ASSOCHAM GIVES 70% MARKS TO MODI GOVT

The Associated Chambers of Commerce and Industry of India (Assocham) on Sunday awarded the Narendra Modi government seven marks on a scale of 10 for its performance over the past year.

Assocham lauded the government for improving the macroeconomic situation, financial inclusion, Swachch Bharat initiative, coal auction, and clearing difficult legislation in Parliament. It, however, said a lot was still to be done to improve the ease of doing business in India.

Chamber President Rana Kapoor said, "Investor confidence and transparency have been achieved with the successful completion of auction of coal blocks and spectrum, raking in ₹ 3 lakh crore for the Centre and the states."

Source: Business standard
May 18, 2015

FOR THE HIGHEST - PAID CHIEF EXECUTIVES, THE PARTY GOES ON

DAVID GELLES 17 May It pays to work for John C Malone. The billionaire who built a cable and communications empire is 74, and no longer a chief executive himself. But Malone still exerts sway from various boardrooms, and the CEOs at the companies he oversees are routinely among the best compensated managers on the planet. Last year, the largesse was particularly notable.

Take Discovery Communications, the cable group behind Shark Week and shows like Cake Boss. Malone spun Discovery out of his media group and still sits on the board. His choice for chief executive, David M Zaslav, received total compensation worth $156 million last year, making him the highest-paid chief of an American public company, according to the Equilar 200 Highest-Paid CEO Rankings, conducted for The New York Times.

Just behind Zaslav on the list of the highest-paid chief executives is Michael T Fries of Liberty Global, an international cable and wireless group that Malone presides over as chairman. And while Fries made considerably less than Zaslav — $44 million less — he still got a package worth $112 million.

Gregory B Maffei, one of Malone's closest lieutenants, was paid twice in 2014. As chief of Liberty Media, which owns the Atlanta Braves baseball team and a big stake in the satellite radio provider SiriusXM, Maffei received compensation of $ 41.3 million.

Picture in the article

As chief of Liberty Interactive, a related company that owns stakes in home shopping networks, he received $32.4 million. Malone, the chairman of both companies, awarded his friend a total of $74 million last year, placing him sixth on the list.

Thomas M Rutledge, another Malone confidant who oversees the regional cable operator Charter Communications, where Malone and Maffei are board members, was given a $ 16- million package last year, an increase of 259 per cent over 2013. Though Malone is not on the compensation committee that sets executive pay, Maffei is. Taken together, the four CEOs were awarded more than $350 million last year, occupying three of the top six spots of the study conducted by Equilar, an executive compensation data firm.

At public companies with market values of more than $1 billion and that had filed proxies by April 30, the average package for the top 200 best paid chief executives was worth $22.6 million, trumping last year's average of $20.7 million, and the median was $17.6 million. Those are the highest amounts since Equilar began keeping track in 2006.

Today's bursting-at-the seams paydays arrive despite sustained efforts to restrict excessive executive compensation. Since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010, which made certain pay practices more onerous, compensation committees have mostly abandoned several controversial pay mechanisms. Employers are no longer footing the tax bills for departing CEOs who enjoy golden parachutes. Supplemental pension plans, which heaped benefits on executives regardless of how well the company did, are largely a thing of the past. Stock awards are mostly tied to performance, not simply awarded at regular intervals. "Fifteen years ago, there were some programmes that were egregious," Gerard Leider of Meridian Compensation Partners said. "Today there is more sensitivity than there ever has been."

Underpinning these efforts was a belief that more transparency would lead to some much needed belt-tightening. If only companies were forced to reveal just how sweet their packages were, perhaps they would reform. "The increased pressure for more disclosure was motivated by public shaming," said Regina Olshan, head of the executive compensation practice at Skadden, Arps, Slate, Meagher & Flom. "The idea was somehow that the companies would be ashamed and change their ways." It hasn't worked. If companies have to report CEO pay that is 1,000 times that of the average worker or justify growing pay in spite of weak results, perhaps shame will kick in. In the meantime, like an all-you can-eat buffet for America's captains of industry, it seems there is no end to how much money executives can devour. For the first time, all 10 of the top-paid CEOs on Equilar's list received at least $50 million last year.

And while much of the overall compensation came in the form of stock — some of which vests over several years — some chief executives received generous cash bonuses, a form of compensation that does little to incentivise long-term performance.

Big pay has its defenders. "What does 'excessive' mean?" said Leider, the compensation consultant who advises companies on pay packages. "What somebody who works on the line considers excessive is different than what someone who has worked in management for 10 years considers excessive." The defence of these supersize salaries comes down to the idea that the executives, like celebrities, ought to be rewarded for their indispensable contributions. "Movie stars and sports stars get paid a lot for a very unique skill set," Leider said. "Some of these CEOs have very unique skill sets."

What's more, the companies say that many pay packages are largely tied to performance, aligning the interests of the chief executive with those of shareholders, and that some headline figures are skewed by the fact that many stock awards vest over time.

For example, Satya Nadella, who was named chief of Microsoft in February of last year, was awarded compensation worth $84.3 million in 2014. But most of that is a one-time equity grant that will be distributed over seven years. For a more accurate picture, "the value of equity awards should be annualised over their vesting periods," a Microsoft spokesman said. By that measure, Nadella would have earned nearly $22.8 million last year, $29 million from 2015 to 2018, and $26.5 million in 2019 and 2020. Still a handsome payday. ©2015 The New York Times News Service

Source: Business standard
May 18, 2015

CAN MODI GOVERNMENT DEFY GLOBAL CHALLENGES?

WORLD TRADE HAS BEEN GROWING SLOWER THAN WORLD GDP SINCE 2012, HURTING INDIA'S EXPORTS

The April 2015 trade data and the fourth quarter results of information technology (IT) majors such as Tata Consultancy Services and Infosys are a stark reminder of the challenges that the Narendra Modi government face as its tries to take India's economic growth trajectory back to the high of the pre-2008 crisis. India's merchandise exports were down 14 per cent in dollar terms last month — a fourth consecutive month of export contraction. IT exporters reported one of their worst quarters in three years with single-digit growth in revenues. This is bad news for India's growth ambitions as goods and services exports account for a quarter of the country's GDP and IT exporters are the country's top earners of foreign exchange. IT companies are also among the major employers with the biggest salary bills and closer to what banks and other financial services firms pay, making them central to urban consumer demand.

World GDP is expected to grow by three per cent in the next three years, according to Bloomberg consensus estimates, against average growth of 4.3 per cent during 1997-2008. In the past two decades, India has grown twice that of world GDP growth on an average. The equation yields GDP growth of 6.5 per cent for India in the next three years unless global economy receives a new economic trigger. India also faces risks from a slump in global trade.

International Monetary Fund (IMF) is more optimistic and expects world GDP growth to accelerate to 3.8 per cent in CY16 and further to four per cent in CY20 from 2.2 percent in the past three years. However, it is contingent on a much quicker economic recovery in the Euro zone and Japan.

"For the first time in decades, world trade is growing slower than world GDP since 2012, indicating a lack of global demand. It is tough for any economy to grow faster when the world demand is flat. External demand supplements internal demand and allowing the economy to grow faster," says Devendra Pant, economist and head (public finance) at India Ratings.

Favourable global conditions were central to pre-2008 boom in India and across the globe. Between 2004 and 2008, 39 out of 40 major emerging economies (excluding India and China) reported peak GDP growth in 30 years. The result was an export boom, which added the necessary kick to the India growth story. For five years between 2002 and 2006, goods and services exports from India expanded at the rate of 20.9 per cent a year in constant currency terms.

As consumers lapped up more goods and services, companies expanded their capacities leading to a boom in industrial and corporate investment. The result: India's GDP expanded at nine per cent on an average for 15 consecutive quarters in the run-up to September 2008 global financial crisis.

According to data from United Nations Statistics Division, exports (including services exports) accounted for 24.2 per cent of India's gross domestic product in CY2013, against 12.1 per cent in CY01 and 7.1 per cent in CY91. This made exports an increasingly larger part of India's incremental economic output. At its peak in 2004-2008, exports accounted for 45 per cent of the incremental growth in GDP.

This trigger is now lacking as world's major economies are either in recession or growing very slowly. Exports have also been hit by a slump in crude oil prices. In FY14, oil exporting countries that are members of the Organization of the Petroleum Exporting Countries (OPEC) took 37 per cent of India's merchandise export and Organisation for Economic Cooperation and Development (OECD) countries (grouping of developed countries) took in another 35 per cent, according to Reserve Bank of India figures.

Analysts call it convergence of business cycle. "The global business cycle is showing greater convergence across countries in this decade than in the past, making it tough for a country to defy global challenges as every industrial and financial system is now part of a large global ecosystem," says Dhananjay Sinha, head of institutional equity at Emkay Global Financial Services.

Indian exporters now face challenge from the relative appreciation in the rupee against competing currency owing to strong capital flows in the past two years. This makes Indian stuff uncompetitive in many markets including at home.

This puts the onus on domestic demand to lift the economy. "India is better placed than most emerging markets in this regard, but a domestic demand driven economy will grow slower without help from exporters," says Pant. Domestic demand has been hit by fiscal austerity and stretched corporate balance sheets. "Unlike the 2008 crisis, the government doesn't have the fiscal space to push up demand growth (through) additional spending. Nor is there a monetary space to cut interest rates aggressively as it could fuel inflation," says Sinha.

Companies, on the other hand, are hamstrung by high leverage and low capacity utilisation of their existing capacity. Analysts are now asking the government to kick-start the demand cycle.

"The government can kickstart the industrial economy by asking PSUs (public sector units) to scale up their capex and stop wasting resources on pampering private sector with tax cuts," says G Chokkalingam, founder and CEO of Economics Research & Advisory. This means, a greater emphasis on 'Make for India' rather than 'made in India' as has been the rhetoric in the past 12 months. Is Modi government ready for a dose of Nehruvian economics?

Source: Business standard
May 18, 2015

NEW INSIDER RULES MAY IMPEDE SHARE-PLEDGING

PROMOTE ₹ FACE RESTRICTION ON USING THE ROUTE TO RAISE CAPITAL WHEN IN POSSESSION OF PRICE - SENSITIVE INFORMATION

The new insider trading regulations could create some problems for promoters looking to pledge their shares to meet funding requirements.

The new norms on insider trading place restrictions on 'trading' in securities by any insider when in possession of unpublished price-sensitive information (UPSI). However, the regulations have been drafted in such a way that the definition of trading also includes 'dealing'. This would cover not only activities such as buying and selling, but also pledging of securities when in possession of price-sensitive information, which is not known to the public.

"Such a construction is intended to curb the activities based on unpublished price sensitive information, which are strictly not buying, selling or subscribing, such as pledging, etc., when in possession of UPSI," said the SEBI guidelines on insider trading.

UPSI refers to any information, relating to a company or its securities, directly or indirectly, which is not publicly available and could have a material effect on the company scrips.

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"The assumption seems to be that an insider may fake a pledge and a default on it to circumvent the prohibition on sale when in possession of inside information. But such abuse would be covered by Section 12A of the SEBI Act. On the other hand, prohibiting the provision of a pledge when in possession of inside information will hurt the lending market, and will inconvenience the majority for an extraneous fear of abuse that is in any case covered by law," said Somasekhar Sundaresan, who heads the securities law and financial sector regulatory practice at J Sagar Associates.

Promoters looking to pledge shares will also now have to disclose reasons for doing so under the new insider trading guidelines, which came into effect on May 15. Earlier, promoters were exempt from providing reasons for share-pledging, which most often is for the purpose of meeting any liquidity shortages.

Legal experts believe that such disclosure is unnecessary and could be counter-productive. "Pledging is used by promoters who need cash temporarily, simply for liquidity. Every time a pledge happens, does not mean the promoter is transferring his ownership. Disclosing the reason for such pledging...(may be)... unnecessary," said Ramesh K Vaidyanathan, founder and managing partner, Advaya Legal.

Typically, a promoter pledges shares to raise money from a lender or a private party for funding any liquidity needs. Such a pledge does not translate into a transfer in ownership of shares, unless the promoter defaults on the pledge. Pledging is a common method of fund-raising employed by promoters looking to bridge any short term capital needs. However, some lenders believe that the new norms would add greater transparency to the process. The new insider trading norms in conjecture with the Reserve Bank of India guidelines on loans against shares issued last year would help reduce the misuse of the share-pledge route.

"There is a need for transparency. Any lender would want to know for what purpose the loan is being used and any investor would want to know how much the promoter is backing his own company," said Balachandran M, senior vice-president in-charge of the NBFC and margin funding business at Geojit BNP Paribas Financial Services.

Experts worry that often promoters use the pledge route to exit their stake entirely by pledging all of their shares. Others misuse it to fraudulently shore up additional shares, they said.

The new norms come into effect even as pledging has been on the rise. FY15 saw a 30 per cent rise in the value of pledged-shares by listed companies to ₹ 1.94 lakh crore from ₹ 1.52 lakh crore in the previous financial year.

Source: Business standard
May 20, 2015

NEW 14% SERVICE TAX FROM JUNE 1

The Central Board of Direct Taxes on Tuesday said the new service tax of 14 per cent would be applicable from June 1.

Now, eating out, using a mobile phone and travelling by air, among other things, would cost more from June.

The notification comes after the passage of the finance Bill earlier this month.

The Budget had announced an increase in service tax from 12.36 per cent to 14 per cent for 2015-16. It had also announced widening of the definition of service tax.

This proposal was floated by the government to facilitate the roll out of the national Goods and Services Tax, expected to be rolled out from April 2016.

This step would help the government earn 24.76 per cent more revenues from services at ₹ 2.09 lakh crore in 2015- 16 against ₹1.68 lakh crore in the revised estimate for the current financial year.

Source: Business standard
May 20, 2015

NUMBER OF ACTIVE INVESTORS ON NSE JUMPS 25% IN A YEAR

WITH STOCK INDICES REACHING NEW HIGHS, CASH MARKET TURNOVER REACHES ₹18, 000 CRORE A DAY

The number of active investors on stock exchanges has been on the rise over the last one year. According to exchange data, the number has jumped 25 per cent.

The National Stock Exchange (NSE), the country's largest stock exchange (in trade volumes), as on April 30, 2015, had about 5.2 million active clients for all stock brokers of the exchange. Similar data on the BSE was not immediately available. India has around 25 million registered clients across exchanges.

The western region, comprising Maharashtra, Goa and Gujarat, has recorded the highest growth of 32 per cent in number of people actively trading in the cash market, according to a statement from the NSE. The cash market is the segment where people buy and sell shares primarily with a long-term view on listed companies.

Dinesh Thakkar, chairman and managing director of Angel Broking, said, "Key market indices appreciated nearly 30 per cent, while mid-cap and small-cap segments rose about 60 per cent. This has led to churning by investors and also new investors stepped in. It is reflecting in the increase of demat account openings, which surged to 8 per cent in the second half of FY15 against four-five per cent in earlier years. The new government's policies and expectation of inflation coming down resulting into cut in interest rates have brought in confidence among investors in stock markets."

According to an NSE statement, Maharashtra has seen the highest increase in retail clients trading at 38 per cent on its platform. While Gujarat witnessed a 50 per cent jump in value terms - highest in the country, it said. Collectively, the cash market turnover reached a new high of ₹ 18, 000 crore a day.

Other metros such as Kolkata and Delhi also are continuing to grow. During the year, CNX Nifty reached above 9,100-mark, while the BSE's Sensex had surpassed the 30,000-level. The rise in retail activity in stock market was also said to have been fueled by a number of Initial Public Offers (IPOs) in the last one year. Several offers for sale (OFS) from companies like Coal India (CIL), Rural Electrification Corporation (REC) and Steel Authority of India (SAIL) also saw good responses from the retail segment.

Source: Business standard
May 20, 2015

SEBI GOES SLOW ON CROWD FUNDING RULE

The crowd funding regulations proposed by the Securities and Exchange Board of India (SEBI) nearly a year before have gone into cold storage, said sources with knowledge of the development.

"The thinking within SEBI is that introducing (such) norms would be premature, as no other jurisdiction has a regulated crowd funding market," said one.

The other important reason to shelve it for the time being is the issue of getting a handle on cross-border investments. "As the platform will be online, there will be overseas investment and transactions. There isn't enough clarity on how that can be treated," said the source.

In June last year, SEBI had issued a discussion paper on crowd funding, to give entrepreneurs an additional avenue of raising capital. The proposed framework allowed capital raising from individuals using internet-based platforms and social media. Typically, young entrepreneurs and small groups of people use this route for their ventures, by spreading the word through their social networks.

After putting up the discussion paper for feedback, SEBI had representations from various market participants. Some highlighted that there was a need for more detailing (PICTURE HERE) and the issue hadn't been addressed by even some of the advanced economies.

People in the know said SEBI might act on the norms after some other regulator experiments with these.

Meanwhile, SEBI is in the process of finalising the norms on capital raising for start-ups, allowing firms, especially in the information technology space, to raise equity capital under a separate trading platform. Experts said once SEBI introduced these, the need for a crowd funding framework might diminish.

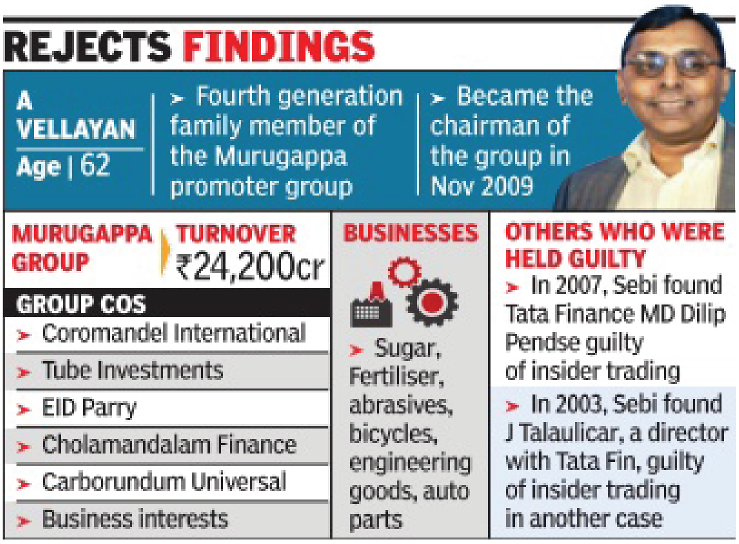
In the discussion paper SEBI had proposed that crowd funding platforms be provided only by registered entities, while companies could raise up to ₹ 10 crore in a year through this route. Given the risks associated with this way of fund raising, SEBI had also proposed that only 'accredited investors' be allowed to participate in such activity.

Source: The Economic Times
May 21, 2015

MURUGAPPA GROUP CHAIRMAN QUITS OVER SEBI'S INSIDER TRADING CHARGE

Murugappa Group chairman A Vellayan has stepped down from his position a day after market regulator SEBI charged him and three others with insider trading in the shares of Sabero Organics Gujarat. SEBI ordered Vellayan and others to return ₹ 2.15 crore made on the insider trading transaction. Coromandel International, part of the ₹ 24,300-crore Chennai-based Murugappa Group, had acquired Sabero in 2011.

"In keeping with family values and tradition, he has stepped aside from the chairmanship of the Murugappa Group Corporate Board (a non-statutory board which supervises the activities of the group) of Coromandel International and EID Parry In dia until this matter is resolved," a statement from Vellayan's office said. Vellayan was the chairman of both these companies.



Vellayan, 62, took over the reins of the Murugappa Group in November 2009 from his uncle M A Alagappan.

Vellayan's office said the SEBI order linking Vellayan to trades by two individuals in shares of Sabero is based "merely on suspicion and is a far-fetched tenuous conjecture". The statement said the only "purported link" sought to be made by SEBI between Vellayan and these transactions is that "one A R Murugappan is a distant relative (son of a grandaunt) and had had a property transaction with Vellayan way before the Sabero transaction was even thought about".

"SEBI has jumped to the conclusion that the trades could potentially be attributed to suspected communication of unpublished price sensitive information about the Sabero deal by Vellayan to this distant relative. The link drawn in this interim order is not a conclusive finding," Vellayan's office said.

"Vellayan is resolute in defending the serious harm to reputation caused by this order and will take appropriate action as legally advised," it said.

SEBI also directed V Karuppiah, Murugappan and others to surrender the unlawful gains made by trading in Sabero shares. Karuppiah is Murugappan's son-in-law. Vellayan's grandfather is the brother of Murugappan's mother.

Source: The Economic Times
May 23, 2015

WILL ASK CABINET TO DROP IT FROM POLICY: MIN

While doing away with country-specific restrictions on foreign investment in line with the FDI policy and `Make in India' thrust, the government wants specific clauses built into contracts with investors from countries like China restraining them from taking up activity not in India's interests, reports Bharti Jain.

Among other likely checks are post-investment monitoring, testing facilities to screen products in sensitive sectors for spyware malware, and ensuring Indian-majority staff. The government

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will consider repealing the 51% FDI policy in multi brand retail, while no proposal would be entertained for opening supermarkets in India by foreign players, Union minister Nirmala Sitharaman said on Thursday.

"I will go back to the Cabinet and say should we delete one document... I am not going to entertain any proposal in multi-brand retail," the commerce and industry minister told a news channel.

The statement comes amid a fresh controversy after the Department of Industrial Policy and Promotion (DIPP), in its consolidated FDI policy, retained the previous UPA government's decision to allow foreign retailers to open multi-brand stores with 51% ownership. She said, "We will ensure FDI in e-commerce does not become a back door for FDI into multi-brand retail."

FM Arun Jaitley had recently said the BJP was "never" in favour of allowing FDI foreign direct investment in multi-brand retail and a recent government notification only published the extant policy on it. AGENCIES

NRI investments off FDI hook

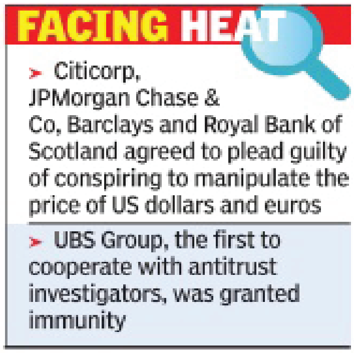
New Delhi: The government on Thursday decided to treat non-repatriable investments by Indians born or living abroad (NRIs, OCIs and PIOs) as domestic investment, taking such funding out of the FDI (foreign direct investment) cap and fulfilling a long-standing demand of the diaspora.

The decision, taken by the Cabinet's panel on economic affairs, is expected to attract investments across sectors and boost inflow of foreign exchange remittance, an official statement said. During the April-February period of 2014-15, FDI rose by 39% to $28.8 billion against $20.7 billion in the same period in the previous fiscal.

PM Narendra Modi has been reaching out to the Indian diaspora for investing in India. Investments by NRIs under Schedule 4 of FEMA (Foreign Exchange Management Act) regulations would now be deemed to be domestic investment on a par with investments made by residents, the statement said. This will enable investments by NRIs, OCI cardholders and PIO cardholders under Schedule 4 on non-repatriation basis, across sectors without being subjected to any of the conditions associated to foreign investment," it said. TNN

Source: The Economic Times
May 22, 2015

RATE RIGGING : 6 GLOBAL BANKS TO PAY $5.8BN



BLOOMBERG: Six of the world's biggest banks will pay $5.8 billion and five of them agreed to plead guilty to charges tied to a currency-rigging probe as they seek to wind down almost half a decade of enforcement actions.

Citicorp, JPMorgan Chase & Co, Barclays and Royal Bank of Scotland agreed to plead guilty to felony charges of conspiring to manipulate the price of US dollars and euros in settlements with the Justice Department announced in Washington Wednesday. The main banking unit of UBS Group agreed to plead guilty to a wire-fraud charge related to interest-rate manipulation. The Swiss bank, the first to cooperate with antitrust investigators, was granted immunity in the currency probe.

The four banks that agreed to plead guilty to currency charges are among the world's biggest foreign-exchange traders. They were accused of colluding to influence benchmark rates by aligning positions and pushing transactions through at the same time. The accords bring the total fines and penal ties paid by the five banks to resolve the currency investigations to about $9 billion, the Justice Department said.

In the settlement with the Justice Department, Citicorp parent Citigroup will pay $925 million, the highest of the banks penalized. Barclays agreed to a fine of $650 million. JPMorgan will pay $550 million, and Royal Bank of Scotland Group Plc agreed to a $395 million fine. UBS will pay $203 million.

Separately, the Federal Reserve imposed fines of more than $1.6 billion on the five banks for "unsafe and unsound practices." London based Barclays will pay an additional $1.3 billion as part of settlements.

Source: The Economic Times
May 21, 2015

NEW CODE TRIBUNAL TO FUNCTION AS THE MAIN BODY FOR RESOLVING INSOLVENCIES

The Supreme Court has upheld the constitutional validity of the National Company Law Tribunal, clearing the way for a significant reform in the framework for resolving corporate insolvency.

The National Company Law Tribunal (NCLT) will replace the Company Law Board and the Board for Industrial and Financial Reconstruction, and be an overarching body for resolving insolvencies. It will be the main component of the proposed bankruptcy code as well.

The apex court's nod for the proposed quasi-judicial body, which came with certain riders, could help significantly improve India's ranking in the World Bank's ease of doing business as it will speed up rehabilitation and winding up of sick companies, according to the department of industrial policy and promotion (DIPP).

"India's score on strength of insolvency framework index is six out of a maximum score of 16. If necessary amendments are made to include the best practices; India's overall rank is expected to improve by 18 positions," DIPP secretary Amitabh Kant said in a letter written to MCA, requesting necessary changes.

The Supreme Court has asked the government to make certain amendments in the Companies Act 2013 related to selection and eligibility criteria for National Company Law Tribunal (NCLT) members to operationalise it.

As per the judgement, only those officers who have held the post of additional secretary or a higher rank will be eligible for appointment to the NCLT benches. The Companies Act had allowed officers at the level of joint secretary or higher to be appointed to such benches.

"The SC judgement is a big relief

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for us. We'll be acting as per their instructions," said a senior official from corporate affairs ministry.

Currently, for company-related issues, there are four different bodies -Company Law Board (CLB), Official Liquidator (OL), Board for Industrial & Financial Reconstruction (BIFR), and the Appellate Authority for Industrial and Financial Reconstruction (AAIFR). NCLT will subsume all these bodies.

With the Supreme Court's approval for NCLT, the government will also be able to bring in the proposed bankruptcy code which will have NCLT as its main component.

The issue of formation of NCLT was pending in the Supreme Court for a long time. The Madras Bar Council had challenged the provisions relating to the appointment process, eligibility and powers of NCLT members in Companies Act 2013, arguing that the norms violated an apex court ruling of 2010 on formation of body.

In the World Bank's Doing Business Report of 2015, India is ranked 137th out of 189 countries on resolving insolvency parameter, which evaluates the legal framework for rehabilitation and winding up of companies, along with the time taken and percentage of estate recovered during the process.

Source: The Economic Times
May 23, 2015

NITI AAYOG VC PANAGARIYA SAYS - TURNING PROTE CTIONIST WILL NOT HELP GROWTH

Panagariya says average growth of 8% in India between 2003-04 and 2011-12 was due to the increase in rate of exports

NITI Aayog has cautioned against a protectionist approach to trade policy to encourage domestic manufacturing as it could impact economic growth in the country, an advice that comes at a time when the Narendra Modi government is aggressively pushing its `Make In India' campaign.

"Turning protectionist will not help because if trade doesn't grow, the economy would not grow," Arvind Panagariya, vice chairman of the Aayog said on Thursday, citing examples of the co-relation between growth in exports and GDP growth.

NITI Aayog, the think tank set up by the Modi government to replace the erstwhile Planning Commission, is headed by the Prime Minister. Panagariya was speaking at the international conference on India's trade policy, jointly organised by the Jindal Global Law School and the World Trade Institute. According to Panagariya, the average growth of 8% in India between 2003-04 and 2011-12 was because of increase in the rate of exports, as a result of which the share of exports to GDP grew substantially.

India's total merchandise trade as a proportion of GDP increased from 29% in 2004-05 to 41.8% in 2013-14 while its merchandise exports as a proportion of GDP increased from 12.1% to 17% during the same period. Panagariya's comments hit at the heart of the government's prime focus to revive manufacturing in the country. The Modi-led NDA government is under tremendous pressure from several industries to adopt measures that will restrict imports and encourage companies to manufacture in India. The three panelists at the conference were unanimous in their view that India's trade policy is not in sync with its industrial or economic policy and there is not enough focus on agriculture, as a result of which there are limitations to growth in trade. "Without adequate attention to the growth of agriculture, we will not be able to achieve our full economic potential," said Janyant Dasgupta, former permanent representative of India to the WTO.

Manoj Pant of JNU said that a good trade policy is one which is neutral to exports and imports. "The reform measures of the government are restricted to the Centre and not really moving to states that handle t agriculture," said Pant.

Echoing a similar view, Aditya Bhattacharjee of the Delhi School of Economics said that the Centre may be pro-trade but states are not on board and the government needs to ensure that its trade policy is in sync with economic policy, besides addressing the human capital issue that restricts India's potential.

Source: The Economic Times
May 22, 2015

SEBI MOVE MAY SPOIL F&O PARTY FOR RETAIL INVESTORS

MOOTS HIGHER ENTRY BAR; NSE, MCX-SX OPPOSE PROPOSAL

A regulatory proposal to raise the entry bar for trading in equity derivatives could shut retail and even rich investors out of the market. The move is ostensibly aimed at preventing individuals from making themselves vulnerable to high-risk speculation but critics say any such change would make trades expensive, kill off volume and restrict the market to institutions.

The Securities and Exchange Board of India (SEBI) is considering increasing the minimum contract size for stock and index derivatives to either ₹ 5 lakh or ₹ 10 lakh from the existing ₹2 lakh. It recently wrote to stock exchanges seeking their views about the impact it could have on turnover and participation. If implemented, the National Stock Exchange (NSE) will be hit the worst as most retail investors and high net worth individuals (HNIs) trade in its derivatives segment.

Sebi may increase minimum contract size for stock and index derivatives to ₹5 lakh or ₹10 lakh

One of the attractions of derivatives trading, mainly futures, is the ability to bet big on a stock by depositing less than a fifth of the total contract value.

But the flipside in futures is that the trader, in theory, faces unlimited losses if bets go awry. Exchanges are said to have sent their feedback on the proposed move to SEBI. While NSE and MCX-SX are against the proposal, the Bombay Stock Exchange is in favour of it, people aware of the responses said. The exchanges and the regulator

Average Equity Derivatives

	Equity Futures		Equity Options	
Year	Quantity (cr)	Value (in ₹ crore)	Quantity (cr)	Value (in ₹ crore)
2010	93.20	21,919.92	17.50	3,744.47
2011	83.08	16,452.13	16.60	3,557.39
2012	93.80	16,851.44	25.52	6,591.73
2013	91.75	19,056.06	36.97	9,685.72
2014	125.98	30,811.81	47.52	12,718.37
2015	123.79	33,669.99	50.01	13,609.92

Compiled by ETIG Database

couldn't immediately be reached for comment.

MULTIPLE PROBLEMS

An exchange executive opposed to the move said it would create multiple problems.

"The biggest challenge is liquidity, which is critical, will go down and impact institutions' ability to hedge their positions as cost of hedging will go up, which in turn would lead to increase in overall cost of trading and thus affecting the cash market," the person said.

Another official said the move was "anti-competitive" and would drive large volumes to the illegal `dabba' or off-market trade.

Brokers and analysts expect the move to make the equity derivatives market less active.

"It will kill volumes and will become an institutional market," said Vijay Kanchan, a professor of finance and a derivatives specialist." Even the larger HNIs will find it expensive to trade in futures and options in India." More than half the market activity is focused on contracts that are below ₹ 5 lakh in size, according to estimates.

"The current contract size is working fine," said Vikas Khemani, president and co-head, wholesale capital markets, Edelweiss. "By increasing it, you will discourage retail participation. The Idea should not be to make it difficult but create awareness." This is the first time in 15 years that SEBI is proposing a review of the minimum contract size. The value of a contract is calculated by multiplying the futures price with the number of shares that should amount to ₹ 2 lakh. The Nifty futures lot size is normally 25. The margin to buy or sell index futures is usually 10-15%.

SEBI previously discontinued mini futures and options contracts as part of a bid to dissuade small investors from entering the derivatives segment.

Source: The Economic Times
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