India faces downgrade on sovereign rating: S&P

May be 'first BRIC fallen angel' due to reform hurdle, warns global credit rating agency

Inflation picks up ahead of likely rate cut

India's wholesale price index (WPI) rose in May to 7.35 per cent, keeping price pressures elevated and making it harder for the RBI to revive economic growth with a widely expected interest rate cut next week.

The rise in the WPI from 7.23 percent in April came as both food and fuel prices picked up. It matched expectations in a Reuters poll.

The increase keeps inflation near its highest level this year - March data was revised up to a 2012 high of 7.69 percent - as policymakers come under pressure to revive an economy running at its lowest ebb in nine years and to steer the country away from a damaging ratings downgrade to junk status.

Still, traders said core inflation, which excludes volatile food and fuel prices, was around 5 percent, giving the Reserve Bank of India (RBI) room to cut its policy rate at a meeting on Monday.

"Since core inflation is still below 5 percent, I would expect RBI to cut rates by 25 basis points as that is the key number," said A. Prasanna, an economist at ICICI Securities Primary Dealership in Mumbai.

The repo rate of 8.00 percent is the highest RBI policy rate among major economies in Asia. It cut the rate by 50 basis points in April as the growth outlook became more of a concern.

(Source: Reuters)
Loan collateral directive to hit companies hard

May worsen credit flow to cos that are lagging in payment of salaries

Reserve Bank of India directive that seeks to protect banks from erosion of loan collaterals is threatening to worsen credit flow to slowdown-hit companies that are lagging in payment of salaries and statutory dues. The RBI recently instructed banks to ensure that borrowers have no outstanding statutory dues, such as Employees’ Provident Fund (EPF) contributions, by seeking an auditor’s certificate for such compliance in their credit appraisal process.

“To safeguard the interests of lending banks, they are advised to obtain a certificate from the borrower’s auditors on an annual basis that all statutory dues, including EPF dues, have been paid by the borrower,” the RBI said in a recent letter to bank chiefs.

The central bank warned that recovery of such dues could affect the financial position of a borrower or result in reduction or loss of collateral given to the bank. “The realisation of such dues by authorities by proceeding against the assets of the borrowing company cannot be ruled out.”

Legislations like the Employees’ Provident Funds Act of 1952, give priority treatment to dues under those laws over others, sometimes including those of secured creditors.

As per the latest data, there are some 291 establishments that have not paid provident fund contributions aggregating roughly Rs.1,838 crore to the Employees’ Provident Fund Organisation, the retirement fund manager under the EPF Act.

(Source: The Economic Times)

Sebi slow to complete probes it takes up

Market watchdog Sebi seems to be moving at the fastest pace in at least five years while taking up cases for investigations, but the same speed seems to be lacking in completing them.

As per the latest data disclosed by Sebi, it took up 107 cases for investigations in the last fiscal till December 2011 higher than the full-year figures since 2006-07. On the other hand, it could complete only 14 cases in the first nine months of 2011-12 representing a sharp decline from the full-year figures in the past 10 years. Although the numbers are not exactly comparable because of data being available for only nine months for the fiscal 2011-12, Sebi has already exceeded the full-year numbers in five years in terms of number of completed cases taken up for probe.

In terms of completed cases also, the number for nine months appears too small to catch up with the previous full-year numbers 82 in 2010-11, 74 in 2009-10, 83 in 2008-09 and more than 100 during six financial years between 2002-03 and 2007-08, barring 81 in 2005-06.

The number of completed cases has been higher than 14 every year since 1995-96. The biggest decline in the number of completed cases seems to have come in the areas of market manipulation, price rigging and insider trading, while some downtrend has also been seen in takeovers and public issue related cases also.

On the other hand, Sebi is taking up larger number of cases related to public issues, while not much changes have taken place in cases of market manipulation and price rigging.

(Source: Moneycontrol)

Factory output is flat as a pancake at 0.1%

Reflecting the deceleration in economic activity, factory output, measured in terms of the index of Industrial Production (IIP), was flat as a pancake, growing just 0.1 percent in April from 5.3 percent a year earlier, as the slump in manufacturing and mining sectors continued.

After contracting 3.2 per cent in March this year, a sharp bounce back was expected and the flat growth has dampened hopes of an early revival in economic growth.

Investment activity continues to falter with the capital goods output declining by a whopping 16.3 per cent in April, as against a growth of 6.6 per cent in the same month last year, clearly showing that entrepreneurs are losing appetite for new investments.

The manufacturing sector, which constitutes over 75 per cent of the index, fell by 9.8 per cent, as against 5.7 per cent in April 2011, the data said. As many as 10 of the 22 segments, including capital goods and mining, posted negative growth as the country grapples with global slowdown and subdued domestic demand.

The weak IIP data along with the disappointing 5.3 per cent GDP growth registered in January-March quarter has increased pressure on RBI to cut rates. While the street has factored in a 25bps cut in policy rates, the room for easing rates is limited because of lingering inflation pressures. The RBI will unveil its mid-quarterly review on June 18.

The average industrial output growth for 2011-12 fell to 2.8 percent, as compared to 8.2 percent in the previous year, according to data released by the Central Statistics Office.

(Source: FPJ)
Sony Pictures Television (SPT), a wholly-owned subsidiary of Sony Pictures Entertainment Inc has said it will acquire an additional 32 per cent stake in Multi Screen Media Private Ltd (MSM) for USD 271 million (about Rs 1,510 crore).

Post the acquisition, which is subject to government approval, SPT’s stake in MSM that owns channels like SET and MAX in India, will go over 94 per cent.

“SPT has signed an agreement to acquire approximately 32 per cent of the shares of MSM, which are owned by Grandway Global Holdings Ltd and Atlas Equifin Pvt Ltd,” the company said in a statement.

The closing for this transaction is expected to take place by the end of December 2012, it said.

“Under the terms of the agreement for this acquisition, aggregate cash consideration of USD 271 million will be paid by SPT to Grandway and Atlas, subject to receipt of any necessary government approval,” the statement said.

(Source: Financial Express)

Kroll Advisory says strategic investors focused on long-term growth story

India sees renewed uptick in M&As, seals $16bn deals

Merger and acquisition activities in India totalled $16 billion involving 154 transactions for the year to April 30, 2012, said global financial consultancy Kroll Advisory Solutions.

"After a dip in deal volume in late 2011, early 2012 has seen an uptick in deal activity as foreign investors continue to seek out buys in the country," Kroll said. It said strategic international investors remain focused on the long-term growth story of India, which recently was battling a slowing global economy and harnessing inflation, it said. Interestingly, bidders had scaled back deal values resulting in an average deal size of $128 million from January through April 2012, perhaps a way to gain a strategic foothold in the region during times of uncertainty, said Kroll in Spotlight India, quarterly newsletter for M&A practitioners. In terms of bidder geography, inbound deal flow was dominated by the US acquirers who transacted 56 times over the 12 month period, accounting for 36 per cent of total activity by deal volume and spending $2.9 billion.

Bidders from the UK were the top geography as measured by deal value with $6.5 billion in acquisitions. The largest deal for the period was a $5.5 billion stake acquisition of Vodafone Essar, as UK-based Vodafone increased its stake in the company, despite a tax battle with the Indian government over the stake acquired in 2007.

(Source: Hindu Business Line)

PE investors bet big on Indian FMCG companies

The consumer story in India makes fast moving consumer goods (FMCG) space an attractive destination for private equity and venture capital investors. Compared to the typical $20-50 million deals that took place in the past few years, 2012 witnessed one of the largest PE deals in FMCG space with the Singapore Government owned Temasek Holdings buying a five per cent stake in Godrej Consumer Products Ltd (GCPL) for Rs 685 crore ($135 million).

Following Temasek’s investment, the FMCG sector witnessed another large deal, where Singapore Government owned GIC Special Investments and Baring India PE jointly invested Rs 500 crore for a minority stake in Marico Ltd, through a preferential issue.

Explaining the trend, Abhay Pandey, managing director, Sequoia Capital, said, "The Indian consumer story is a secular, long-term growth trend playing out and investors are backing high quality companies that can take advantage of this trend."

Three deals worth Rs 1,287 crore ($234 million) took place in 2012 against 13 deals worth Rs 1,160 crore ($211 million) in 2011, according to data by VCCEdge. The deal size went up to Rs 1,061 crore ($194 million) in 2010 from mere Rs 60 crore ($11 million) in 2009.

Arvind Singhal, chairman, Technotap Advisors said, "Typically, PE investments happen when the company is in growth mode. Investments in large companies are mostly for a specific requirement."

(Source: Business Standard)

RCap gets Sebi, MAS nod for AMC stake sale

Reliance Capital on Wednesday said that it has an approval from Sebi and the Monetary Authority of Singapore (MAS) for a Rs 1,450 crore stake sale in its mutual fund business unit to Japan’s Nippon Life.

Anil Ambani-led Reliance Group’s financial services arm Reliance Capital (RCAP) is selling 26 per cent stake in Reliance Capital Asset Management Co (RCAM) to the Japanese firm. In a statement, Reliance Cap said that it has received approval from Sebi, as also MAS, for the deal. RCAP has operations in Singapore as well, because of which the transaction required MAS approval.

Reliance Capital CEO Sam Ghosh said: "We are delighted to get these approvals and thankful to the regulators for their support."

(Source: Moneycontrol)

‘Indian stocks unattractive for investors’

The Indian stock market does not present attractive prospects for investors in the near term amid sluggish domestic and global economic growth outlook, according to Goldman Sachs.

The global investment banking major Goldman Sachs in its report said that a sluggish domestic and global growth outlook would have a bearing on the Indian equities in the coming months.

"We find that the Indian stock market does not present an attractive risk/reward entry point currently as macro headwinds are likely to persist in the near term," it said.

Goldman Sachs said that continued weak domestic growth in the next 3-6 months as well as a poor global growth environment would weigh on Nifty, which has been seeing bearish trends in recent months.

Credit Suisse buys shares worth Rs 6.62 crore in United Spirits

Foreign fund house Credit Suisse (Singapore) Ltd has acquired 9.21 lakh shares of United Spirits for Rs 62 crore. According to bulk data available on the stock exchanges, Credit Suisse (Singapore) Ltd purchased 9,21,241 shares of United Spirits for Rs 673.29 apiece, valuing the deal at Rs 62 crore. However, identity of the seller (s) could not be ascertained.

(Source: FPJ)
Exports fall by 4% to $25.68 billion

The country's exports declined by 4.16% to $25.68 bn in May due to unabated slump in global demand and slowdown in domestic industrial growth. On the other hand, imports fell sharply by 7.36% to $41.9 bn in May.

However, net direct tax collection was significantly higher at Rs.35,323 crore, almost triple of the Rs.12,956 crore collected in the corresponding period of the previous fiscal.

The growth in net tax collection was largely on the back of low refunds. "This surge in net collections was due to a decline in refunds by (-) 54.85 per cent as compared to the year-ago period," the statement said.

The refunds over the two months aggregated to about Rs.16,900 crore, which was significantly lower than that in the corresponding period of the previous fiscal. Refunds in 2011-12 had amounted to about Rs.95,000 crore.

(Source: The Economic Times)

Corporation tax collection drops by 2.82%

Corporate tax collection declined by 2.82 per cent in the first two months of the current fiscal, reflecting the country's dismal growth scenario, but the personal tax segment bucked the trend by rising 10.02 per cent.

A finance ministry statement on Wednesday said Corporation tax collection for the April-May period stood at Rs.24,329 crore, against Rs.25,035 crore in the year-ago period. Gross direct tax collection during the period grew only 3.62 per cent to Rs.52,232 crore.

However, net direct tax collection was significantly higher at Rs.35,323 crore, almost triple of the Rs.12,956 crore collected in the corresponding period of the previous fiscal.

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The refunds over the two months aggregated to about Rs.16,900 crore, which was significantly lower than that in the corresponding period of the previous fiscal. Refunds in 2011-12 had amounted to about Rs.95,000 crore.

Official data released on Tuesday showed that industrial production grew by 0.1 per cent in April, reinforcing the gloomy prognosis of experts. The country's GDP growth had slowed to a nine-year low of 5.3 per cent in the last quarter of 2011-12, indicating an overall weakness in the economy.

For the current fiscal, the government has set a direct tax collection target of Rs.5.7 lakh crore, which is 15.2 per cent more than the Rs.4.95 lakh crore collected last year.

(Source: FPJ)

Companies should be under CSR guidelines

Regulators, govt working on plan for Eurozone crisis

Hyderabad A sub-committee of the Indian government's Financial Stability Development Council (FSDC) discussed recent developments in the global economy, specifically in the Eurozone, the US and the consequences for India, the country's central bank said.

The sub-committee meeting, chaired by RBI governor D. Subbarao, also discussed concerns on slowing growth, persistent inflationary pressures, growing twin deficits and negative market perceptions, said a statement issued by the RBI. RBI deputy governor K.C. Chakrabarty said that a contingency plan on Eurozone was being worked. "A separate committee is working on that," he said. He indicated that Greece and Eurozone could find a mention in RBI's statement on Monday.

The meeting was attended by all four deputy governors of RBI, Sebi chairman U. K. Sinha, IRDA chairman J. Hari Narayana, Pension Fund Regulatory and Development Authority (PFRDA) chairman ogesh Agarwal and other officials.

(Source: FPJ)

CSR may become mandatory if Cos Bill is passed with panel suggestions

Draft Companies Bill 2009, the CSR clause was voluntary though it was mandatory for companies to disclose their CSR spends to shareholders.

The panel, headed by Yashwant Sinha, finalised and adopted the report last Thursday. It has proposed that company boards should have at least one woman member. If the report is passed, it would be the first time in the world that CSR would not be a voluntary issue, but incorporated in law making it mandatory.

The committee has recommended that a central fund be created for companies which are unable to spend the allocated funds for CSR. The unspent funds would be parked in this central fund for future schemes.

The Left has submitted a dissent note to the report, saying the bill has loopholes, as it overlooks the basic question of stopping corporate delinquency. CPI MP Gurudas Dasgupta has raised specific issues pertaining to CSR, corporate delinquency and accountability and independence of auditors.

(Source: The Economic Times)