Rajan goes bold, says governorship not meant to win Facebook 'likes'

New Reserve Bank Governor comes out with a slew of measures

Rajan include enhancing the re-booking limit on cancelled forward exchange contracts for exporters to 50 per cent, extending a similar facility to importers and introducing cash settlement in 10-year interest rate future contracts to develop the money and G-secs markets. Rajan indicated the RBI will take steps to reduce the Statutory Liquidity Ratio (SLR) and introduce greater regulatory and supervisory control over the domestic operations of foreign banks. He promised to give freedom to banks to open branches without prior RBI permission. The new RBI chief also said he will steadily liberalise the markets and lift restrictions on investment and position-taking, together with Sebi, and will examine introduction of interest rate futures on overnight interest rates. While the RBI has enhanced the re-booking limit on cancelled forward currency contracts to 50 per cent for exporters, importers will be allowed a 25 per cent limit.

SOURCE: Free Press Journal

RBI eases overseas investment norms

Central bank also clarifies that curbs on capital outflows imposed on August 14 will not apply with retrospective effect. RBI also clarified that the curbs on capital outflows imposed on August 14 will not apply with retrospective effect. It has been decided further to retain the limit of 400 per cent of the net worth of the Indian party for the financial commitments funded by way of eligible ECB raised by the Indian company's net worth from 400 per cent for all companies. However, the restriction was not applicable on public sector firms like Oil India and ONGC Videsh.

It was not the intention of the Reserve Bank of India to restrict bona-fide and genuine overseas direct investment transactions by Indian companies, it said. Meanwhile, in order to encourage capital flows, the RBI eased ECB norms by allowing companies to use funds raised from foreign partners for general corporate purposes. However, the RBI has put certain conditions for availing the benefits of relaxed norms.

SOURCE: Free Press Journal

MONETARY POLICY

Postpones first monetary policy statement as Governor to September 20 from September 16

RUPEE, CAPITAL INFLOWS

- To allow exporters to re-book cancelled forward currency contracts up to 50 per cent of the value of cancelled contracts and up to 25 per cent for importers
- Push for more trade settlements in rupees, open up financial markets for those who receive rupees to invest back in India
- Offer a special window for swapping foreign currency non-resident (FCNR) deposits with a minimum tenure of three years and more, at a fixed rate of 3.5% per year
- Raise overseas borrowing limit of 50% of unimpaired Tier I capital to 100% for banks

DEBT / BROADER MARKETS

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BANKING SYSTEM

- To look at rising non-performing assets and restructuring/recovery process
- Need to accelerate the working of debt recovery tribunals and asset reconstruction companies
- Pre-paid cards will be used for remittances and cash payments along with Aadhaar
- RBI will explore mobile-based payments where encrypted SMS can be used for fund transfers and mobile payments across telecom service providers and handsets
Foreign brokerages pitch for NRI/sovereign bonds

The problem of falling rupee has been pushed by a few months with the RBI having bought forward contracts from oil companies, against dollar sales from its reserves to meet their current oil requirements. These contracts will have to be settled at a later date.

Meanwhile foreign banks have stationed men in Delhi to do regular rounds of the Finance Ministry. There are a number of proposals lying at the Ministry of Finance to help the rupee gain lost ground.

Bank of America Merrill Lynch, for instance, has recommended raising of a $15-20 billion NRI bond, a $10 billion FCNR (Foreign Currency Non Resi-
dent Account) deposit scheme, a $5 billion-a-year sovereign bond that could be listed on the JP Morgan EMBI Global Diversified Index, or a combination of the three.

The Ministry of Finance, however, seems less keen on a dollar sovereign bond or on acquiring a rating prior to sale (German competitor Deutsche had recommended a sovereign bond that could be rated). Citi has recommended raising of funds through a sovereign bond, but denominated in rupees and settled in foreign exchange. The bonds can be issued in rupee overseas, and traded on Euroclear.

The rupee ended 163 paise down at 54,280.95, but later it fell back to its last close. JP Morgan and HSBC have recommended only quasi-sovereign bonds, where the risk is borne by an underlying entity rather than the sovereign itself.

Govt clears India-Abu Dhabi bilateral air services pact

The India-Abu Dhabi bilateral air services agreement, which ran into controversy following the Jet-Etihad deal, was approved by the government on Tuesday enabling their airlines to fly 50,000 seats each week, up from the current level of 13,700, reports PTI.

The agreement received post-facto approval of the Union Cabinet at a meeting chaired by Prime Minister Manmohan Singh here this evening. The accord would allow the designated carriers of India and Abu Dhabi to have 50,000 seat-capacity each week. This increase of 36,670 seats would be carried out in a phased manner spread over a three-year period.

NSEL defaults on 3rd pay-out: Members pay just Rs 15.4 cr

Critically-hit National Spot Exchange Ltd (NSEL) defaulted in payment of Rs 174.72 crore to investors as it could pay only Rs 15.37 crore, the third consecutive failure to meet their obligations.

The beleaguered NSEL has already defaulted in the first two pay-outs as it received only Rs 92.73 crore from members in the first pay-out and Rs 12.06 crore in the second pay-out, out of the scheduled Rs 174.72 crore each.

Five members out of 24 members have paid in Rs 15.37 crore. The rest 19 members have been declared defaulters and notices have been issued to 14 defaulters for bouncing of cheques for settlement, it said.

The five members who paid include Topworth Steels and Power Pvt Ltd (Rs 9.10 crore), N K Proteins (Rs 5 crore), Metkore Alloys & Industries (Rs 50 lakh), Sankhya Investments (Rs 37 lakh), Aashtha Minmet India (Rs 15 lakh) and MSR Food Processing (Rs 10 lakh), it said.

Members who defaulted on payment were ARK Imports, Lotus Refiners, Mohan India, Loil Continental Food, Namdhar Food International, NCS Sugars, Spin Cot Textiles, Tavishi Enterprises, Vimladevi Agrotech, Yathuri Associates, PD Agroprocessors, Shree Radhey Trading, Juggernaut Projects and among others, it added.

On recovery from these defaulting members, NSEL said it would do so by selling commodities lying in the warehouses, sale of assets offered by these members or by payments made by the defaulting members through their own resources. NSEL, promoted by Jignesh Shah-led FTIL, is facing the problem of settling Rs 5,600 crore dues to 148 members after it suspended trade on July 31 as per government direction.

The bourse plans to settle the entire due amount by paying back investors Rs 174.72 crore every week in seven months time.

SOURCE: Free Press Journal
High-level RBI panel to screen bank licence applications

The Reserve Bank is understood to have zeroed in on five names for setting up a high-level panel of experts from the banking and financial sector to screen applications of the 26 aspirants for new banking licences. The final decisions on the names of the members of High Level Advisory Committee (HLAC) will be taken by new Governor Raghuram Rajan, who would assume charge on September 5.

Sources told PTI that the names are that of market regulator Sebi Chairman U K Sinha, insurance regulator Irdा Chairman T S Vijayan, pension regulator PFRDA Chairman Yogesh Agarwal, Financial Services Secretary Rajiv Takru and financial sector expert Y H Malegam, sources said. Takru and Malegam are also board members of RBI. Malegam, an independent director on many boards, is also an external member of Technical Advisory Committee of RBI on monetary policy.

In the 2001 round of guidelines for the new licences, the then-HLAC members were C G Somiah, former government auditor CAG, I G Patel, former RBI Governor and Dipankar Banu former head of State Bank of India. RBI, sources said, is currently screening the prima facie eligibility of the applicants including ‘fit and proper’ criteria and other relevant parameters.

After the screening of the applications by RBI the names will be referred to the high level panel for scrutiny. It will have its own procedures for screening the applications. The Committee will have the right to call for more information, have discussions with any of the applicants and may seek further clarifications. The Committee will submit its recommendations to RBI for consideration.

However, the decision to issue an in-principle approval for setting up of a bank will be taken by RBI.

In the last 20 years, the RBI licensed 12 banks in the private sector. This happened in two phases. Ten banks were licenced on the basis of guidelines issued in January 1993. The guidelines were revised in January 2001 based on the experience gained from the functioning of these banks, and fresh applications were invited.

Sahara blames SEBI in SC for imbroglio in paying investors

The Sahara group blamed SEBI for acting in haste against it on the issue of refunding Rs 24,000 crore to investors and asked the Supreme Court to pass an order to help it get out of the imbroglio, reports PTI.

Two firms of the group submitted that there is no wilful disobedience on their part in complying with the apex court’s order on refunding the money to investors through SEBI and questioned the market regulator’s conduct against them.

Appearing before a bench of justices K S Radhakrishnan and J S Khehar, Sahara’s counsel Ram Jethmalani and Rajeev Dhavan submitted that SEBI refused to accept the documents, which were provided by them on time giving details of investors, and instead filed a contempt petition against them.

“It is wilful disobedience on the part of SEBI and it is because of it that there is such a situation,” they submitted while saying that the apex court should order it to get out of the “imbroglio”. “This case is going to stagnate if order is passed by the court. There was no intent to interfere with the course of justice,” senior advocate Dhawan said.

The court was hearing three contempt petitions filed by SEBI against Sahara chief Subrata Roy, the two firms Sahara India Real Estate Corp Ltd (SIREC) and Sahara India Housing Investment Corp Ltd (SHIC) and their directors.

SOURCE: Free Press Journal

Maruti, Honda, Hyundai clock higher sales in Aug

Augut sales threw up mixed results for the automobile sector, with passenger car manufacturers gaining margins and commercial vehicle-makers losing steam, data released by the auto companies showed. Macroeconomic headwinds such as high fuel prices, interest rates, rupee depreciation, inflation and weak consumer sentiment has dented nearly all the automobile manufacturers.

However, good export demand arising out of a depreciating rupee helped companies like Maruti Suzuki, Hyundai, Honda and Bajaj Auto. Others including Mahindra, Toyota and Tata Motors reported declines amid a continuous slowdown in the market.

Maruti Suzuki India (MSI), which witnessed a month-long lockdown at its Manesar plant last August following violence, posted 51.6% sales growth this year benefiting from a low base effect. MSI said its domestic sales stood at 76,018 units as against 50,129 units in August last year. Sales of mini segment cars, including M800, Alto, A-Star and WagonR, rose by 45.1% to 32,019 units. Homegrown auto major Tata Motors’ passenger vehicle sales in the domestic market stood at 11,564 units in August, down 48.1% from 22,311 units a year ago. Likewise, Mahindra & Mahindra’s domestic sales were down 17.9% at 35,159 units as against 42,826 units in the same month last year.

Hyundai’s domestic sales rose marginally to 28,311 units during the month.

SOURCE: Free Press Journal

Core sector growth at 4-month high in July

Efecting a moderate growth, the eight core infrastructure industries grew by 3.1 per cent in July, the highest in the last four months, a development which experts say cannot be dubbed as a turnaround. Core industries grew moderately mainly due to declining output of crude oil and natural gas.

The infrastructure sectors had seen a dismal growth rate of just 0.1 per cent in June, while in April and May the expansion rate was 2.3 per cent. Growth rate in July this year, however, is lower than 4.5 per cent in the same month last year. Crude oil and natural gas production contracted by 2.3 per cent and 16.1 per cent respectively in July, according to the official data released today.

The eight infrastructure industries have a weight of about 38 per cent in the overall industrial production. Experts said though the growth rate in July is higher than the previous month, the sectors are still not recovering.

“No this is not a sign of revival. If the similar trend will continue for another 2-3 months then we can say...the figures are fluctuating,” CRISIL Principal Economist D K Joshi said.

Petroleum refinery production expanded by 5.1 per cent in the month against 26 per cent in July 2012. Steel production grew by 7 per cent, while cement output was up by 0.8 per cent in July this year.

Coal and electricity production slowed down by 1.2 per cent and 5.2 per cent as against 2 per cent and 2.7 per cent respectively in July 2012. Fertiliser output grew by 0.4 per cent in July.

SOURCE: Free Press Journal
Oil Ministry plans to cancel award of Ratna and R-Series oil fields to an Essar Oil-led consortium but the firm’s British partner has warned of legal action, including under the India-UK Bilateral Investment Protection Agreement.

Premier Oil threatens legal action if Ratna field contract is cancelled

Even as the Oil Ministry mulls rescinding award of Ratna and R-Series oil fields to an Essar Oil-led consortium, the firm’s British partner Premier Oil has warned of legal action, including under India-UK Bilateral Investment Protection Agreement if the 17-year-old award was cancelled, reports PTI.

The Ratna-R series of fields, located 90 km southwest of Mumbai in the prolific Mumbai offshore basin, was awarded in February 1996 to Essar-Premier consortium through an international bidding process then practised by the government for discovered fields. But signing of the Production Sharing Contract (PSC) got delayed over several issues including dispute over net-worth of Essar and amount of cess and royalty to be paid. Premier Oil chief executive Simon Lockett on August 22 wrote to Legal Affairs Secretary Brahm Avtar Agrawal, saying the legal opinion obtained by the firm indicated that the Letter of Award granted positive rights to the consortium, including the right to enter into a PSC and a corresponding petroleum mining lease. “Such rights arose under both Indian law and under the UK-India Bilateral Investment Protection Agreement (BIT) which applies given that Premier Oil Pacific and Essar Oil’s parent companies (Es- sar Energy) are both UK listed entities,” he said.

The consortium’s rights under BIT are enforceable according to the provisions of fair and equitable treatment, the duty to respect obligations undertaken by the government towards investors, and the obligation to treat the investors no less favourably than Indian investors or those of third states, he said. "Because Premier has been informed that Ministry of Petroleum and Natural Gas is considering setting aside or avoiding the Letter of Award, I must state that my duty to Premier Oil plc’s shareholders is to protect our investments when they are challenged or cancelled, which includes initiating formal legal proceedings, where appropriate," he wrote. "I do hope that this is not a course of action fored upon me, and that we may sign the PSC and move forward together with a successful development," he added.

SOURCE: Free Press Journal

Rs 650 cr and counting: Fin Min to publicise amnesty scheme

Buoyed by initial response from service tax defaulters declaring to pay Rs 650 crore to the government, the Finance Ministry has decided to publicise its first-of-its-kind amnesty scheme more on various visual and print media platforms to encourage others.

It has started giving advertisements on television, newspapers and radio besides putting hoardings outside some of its allied offices to publicise Voluntary Compliance Encouragement Scheme (VCES)—for service tax defaulters to pay their dues without any penalty or late payment charges, officials told PTI.

The ministry is considering to publicise the scheme more through other modes of communication and finalising its plan in this regard, they said. Finance Minister P Chidambaram has already given a stern warning to service tax defaulters to either take advantage of the voluntary compliance scheme and come clean or face punishment. As many as 1,400 declarations have been filed under the scheme by defaulters liable to pay Rs 650 crore to the government, according to latest data.

The VCES announced by Chidambaram in his Budget speech has come into effect from May 10. The objective of the scheme is to encourage disclosure of tax dues and compliance of service tax law by the persons who have not paid service tax dues for the period from October, 2007 to December, 2012, either on account of ignorance of law or otherwise.

SOURCE: PTI

10 firms under Sebi lens for IPO fund diversion

At least 10 companies and their promoters are being probed by market watchdog Sebi for suspected diversion of funds collected from their respective IPOs, allegedly to shell companies created for personal gains. Some merchant bankers are also under the scanner of the Securities and Exchange Board of India (Sebi) for possible collusion with promoters of these companies, which came out with initial public offers (IPOs) in the past three years, sources told PTI.

While the promoters and bankers may face strong penal action, they will also be asked to ensure the diverted money is returned to the company to safeguard the interests of minority shareholders, sources added. Most of these IPOs came out in 2011, while a few were made later, they said, without disclosing names. Companies raised over Rs 6,000 crore through as many as 37 IPOs in 2011.

Sebi initially launched a probe into various IPOs of 2011 for suspected rigging of listing day share prices and later expanded the scope of investigation to deployment of funds to check for possible deviation from IPO objectives. The funds were raised with stated objectives such as business expansion, payments to service providers and product suppliers, debt reduction and ‘general corporate purposes.’

SOURCE: PTI

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