Structural reforms crucial for true bull market: Experts

The US Federal Reserve's decision to keep its monthly asset purchase programme unchanged at $85 bn per month, for want of more evidence of the country's economic recovery sustaining, came as a much-needed reprieve for global markets.

The decision saw US stock indices rise to record highs Wednesday. Asian markets today ended over 1.5% higher and the写的 full text here.

SBI hikes base rate to 9.80%, makes home, auto loans dearer

SBI is the first major state-run bank to hike lending rates after short-term rates rose as a result of the Reserve Bank of India’s liquidity tightening moves announced in July.

The decision comes on the eve of the mid-quarter review of the monetary policy. According to watchers, new RBI Governor Raghuram Rajan has been given some room to take an accommodative stance after the US Federal Reserve surprisingly delayed the tapering of liquidity infusion. SBI also increased the spreads on auto and home loans by as much as 0.20%, which will affect new borrowers.

Home and auto loan borrowers typically pay a margin, or a spread, above the base rate, which is arrived at as per the risk and quantum of borrowing.

The bank has hiked rates for loans under the benchmark prime lending rate, an older system of computing interest rates, to 14.55% from 14.45%.

"There has been an increase in our cost of funds and the pressure will only increase further as we enter the festive season, which increases the requirement for liquidity," the official told PTI. New housing loans under Rs 30 lakh will come at 10.10% as against 9.95% earlier, while interest rates on auto loans will go up to 10.75%, a senior bank official said.

All top private sector lenders, including ICICI Bank, HDFC Bank and Axis Bank, had hiked rates to protect net interest margins.

Tata Group rises to fourth position on Asia leadership list

Tata Group has moved up one place and is now ranked fourth among Asia’s 10 best companies for leadership, says a survey by global consultancy firm Hay Group. Tata Group is the only Indian entity which has managed to find a place in the list of ten best companies for leadership in Asia. The Indian corporate major has been ranked at the fourth position among ten best companies for leadership in Asia list, which was topped by Samsung Group followed by Toyota Motors and Unilever at the second and third position, respectively.
Bankers want RBI to cut rate and release liquidity

With festival season round the corner, bankers are pressing for cut in CRR and policy rate by Reserve Bank in its monetary policy later in the week to boost demand for manufacturing goods and arrest sagging growth.

“We have made our recommendations for releasing the liquidity, making it more accessible, making it less expensive,” State Bank of India (SBI) Chairman Pratip Chaudhuri said.

“The recommendation says cut the CRR, cut the repo rate and not to restrict the MSF to a particular number but whatever excess SLR banks hold that should be available for MSF (marginal standing facility),” he said.

RBI is scheduled to announce the mid-quarter review of the monetary policy for 2013-14 on September 20. In mid-July, RBI had raised bank rate and MSF to banks by 2% to 10.25% making loans costlier in its bid to contain the rupee slide. Introduced during the 2011-12 period, MSF allows banks to borrow money from the central bank at a higher rate when there is significant liquidity crunch.

“We think this tightening of the liquidity and making it more expensive of course may have been helpful in containing or arresting decline of the rupee but it has its collateral cost in terms of growth of economy,” Chaudhuri said.

Indian Overseas Bank Chairman and Managing Director M Naredra said “RBI should reverse the liquidity tightening measure taken recently so that loan becomes cheaper.”

With festival season round the corner, demand for loan is expected to go up and banks would be able to disburse loans at the lower rate, Naredra said. In its last policy review in July, the RBI chose to keep all key interest rates. Accordingly, the repo rate has been retained at 7.25% and the cash reserve ratio, the amount of deposits banks park with RBI, has been kept unchanged at 4%.

IMPACT OF RBI’S NORMS ON GOLD LOAN NBFCs SEEN ‘MARGINAL’

Diganth Haria, analyst, Antique Stock Broking says, “Earlier loan to value ratio of gold loan companies effectively came to 67-68%; as the same was calculated by including even making charges, value-added tax and other taxes. Now loan to value ratio of 60% will be based on only scrap value or pure gold. Thus yields will get affected marginally.”

The Reserve Bank of India imposed further restrictions on non-banking finance companies lending against gold jewellery as a collateral, according to a notification on Monday.

The central bank has issued guidelines on appropriate infrastructure for storing gold ornaments, prior approval for opening branches in excess of 1,000, standardisation of value of gold in arriving at loan-to-value ratio and verification of ownership of gold, reports Cogecos. However, analysts believe the fresh regulations are unlikely to have any significant impact on companies’ business performance.

Moreover, they are less harsh as compared with restrictions imposed earlier, namely lowering loan to value ratio and increasing Tier-1 capital, which has a direct bearing on financial performance.

Shares of Muthoot Finance and Manappuram Finance corrected on the exchanges by up to 8.3%, Muthoot Finance stock tumbled 8.26 per cent to Rs 103.60, while Manappuram Finance plunged 4.62 per cent to Rs 15.50 on the BSE.

The most important among Monday’s announcement was standardisation of value of gold in arriving loan to value ratio.

Companies already have in practice other regulations mentioned and hence, they will not have much bearing on the business.

Any further rapid expansion by the companies is unlikely in the short term.

Companies’ businesses have been affected by declining gold prices, reduced demand for loans due to the overall economic slump, focus on improving asset quality, and banks having a competitive advantage.

SOURCE: Free Press Journal

Jewellers, exporters rejoice

Welcoming government’s decision to hike import duty on gold and silver ornaments to 15%, domestic jewellery makers and exporters said the move will protect the domestic artisans and boost exports. “Higher import duty on gold and silver jewellery will protect the interest of domestic jewellery manufacturers and will encourage exports as well,” Gems and Jewellery Export Promotion Council Chairman Vipul Shah told PTI.

Domestic makers have been affected with rise in import of gold jewellery in recent time due to marginal difference in customs duty between raw gold and gold jewellery, he said.

The RBI had earlier reduced loan to value ratio from 75% to 60% and increased tier-1 capital from 10% to 12% by April 1, 2014. While lowering loan to value ratio has a direct bearing on companies’ interest income and return on assets, higher Tier-1 capital is less of a concern as firms are already adequately capitalised.

SOURCE: Free Press Journal

Tatas, third time, lucky

Join hands with Singapore Airlines for a domestic carrier

Eighteen years after its failed attempt, the Tata group on Thursday once again joined hands with Singapore Airlines to start a full-service domestic airline. Tata Sons, the holding company of the $100 billion salt-to-software Tata group, on Thursday signed a MoU with Singapore Airlines under which it will own 51 per cent stake in the proposed carrier. The rest will be with Singapore Airlines. The group, which had in February announced a partnership with Malaysia’s Air Asia for a low-cost domestic carrier, said it has applied for approval from the Foreign Investment Promotion Board for the new venture.

The board of the new carrier will initially have three members, two nominated by Tata Sons and one nominated by Singapore Airlines. The Chairman will be Prasad Menon, nominated by Tata Sons. This is the third attempt by the two partners to enter the Indian civil aviation sector. In 1995, they had applied to FIPB for a full service airline, which was cleared a year later but the venture never took off due to a change in the civil aviation policy in 1997 that barred foreign carriers from holding stake in domestic airlines. The deal did not come through and years later former Chairman Ratan Tata had famously remarked that the deal failed because the group refused to bribe a Union minister. The government last year changed its policy to allow up to 49 per cent foreign investment in domestic airlines.

SOURCE: Free Press Journal

To cut costs, AI to hedge jet fuel lifted overseas

To slash costs, national carrier Air India cleared a proposal to enter into hedging of aviation turbine fuel its airplanes lift overseas.

A maximum of 5,000,000 barrels of jet fuel, lifted abroad, would be hedged each quarter at a price of up to $110 per barrel, as per a decision taken by the airline’s Board’s Finance Committee which met here on Tuesday.

A small committee has been set up to take the lending forward, with the airline identifying organisations like JPMorgan, Citibank and GDF Suez to carry out the fuel hedging, the officials told PTI.

Fuel hedging is a contractual tool large fuel-consuming companies like airlines use to reduce their exposure to volatile and potentially rising fuel costs. Maintaining that the jet fuel budget of Air India was close to Rs 9,000 crore for 2013-14, they said it amounted to 45% of the total cost and almost 60% of the total revenue.

SOURCE: Free Press Journal

www.freepressjournal.in

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SOURCE: Free Press Journal

www.freepressjournal.in
Investors’ forum seeks freezing of assets of National Spot promoters

More trouble for NSEL as Corporate Affairs Min says appropriate action will be taken against the exchange if it is found that the Companies Act was violated.

N ational Spot Exchange Investors’ Forum met senior finance ministry officials and sought freezing of assets of promoters and directors of National Spot Exchange Ltd in the payment crisis issue, reports Cogencis.

“Assets have to be frozen. Of course, there is a larger investigation. And as the investigation concludes, we will see, which way the penny falls and how it gets distributed. The point is there has to be an immediate action to freeze assets so that assets are not disbursed,” Counseling National Spot Exchange Investors’ Forum Shuva Mandal told reporters after meeting Economic Affairs Secretary Arvind Mayaram.

Rangarajan said Mayaram is heading a committee to look into the payment crisis in the exchange. “There should be attachment and freezing of assets of Financial Technologies and Jignesh Shah and the directors of NSEL,” Mand said. The investors’ forum is confident that the government will take “strict” action against the National Spot Exchange.

He (Mayaram) told that (government) are going through reports of concerned departments...and after examining, due course of action will be taken,” said Arun Dalmaiya, secretary of the forum.

Meanwhile, Corporate Affairs Minister Sachin Pilot said appropriate action will be taken against the National Spot Exchange if it is found that the Companies Act was violated. “We asked for the report on NSEL, we have got it. We will see if it violates the Companies Act, we will take appropriate action,” Pilot said.

National Spot Exchange promoter Jignesh Shah, who also met Mayaram, said, the main focus was to recover money investors owed to the spot exchange.

Rupee, inflation to weigh on RBI policy: Rangarajan

Inflation and forex market conditions are expected to weigh on the Reserve Bank decision as it reviews monetary policy later this week, PMEAC Chairman C Rangarajan said.

“All that I can say is that the RBI, I believe, will take into account the behaviour of inflation as well as what is happening in the foreign exchange market and take a decision,” he said on the sidelines of an Assocham organised event here. RBI is scheduled announce mid-quarter review of the monetary policy for 2013-14 on September 20.

Inflation, based on the Wholesale Price Index, for August rose to 6.10 per cent from 5.79 per cent in July, as per the official data. On the impact of the likely tapering of quantitative easing by the US Fed this week, the Prime Minister’s Economic Advisory Council (PMEAC) Chairman said: “The impact of the tapering has already been digested. The market has already reacted to that.” Therefore, he said, whatever adjustment that will be made to the tapering has been practically completed by now.

Expressing concern over increase in the gross non-performing assets of the banks, Rangarajan said they have risen from 2.3 per cent at the end of 2010-11 to 3.2 per cent at the end of 2011-12 and to 3.92 per cent at the end of June, 2013.

Commenting on inflation rate for August, Sonal Varma, economist, Nomura Financial Advisory and Securities (India) Pvt Ltd said, “Core inflation is lower than the previous month. This shows that supply side shocks is driving up headline inflation. This reduces the space for Reserve Bank of India to stimulate demand. The currency weakness plus fuel price hikes could also be another factor, which could push up inflation, going ahead.” The rise in food inflation is despite a good monsoon this year. The monsoon rainfall so far has been 4% above normal, pushing up kharif sowing.

NSEL GETS RS 4.5 CR AGAINST RS 174 CRORE PAYABLE

Members of crisis-hit National Spot Exchange Ltd (NSEL) have paid just Rs 4.56 crore so far as against the scheduled payment of Rs 174.72 crore, raising the possibility of the fifth straight default today. According to NSEL data, four members out of 24 have paid in Rs 4.58 crore to the bourse.

The four members include N K Proteins (Rs 2.1 crore), Sankhya Investments (Rs 1.4 crore), White Water Foods (Rs 58 lakhs) and Metkore Alloys & Industries (Rs 50 lakh).

FM: Digitise insurance policies

U nion Finance Minister P Chidambaram said all insurance policies in the country would be dematerialised as early as possible, and should be made mandatory, reports Cogencis.

Speaking at the launch of the insurance repository system at an event organised by Insurance Regulatory and Development Authority here, Chidambaram said insurance companies must focus on this initiative to cut operational costs and offer better services.

Insurance repository system has been created to provide policyholders the facility to keep insurance certificates in electronic form. Chidambaram said the insurance industry, as well as regulators, should work on extending repository services to non-life insurance products.

As of now, these services are only available only for life insurance products. IRDA today issued licenses to five entities—NSDL Database Management Ltd, Central Insurance Repository Services Ltd, SHCIL Projects Ltd, Kany Insurance Repository Ltd and CAMS Repository Services Ltd to act as insurance repositories.

According to a release by IRDA, policyholders can open an account with any repository and can store all their policies in electronic form with a single account number. IRDA has set up an Insurance Transaction Exchange to facilitate data interchange between the repositories and insurance companies.

‘NDF sucking out liquidity, need to deepen local forex market’

D ommestc forex market needs to be deepened and made more competitive as non-deliverable forwards is sucking out liquidity from the onshore place, increasing the rupee volatility, RBI Governor Raghuram Rajan said. “To some extent it (NDF) draws away liquidity from our market. We have to make sure we provide deep and functioning market so that there is no need to establish a parallel market outside,” Rajan told analysts and researchers at his maiden post-policy conference call.

The non-deliverable forwards (NDF) market is a foreign exchange derivative instrument traded over-the-counter currencies that are not freely convertible, like the rupee, are traded here. RBI has no control over this market, which has huge volume and operates round-the-clock.

Rajan said the central bank would look into the problems which market participants have in entering the NDF market but only when the forex market stabilises.

Since September 4, when Rajan took over, the rupee gained a whopping 8 per cent till Thursday. On Friday, the rupee fell by 46 paise to 62.23 against the dollar, in line with a sharp decline in local stocks, after a surprise hike in a key lending rate by the RBI. Fresh dollar demand from importers and some banks put pressure on the rupee, while heavy equity investments by foreign institutions restricted the fall to some extent.
Retrospective taxation hurting biz environment: Govt panel

Govt to consider 'naming and shaming' fraudsters, defaulter

The government will consider a 'name and shame' mechanism to publicise the details of corporate and investment fraudsters to make the general public aware about identity and modus operandi of such entities, reports PTI.

A final decision in this regard can be taken only after considering the legal aspects involved with such an exercise, such as privacy and defamation laws, Corporate Affairs Minister Sachin Pilot said. While banks have begun publishing names and photographs in newspapers of willful defaulters, including for corporate and individual loans, the capital markets regulator Sebi also puts out a list in public domain of all defaulters against whom it has taken action.

 Asked whether the Ministry of Corporate Affairs (MCA) would consider adopting a similar practice for publicising the names and photographs of corporate defaulters and fraudsters, Pilot said: "I would be happy to follow up on this and consider implementing it in some way, keeping in mind the legal consequences of it."

Pilot said that Sebi to some extent makes public the names of defaulters in the capital markets space and other areas of its jurisdiction.

SOURCE: PTI

FM to meet US Treasury Secy, FIIs

Faced with a high current account deficit and declining foreign reserves, Finance Minister P Chidambaram in his forthcoming US visit will meet FIIs in San Francisco to woo investments. The Minister will be in the United States to attend the Annual Meetings of the International Monetary Fund (IMF) and the World Bank beginning October 9.

The US programme of Chidambaram also include a meeting with the Treasury Secretary Jacob Lew and other officials on October 13, sources told PTI. After that, he would meet Foreign Institutional Investors (FIIs) and hedge fund managers at San Francisco on October 14.

His US visit comes at a time when the country is facing pressure on the external sector with the foreign exchange reserves dipping by over USD 17 billion since March, 2013 to USD 274.8 billion as on September 6. Besides, the government and the Reserve Bank are also struggling to curb volatility in the forex market and arrest declining value of rupee, which had touched life time low of 68.86 to a dollar on August 28. Prime Minister's chief economic advisor C Rangarajan has said the government may have to drawdown $9 billion of foreign reserves to bridge the Current Account Deficit (CAD).

Meanwhile, analysts and treasury heads said that the reported crackdown on speculative trading in the non-deliverable forward (NDF) market by the government and steps taken by recent-ly-appointed RBI Governor Raghuram Rajan have brought stability to the forex market.

SOURCE: PTI

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.