

Finmin scanner on Future life insurance stake sale to IITL

The Future Group's sale of a part of its stake in its life insurance venture to IITL is under a cloud, reports Vishwanath Nair in Mumbai. The ministry of finance has written to the insurance regulator expressing doubts over some aspects of the deal.

Last December, the Kishore Biyani-led group had announced the sale of a 22.5% stake in Future Generali India Life Insurance for an undisclosed amount to IITL; it now holds 54.5% in the venture.

IITL, headed by B Samal, is a Mumbai-based non-deposit taking non-banking financial company (NBFC); it invests in shares, debentures and bonds. The company also does private equity and margin funding businesses. Income from operations for the nine months to December 2013 was R16 crore versus R8.65 crore in the corresponding period of the previous year. Profit after tax was R12 crore against R4.63 crore.

Market sources estimate the deal at around R360 crore, which values the insurance company at R1,500 crore.

In its letter to the Insurance Regulatory and Development Authority (IRDA), the ministry is understood to have questioned the

transaction of shares at "disproportionately high prices by some investors and at face value by the promoters".

The insurance regulator responded saying that on the basis of the material available on record with IRDA, there had been no instances of violations of foreign direct investment norms. IRDA also pointed out that the matter has been directed to the Economic Offences Wing of the Mumbai Police and a matter was filed in the Bombay High Court by a third party.

"The matter is sub-judice in court," the regulator stated in its responses.

FE has reviewed a copy of the responses listed by IRDA to the finance ministry. "We have not received any query from the Ministry of Finance on the same. There was a query from IRDA on this front, which was appropriately replied to, confirming compliance with the regulatory provisions," a Future Group spokesperson told FE in an emailed response, when asked whether the ministry had asked for any clarifications.

The ministry has further raised issues of not adhering to Securities Exchange Board of India (Sebi) and Central Board of Direct Taxes (CBDT) norms on the valuation of unquoted investments. The issue was brought to the ministry's notice after a representation by Rajya Sabha member Tapan Sen, earlier this year.

The finance ministry is also known to be uncomfortable with the way in which IITL had raised funds through global depository receipts (GDRs) to pay for the deal. Reports say that the NBFC managed to raise R315 crore through the

GDR route.

“Since IITL is a listed and publicly traded company, the matter was referred to Sebi for examination and appropriate action at their end,” IRDA said.

In a bid to pare its debt, Future Group has been restructuring its businesses for nearly two years while also selling stakes in its retail, financial services, life insurance and general insurance businesses. Future Retail's debt as December 31 exceeded R5,000 crore.

(Financial Express)