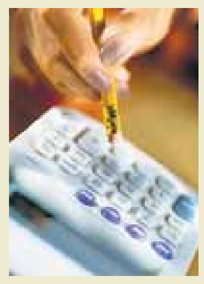
global bay

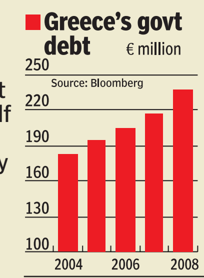
Hedge fund assets to hit $2 trn



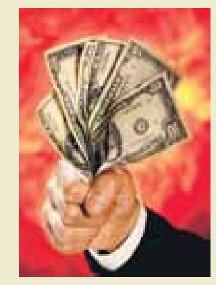
Global hedge fund assets may return to the pre-crisis peak of almost $2 trillion by year-end, boosted by investment profits and capital inflows, as per a Credit Suisse survey. Industry assets may grow 25% from $1.6 trillion last year.

$10 bn Greece bond to hit the US

Greece will this month launch a multibillion-dollar bond in the US in its hunt for investors, selling itself for the first time as an emerging market country as demand for its debt dips in Europe. Morgan Stanley is being considered to handle the deal.



LBO capital raising dives 81%



PE firms saw their quarterly fundraising decline 81% from the peaks seen in 2008, according to research firm Preqin, forcing them to extend deadlines and scale back amounts they seek from investors.

Peabody raises Macarthur offer

Peabody Energy Corp sweetened its offer for Macarthur Coal Ltd by A$1 a share valuing the company at $3.27 billion as it tussles with Noble Group for Australian coal mines to supply China, where imports tripled last year.

CA to cut 7% of workforce

CA Inc, the second-largest maker of software for mainframe computers, will cut about 1,000 jobs, or 6.7% of the workforce. It said full-year profit was at the low end of its forecast. The reductions will most likely be completed by September-end.

'Adani will exit any activity that it can't be a leader in'

q&a

gautam adani

One of the youngest industry houses in the country, the Rs 27,000 crore Ahmedabad-based Adani Group has varied business interests ranging from energy to infrastructure and commodities. The group, chaired by 47-year-old **Gautam Adani***, has three listed companies — Adani Enterprises Ltd, Adani Power Ltd, and Mundra Port & Special Economic Zone Ltd — whose combined market capitalisation places it among the top 10 business houses in India. Adani Enterprises, the flagship, has been rated among 50 top-performing Asian companies by the Forbes magazine. Gautam Adani is also the 10th richest Indian, according to Forbes.* **R N Bhaskar** *met Adani at his office in Ahmedabad. Excerpts from the interview:*

You are setting up 13,200 mw of capacity, among the largest strings of projects any single group is into currently. Execution, therefore, is the key given that you are in uncharted territory too. How has the going been so far?

So far we've managed quite well. Our implementation schedules and finances have both been properly planned.

In fact, our power generation units are being commissioned even ahead of schedule. The first unit of 330 mw at Mundra was commissioned in the third quarter of the last financial year. And the second unit of 330 mw, also at Mundra, got commissioned last month.

Moreover, we hope to generate not just 13,200 mw, but Around 20,000 mw of power. The projects under various stages of implementation as of now are 4,620 mw at Mundra, Gujarat, 2,640 mw at Dahej in Gujarat, 3,300 mw at Tiroda, Maharashtra, 1,320 mw at Chindwara in MP and 1,320 mw at Kawai, Rajasthan.

Out of the total 13,200 mw capacity, 90% is based on environment-friendly super-critical technology. The first two super-critical units of 660 mw each at Mundra, which are expected to be commissioned this year, have even received the distinction of being registered as world's first project based on super-critical technology under Clean Development Mechanism project of UNFCCC.

About 2,000 mw of this capacity will be sold on a merchant basis. That's a lot of gain stored there. Do you see policy risks and corporate rivalry undoing this advantage?

Our economy has been growing at a rate of over 8.5% even in a challenging year like the one just gone by. In the future, too, the growth rate is expected to be higher. To maintain this growth rate of the economy, power supply has to grow at rates that are 2-3% higher than the growth rate of the economy. The power position is deficit as of today and even the new generation capacity being added will prove to be inadequate in the times to come.

In view of this, we see a huge gap between power supply and power demand for the next decade. Thus, there should be no difficulty in selling merchant power. However, we have been prudent to ensure that at least 80-85% of the power we generate is sold through long-term power purchase agreements (PPAs). Thus, hypothetically, even if the residual power does not get sold, we will not be negatively affected.

But as I mentioned, such a scenario is unlikely given the surging need for power in the country. And do bear in mind that you can import coal, fertilisers and even food. But you cannot import power from far away countries. We import power from Bhutan because it is our next door neighbour. But there are not too many power surplus countries in the region. So off-take of merchant power is assured.

You have also entered into unusual PPAs, which allow you to sell power on a merchant basis in projects where the PPAs are yet to become effective. Will such power be sold on a merchant basis, or will the PPA dates be brought forward?

There is no need to renegotiate the PPA. It has been our philosophy to take advantage of the window of opportunity of being able to sell the power generated on a merchant basis if we complete a power project ahead of schedule.

The Lohara coal block allocation for Tirora power plant has been withdrawn due to environmental issues and you have got a new linkage. Can you give us the details on this? Does the new linkage completely offset the setback?

As of today, there is no clear guideline about what is to be done in case coal mining is not possible on account of factors beyond the control of the developer. To mitigate this, the government has decided to provide a tapering linkage from Coal India.

This allows the power plant to get coal from CIL till such time the modalities are worked out and/or the coal can be mined from the mines given to the project.

There is a lack of clarity on the budget proposal where power wheeled out from SEZs to domestic tariff areas will be taxed whereas the SEZ Act itself gives a 10-year holiday. What's the situation on this?

There is some confusion about the tax. The money that we have to pay for sale in the domestic tariff area is not tax but pro-rata customs duty as applicable on the fuel that we import. The income tax is not charged because we enjoy a tax holiday.

Are you looking at coal linkages abroad beyond Indonesia? Do you think Indonesia is stable enough to provide fuel in the next decade to all these Indian private power producers? There is also talk of a change in law there, which will up your costs by 15-17%. What is the risk mitigation strategy here for you?

We are definitely looking at coal assets in Australia and Africa as well. And we face no difficulty in export coal to India from Indonesia, as it is a large surplus coal mining country with resources that are significantly larger than our own requirement. Moreover, it is a major source of revenue for Indonesia. There is no change in laws and I do not think there will be any change in law other than that which is normally enforced by any country to sell coal by miners to overseas suppliers at market-driven prices and not at cost-based prices.

> Logistics is part of our integration with ports... So both inland container depots and container freight stations will help each other's business. Right now we are concentrating on north India — Rajasthan Haryana and Punjab — and look forward to having a pan-India business in 5-7 years.

—Sudhir Shetty

Moreover, as we are looking at coal from other countries as well, we are not exposing ourselves to the risk of being linked to just one country.

There is this continuing controversy over Chinese equipment and workers and visa restrictions. How much of an execution risk is this? Do you think the government is overly worried in slapping the 40 Chinese workers per project norm?

Let us take the first worry — that of the quality of equipment. We do not find any issue with quality. Our plant is working at 100% PLF (plant load factor), and we are happy with the quality of our Chinese suppliers.

As regards government policy on foreign work permit, we are in agreement with the government's views. As far as the Adani group is concerned, for all our ongoing as well as future projects, we have restricted bringing in Chinese labour and only work with Chinese engineers and highly qualified professionals to help us set up the projects. And the rest of the people are sourced locally.

Do you think other Indian players, such as L&T, Areva and ABB, can pitch in to offset the load on Bhel in terms of BTG equipment orders? Or is Chinese equipment critical to private players' execution goals?

We welcome new equipment manufacturers that are to be housed in India. The government's vision to have power for all by the end of the 12th Plan requires a huge capacity for power generation which Indian manufacturers cannot meet.

And it is a welcome step that other manufacturers are putting up major equipment manufacturing facilities which can make India self-reliant for future requirements beyond the 12th Plan. If other plants can meet the time and cost expectations of power developers, there should be no problem.

Your group is already the biggest in packaged edible oil in India through Adani Wilmar. You already have the largest private tank farms in the country managed by IOC, HP and HMEL. You are also the country's largest coal importer. Are there any other sectors where you are the largest, or hope to become the largest in the country?

We aim to become one of the largest coal mine developers in this part of the world. This is in line with our plans to remain one of the largest power producers in India.

> You can import coal, fertilisers and even food. But you cannot import power from far away countries. We import power from Bhutan because it is our neighbour. But there are not too many power surplus countries in the region. So off-take of merchant power is assured.

What are your new plans on the ports front? Are you setting up the Adani Kalinga Port? Will you become active in promoting coastal shipping as well?

We are looking at any port development opportunity that may come up. As for shipping, we are continuously looking for acquisition of ships for our own requirements. In the next 2-3 years, we are targeting a 15-20 strong fleet comprising post-Panamax and cape-sized vessels for our own requirement. We are also looking at both coastal and international businesses for these vessels.

You have big plans for Dahej as well. Could you elaborate?

By June this year, the first phase — or the first berth — of this port will be commissioned and by March 2011, the second phase too will get commissioned. This will allow us to have a total capacity of 25 million tonnes of bulk cargo annually. Moreover, we have a 2,600 mw power project too coming up at Dahej. This port will feed the coal requirements of this power plant. It will also meet the requirements of Central Gujarat and a part of Maharashtra's needs.

What is the reason behind your acquiring the 10 captive berths at Hazira from Shell? How do they integrate with your plan for ports?

We are continually looking for opportunities for expanding port capacity. Each port has its own hinterland. With Hazira in our fold, it will allow us to exploit the potential of meeting the requirements of South Gujarat and Maharashtra for liquid container and bulk cargo. And it is also part of our Vision 2020 to make our total cargo handling of 200 million tones. Please bear in mind that the total port capacity in the group will be much higher than 200 million tonnes.

Further, these jetties can be gainfully used for importing fuel for the power plants in coastal India.

The current facilities in Mumbai are already over-congested, and this jetty will help in meeting the demands caused by the increase in international trade. Moreover, with the DFC coming up, these jetties and Dahej will gain in importance.

All ports on the eastern coast require both road and rail linkages. Will you be working with the Railways to ensure that this is done to your satisfaction the way it has been with Mundra?

We always like to work along with the government — central and state — and other agencies to work out plans which help in the development of port facilities and we are hopeful of doing this along with commissioning of any port we set up.

That is our group's core strength. In Mundra, we built the rail line and had begun operating it even before a formal agreement was signed with Indian Railways. We believe that whatever is good for the country and its economy will always be good for us as well, and that we will be supported by the government in this respect.

You have set up several inland container depots (ICDs) and container freight stations (CFSs) in different parts of the country. Could you tell us more about them?

Logistics is part of our integration with ports. ICDs — dry ports — help in collecting and distributing cargo from the hinterland, and supplying it to our nearest port. So both ICDs and CFSs will help each other's business. Right now we are concentrating on north India — Rajasthan Haryana and Punjab — and look forward to having a pan-India business in next 5-7 years.

In five years' time, which business segment in your group is likely to become the biggest —- power, ports, logistics or something else?

A major part of our revenues as well as profit will come from power, ports and mining, which will constitute 80-85% of group profits.

Is there any business that you see as a non-core activity — like your retail outlets which you sold to Reliance — and which you may choose to hive off at the most appropriate time? Could it be gas distribution?

At the moment we don't think we have any non-core business in our group. But at any given point of time, we plan to take corrective steps, especially when we see an activity in which we cannot become leaders. At that time, we will have to take the decision to hive it off. We cannot afford to squander management time and resources that are always in short supply.

How are you planning to take advantage of the Dedicated Freight Corridor (DFC), which should touch Vadodara in the next seven years? Have plans been drawn up to ensure that Mundra and Dahej benefit from the traffic that rolls on these tracks?

Both Hazira and Dahej fall on the DFC route. Mundra is already connected to the northern hinterland through railway tracks, which are as good as the DFC because they pass through regions where passenger traffic is very limited. From Dahej to Bharuch —- around 40 km —- an existing narrow-gauge corridor is being upgraded to a broad-gauge corridor for movement of goods. Thus, we expect all our ports to benefit from the DFC.

What are the other areas that your group is looking at?

As part of our plans to broad-base our power generation, we are looking at both solar and hydel power generation. Studies are underway, and we should be able to generate 300-500 mw of solar power in Gujarat and Rajasthan in 2-3 years' time. We are also looking at various options for generating hydro-electric power.

Another area that we are looking at is improving and expanding our existing efforts to create a new generation of managers to take care of our business activities.

We have already set up the Adani Infrastructure Management Institute where we take engineers and train them within our own setup. The first batch is out, and we should be expanding and improving both the capacity and quality of training at this institute.

SERVICE TAX PAYMENT BY BIG TAX-PAYERS ENTERS ELECTRONIC ERA

Service tax of Rs10 lakh and above must be paid by e-mode

Monish Bhalla

service tax simplified

In this era of information technology, business is bound to be at the speed of thought and the government does not wish to lag behind. Manual payments through bank challans and other conventional methods have experienced the hurdles of cheque clearances and difficulties faced by the finance department at the time of reconciliation of figures. Information technology, no doubt, has fostered all areas. However, it is a double-edged sword as it makes payment procedures easy to execute but difficult to rectify the mistakes.

Electronic payment, popularly known as e-payment, is an additional mode of paying Service tax to the government, apart from the conventional methods offered by banks to their customers. This scheme facilitates assessees by using the concept of "anytime anywhere". Payment can be made through this facility even after normal banking hours. Such flexibility is not available in the conventional method of tax payment.

Nonetheless, the public at large still has some inhibitions regarding the online method of payment, which still requires to win the trust and reliability of tax-payers. People prefer manual dealings as sometimes servers are down or due to heavy traffic connections are very slow. Insecure payment gateways also cause failure of transactions.

E-tax payment has been made mandatory with effect from October 1, 2006 for the assessee who has "paid" Service tax of Rs50 lakh (old) or more in the current financial year or the previous financial year. Recently, vide notification no. 01/2010-S.T. dated February 19, 2010, this limit has been reduced to Rs10 lakh. Here, for considering the limit of Rs10 lakh, the word "paid" includes payment through cash as well as CENVAT credit. When tax is required to be paid electronically, failure to do so would lead to penalty under Section 77 of the Finance Act, 1994, which may extend to Rs5,000.

There are many advantages of e-payment, including ease of operation and convenience. The facility is available 24x7 and there are no queues and waiting. Minimum fields of the challan need to be filled and an auto fill lends a helping hand. Moreover, you get an Instant Cyber receipt with the bank's transaction number along with the acknowledgement of the challan, which can be retrieved again at any time as per your need.

As this is a 24x7 facility, it is operated through a system known as OLTAS (On-Line Tax Assessment System). All payments effected up to 8 pm will be treated as that day's receipt. Payments effected after 8 pm will be accounted as the next working day's receipt.

Certain doubts have also been raised as regards the interpretation of qualifying amount of Service tax of Rs10 lakh paid by the assessee. For a person providing taxable service from more than one premises, where each such premises is separately registered with the department for payment of Service tax, the criterion of Rs10 lakh would apply to each registered premises individually, as each registered premises is separately an assessee in terms of law.

If a person providing taxable service also receives taxable services on which he is liable to pay Service tax, and has single registered premises, then the Service tax amount of Rs10 lakh would be the total amount of Service tax paid by him, i.e. Service tax paid on taxable service provided from and Service tax paid on taxable service received in such registered premises would be taken into account for the purposes of satisfaction of criterion of payment of Service tax amount of Rs 10 lakh.

For illustration, if a person provides taxable service as well as receives Goods Transport Agency (GTA) service, then for considering the Rs10 lakh criterion total of taxable services provided as well as GTA services received should be considered. For e-payment, assessees should open a net banking account with one of the authorised banks (currently there are 28 banks), list of which is available on the EASIEST (Electronic Accounting System in Excise and Service Tax) website of CBEC, maintained by NSDL (https://cbec.nsdl.com/EST/). Payment through ICICI Bank, HDFC Bank and Axis Bank can be done by assessees for select commissionerates only, list of which is displayed in the aforesaid EASIEST website. Payment through all other authorised banks can be made for all commissionerates.

One has to follow a simple procedure for e-payment: To pay Service tax online, the assessee has to enter the 15-digit PAN-based Assessee Code. Instantly, there will be an online check of the validity of the Assessee Code entered. If the Assessee Code is valid, then corresponding assessee details like name, address, commissionerate code etc as present in the Assessee Code Master will be displayed, and based on the Assessee Code, Service tax to be paid will be automatically selected.

The assessee is required to select the type of tax to be paid by clicking on Select Accounting Codes for Service tax. The best part is that at a time the assessee can select up to six Accounting Codes. The assessee should also select the bank through which payment is to be made. On submission of data entered, a confirmation screen will be displayed. If the taxpayer confirms the data entered in the screen, it will be directed to the net-banking site of the bank selected. The taxpayer has to login to the net banking site with the user id/password, provided by the bank for net-banking purpose, and enter payment details at the bank site.

On successful payment, a challan counterfoil will be displayed containing CIN, payment details and bank name through which e-payment has been made. This counterfoil is proof of payment made. The procedure is much simpler and easier than waiting for the bank clerk for long hours and at the end not getting a proper receipt. The Service tax department has already entered the e-era; now it's time that the service providers do not lag behind.

The writer is founder of www.servicetaxonline.com and can be contacted at contact@servicetaxonline.com