GDP growth hits 9-yr low of 5.3%  

The economy grew by 5.3 per cent during the quarter ended March 31, 2012 (Q4), the eighth successive quarterly decline, and the slowest pace in nine years. For the full year, the economy grew by 6.5 per cent. Inflation is expected to remain capped around current levels with growth having fallen so sharply. All eyes are now on the Reserve Bank of India; expectations of the central bank cutting interest rates at its June 17 meeting have gone up with the latest dismal GDP numbers. For the fourth quarter, services grew 7.9 per cent compared to 10.6 per cent last year, farm sector growth fell to 1.7 per cent from 7.5 per cent, manufacturing sector logged negative growth of 0.3 per cent against 7.6 per cent, and construction sector growth fell to 4.8 per cent from 8 per cent. What is worrying economists is the slowdown in the services segment, which had been cushioning the decline in GDP growth.

C Rangarajan said that RBI would find it difficult to reduce interest rates if inflation continued to remain high. Moody's Investors Service says the depreciating rupee will only have a "limited" impact on India's sovereign ratings as only 7 per cent of total government debt is placed overseas, comprising 5 per cent of gross domestic product. Moody's said in a weekly credit report out on Monday, given that a falling rupee will raise the cost of paying back foreign currency borrowings. Still, the agency said total private sector external debt is at a "relatively low" 16 per cent of GDP, meaning the impact on the sovereign ratings from this private sector exposure would also be limited.

THE bigger pain would come in the private sector given that a falling rupee will raise the cost of paying back foreign currency borrowings, Moody's said in a weekly credit report.

"Individual firms' foreign debt repayment troubles are unlikely to lead to the sort of domestic demand collapse or deleveraging seen in countries with more significant private-sector external leverage," it said. The rupee has been hitting record lows against the dollar because of concerns about the country's widening current account gap as well as the fiscal deficit. It has recovered somewhat since its latest record low.

FIs can now invest up to $1bn in corporate bonds  

The government on Tuesday allowed individual overseas investors also called Qualified Foreign Investors (QFIs) to invest up to USD 1 billion in corporate bond market.

Foreign investors were earlier allowed to invest USD 20 billion in the country's corporate bond market. With this development, the ceiling will increase to USD 21 billion. The government also expanded the ambit of QFIs to include residents of Financial Action Task Force member countries and those from Gulf Cooperation Council (GCC) and European Commission (EC).

"A separate sub-limit of USD 1 billion has been created for QFI investment in corporate bonds and mutual fund debt schemes," a finance ministry official said.

More:  
RBI proposes tweaks for FII debt limits to boost inflows

Says reducing minimum lock-in debt investment period will help protect Re

T he RBI has proposed to the finance ministry reducing the minimum lock-in debt investment periods for foreign institutional investors as a way to boost inflows and help protect a weakening rupee, a senior official said on Tuesday.

The Reserve Bank of India has also proposed recasting the investment limits within the country's existing debt categories, an official with direct knowledge of the proposals said, given more than a third of foreign investment limits across all Indian debt categories are unutilised.

He declined to be identified because the proposals have not been publicly cised. The finance ministry would make the final decision on these suggestions.

The two proposals are intended to boost foreign inflows into debt markets, without raising the overall debt amounts held by foreign investors. They are part of the RBI's suggestions to increase foreign inflows into the country and help support a rupee that has recently dropped to record lows against the dollar.

Shortening the lock-in periods could make Indian debt holdings more attractive for foreign investors, especially at a time when global risk aversion is making some wary of long-term bets. For example, some types of infrastructure bonds currently have a 3-year lock in period, which analysts had said reduces the appeal of these investments.

Furthermore, by recasting the debt limits within categories, the RBI could increase limits for bonds that are attracting more demand from foreign investors, such as government debt or corporate debt with no lock-ins.

The RBI could then reduce limits that are proving less popular. At the moment, despite a $17 billion cap for corporate infrastructure bonds with three year lock-in periods, this category has seen virtually no demand from foreign investors. India allows foreign investors to buy up to $20 billion in general corporate debt, $25 billion in infrastructure debt, and $15 billion in broader government debt.

(Source: Business Standard)


Sebi issues norms for consent order process

N ew norms issued by the Securities and Exchange Board of India (Sebi) on Friday to streamline the consent order process will give the regulator a window of discretion to deal with various offences.

The Sebi circular prohibits use of monetary settlement for dealing with a list of serious offences, including various fraudulent trade practices, as also insider trading and front running, other serious ofences which cause substantial losses to investors or affect their rights, failing to make an open offer and manipulation of net asset values of mutual funds.

THE circular also gives Sebi’s high-powered advisory committee and the panel of whole-time members the power to pass a consent order on these very same offences.

The circular also gives Sebi's high-powered advisory committee (HPAC), which recommends the cases to be settled through consent, and the panel of whole-time members (WTMs), which takes the final decision on the consent order to settle any matter through consent, the power to pass a consent order on these very same offences.

(Source: Sebi)


Guarantors liable to pay if debtors default: SC

T he guarantor of a loan is liable to pay it if the debtor fails to clear it, the Supreme Court has ruled, while maintaining that financial institutions too cannot act like property dealers in recovering the debts.

A bench of justices BS Chauhan and Dipak Misra also said the guarantor cannot insist that the creditor must first exhaust all remedies against the principal debtor before recovering the debts from the surety holders.

"There can be no dispute to the settled legal proposition that in view of the provisions of Section 128 of the Indian Contract Act, 1872, the liability of the guarantor / surety is co-extensive with that of the debtor. Therefore, the creditor has a right to obtain a decree against the surety and the principal debtor," the bench said.

(Source: Times of India)


"The creditor has a right to obtain a decree against the surety and the principal debtor," a bench, which included Justice Dipak Misra (pictured), said.

MCA makes norms for public FIs stringent

T he Ministry of Corporate Affairs has tightened the norms for industrial finance corporations and housing finance companies that can be declared as public financial institutions (PFI) under the Companies Act, 1956.

In addition to all the previously defined criteria, industrial finance corporations and housing finance corporations will need to get a no- objection certificate from Reserve Bank of India (RBI) and National Housing Bank, respectively, regarding supervisory concerns to get the tag.

INDUSTRIAL finance corporations and housing finance corporations will need to get an NOC from RBI and NHB, respectively, regarding supervisory concerns to get the public FI tag.

They will also have to declare in their financial statements that they are complying with the directions and conditions of the corporate affairs ministry.

A PFI tag makes it easier for companies to raise funds by issuing bonds that can be sold to insurance companies, provident funds, mutual funds, and residuary non-banking companies.

(Source: Ministry of Corporate Affairs)


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(Source: Times of India)


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RBI grants banking licence to Morgan Stanley

U.S.-based Morgan Stanley has received the go-ahead from the Reserve Bank of India (RBI) to open a branch in India, which will allow it to accept deposits from the public and compete with larger regional rivals Citibank N.A. and JP Morgan Chase and Co.

"Morgan Stanley’s spokesman confirmed that the firm has received in-principle approval for a banking licence from RBI," the bank’s public relations agency said in an email.

There was no official statement from Morgan Stanley. A senior official from the bank independently confirmed that it had received a licence from RBI on Tuesday.

"We have got it, but under what form and conditions, is yet to be known. There has been no internal announcement regarding this and hence we are a bit reluctant to share information. But it’s a big positive for us and gives us an opportunity to add new products such as lending, line of credit, besides the ones we already have such as wealth management," added this person, who spoke on condition of anonymity.

Keshub Mahindra, who joined the company in 1947 and took charge as chairman after the death of his father and co-founder Kailash Chandra Mahindra in 1963, had courted controversy in 2010 when he was convicted along with six others in the Bhopal gas tragedy case. The elder Mahindra was chairman of Union Carbide in 1984, when the tragedy occurred.

Anand Mahindra, vice-chairman and MD, Mahindra & Mahindra

A
nand G Mahindra, 57, vice-chairman and managing di-rector, Mahindra & Mahindra was named chairman of the $15.4 billion group on Wednesday. He will take over from his uncle Keshub Mahindra, 88, who was named chairman emeritus, after the annual general meeting of the auto maker on August 8.

The transition from uncle to nephew may also perhaps mark the last of the Mahindra surnames to head the group as Anand himself indicated earlier that his successor need not necessarily share the surname. Anand has two siblings, both sisters, while Keshub Mahindra has three daughters and seven grandchildren.

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Jain will inherit subprime claims on Deutsche Bank

When he takes over as Deutsche Bank’s co-CEO on Thursday, Anshu Jain will inherit a myriad of court cases involving compensation claims running into millions of dollars and fraud charges against the lender for its role in the US sub-prime mortgage crisis, says a report.

The largest German bank is facing numerous charges of defrauding its customers and contributing to the US housing market bubble by marketing complex mortgage and financial products that concealed the risks involved.

Deutsche Bank under the leadership of its out-going Chairman Josef Ackermann was one of the driving forces behind the sub-prime mortgage lending, which led to a sharp growth in US home ownership between 2004 and 2006.

Several global financial institutions, including Deutsche Bank, lowered the lending standards and promoted the marketing of high-risk products well aware that their borrowers could not afford them and they could cause huge losses for investors in mortgage securities, according to a report.

Crisil acquires UK’s Coalition Development for Rs.250 cr

Ratings agency Crisil has agreed to acquire Britain-based analytics firm Coalition Development and its subsidiaries for around Rs.250 crore (29 million pounds), which will help it expand the service offerings and customer base.

“We have entered into an agreement to buy 100 per cent of the equity shares of England-headquartered Coalition Development along with its subsidiaries in an all-cash deal for Rs 250 crore," Crisil said in a statement.

(Source: Livemint)

More:

Anand Mahindra, vice-chairman and MD, Mahindra & Mahindra

(Source: Financial Express)

More:

More:
Cabinet okays telecom policy

The Cabinet on Thursday approved a new telecom policy that proposes to abolish roaming charges on mobile phones and allow telecom users and allow senior minister told reporters after the meeting of the Cabinet. NTP 2012 aims to provide free roaming to telecom users and allow small-level distributors, cash flow for whom are choked by TDS at each stage of distributorship.

S R Rao is new commerce secy, Bahuguna agri secy

The government on Monday appointed S R Rao as commerce secretary, in place of Rahul Khullar, who was made chairman of the Telecom Regulatory Authority of India after he retired earlier this month. Prior to this, Rao, an IAS officer of the 1978 batch belonging to the Gujarat cadre, was special secretary, telecom.

Rao is a Padma Shri awardee for the work he did in 1994 for cleaning plague-ridden Surat, for which he got national praise. As the new commerce secretary, Rao faces a tough challenge ahead in propelling India's merchandise exports, which is currently facing adverse conditions due to a slowdown in demand from European countries and the US. Meanwhile, Ashis Bahuguna has been appointed agriculture secretary.

Offline bit in online I-T filing to end

The Institute of Company Secretaries of India (ICSI) is constituted under an Act of Parliament i.e. the Company Secretaries Act, 1980 (Act No. 56 of 1980) and is the only recognised professional body in India to develop and regulate the CS profession in India.

The Free Press Journal is an 84-year-old newspaper based in Mumbai that has often been described as the best friend of Company Secretaries and those studying to enter the profession.