PM okays relaxations in land transfer policy

Removes ban on transfer of govt land for public-private infra projects

Prime Minister Manmohan Singh has intervened to remove a ban on transfer of government land for infrastructure projects that are developed in partnership with the private sector. The government's move reverses the earlier policy where every proposal of land transfer by the government for development of infrastructure like ports, roads, railways stations or airports required a cabinet approval, which would inevitably take around 6 months time.

An official statement put out by the Prime Minister's Office (PMO) on Thursday said that ministries or government departments could transfer land directly to Public sector units and companies developing infrastructure projects, technically known as licensees or concessionaries according to government norms.

The government had imposed a ban on all transfer of government owned lands except in cases where land was to be transferred from one government department to another earlier last year. "This was leading to long delays in awarding concessions for infrastructure projects, particularly PPP projects," the official statement said.

Prime Minister Manmohan Singh statement said.

All PPP infrastructure projects - roads, railways, ports, civil aviation and metros involve some element of land alienation as the project is often built on government owned land. "The government continues to own the land which is leased or licensed out," but is doing away with the mandated cabinet approval for each of this."Requiring cabinet approval for each PPP project meant adding a few months to complete the processes for securing cabinet approval," the statement said. This is expected to come as a welcome break and push to the infrastructure sector that involves projects with long gestation time. Citing an example a CEO of one of the infrastructure companies that has been working on PPP projects said that this would reduce procedural delays and save time and cost. Citing an example, he said the railways have been working on developing the land around railway stations on similar lines like airports. This involves giving or leasing out the land owned by Railways to a company that is a joint venture between a private and public company, which would have to wait for at least six months before it got the cabinet approval.

The Department of Economic Affairs under the finance ministry is supposed to be preparing a comprehensive land transfer policy for government owned land. Vinayak Chatrjee, chairman of Feedback Infrastructure, said that this relaxation would help speed up approvals that have cost the sector heavily in terms of time and cost overruns. It would be of particular help to projects in the ports, railways and container services as most of the land on which these projects are developed belong to the ministries or government agency, he said.

(Source: The Economic Times)

Now, equity upfront for debt recast

Promoters have to bring in equity upfront and provide personal guarantees before a loan of a company is restructured by banks, a move that will affect companies like Kingfisher Airlines that are seeking debt recast. The moment a company begins to perform after the restructuring, it should get out of the Corporate Debt Restructuring process and pay commercial interest rates similar to what other viable companies pay, the Finance Ministry has said.

Lenders shall insist on a certification by the project evaluating agency on whether the stress in the account is due to bad management, inefficient management, or due to diversification of money by promoters, or due to cyclical business downturn beyond the control of the management of company," said a letter from the ministry to state-run banks. It said the monitoring agency should conduct forensic audit where there are instances of diversion of funds. The ministry and RBI are tightening the screws on corporate debt restructuring as it is being misused by some unscrupulous promoters to escape commercial failures. They seek liberal terms and lower interest rates under CDR to tide over business failures caused by mismanagement, whereas the process is for those firms that are down due to factors beyond their control. For banks, restructuring helps them hide bad loans and pushes the pain of defaults further.

(Source: The Economic Times)
Subbarao sees scope to cut rates this year

Reserve Bank of India (RBI) Governor Duvvuri Subbarao Tuesday said persistent high inflation did not allow the central bank to cut interest rates immediately but there was scope for their being lowered in the 2012 calendar year.

"Well I see scope. But I can’t say when," Subbarao told reporters when asked whether there was any scope of cutting rates in the current calendar year.

In the first quarter review of the monetary policy, the RBI kept key policy rates unchanged for the second time since June saying lowering of rates would aggravate inflationary pressure.

Repo rate, the rate at which the RBI lends to commercial banks, remains unchanged at 8 percent, while the reverse repo rate, the rate at which RBI borrows money from commercial banks, stays steady at 7 per cent. Subbarao said inflation stickiness did not allow the central bank to cut the rates.

Core inflation was recorded at 7.25 percent in June as per the latest available data.

The real worry is on food inflation, inflation, which remains in double-digit. Food inflation accelerated to 10.81 percent in June as compared to 10.74 percent in the previous month.

On growth, Subbarao said growth has slowed due to several factors and monetary policy alone should not be blamed for it.

"There are several factors responsible for growth slowdown, the monetary policy stance is only one of them," Subbarao said at a press conference after the central bank announced the monetary policy review.

The RBI Governor claimed that there was no liquidity problem in the system.

"Real interest rates continue to be lower than what it was in the pre-crisis period," he said.

Saddled with high inflation, RBI had refrained itself from lowering rate in its last policy review on June 18 despite moderation in economic activity and the growth rate falling to 9-year low of 6.5 per cent in 2011-12.

RBI advised the government to take immediate steps to control fertiliser and fuel subsidies and keep them under 2 per cent of GDP. The central bank said it would continue with open market operations to ensure adequate liquidity. It had injected Rs 86,000 crore in the financial system during the first quarter.

With regard to global economic impact on domestic economy, Subbarao said external risks to the outlook for the Indian economy are intensifying.

"Adverse feedback loops between sovereign and financial market stress in the euro area are resulting in increased risk aversion, financial market volatility, and perverse movements in capital flows," he said.

RBI flagged external risks emanating from "fiscal cliff" in the US, uncertainties on commodity prices, and the "twin deficits" as risks to the monetary policy.

"Failure to narrow the twin deficits (current account deficit and fiscal deficit) with appropriate policy actions threatens both macroeconomic stability and growth sustainability," RBI said.

(Source: FPJ)

Apex bank relaxes forex regulations

Amid rupee volatility, the Reserve Bank eased norms by allowing companies and exporters to keep their entire forex earnings in the respective foreign currency for a limited period. As per the existing provision, 50 per cent of exporters earning in foreign currency (EEFC) are required to be converted into rupee.

Compulsory conversion of a portion of foreign exchange into rupee was enforced to deal with sharp volatility of in the forex market since March this year. The decision comes following recovery of the rupee after hitting a record low of Rs 57.42 against a dollar in June.

This is aimed at addressing concerns of some companies that felt the regulations were restricting their foreign exchange risk management.

According to a RBI circular this was to "restore the erstwhile stipulation of allowing credit of 100 percent for foreign earnings to the EEFC accounts."

(Source: FPJ)

Two brokerages fined for circular trading in Videocon shares

Sebi has imposed penalties of Rs 2.64 lakhs each on two brokerage firms for circular trading between them in shares of Videocon Industries Ltd in 2004.

The two entities, Mansukh Securities & Finance Ltd (MSFL) and Intec Shares and Stock Brokers Ltd (ISSL) have been found to have violated norms related to synchronised or circular trading, while dealing in shares of Videocon Industries on behalf of their clients. Circular trading refers to a fraudulent practice where the seller and buyer may have an understanding between them on trading of specific shares.

In separate orders, issued on July 30, Sebi said the penalties of Rs 2.64 lakhs each is commensurate with violations committed by MSFL and ISSL and would also deter prospective violators in the future. The orders have been passed after Sebi’s investigation into trading in Videocon shares in 2004 from January 14 to February 26. During this period, the scrip plunged by over 20 per cent to Rs 28.90 from Rs 36.15 per piece. As per the Sebi probe, MSFL and ISSL accounted for 71.68 per cent of the gross traded shares of Videocon Industries during that period. Sebi said there were 28 trades, over a period of nine days, wherein there was very close matching of order time, price, quantity.

(Source: The Economic Times)

SEBI CORNER

Former Satyam compliance officer gets Rs 5 lakh fine

Sebi has imposed a Rs 5 lakh fine on the erstwhile Satyam Computers’ compliance officer G Jayaraman for failing in his duty to avoid insider trading in the company’s shares in December 2008 – days before a major corporate scam broke out at the IT firm. Jayaraman’s role came to the light during market regulator Sebi’s investigations into the Satyam scam, which was unveiled in the financial year 2008-09.

Sebi said in an order dated July 27. The investigation revealed that Satyam’s then Chairman Ramalinga Raju had proposed on December 06, 2008 the acquisition of Maytas Infra and Maytas Properties by the IT firm. The announcement for these acquisitions were made public on December 16, 2008, and the plans were subsequently dropped next day on December 17, 2008, followed by a confession by Raju on January 7, 2009, about large-scale irregularities.

Sebi said its probe found that the trading window for Satyam shares was closed for insider trading from December 17, 2008, till beyond January 9, 2009, although Jayaraman, as compliance officer of the company, was required to close the trading window much earlier on December 6.

Sebi investigation alleged that Jayaraman "violated the provisions of the ‘Model Code of Conduct for Prevention of Insider Trading for Listed Companies’ by not closing the trading window when unpublished sensitive information about the acquisition came into existence."

(Source: Business Standard)
To tax or not to tax?

Bain Capital’s $1 billion deal with New York-listed Genpact, India’s largest back-office services provider, has brought back to centre stage the uncertainty over overseas deals involving Indian assets.

The deal will be the first one to be scrutinised using the new rules that governs such transactions. The report has quoted income tax authorities and tax experts arguing for and against applying tax on the deal.

Genpact draws huge income from its operations in India, while the deal is between overseas investors, Bain Capital, the buyer, and Oak Hill Capital and General Atlantic the sellers. The report quotes an IT official as saying the authorities will be writing a letter to ascertain the facts of the deal. However, another legal executive has said Genpact will be governed by rules on the New York Stock Exchange as it is listed there and not in India. The Genpact deal is complex. The Bermuda-based company has 80 percent of its clients overseas, but 67 percent of its revenue comes from India, the report said.

And why should the deal be not taxed?
(Source: Firstpost)

Bain Capital to buy 30% in Genpact for $1 billion

Bain Capital has agreed to buy 30 percent in India’s largest business process outsourcing firm Genpact for $1 billion, the former said in an announcement in New York. Bain will acquire equity from Genpact’s existing investors General Atlantic and Oak Hill Capital for $14.76 per share, the New York Stock Exchange listed firm.

South Asia Private Investments and other affiliates of Bain Capital will purchase approximately 68 million Genpact shares from affiliates of GA and Oak Hill. Bain Capital will name four directors to Genpact’s board to replace the current GA and Oak Hill Capital nominated directors. Bain Capital will have a lock-in period of two and a half years, when it cannot sell the holding. GA and Oak Hill will continue to hold 10 percent equity in Genpact after the transaction.

Robert Scott will continue to serve as Chairman of the Board of Genpact and NV ‘Tiger’ Tyagarajan will continue to serve as president and CEO.

“Bain Capital’s decision to invest in Genpact is a vote of confidence in the company and our business model, our differentiated service offerings, the value we deliver to our clients and the strength of the management team.”

N V Tiger Tyagarajan, Genpact chief executive officer, said in a statement. “Genpact will remain an independent public company, and I, along with our management team, will continue to pursue our strategic objectives.”

Genpact has an employee base of 5,400 and had revenues of $1.6 billion. It has more than 3,000 employees in the US.

“Genpact has earned its leadership position by partnering with global companies to improve business outcomes,” Bain Capital said.

“Their relentless focus on the client and moving up the value chain has resulted in impressive revenue and client growth since becoming a public company in 2007.”

Morgan Stanley and Citigroup were financial advisors for Genpact.
(Source: The Economic Times)

Deccan Chronicle shares tank on forgery complaint by Karvy

Shares of Deccan Chronicle Holdings Ltd (DCHL) hit an all-time low of Rs.13.95 on Wednesday, down 9.71 percent from the previous close, following a criminal complaint by Karvy Stock Broking Ltd.

In the complaint to Central Crime Station here late on Tuesday, Karvy alleged that the promoters of Deccan Chronicle, T. Venkatram Reddy, T. Vinayak Ravi Reddy, P. K. Iyer, and others have cheated it by using forged documents. The police have filed a First Information Report. According to the FIR, “DCHL, being a depository account holder with Karvy, used forged letters, misrepresented facts that a higher number of shares existed in their accounts for availing loan against them. This was breach of trust and forgery.” The promoters of DCHL had pledged 11.28 crore shares with Future Capital to raise Rs.120 crore for Deccan and Rs.50 crore for Avitech. Karvy has only 6.04 crore shares.

The promoters have also pledged 14.46 percent stake with Religare Finevest Ltd. Industrial Finance Corporation of India has filed a wind-up petition against DCHL stating that the company has almost become insolvent.

(Source: The Hindu Business Line)

FUTURE CAP PAYS FOR DECCAN’S MESS

Deccan Chronicle’s troubles are reflected in its share price that has fallen from a high of Rs.56 in mid-February to Rs.13.30 on August 2, 2012. Reports say the company has piled up over Rs.1,000 crore in liabilities, a major chunk of which is for buying its IPL team Deccan Chargers. Events, however, have taken a turn for the worse. A news report says that Deccan promoters have raised money by pledging the same shares twice. Karvy Stock Broking has filed a criminal case against the company’s promoters, who will also be facing charges of forgery, fraud and concealment. While there is little hope for Deccan’s investors is the near future, its action will be having an impact on its lender Future Capital, who had given the promoters and their group company Rs.170 crore. Shares held by Future Capital as pledge of Deccan were partly released by its depository on an alleged false signature. With the share price of Deccan Chronicle falling sharply, Future Capital will be losing a major portion of its value on the residual shares left under its control.

(Source: Business Standard)

ICICI VENTURE, BARING PE PLAN TO EXIT KARVY

ICICI Bank Ltd’s private equity arm ICICI Venture Funds Management Co. Ltd and Baring Private Equity Asia have begun talks to sell their stake of close to 31 percent in Karvy Group-owned brokerage house Karvy Stock Broking Ltd or KSBL. ICICI and Baring had jointly bought the stake for at least Rs 500 crore in 2007, the largest deal in the broking space at the time.

Three persons with direct knowledge of the matter said investment bankers have started talks on a possible stake sale by the two private equity firms. None of the officials wanted to be identified as the talks have not yet concluded. “Senior investment banking officials of ICICI Securities Ltd have held discussions with prospective buyers in the past few weeks, proposing a sale of the stake held by ICICI Ventures and Baring in KSBL,” said one of the persons from a company that has been approached as a prospective buyer. ICICI Securities or I-Sec is ICICI Bank’s investment banking arm. Emails sent to ICICI Bank, ICICI Venture, I-Sec and Baring Asia PE did not elicit a response.

A Karvy Group spokesman said in an email, “As per the information available with the company, we would like to categorically state that neither the company nor any of our private equity investors have appointed ICICI Securities or any other adviser for a stake sale.” KSBL is a part of the Karvy group of companies, a Hyderabad-based financial services group, promoted by a group of chartered accountants. The key promoters are C. Parthaaswarthy, M.S. Ramakrishna and M. Yugandhar.

In November 2007, ICICI Venture and Baring PE picked up a 30.95 percent stake in KSBL in two stages-first by buying the entire 20 percent equity of Pacific Century Group, and subsequently acquiring an additional 10.95 percent stake in the form of fresh equity. The KSBL promoters have the first right of refusal if ICICI Ventures and Baring PE decide to sell their stakes.

(Source: Livemint)
Foreign investors now enter India via sub-account route

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oreign investors are increasingly opting to access the Indian market through the sub-account route rather than coming in as foreign institutional investors (FIIs), thanks to stricter regulatory norms and tax-related concerns related to the proposed general anti-avoidance rules (GAAR).

The number of registered sub-accounts has gone up to 6,343 as of July 31 from 6,278 at the end of 2011, according to Sebi data. In contrast, the number of registered FIIs has come down to 1,757 from 1,767 during the same period. Sub-accounts are entities that include foreign companies, foreign individuals and institutions, funds or portfolios established or incorporated outside India, on whose behalf FIIs propose to make investments in India. Both FIIs and their sub-accounts are required to register with Sebi. The compliance requirements for FIIs are much higher compared to that for sub-accounts. Also, the registration process for sub-accounts is much quicker and less expensive compared with that of FIIs.

According to legal experts who advise foreign investors, Sebi has directed FIIs registered under the ‘investment manager’ category and which do not have broader investor base, to register their clients as sub-accounts or surrender their registration. FIIs registered under the investment managers’ category handle funds on behalf of their clients. Several FIIs which have not been able to comply with Sebi’s directive have given up their licences, says Siddharth Shah, head of corporate and securities practice group at law firm Nishith Desai Associates. On the other hand, some of the FIIs who are in a position to register their clients as sub-accounts have done so, resulting in increased number of sub-accounts, he adds.

Sebi is not comfortable with FIIs managing money for a single individual or a small group of wealthy clients making for a majority of the corpus. It requires them to have a broad-based fund, which means at least 20 investors with no single individual investor holding more than 49 per cent of the shares or units of the fund. However, if the broad-based fund has institutional investors, it is not necessary for the fund to have 20 investors, according to Sebi norms.

(Source: Business Standard)

India strongest among BRIC markets this year

India is strongest of the BRIC markets this year despite issues like weak currency, falling GDP growth and poor monsoon, Goldman Sachs chairman Jim O’Neill said. “It is fascinating to me that the Indian market trades well. It is strongest of the BRIC markets this year,” he said.

“So either the markets are really stupid or they smell something,” he added.

O’Neill said that reform hopes are high as P Chidambaram has once again taken charge as the finance minister, adding that the decline in oil prices will benefit the Indian economy.

“If we do not get some new policy initiatives soon, then perhaps the market will lose its confidence,” he said.

In terms of valuations among BRIC nations, he said that China would be the most attractive, while India would be the least.

“That is partly because of simple things like cyclically adjusted PE ratios and also forward PE ratios. That being said...if we do indeed get some reforms, perhaps India will further rally ahead of the move of the other markets,” he added.

“Everything is not driven by valuations but from a fundamental valuation perspective, I will have China at No. 1, right now, Brazil No. 2, Russia No. 3 and India No. 4. All 4 of them look quite interesting to me though.”

Speaking on the global perspective, he said he has been in the more optimistic camp about the US for most of the past 18 months, but recent economic data has not been encouraging.

“I am just really recognising reality and the loss of momentum. I cannot fully explain why that momentum has declined so much, which makes me suspicious that it could easily bounce back,” he said.

He said that the low German and US bond prices was a sign of how concerned investors have become all over the world about the macroeconomic challenges.

He added that the global energy scenario is starting to change due to the shale gas story and China’s focus on alternatives and energy conservation.

“So I am not quite sure what the bullish argument for oil is anymore. I was happy to be part of it from most of the past decade but the past 12 to 18 months, the picture is changing very quickly and oil above $80 a barrel strikes me as being pretty expensive,” he said.

(Source: The Economic Times)