

Weekly Update

Week ended 22nd June 2012



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ECONOMIC UPDATE

Fitch revises India's outlook to negative

Fitch Ratings has revised India's outlook to negative from stable on account of limited progress on fiscal consolidation and heightened risks to growth due to tardy pace of structural reforms. It reaffirmed Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BBB-' and Short-Term Foreign Currency at 'F3'. (BS)

RBI hikes export credit refinance limit

The RBI has offered Rs 30,000 cr of additional liquidity by way of higher refinance against export credit. RBI has raised the rupee export credit refinance limit to 50% of outstanding, instead of 15% now, to release additional funds at the prevailing repo rate of 8% per year. Banks will enjoy this enhanced limit from June 30. RBI said the impact of a higher refinance limit will be equivalent to about 50 bps reduction in the CRR even as it kept the ratio unchanged at 4.75%. (ET)

Govt hopes to raise a total of Rs 30,000 cr through stake sales in state-run firms

The government is looking to raise \$1.25 bn (Rs 7,000 cr) by selling a stake in NMDC in 2012-13, a senior finance ministry official said, in a move that appeared aimed at boosting investor sentiment. The govt also plans to raise \$622 mn through the sale of stakes in BHEL and \$520 mn in Hindustan Copper in the current fiscal year. The govt hopes to raise a total of Rs 30,000 cr through stake sales in state-run firms in 2012-13, according to the March budget. (BS)



Advance tax collections rise 4.9% to Rs 33,089 cr

Advance tax payments by India Inc grew by a meagre 4.9% in the three months to June, reflecting crimping growth and suggesting muted corporate profits in the days ahead. Preliminary data released by the finance ministry that companies paid Rs 33,089 cr as advance tax in the first quarter of the fiscal, compared with Rs 31,631.3 cr in the year-ago period. (ET)

FDI declines 41% to \$1.8 bn in April

Reflecting slowdown in the economy and erosion of investor confidence, FDI in India has declined by 41% to \$1.85 bn in April. The country had attracted FDI worth \$3.12 bn in April, 2011. The decline in FDI comes at a time when India's economic growth slipped to 9-year low of 6.5% in 2011-12. The growth in the Jan-Mar quarter was merely 5.3%. (BS)



Reserve money grew 8.2% yoy in June 15 week: RBI

The RBI said year-on-year reserve money growth in the week to June 15 was 8.2 % compared with 16 % a year ago. Currency in circulation grew 13.4 % year-on-year during the week as against 15.9 % a year ago, the RBI said in a statement. (ET)

Govt likely to slap 21% duty on imported power gear

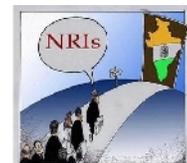
The power ministry will move a note to the Union Cabinet proposing a levy of 21% on imported power equipment, a senior government official said. The PMO asked the power ministry to float the note to protect local equipment manufacturers, including state-run BHEL, from Chinese and Korean competitors. Power companies have stoutly resisted any increase in duty on equipment import, especially after they have become costlier as the rupee had depreciated by 28% in the past two years. (ET)

PM says G-20 nations set to adopt growth-oriented strategies

The leaders of the world's largest economies have said they are united in their resolve to boost growth and job creation as well as to strengthen demand, signaling a shift to growth-oriented strategies as they seek to revive a global economy reeling under the European financial crisis. (ET)

Government may cut spend, raise NRI deposit rates to boost economy

The steps to be announced by the government and the RBI may include raising the interest for NRI deposits, cutting down wasteful expenditures and unveiling a bond issue for overseas investors to improve capital inflows in the wake of the rout in rupee. Economic growth has fallen to a nine-year low of 6.5% in 2011-12 and industrial output continues to be sluggish with a mere 0.1% growth in April. Inflation too remained at an elevated level of 7.55% in May. (ET)



CMIE says inflation to move up on rupee fall

The continuing depreciation of the rupee is expected to fuel inflation and push the headline number to 7.3% for FY13, making a reduction in interest rates for borrowers unlikely in the near term, an economic think-tank has said. The Centre for Monitoring Indian Economy (CMIE) has upped its fiscal-end inflation target to 7.3% from the 6.7% and Reserve Bank's 6.5%, due to the slide in the rupee. (ET)

EQUITY MARKET COMMENTARY

Indian markets ended the week with marginal gains as volatility persisted through out the week. RBI kept the key rates unchanged on inflationary pressures, however it exceeded the export credit refinance limit from the current 15% to 50% therefore inducing Rs 30,000 cr of additional liquidity by way of higher refinance against export credit. Competition watchdog CCI imposed a hefty penalty of about Rs 6,200 crore on 11 leading cement companies on price cartelization which saw cement stocks having volatile session of trade. Markets for the week: The Sensex was up 1.6% and Nifty was up 1.4% over the week. The CNX Midcap index was up 1.9% while the Bank Nifty also closed with 3.0% gains. The BSE Healthcare gained 2.7%; BSE Capital Goods was up 3.3% while BSE OilGas closed with 1.8% gains over the week. The BSE Realty up 3.4% and BSE Metal gained 0.5% over the week.

CORPORATE ACTIVITY

Dena Bank sign up agreement for Warehousing Receipt funding

Dena and Star Agri a leading post harvest agri solution provider signed up an agreement for Warehousing Receipt funding. "Agri services are an attractive opportunity as there is a storage deficit of nearly 50 mln mt for agri warehousing. Understanding this need Dena Bank has partnered with StarAgri to fund creation of warehousing infrastructure by Star Agri in Tier 2 and 3 cities." (ET)

GVK Power eyes \$500-\$600 mn unit stake sale: Source

GVK Power and Infrastructure is seeking to raise \$500 mn to \$600 mn by selling a stake in its Singapore arm and is in talks with Gov of Singapore Investment Corp for a potential deal. The Indian developer of airports, power projects, roads and mines will sell a minority stake in GVK Coal Developers (Singapore) Pte Ltd, adding that a deal may be a precursor to a Singapore listing of the unit that holds coal assets in Australia. (ET)



Sterlite Tech raises Rs 2,200-cr debt for grid projects

Sterlite Technologies has secured Rs 2,200 cr debt for two grid projects. The debt syndication has SBI as the lead participant. The projects are to be executed by Sterlite Technologies' wholly owned subsidiaries Bhopal-Dhule Transmission Company Ltd (BDTCL) and Jabalpur Transmission Company Ltd (JTCL). The JTCL project will connect Dharamjaygarh-Jabalpur-Bina and be the first private sector developed double circuit line. (BL)

GMR allots Rs 100-cr NCDs to ICICI Bank

GMR said its Board has allotted 1,000 secured NCDs to ICICI Bank aggregating to Rs 100 cr. "...the debenture allotment committee of the Board of Directors of the Company has allotted 1,000 secured NCD of face value of Rs 10 lakh each, aggregating to Rs 100 cr to ICICI Bank on June 19," GMR said. (ET)

RIL to sell textile business, including Only Vimal segment

RIL has decided to sell its textiles business, including its iconic brand Only Vimal. The Mukesh Ambani-led company has hired NM Rothschild to manage the sale of the business, a top official directly involved with the proposed transaction said. The textiles business, including a factory at Naroda near Ahmedabad, is expected to be sold by the end of the year. (ET)

YES Bank plans to raise Rs 750 cr tier-II capital by December

YES Bank plans to raise quasi-capital (tier-II) of Rs 750 crore from the domestic market between now and Dec-end, its MD CEO said. The bank is also on target to raise primary equity of \$300-400 million in 2013 through the GDR or QIP route, Dr Kapoor told. Bank's capital-adequacy ratio stood at 17.96% at March-end this year against 16.5 % reported a year earlier. (BL)



Hindustan Construction bankers agree to give 1,500-cr lifeline

Bankers to HCC have agreed to give an additional loan of 1,500 cr to revive the company, provided key promoters infuse Rs 302-cr capital and give a personal guarantee. The CDR cell will meet on Mon to give a final contour to the debt recast package of HCC. Officials from the banking circle said lenders will provide additional working capital of 500cr and sanction additional non-fund based limit of 1,000cr. (ET)

OBC cuts interest rate on export credit by 0.25%

Oriental Bank of Commerce announced 0.25% cut in lending rate on export credit in response to RBI increasing the export re-finance limits of banks to 50%. Earlier this week, the RBI decided to enhance the Export Credit Refinance limit to 50% of the outstanding rupee export credit for banks, from 15%, a move that will inject Rs 30,000 cr into the system. (ET)



Post merger, Jyothy looks at Henkel brands' relaunch

Jyothy Labs will relaunch Henkel's brands as the merger between the two companies gets going. Jyothy announced Henkel India would be merged with it a year after it was acquired. The merger process is likely to be completed by January next year, Ulhas Kamath, joint MD said. (BS)

BHEL commissions 500-mw unit at NTPC's Vindhyachal project

BHEL commissioned the eleventh 500-mw unit at NTPC's Vindhyachal super thermal power project in Madhya Pradesh. With this, 12 mn units of electricity will be added to the grid every day. The main plant package contract for Vindhyachal STPP stage-IV was placed on BHEL by NTPC and this is the fifth 500 mw unit that BHEL has commissioned for NTPC during the past three months. (ET)

INTERNATIONAL

P&G cuts growth forecast, to focus on big businesses

P&G admitted that it has been lacking in big new products and has not been fast enough at cutting costs as it deals with persistent slowing demand in Western Europe, the US and China. It also cut its growth forecasts as expected. (ET)

ArcelorMittal CEO mulls more steel capacity cuts in Europe

ArcelorMittal is considering cutting more capacity in Europe to tackle over capacity and shrinking demand in the troubled region, Lakshmi Mittal said. "Demand (in Europe) was 200 mn tonnes. Now it's 150 mn. Clearly there is a need of some capacity adjustments. Arcelor Mittal is looking at it," he said. (ET)



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