

NEWS ALERT

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ICICI Suffers Capital Loss on New A/c Rules

New accounting rules have brought down the capital of the country's second-largest lender, ICICI Bank. The bank's tier-I capital, which comprises equity and free reserves, is down by Rs 1,130 crore for the year ended March 30, 2010, due to changes announced by the Reserve Bank of India (RBI) on treatment of securitisation exposures and special reserves. Banks securitise loans by transferring assets from their books to special purpose vehicles and slicing them into bond-like papers, called pass through certificates (PTCs), that are sold to other institutions. This gives banks the headroom for more lending. ICICI has been the most aggressive bank in the securitisation market.

SC Clears Way for Tribunal to Speed Up Corporate Cases

In a landmark judgment, a five-judge constitution bench of the Supreme Court on Tuesday upheld the legality of the Companies (Second Amendment) Act, 2002, providing for the establishment of the National Company Law Tribunal and National Company Law Appellate Tribunal to deal exclusively with the company cases for their speedy disposal.

Barring the judicial review power under Articles 226 and 227 of the constitution, almost all jurisdictions exercised by the High Courts in regard to the company matters would now be transferred to and exercised by the proposed Tribunal and the Appellate Tribunal.

All company-related matters pending with the Company Law Board, and the Board for Industrial and Financial Reconstruction (BIFR) will also be transferred to the NCLT and the NCLAT.



What is the concept of anchor investor? When was it introduced?

An anchor investor in a public issue refers to a qualified institutional buyer making an application for a value of Rs 10 crore or more through the book-building process. Securities and Exchange Board of India (Sebi) introduced the concept of "anchor investor" in public issues in July 2009 with a view to create a significant impact on pricing of initial public offers. Since equity markets are volatile, it is believed that companies going for initial public offering (IPO) would benefit from anchor investors.

What is the significance of an anchor investor?

An anchor investor can attract investors to public offers before they hit the market to infuse confidence. The volume and value of anchor subscriptions will serve as an indicator of the company's reputation and soundness of the offer. Finally, the anchor investor sets a benchmark and gives a guideline for issue pricing and interest among Qualified Institutional Buyers (QIBs).