FM says people invested in NSEL with ‘open eyes’

Finance Minister P. Chidambaram said many of the investors of National Spot Exchange Ltd had put their money into the exchange knowing well that it was an unregulated and non-registered entity.

"People seem to have given money to the NSEL’s promoters with open eyes, where it is not a regulated entity that it was violating conditions even from day one, yet they were giving money to NSEL," he said at a press briefing.

National Spot Exchange, promoted by Financial Technologies (India) Ltd, suspended trade in contracts from Jul 31 after a payments crisis led to a government order barring trade. Thereafter, the government initiated an investigation into the payment defaults. Last month, the government had appointed a special committee headed by Mayaram to examine the payment default crisis at NSEL, which was submitted to Chidambaram earlier this week.

Chidambaram said the corporate affairs ministry and the Forward Markets Commission will now examine the report and give their views following which action would be taken.

"I cannot possibly give a timeline for when each of these authorities will take action, but from what I have gathered, each of these authorities will take action as early as possible," he said.

Separately, the Central Bureau of Investigation is also investigating a complaint received on Indian Penal Code violations by the company, Chidambaram said.

Talking about the contents of the report, Chidambaram said irregularities were found in the payments by the exchange. "It (National Spot) is not a registered association under the FM C Act... but it got an exemption even before it started business.

"The government does not come into the picture at all. It is a company. It is not a regulated entity, which got exemption order even before it started business. Therefore, what legal rights flow to the company and investors, court will adjudicate that," he said.

"What mutual rights and liabilities between the courts and investors is there, only courts will adjudicate that," he said. There are around 17,000 investors in NSEL, out of which 9,000 traded through the top eight brokers, including Anand Rathi, Motilal Oswal, India Infoline and Systematix.

"The exemption exempted it subject to conditions. On day one, condition one was violated, on day one, condition two was violated. It carried on business. Since it's not a regulated entity, there was no regulator to ask it questions," he said. The minister, however, brushed aside worries about National Spot issue leading to a systemic problem in Indian financial markets.

"There is no systemic danger, there is no danger of spilling over to any other markets, that's a categorical finding of the Mayaram committee report. But I have asked both SEBI (Securities and Exchange Board of India) and FMC to keep a careful watch," he said.

He said that investors would definitely approach court as it is a matter between them and the firm.

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Shares of Financial Technologies (India) Ltd closed up by 5.27% to Rs 157.80 on the National Stock Exchange.

SOURCE: Free Press Journal

Tax board notifies GAAR; to come into effect Apr 1, 2016

Firms that route investments into India through tax havens like Mauritius would be brought under tax net.

The controversial GAAR proviso, which seeks to check tax avoidance by investors routing their funds through tax havens, will come into effect from April 1, 2016, a government notification said. The provision of General Anti Avoidance Rules (GAAR) will apply to entities availing tax benefit of at least Rs 3 crore, according to the notification dated September 23. It will apply to foreign institutional investors (FIIs) that have claimed benefits under any Double Tax Avoidance Agreement, reports PTL. Investments made by a nonresident by way of off-shore derivative instruments or PNotes through FIIs, will not be covered by the GAAR provisions.

Investments made before August 30, 2010, will not be scrutinised under GAAR, it said, adding the provisions will apply to assesses that obtain tax benefits on or after April 1, 2015.

"Stock markets will have a lot to cheer as FIIs which do not seek to avail of treaty benefits will not be subjected to GAAR. Investment in Participatory Notes will not be subject to GAAR," Deloitte Haskins & Sells Partner N C Hegde said. The GAAR provisions were introduced in the 2012-13 Budget by then Finance Minister Pranab Mukherjee to check tax avoidance and were to have come into effect from April 1, 2014. The proposal generated controversy, with investors getting apprehensive about harassment by tax authorities.

To soothe the nerves of jittery investors, Finance Minister P Chidambaram in January announced the postponement of the implementation of the Chapter - A of the I-T Act (dealing with GAAR) by two years to April 1, 2016. A business arrangement can be termed ‘impermissible’ if its main purpose is to obtain tax benefit. Under the original GAAR proposals, the anti-tax avoidance provisions could be invoked “if one of the purposes” was to obtain tax benefit.

“Where a part of an arrangement is declared to be an impermissible avoidance arrangement, the consequences in relation to tax shall be determined with reference to such part only,” the notification said. The assessing officer has to issue a show-cause notice, with reasons, to invoke GAAR provisions and also has to give an opportunity to an assessee to explain whether an arrangement was ‘impermissible.’

SOURCE: Free Press Journal
source: Free Press Journal

RBI to line up more steps to ease liquidity

Concerned over the tight liquidity situation ahead of the festival season, the Reserve Bank of India (RBI) plans to take steps such as bond purchases to ensure adequate supply of money for credit flows.

"The Reserve Bank of India is closely and continuously monitoring liquidity conditions and will take actions as appropriate, including open market operations, to ensure that adequate liquidity is available to support the flow of credit to productive sectors of the economy," it said in a statement.

RBI said it currently injects about Rs 1.5 lakh crore into the system daily through the liquidity adjustment facility, the export credit refinance facility and the marginal standing facility. Liquidity conditions have been tightening, as reflected in the hardening of yields in the government securities market due to uncertainties about the government's borrowing programme for the second half of 2013-14, it said.

Liquidity has also tightened due to prospective effects of banks' halfway account closure, seasonal pick-up in credit demand, festival-related demand for currency and sluggish deposit growth, the RBI said.

The government said on Monday it would borrow Rs 2.35 lakh crore from the market in the second half of the current fiscal of the total Rs 5.79 lakh crore projected in the Budget.

New Delhi Jet Airways and Etihad have submitted revised documents to the government seeking to ally FIPB's concerns over control of their proposed venture, saying the commercial co-operation agreement (CCA) will not override powers vested with the company's board.

"We confirm that the CCA will not undermine the powers of the board of the company at any time to enter/exit from such commercial arrangement," according to a joint note submitted by Jet Airways and Etihad Airways to the Department of Economic Affairs (DEA).

Naresh Goyal-led Jet has also changed the shareholders agreement and amended the investment agreement and the articles of association, as suggested by the Foreign Investment Promotion Board (FIPB), headed by DEA Secretary Arvind Mayaram, official sources told PTI. They said the Cabinet Committee on Economic Affairs could take up the deal for approval in the next few weeks. The CCEA will consider the proposal because the foreign investment involved is higher than Rs 1,200 crore. Earlier, the FIPB said Sebi would ascertain if control rests with the Jet Airways board, as per the revised CCA. The FIPB had approved a proposal for Abu Dhabi-based Etihad Airways to buy a 26 per cent stake in Jet Airways for Rs 2,058 crore with certain riders on July 29. The riders include Jet seeking government approval before changing the shareholders agreement with Etihad and any arbitration to take place under Indian law, not English law as proposed earlier.

The two airlines agreed to reduce Etihad's representation on the Jet Airways board to two from three, besides vesting Goyal, Jet's founder-chairman, with the right to deliver a "casting vote on any matter."

In the revised shareholders agreement, Etihad agreed to make only recommendations about suitable candidates for top positions in Jet Airways as opposed to getting the right to source senior management.

The revised proposal seeks to address concerns of the FIPB and market regulator Sebi with regard to "effective control" after the foreign direct investment, which will be the largest in the aviation space.

source: Cognos

SEBI to take action against MC-S if fit & proper' norms are breached

The Securities and Exchange Board of India will look into the circumstances that led to the auditor of Financial Technologies India Ltd to say the financial statement of the company for 2012-13 (Apr-Mar) cannot be trusted, the regulator's Whole-Time Member Rajeev Agarwal said.

SEBI will ascertain facts from Financial Technologies on the auditor's report, Agarwal said on the sidelines of an event here.

On Tuesday, Financial Technologies said its auditor Deloitte, Haskins & Sells has communicated to it that its 2012-13 financial statement cannot be relied upon. The auditor's communication is based on information conveyed by the company and the auditor of its subsidiary National Spot Exchange Ltd.

Agarwal said SEBI will also take action against Multi Commodity Stock Exchange, another subsidiary of Financial Technologies, if the exchange was found violating the "fit & proper" norms stipulated by the capital market regulator.

MC-S recently received a one-year licence extension from SEBI. Shares of MC fell by 4.05% at Rs 420.55 on the NSE, while those of financial technologies ended down 10.45% at Rs 149.90.

Meanwhile, Multi-Commodity Exchange of India Ltd's retiring director, Joseph Massey, has withdrawn his consent to be reappointed on the exchange's board to comply with clauses of board constitution norms set by the Forward Markets Commission.

Massey is due to retire by rotation after serving two years on the MC board as a non-executive director since August 2011.

source: Cognos

Jignesh Shah deflects blame, says he is a victim of management fraud

Financial Technologies India (FTIL) Chairman and CEO Jignesh Shah said he is a victim of management fraud at NSEL and sought support from shareholders and the government to tide over this bad phase. Addressing the annual general meeting here amid heavy police bandobast due to protesting investors, Shah said his reputation has been hit and called on shareholders not to judge the performance of FTIL by its subsidiary, the National Spot Exchange Ltd (NSEL). NSEL is facing problems in settling Rs 5,600 crore due to 13,000 investors after shutting trading operations in July. It has already defaulted on six weekly payments.

He said it would be "desirable" if he can get any support from the government and called on shareholders to "stand and commit ourselves to this painful episode." Shah stated he would have to stand by small investors at NSEL to regain his reputation and will leave "no stone unturned" to get back to normalcy.

He told the shareholders he was the victim of management fraud at NSEL. Ex-NSEL CEO Anjani Sinha, in an affidavit filed in a Mumbai court, had blamed the entire former NSEL senior management, including himself, for the payment crisis.

source: Free Press Journal

www.freepressjournal.in
The Cabinet Committee on Economic Affairs (CCEA) approved the long-awaited shale gas and oil exploration programme to boost domestic output. In the first phase, Oil and Natural Gas Corp (ONGC) and Oil India Ltd (OIL) have been permitted to explore for and produce shale oil and gas from onland blocks that were allotted on a nomination basis before the advent of NELP in 1999. ONGC and OIL have been permitted to explore and produce shale oil and gas from onland blocks that were allotted on a nomination basis before the advent of the New Exploration Licensing Policy in 1999. “This policy will allow national oil companies (NOCs) to carry out exploration and exploitation of unconventional hydrocarbon resources particularly shale gas and oil in their already awarded onland Petroleum Exploration License/Petroleum Mining Lease (PEL/PML) acreages under the nomination regime,” an official statement issued after the CCEA meeting said.

The government would offer shale oil and gas blocks to other companies through an auction planned after such a policy is taken to the Cabinet for approval in next few weeks. Royalty, cess and taxes would be payable at par with conventional oil/gas being produced from the respective areas. Shale gas, or natural gas trapped in sedimentary rocks (shale formations) below the earth’s surface, is the new focus area in the US, Canada and China as an alternative to conventional oil and gas for meeting growing energy needs. As per available data, six basins -- Cambay (in Gujarat), Assam-Arakan (in the North-East), Gondawana (in central India), KG onshore (in Andhra Pradesh), Cauvery onshore and Indo-Gangetic basins, hold shale gas potential. Various studies have estimated recoverable reserves of shale gas at between 6 trillion cubic feet and 63 trillion cubic feet. Production requirements and profile for shale oil and gas is different from conventional gas and oil, the statement said.

**Cabinet approves shale gas and oil exploration program**

**ONGC and OIL have been permitted to explore and produce shale oil and gas from onland blocks that were allotted on a nomination basis before the advent of NELP in 1999**

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**Tata, SIA say airline to always remain under Indian control**

Nearing that the substantial ownership and effective control of the JV would be with TataS with a 51% stake, the application said that SIA would have a minority representation on the board and "will not be in a position to have de-facto control over the Board."

**Indigo F13 profit rises 1,454% to Rs 993 cr**

No-frill carrier IndiGo posted a whopping 1,454% rise in gross profit at Rs 993 crore during 2012-13 compared to just Rs 64 crore in the earlier fiscal. Revenue grew by 65% to touch Rs 9,458 crore, as against Rs 5,718 crore during F12. "This is the fifth year in a row that we have posted profits since we broke even in 2008-09. We submitted our financial results to the Directorate General of Civil Aviation today as per the legal requirements," IndiGo CEO Aditya Ghosh told PTI here. During the last fiscal, the net profit of the company stood at Rs 787 crore, he said.

The airline is not a listed company. It also saw a 39% expansion in capacity since last year, as the number of its aircraft grew from 55 in March 2012 to 66 in March 2013. It has now risen to 70. It operates a single aircraft type - Airbus A320-200s - with a standard seating capacity of 180 passengers. "The surge in profits and good performance of the company was a result of better fares -- there was no fare war last year, the yield was much better and there was an overall decline in the industry capacity due to the closure of Kingfisher Airlines," Ghosh said while listing out the reasons behind IndiGo's profitability.

Asked whether IndiGo was considering roping in a foreign partner in the wake of liberalisation of aviation FDI norms, Ghosh merely said "there is no compelling reason for us to look for more funds", indicating the current cash-rich status of the airline.

**ICAI campus placement: CAs see average annual pay of Rs 7.3 lakh**

Reckoning strong employment prospects in the accountancy space, companies have recruited more than 624 chartered accountants with an average annual pay package of around Rs 7.3 lakh through ICAI campus placement, reports PTI. The offers were made by companies during the placement programme, conducted across 16 cities, by the Institute of Chartered Accountants of India (ICAI).

The highest remuneration stood at Rs 24.64 lakh per annum while the average compensation touched Rs 7.36 lakh per year. About 58 companies participated in the campus placement programme and hired over 624 chartered accountants, ICAI said in a statement. "ITC, Hindustan Unilever, Afghanim Industries, Tata Consultancy Services, Wipro, Madura Fashion and Life Style, Marriott Hotels India Pvt Ltd etc., were among the recruiters, it added. The firms represented various sectors including Information Technology, Financial Services, Oil & Gas Refining, Banking, BPO, Telecommunication, Mining and FMCG.

ICAI President Subodh Kumar Agrawal said the salary package offered to students ranged between Rs 4 lakh to Rs 24.67 lakh. "We are happy to see the response of the companies at our campus placement programme despite the current phase of economic slowdown," Agrawal said. ICAI is the statutory body for regulation of chartered accountants in the country.
India is among the countries that are most vulnerable to capital outflows as it relies heavily on external funding, global credit rating agency Moody’s cautioned on Monday.

"India and Indonesia are the most vulnerable to capital outflows because of high reliance on external funding," Moody’s Analytics said in its report. "How US Monetary Tightening Affects Asian Markets', it said the impact of recent Fed announcements on bond yields have exposed structural flaws in Asian economies, particularly in India and Indonesia. Moody's said the US Fed’s talk earlier of a likely tapering of monetary stimulus depreciated the rupee by 15%, making it the worst-performing currency in Asia. The US Federal Reserve last week surprised the markets by saying it will continue with its monthly USD 85 billion bond buying programme and wait for more evidence of growth recovery before thinking of unwinding the stimulus.

Expectations that the stimulus programme would be tapered had led to fears of capital outflows, causing the rupee to depreciate against the dollar and stocks to fall. The rupee touched a low of 68.86 to the US dollar on August 28. It is currently trading around 62.83 to a dollar.

Reserve Bank Governor Raghuram Rajan, while announcing the mid-quarter monetary policy review, said India needs to build a "bulletproof national balance sheet" to deal with the fallout on the economy from US Fed's tapering of stimulus that has been only been postponed not done away with.

The report meanwhile also noted that even the economies with current account surpluses have not been immune to the sell-off. "Malaysian and Thai bond yields have also risen, albeit less than those in India and Indonesia, because these economies are growing at a decent clip, inflation is low, and they run current account surpluses, which mean they rely less on external funding to finance growth," it said. The ratings agency said that Asian equity indices declined 30% peak-to-trough on average during the 1994 and 1999 US rate hike cycles.

Greenpeace accuses Coal India of misleading investors on reserves

Greenpeace accused the world’s largest coal producer, Coal India Ltd, of misleading potential shareholders by concealing the actual amount of extractable reserves it has.

Greenpeace has alleged that Coal India wrongly claimed extractable coal reserves of 21.7 bln tn during its initial public offering in 2010, higher than actual reserves of 18.2 bln tn. "The company has failed to disclose to stock exchanges an internal assessment that shows its extractable coal reserves are 16% less than stated at the time of its 2010 listing - a violation of Indian stock exchange rules," a Greenpeace release said.

The non-governmental environmental organisation has filed an official complaint with the Securities and Exchange Board of India on the alleged misrepresentation, an accusation that can pose more trouble for the proposed stake sale.

"Coal India is trying to deceive its present and future shareholders by hiding the fact," said Ashish Fernandes, campaigner, Greenpeace. Last month, the government selected seven banks to manage the stake sale of Coal India that could raise $1.2 bln, which has prompted intensified opposition from the unions. Coal India, which accounts for about 80% of India’s coal output, has missed its production target so far this year, and may force higher imports.

SOURCE: PTI

Govt to borrow Rs 2.35 lakh cr from market in H2: Mayaram

The govt would borrow Rs 2.35 lakh crore from the market in the second half of the current fiscal, a top Finance Ministry official said during the first half of the fiscal year, the market borrowing through dated securities would be completed for Rs 3.44 lakh crore, Department of Economic Affairs Secretary Arvind Mayaram told reporters.

The Union Budget 2013-14 had pegged the gross and net market borrowings through dated securities at Rs 5.79 lakh crore and Rs 4.84 lakh crore, respectively.

The government borrow funds from the market to finance the fiscal deficit, which is expected to be 4.8 per cent in the current financial year.

The borrowing programme will be completed by first week of February. The average weekly borrowing would be Rs 15,000 crore. The net borrowing is estimated at Rs 1.98 lakh crore.

Meanwhile, the Reserve Bank of India released the indicative calendar for marketable dated securities for the October-March 2013-14 to enable institutional and retail investors plan their investment efficiently.

The Finance Ministry further said that the recently launched Inflation Indexed Bonds (IIBs) will be part of the market borrowing programme and within the total announced borrowing of Rs 2.35 lakh crore.

SOURCE: PTI

RATING AGENCY

Rating agency says the impact of Fed announcements on bond yields have exposed structural flaws in Asian economies, particularly in India and Indonesia.