PM sets up experts’ panel to review, rework GAAR

Prime Minister Manmohan Singh on Friday set up an experts’ committee to review and rework the controversial General Anti Avoidance Rules (GAAR) tax provision.

The four-member committee to be headed by Parthasarathi Shome, director and chief executive of the Indian Council for Research on International Economic Relations (ICRIER), has been asked to submit its report to the government by September 30, 2012, according to a statement released by the Prime Minister’s Office (PMO). The committee will hold consultations with various stakeholders and finalise the draft GAAR guidelines. The second draft guidelines on the controversial anti-avoidance rules have to be published by August 31.

The announcement of setting up the expert panel comes within two weeks of the release of draft guidelines. The guidelines were released on the direction of the prime minister, who now holds the finance portfolio.

Other members of the panel are N Rangachary, former chairman of the Insurance Regulatory Development Authority; Ajay Shah, professor at the National Institute of Public Finance Policy (NIPFP); and Sunil Gupta, joint secretary, taxation policy and legislation in the finance ministry.

RBI to launch plastic currency on pilot basis

Mid instances of counterfeiting of notes, the Reserve Bank on Monday said it was working on launching plastic currency and would soon launch a pilot project. “Counterfeiting of plastic notes is very difficult: So, we are planning to launch some plastic money on a pilot basis in four-five centres like Jaipur, Shimla, Bhubaneswar and others. We are working on it,” RBI Deputy Governor H R Khan told reporters here.

Under the pilot project, notes of Rs.10 denomination would be distributed through the central bank’s five regional offices. The proposed shift to plastic currency notes, instead of the usual paper notes, is primarily aimed at checking the counterfeiting, as also high cost associated with printing of paper currency, as they need early replacement due to soiling and mutilation.

These notes would have an average life span of five years, compared with one year for the paper notes. Moreover, these notes are also cleaner. Besides studying the potential cost savings through plastic notes, the pilot project will also look into the environmental impact of the proposed plastic notes. Polymer notes were first introduced in Australia.

Govt to push unlisted firms to go public

The government will soon come out with a roadmap to encourage unlisted companies to visit the bourses. The Ministry of Corporate Affairs is working on it along with other stakeholders. “We will soon come up with a strategy to push companies to get listed, the move will not only help firms but it also deepen the capital market,” said Corporate Affairs Minister M Veerappa Moily. Amid uncertain global conditions, several companies have called off their plans to launch IPOs. The roadmap could outline a few ‘incentives’ for companies that go public. At present, several companies, which have the scale and turnover, are not listed. A senior government official said that it is important to identify the reasons that have discouraged firms from listing.

A government official, however, said that until market conditions improve, few companies would be willing to get listed. “But we want the roadmap to be in place so that once the market conditions improve, firms that are not listed can be encouraged to launch their IPOs,” the official said.

The official added that though the government cannot ask any firm to list, the endeavour would be to create appropriate conditions that would be attractive for firms to go public.
May IIP at 2.4%: RBI unlikely to cut key rates in monetary policy review

Even though the Index of Industrial Production (IIP) rose at a better than expected 2.4 per cent in the month of May as against (-0.9) per cent in April, analysts are of the opinion that the Reserve Bank of India (RBI) is likely maintain status quo on key policy rates in its monetary policy review.

Aditi Nayar, Senior Economist, ICRA feels that the overall sluggishness in the industrial sector persists in spite of the slight uptick in IIP growth in May 2012. “Drawing upon the guidance provided recently by the RBI, inflationary concerns are likely to dominate monetary policy in the near term. With a low probability of any meaningful easing of retail or wholesale inflation in the forthcoming data for June 2012, the RBI may maintain policy rates at current levels in the first quarter policy review.”

Stating that the growth figure for IIP at 2.4 per cent is still dismal and strongly reflects the weaknesses in investment cycle, Rupa Rege Niturse, Chief Economist, Bank of Baroda, said: “Unfortunately inflation is too high to expect the RBI to reduce the policy rates. Investors are keenly too high to expect the RBI to reduce the policy rates. Investors are keenly waiting for a major dual-reporting structure to be introduced by the regulatory department of stock exchanges for now to tackle any conflict of interest. The head of regulatory department would report to the MD or CEO of the bourse as well as to an independent committee of the exchange’s board. The Sebi board has already approved a proposal for providing the seed fund for setting up the SRO, whenever deemed appropriate. In listing of companies, Sebi would continue to prescribe minimum standards, but exchanges can put in place additional measures. The heads of listing department would also have a similar dual reporting.”

Notice to Bharti-Walmart, Bharti Retail over suit on FDI violation

American retail giant Walmart and its Indian joint venture partner Bharti Enterprises have come under scrutiny over a public interest suit that alleged violation of multi-brand trade norms. Currently, Foreign Direct Investment (FDI) is not allowed in multi-brand retail.

The Delhi High Court sought replies of the Centre, Bharti-Walmart and Bharti Retail on a plea for a probe against the firms for allegedly carrying out retail trading in the multi-brand sector in violation of India’s existing FDI policy. The court issued notices on the basis of the suit filed by environmental activist Vandana Shiva.

(Source: Business Standard)

FinMin quashes Vodafone plea, to reply after PMO’s nod

Dismissing Vodafone’s contention in the Rs.20,000 crore tax case, the Finance Ministry has prepared a reply to the company’s rejoinder which would be sent after approval of the Prime Minister.

“We did not agree with Vodafone,” Finance Ministry spokesperson said. “Vodafone’s rejoinder has prepared reply of Vodafone’s rejoinder. The reply will be sent to the Prime Minister’s Office first. After approval of the PMO, it will be sent to Vodafone,” a senior official said after the meeting of IMG. The government had earlier formed the IMG to look into the arbitration notice send by the telecom major under the India-Netherlands bilateral investment protection agreement (BIPA).

The government has already replied to the initial notice arguing that tax matters are not covered under the BIPA. Following which the British telecom major sent the rejoinder seeking an assurance that the retrospective tax amendments would not apply to acquision of Hutchinson’s stake in Hutch-Essar in 2007. The notice to the rejoinder, which has been prepared by the IMG, will have to be approved by Prime Minister Manmohan Singh, who had taken over the finance portfolio following the exit of Pranab Mukherjee.
Infosys below par despite weak rupee

 Infosys yanked lower what was already a tepid forecast for the year and performed below expectations in the first quarter that ended in June, sending its stock into another results-day nosedive. The increasingly grim predictions from India’s second-largest software exporter suggest that its long-term strategy of pursuing high-quality growth is not quite in sync with the demands of the current market environment. The Bangalore-based company was below par on almost all fronts despite a falling rupee: pricing declined by more than 3 per cent; margins fell despite the company freezing employee pay; it added one less client than in the last quarter; the bread-and-butter financial services business was wobbly and Europe a washout.

While analysts have been demanding a wage hike for now, says Shibulal

In another indication of the slowdown, worries plaguing Infosys, the company’s CEO SD Shibulal on Thursday said that there would be no wage hike for now. “We will revisit the decision to give wage hikes if any in October,” he said. Infosys, which employs nearly 1.5 lakh, announced a wage freeze last quarter and said it would review the decision depending on performance. But with below par results despite a falling rupee, it is unlikely that the freeze will be lifted any time soon.

Mahindra Satyam CEO CP Gurnani

Mahindra Satyam, which was impacted by the industry-wide slowdown, has consistently maintained that Infosys’ strategy is tailored towards long-term growth that emphasises high-end work. The company has consistently maintained that there can be no trade-off between growth and margins but after more than a year of underperformance it appears to be falling between two stools.

Eight Indian cos in Fortune 500 list, IOC, RIL lead pack

Eight Indian firms have made the cut in the list of world’s 500 largest companies compiled by Fortune magazine, with Indian Oil and Reliance Industries finding a place in the top 100. Out of the eight, five are state-run entities. With annual revenue of USD 86,016 million, Indian Oil has cornered the 83rd spot up from 98th place last year.

Besides IOC and RIL, the other Indian companies in the list are steel-maker Tata Steel, Tata Motors, oil entities Bharat Petroleum, Hindustan Petroleum, ONGC and State Bank of India. The list also features Citigroup, ArcelorMittal, led by people with Indian roots. Fortune’s global list of world’s 500 largest companies for 2012, compiled on the basis of latest annual revenue figures, is topped by Royal Dutch Shell ending retail major Wal-Mart Stores’ two-year winning streak. The energy giant had annual revenues of USD 484,489 million.

The second place is energy firm Exxon Mobil, followed by Wal-Mart Stores, energy company BP, and oil producer and refiner Sinopec Group. Bharat Petroleum featured at 225th place, followed by Hindustan Petroleum (267), SBI (285), Tata Motors (314), ONGC (357) and Tata Steel (401).

(Source: The Times of India)

TCS balm after Infy pain

T he first-quarter results of Indian IT services bellwethers - TCS and Infosys - clearly indicate the gap between the two companies is widening. While Tata Consultancy Services (TCS) has grown its business at a steady clip in a difficult environment, by reporting growth across sectors and geographies, the Bangalore-based Infosys is seen to be struggling due to client-specific issues resulting in ramp-downs and disappointing numbers. While Infosys, reduced by guidance, the TCS management said it would be able to beat Nasscom’s industry growth target of 11-14 per cent for the year provided cross-currency fluctuations were not too volatile. The results clearly showed TCS was taking over from Infosys as the industry bellwether, said Partha Iyengar, vice-president and country manager-research, Gartner India.

N Chandrasekaran, MD and CEO, TCS, said, “This was a spectacular quarter for us. As of now, there is no cause of concern.”

This confidence is showing in the numbers, too. TCS reported a strong volume growth of 5.3 per cent for the first quarter ended June 30. Revenue was up 37.7 per cent year-on-year at Rs 14,869 crore and 12.1 per cent sequentially. Operating margins of 27.5 per cent were a big positive for the company even after it gave an average wage hike of eight per cent in India and witnessed a pricing decline of one per cent.

S D Shibulal, Infosys, on the other hand, reduced its FY13 guidance and said it would have a growth rate of five per cent from the earlier 8 to 10 per cent. “We are seeing sporadic pricing renegotiation and some demands for discounts. We lost $13 million because of the currency and took a one-time write-off of accrued revenue on a large transformational programme,” said S D Shibulal, CEO and MD, Infosys. The company saw volume growth of 2.7 per cent.

(Source: Business Standard)

Satyam in talks to buy European engg firm

I T services provider Mahindra Satyam is in discussions to acquire an aerospace engineering firm in Europe. The acquisition is part of a larger plan by the company to improve its offerings in engineering services, and in the healthcare and financial services verticals.

Mahindra Satyam is likely to finalise the transaction in a couple of months, said two senior company officials, without providing more details. Currently, around 4,500 employees provide engineering services, of whom 1,000 specialise in aerospace engineering.

Mahindra Satyam CEO CP Gurnani responded to an ET query about the potential acquisition, saying it was “totally speculative.” “We are in the market for acquisitions, but we have nothing on the plate right now,” he said. An aerospace acquisition will also help Mahindra & Mahindra to strengthen its foothold in aeronautics. The engineering services division of IT companies help aircraft manufacturers design aircraft using embedded software systems that ensure a high degree of accuracy. Mahindra Satyam and companies such as Infotech Enterprises and Tata Consultancy have in particular developed expertise in this area. Software industry grouping Nasscom estimates the annual business potential from engineering services at $4 billion.

“We (Mahindra Satyam) intend to complete two acquisitions by the end of the year. We would also be looking at BPO businesses,” said a company official. He said leaders from various business units have been asked to submit proposals so management can evaluate them. Mahindra Satyam could spend close to Rs.800 crore on these two acquisitions, he added. The company had a cash balance of a little over Rs.3,000 crore as on March 31, 2012.

“Airbus and Boeing are coming out with new aircraft - the A 320 Neo and 737 Max. There are also manufacturers such as Pratt and Whitney that are launching new models every year. These programmes run for years and there is opportunity waiting to be tapped even in high-precision designing and numerical control tools for component manufacturers,” said K Ashok Kumar, an independent consultant and former chief technology officer at Infotech Enterprises.
India 3rd on foreign investors’ list: UN

Major global companies consider India their third-most favoured destination after China and the United States, a UN report said on Thursday, and investment inflows could increase by more than 20 per cent both this year and next.

Foreign direct investment (FDI) flows into India increased by 30 per cent to nearly $32 billion in 2011, though held back by slow pace of reforms, it still remains a long way down the league table of FDI recipients. China drew $124 billion last year, while Brazil attracted nearly $67 billion and Russia $53 billion.

"The FDI inflows into India can go up by 20 to 25 per cent this year and by about 20 per cent next year, if the present trend continues," said Nagesh Kumar, Chief Economist, United Nations Economic and Social Commission for Asia and the Pacific, while releasing the UNCTAD’s World Investment Report 2012. Some 179 global companies from the manufacturing, services and primary sectors were surveyed between February and May, on their favoured investment destinations for 2012 to 2014. The equity exchange may tap these members, many of whom are among the ‘new generation rural rich.’

The promoters of the exchange, Financial Technologies (FT) and MCX, will have their equity stake from 10 per cent within the next eighteen months to comply with Sebi’s new norms on ownership of the exchange.

Kumar said FDI growth seems to be about 20 per cent next year, if the present trend continues, said Nagesh Kumar, Chief Economist, United Nations Economic and Social Commission for Asia and the Pacific, while releasing the UNCTAD’s World Investment Report 2012. Some 179 global companies from the manufacturing, services and primary sectors were surveyed between February and May, on their favoured investment destinations for 2012 to 2014.

(NDTV Profit)