**TAX MEASURES CAUSING GLOOM MAY GET THE AXE**

Budget's contentious proposals may be dropped in order to 'revive animal spirit in economy', says PM

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cknowledging 'problems on the tax front', Prime Minister Manmohan Singh on Wednesday indicated that some of the budget's contentious proposals may be dropped as he called on top finance officials to work to 'reverse the climate of pessimism' and 'revive the animal spirit in the country's economy'.

A day after senior Congress leader Pranab Mukherjee quit the finance ministry after being named the UPA's presidential nominee, the PM told the finance ministry brass and PMO officials that certain tax proposals were contributing to the "general negative mood". His remarks and the priorities he outlined to kick-start a faltering economy could be seen as a substantial correction of policies under Mukherjee as a full review of the retrospective amendment law passed by Parliament recently is seen to have been a factor in undermining investors' confidence. "We need to work to get the economy going again and restart the India growth story," the PM said.

Singh's view that tax concerns need to be addressed will come as a relief to companies such as Vodafone that face the prospect of a fresh tax demand, with the government attempting to levy capital gains tax of Rs.12,000 crore. Companies have been complaining about an insensitive tax department forcing them to cough up higher advance tax to meet budget targets.

Singh's message was intended to get the economy back on its feet by reviving investor sentiment, managing balance of payments, and encouraging FIs to retrace their steps. His decision to meet the finance minister officially is seen as a step to clearly outline policy priorities with the ministry expected to remain under his charge for some time. An enhanced role for C Rangarajan, who heads the PM's economic advisory council, seems to be on the cards as he will now be involved in several important Groups of Ministers (GoMs).

**FinMin set for change in personnel**

Prime Minister Manmohan Singh, who took charge of the finance portfolio on Tuesday following the resignation of Pranab Mukherjee, may ring in changes at the ministry as he seeks to revive economic growth, arrest the rupee's fall, and deal with the fallout of a possible breakup of the Euro zone. Some bureaucrats who played a key role during the tenure of Mukherjee may have to move to new assignments.

Expenditure Secretary Sumit Bose may become the senior most bureaucrat at the ministry succeeding RS Gujral, the revenue and finance secretary, say people familiar with the matter. Gujral had been vocal in defending a controversial retrospective amendment taxing overseas deals involving Indian assets. The amendment, widely believed to be aimed at Vodafone Plc, has become a lightning rod for criticism of Mukherjee's last months at the finance ministry. Singh was reportedly unhappy with the amendment because of its negative impact on investor sentiment. Singh may also turn to Raghuram Rajan, professor of finance at the University of Chicago and currently advisor to him, to assume a influential position in economic policymaking. The former chief economist with the IMF could become chief economic advisor in the ministry, with incumbent Kaushik Basu set to return to his teaching job at Cornell University.

(Source: The Times of India)

**Increases in fee pull IIM-Ahmedabad out of the red**

The Indian Institute of Management, Ahmedabad, has finally been able to prove what it preaches: the country's top B-school has turned the financial corner for the first time in its 50-year-old history, courtesy three years of consecutive fee hikes.

In its latest annual report, IIM-A has said it generated a net surplus of Rs.6,85 crore for fiscal 2010-11 against an operating loss of Rs.50.49 lakh in 2009-10, and Rs.6.33 crore in 2008-09.

IIM-A Director Samir Barua said the operating surplus was possible through prudent management of costs and generation of opportunities to earn surplus, after fully funding the pension liability of the institute.

In 2008, IIM-A had announced a nearly six-fold increase in fee from Rs.2 lakh to Rs.11.5 lakh for its flagship two-year post-graduate programme (PGP) in management. Fees were increased in the next two years as well to Rs.15.5 lakh for the 2012-14 batch. The fee for its flagship PGP in management rose 25 per cent in 2010-11 and the fee income from its PGP in agri-business management rose 52 per cent in the same period.

"We wanted to take care of our operating expenses through operating income. So, we have driven the revenue through fee hikes across our programmes. Post the fee hike and quota implementation, both the scale and per-unit realisation went up," said an IIM-A professor.

(Source: Business Standard)
With wide support for the United Progressive Alliance (UPA)’s presidential nominee Pranab Mukherjee almost sealing the fate of the presidential elections, finance ministry officials, together with those from other ministries and departments concerned, are looking at a three-stage plan to boost foreign exchange inflows and investment, stabilise the rupee and initiate politically tough reforms, including diesel de-control in phases.

According to the plan, immediately after the presidential polls, the proposals for foreign direct investment (FDI) in two segments-multi-brand retail and civil aviation—would be pushed. Supporting policy measures, on the lines of those announced yesterday, would also be pursued to enhance foreign investment inflows.

A senior finance ministry official said the measures would help stabilise the rupee at Rs.52 to 54 against a dollar in about three months. He added subsequently, there would be enough room for the government to take steps for decontrolling diesel prices.

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After opposition by West Bengal CM Mamata Banerjee, the government had put on hold a move that would have allowed foreign majors such as Wal-Mart to set up local JVs and open stores

A senior official from the Prime Minister’s Office confirmed this. He, however, cautioned the developments in Europe could not be overlooked.

The expectations of foreign inflows rising substantially in coming months, therefore, needed to be seen in this context, he added. With Pranab Mukherjee leaving the finance ministry, it is expected Prime Minister Mmanoham Singh would take the charge of bringing the country back to the 9 per cent growth trajectory.

Speaking to Business Standard earlier this month, Planning Commission Deputy Chairman Montek Singh Ahluwalia had clearly indicated in the short term, the government planned to push reform measures that didn’t need legislative approval.

Permitting global retailers to open multi-brand stores in the country can be initiated through an executive order, provided the government can muster support among UPA constituents after the presidential elections. After opposition by West Bengal Chief Minister Mamata Banerjee, the government had put on hold a move that would have allowed foreign majors such as Wal-Mart and Carrefour to set up local joint ventures and open stores in states that permitted these.

The proposal to allow foreign airlines to acquire up to 49 per cent stake in Indian carriers, which also saw opposition from Banerjee, also awaits the Cabinet’s approval. Banerjee had earlier agreed to the move. Considering the new political equations emerging in the backdrop of the presidential elections, the government expects the way forward to implementing these FDI proposals way well be with the support of the Samajwadi Party.

(Source: Business Standard)

FM's parting shot fails to lift mood

The Department of Industrial Policy and Promotion (DIPP) has been asked to consider tweaking of sourcing norms for global retailers to set up shop in India in the wake of IKEA seeking further relaxation of mandatory conditions. The issues raised by IKEA are practical in nature. We have to address these issues in general," a senior DIPP official said. As per the present single-brand FDI policy, global retailers would have to source 30 per cent of their requirement from Indian small industries, which have a total investment in plant and machinery not exceeding USD 1 million.

Swedish firm IKEA, which proposed to invest Rs.10,500 crore to set up single-brand retail stores in India, has asked the government that it must be allowed to continue sourcing from small units even after the vendors have crossed the mandatory USD one million investment limit. It has also proposed that the calculation of the 30 per cent norm be done for cumulative periods of 10 years of operations starting with the approval of the present application.

(Source: FPJ)
RBI tells Kotak to cut stake in bank to 20%

The Reserve Bank of India has directed Uday Kotak, promoter of Kotak Mahindra Bank, to lower his stake in the bank to 10 per cent over the next eight years, which will bring him on a par with the other bank promoters in ownership.

Kotak, who converted a non-banking finance company into a deposit-taking bank in 2003, will have to bring his stake down to 20 per cent by 2018 from 45.2 per cent now. The central bank will take a view after that on his trimming it further to 10 per cent in the following two years, the bank's filing with the BSE shows. It is not known whether the reduction would be through share sale by Kotak, or by sale of new shares that will bring down his stake.

The directive will end years of murmur among bankers that Kotak Mahindra Bank had remained an exception with the regulator when it came to promoter holding. But the central bank had said that it does not discriminate though it takes a view on a case-to-case basis. "Generally, we don't allow holdings, including that of promoters, over 10 per cent though there are slabs for 10 to 30 per cent and 30 per cent and above," RBI deputy governor Anand Sinha said in an interview recently. "Those enabling clauses are there, but in general we are not comfortable with anybody holding a chunk more than 10 per cent." Kotak and his spokesperson could not be reached for comment.

"We would like to confirm that the long-term objective of the bank is to broad-base the shareholding in a non-disruptive manner, keeping in mind the interests of all stakeholders," Kotak Mahindra Bank had said last month. "The bank continues to be in dialogue with the RBI for a feasible road map for further dilution."

Earlier, Rana Kapoor of Yes Bank; Hindujas, the promoters of IndUSInd Bank; and the Aga Khan Foundation that owns 19 per cent of Development Credit Bank were directed to lower their ownership to 10 per cent within a time frame.

(Source: The Economic Times)

Tata Sons hikes stake in IHCL

The Indian Hotels Company Ltd (IHCL) today announced Tata Sons Ltd has increased stake in it by 4.78 per cent to 24.36 per cent at an investment of Rs.497.47 crore. Indian Hotels Company Ltd (IHCL) and its subsidiaries are collectively known as Taj Hotels Resorts and Palaces. Tata Sons, the promoter of all key companies of the Tata Group, had acquired 4,80,00,000 shares in IHCL for a total sum of Rs.497.47 crore through preferential allotment on June 22 this year, the company said in a filing to BSE.

Before the transaction, Tata Sons held 19.58 per cent stake in IHCL, the filing added. The Taj Hotels Resorts and Palaces currently has 93 hotels in 55 locations across India with an additional 16 international hotels in the Maldives, Malaysia, Australia, UK, USA, Bhutan, Sri Lanka, Africa and the Middle East. Shares of Indian Hotels Company Ltd today closed at Rs.58.85 per scrip on BSE, down 0.76 per cent from its previous close.

(Source: Financial Express)

Coca Cola sees fizz in India, to pump in $5bn by 2020

The beverage giant will focus on increasing bottling lines, adding new plants and enhancing back-end chain infrastructure. A mid rising doubts about India’s current economics and financial future, American beverage giant on Monday invited fellow multinationals to invest in the country.

The company announced to more than double its investments in the country to $5 billion (about Rs.28,000 crore) by 2020. The fresh investment, which is higher by $3 billion from the previous announcement made in November 2011 for a period of five years, will focus on increasing bottling lines, adding new bottling plants, enhancing back-end chain infrastructure as well as marketing as well as marketing.

Asking other multinationals to judge India on its potential, Muhtar Kent, Chairman and CEO, Coca-Cola Co said: "I invite all large businesses in the world to come and invest in India because it has a wonderful great future". "While we have always believed in the Indian growth story, India is now a key focus market for our company and system…we have been examining our growth projections and goals for the India business…we are absolutely confident this (investment) is the right decision given the vast opportunities in India," Muhtar Kent, Chairman and CEO, Coca-Cola Co said.

The investments in India is part of the USD 30 billion plans announced by the company to meet its Vision 2020 target of doubling the size of the company’s business to USD 200 billion by 2020. At present, the company has 56 plants in India of which 21 are franchise plants, 23 are company-owned and 12 contract packaging plants.

At present the country is in the seventh spot, which he said has improved from 16 or 17 in 2005-06. "Our India story is one of a remarkable turnaround. Six years ago we were not strong here at all. Today our India business aspires to be among the top five countries by volume in the entire Coca Cola system", Kent added. Coca Cola, which owns popular soft drink brands like Thums Up, Sprite, Coca-Cola, Fanta, and Limca, directly employs 25,000 people in the country.

(Source: FPJ)

News Corp board approves company split

The board of News Corp has approved, in principle, splitting the $60 billion media conglomerate into separate publishing and entertainment businesses, a person familiar with the situation said on Thursday. News Corp’s board, overseen by 81-year-old chairman Rupert Murdoch, will hold the entertainment businesses, a person familiar with the situation said on Thursday.

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(Source: FPJ)
Acceptable CSR formula ready, says Moily

A mid differences over the CSR proposal in the Companies Bill, Corporate Affairs Minister Veerappa Moily said his ministry has worked out a formula, which is acceptable to the industry.

“We’ve worked out a very acceptable formula on the CSR, the one which is acceptable to the corporate bodies, all the industries and the country as a whole,” Moily said. On being asked if the Committee as suggested any changes in the CSR (Corporate Social Responsibility) clause, which mandates large companies to spend 2 per cent of three years’ average net profit on CSR activities, Moily said he was not aware of any such amendments. He said that he was hopeful that the Companies Bill 2011 would come up for consideration and passage in the monsoon session of the Parliament.

“The Parliamentary Standing Committee has submitted its report to the Speaker who is yet to forward it to the ministry and we will work on it as soon as it arrives,” he said.

(Source: FPJ)

Tayal directors get Sebi notice, closure in sight

The two-year-old investigation by the market regulator into the alleged fraud committed by the promoters of the erstwhile Bank of Rajasthan (BoR), which eventually led to its forced merger with ICICI Bank Ltd, appears to be approaching its conclusion. Sebi last week issued show-cause notices to at least eight directors of the Tayal group of companies—the promoters of BoR as a prelude to imposing a monetary penalty on the group’s entities. The directors have been given 14 days to respond to the charges or seek an out-of-court settlement under the consent order route. If Sebi penalizes the directors, under the current norms, the parties may have to pay a penalty of up to Rs.25 crore or three times the profit made from the alleged practices, whichever is higher.

“Typically, show-cause notices are issued after a detailed investigation by Sebi, though such notices are not a presumption of guilt,” said Jayant Thakur, a securities market expert. “If the regulator finds the party guilty after taking into account their response, they may levy a penalty or take some adverse action.”

Introduced in April 2007, the so-called consent procedure is a type of out-of-court settlement between the regulator and a company without any admission or denial of guilt. In May, Sebi had tightened the consent order mechanism by excluding serious offences such as insider trading from the purview of the mechanism. Sebi’s notice came shortly after the Tayals sold or pledged a majority of their ICICI Bank shares to bail out debt-ridden group companies.

(Source: Livemint)

E-payment must for PSU banks from July 1

The finance ministry has asked state-run banks to stop making payments to their customers through cheques from July 1 and to ‘migrate totally’ to electronic payment channels, a move aimed at cutting costs in a sluggish economy.

In a circular issued to chairmen of public sector banks and regional rural banks, the ministry said all payments to customers, staff, vendors and suppliers as well as disbursement of loans and payments towards investments should be made only through the electronic mode. According to the ministry’s estimate, state-run banks spend Rs.4,000 to Rs.8,000 crore every year on handling of cheques. “The cost of handling a cheque during its life cycle, from printing till storage and destruction, is Rs.25 to Rs.40,” said a finance ministry official. “Banks have significantly invested in technology as well as in developing various applications for electronic payment. That should be put to use.”

The circular said concerted efforts should be made by the banks and their sponsored regional rural banks to popularise e-payments and to bring down the number of transactions through cheques.

(Source: The Economic Times) (Source: FPJ)

 Reserve Bank all for e-payments, calls for 'less-cash' economy

With an aim to make payment and settlement system safer in the country, the Reserve Bank today proposed to proactively promote electronic transactions for ushering in a ‘less-cash’ economy.

Seeking public comments on the ‘Payments System Vision Document 2012-15’, RBI said the document envisages a ways and means of ensuring that ‘payment and settlement systems in the country are safe, efficient, interoperable, authorised, accessible to all and compliant with international standards’. Accordingly, the Vision Document proposes to ‘proactively encourage electronic payment systems for ushering in a less-cash society in India’.

Pitching to move towards less-cash economy, RBI proposes that ‘for non-cash payments to proliferate, they should be easy to use, readily available and accepted, should not impose any undue financial burden on the merchant and user, and should offer an appropriate level of security’.

The document also suggested for development of pricing strategy to encourage access to modern electronic payment systems to all.

RBI noted that one of the biggest challenges towards a less-cash society is that dependence on cash is a deep rooted habit in India. The government has mandated that all payments by government departments above Rs.25,000 have to be made electronically, it said. The RBI is also for interoperability and portability in all payment systems including mobile payments.

(Source: Livemint)