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Govt to review executive pay practices at India Inc

The government is looking to review the guidelines governing executive pay practices at the companies to bring them in tune with the changing times in terms of the economic advances in the country.

The existing guidelines, including on disclosures required to be made by the companies about high compensations paid to the executives, have been in place for decades and they might not be necessarily reflecting the current economic scenario of the country, a senior official told PTI.

The Corporate Affairs Ministry had appointed an expert panel last year to look into the matter and a report has been submitted by this committee after studying the executive pay practices at various companies, including loss-making ones. "We are going through the panel report. Our aim is to ensure that executive compensation practices are in tune with the changing times," the official said.

Companies are currently required to disclose the details of all employees earning salaries beyond a threshold limit, which varies from Rs one lakh to Rs five lakh per month. But these ceilings are said to be too less in the present context when executive income levels have gone much higher across many sectors.

According to the official, various elements of compensation including salary and other benefits would be taken into consideration while looking into the guidelines.

It could not be ascertained whether the government would also look at reviewing the cap of 10 per cent of annual profits that certain public companies can pay to their top management personnel, including directors, without the government's approval.

This measure already forms part of the new Companies Bill, which has been passed by the Lok Sabha and awaits clearance from the Rajya Sabha. For one individual director, including the Managing Director, the Bill has proposed a similar ceiling of 5%.

SOURCE: FREE PRESS JOURNAL

RBI holds key rates, future cuts hinge on durable inflation fall

- Only a durable receding of inflation will open up the space for monetary policy to continue to address risks to growth, says RBI Governor

In line with consensus expectations, the Reserve Bank of India (RBI) left its policy rates unchanged and also retained the cash reserve ratio in view of high food inflation, rupee volatility and alarming balance of payment situation.

The repo rate, at which RBI lends to banks, has been retained at 7.25 per cent, while the Cash Reserve Ratio (CRR) will continue to be at 4 per cent. "It is only a durable receding of inflation that will open up the space for monetary policy to continue to address risks to growth", RBI Governor D Subbarao said in the mid-quarter policy review.

Finance Minister P Chidambaram, who appeared disappointed by the monetary policy, said: "I think the government at various levels conveyed its view to RBI. This is a mid-term review. We recognise that RBI is independent. There is nothing more for me to say at this stage."

While acknowledging the recent fall in wholesale price index (WPI) inflation and weak growth prospects, RBI cited developments in the external sector as the most significant development. RBI expects gold imports to moderate in June, but it also sees capital flows as having moderated this month.

The rupee fell by 6.6% from May 22-June 11 due to sell-off by foreign institutional investors, reflecting the risk-off sentiment triggered by apprehensions of possible tapering off of quantitative easing by the US Fed. The currency touched a record low of 58.96 to a dollar last week.

Bankers too sounded unhappy and said that there was no scope for them to reduce lending rate. Expressing disappointment over RBI's decision, India Inc said the time was appropriate for cut in interest rates to revive the country's growth.

SOURCE: FREE PRESS JOURNAL

FM: New financial products needed to push infra growth

Development of infrastructure and expansion of financial products such as Infrastructure Debt Funds (IDFs) and takeout finance are crucial to the country achieving 8% growth, Finance Minister P Chidambaram said.

"...to give thrust to investment in infrastructure sector and to attain GDP growth rate of 8 per cent, there is an immense need for financial products such as IDFs, Takeout Finance and Credit Enhancement scheme to fill the financial gap in the infrastructure sector," he said after launching $1 billion IDF scheme of IIFCL on Tuesday.

"For Infrastructure Debt Funds (IDFs), we should try to mobilise resources from insurance and pension sectors as these funds are available for long term horizon," he said. The Finance Minister also handed over in-principle approval letters issued by IIFCL Asset Management Company Limited (IAMCL) to one power project in Jharkhand and one rural water project in Andhra Pradesh. Both the projects are in operational phase.

Canara Bank and HUDCO are the strategic investors of the fund while Corporation Bank, Oriental Bank of Commerce and IIFCL are other investors. The

IDF scheme will mainly undertake investment in debt securities or securitised debt instruments of infrastructure companies, infrastructure capital companies or infrastructure projects, SPV, bank loans etc.

SOURCE: FREE PRESS JOURNAL

ICICI Bank raises Chinese yuan 650 mn via bond sale

India's largest private sector lender ICICI Bank raised yuan 650 million in an offshore Chinese debt market offering, merchant bankers associated with the bond sale said. The bank raised the money by selling REG S bonds with a three-year tenor and got a final pricing of 4 %, Managing Director and head of debt capital markets at Standard Chartered Bank South Asia, Jujhar Singh, said.

The bond sale received subscriptions of Chinese yuan 1 billion, he added. This is the third issue by ICICI Bank and makes it the second domestic lender, after IDBI Bank, to sell bonds to offshore Chinese investors. Between January and April, over a dozen corporates went on an aggressive debt raising spree, netting a whopping $11 bn, led by the $1.5-bn double issue by Bharti Airtel and a $800 mn perpetual bond issue by RIL.

SOURCE: FREE PRESS JOURNAL

'IF RBI CAN'T CUT CRR, LET THEM PAY US INTEREST ON IT'

SBI Chairman Pratip Chaudhuri reignites CRR debate, says central bank must pay interest on cash reserves that banks park with the monetary authority

Ahead of the mid-quarter review of monetary policy today, State Bank of India has said if the apex bank cannot reduce CRR rate, which is a must for lending rate cuts by banks, they should pay interest on cash reserves that banks park with the monetary authority.

Incidentally, most analysts expect the RBI to hold rates during its mid-quarter monetary policy review. "If a CRR cut cannot be done due to inflation worries, let the RBI pay us interest on CRR. We will then do the transmission for sure. If the RBI pays me Rs 500 crore on interest on my CRR, I promise to transmit the entire Rs 500 crore to borrowers by reducing my base rate," SBI chairman Pratip Chaudhuri said.

Last year he had triggered off a heated debate by calling for abolition of CRR. He felt that CRR is "dead money" and it had led to a public spat with K C Chakrabarty, the RBI deputy governor in charge of banking services, who said that if the SBI chairman is not comfortable working under existing regulations, he should look for "some other sector". Explaining the rationale for SBI's as well as other banks' inability to cut lending rates with minor repo rate cuts that RBI has done by 125 basis points (1.25 %) since the middle of the past fiscal, Chaudhuri said, "The relationship between the repurchase rate and the bank lending rate is rather weak. Bank deposits rates are guided by postal deposit rates and not by RBI rates".

Further, he said that a 25 basis points repurchase rate cut will give an additional income of merely Rs 50 crore to the SBI.

"How do I distribute it to my borrowers when my loan book is Rs 7 trillion? Instead, if the RBI reduces CRR by 25 basis points, I get about Rs 3,000 cr. So, if there is a CRR cut, then the transmission is more pronounced," the Chaudhuri argued.

He also pointed out that the biggest competition for banks when it comes to deposit raising comes from postal savings, which fetch a higher interest rate of 8.5%. Since the middle of the last fiscal, the RBI reduced repo rates by 125 basis points and CRR by 50 basis points, but banks on an average have cut their base rate only by 30 basis points.

SOURCE: FREE PRESS JOURNAL

Ratan Tata to be chief advisor to AirAsia India board

Low-cost carrier AirAsia announced industry leader Ratan Tata as Chief Advisor to the board of its Indian venture and promised 'Nano' airfares once it begins operating flights in the country, reports PTI.

Announcing Tata's name as the Chief Advisor, Malaysia- based AirAsia chief Tony Fernandes also said that the name of Chairman for AirAsia India board would also be disclosed soon.

"Persuading Tata to be advisor has not been easy. Critical, we have someone of his massive experience to help me chart Airasia India with Mittu (Chandilya) and myself," Fernandes announced on micro-blogging site Twitter. Asked whether to expect 'Nano' price or cheapest air tickets from AirAsia India, Fernandes replied in affirmative: "Yes. It's all about low fares. And everyday."

Ratan Tata, who retired as head of Tata group in December last year, is considered as the main force behind launch of the world's cheapest car, Nano. It was launched by the group at an initial price tag of Rs 1 lakh. AirAsia is widely expected to bring in competitive pricing in the Indian aviation market, once it begins in service later this year.

SOURCE: PTI

Sebi MPS orders may derail divestment train

The Rs 55,000 crore disinvestment programme is facing a stiff test as the government is racing against time to meet the minimum public shareholding (MPS) norms for the public sector units (PSUs). According to the amended rules, the central government has to bring down its stake in the PSU to 90% or below by August 9.

With just little over a month left for the deadline, at least eleven BSE-listed companies majority owned by the centre are yet to be compliant of the MPS norms. In case of private companies which missed the deadline of June, the Securities and Exchange Board of India (Sebi) had restricted promoters from selling shares or otherwise accessing securities market except for the purpose of compliance of MPS.

By its June 4 order, Sebi prohibited the promoters/promoter group and directors of these non-compliant companies from buying, selling or otherwise dealing in securities of their respective companies either directly or indirectly, in any manner whatsoever, except for the purpose of complying with minimum public shareholding requirement till such time these companies comply.

If the same rule is applied to the central government, which would be the errant promoter in this instance, several marquee share sales such as Coal India, IOC which are lined up by the government to meet the ambitious target may have to be shelved. Though these blue-chip companies are already compliant of MPS, they cannot hit the market because of their smaller sisters.

SOURCE: BUSINESS STANDARD

I-T e-filings: Posting of paper copy may not be compulsory

Millions of taxpayers filing electronic I-T returns will soon get relief from sending by post the mandatory paper verification form as the CBDT has decided to soon stop this practice.

The Central Board of Direct Taxes (CBDT), administrative authority of the Income Tax department, will now instead introduce electronic verification of these online returns. The new measure, expected to be operational within this financial year, will save the taxpayer from the hassle of sending the paper document by post and tracking its acknowledgement. "E-filing is meant to help the taxpayer. But compulsory dispatch of paper documents by post to the Bangalore based central processing centre of the department or procuring a digital signature was undoing this. Hence, the department has decided to end this soon," a senior official said.

SOURCE: FREE PRESS JOURNAL

India approaches tax havens on global black money expose

India has approached over half a dozen foreign jurisdictions, including Singapore and some tax havens, for banking and other financial details of more than 500 individuals and entities that might have 'secret offshore accounts' at those places, reports PTI.

The "names and listed addresses" of as many as 505 India- linked entities, including businessmen and companies from the country, have been made public after a global expose on secret offshore accounts by US-based rights group, the International Consortium of Investigative Journalists (ICIJ).

The addresses of Indian entities and individuals, according to the ICIJ expose, have addresses of upmarket localities of account holders from Delhi, Mumbai, Bangalore, Kolkata, Chennai, Hyderabad, Pune, Ahmedabad, Baroda, Surat, Chandigarh and many other Indian cities and few other moffusil locations.

SOURCE: PTI

Ranbaxy and 9 others fined for blocking cheaper drugs

European Commission levies afine of 146 mn euros on nine pharma firms, including Ranbaxy for delaying the market entry of cheaper generic versions of Danish company Lundbeck's branded citalopram

The European Commission imposed a fine of 146 million euros on nine pharma companies, including Ranbaxy Laboratories, for delaying market entry of cheaper generic versions of Danish company Lundbeck's branded citalopram, a blockbuster antidepressant, reports PTI. According to information available on the European Commission (EC) website, Ranbaxy Laboratories has been fined euro 10.32 million (over Rs 80 cr).

"The European Commission has imposed a fine of euro 93.8 million on Danish pharmaceutical company Lundbeck and fines totalling euro 52.2 million on several producers of generic medicines," EC said.

In 2002, Lundbeck agreed with each of these companies to delay the market entry of cheaper generic versions of Lundbeck's branded citalopram, a blockbuster

antidepressant, it added.

"These agreements violated EU antitrust rules that prohibit anticompetitive agreements (Article 101 of the Treaty on the Functioning of the European Union – TFEU)," EC said.

The generic companies which have been fined are Alpharma (now part of Zoetis), Merck KGaA/ Generics UK (Generics UK is now part of Mylan), Arrow (now part of Actavis), and Ranbaxy. The fine on Ranbaxy Laboratories Ltd and Ranbaxy (UK) Limited, is euro 1,03,23,000. For Ranbaxy the fine by the EC comes close on the heels of its agreement with US authorities last month under which it had agreed to pay a fine of USD 500 million after pleading guilty to ' felony charges' over violation of approved manufacturing norms at its two facilities in India.

Commenting on the development, European Commission Vice - President Joaquín Almunia (in charge of competition policy), said: " It is unacceptable that a company pays off its competitors to stay out of its market and delay the entry of cheaper medicines.

SOURCE: FREE PRESS JOURNAL

BP seeks compensation for surrendering KG block

UK's BP plc has asked the Petroleum Ministry to compensate for a Krishna Godavari basin block that it is being forced to surrender after Defence Ministry restrictions made oil and gas exploration impossible, reports PTI. BP along with Reliance Industries had won the deepsea KG- DWN- 2005/ 2 or KGD17 block in the seventh round of auction under New Exploration Licencing Policy in 2008.

About 70% of the 1,949 square kilometre of the block falls in an area where DRDO and Navy exercises are conducted and has been classified as ' Impact Zone' where oil and gas operations are not possible, BP wrote to the Oil Ministry on May 27. BP Vice President (Exploration) Alistair J A Bent wrote that the company appreciated that Ministry of Defence requirements for testing and carrying out exercises have led to the introduction of significant risk and high uncertainly beyond the control of contractors.

SOURCE: PTI

EPFO proposes claim settlement in 3 days

Retirement fund body EPFO is planning to settle all claims like transfer and withdrawal of provident fund within three days, a move that will benefit over one crore such claimants every year, reports PTI. In order to give effect to the proposal of expeditious settlement of claims, Employees' Provident Fund Organisation (EPFO) has called a meeting of all zonal heads on July 5, to draw an action plan.

The body is expecting 1.2 crore claims in the current fiscal and feels if around 70% of those are settled in three days, then about 84 lakh claimants would be benefited. Quick settlement of claims, EPFO said in an officer order, " was necessary to improve the image of the organisation." EPFO has already launched a Pendency Clearance Drive to settle all claims received before June 15 this year. As many as 5,38,704 claims were pending as on June 11 this year.

"... in 2012- 13, the body has settled 1.08 crore claims, out of which 12.62 lakh claimants were dissatisfied as their claims were not settled within 30 days. Moreover 1.41 lakh claims not settled even after 90 days has brought down the image of the EPFO amongst our members," the order stated.

The body is also in the process of introducing a facility where claimants would be able to apply online for transfer and withdrawal of their PF from July 1.

SOURCE: FREE PRESS JOURNAL

GOVT TO SELL EQUITY TO PSU STAFF AT DISCOUNT POST SELLOFF

PSU employees will now get an option to subscribe up to 5% of the issue size at a discount after the completion of divestment in the concerned state- owned firm.

Seeking to encourage employee participation in the PSU disinvestment through offer for sale (OFS), the DoD had sought approval of market regulator Sebi for allotting shares to employees at a discount of 5% to the last cut- off price.

"Sebi has concurred with disinvestment department's scheme of Employee OFS. We will be selling shares to interested employees at a 5 per cent discount over the last cut off price in that OFS," a senior government official said.

Employees of such firms in which OFS was undertaken after December would be given the option to buy shares, with 5% of the issue size to be offered to them.

To start with, the Department of Disinvestment (DoD) will offer shares to employees in Nalco, Oil India, Rashtriya Chemical and Fertilisers and this would be followed up with SAIL, MMTC and all subsequent disinvestments.

"The employee will have to bid for a minimum of 10 shares up to a maximum value of up to Rs 2 lakh," the official said, adding that they should have a demat account.

As per the proposal approved by Sebi, all permanent and full time employees of such companies and working in India would be eligible for allotment of shares.

SOURCE: FREE PRESS JOURNAL

NTPC scraps bond sale after sell-off in government bonds

The firm was planning to raise up to Rs 1,000 cr through an issue of dual tranche bonds

NTPC, India's largest power producer, scrapped its bond salescheduled for Thursday after a sell-off in government bonds caused worries about the pricing of its debt, four sources with direct knowledge of the bond sale said.

The firm was planning to raise up to Rs 1,000 crore through an issue of dual tranche bonds. Trading in government bonds was halted earlier in the day after yields hit their upper circuits on a global riskoff following the Federal Reserve's comments on tapering of its stimulus programme. The trading band has subsequently been removed for the day.

SOURCE: BUSINESS STANDARD

Rupee 1.9% down after Fed fears trigger record slide

The Indian rupee fell to an all-time low against the dollar on Wednesday after the US Federal Reserve chairman BenBernanke said the central bank would start reducing its stimulus measures later this year if the economy is strong enough.

The rupee was trading 1.9% down at 59.85 per dollar as of 12:38pm in Mumbai, the biggest drop since September 2011, according to data compiled by Bloomberg. The partially convertible rupee opened at 59.62 against the dollar compared with its Tuesday's close of 58.72 and fell as much as 59.93 per dollar. The previous all-time low for the currency, Asia's worst performer this quarter with a 9.2% fall, was 58.98 on 11 June.

Currency temporarily pares losses amid speculation of RBI intervention in the currency market

India's chief economic adviser Raghuram Rajan said that the Indian government is not short of options to tackle the fall of the rupee and will take actions as necessary. Planning Commission deputy chairman Montek Singh Ahluwalia said he expects the rupee's drop to be a a temporary phenomena. Rajan said the Reserve Bank of India (RBI) would take action to support the rupee as appropriate.

SOURCE: MINT

Auction for sale (Re-Issue) of government stock

Government of India have announced the Sale (re-issue) of (i)" 7.28% Government Stock 2019" for a notified amount of Rs. 3,000 crore (nominal) through price based auction, (ii) "7.16% Government Stock 2023" for a notified amount of Rs. 6,000 crore (nominal) through price based auction , (iii) "8.97% Government Stock 2030" for a notified amount of Rs. 3,000 cr (nominal) through price based auction and (iv) "8.83% Government Stock 2041" for a notified amount of Rs. 3,000 cr (nominal) through price based auction. The auctions will be conducted using uniform price method.

SOURCE: MINISTRY OF FINANCE

FM launches maiden infrastructure debt fund

The Union Finance Minister P Chidambaram said that for Infrastructure Debt Funds (IDFs), we should try to mobilise resources from insurance and pension sectors as these funds are available for long term horizon. The Finance Minister Shri Chidambaram was speaking after launching the maiden IDF scheme of IIFCL Mutual Fund (IDF) here today. The Finance Minister later handed over In-Principle sanction approval letters issued by IIFCL Asset Management Company Limited (IAMCL) to one Power Project in Jharkhand and one Rural Water Project in Andhra Pradesh.

Both the projects are in operational phase. The Finance Minister Chidambaram said that in order to give thrust to investment in infrastructure sector and to attain GDP growth rate of 8%, there is an immense need for financial products such as IDFs, Takeout Finance and Credit Enhancement to fill the financial gap in the infrastructure sector. The Finance Minister Chidambaram congratulated IIFCL and the other participating investors of IIFCL Mutual Fund (IDF) for this landmark event of launch of the IDF scheme, which will pave the way for setting-up of more such infra debt funds.

On this occasion, Dr Arvind Mayaram, Secretary, Department of Economic Affairs, Rajiv Takru, Secretary, Department of Financial Services, V P Baligar, CMD, HUDCO and CMDs of Canara Bank and Corporation Bank along with ED, OBC were also present among others.

SOURCE: MINISTRY OF FINANCE

India, WB ink $ 216 mn pact for KSTP

The Loan and Project Agreements for World Bank (IBRD) assistance of $216 mn for Second Kerala State Transport Project were signed between Government of India/Government of Kerala and World Bank at New Delhi recently.

The Loan Agreement was signed by Shri Nilaya Mitash (Joint Secretary, Department of Economic Affairs) on behalf of Government of India and Mr. Onno Ruhl, Country Director, World Bank (India) on behalf of the World Bank. The Project Agreement was signed by T O Sooraj, Secretary, Public Works Department on behalf of the Government ofKerala. The project will have three components:

1. Road Network Upgrading and Safety Improvement: This component will include upgrading 363 kms of strategically important State Highways to complete network connectivity in the state with the objective of reducing travel time between key socio-economic centers.

2. Road Safety Management: This component will support the strengthening of the road safety management systems in Kerala with the objective of arresting the increase of crash fatalities in the state. This component will finance various initiatives building on the work already undertaken during the first project including a safe corridor demonstration project, implementation of a local level challenge fund, and advisory support for road safety activities.

3. Institutional Strengthening: The objective of this component is to improve the sustainability of Kerala's state road network with respect to its functional adequacy and financial viability.

SOURCE: MINISTRY OF FINANCE

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