RELIANCE TO EXIT TEXTILES BUSINESS

Will also sell iconic brand Only Vimal in an effort to exit loss-making businesses

India’s largest private sector company, Reliance Industries Ltd (RIL), has decided to sell its oldest business, textiles, along with its iconic brand Only Vimal in an effort to exit loss-making businesses. The Mukesh Ambani-led company has hired NMI Rothschild to manage the sale, a top official directly involved with the sale said.

The sale of the textile business, which includes its Naroda factory, is expected to be concluded by the end of the year. The business was set up by the founder-chairman of the group, late Dhirubhai Ambani, along with his brother Ramniklal Ambani way back in 1966. However, since then, the group has diversified into energy and petrochemical businesses to become India’s largest company with an annual turnover of Rs.85,000 crore. Its textile business contributes less than Rs.2,000 crore to group revenue. According to the sale documents seen by ET, the textile business sale will also include the retail network of the Only Vimal brand of fabrics.

When contacted, an RIL spokesperson said: “We do not comment on market rumours.” The Reliance group is not interested in any business in which the annual returns are less than 12 percent, a source in the group said. “We would rather invest that money in bank deposits,” the source added, asking not to be identified.

The group’s top management is also unhappy with the frequent labour trouble at the Naroda factory. In April this year, RIL’s Naroda factory employees went on strike, seeking a 60 per cent increase in wages. Although the Ambanis have an emotional connect with the business, the Only Vimal brand is being sold to sweeten the deal, the source noted.

In the AGM held earlier this month, Chairman Mukesh Ambani promised that the company would double its operating profits in five years and invest Rs.100,000 crore in Indian businesses in the next five years. Most of this investment will go into expanding its petrochemicals operations, foraying to telecom as well as its oil and gas business.

(Source: The Economic Times)

RBI resists rate cut

In a bid to control high inflation, the highest among BRIC nations, the RBI on Monday kept key lending rates unchanged. This has disappointed industry, which had been expecting a cut in either interest rates or CRR. It also puts the onus now on a fractious coalition government to pull the country out of crisis.

With that, the repo rate remains unchanged at 8 percent and the cash reserve ratio at 4.75 percent. Bonds, stocks and the rupee fell after the decision and economists scaled back their expectations for future rate cuts. Calls for action from the central bank, including from corporate India, had intensified after economic growth in the March quarter slumped to its weakest annual pace in nine years.

After cutting its policy rate by 50 basis points in April, the RBI had been expected to leave rates unchanged in June.

But global and domestic economic conditions have deteriorated sharply since then. India’s March quarter economic growth of 5.3 per cent was far worse than expected. On its heels came the Standard & Poor’s warning that India could be the first BRIC nation to lose its investment-level credit rating.

Even Finance Minister Pranab Mukherjee had called for a rate cut and the chairman of State Bank of India, the country’s biggest lender, had sought a 1% point cut in the cash reserve ratio.

After the policy announcement, Mukherjee said RBI action was influenced by the current price situation. "High inflation might have weighed their decision making... normally in mid-quarter review, it is not necessary for the Governor to consult the Minister.” By not cutting the rates, the apex bank has shown resistance to the pressure that was being exerted on it. Making it clear that it would continue to keep an eye on inflation before taking any decisions, the RBI said that the evolving growth-inflation dynamics would continue to influence its decision-making.

(Source: FPJ)

Value erosion knocks India out of top-12 HNI list

India is out of the list of top-12 countries with the largest HNI population as a significant erosion in the equity market in 2011 took a toll on assets and investable wealth of the billionaires, says a report.

The US, Japan, and Germany are the top-three countries with the largest high net worth individual (HNI) population in the list prepared by Cappgemini and RBC Wealth Management.

China, the UK, France, Canada, Switzerland, Australia, Italy, Brazil follow them in that order. South Korea replaced India as the 12th member in the list. India first figured in the coveted list for the first time in 2010. India had lost a significant number ofHNIs as a sharp plunge in the equity market in 2011 wiped out asset values as well as levels of investable wealth of these individuals, said the report.

India suffered a slump in its equity market capitalisation and its currency in 2011 as a lack of faith in the political process.

Indian equity market capitalisation dropped by a whopping 33.4 percent in 2011, after a gain of 24.9 percent in 2010. Accordingly, the size of the country’s HNI population declined by 18 percent, it said.

(Source: Firstpost)
Sebi chief raises concerns about performance of MFs

Says at least 18 fund houses where schemes have failed to match returns of their benchmark indices

Sebi was also concerned about some AMCs flouting existing norms. Elaborating on this, Sinha said losses of certain mutual fund schemes were being transferred to other schemes. There was a case of banks investing in schemes of a mutual fund, which was itself invested in term deposits of the same lenders.

"Sebi can’t be silent on these matters," he said.

Sebi recently met members of the mutual fund industry for suggestions on reviving growth. Sinha said that Sebi will shortly take actions in line with the suggestions it received.

The regulator is also in the process of formulating regulations for investment advisers. Indian financial regulators have been working on a comprehensive set of regulations for investment advisory services that straddle financial products. Last year, Sebi had circulated a concept paper on investment advisory regulations.

Sinha said that Sebi officials recently met those of the Financial Stability and Development Council (FSDC), which has broadly accepted Sebi’s suggestions on investment advisory, and the market regulator will shortly introduce the final set of rules.

(Source: Livemint)

Reserve Bank stresses on fiscal discipline

Subbarao asks government to cut spending and not just raise taxes to get its fiscal house in order

Under attack for not reducing interest rates, Reserve Bank Governor D Subbarao said on Tuesday that inflation at current levels is unacceptable and monetary tightening is required to ensure sustainable growth.

"We want to support growth in the medium term with low and stable inflation, which is possible only with tightening, but inflation at the current level is not acceptable," he said addressing the 104th annual general meeting of Indian Merchants’ Chamber.

He went on to say that “we would like to believe that the policy rate hikes have helped in moderating inflation— we look at all indices, be it WPI, CPI, etc in policy making. Those wanting to gauge our responses should look at them; don’t criticise us for confusing...” Subbarao also asked the government to reduce spending and not just raise taxes to get its fiscal house in order.

He said raising taxes was not the same as reducing the fiscal deficit and added it was important to look at the quality of fiscal consolidation. The government failed to contain its fiscal deficit in the last financial year that ended in March and economists expect it to overshoot the target of 5.1 percent of GDP this year also.

On Monday, the RBI had stunned markets and industry by leaving all the key rates and cash reserve requirements for banks unchanged despite widespread

(SOURCE: FPJ)

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Sebi to scrutinise auditor reports, may ask cos to restate numbers

A committee set up by Sebi will scrutinise all auditor qualifications of balance sheets of listed companies and ask the management to restate numbers in case of violation of accounting rules. Top officials close to the development told ET that Sebi would discuss this issue at its board meeting on June 26. This comes more than three years after erstwhile Satyam Computer Services chairman Ramalinga Raju shocked shareholders by admitting to inflating revenue and cash on the balance sheet. The regulator also proposes to make electronic voting mandatory, in a move aimed at ensuring larger shareholders participation. The new committee will be called the Qualified Audit Report Review Committee.

(Source: The Economic Times)

CIRCULARS

SINGLE PLATFORM FOR XBRL REPORTING SOON

Sebi has announced that it will be introducing a single platform for assisting companies report and disseminate regulatory filings, including financial statements in XBRL format. The proposed new single platform will be known as SEBI Unified Platform for Electronic Reporting and Dissemination, which will be XBRL-based for the purpose of reporting by listed companies, mutual funds and other SEBI registered intermediaries.

SEBI ALLOWS SHIFT TO ROLLING SETTLEMENT

Establishment of connectivity with both depositories NSDL and CDSL - Companies eligible for shifting from trade for trade settlement (TFTS) to normal rolling settlement.

RBI RELEASES REVISED FORMAT FOR FLA REPORTING

RBI, in a circular dated June 20, 2012, has stipulated that the annual return on foreign liabilities and assets (FLA) will have to be submitted directly by all the Indian companies that have received FDI or made FDI abroad to the director of the External Liabilities and Assets Statistics Division. The regulator has also modified the form for the FLA, which is available on the RBI’s website. “These directions will come into force with immediate effect,” the circular stated.

Now, more credit for exporters

While relaxing norms to enhance credit flow to exporters, RBI has said the sliding rupee will benefit exports that have been hit by demand slowdown in developed nations. RBI increased the limit of the Export Credit Refinance (ECR) facility for banks from 15 per cent of the outstanding export credit eligible for refinance to 50 per cent.

"It will potentially release additional liquidity of over Rs.300 billion, equivalent to about 50 basis points reduction in the CRR," RBI said. The decision comes within days of the government announcing measures to boost exports that have been hit by global demand slowdown. On the weakening of the rupee, the bank said the domestic currency’s depreciation over the past several months has helped domestic producers gain in competitiveness.

(Source: FPJ)
The government in the current fiscal year is considering stake sale in as many as 15 companies which includes blue chips like BHEL, SAIL and Oil India with a view to garner an estimated Rs.20,000 crore.

Apart from the major companies already on the government radar, the department of disinvestment is also deeply thinking over the 10 per cent stake sale in Engineers India, which could fetch about Rs.790 crore to the government fund, Finance Ministry sources said. According to the sources, the government is also planning 12.5 per cent stake sale of Rashtriya Chemicals and Fertilizers Limited (RCF) which would help the exchequer garner Rs.380 crore while, the disinvestment of Andrew Ule, which is also on the cards, may yield an estimated Rs.65 crore.

As per the broad roadmap prepared by the Finance Ministry, 10 per cent stake sale in each PSU is being considered in companies like NALCO, NHPC, NMDC, MOIL and Hindustan Aeronautics. While stake sale in NMDC is expected to yield an estimated Rs.6,000 crore, NHPC may yield Rs.230 crore and MOIL Rs.95 crore. Ministry, 10 per cent stake sale is being considered in companies like NALCO, NHPC, NMDC, MOIL and Hindustan Aeronautics (HAL). While stake sale in NMDC is expected to yield an estimated Rs.6,000 crore, NHPC may yield Rs.230 crore and MOIL Rs.95 crore. As per the broad roadmap prepared by the Finance Ministry, 10 per cent stake sale in each PSU is being considered in companies like NALCO, NHPC, NMDC, MOIL and Hindustan Aeronautics (HAL). While stake sale in NMDC is expected to yield an estimated Rs.6,000 crore, NHPC may yield Rs.230 crore and MOIL Rs.95 crore. As per the broad roadmap prepared by the Finance Ministry, 10 per cent stake sale in each PSU is being considered in companies like NALCO, NHPC, NMDC, MOIL and Hindustan Aeronautics (HAL). While stake sale in NMDC is expected to yield an estimated Rs.6,000 crore, NHPC may yield Rs.230 crore and MOIL Rs.95 crore.

The disinvestment department has already moved a cabinet note for 10 per cent stake sale in NALCO, which could fetch the exchequer around Rs.12,000 crore based on current market price.

(Source: FPJ)
Are S&P and Fitch overreacting?

Cyclical ups and downs no basis for downgrade; time ripe to address deterioration in domestic macros

CHANDRAJIT BANERJEE
Director General, Confederation of Indian Industry

It is widely known that political roadblocks have held back economic reforms and the Indian economy is slowing down. That these factors should lead to a downgrade of India's credit rating, however, does not follow. A sovereign credit rating indicates a country's creditworthiness and the risks associated with investing in the country. It is apparent that despite the recent setbacks to economic growth, there is hardly any likelihood that India will default on its loan repayments. For one, the government's debt-to-GDP ratio has been stable at 45 per cent and, second, its external liabilities constitute less than four per cent of its total outstanding debt. In fact, the recent rating actions by S&P and Fitch were initiated by the rating agencies themselves. It is no wonder, then, that the government has reacted negatively and rejected the reports.

The reports by S&P and Fitch do not dwell on the extent to which India's slowdown is due to negative developments in external conditions. I would attribute at least 80 per cent of the recent change in India's economic outlook to the slowdown in exports and sudden increase in risk aversion among portfolio investors resulting in large capital outflows. The impression generated by the reports is that the downturn is largely self-inflicted by India's policy makers.

RANA KAPOOR
Managing Director and CEO, YES Bank

The year 2012-13 began with S&P and Fitch raising a red flag over India's sovereign credit rating. While the long-term rating was retained, both rating agencies revised their outlook on India from 'stable' to 'negative' on the back of rising concerns on twin deficits and slowing growth. From a technical perspective, S&P's warning translates into a one-in-three chance of India losing its "investment grade" status within the next two years. The potential loss of investment grade status and its ramifications for an emerging economy like India should not be dismissed. In the middle of a soft and uncertain global economic phase, the domestic macro fundamentals have witnessed sequential deterioration. Economic growth has moderated to 6.5 per cent with inflation remaining elevated. Fiscal and trade deficits are gravitating away from normally accepted levels of sustainability. The deterioration in macros and business sentiment has coincided with the lack of adequate policy and reform actions. The warnings from rating agencies have evoked considerable emotional reactions from thought leaders and policy makers. In my opinion, introspection, followed by clear, vision-backed actions should take precedence over poignant refutation.

(Source: Business Standard)

JP Morgan upgrades Indian equities

JP Morgan upgraded Indian equities to 'overweight' from 'neutral', despite acknowledging the risk factors facing the economy, encouraged by what it called a number of more positive factors including historic valuations. The bank said its year-end target for the BSE index was at 19,000 points, a nearly 12% upside from current levels. It expects the NSE index to trade in a 4,800-5,200 range in the near term. Slowing policy reforms, however, remain a hindrance to economic growth and would be key to a recovery, JP Morgan said.

"If policy actions manage to revive corporate and consumer confidence, growth may accelerate into the second half of the fiscal year," the bank said in a note Thursday. Despite calling the environment "clearly poor," because of risks including slowing growth, JP Morgan argued Indian valuations are trading at 12 times forward earnings, or one standard deviation below the 10-year historic average.

India pledges $10 bn for Euro crisis

India and four other nations of BRICS bloc gave a big boost to IMF's $430 billion bailout fund for debt-wrecked Eurozone pledging to contribute $75 billion Los Cabos (Mexico). India on Monday pledged $10 billion to the IMF to help Eurozone countries out of the current crisis and prevent adverse fallout on emerging econo-mies. "The IMF has a critical, supportive role to play in stabilizing the Eurozone. All members must help the fund to play this role," PM Manmohan Singh told the G20 Summit.

(Source: FPJ)

Advance tax mop-up below target

Advance tax collection from top 100 companies grew to Rs.33,089 crore for April-June, a rise of mere 5 per cent against the annual targetted growth rate of 15 per cent as lead corporates, including RIL and BHEL paid lesser tax compared to the corresponding period last year. The collection stood at Rs.31,631 crore in same quarter last fiscal.

The tax collection figures are till June 18 of the current fiscal, said a finance ministry official adding that the mop-up is in line with expectations of the Revenue Department. With advance tax collection of Rs.33,089 crore in the quarter, the total direct collections till June 18 stood at Rs.84,333 crore. The government has set direct tax collection target for the fiscal at Rs.5.70 lakh crore, an increase of 15.2 per cent from the actual collection of about Rs.4.95 lakh crore last fiscal.

(Source: FPJ)