From The Chairman

Dear Readers,

From The Chairman
— Mahavir Lunawat

empower ourselves
week, macroeconomics and central governance
issue of Empower. This
another news-packed
and suggestions at:
read. Please write in
find this issue a useful
insightful programme.

on Saturday, 16th June,
overseas acquisitions and
joint ventures and
a full-day seminar on
platform.

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are pleased to
present yet
another news-packed
issue of Empower. This
week, macroeconomics and central
governance continued to be
in the limelight. Amid this, the proposed
buyout of majority stake in Future Capital by
Warburg Pincus reinforces the India
growth story. Announcements
by Reliance Industries and Tata Steel of expansion
further endorse the
growth potential.

Meanwhile, ICSI-WIRC participated in
CNBC’s news
debate on the
emerging SME listing platform. ICSI-WIRC is
organising, jointly with CCGRT, a
day seminar on
joint ventures and
overseas acquisitions
on Saturday, 16th June, 2012. We hope you
make it to this
insightful programme.
We are sure you will
find this issue a useful
read. Please write in
your comments and
suggestions at:
cschairman.wirc@gmail.com
— Mahavir Lunawat

PM vows to remove bottlenecks to growth

Asks ministers to ‘go the extra mile’ so that the country can return to 9% growth

Prime Minister Manmohan Singh on Wednesday said his government would remove all bottlenecks in the infrastructure sector and create an environment for investment to revive the India growth story. “We, as a government, are committed to taking the necessary measures to reverse the present situation and to revive India’s growth story,” Singh told a group of senior ministers.

The PM had called the meeting to review core infrastructure sectors such as aviation, power, transport, shipping, and coal with cabinet colleagues in charge of these portfolios.

The group, according to sources, decided on going ahead with the elevated rail project in suburban Mumbai; it also finalised the high-speed rail corridor from Mumbai to Ahmedabad and fast track three new greenfield airports at Navi Mumbai, Goa, and Kannur. Furthermore, it decided to upgrade existing airports at Lucknow, Varanasi, Coimbatore, Trichy and Gaya, so that they can handle international traffic. He asked the ministers to ‘go the extra mile’ so that the country can return to 9 per cent growth trajectory.

Wednesday’s meeting was held on the back of the growth rate falling to its lowest in nine years and disappointing performance of the key infrastructure sector. The growth rate of core industries had slumped to 2.2 per cent in April.

(Source: FPJ)


‘FUNDAMENTALS ARE STRONG’

Finance Minister Pranab Mukherjee on Wednesday said that the economic slowdown is a matter of concern but there is no need for panic, and reverting to high growth path is achievable as India’s fundamentals are strong.

“Though it is a matter of great concern that there is a slowdown in the GDP growth rate besides having higher current account and fiscal deficit, there is no need to press the panic button,” an official statement quoted Mukherjee as saying.

The minister said he is “fully confident that the objective of taking the economy back to the path of higher growth, maintaining moderate rate of inflation, narrowing down the gap of current account deficit and restricting the fiscal deficit to 2 per cent of GDP are very much achievable”.

At a time when the country is facing various challenges in the wake of continued global uncertainty particularly the Eurozone crisis, Mukherjee said he has full faith in the resilience of the Indian economy to overcome successfully such challenges.

(Source: The Economic Times)


Retro tax may spare most foreign deals

The controversial provision to retrospectively tax indirect transfer of Indian assets through deals executed overseas is likely to spare a large number of transactions by excluding those where the Indian assets account for less than half the total deal size. The retrospective amendment to the Income-Tax Act, part of this year’s budget and which most tax experts say is targeted at Vodafone Plc, says overseas mergers and acquisitions (M&As) that involve ‘substantial’ Indian assets will be taxed here. It does not define ‘substantial’. “It (substantial) could be defined as more than 50 per cent,” a finance ministry official told ET. The ministry has begun internal discussions on administrative guidelines to be issued in the form of a circular to provide clarity on how such transactions will be dealt with by the tax authorities. The clarification is intended to reassure edgy foreign investors, including FIIs and PE investors, and also help improve the overall investment climate.

(Source: The Times of India)

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No headroom for proactive fiscal policy, says Pranab

Pins hopes on declining oil prices, normal monsoon for growth

Amid the all-round clamour for reforms like doing away with fuel subsidies, Finance Minister Pranab Mukherjee said there is no ‘headroom for running a proactive fiscal policy’. "The second round of global uncertainty and slowdown has come rather quickly on the heels of the previous one, with practically no headroom for running a proactive fiscal policy," Mukherjee said at the annual conference of CBEC. His comments come amid demand from various quarters that the government imitate bold reforms to boost the sagging economy.

The demand got further clout after the economic growth in 2011-12 recorded the lowest growth in nine years of 6.5 per cent. The FM, however, pinned hopes on declining global crude oil prices and normal monsoon in improving growth.

"A normal south-west monsoon has been predicted for 2012-13 and there has been a rapid decline in international oil prices in recent weeks... All these factors should help in the recovery of domestic growth momentum," he said.

Economic Affairs Secretary R Gopalak also said that declining prices of crude oil is good news for India as it will help contain current account deficit (CAD) and ease pressure on rupee. The CAD, which arises when import of goods and services exceeds their exports, had touched 4 per cent of GDP at the end of December 2011.

The economy has been going through a rough patch with high fiscal deficit and current account deficit pulling down rupee to all-time record low of 56.52 against dollar and expansion in manufacturing and infrastructure being laggards.

(Source: FPJ)

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FUEL PRICE HIKES AFTERSHOCKS

CCI looks into coordinated fuel price hikes

At a time when dissenting voices are emerging from the Cabinet over the recent steep hike in petrol price, the competition regulator has started a dialogue with the government on what it perceives as anti-competitive behaviour by the three PSU oil marketing companies. The Competition Commission of India has written to the government on this issue, a senior official told FE.

The regulator reckons that these companies revising petrol prices in tandem and roughly by the same measure is a case of policy-induced market distortion.

The source said CCI has raised “a number of issues” regarding the fuel market. As far as the Competition Act is concerned, the pertinent issue is the harmful impact of subsidies on the market - it distorts prices and boosts consumption of diesel.

(Source: Financial Express)

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‘Falling oil prices give room for rate cuts’

The Reserve Bank of India (RBI) Deputy Governor Subir Gokarn on Monday said that below-trend growth and declining crude oil prices give elbowroom for the central bank to ease its policy stance. Global oil prices have declined to USD 103 per barrel from USD 117 in April.

"I think the two factors that are suggesting more room - one, the growth is lower than expectation - that may have positive impact on core inflation. Two, oil prices have come off some what more than expected. Even some short while ago, I don’t think people saw this sharp a decline in oil prices coming. Those are the two factors that suggest more room (for monetary policy)," Gokarn told reporters on the sidelines of an event.

RBI cut interest rates by a steeper than expected 50 basis points in April. Till last week, it was widely expected that the RBI would hold rates at its review on June 18.

Weakness in the domestic economy and the bleak outlook for the global economy on the back of poor jobs growth in the US and a slowing China has, however, fuelled expectations that the RBI could cut interest rates or the cash reserve ratio to boost liquidity.

(Source: FPJ)

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Prepayment penalty on home loans scrapped

The Reserve Bank of India (RBI) on Tuesday announced removal of foreclosure charges/prepayment penalty on home loans with floating interest rates. In a notification, the central bank said that it had been observed that home loan borrowers across the board resented foreclosure charges levied by banks on prepayment of home loans.

"This is especially since banks were found to be hesitant in passing on the benefits of lower interest rates to existing borrowers in a falling interest rate scenario," the RBI said.

"As such, foreclosure charges are seen as a restrictive practice deterring the borrowers from switching over to cheaper available source."

The removal of prepayment charges on home loans would lead to reduction in the discrimination between existing and new borrowers and competition among banks would result in finer pricing of the floating rate home loans, it said.

(Source: Moneycontrol)

MORE:
Future Cap bought for ₹560 cr by Warburg

Debt-ridden Future Group on Monday announced that it has executed definitive agreements to divest its 53.67 per cent stake in Future Capital Holdings (FCH) in favour of American private equity firm, Warburg Pincus and would raise an estimated Rs.560 crore.

As per the share purchase agreement, Warburg Pincus would inject another Rs.100 crore into FCH and also make an open offer under the takeover code of SEBI. Kishore Biyani, Founder and Group CEO, Future Group said, “This transaction is in line with our stated intention to exit from non-core businesses of Pantaloons Retail and is aimed at deleveraging and further strengthening the balance sheet of the company. We are pleased to have Warburg Pincus as partners in Future Capital Holdings and are sure that they will have the support of all the existing shareholders and the management team in helping the company build and grow its financial services platform.”

(Source: FPJ)

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Samara Cap picks 18% stake in Monte Carlo

U.S.-based private equity fund Samara Capital has acquired a stake of 18 per cent in Monte Carlo Fashions, a part of the Nahar Group, for Rs.175 crore. Under the deal, Samara Capital acquired 28,73,564 shares of the company’s equity while the promoters, including J L Oswal and his family, sold another 11,49,426 lakh shares to the fund, Oswal Woollen Mills, Executive Director, Dinesh Gogna said. The value of the share was assessed at Rs.435, he said.

(Source: FPJ)

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Unfazed, Reliance to invest Rs.1 trillion over 5 years

Reliance Industries Ltd (RIL), the oil-to-yarn and retail conglomerate, will invest around Rs1 trillion across its various businesses in India over the next five years, chairman Mukesh Ambani said at the company’s annual general meeting on Thursday. He told shareholders that the company will target doubling its operating profit in the same period. The chairman dwelt at length on the company’s retail business and said that it will be one of the growth engines for RIL in coming years.

“We are targeting a growth of five to 10 times in existing revenues and achieve Rs.40,000 to 50,000 crore over the next three to four years,” Ambani said. “In a short span of time, Reliance Retail has achieved revenues of over Rs.7,600 crore.”

Ambani also said that the company aimed to raise gas production to 60 mmmscmd from its entire portfolio in the next three to four years “for a sustained period.”

Profits at the energy-based conglomerate have fallen for two straight quarters, its shares are near a 3-year low, and a mounting cash pile has investors wary of the outlook for a company that was once India’s most valuable.

Ambani, however, was upbeat on the company’s prospects.

“We are now ready for the next period of growth at Reliance by investing across all our core businesses in new capacity and margin improvement projects,” Ambani told the company’s annual general meeting.

Profit from operations before other income and finance costs fell by 9.4% in the year ended March 31, 2012, to Rs.22,225 crore ($4 billion).

(Source: India Today)

MORE:

Karnataka set for Tata Steel’s ₹30k cr unit

 Tata Steel today announced its plans to set up a Rs 30,000 crore steel plant in Karnataka as the government-sponsored Global Investors’ Meet (GIM) 2012 commenced here with the state laying a red carpet for potential investors.

The six million tonnes per annum capacity plant would come up in Haveri district, the company’s Vice-Chairman, B Muthuraman, said at the inauguration function.

Karnataka government officials said before the event that the State aims to sign MoUs envisaging an investment of Rs six lakh crore during the GIM being held to showcase the State’s investment potential.

(Source: Business Standard)

MORE:

News Corp to take full ownership of ESS

News Corporation will buy out ESPN’s 50 per cent share in ESPN STAR Sports (ESS), a joint venture between two companies that broadcasts sports in Asia. The announcement, made on Wednesday, ends a 16-year association and means News Corporation will own all ESS business in Asia.

ESS, which currently runs 28 networks across various Asian markets, will continue to be managed by the two companies until the transaction is completed. At present, it holds the rights to telesport cricket played in Australia and England, and ICC tournaments in Asia. In addition, Star recently acquired the rights to Indian cricket for five years.

Manu Sawhney, managing director of ESS, will transition his role to Peter Hutton, currently senior vice-president of sports for FOX International Channels (FIC). Sawhney will stay with the company until August 31 to work with Hutton on a smooth transition. John Skipper, president of ESPN and co-chairman of Disney Media Networks, said ESPN had decided to independently pursue future opportunities in Asia. “Now with the growing digital landscape in Asia, we look forward to continuing to serve Asian sports fans through ESPN-branded digital businesses like ESPNcricinfo, the leading digital cricket brand in the world, ESPNCFC and ESPN Mobile.”

(Source: ESPNcricinfo)

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http://www.espnscricinfo.com/cl/content/current/story/567527.html
Decision on pension bill deferred

With the presidential election hovering overhead, Prime Minister Manmohan Singh on Thursday played it safe and deferred once again the pension reforms bill, which is proving to be an Achilles’ heel of the UPA government.

Setting aside the Congress Working Committee mandate to fast-track reforms and resist allies’ pressure, Singh quietly allowed key coalition partner Trinamool Congress to torpedo the Bill that would have made available pensions funds to the private sector and foreign investors.

The Bill was to be taken up in the Cabinet on Thursday but deferred after TMC chief Mamata Banerjee had it conveyed that her party requires more political consultations. Trinamool’s lone representative in the Union Cabinet, Railway minister Mukul Roy, turned up for the Cabinet meeting but did not speak on the issue. The Prime Minister himself proposed that a decision on the Bill be put off, a senior Cabinet minister said. He added that the government does not want to alienate Mamata Banerjee ahead of the presidential election, slated for July.

(Source: FPJ)

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As part of e-governance initiatives, the Reserve Bank of India (RBI) has implemented an application tracking system (ATS) in foreign exchange department that enables customers to file application and later check its status online.

"The present structure still makes it difficult for QFIs to come through the FIIs or the participatory note route. There has to be a level-playing field to see serious flows come through our system," said an official, who attended the meeting.

Tuesday’s meeting, to discuss recent relaxation in norms, was called by the Department of Economic Affairs ahead of the road shows to be held from June 10 to June 15 in five Gulf countries to attract QFI flows.

(Source: Business Standard)

Market players seek easier tax norms for QFIs

In a meeting with finance ministry officials on Tuesday, market players associated with handling foreign investment in the country demanded that changes be made to the tax structure for qualified foreign investors (QFIs). Requests were made to bring the tax structure at par with foreign institutional investors (FIIs) by removing withholding tax.

EXPERTS said that the flows will only start once the tax department issues clarifications on the tax-filing and know your client fronts.

The finance ministry, however, said there was no intention of the government at this juncture to make any significant changes to the taxation mode for QFIs.

"The present structure still makes it more attractive for QFIs to come through the FIIs or the participatory note route. There has to be a level-playing field to see serious flows come through our system," said an official who attended the meeting.

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The ATS facilitates the customers to submit their applications online and also track the status of an already filed or submitted application.

(Source: NDTV Profit)