Reliance ADAG to get back Rs.1,200 crore from UP govt

In a major relief to the Anil Ambani-led Reliance ADAG, the Akhilesh Yadav government has decided to return Rs 1,200 crores of bank guarantee deposited by it to build a SEZ in NOIDA. The 2,500 acre SEZ was conceived during the previous Mulayam Singh Yadav government in 2006. Later Mayawati within a few days of becoming the Chief Minister of the state had recommended scrapping the SEZ as it violated the provisions of contiguous land on May 24, 2007. The then Cabinet Secretary Shashank Shekhar Singh had told ET then that a public road passed through the land earmarked for the ADAG’s SEZ in Noida and as such violated the principle of contiguous land as laid down in the SEZ policy.

The Mayawati government had written to the centre not to approve the SEZ. The Mayawati government had also seized the Rs 1,200 crores deposited by the ADAG as bank guarantee for the project.

"Only 750 acres of land could be acquired for the proposed SEZ. The ADAG contended that since the government could not help acquire the earmarked land their bank guarantee should be returned," said Infrastructure and Industrial Development Commissioner, Anil Kumar Gupta.

The ADAG has withdrawn a High Court case pertaining to the issue after the government decided to return the bank guarantee of Rs 1,200 crores.

(Source: The Economic Times)

Reforms seen on hold; politics, rains to blame

Senior govt officials say no movement is expected until 2nd week of Sept

Prime Minister Manmohan Singh is likely to hold off on widely anticipated fuel subsidy and retail reforms because of renewed opposition from party colleagues and coalition allies, leaving budget targets in tatters and rattling investors.

Members of Singh’s Congress Party and senior government officials said that no movement was expected until at least the second week of September, despite market expectations of an announcement this week or the next. Despite consultations with partners and state governments, it was not clear how Singh would be able to build a consensus on opening the $450 billion retail sector to foreign supermarket chains like Wal-Mart Stores or on increasing fuel prices.

"Such an announcement will not be made unless a political consensus is reached," one party leader said. A senior civil servant with knowledge of the reform agenda said "efforts are on" to allay fears of coalition allies and party members. He declined to give a timetable for implementing the policies. A month-long session of parliament starts on August 8. While the government does not need parliamentary approval for the reforms, many Congress legislators said the party would find it hard to stomach protests from allies and the opposition.

(Source: Reuters)

The key for Manmohan Singh will be to build a consensus on opening the retail sector to foreign supermarkets

The architect of India’s initial economic reforms in the 1990s, Singh has promised to revive the “animal spirit” of the economy and many investors had expected him to move in the period between Mukherjee’s election on July 19 and the opening of what is dubbed as the monsoon session of parliament.

Changing rules to allow multi-brand foreign retailers to operate in India was expected to be the first major announcement. But that plan hit fresh opposition from the Samajwadi (Socialist) Party, a Congress ally.

"We urge the government not to open up the retail trade to FDI (foreign direct investment) any further," Samajwadi leader Mulayam Singh Yadav and communist party leaders told Singh in a letter on Saturday that predicted massive job losses. Singh had introduced the retail plan last year but quickly abandoned it after protests in parliament and on the street. The plan to reduce subsidies on diesel, kerosene and cooking gas, that are aimed at India’s poor and rural majority, also looks in trouble because crop yields and farm incomes could be affected this year by poor rains.

Singh’s office said this week that the rains in the June-September monsoon season that irrigate 55 percent of India’s farmlands were likely to be below average. The season accounts for 75 percent of the country’s annual rainfall and half of that is usually delivered in June and July.

(Source: Reuters)

Rich individuals and their families have $32 trillion of hidden financial assets in offshore tax havens, according to a study published recently. This is equivalent of the combined GDP of the US and Japan and represents a whopping $280 billion in lost income tax revenues. The study estimates the extent of global private financial wealth held in offshore accounts - excluding non-financial assets. It puts the sum of global private wealth held offshore at between $21 and $32 trillion.

The research was carried out for pressure group Tax Justice Network, which campaigns against tax havens.

The report also highlights the impact on the balance sheets of 139 developing countries of money held in tax havens by private elite, putting wealth beyond the reach of local tax authorities. The research estimates that between 1970 and 2010, the richest citizens of these 139 countries had amassed $7.3 to $9.3 trillion of “unrecorded offshore wealth”.

(Source: The Hindustan Times)

$32 trillion held by super rich in offshore havens

Reserve Bank may hold rates in Jul 31 review

The Reserve Bank of India (RBI) is expected to hold its policy interest rate steady at its quarterly review next week, keeping pressure on the government to reduce a ballooning fiscal deficit and take steps to remove bottlenecks that are driving up food prices.

Of 20 economists polled by Reuters, 19 expect the RBI to keep its repo rate unchanged at 8 percent on Tuesday. After the mid-quarter policy review in June, roughly one-third of respondents had expected a July rate cut.

The RBI, which said it “frontloaded” rate cutting in April with a steep 50 basis point drop, has stressed the need for the government to reduce its fiscal deficit and said high interest rates were not the key reason for slowing economy. Complicating the picture for policymakers is weaker-than-average summer monsoon rains, which are pushing up food prices and adding to inflation.

"The impact of inadequate rains is going to be felt on food prices, which poses an upside risk to inflation," said Shubhada Rao, chief economist at Yes Bank in Mumbai. “Given that the government has not taken any concrete steps to address the supply side issues, or the fiscal pressures, the central bank is unlikely to ease rates at this moment.”

In June, headline inflation rose 7.25 percent, while the consumer price index remained sticky at 10.02 percent. Pressure on food prices could mount as this year’s monsoon season has had patchy rainfall distribution so far.

(Source: Reuters)
Sebi, exchanges plan to modify listing pact to penalise non-compliant cos

Close to 400 companies, comprising 10% of listed entities, have not shared key information like balance-sheet numbers, shareholding pattern and board composition with their shareholders. These companies continue to be traded on stock exchanges despite failing to fulfill various conditions under the listing agreement with bourses.

Such non-compliance will attract penalties, with capital market regulator Sebi and stock exchanges planning to modify the listing agreement, said a person familiar with the matter.

A committee set up by the regulator last year had recommended certain changes in the listing agreement. Based on feedback from exchanges, the regulator has proposed penalties ranging from Rs 5,000 to Rs 1 lakh depending on the violation. The committee, said Sebi and stock exchanges should debar companies and promoters-directors responsible for non-compliance from the capital markets, freeze their accounts, or file criminal complaints against them. The committee also recommended that the regulator should seek amendment to the Companies Act to include a provision where it can liquidate a listed company in extreme cases where all attempts to ensure compliance have failed.

The 400 odd companies not complying with the listing agreement are over and above the 1,500 stocks suspended from trading. "The exchanges have power under their bye-laws to impose fines and penalties. Further, Sebi draws powers under the Securities Contract (Regulation) Act (SCRA) for imposing penalties for non-compliance with listing conditions. Sebi and exchanges determine what conditions will be monitored and who will impose the penalty. There was a need to revamp the finer details to make it more effective," said PR Ramesh of Economic Laws Practice.

Even though there is a provision in SCRA to levy a penalty as high as Rs 25 crore for non-compliance and up to Rs 1 lakh a day, which can go up to Rs 1 crore for not furnishing such information on time, there is no defined penalty structure in the listing agreement for non-compliance with various clauses.

Many companies, says the report, do not provide timely disclosures relating to financial results, board meetings, shareholding pattern etc; a number of them do not share details of IPO proceeds while some (including a few that are part of the BSE 500 index) have no functional websites.

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Opposition to Manappuram move for PE special rights

Advisory firm asks shareholders to vote against gold loan firm's proposed alteration of articles in favour of some institutional investors

Institutional Investors Advisory Services (IIAS), a proxy advisory firm, has opposed a proposal by Manappuram Finance, a gold loan firm, to alter its Articles of Association for PE rights.

IIAS has advised minority shareholders to oppose this move, as it would give such institutions an unfair advantage over other shareholders.

At its AGM scheduled on August 2, Manappuram is planning to move a special resolution, seeking to alter its Articles of Association. The Articles are a statutory document required to be maintained by every company, detailing its internal rules and regulations. Manappuram says the change is required to reflect the terms and conditions of definitive agreements entered into with some of its institutional investors. According to IIAS, the proposal is for incorporating certain additional rights to Hudson Equity Holdings, AA Development Capital India Fund 1 LLC, and a set of investors referred to as "Subsequent Investors (Sequiao, Barings, etc) and Others".

"As this is a listed entity, the amendments mentioned in the proposal give additional rights to one set of shareholders. We believe these rights should fall off once a company is listed. IIAS strongly recommends voting against the resolution," the advisory firm said in a note issued on Wednesday. Hudson Equity Holdings, the investment vehicle of India Equity Partners, holds 8.34 per cent in the company and has nominated a director on the company's board. AA Development Capital Fund owns 3.5 per cent, with a director on board.

PM panel on GAAR has begun process of consultation

Prime minister-appointed panel on GAAR has begun consultations with the stakeholders to fine tune and bring greater clarity in the draft norms, the chairman of the committee Parthasarathi Shome has said.

"We have already begun the consultation process quite extensively and it will be more intensified as we go ahead," Shome said at an Assocham seminar.

Introduction of GAAR, which was proposed by then Finance Minister Pranab Mukherjee in the Budget 2012-13 to check tax evasion, had triggered strong opposition from foreign investors following which its implementation was postponed till April next year. Earlier this month, Prime Minister Narendra Modi had set up a committee to prepare fresh norms on the controversial tax provision -- General Anti-Avoidance Rules (GAAR) -- to bring in greater clarity and prepare a roadmap by September 30 for its implementation.

"We have already started meeting the advisors and there are lots of requests for presentation. The whole point of meeting the stakeholders is to see what are the legitimate and not so legitimate views. Besides, there are some issues that can come up and we have to sift through them," Shome said.

Last month, the Finance Ministry had come out with draft guidelines on GAAR and had invited stakeholders comments on the same. Later, the Prime Minister set up an expert committee under Shome to hold fresh consultations on the controversial tax issue and submit its report by September end.

"We are likely to meet the September 30 deadline to come out with our report," Shome said.

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Mauritius funds in Indian stocks face Sebi, RBI probe

A senior official said that Sebi (Securities and Exchange Board of India) fears many of these Mauritius funds to be related to each other, as it has found various common threads between different entities based out of the island nation. Also, Mauritius-based entities form a major chunk of the investors that have stopped investing in India, or have sold off their holdings, in the recent months amid certain fresh taxation proposals. This has further raised the hackles of the regulatory agencies, as the proposed changes in the tax regime are supposed to check flow of black money, among others.

Many of these entities, which mostly invest in India through overseas institutional Investment route, have been involved in large-size transactions in Indian stocks in the past, sources said, but refused to disclose the names.

As the matter involves foreign flow of funds through capital markets, as well as through banking channels, the issues are also being looked into by the RBI.

It is feared that wealthy Indians, including some company promoters, might be using Mauritius-based funds to route their money back into the country -- either to legitimise their illicit wealth or for share price rigging in the stock market.

There have been concerns that post-box-like facilities given by Mauritius authorities to the companies operating from there help in setting up proxy entities to route illicit funds back into the country without any tax or other liabilities.

(Source: Business Standard)

(Source: The Economic Times)

(Source: FPJ)
HCL Infosystems acquires Edurix to boost learning biz

Infosystems is currently underway. T firm HCL Infosystems has said that it has acquired education content provider Edurix, a move that will help strengthen its education and learning business. Edurix is a part of Attano Media and Education and design content for the K-12 education segment. The business transfer between HCL Infosystems and Attano has been completed and included transfer of all fixed assets, intellectual property rights and human resources of Edurix, HCL Infosystems said. “The acquisition will help us expand the inhouse content capability for HCL Learning and supplement our current offerings across various segments like K-12, higher education and career development centre (CDC),” HCL Infosystems Senior VP and HCL Learning Head Anand Ekambaram said.

This also brings in the capacity to develop and customise content for tablets, dongles and online platforms, he added. The integration of the Edurix’s business and teams with HCL Infosystems is currently underway.

ICICI beats forecast, net up 36%

India’s largest private sector lender ICICI Bank’s first quarter (April-June) net profit rose by a forecast beating 36% year-on-year to Rs 1,815 crore driven by a drop in non-performing assets (NPAs) coupled with a robust growth in loan book that expanded 22% y-o-y to Rs 2.68 lakh crore.

Net interest income (NII) or the difference between interest earned and paid out increased more than 32% to around Rs 3,200 crore during the three-month period. Fee income rose by 14.4% year-on-year to Rs 1,880 crore.

Analysts on average had expected 30% rise in net profit and NII was seen at Rs 3061 crore, up 27% y-o-y. “We are maintaining our target of 20% loan growth in FY13. Retail loans are likely to expand at 10-15% through segments like housing, vehicle financing and others. In corporate loans, we will only focus on working capital loans and existing project loans,” Chanda Kochhar, managing director & CEO, ICICI Bank told reporters in a conference call.

During the quarter, the gross NPA ratio fell to 3.54% as against 3.62% in the Jan-March quarter and 4.36% in Q1, FY12. However, net NPA ratio too improved to 0.71% (at Rs 1,941 cr) from 0.73% quarter-on-quarter. This suggests that loan provisions did not increase much. Net NPA ratio is determined after deducting loan provisions from gross NPAs.

“Three reason added to our higher interest income: lower reliance on bulk deposits, higher yield on advances and higher net interest margin from your international divisions,” Kochhar said. At the same time, the bank’s restructured assets fell marginally to Rs 4,172 crore compared with Rs 4,256 crore in Q4, FY12. Market was apprehensive of the lender’s recast cases. The improvement added to investors’ confidence. At 13.10 hrs, ICICI Bank shares were trading at Rs 927, up 2.30%.

The bank management is not expecting any major rise in restructured book. However, it is not clear whether any big account is likely to figure in their restructured book. In Q1, recoveries slipped marginally to Rs 466 crore as against Rs 469 crore in Q4, FY12 and Rs 454 crore in Q1, FY12. Provisions included a component of general provisions of Rs 76 crore on standard assets. However, the bank’s deposits grew at a slower pace by 16% y-o-y to around Rs 2.68 lakh crore. The share of savings and current accounts to total deposits stood at 40.6% as on June 30, 2012 while savings account deposits increased 17% y-o-y to about Rs 78,000 crore.

“Our total deposits would grow in the range of 18-20% y-o-y. The CASA ratio will be in the range of 38-40%,” said Kochhar.

On consolidated basis, ICICI Bank reported 25% y-o-y growth in its Q1 net profit at Rs 2,077 crore.

Unitech opposes Telenor’s rights issue proposal

The battle between the estranged partners of Unitech Wireless - Telenor and Unitech - has resurfaced, with the Indian real estate giant opposing the Norwegian telecom firm’s Rs 1,200-crore rights issue proposal. In a letter to the Foreign Investment Promotion Board (FIPB) on Tuesday, Unitech has also accused its partner of misinterpreting facts discussed in the joint venture company’s board meetings. Unitech has also raised questions as to how Telenor would bring in Rs 1,200 crore through a rights issue without breaching the 74 per cent FDI cap in the sector, as the real estate giant has already informed it would not subscribe to the issue. The move comes a few days before the FIPB would consider the proposal of Uninor to raise Rs 1,200 crore through a rights issue to finance future investments in the country. Telenor holds 67 per cent equity stake in Unitech Wireless, the company that operates 2G services under the Uninor brand name, while the remaining 33 per cent is owned by Unitech. In its letter to the FIPB, Unitech has said that in its application Uninor had stated the nominee directors appointed by Unitech Ltd on the company’s board had consented to the rights offer in a board meeting on May 23. That, Unitech says, is wrong and a misinterpretation of facts, as the nominee directors had already written to Uninor, pointing out the issue of the rights issue was not even on the agenda in the May 23 meeting. It argues there was only some discussion on the rights issue but no decision was taken, as the matter was under arbitration between the two stakeholders.

ICICI Bank CEO, Chanda Kochhar, managing director & CEO, ICICI Bank

Competition, regulatory curbs halt Idea’s Q1 performance

Stringent competition and regulations impacted Idea Cellular’s financial performance during the first quarter of 2012-13 (April-March) sequentially but showed strong growth on a year-to-year basis. The company’s profit after tax for its standalone operations was Rs 198.1 crore, down from the January-March quarter but up from the year ago quarter when PAT was Rs 154.1 crore. The company had a onetime depreciation charge of Rs 48 crore impacting net profit, CFO Akshaya Moondra said.

Revenue growth on a sequential basis was up by a mere 2.5% at Rs 5.5382 crore but when compared with the year ago period, the growth was nearly 22%. The decline in average realisation per minute by 2.3% to 41.2 paisa during this quarter compared with 42.2 paisa in the March quarter also impacted revenue growth.

PlanCom paper for focus on SME growth

As the country faces external headwinds, a view has emerged in the Planning Commission to boost the small and medium enterprises (SME) sector, for putting the country on a sustained high growth path in the 12th five-year Plan (2012-17). A paper presented by the Planning Commission at a meeting with state planning boards, says small businesses are a way to faster growth, as SMEs are more attuned to the domestic economy. When asked, the author of the presentation, Pranab Sen, principal advisor, said the paper looked at objective conditions. He said corporate sentiment was down due to problems related to the Euro zone and other domestic issues. In this situation, the focus should be on the small scale sector. Asked when he thought corporate sector sentiments would be up again, Sen said, “It can reverse a day after tomorrow. If Euro zone conditions improved, the whole attitude of the corporate sector can change." The presentation, he said, noted external conditions were not in India’s hands. “Let’s focus on those things which are under our control,"

Yesterday, in fact, rating agency Moody’s Investor Services had cut its outlook on Germany, the Netherlands and Luxembourg, all with the highest rating due to the Euro zone problems, suggesting how serious these external challenges were. If things are fortunately situated, the corporate sector would come back roaring, “That is not an issue. If it does not, let’s get the SME sector up,” the former chief statistician said. If the SME sector story could be perk, it would provide conducive conditions for the corporate sector as well. “But that will take time. It will take a year and a half.”

India’s economic growth slipped to a nine-year low of 6.5 per cent in 2011-12 and initial signs for this year are not encouraging as well.

Chandrashekhar, managing director & CEO, ICICI Bank

(Source: Business Standard)

(Source: Business Standard)

(Source: Business Standard)

(Source: Money Control)

(Source: FJP)

(Source: Business Standard)

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Investment by private cos may drop by 35% in 2012-13: Crisil

Investment by private companies is expected to decline by a whopping Rs 72,000 crore or 35% from planned capital expenditure this fiscal due to a host of issues like land acquisition and fuel linkages, a report by ratings agency Crisil has said.

Companies had planned an initial capex of Rs 2.7 lakh crore this fiscal but a good portion of that will remain only in paper. This southward-ho in the capex will be led by companies in the sectors like cement, textiles, telecom and automobiles, says the Crisil report.

"Investment by private sector companies in our survey is expected to decline by nearly Rs 72,000 crore or 35% this fiscal," Crisil managing director and chief executive Roopa Kudva said.

"Since the private sector accounts for three-fourths of GDP and over 90% of manufacturing output, revival of the private sector investment is critical to lift the sagging economic growth," Kudva said.

According to sector-wise analysis, capital investment in cement is expected to decline by 75% decline, textiles by 71%, pharmaceuticals by 51%, telecom by 35%. The capex in FMCGs may drop by 34%, and oil & gas by 19%.

"A majority of the companies surveyed have indicated that policy issues such as land acquisition, mining policy, fuel linkages and spectrum pricing as well as delays in project clearances are impacting investments," Crisil Research President Mukesh Agarwal said.

"To spur investments, the government will have to play the role of an enabler by addressing these bottlenecks," he said.

The only green shoots come from other infra which include airports, ports roads etc which are set to experience growth 17%, IT & ITeS to growth by 25% and metals by a higher 31%.

The poll was conducted by Crisil among 200 companies, 170 of them private sector ones. At 35% capex, the decline in investments by the private sector will be the lowest in the past four years and comes on top of a 4% decline last fiscal.

(Source: Business Standard)