

# Weekly Update

Week ended 29<sup>th</sup> June 2012



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India Prepares To Counter Rupee's Slide

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India showing lagged effects of anti-inflation policies: Fitch

Sovereign rating downgrade to hurt India Inc and Banks: RBI

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Union Bank's London arm to start operations by March

Bhushan Steel, Monnet Spat revive takeover bids to acquire Orissa Sponge

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SBI eyes 20% growth in loans to mid-corporate segment

Hindalco Industries planning to raise Rs 9,000 crore for Odisha greenfield project

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## INTERNATIONAL

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Australia manufacturing PMI rises to 47.2 in June: AIG

## ECONOMIC UPDATE

India's rating outlook stable despite GDP slowdown: Moody's

Moody's said it was maintaining a stable outlook on India's Baa3 rating as problems such as slower growth and higher inflation were long-standing and already factored into the outlook. The agency said that global and domestic factors, including potential shocks in agriculture, could keep India's growth below trend for the next few quarters. (ET)

India Prepares To Counter Rupee's Slide

India boosted the amount of government bonds FII can purchase by \$5 bn, seeking to bolster demand for the rupee after it tumbled to a record low against the dollar. FII can now purchase \$20 bn worth of G-Sec, up from \$15 bn, the RBI said. Long-term overseas buyers such as sovereign wealth funds, central banks and pension funds will be allowed to invest in the debt directly to broaden the base of investors. (BBG)

### **Government's export growth target: 20% in 120 days**

Moving from zero growth to 20% is not easy. But that's what the commerce department is trying to do - and within a span of 120 days. Ministry officials have spent the last few days brainstorming a strategy although they are yet to finalize a concrete set of measures, sources privy to the discussions told TOI. (ET)



### **India spent \$160 billion for crude import in FY12: Report**

India spent a staggering \$ 160 billion to import crude oil in 2011-12, an amount equivalent to more than half of the country's total earnings from exports during the same period, a study has said. "For the past five years, crude oil imports have been equivalent to about 40% of the country's total exports. In 2011-12, the figure was at an astonishing high of over 53%," Assocham President Rajkumar Dhoot said. (ET)

### **Companies may find it easier to raise overseas loans for their infrastructure arms**

Companies may be allowed to raise overseas loans for use by their infrastructure arms more easily under plans being considered by the government, as it presses ahead with its drive to boost capital flows into the country and shore up the rupee. The finance ministry is considering relaxing some of the end-use restrictions that govern on-lending of funds raised via ECB by firms to their arms executing infrastructure projects, helping these subsidiaries get access to cheaper funds while boosting capital flows into the country. (ET)

### **India showing lagged effects of anti-inflation policies: Fitch**

Fitch said India, China and Korea, are showing lagged effects of tight monetary policies embraced in 2010-11 to fight inflation. Fitch also pointed out that slow improvement in financial position of countries including India and China has come in the way of positive credit rating momentum in emerging Asia. (BS)

### **Sovereign rating downgrade to hurt India Inc and Banks: RBI**

Dollar-borrowing costs for Indian companies and banks could soar, straining their already-fragile finances, if rating companies downgrade India's sovereign rating that is just a notch above junk. (ET)



### **Gems & jewellery exports fall 12% in May**

Gems and jewellery exports declined by 12% YoY to \$3.2 bn in May on account of weak demand in major markets like Europe. The exports stood at \$3.7 bn in the same period last fiscal, according to the data provided by the Gems and Jewellery Export Promotion Council. "The demand is sluggish in traditional markets like Europe," the GJEPC Chairman said. (BL)

### **Finance ministry pushing for major changes in retail FDI**

The Union finance ministry is pushing for an overhaul in government policy on FDI in single-brand retail, to accommodate the demands of companies such as Scandinavian furniture giant IKEA, which has applied for clearance to set up stores in the country. The move, if it goes through, is expected to open the floodgates for many other foreign retailers in the segment which have been waiting to enter India but have been stymied by the stiff sourcing requirements from the small-scale sector. (BS)



### **FM may ask Sebi to bring back entry load for brokers**

In order to promote the sagging mutual fund industry, finance ministry may advise the Sebi to consider re-introduction of entry load for brokers. "We will meet representatives of mutual fund industry and Sebi officials and will advise them to consider measures including re-introduction of entry load to revive the fortunes of mutual fund industry," a finance ministry said. The ministry officials will meet mutual fund industry representatives and Sebi officials on Monday. (ET)

## **EQUITY MARKET COMMENTARY**

Indian markets ended the week on a bullish note after new draft guidelines on GAAR and EU decisions cheered the sentiments of the investors. On the GAAR issue, the Central Board of Direct Taxes issued draft guidelines and renewed reform hopes with PM taking the charge of FM have a positive impact on the investor's confidence. On the global front, Euro zone leaders agreed to take emergency action to bring down Italy's and Spain's spiraling borrowing costs and to create a single supervisory body for euro zone banks by the end of this years cheered the markets across the globe. Markets for the week: The Sensex was up 2.7% and Nifty was up 2.5% over the week. The CNX Midcap index was up 2.4% while the Bankex also closed with 3.0% gains. The BSE Healthcare gained 2.6%; BSE Capital Goods was up 3.0% while BSE OilGas closed with 2.3% gains over the week. The BSE Realty up 2.3% and BSE Metal gained 4.3% over the week.

## **CORPORATE ACTIVITY**

### **NTPC ends row with Coal India over fuel supply agreement; accepts changes proposed by PMO**

NTPC has accepted the changes proposed by the PMO in the new fuel supply agreement, ending the standoff with CIL. "We have no issues as long as CIL supplies coal. We have been given to understand that the company cannot supply more than 65% in the first year, and that is all right with us," NTPC said. (ET)

### **Union Bank's London arm to start operations by March**

The London subsidiary of Union Bank of India is expected to be operational by March next year. The wholly owned subsidiary of Union Bank of India, UBI UK Ltd, has already received the RBI's approval and was waiting for the local regulator's approval, according to CMD. (BL)



### **Bhushan Steel, Monnet Spat revive takeover bids to acquire Orissa Sponge**

Bhushan Steel & Power and Monnet Ispat & Energy - have indicated their intention to acquire up to 20% in Orissa Sponge to extend their manufacturing presence in the resource-rich eastern state. Bhushan Steel revived their open offer, originally made in 2009, to buy up to 20% in Orissa Sponge at Rs 360 a share. Monnet Ispat will also pitch for the 20% stake at Rs 310 a share. (ET)

### **RBI asks Kotak Bank to trim promoter stake to 20% by FY18**

The RBI has asked Uday Kotak-led Kotak Mahindra Bank to more than halve promoters' holding to 20% by March 31, 2018 from the present 45.21%. Additionally, the RBI has also indicated that it will take a view on further dilution to 10% over two years after that date. (BS)

### **StanChart India profits continue to be weak**

Standard Chartered said it expects pretax profit in the first half of this year to grow by less than 10%, slowing from previous years as growth in Asia eases and local currencies weaken against the dollar. Income growth in Jan-June was also expected to slow to below 10%, it said in a filing to the Hong Kong bourse. (BS)

### **SKS Microfinance preparing for a return to Andhra Pradesh**

SKS Microfinance is preparing for a return to Andhra Pradesh, a former hub from which it has retrenched significantly in the past two years. India's only listed micro lender is waiting for a central law to override a state statute before it makes a comeback. "We are waiting for the Microfinance Bill to be passed so that there will officially be only a single regulator to govern microfinance institutions," said Dilli Raj, CFO. (ET)



### **Ashok Leyland plans to raise Rs 500-cr debt**

Ashok Leyland is planning to raise Rs 400 cr to Rs 500 cr of debt to support its investment plan, which is in tune of Rs 1200 cr. Major chunk of the investments will go into Pantnagar facility, towards R&D and in the joint ventures. (BS)



### **SBI eyes 20% growth in loans to mid-corporate segment**

SBI eyes 20% loan growth in the mid-corporate segment this fiscal, Deputy MD said. This is much more than the 8% growth recorded last fiscal. SBI classifies companies with turnover over Rs 50 cr and less than Rs 1,000 cr as mid-corporate segment. (BL)

### **Hindalco Industries planning to raise Rs 9,000 crore for Odisha greenfield project**

Hindalco Industries is on an aggressive drive to raise funds for its biggest greenfield project in Odisha. The country's largest non-ferrous metals producer plans to tap about Rs 9,000 crore for the project, which is being re-configured mirroring the ambitions of its peer, Anil Agarwal's Vedanta Aluminium. (ET)

### **SBI hikes retail term deposit rates**

SBI has increased interest rates on select fixed deposits by 0.25%. Deposits under Rs 15 lakh for a period of three years but less than five years will fetch an interest rate of 9%, up from 8.75%. The new rates will be effective from July 1. (ET)

## **INTERNATIONAL**

### **HSBC to sell stakes in Axis Bank, Yes Bank**

UK lender HSBC on Tue offered its entire stakes in India's Axis Bank and Yes Bank through share sales worth up to 24.5 bn rupees (\$429.5 mn), according to a term sheet. HSBC offered 19.6 mn shares in Axis Bank for 950.9-970.9 rupees each and 16.8 mn shares in Yes Bank for 318.1-324.8 rupees per share through its Mauritius subsidiary, the term sheet said. (ET)



### **Australia manufacturing PMI rises to 47.2 in June: AIG**

Australia's manufacturing activity contracted for a fourth straight month in June, hit by a high dollar and a slump in residential and commercial construction, a private survey showed. The Australian Industry Group/PriceWaterhouse Coopers performance of manufacturing index (PMI) rose 4.8 points to 47.2 in June, but still remained below the 50 level that marks the threshold between contraction and expansion. (ET)

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