9 of top 10 most valued cos lose Rs 1,05,357cr in m-cap

NEW DELHI, AUGUST 13 /--/ The combined market valuation of nine of the top 10 most valued Indian companies plummeted by Rs 1,05,357 crore last week, with RIL and SBI emerging as the worst hit. Last week, the Sensex and Nifty plunged 1,111.82 points, or 3.43 per cent, and 355.60 points, or 3.53 per cent, respectively. Only Infosys saw rise in its market capitalisation (m-cap), rest nine firms, including TCS, HDFC Bank, ITC and HDFC suffered losses for the week ended Friday. The m-cap of Reliance Industries Ltd (RIL) plunged Rs 24,671.41 crore to Rs 5,02,922.78 crore.

SBIs valuation tumbled Rs 21,407.49 crore to Rs 2,42,258.49 crore and that of ITC tanked Rs 10,882.6 crore to Rs 3,30,560.46 crore.

The m-cap of HDFC Bank dived Rs 10,274.83 crore to Rs 4,50,997.65 crore and that of Maruti Suzuki India slumped Rs 9,843.28 crore to Rs 2,25,135.74 crore.

The valuation of Hindustan Unilever Ltd (HUL) dropped by Rs 8,452.24 crore to Rs 2,49,530.29 crore and ONGC lost Rs 8,149.1 crore to Rs 2,05,588.43 crore. The market cap of HDFC slipped Rs 6,172.46 crore to Rs 2,69,860.07 crore and that of Tata Consultancy Services (TCS) declined by Rs 5,503.57 crore to Rs 4,77,423.33 crore. Infosys, however, added Rs 551.27 crore to Rs 2,26,880.71 crore in its m-cap. In the ranking of top-10 firms, RIL stood at number one position followed by TCS, HDFC Bank, ITC, HDFC, HUL, State Bank of India (SBI), Infosys, Maruti and ONGC. (PTI)

Converge all skill devt schemes under one ministry: Report

NEW DELHI, AUGUST 13 /--/ Various skill development schemes under the administrative control of different ministries should be handed over to the Ministry of Skill Development and Entrepreneurship for better outcome, a report has suggested. "The NDA government has established a separate ministry for skill development. It is desirable that this central ministry takes the core elements from various ministries and pools them under one minister and under one budget, which could be around Rs 25,000 crore," a joint study by Assocham and Tata Institute of Social Sciences (TISS) said. Currently, different skill development schemes still remain with various ministries and the Ministry of Skill Development and Entrepreneurship is the coordinator. The report also observed that the present Technical and Vocational Education and Training (TVET) system in India is facing some serious problems that can hamper the progress of Skill India Mission.

Govt to amend cost audit rules under Cos Law

NEW DELHI, AUGUST 13 /--/ The Union government will amend the cost audit rules under the companies law in order to ensure parity between financial and cost records.

The amendments have been mooted pursuant to implementation of the Indian Accounting Standards (Ind AS), which is converged with global accounting norms.

The corporate affairs ministry, which is implementing the Companies Act, has come out with a draft of the proposed amendments to the Cost Records and Audit rules.

Various existing provisions under these rules, including some related to intangible assets, would be done away with while Ind AS compliance would be required for certain other aspects.

"Pursuant to implementation of Ind AS, the Companies (Cost Records and Audit) Rules, 2014 are to be amended to bring parity between financial records and cost records," the ministry said in a communication.

Ind AS is applicable for certain class companies from the current financial year (2017-18).

With respect to employee cost, the ministry has proposed that the same should be ascertained after taking into consideration "the cost of retirement benefits charged in the financial statements in an accounting period".

Under the current rules, employee cost shall be ascertained taking into account the gross pay including all allowances payable along with the cost to the employer of all the benefits.

In case of companies where Ind AS is applicable, any re- measurement of employee costs "recognised in other comprehensive income shall not form part of the employee cost", as per the draft rules.

One of the current requirements that the useful life of an intangible asset, in any situation, "shall not exceed 10 years from the date it is available for use" would be removed.

Among others, the provision that the method used for calculating depreciation should reflect the pattern "in which the asset's future economic benefits are expected to be consumed by the entity" would be done away with.

The ministry has sought comments from stakeholders on the draft amendments till August 26. (PTI)

Mitsubishi CEO, Osamu Masuko (R) and Nissan chairman, Carlos Ghosn, pose for the media in front of the new Xpander car at the new Mitsubishi car factory in Bekasi, West Java province, Indonesia—REUTERS

Saving deposit rate cuts to lead to lower lending rates: Report

MUMBAI, AUGUST 13 /--/ Reduction in saving deposit rates by three large banks over the past fortnight may set the ball rolling for lower lending rates and stoke greater competition among lenders, says a report.

The nation's largest lender, State Bank had on July 31 slashed the pricing for under Rs 1 crore saving deposits by 0.50 per cent to 3.5 per cent.

Bank of Baroda and Axis Bank followed, which last week revised downwards their savings rates by a similar quantum for deposits of up to Rs 50 lakh.

According to India Ratings, since the profitability banks remains weak owing to continued pressure on asset quality and low credit demand, it will be imperative for these cash-rich lenders to start gaining market share over weaker peers that are starved of capital.

"With the interest rate cycle reaching the bottom, downward repricing of existing liabilities can facilitate a further reduction in the rates. A few large banks cutting savings deposit rates over the past few weeks is a move in that direction," the agency said in a report.

The report also said slashing saving deposit rates for an amount below Rs 50 lakh presents large public banks that have stable, large and granular savings deposit base with additional manoeuvrability over private peers to cut marginal cost of lending rate.

Public sector banks have more room than private banks to percolate savings banks rate cut into reduction in MCLR because of a large base and sticky saving accounts.

The maximum cut in MCLR (marginal cost based lending rate) -- which is up for review by the RBI due to poor transmission -- for state-owned banks can be 0.35 per cent, assuming a 0.50 per cent cut in savings deposit rates.

"A cut in the MCLR beyond 0.35 per cent would become a margin dilutive proposition," the report warned. For private lenders, the threshold is 0.25 per cent. According to the report, this could intensify competition between large lenders with strong savings deposit franchise and capitalisation towards gaining credit market share while channelising some volumes in the commercial papers market towards bank credit.

If bank rates were to decline from 2016-17 levels, it could provide some relief to vulnerable corporates to service their debt provided the benefit is transmitted to these borrowers, it said.

Oppn concerned over hike in service tax, lowering interest

NEW DELHI, AUGUST 13 /--/ Opposition on Thursday expressed concern over increase in service charges and reduction of interest rate on savings bank account by the SBI, terming it anti-people and saying it will affect over 34 crore customers. Initiating a debate on the State Banks (Repeal and Amendment) Bill 2017, S P Muddahanumegowda (Cong) said nearly 34 crore people would be affected by the increase in minimum balance.

The Bill seeks to extinguish the existence of five associate banks following their merger with the SBI from April one this year.

Citing an example, he said "the minimum balance has been raised to Rs 1,000 which has affected the poor and the farmers... (banks) have also put charges on cash withdrawal ...all these decisions are anti-poor."

He also raised the issue of farmer suicide and deficient rainfall in the southern states particularly Karnataka.

Saugata Roy (TMC) said the SBI has reduced the interest rate on savings bank account to 3.5 per cent from 4 per cent earlier this month.

At the same time, it has also increased the penalty for not maintaining minimum balance in the savings bank account, he said, adding that this will harm 31 crore people.

Adhir Ranjan Chowdhury (Cong) said the bill was not contradictory to the concept of bank rationalisation, but the way the government is trying to project itself as if the consolidation will be the panacea to all financial evils.

He also said the government has already decided to merge the banks and now bringing the bill. "This severly erodes the parliamentary authority of the country. Government should correct itself in future," he said.

He added that there was first a need to restore the health of banks and then think of consolidation."You do all the work outside parliament...that is why we are opposing," he said and alleged that the corporates were using the SBI as a "milching cow".(PTI)

Unusual deposits of Rs 1.7l-cr during DeMo: RBI paper

MUMBAI, AUGUST 13 /--/ 'Unusual' cash deposits totalling Rs 1.6-1.7 lakh crore were made during the demonetisation period, says a research paper posted on the RBI website.

In nominal terms, it said, the excess deposits accrued to the banking system due to demonetisation are estimated in the range of Rs 2.8-4.3 lakh crore.

"The 'unusual' cash deposit in specific accounts, which are usually less active, is estimated to be in the range of Rs 1.6-1.7 lakh crore," according to the paper, 'Demonetisation and Bank Deposit Growth'.

Prime Minister Narendra Modi on November 8 had announced demonetisation of Rs 1,000 and Rs 500 notes valued at Rs 15.4 lakh crore and constituting 86.9 per cent of the value of total notes in circulation in a major assault on black money, fake currency and corruption.

The paper is authored by Bhupal Singh and Indrajit Roy who are directors in the Monetary Policy Department and Department of Statistics and Information Management, respectively.

It said that excess deposit growth in the banking system during the demonetisation period (November 11, 2016 to December 30, 2016) works out to 4.0-4.7 percentage points.

If the period up to mid-February 2017 is taken into account to allow for some surge to taper-off, excess deposit growth is in the range of 3.3-4.2 percentage points, it said.

"Considering some more temporal tapering of deposits, the exercise taken up to end-March 2017 reveals that excess deposit growth would be in the range of 3.0-3.8 percentage points," the paper said.

According to the paper, aggregate deposits grew by 14.5 per cent (y-o-y) during the period November 11 to December 30, 2016, as against 10.3 per cent during the corresponding period of 2015.

Overall, there appears to have been a significant increase in bank deposits due to demonetisation, the paper said, adding, "which if sustained, could have favourable impact on financial savings and their channelisation to capital markets."

A separate research paper titled 'Financialisation of savings Into non-banking Financial Intermediaries' said that demonetisation appears to have led to an acceleration in the financialisation of savings.

The research paper is authored by Manoranjan Dash, Bhupal Singh, Snehal Herwadkar and Rasmi Ranjan Behera; all work at Reserve Bank of India (RBI).

The paper also pointed out that in parallel, there is a shift towards greater formalisation of the economy in the near term aided by the introduction of Goods and Services Tax (GST) and regulations such as the Real Estate (Regulation and Development) Act, 2016 (RERA) and the Benami Transactions (Prohibition) Amendment Act, 2016. (PTI)

EFM gets Sebi nod to buy shareholding of Peerless MFs

MUMBAI, AUGUST 13 /--/ Private sector financial services company Essel Finance Management Friday said its subsidiary, Essel Finance Wealthzone, has received approval from Sebi to acquire the entire shareholding of the Peerless General Finance and Investment and others, in Peerless Funds Management Co Ltd and Peerless Trust Management Co Ltd.

Essel Finance Management (EFM) is promoted by the Essel Group, the USD 10 billion conglomerate that has emerged as a business house with a strong foothold in entertainment, media, packaging, infrastructure, education, precious metals and technology sectors. Currently, EFM is offering a range of financial services and products such as SME business loans through its non-banking financial company (NBFC), housing finance, forex, private equity, investment banking and distribution.

"This acquisition will strengthen Essel Finance's presence in financial services industry and establish Essel Finance as a large financial services conglomerate," Amitabh Chaturvedi, managing director of Essel Finance said in a statement.

"With fast growing mutual fund industry, we are confident of establishing a USD 10 billion asset under management in 5 to 6 years' time. We will also strengthen our fund management team and distribution network," he added. On the occasion, Bhargab Lahiri, deputy managing director of Peerless General Finance and Investment said, "post Sebi's approval we can now start this new relationship with the highly regarded Essel Group which intends to build on the efforts taken by the Peerless Group over the last few years." (PTI)

Stopped sharing co info with Mallya since Feb: UBL

NEW DELHI, AUGUST 13 /--/ United Breweries Ltd (UBL) had stopped sharing company-related information with erstwhile chairman Vijay Mallya since February after Sebi restrained the fugitive liquor tycoon from holding position as director or key managerial personnel in any listed firm. According to a regulatory filing by UBL, although the cessation of Mallyas directorship was communicated to authorities last week, he was asked to step down from the board much earlier this year.

The independent directors at their meeting on February 6 had decided not to send notices and agenda related to board meetings and other "privileged information" till the time Sebi order remained in force, it said.

Two days later, the companys board of directors met and took on record the minutes of meetings of the independent directors.

"Effectively through these measures, Mallya was restrained from acting as a director in the company, in accordance with Sebi order. Further, by a separate communications, Mallya was requested to step down from the board with immediate effect until the Sebi order is stayed or vacated," UBL said.

As the Sebi order was not vacated, in July, the board had asked Mallya and his associate companies to nominate a director in his place in terms of article of association of the company. On August 4, UBL said Sebi issued another letter observing that Mallya still continued to be disclosed as non- executive director and chairman of UBL on the BSE website. The markets regulator had sought information on what steps were taken regarding the order prohibiting him from holding any position as director in any listed company.

In response to that, UBL said it communicated to Sebi on August 10 steps taken by it, with the board authorising filing of requisite forms and intimations with the Registrar of Companies and other authorities notifying Mallyas cessation from holding position of director in the company. In January, Sebi had also restrained Mallya and six others from the securities market and "buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly" till further directions. The regulators order was issued close on the heels of CBI naming Mallya, Kingfisher Airlines and eight others in a chargesheet related to a loan default case. Mallya, whose now-defunct Kingfisher Airlines owes more than Rs 9,000 crore (including interest) to various banks, had fled India for London on March 2, 2016. The CBI has two cases against him -- one related to the IDBI Bank case and the other related to a loan default of over Rs 6,000 crore filed on the basis of a complaint from a State Bank of India-led consortium. He is facing extradition to India. (PTI)