyway non-binding at the current juncture and were rather in the nature of suggestions and therefore the question of granting any interim stay against them did not arise. With regard to the interests of flat buyers, the Tribunal in its order dated February 12 said that it has been told about people not getting possession in spite of payment of 95% of the total consideration.

The DLF counsel further informed the Tribunal that “if the payments as demanded are made, those payments could be without prejudice to the rights of those persons who wanted to take possession after making the payments.”

“We, therefore, clarify that if the proposed owners choose to make the payments as demanded by DLF and get the possession, then those payments would be without prejudice to their rights in the main appeal,” the Tribunal said.

When enquired about DLF making payment demands for giving possession, its counsel told the Tribunal that any non-payment of demands raised to customers would not lead to allotment being cancelled at least till the final results of DLF’s appeal against the main CCI order of August 2011, wherein a penalty of Rs 630 crore has been imposed on the company.
The Finance Minister, P Chidambaram has emphasised on the need to meet the financing requirements of the infrastructural deficit. Infrastructure spending in the 12th five year plan is projected to $1 trillion against about $500 bn in the 11th five year plan. The share of private investment in the total investment in infrastructure has increased significantly from 22% in the tenth plan to 38% in the Eleventh Plan and is projected at 47% during the twelfth plan. To mobilise the resources of this tune, the Finance Minister said that many more institutions are required to share this responsibility. The Finance Minister asked the promoters of the India Infra Debt Limited (Infradebt) to provide sound management to make these projects successful.

He was speaking at the launch of India Infra Debt Limited (Infradebt), the first Infrastructure Debt Fund (IDF) under the NBFC structure by handing over the first IDF - NBFC license to Infra Debt in presence of the promoters, ICICI Bank, Bank of Baroda, Citibank and Life Insurance of Corporation (LIC).

He said that financing investments of this order with significant participation from the private sector will require adoption of innovative ways of financing. He added that the government has initiated several major steps in this direction. Some of these steps are summarised as under:

- The government has set-up the Cabinet Committee on Investments (CCI) with the Prime Minister as the Chairman to expedite decisions on approvals/clearances for implementation of projects.
- The government is also promoting Public Private Partnerships (PPPs) as an effective tool for bringing private sector efficiencies in creation of economic and social infrastructure assets and for delivery of quality public services.
- One major problem faced by banks while disbursing loans to infrastructure projects is the asset liability mismatch inherent with these projects.
- The cost and tariff of Infrastructure services are likely to go down as a result of low cost long term debt provided by IDFs.
- The Government has also allowed the issue of Tax Free Bonds amounting to Rs. 54,500 crore for the FY 2012-13, doubled from Rs. 30,000 crore in FY 2011-12.

Civil Aviation Authority to replace DGCA

The Minister for Civil Aviation, Ajit Singh has said that Civil Aviation Authority, (CAA) will soon replace the Directorate General of Civil Aviation (DGCA).

The Minister said that the Bill for creation of the Authority is likely to be introduced in the second part of the Budget session of Parliament. The Civil Aviation Authority will be headed by a Chairperson who will be supported by Director-General and seven to nine members. Chairperson, DG and Members will be appointed by the Central Government on the recommendation of a Selection Committee.

In this backdrop, the CAA would take over the responsibilities of the DGCA in areas like air safety, airspace regulation, setting aviation standards, licensing of airlines, pilots, air traffic controllers and consumer protection. It would have financial and operational autonomy to take expedient decisions on matters relating to a range of activities. It will have power and authority to call for information including financial information and conduct investigations, power to issue directions, power of seizure, power to punish any person, operator, company or a Government Department, if they fail to comply with its orders or directions and the punishment will be in the form of fine as prescribed under the Rules.

The Authority shall have full financial autonomy and shall have a separate fund, the "Civil Aviation Authority of India Fund" which will be used for all expenses of the authority in connection with the discharge of its functions including salaries etc.

New policy for capital goods on the anvil: Secretary

The government will come out with a new policy on the capital goods manufacturing sector, heavy industry secretary M.F. Farooqui said Thursday.

The capital goods industry is about Rs.5,00,000 crore in size and employs 14 lakh people. However, it has not received requisite focus and attention, affecting sectoral growth. Farooqui said the department of heavy industry in the ministry of heavy industries and public enterprises would examine policy issues and make recommendations to achieve the target of 17 percent growth as envisaged in the 12th Five Year Plan.

The secretary also said there was an urgent need for the industry to encourage innovation and build competitiveness for business expansion.

Indian capital goods manufacturers have not been able to effectively tap global opportunities.