

# Weekly Update

Week ended 15<sup>th</sup> June 2012



## ECONOMIC UPDATE

India rate cut alone seen unlikely to spur cheaper loans

GDP to grow at 7% in FY13, to unveil DTC in Monsoon: FM

SBI favours CRR cut of 1 per cent, not rate tweak

World Bank raises India's growth forecast to 6.9% for 2012

Inflation seen at 2012 high in May

India's oil import bill jumps 40% to \$ 140 billion in FY12

ICRA pegs GDP growth at 6.2-6.4% in FY13, calls for reforms

Indian economy is facing stagflation: Moody's

April core growth nearly halves to 2.2%

RBI panel calls for greater FII play in G-Secs

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Ashok Leyland to raise Rs 750 cr via issue of securities on private placement

DLF sells hotel arm for Rs 567 cr to cut mammoth debt

Amara Raja plant to make tall storage racks to save space

SBI plans up to \$2 bn offshore borrowing

Ranbaxy & Dr Reddy's to take a hit as Lipitor mkt shrinks 96%

NMDC starts talks to revive joint venture with Rio Tinto

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## ECONOMIC UPDATE

India rate cut alone seen unlikely to spur cheaper loans

A rate cut by the Indian central bank will not be enough to spur banks to lower lending rates immediately, bankers said. Instead, Indian banks saddled with high-cost, long-term deposits and narrowing profit margins, are hoping for a cut in the cash reserve ratio, which would boost liquidity and in turn lower the cost of funds, and would allow them to ease deposit and lending rates. (ET)

GDP to grow at 7% in FY13, to unveil DTC in Monsoon: FM

Dismissing concerns that India's growth rate may drop below 6.5%, FM said 2012-13 would be the turnaround year for the economy. He said steps are being taken to put India back on path of high economic growth. (ET)

### **SBI favours CRR cut of 1 per cent, not rate tweak**

SBI favours a reduction in the CRR over a rate cut in the RBI monetary policy review on June 18. "We expect the RBI to cut CRR by 1% and have made a request. It will recharge a lot of investor sentiments, the economy and also stock markets," SBI chairman Pratip Chaudhuri said. The meager 0.1% rise in IIP in April has increased the pressure on the RBI to reduce repo rate, the rate at which it lends to banks. (ET)

### **World Bank raises India's growth forecast to 6.9% for 2012**

World Bank has marginally raised India's growth forecast for the current financial year from its Jan estimate against many brokerage and international banks cut targets for the current year after GDP growth dropped to a nine-year low of 6.5% in 2011-12. In its Global Economic Prospects, June 2012, the World Bank expects India's economy to expand 6.9% in 2012-13 against its 6.8% forecast in January this year. (ET)



### **Inflation seen at 2012 high in May**

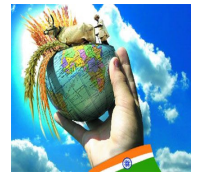
Inflation may have accelerated at its fastest pace this year in May, driven by higher food and fuel prices, impeding chances of a rate cut by the central bank at its review next week, a Reuter's poll showed. The WPI is expected to rise 7.6% in May versus a year ago, compared with April's 7.23%. (ET)

### **India's oil import bill jumps 40% to \$ 140 billion in FY12**

India's oil import bill leaped 40% to a record \$140 bn in 2011-12 as high oil prices shaved off much of the nation's GDP growth rate, Oil Minister said. Reddy said it was "estimated that a sustained \$10 increase in oil prices lead to a 1.5% reduction in the GDP of developing countries". (ET)

### **ICRA pegs GDP growth at 6.2-6.4% in FY13, calls for reforms**

ICRA pegged India's GDP growth forecast for the fiscal 2012-13 at 6.2-6.4% and strongly asked for an early introduction of reform measures to bring back investor confidence. Factoring in the possibility of a weaker monsoon, inflation continuing to be above the comfort mark at over 7%, easing in policy rates and some resolution to euro- zone crisis. (ET)

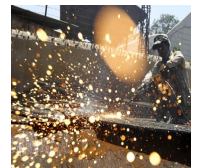


### **Indian economy is facing stagflation: Moody's**

Global financial services firm Moody's today said Indian economy is facing stagflation, where growth is slow and inflation high, and cautioned that the Reserve Bank cannot be too aggressive in cutting interest rates. "India's economy is in stagflation, with notably weaker growth but inflation still stubbornly high," said Glenn Levine, Senior Economist, Moody's Analytics. Amid wholesale price-based inflation ticking up to 7.55% year-on-year in May due to supply-side factors, the agency said it will cause further "headaches" at the RBI. (ET)

### **April core growth nearly halves to 2.2%**

India's key infrastructure industries grew 2.2% in April from a year ago, marking a sluggish start to the new financial year after the economy expanded at its slowest pace in nine years in 2011-12. Output at eight core industries-coal, crude oil, natural gas, refinery products, fertilizer, steel, cement and electricity- had risen 4.2% in April 2011 and 2.2% in March this year. (ET)



### **RBI panel calls for greater FII play in G-Secs**

A working group set up by RBI has made a strong case for higher investments in govt securities, or G-Secs, by foreign portfolio investors and doing away with withholding tax on such investments to boost liquidity and fuel higher inflows. (ET)

## **EQUITY MARKET COMMENTARY**

Indian markets ended the week on a positive note on the back of renewed hopes that the RBI would cut key policy rates to boost growth and liquidity. India's industrial output growth almost stalled in April compared with a year earlier with output rose just 0.1% in April, lower than expectations of a 1.7% increase. Output fell in March from a year earlier by 3.5%. On the global front the markets were eyeing the outcome of the political developments in Greece. Markets for the week: The Sensex was up 1.4% and Nifty was up 1.4% over the week. The CNX Midcap index was down 0.5% while the Bank Nifty also closed with 0.6% gains. The BSE Healthcare lost 0.8%; BSE Capital Goods was up 0.4% while BSE OilGas closed with 0.6% gains over the week. The BSE Realty down 1.7% and BSE Metal gained 0.8% over the week.

## **CORPORATE ACTIVITY**

### **ONGC extends pact with Hinduja Group for sourcing LNG**

ONGC has extended pact with Hinduja Group for sourcing of liquefied natural gas from Iran and other Middle East nations by one more year. ONGC had in November 2006 signed MoU with Hinduja Group promoted Ashok Leyland Project Services Ltd to use the diversified group's influence in oil and gas rich nations to get a lucrative LNG deal. (ET)



### **Maruti to merge Suzuki Powertrain with itself**

The board of Maruti Suzuki, has proposed to merge Suzuki Powertrain India Ltd (SPIL) by entering into a stock swap transaction with its Japanese parent Suzuki Motor. The merger will not result in any cash outflow. The move is seen as a bid by the Japanese carmaker to align the engine manufacturer with the expansion plans of Maruti Suzuki, which is planning to increase production capacities of its diesel powered cars. (ET)

### **Ashok Leyland to raise Rs 750 cr via issue of securities on private placement**

Ashok Leyland said it will raise Rs 750 crore through issue of securities on private placement basis to finance the firm's capital expenditure requirements. (ET)

### **DLF sells hotel arm for Rs 567 cr to cut mammoth debt**

Debt-ridden DLF said it has sold its entire stake in its subsidiary Adone Hotels and Hospitality to a Kolkata-based consortium Avani Projects and Square Four Housing & Infra for Rs 567 cr. DLF is trying hard to reduce its mounting debt, which stood at Rs 22,725 cr as on March 31, 2012. It could manage to reduce debt by a meagre Rs 33 cr in Jan-March quarter this year. (BS)



### **Amara Raja plant to make tall storage racks to save space**

When you enter a large retail store, the first thing that strikes you as a consumer is the wide range of products on offer. For the retailer, the challenge is to present them in the most attractive fashion and in the least possible area. One solution that is becoming common is high-rise storage racks. These metallic racks, provide vertical space for storing. Newer retail stores, warehouses and manufacturing companies now stack up products vertically, as shrinking space and high rentals pose a challenge in cities. (BL)

### **SBI plans up to \$2 bn offshore borrowing**

SBI plans to borrow \$1 bn to \$2 bn from the overseas market in the next three months. SBI doubled its overseas borrowing program to \$10bn last year but poor market conditions have deterred it from making fundraising plans since. (ET)



### **Ranbaxy & Dr Reddy's to take a hit as Lipitor mkt shrinks 96%**

A higher than expected price erosion of cholesterol-lowering Lipitor, is set to affect the earnings of Ranbaxy and Dr Reddy's. The market of atorvastatin, the generic version of Lipitor, shrunk 96% in the US on May 30 - the first day after expiration of Ranbaxy 180-day marketing as several new players - Mylan Inc, Apotex and Sandoz entered the market. (ET)

### **NMDC starts talks to revive joint venture with Rio Tinto**

NMDC has started a fresh round of negotiations with global mining giant Rio Tinto to revive an equal joint venture that was mutually scrapped almost a year ago. A steel ministry official said that talks are still at a preliminary stage and have not taken a concrete shape so far. (BS)

### **Shriram Transport (STFC) plans Rs 2,000-cr NCDs**

STFC has planned to raise around Rs 2,000 cr via NCDs. There would be one or more tranches of public issues and/or private placements during the current financial year. "The first tranche of Rs 300-500 cr is likely to hit the market in July," said MD. He was talking on the sidelines of a court-convened meeting of equity shareholders, to get their approval for the scheme of arrangement between Shriram Holdings (Madras) Pvt Ltd and STFC. (BS)



### **Bharti Airtel to pay Rs 700 crore for customs duty evasion case**

Bharti Airtel has been asked to pay over Rs 700 crore for customs duty evasion under a Customs, Excise and Service Tax Appellate Tribunal (CESTAT) order issued last week by its Bangalore bench. The total amount due includes differential duty liability of Rs 215.51 crore, apart from a similar amount of penalty and a redemption fine of Rs 189 crore for confiscated goods. Additionally, an interest on the duty liability has also been charged on a per year basis. (BL)

## **INTERNATIONAL**

### **Moody's slashes Spain credit rating by three notches**

Moody's slashed Spain's credit rating by three notches on Wednesday, days after the government set a deal to borrow 100 bn euros (\$125 bn) to shore up its banks. The downgrade came after Spain requested a rescue for its banks from the European Union's emergency fund, a move that will pass the 100 bn euros through the govt to the banks meaning the debt is added to Madrid's already outsized official borrowings. (ET)



### **Slight pickup in G20 economic growth in first quarter: OECD**

The G20 group of wealthy and emerging economies saw a slight pickup in economic growth in the first quarter of 2012 but Chinese growth slowed and the EU was stagnant, the OECD said. Growth across the G20 was 0.8%, compared with 0.7% in the last quarter of 2011.

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