

Weekly Update

Week ended 25th May 2012



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ECONOMIC UPDATE

[Govt targets 250 mn tonne farm production for 2012-13](#)

After clocking a record food grain production of over 252 mn tonne in 2011-12, the govt now targets 250 mn tonne of production in the crop year of 2012-13. "We have set a conservative food grain production target of 250 mn tonne for 2012-13 crop year. We expect to exceed the target the way we did in the last season," said agriculture secretary PK Basu. (ET)

[Falling rupee a concern: Pranab Mukherjee](#)

Finance Minister said the steep fall in the rupee was a matter of great concern and the Centre was trying to resolve the situation. "This is due to the Eurozone crisis," Mukherjee said. Mukherjee added, "There is also currency crisis in emerging markets including Brazil." (ET)

GAAR pushed back, but new tax rule may still drive away FII

Foreign investors may be relieved over the controversial GAAR tax proposals being pushed back by a year but another new taxation framework could make their India investments riskier and expensive. The proposals state that capital gains arising from the transfer of shares or interest in a non-Indian company in case the share or interest derives directly or indirectly its value substantially from assets located in India will be taxable in the country. (ET)

Govt mulls shifting to dynamic levy for sugar to unclog mill stocks

In a long-awaited reform, govt is mulling over shifting to a dynamic levy system for sugar. If the proposal is accepted, mills will be asked to contribute more sugar for ration shops in a year of tight supply and less when there is ample availability in the open market. At present, millers have to sell 10% of their total sugar production to the government under the levy obligation at around 50% of their cost of production, resulting in an annual industry loss of around 3,000 crore. (ET)



RBI to take steps to stabilize rupee: Gokarn

RBI will continue to take steps to stabilize the rupee, Subir Gokarn, said. The rupee fell below the key psychological level of 55 against the dollar to hit a new record low earlier in the day, setting up the prospect of further falls unless the central bank takes measures or intervenes more aggressively. Gokarn also said the RBI was likely to buy bonds through its OMOs. (BS)

OECD cuts India 2012 growth forecast to 7.1%

The OECD has cut India's growth forecast for 2012 by more than a percentage point to 7.1%, from its November estimate of 8.2%, but said it could recover to 7.7% in the calendar year 2013. The biannual economic outlook report from the Paris-based think tank OECD has also warned of risks to the global recovery if Euro Zone crisis was not contained. (ET)

Bill seeking interest rate cap on MF lending

The govt introduced bill in the Lok Sabha to empower the RBI to regulate the MFI and fix interest rates ceiling on loans to be provided by lenders. The Micro Finance Institutions (Development and Regulation) Bill, 2012 confers power upon the RBI to fix the maximum interest rates that MFIs can charge and also decide on the fair and reasonable method of loan recovery. (BS)



Despite stalled reforms, FDI inflows rise 34% in 2011-12

While the govt reels under severe criticism for not taking adequate measures to open a few sectors to FDI the inflow into the country in the last financial year belies these comments. In 2011-12, FDI rose 34.4% to \$46.84 bn, compared with \$34.84 bn in 2010-11 and \$37.74 bn in 2009-10, according to data from the Department of Industrial Policy and Promotion. (BS)

India Q4 GDP seen slowing to 6%: Standard Chartered

Standard Chartered expects India to report an annual growth rate of 6% in the Mar quarter from 6.1% in the previous quarter and below earlier expectations of an improvement to 6.5% or 7%. Weak industrial output numbers, particularly the contraction in March, will have a bearing on GDP, given the weighting of about 20%. The GDP data is due on May 31. (ET)

Centre trying to build consensus on retail in FDI: FM

FM said the UPA is trying to build a consensus on contentious issues like GST and FDI in retail which faced strong opposition from Mamata Banerjee. "We are working to build a policy consensus on a number of pending issues such as introduction of GST, further liberalisation of FDI, including in retail, and deepening and strengthening of financial markets for long term investments," FM said. (ET)



EQUITY MARKET COMMENTARY

Indian markets ended the week on a flat note after government bold decision to hike petrol prices. The government has announced Rs 7.54 per litre hike petrol prices, the first hike in six months. On the global front, investors remain on the side lines amid political turmoil in the euro zone. Select midcap and large cap stocks outperformed the benchmark indices. Markets for the week: The Sensex was up 0.4% and Nifty was up 0.59%. The BSE Midcap index was up 0.61% while CNX Midcap was up 0.68% over the week. The BSE Bankex was up 1.61%, BSE Auto up 0.08% while BSE IT up 0.20% during the week. The BSE Realty was up 1.01%, BSE Metal up 0.10% and BSE Oil Gas was up 1.50%.

CORPORATE ACTIVITY

OBC cuts interest rate on education loans by up to 1 per cent

OBC has reduced interest rate on education loans by up to 1%. "We have slashed rates on education loans across the board effective May 15," OBC CMD S L Bansal said. (ET)

MMTC inks supply pacts with S Korean, Japanese cos

MMTC has inked pacts with Japanese and South Korean steel companies including Posco, to supply 2.8 MT of iron ore annually for a period of three years."We have signed iron ore supply contracts with five Japanese firms and one South Korean company for a period of three years. The exports are expected to start from July this year," an MMTC official said. (ET)



Fortis Healthcare in talks to take control of Wockhardt

Fortis Healthcare is in negotiations to take management and operational control of the existing portfolio of Wockhardt Hospitals owned by the Khorakiwalas, two sources familiar with the discussions told. The discussions are in early stages and i-bankers have been appointed. (ET)

Venus Remedies gets patent in South Africa for antibiotic

Venus Remedies said it has received patent approval in South Africa for an antibiotic combination to be used for treating bacterial infections. The company has received its first patent approval from Companies and Intellectual Property Registration Office, South Africa for its antibiotic combination of carbapenem and aminoglycoside. (BS)

PFC to raise \$250 m via ECBs

PFC said it will raise \$250 mn through ECBs. PFC is also looking at expanding its portfolio by funding coal mining projects overseas. The company's board has also approved forming a 'power equity fund' for buying equity in power projects. (BL)

Tata Power-Exxaro JV to build 2 wind projects in South Africa

Tata Power's JV Cennergi has emerged as the preferred bidder to develop in South Africa two wind power projects with a total capacity of 234 Mw. Cennergi would develop 139 Mw Amakhala and 95 Mw Tsitsikamma wind power projects in SA. (BS)

Jaiprakash Associates to repay Rs.3, 100 crs FCCBs

Jaiprakash Associates has decided to repay about Rs. 3,100 crs FCCBs ahead of their Sept maturity. The company, which had sought RBI approval earlier this month, hopes to make the prepayment by next month. (ET)



REC to raise Rs. 30,000 cr via FCCBs and ECBs

REC will raise Rs. 30,000 crs in the current financial year through a mix of financial instruments, including tax-free bonds and foreign convertible bonds. The company plans to raise \$1 bn (Rs. 5,600 crs) in FCCBs and \$750 mn (Rs. 4,190 crs) in ECBs, its CMD Rajeev Sharma said. (ET)

Havells India gets 714-crore debt refinancing

Havells India has refinanced its outstanding debt of Rs. 714 cr at 350 bps over Euribor from a new set of lenders. The loan was part of the 200 mn euro that the electrical goods maker had raised in 2007 to finance the acquisition of Germany-based lightning company Sylvania for 225 mn euros. The loan had been raised at 400 bps over Euribor - a reference rate for euro-denominated bond rates. (ET)



Sail and Burn Standard sign JV to produce wagon components

SAIL and Burn Standard Company, a subsidiary of Railways signed agreement to set up a 50:50 JV for producing wagon components at Nandigram in West Bengal's East Midnapur district. Total investment in the project would be Rs 201 cs and commercial production would begin from 2014. The project would come up on 50 acre within the existing 128 acre of BIFR company Burn Standard at Jellingham. (BS)

INTERNATIONAL

G8 backs Greece, vows to combat financial turmoil

World leaders backed keeping Greece in the EU and vowed to take all steps necessary to combat financial turmoil while revitalizing a global economy increasingly threatened by Europe's debt crisis. A summit of the Group of Eight (G8) leading industrialized nations came down solidly in favour of a push to balance European austerity an approach long driven by German Chancellor Angela Merkel with a new dose of US-style stimulus seen as vital to healing ailing euro-zone economies. But it was clear that divisions remained. (ET)



Euro exit can bring chaos to Greece economy

If or when policymakers finally decide Greece should leave the euro, the exit could happen so quickly that "new drachma" currency notes might not be printed in time. In principle, some of the long-term consequences of Athens leaving the currency bloc are not unappealing. The euro zone would no longer have to worry about what has always been its weakest link. While a new Greek currency would almost certainly immediately crash in value as soon as it was issued, in doing so it would make the Greek economy much more competitive. (ET)

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