ECONOMIC QUARTERLY MARKET UPDATE

Q 1 FY 12-13
APRIL TO JUNE

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THE ECONOMIC SCENARIO

With recent global developments contributing to a significant rebalancing of portfolios as a result of rapidly changing risk perceptions and appetites, the Indian macroeconomic environment has looked turbulent during the past quarter. As per Mr. Sushant Palakurthi Rao, Senior Director, WEF India is amongst the most important G-20 economies and this underscores Forum's commitment to the country as a partner.

The economy of India is the eleventh largest in the world by nominal GDP and the third largest by purchasing power parity

Today India is among the most attractive destinations globally, for investments and business and FDI had increased over the last few years

The globalization of India has given rise to new opportunities but it has also brought with it new challenges and responsibilities.

After a promising start to the Quarter 1, with achievements like maintaining quarter GDP growth at 8.8% vs. 8.6% QoQ as well as containing current account deficit to 2.6%, the fiscal year 2011-12 has been challenging for the Indian Economy. India's economy grew at its fastest clip in nearly three years in the quarter through June on strong manufacturing growth and farm output that may keep the Reserve Bank on its policy tightening path. The year started on a note of optimism through impressive growth in exports and high levels of foreign exchange inflows, only to moderate as the year progressed through continued monetary tightening in response to the untamed inflationary pressures. Gradually, high levels of inflation gave way to a slow-down in the growth. Additionally, as fiscal conditions worsened over the year, export numbers were revised in light of data discrepancies leading to a widening of trade deficit. In light of a perceivably weak macro-economic environment, a well-planned economic revival policy from the Government's part is required to get back the Indian Economy on the path to stable and prosperous growth. India is still growing at a rapid pace in comparison to other countries; however that should not deter from the opportunity to push through further reforms, create infrastructure and generate economic opportunities. After the independence-era Indian economy (before and a little after 1947) was inspired by the Soviet model of economic development, with a large public sector, high import duties combined with interventionist policies, leading to massive inefficiencies and widespread corruption.

OVERVIEW : INDIAN ECONOMY

After achieving 8.4% growth in the past fiscal, India's economy has decelerated sharply to achieve 8.6% GDP growth in the first quarter of 2012. It is worrying that growth is estimated to be less than 7% for the fiscal year ending March 31. High fiscal deficit, lack of foreign investment, tax and manufacturing reforms are some of the hindrances plaguing the Indian economy.

INDIAN ECONOMIC OVERVIEW – JUNE 2012

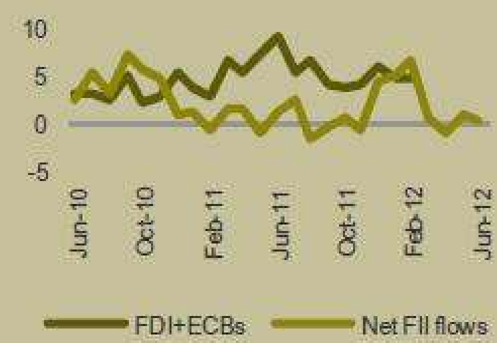
High Threat

Currency

IIndustrial production growth

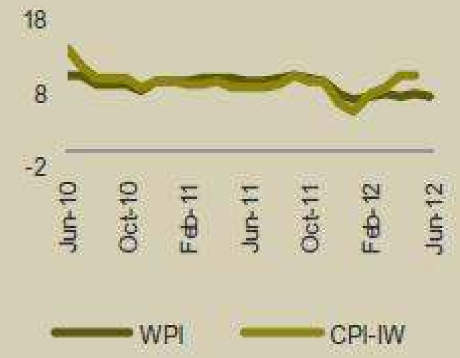
Trade growth

Foreign inflow (US$ bn)



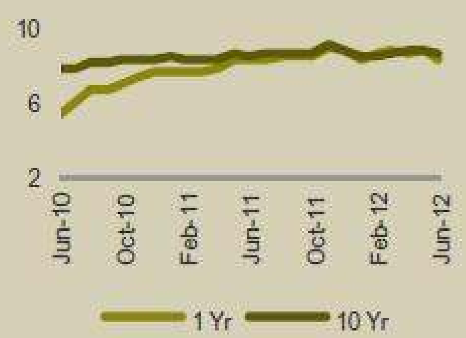
Medium Threat

Inflation



Sectoral inflation

Interest rates



Credit growth

FIRST QUARTER REVIEW OF MONETARY POLICY 2012 - 13

➢RBI have decided to keep the policy rate and the CRR unchanged. Accordingly, the repo rate stays at 8 per cent and the CRR at 4.75 per cent of net demand and time liabilities (NDTL) of scheduled banks. Consequently, the reverse repo rate under the liquidity adjustment facility (LAF), determined with a spread of 100 basis points below the repo rate, remains at 7 per cent. Similarly, the marginal standing facility (MSF) rate, which has a spread of 100 bps above the repo rate, also stands unchanged at 9 per cent. Separately, we have decided to reduce the statutory liquidity ratio (SLR) of scheduled commercial banks from 24 per cent to 23 per cent.

➢According to the latest data released by the Controller General of Accounts (CGA) on 1 August 2012, India's fiscal deficit in the first quarter (April-June) of the fiscal year 2012-13 stood at 1.90 lakh crore rupees which was 37 percent of the entire budget estimate.

➢Foreign Direct Investment (FDI) inflow in India declined to 5.4 billion dollar in the April-June quarter of fiscal 2012-13. The figure stood at 12.2 billion dollar during the same period of fiscal 2011-12.

➢Exports from Special Economic Zones (SEZs) grew 64 per cent to Rs 118321.56 crore during the first quarter (April-June) of the fiscal 2012-13.

➢Internal debt constituted 90.6 per cent compared with 90.1 per cent at the end of March, 2012 quarter. The report noted that outstanding internal debt of the Government at 3398154 crore rupees constituted 33.4 per cent of GDP compared with 36.4 per cent in the last quarter of 2011-2012.

➢Inflation in the month of June 2012 slowed to 7.25 percent, marking the lowest in the last five months. The inflation figure stood at 7.55 per cent in May 2012, while at 9.51 percent during the corresponding month of 2011. The government revised the inflation figure for the month of April 2012 to 7.50 percent from earlier 7.23 percent.

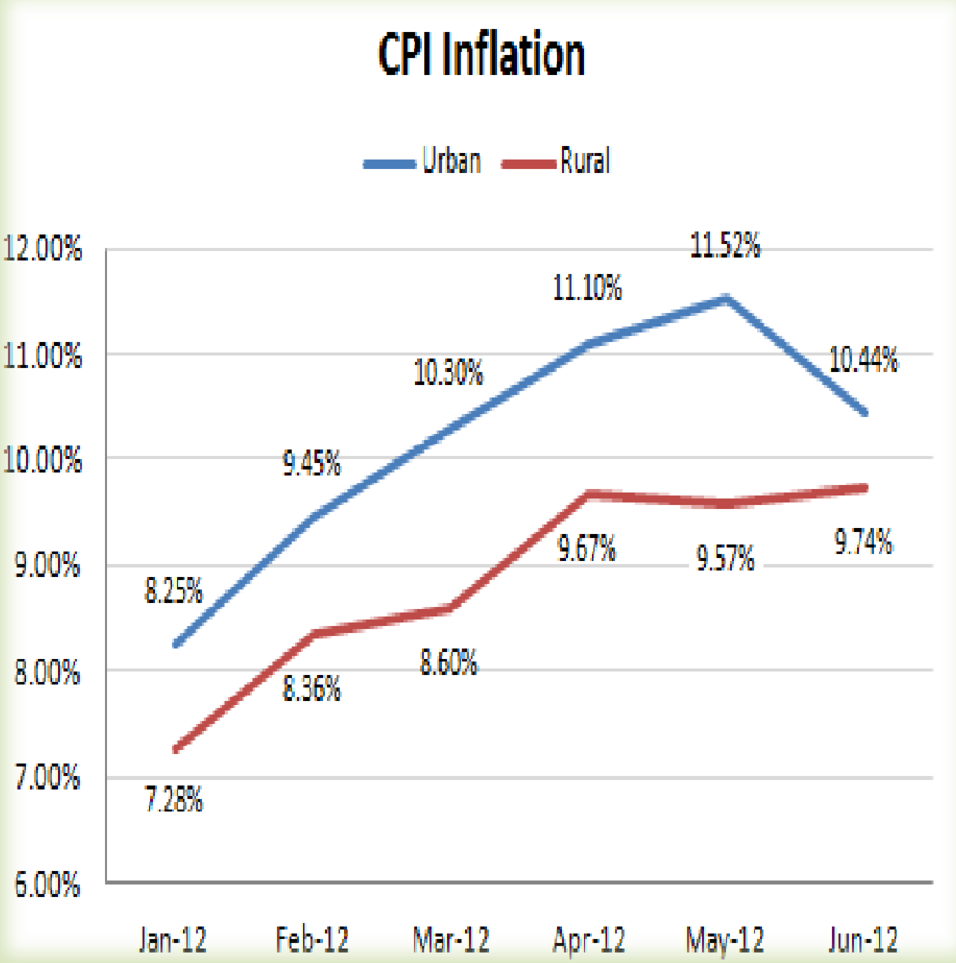
➢The cumulative growth of Electricity generation was 6.4% during April-June 2012-13 compared to 8.2% growth during the same period of 2011-12.

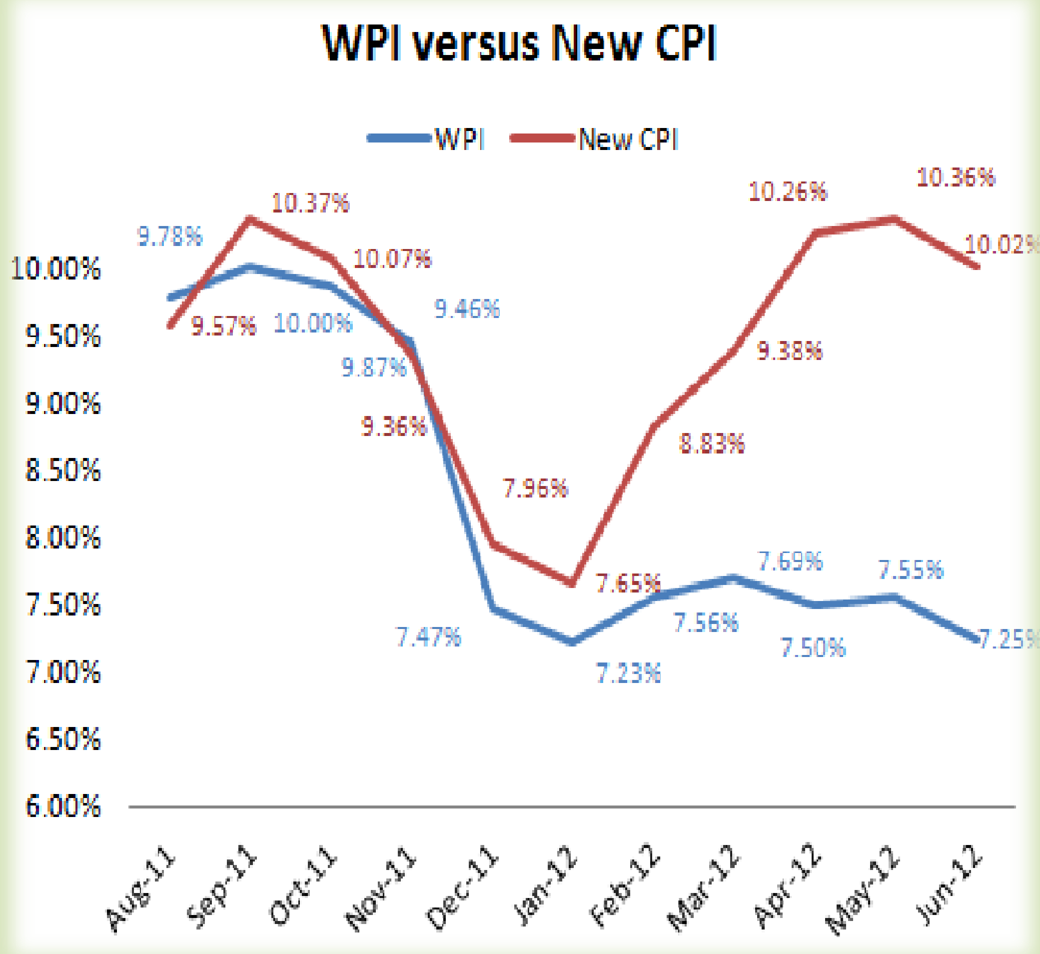
➢External risk to the outlook for the Indian economy are intensifying . Adverse feedback loops between sovereign and financial market stress in the Euro area are resulting in increased risk aversion , financial market volatility, and perverse moments in capital flows.


CPI
Consumer Price Index
inflation
Inflation
GROWTH

THE MONETARY EFFORTS TO CONTAIN STUBBORN INFLATION

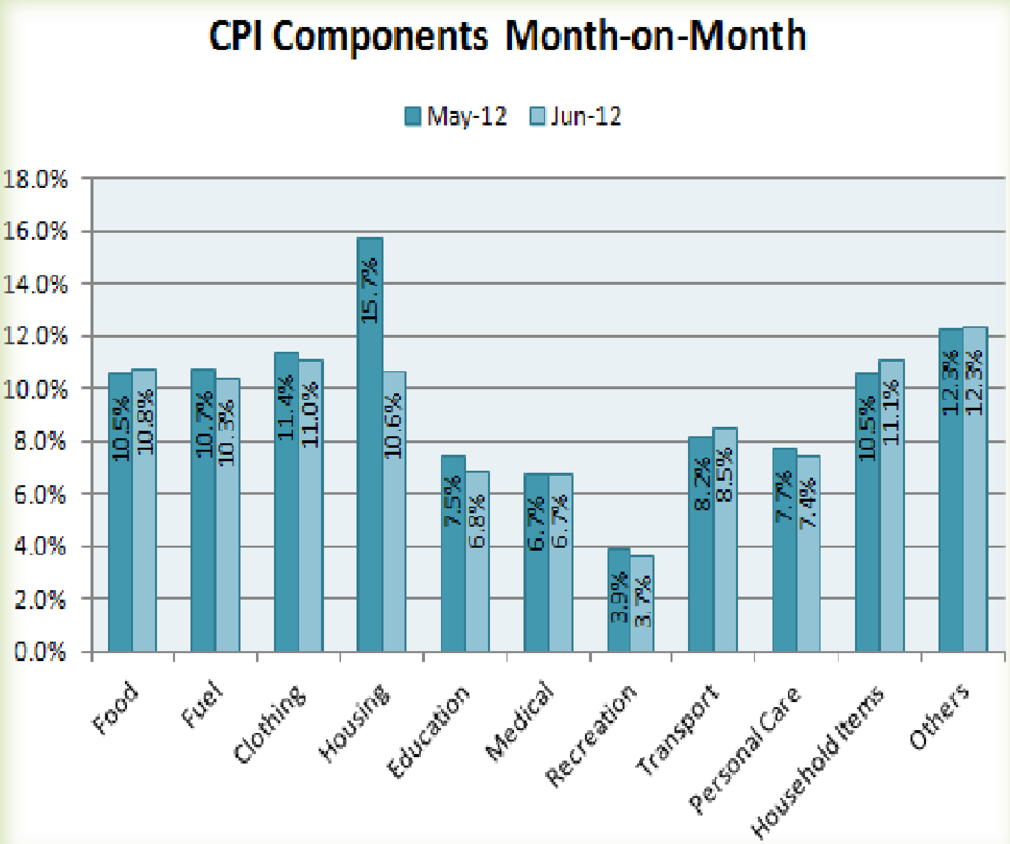
After consistently high levels of inflation around 9 to 10 percent for more than twenty months, the Wholesale Price Index (WPI) dipped to a 2 year low of 6.55 percent during the month of January 2012. Inflation as per the newly introduced Consumer Price Index (CPI) remained significantly higher than the WPI inflation The finance Minister is confident on moderation in inflation and expects it to be around 6.5 percent by end of June 2012. The Finance Minister is confident on moderation in inflation and expects it to be around 6.5 percent by end of June 2012.

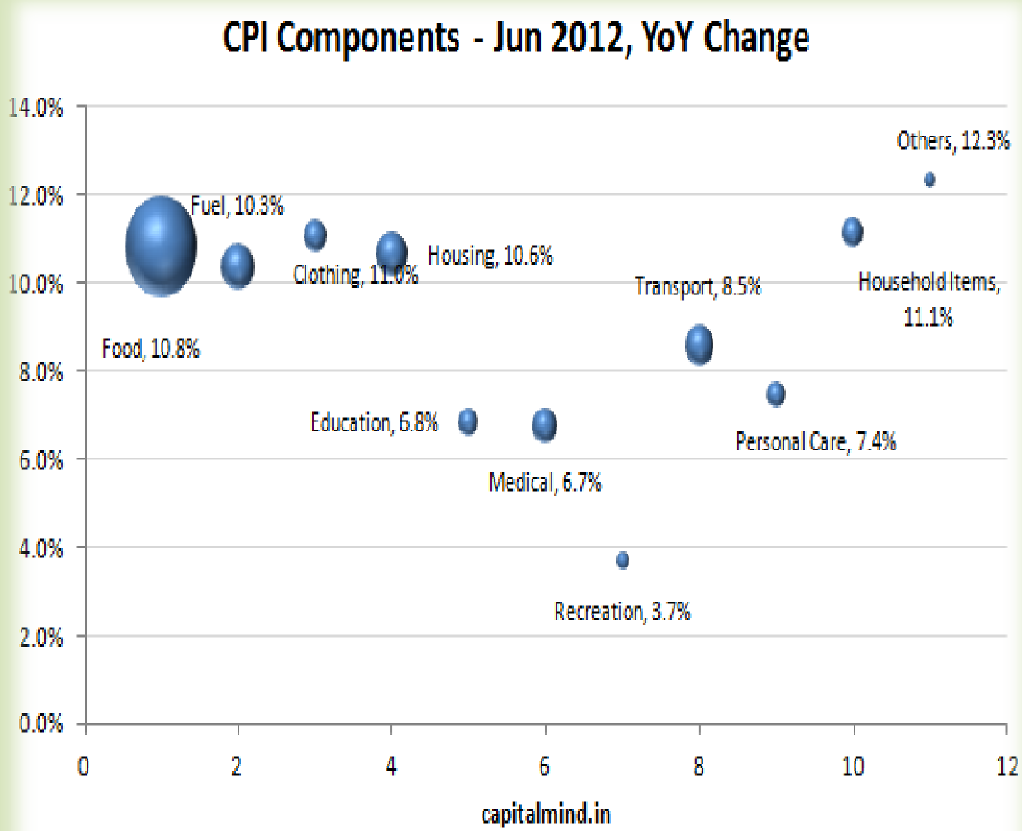




CONSUMER PRICE INDEX GROWTH POSITIVE BUT SLOWING

Additionally, structural changes and increase in agricultural productivity would certainly be helpful more depressing news, India's Consumer Price Index (CPI) is still in double digit inflation mode, with Jun 2012 going up to 10.02%. The big drop has been housing which still continues to grow in double digits, as does Food, Fuel, Clothing and "Others“. From an urban-rural perspective some relief comes into the urban index but the rural index shows signs of going upwards. The Reserve Bank of India’s policy interest rate was held below the wholesale price inflation rate (the best guide to inflation in that economy) throughout 2010 and 2011The difference in weighting pattern and coverage could also explain the divergence between inflation based on the CPI and the WPI. While food has a relatively larger weight in the new CPI, the WPI has more weight for manufactured products with items like metals and chemicals that do not enter the CPI directly. The new CPI includes housing and many services which are not covered under WPI. Comparable data for a relatively longer period of time is necessary to make a realistic assessment of the divergence between the new CPI and existing inflation measures.





Economic Growth		LATEST PERIOD	PREVIOUS PERIOD
India GDP growth (%)[1]	↓	5.3	6.1
China GDP growth (%)[2]	↓	7.6	8.1
US GDP growth (%)[3]	↓	1.9	3.0
EU27 GDP growth (%)[3]	↔	0.0	-0.3
Japan GDP growth (%)[3]	↑	1.2	-0.6

Interest Rates & Inflation		LATEST PERIOD	PREVIOUS PERIOD
Repo rate (%)[6]	↔	8.0	8.0
Base rate (%)[6]	↔	10.3	10.3
Yield on 10 yr govt securities (%)[6]	↔	8.2	8.5
Inflation (%)[7]	↔	7.3	7.5
Food inflation (%)[7]	↔	10.8	10.7

Current Account		LATEST PERIOD	PREVI-OUS PE-RIOD
Export growth (% yoy)[9]	↓	-4.2	3.2
Import growth (% yoy)[9]	↓	-7.4	3.8
Oil import growth (% yoy)[9]	↑	14.0	7.0
Non-oil import growth (%)[9]	↓	-16.1	2.1
Trade balance (US$ Bn)[9]	↑	-16.3	-13.5

Industrial Production		LATEST PERIOD	PREVIOUS PERIOD
IIP (% yoy)[4]	↑	2.4	-0.9
Electricity (% yoy)[4]	↑	5.9	4.4
Passenger vehicles (% yoy)[5]	↓	6.3	12.7
Commercial vehicles (% yoy)[5]	↓	-9.1	2.4
Cement production (% yoy)[4]	↑	11.3	8.2
Steel production (% yoy)[4]	↓	4.9	6.8

Money Statistics		LATEST PERIOD	PREVIOUS PERIOD
Bank credit (% yoy)[8]	↓	16.5	17.4
Food credit (% yoy)[8]	↓	35.1	58.1
Non-Food credit (% yoy)[8]	↔	16.1	16.9
Deposits (% yoy)[8]	↔	13.4	13.8
M3 supply (% yoy)[8]	↔	13.2	13.3

Capital Account		LATEST PERIOD	PREVIOUS PERIOD
ECB/FCCB flows (US$ Bn)[9]	↑	3.4	2.7
FII flows (US$ Bn)[9]	↑	0.01	-1.3
FDI flows (US$ Bn)[9]	↓	1.9	2.4
Forex reserves (US$ Bn)[10]	↑	287.6	285.9
Exchange rate (RS/ US$)[11]	↑	56.0	54.5

1. GDPfc Y-o-Y Growth January-March 2012, October-December 2011. 2. GDPfc Y-o-Y Growth April-June 2012, January-March 2012 3. Q-o-Q Growth Rate January-March 2011, October-December 2011 . 4. May 2012, April 2012 . 5. June 2012, May 2012. 6. June 2012, May2012. 7. June 2012, May 2012. 8. As on 29th June 2012, 18th May 2012. 9. May 2012, April 2012 10. As on 6th July 2012, 1st June 2012. 11. Average June 2012, May2012.

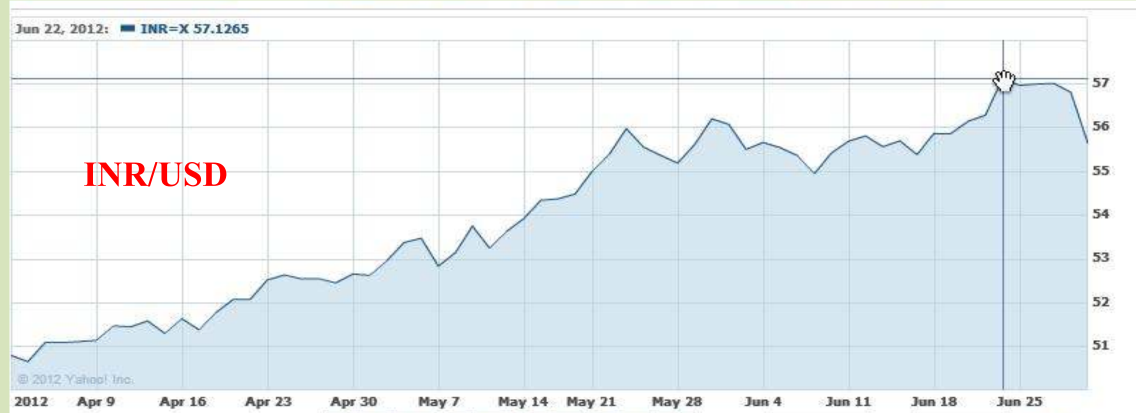
		Market Cap (US$ Billion)			Net Sales Growth (y-o-y)			Profit Growth (y-o-y
		July end 2012	June end 2012		Q1 2012-13	Q4 2011-12		Q1 2012-13	Q4 2011-12
Auto & Auto Parts	↔	55.7	56.5	↑	18.9	15.4	↑	17.2	13.3
Bank & Financial Institutions[1]	↓	95.9	97.6	↓	19.4	22.7	↑	8.0	2.1
Capital Goods[2]	↓	90.3	88.2	↑	13.8	12.4	↑	4.5	-3.0
Construction & Const. Material[3]	↑	111.4	109.8	↓	15.3	19.4	↓	-6.0	-0.5
Consumer Durables	↓	29.7	31.8	↑	18.2	16.4	↓	3.9	7.1
Fertilizer & Chemicals	↔	21.5	21.2	↓	22.9	24.7	↑	12.6	0.2
FMCG	↔	43.6	42.9	↑	19.7	17.8	↓	5.0	16.1
Health Care & Pharma	↔	61.9	61.4	↓	15.9	17.5	↓	0.4	7.6
IT & Telecom[4]	↓	129.7	131.1	↑	28.3	27.2	↑	29.7	12.7
Media & Entertainment[5]	↔	2.1	2.0	↑	22.2	17.6	↑	6.5	-2.7
Metals & Minerals	↔	15.1	15.2	↑	18.3	17.4	↓	-1.7	1.1
Oil & Gas[6]	↔	19.5	18.9	↓	13.9	18.8	↑	83.5	16.2
Power[7]	↔	9.5	9.8	↓	19.2	29.0	↓	-24.5	1.7
Textiles, Paper, Leather, Rubber & Wood	↔	11.9	12.2	↓	10.3	27.3	↓	-7.0	-4.3
Overall[8]	↔	**721.0**	**721.9**	↓	**18.1**	**19.8**	↑	**7.8**	**5.6**

1. Includes Public & Pvt banks, Finance- Housing, Investment, NBFC, Stock Broking, Term Lending & Ratings. 2. Includes Engineering, Electrodes & Welding Equipment & components, Electronics Component Abrasives, Bearings, Cables, Fasteners, Railway Wagons, Textile Machinery. 3. Includes Cement & Construction Material, Ceramics, Granite, Marble, Sanitary ware, glass, Construction real estate & Engineering Refractories 4. Includes BPO/ITeS, IT- Education, Hardware, Networking, Software, Telecom Equipment & Service Providers 5. Includes Animation, Film Production, Distribution & Entertainment, Photographic Products, Printing & Publishing, TV Broadcasting & Software Production. 6. Includes Gas Transmission/ Marketing, Industrial Gases/ Fuels, Oil Exploration, Petrochemicals, Refineries & Lubricants 7. Includes Electr Equipment, Power Generation, Distribution, Transmission Towers & Equipment. 8. Also Includes Hotels & Retail, Packaging & Logistics. (Results of 691 listed companies as on 9th August 2012)

RUPEE Vs DOLLAR / EURO / POND

The main driver of rupee depreciation in the last three months has been the withdrawal of funds by foreign institutional investors (FIIs) from domestic economy. The rather pessimistic view of FIIs is being governed by global developments. FIIs have registered a net sales position of US $ 1,581 million, between August and November so far. The Rupee was very volatile in F/Y 2011-2012 as it reached a high of 56.35. The key reason being large scale withdrawal of foreign portfolio flows from the Indian stock exchanges due to European sovereign debt default woes and debt outflows by way of foreign currency convertible bonds (FCCB) redemptions, external commercial borrowing (ECB) among others. High crude oil import, gold imports and coal imports also added to rupee weakness.

Inflation and Interest rates: If food price inflation continues to rise in F/Y 2012-2013 then one can expect a fall in Indian GDP growth. Forget about the headline inflation numbers. The real picture is that of a worried and hapless people worried more about food prices and cost of living. The cost of living in Urban India as well as rural India has risen sharply over the past few years. The industry needs lower interest rates which the RBI cannot do to prevent inflation spiral.



HIGH FUEL INFLATION CONTINUED

High fuel inflation continued as rupee depreciation partly offset lower oil prices Fuel inflation remained in double digits, reflecting the increase in international oil prices over the past two years. Though global oil prices have declined since March 2012, lagged pass-through of past increases has led to further increase in fuel prices. Also, the OMCs decided to implement the revised structure of 'state specific cost'. This has led to changes in prices of petrol, diesel, kerosene and LPG across different states. While prices increased in some states, it declined in some other states reflecting the state specific tax structure. Since March 2012, the extent of oil prices decline in dollar terms has been substantial enough to reduce the price in Indian rupee terms despite depreciation of the rupee . However, administered prices have not been revised for more than a year and therefore, risks to fuel inflation continue to remain significant. Achieving fiscal consolidation as envisaged in the budget for 2012-13 would hinge on the realisation of budgeted tax buoyancies and capping of subsidies to below 2 per cent of GDP. The compensation to oil marketing companies for under-recoveries budgeted at `400 billion for 2012-13, however, appears inadequate, given the spillover in compensation of `385 billion in Q4 of 2011-12 and under-recoveries of `478 billion reported by oil marketing companies for Q1 of 2012-13, in spite of some softening of global crude oil prices. Capping the subsidies within the budgeted limits would necessitate steps to allow the pass-through of international crude oil prices to domestic prices, failing which it would be difficult to achieve the overall deficit targets.

	Apr'12	May'12	Jun'12
HIGH	8242.79	7991.58	8089.80
LOW	7832.99	7337.94	7336.16
CLOSE	7964.63	7587.84	8075.67

INDIAN GOLD DEMAND

The macroeconomic backdrop remains highly supportive with the Euro zone, debt crisis far from resolved and the risk of debt crisis in Japan, the UK, India, China and the U.S. in the coming months.

Gold priced in rupees has hit record highs. Imports have already halved so far this year and a likely drought could further dent rural demand. Rural areas contribute to about 60% of the country's demand. Spot gold - priced in dollars - is up nearly 3% so far this month. Demand has been boosted by growing expectations of Fed QE and ECB govt bond buying. However, without physical demand from the world's top consumer, prices may not rally much further.

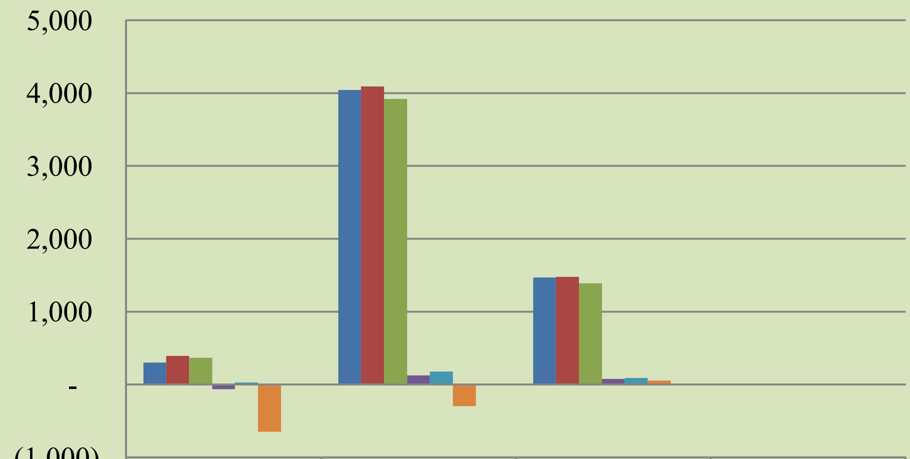
Jewellery consumption was down 72.3 tonnes at 418.3 tonnes, while investment fell 88.3 tonnes to 302 tonnes. Physical demand slowed down in western markets and especially in India in recent months but large buyers continue to accumulate – both hedge funds and central banks and this is providing fundamental support to gold above the $1500 to $1,600/oz level Given the appalling fiscal and monetary backdrop, demand for gold, particularly from investors and store of wealth buyers will likely increase significantly in the coming years – as gold gradually goes from a its status as a fringe investment back to being a mainstream asset common in all investment portfolios and owned by the majority of investors and savers. In India, investment and jewellery demand fell to 181.3t, down from 294.5t in Q4 2012. At 56.5t, investment demand was less than half the level in Q4 2012. Indian jewellery demand also experienced a noticeable drop to 124.8t, down 30% year-on-year from 179.5t. These marked declines were partly a reflection of the strength of demand in Q4 2012 and also driven by Indian investors taking advantage of the weak rupee against the US dollar. The fluctuations in the exchange rate and the rise in the gold price to records of around Rp30,000/10g in June were compounded by domestic inflation and concerns over a weak monsoon season. Gold sales are expected to fall 40% this festival season to 200 tonnes. The macroeconomic backdrop remains highly supportive with the Euro zone debt crisis far from resolved and the risk of debt crisis in Japan, the UK, India, China and the U.S. in the coming months. Accumulation of gold bullion from central banks was the bright spot in demand last quarter, as total demand fell 7% globally, which was driven by a 38% fall in consumer demand from India Price sensitive Indians have been shunning gold and many have been opting for far cheaper poor man's gold – silver.

SECTOR WISE DETAILS

Sector Name	Net Sales (Rs mn) June 11	PAT (Rs mn) June 11	Net Sales (Rs mn) June 12	PAT (Rs mn) June 12	Net Sales (%) YoY %-Change	PAT (%) YoY %-Change
Airlines	54,232	(5,030)	48,887	(5,615)	-9.90%	N.A.
Auto Ancillaries	107,872	8,390	157,489	7,298	46.00%	-0.13
Banking	1,204,734	135,322	1,493,167	183,817	23.90%	0.358
Computers (Hardware)	29,665	(532)	29,130	(154)	-1.80%	N.A.
Consumer Products	104,837	10,694	124,616	13,836	18.90%	0.294
Energy	2,801,078	82,033	3,135,271	4,070	11.90%	-0.95
Finance	194,765	39,941	254,917	49,923	30.90%	0.25
Power	279,563	44,795	313,617	46,712	12.20%	0.043
Real Estate / Const.	125,676	9,175	133,519	5,966	6.20%	-0.35
Shipping	3,191	167	2,352	22	-26.30%	-0.868
Telecom	280,534	14,549	320,185	11,078	14.10%	-0.239

Indian aviation has even less reason than the bumblebee to fly. With humongous debts, high costs structures and unviable business models, they have been trying to compete on fares - and have largely failed. Despite the recent bit of false cheer in the markets due to the return of Jet Airways and Spice Jet to profitability in the first quarter of 2012-13 (Q1, April-June), the fact is even with Kingfisher down (but not quite out), and Air India flying on a wing and a prayer (after the pilot strike's after-effects), neither airline actually made a real profit without sharp financial engineering. In the case of Spice Jet, the airline wrote-in many extraordinary items as current income - among them warranty claims of Rs 12.9 crore, a one-off sale-and-leaseback deal worth Rs 39 crore - but failed to account for some interest costs and foreign exchange loan exposures. According to Mint, excluding these items, the airlines would have been in the red - though not by much. Instead, the airline reported a profit of Rs 56 crore in the quarter ending June 2012.The plus sign at the bottom line also had much to do with not providing for foreign exchange losses of Rs 288.7 cr. Clearly, if India's airlines cannot make a decent profit even when two of the six main airlines are down (Air India and Kingfisher), it indicates that the business is fundamentally unviable. Naresh Goyal, boss of Jet, told ET as much: "investors want the fundamental problems of the sector to be resolved first and they are watching the sector closely."One metric explains it all even better. Collectively, the Indian aviation sector has loans of over Rs 1,10,000 cr. But their market worth is probably only a fourth (or less) of that. While it is difficult to value companies like Air India, Indigo and Go Air, since they are not listed, it is easier to do it with Jet Airways - the market leader by a whisker. The reasons for this state of affairs are well known: high fuel costs, poor business models, a premature flight to lower fares without low-cost airport and other infrastructure, and low equity investments by the promoters. This is why they are drowning in debt.

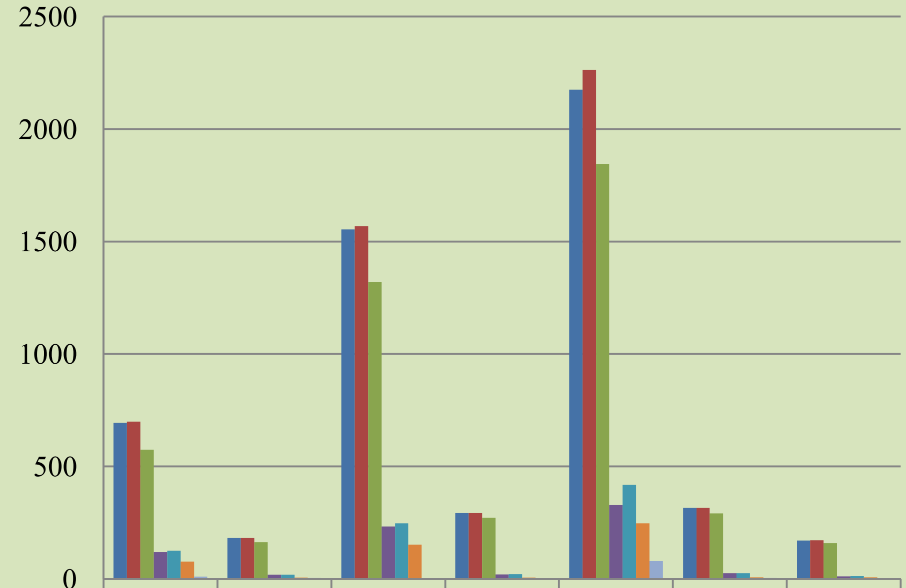
Airlines	BSE		NSE	
	High	Low	High	Low
Kingfisher Airlines	21	10.05	21.2	9.85
Jet Airways	396.2	275.1	396.5	280.15
Spice Jet	35.6	23.2	-	-
Jagson Airways	5.65	3.55	-	-



	Kingfisher Airlines	Jet Airways	Spicejet	Jagson Airways
Sales Turnover	301	4,042	1,467	-
Total Income	394	4,093	1,479	0.0
Total Expense	365	3,917	1,391	0.3
Operating Profit	(64)	124	76	(0.3)
Gross Profit	29	175	88	(0.3)
Net Profit	(651)	(298)	56	(0.4)
EPS	-	-	1.16	-

AUTO ANCILLARIES

There has been a conscious effort by manufacturers to improve productivity of the suppliers in the past few years. Though the number of active vendors has declined significantly for auto manufacturers, technology transfer and fresh fund infusions have resulted in improved productivity in the remaining ones. Relaxation of FDI norms for the small-scale sector could emerge as one of the key growth drivers in the long run. The Indian automotive components industry has lined up sizeable investment schedules for the next few years. In the long term, the growth of this sector will depend partly on pace of indigenization levels across all segments. The prospects look bright as most companies are increasing the indigenous components, in an effort to reduce their currency losses and remain competitive. Also, the fact that auto manufacturers like Ford, Hyundai and Maruti are exporting cars, make the prospects look encouraging. Just like the auto industry, the auto ancillary industry witnesses a rise in input costs during the year.



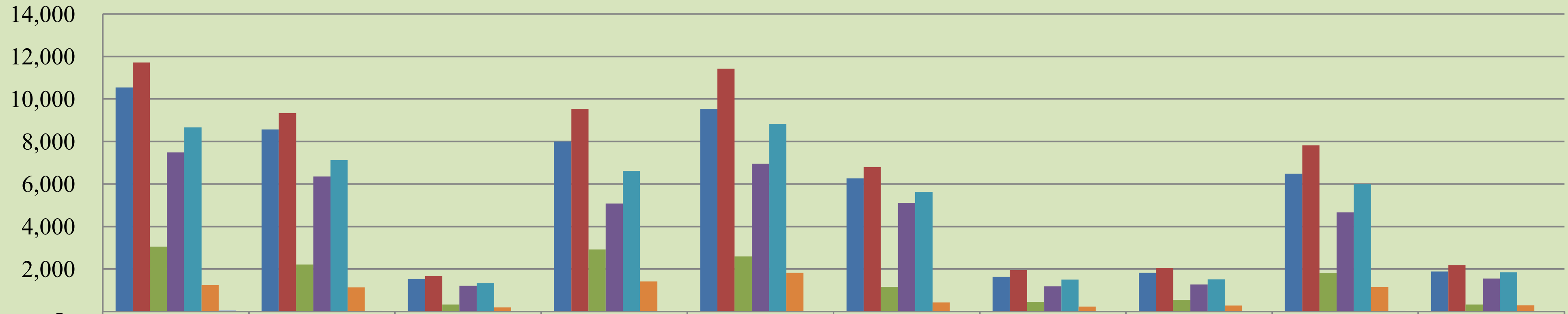
	Amara Raja Batt.	Automotive Axles	Exide Industries	Gabriel (I)	Bosch Ltd	Omax Autos.	Timken India
Sales Turnover	693.79	181.81	1,554	292	2,174	316	171
Total Income	699.64	182.02	1,568	293	2,263	316	172
Total Expense	574.27	163.85	1,321	272	1,845	291	159
Operating Profit	119.52	17.96	233	21	329	25	12
Gross Profit	125.37	18.18	248	21	418	25	13
Net Profit	76.09	5.94	152	6	247	7	7
EPS	8.91	3.93	2	1	79	3	1

Auto Ancillaries	BSE		NSE	
	High	Low	High	Low
Amara Raja Batt.	324	267.05	323.95	268.1
Automotive Axles	560	435.4	560	431
Exide Industries	151.3	112.9	151.6	112.15
Gabriel (I)	27.85	20.53	27.85	20.58
Bosch Ltd	9300	8075	9399.95	8065
Omax Autos.	53.8	36	53.9	36.4
Timken India	269.15	185.1	269	185.05

The automobile sector is cyclical and dependent on the growth of the economy and improvement in infrastructure. Factors like increased public spending, favorable interest rates and general improvement in per capita income point towards higher demand for automobiles in the future. Also, government's initiatives in the infrastructure sector such as the Golden Quadrilateral project and NHDP (National Highway Development Programme) are likely to give boost to four-wheeler sales especially CVs.

As on	31-Mar-12	30-Jun-12
Bank rate	9.50%	9%
Repo Rate	8%	8%
Reverse rate	7%	7%
CRR	4.75%	4.75%
Base Rate	10.46%	10.50%
$/ Rupee Rate	51.85	56.05
SLR	24%	23%

Indian sovereign bond market remained largely insulated from overseas pressures 2.9 During the period under review, the rating agencies, S&P and Fitch, changed the outlook on Indian sovereign debt and 11 banks /institutions, from stable to negative. Though the government bond yields rose marginally on the news of change in the rating outlook, they quickly retraced. Since the Central Government does not borrow in the offshore markets and reliance on outside investors by way of Foreign Institutional Investment (FII) is limited, the impact was muted. The process of deleveraging underway among European banks has raised the cost of borrowing for Indian firms and banks. Smaller borrowers have found their traditional funding lines withdrawn. A large part of foreign currency borrowings of Indian firms and banks is in the form of loans (External Commercial Borrowings) rather than bonds. The current external rating of India stands at BBB- (with a negative watch by S&P and Fitch and Baa3 by Moody's). A rating change could have some 'cliff effects'. This could affect both availability and cost of foreign currency credit lines for Indian corporate further.



	PNB	BOB	Federal Bank	HDFC Bank	ICICI Bank	IDBI Bank	Indusind Bank	Kotak	Axis Bank	Yes Bank
Sales Turnover	10,545	8,558	1,537	8,007	9,546	6,270	1,632	1,816	6,483	1,886
Total Income	11,711	9,328	1,661	9,537	11,426	6,787	1,951	2,057	7,818	2,174
Total Expense	3,053	2,209	332	2,920	2,589	1,165	452	548	1,811	331
Operating Profit	7,492	6,348	1,204	5,088	6,956	5,104	1,180	1,268	4,672	1,556
Gross Profit	8,658	7,119	1,329	6,617	8,836	5,621	1,498	1,509	6,008	1,844
Net Profit	1,246	1,139	190	1,417	1,815	427	236	282	1,154	290
EPS	36.73	27.62	11.13	6.02	15.74	3.34	5.04	4	27.84	8.2

GLOBAL CONSUMER PRODUCTS CORPORATE AND PE TRANSACTIONS

Overall deal activity in the second quarter was virtually unchanged from Q1 12. Total deal volumes declined by just 2 deals (1%) to 303 transactions from 305. Accompanying this stabilization in deal flow was a dramatic rise in value. Total value in Q2 12 reached US$51.2b, exceeding the previous high point in our review period (US$38.7b recorded in Q1 10) by a third. Average deal value also rose sharply from the first-quarter low point, increasing to US$466m from US$96m. The second quarter also witnessed the return of the megadeal (value of more than US$5b), with two transactions falling into this category: AB InBev's US$20.1b purchase of the remaining half of Model that it did not already own, and Nestlé's acquisition of Pfizer's infant nutrition division for US$11.9b. Consumer products companies can no longer rely on historical growth rates in mature markets, but they cannot ignore them.

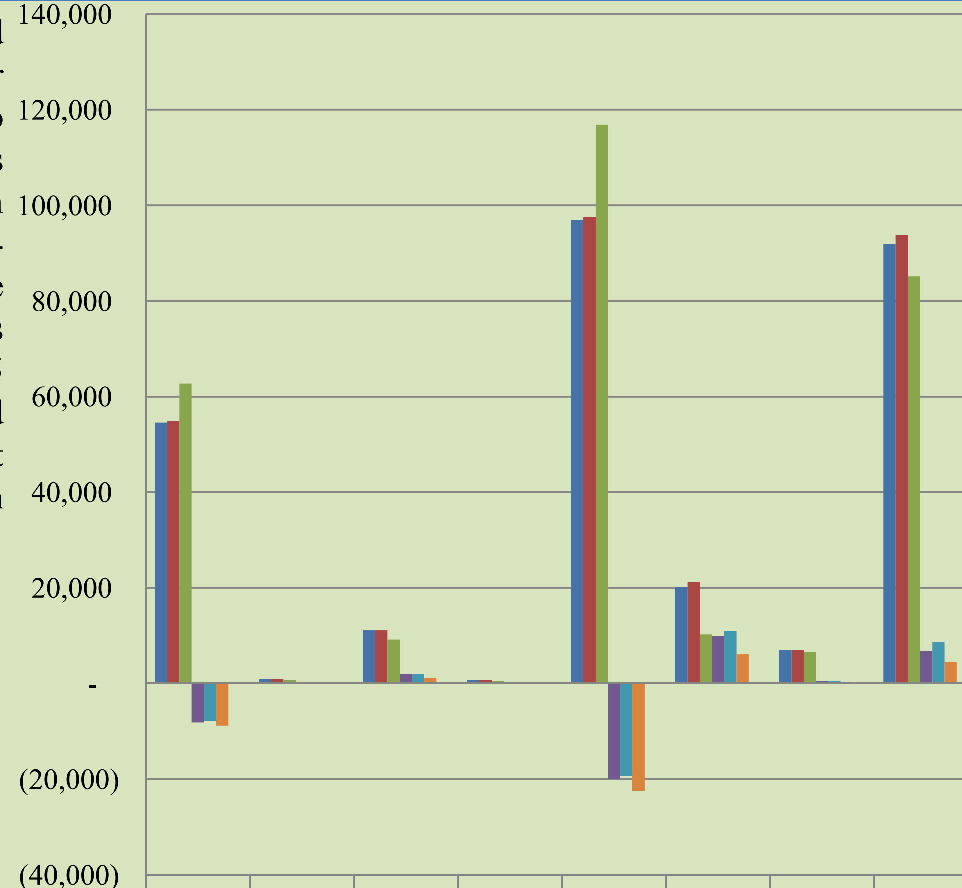
Deals Announced	1Q 2012	4Q 2012	Seq% Change	1Q 2012	4Q 2011	YoY% Change
Corporate Deals by Subsector						
Beverages	50	55	-9%	50	54	-7%
Food	173	175	-1%	173	243	-29%
HPC	27	31	-13%	27	42	-36%
Tobacco	2	1	100%	2	5	-60%
Total	**252**	**262**	**-4%**	**252**	**344**	**-27%**
PE Deals by Subsector(Based on Seller Sector)						
Beverages	7	9	-22%	7	15	-53%
Food	39	31	26%	39	90	-57%
HPC	5	2	150%	5	11	-55%
Tobacco	0	1	-100%	0	2	-100%
Total	**51**	**43**	**19%**	**51**	**118**	**-57%**
Total Consumer Product(CP) Deals by Sector, Corporate and PE						
Beverages	57	64	-11%	57	69	-17%
Food	212	206	3%	212	333	-36%
HPC	32	33	-3%	32	53	-40%
Tobacco	2	2	0%	2	7	-71%
Total	**303**	**305**	**-1%**	**303**	**462**	**-34%**

ENERGY

The second quarter of 2012 also saw 13 new clean tech and solar-focused investment funds announced committing USD 3.2 billion. the solar sector attracted total funding of over Rs 24,000 crore through 66 deals, including two Indian transactions — Reliance Power and Azure Power –, in April-June this year. Two Indian deals — Reliance Power securing a USD 103 million loan from Asian Development Bank (ADB) and Azure Power securing USD 70.4 million in long-term financing from the Export Import Bank of the US — were listed in the project funding category. Reliance Power secured ADB loan for its 100 MW CSP project while Azure Power get financing for expanding its 5 MW solar PV project to 40 MW. Only six of these transactions disclosed details. The top M&A transaction was the acquisition of Zhejiang To point Photovoltaic, a Chinese mono and polycrystalline maker, for USD 276 million by Guangxi Beisheng Pharmaceutical in an asset restructuring plan.

In this quarter we are finally seeing VC investments catch up, with downstream receiving the most funding. Balance-of-system (BOS) companies also represent a significant opportunity for investment, innovation and cost reduction, and they are now the largest slice of the solar system pie, but VC investments in BOS have been surprisingly low," Mercom Capital Group Managing Partner Raj Prabhu said. "With news of solar companies downsizing or going out of business seemingly every day, continued steady VC investment activity in the sector is good news.

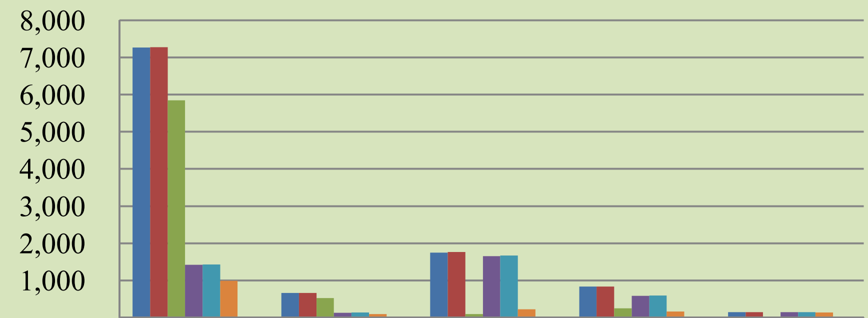
Energy	BSE		NSE	
	High	Low	High	Low
BPCL	387.3	324.05	387.5	322.63
Castrol India	548	473.3	549.85	473.1
GAIL	384.9	303.1	385.5	302
IOC	285.95	239	289.9	235.35
ONGC	285.55	240.1	285.8	240.1
Petronet LNG	175	122.25	174.9	122
ONGC	285.55	240.1	285.8	240.1



	BPCL	Castrol India	GAIL	IP GAS	IOC	ONGC	Petronet LNG	Reliance Ind
Sales Turnover	54,548	854	11,112	761	96,897	20,178	7,030	91,875
Total Income	54,862	868	11,150	764	97,514	21,216	7,057	93,779
Total Expense	62,698	682	9,190	581	116,83	10,248	6,573	85,128
Operating Profit	(8,150	173	1,922	180	(19,94	9,930	457	6,747
Gross Profit	(7,836	186	1,960	183	(19,32	10,968	484	8,651
Net Profit	(8,837	121	1,134	85	(22,45	6,078	271	4,473
EPS	-	4.89	9	6	0	7.1	3.61	14

FINANCE

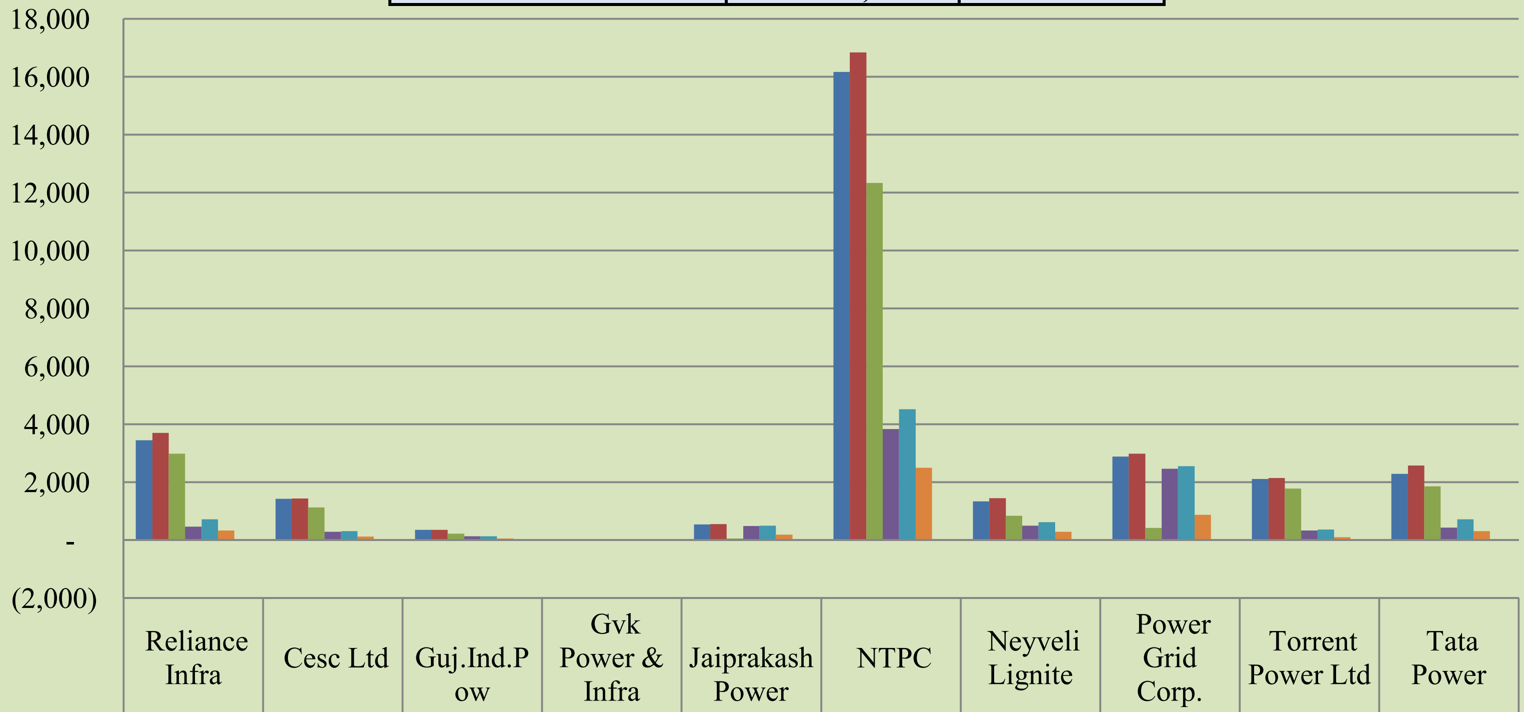
India's fiscal deficit during the April-June period rose to 1.9 trillion rupees ($34.22 billion), or 37.1 percent of the full fiscal year 2012/13, government data showed on Tuesday. During the same period in the last fiscal year, the deficit was 39.4 percent of the budget target. Net tax receipts during April-June stood at 1.05 trillion rupees and the total expenditure was 3.1 trillion rupees. In March, the government had budgeted a fiscal deficit of $5.14 trillion rupees or 5.1 percent of the gross domestic product (GDP) for the current fiscal year. However, introduction of inflow friendly measures by the government stabilised the markets and lifted the rupee value which crossed its all-time lows on 27 June. Encouraging global developments also yielded positive outlook for the economy. Combination of domestic and global fundamentals ruled the financial market sentiments during the first fortnight of June. While, on the domestic front, crucial policy decision disappointed market expectations as the central bank kept the key policy rates unchanged as against the much anticipated rate cut. Investment activity in India improved to some extent during the period, with the resurgence of global capital inflows, on the back of deferment of GAAR for one year coupled with relatively better domestic growth numbers During the second fortnight of May, the global macroeconomic and financial conditions continued to deteriorate further. At the same time, slowdown in the domestic economy was also proved by GDP growth for 2011-12 decelerating to 6.5% y-o-y, raising deepening concerns over the domestic macro-economic situation, since the growth rate was the lowest in nine years, including the global financial crisis period of 2008-09 when it was 6.7%. The widening current account deficit and weak global investment climate coupled with policy paralysis, sticky inflation and slowing growth have increased the aversion of foreign investors to India, pushing the capital account into the red. In addition, the move by rating agency Standard & Poor's (S&P) to cut the country's credit rating outlook to "negative" has complicated matters further for the RBI, which has few options other than intervention and tinkering with rules on export credit to encourage inflows.



	HDFC	IFCI	LIC Housing	Mahindra Finance	Religare Enterprises
Sales Turnover	7,269	661	1,746	835	146
Total Income	7,277	667	1,767	839	146
Total Expense	5,848	528	94	247	1
Operating Profit	1,421	132	1,653	588	145
Gross Profit	1,429	138	1,673	592	145
Net Profit	987	94	228	161	142
EPS	6.63	1.27	4.51	15.48	9.48

The government expects to generate around 9,20,000 MUs of electricity this fiscal, according to official data. Out of the total, 7,60,000 MUs would be from coal-based plants. It plans to harness the hydro power potential of the country by adding over 1,22,000 million units during the same period. Overall, the country witnessed a peak power shortage of 9 percent from April to June this year. Peak power deficit is the shortfall in generation capacity during the time when the electricity consumption is the maximum. The country suffered power generation loss of close to seven billion units from April to June this year, mainly on account of coal and gas shortage. During April-June, 2012, the power utilities have reported a generation loss of about 2.9 billion units due to shortage of coal and 4 billion units due to shortage of gas

Total Installed Power Capacity for All Sectors by 2012		
Sector	**MW**	**%**
State Sector	85,983.67	41.64
Central Sector	65,502.45	31.74
Private Sector	54,969.92	26.62
Total	**206,456.04**	**100**

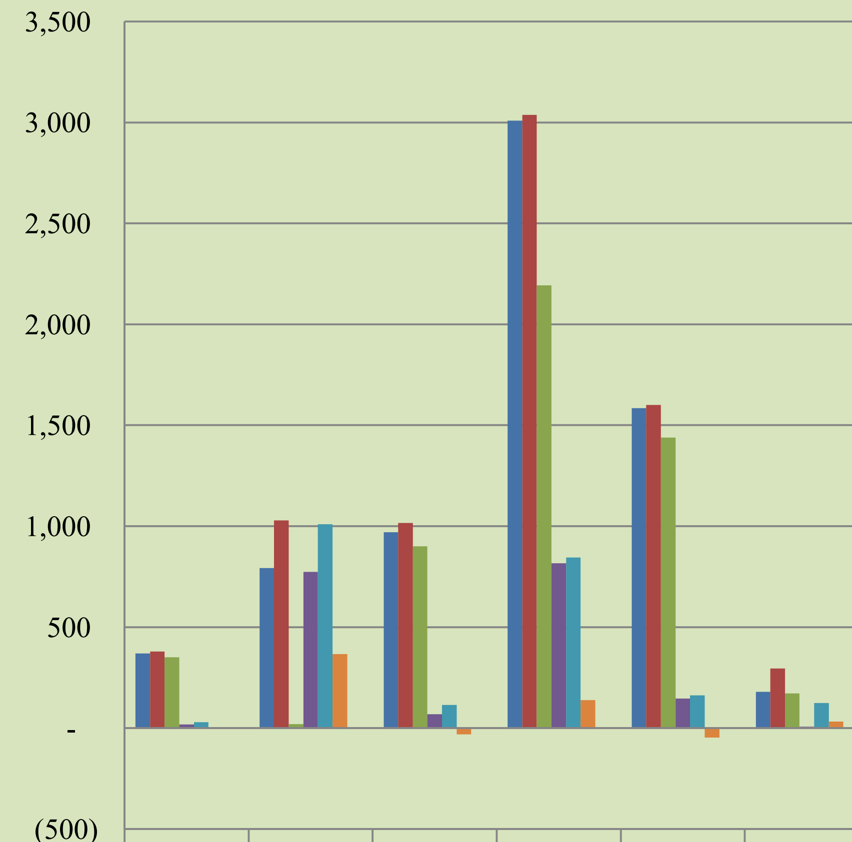


	Reliance Infra	Cesc Ltd	Guj.Ind.Pow	Gvk Power & Infra	Jaiprakash Power	NTPC	Neyveli Lignite	Power Grid Corp.	Torrent Power Ltd	Tata Power
Sales Turnover	3,447	1420	351	7	545	16,166	1,332	2,888	2,109	2,284
Total Income	3,706	1,441	353	14	554	16,845	1,453	2,980	2,139	2,576
Total Expense	2,987	1,130	215	4	55	12,329	835	424	1,779	1,855
Operating Profit	460	290	136	3	490	3,837	497	2,465	330	429
Gross Profit	718	311	138	10	499	4,516	617	2,557	360	722
Net Profit	327	125	55	(6)	183	2,499	288	870	104	312
EPS	12.43	9.92	4	-	1	3	1.72	2	2.21	1.32

REAL ESTATE

The real estate sector and the common man (as a property buyer) had a number of expectations from the Budget 2012-13. As per pre-budget expectations, industry experts and working professionals expected exemption limit of Rs. 3 lakh. The 1% tax rebate for home loans on properties costing up to Rs. 25 lakh were expected this year too. The wish list of the realtors for the Budget 2012 expected that, the government will improve the real estate sector by recognizing it as an "Industry". Property buyers had a wish list of incentives for buyers who purchased second and third homes. Global economic uncertainties have affected India's economy, including the real estate market. "Macroeconomic indicators are not healthy. Fiscal deficit and interest rates are high while the rupee is depreciating. All this does not bode well for any industry, especially real estate," says Anuj Nangpal, director, investment advisory, DTZ India, a property consultancy firm. The real estate prices in Delhi and NCR would dip by 20 percent on account of economic slowdown, soaring interest rates and debt burden. Absorption of realty projects has gone down by about 60 per cent in NCR in the first quarter compared to the same quarter last year, revealed Prop Equity.

Real Estate	BSE		NSE	
	High	Low	High	Low
Bl Kashyap & Sons	12.45	8	12.55	7.1
DLF Ltd	210.95	169.55	211	169.75
Hind. Construction	27.4	16.75	27.45	16.6
Jaiprakash Asso.	88.9	58.05	88.95	58
Lanco Infratech	19.4	11.68	19.4	11.4
Unitech	30.4	19	30.4	19.2

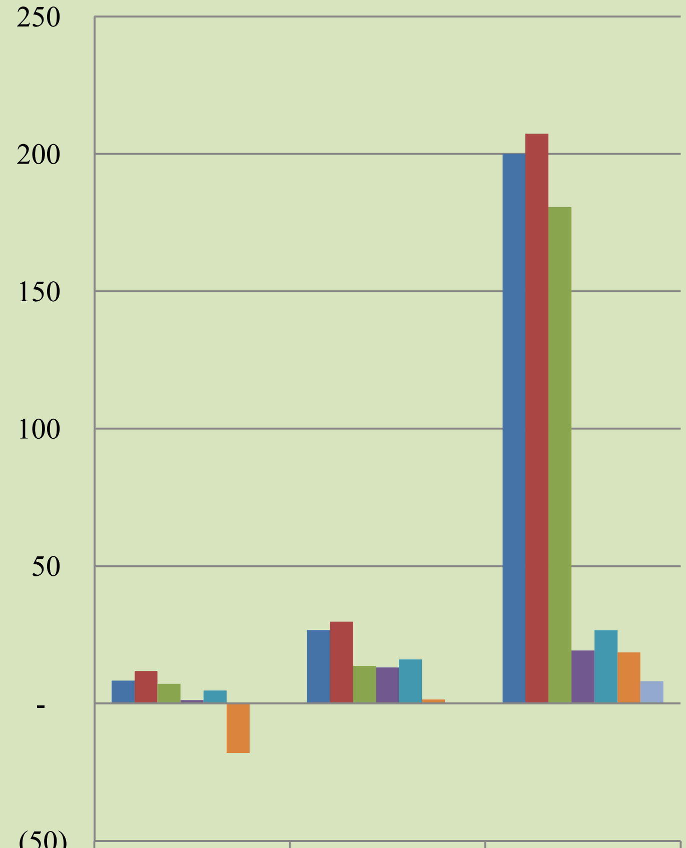


	Bl Kashyap & Sons	DLF Ltd	Hind. Construction	Jaiprakash Asso.	Lanco Infratech	Unitech
Sales Turnover	369	792	969	3,008	1,585	179
Total Income	380	1,029	1,015	3,037	1,601	296
Total Expense	350	19	900	2,192	1,438	172
Operating Profit	19	773	69	816	146	7
Gross Profit	29	1,010	115	844	162	124
Net Profit	(4)	367	(31)	139	(47)	32
EPS	-	2.16	0	1	-	0

SHIPPING CORPORATION

Shipping corporation of India closes the period April-June with an accentuation of the net loss. The ship owning society Indiana Shipping Corporation of India (SKI) has concluded the period April-June of this year with a net loss of 548.7 million rupees (10 million dollars) on an operating revenue of 11.5 billion rupees respect to a net loss of 58.6 million rupees on an operating revenue of 9.3 billion rupees in the correspondent period of 2011.

The single segment of the transport of line of the Indian ship owning group has archived item the second trimester of the 2012 with liabilities before taxes of 405.0 million rupees on an operating revenue of 3.3 billion rupees respect to liabilities before taxes of 613.2 million rupees on an operating revenue of 2.7 billion rupees. The segment of the bulk transport sand banks has generated a profit before taxes of 501.0 million rupees on an operating revenue of 8.5 billion rupees respect to a profit before taxes of 301.5 million rupees on an operating revenue of 6.7 billion rupees in according to trimester of 2011.

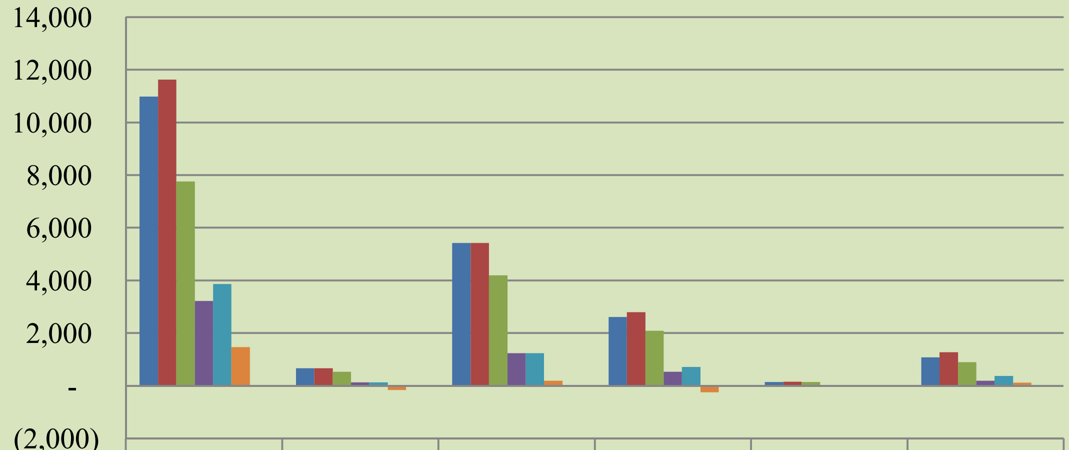


	Essar Ports	Hind.Oil Exp	Jindal Drill
Sales Turnover	8	27	200
Total Income	12	30	207
Total Expense	7	14	181
Operating Profit	1	13	19
Gross Profit	5	16	27
Net Profit	(18)	1	19
EPS	-	0	8

TELECOMMUNICATION

India is one of the world's fastest growing telecom markets, and this has acted as the primary driver for foreign and domestic telecommunication companies investing into the sector. Massive investments have been made in the telecom sector of India, both by the private and government sector. The telecom industry has witnessed significant growth in subscriber base over the last decade, with increasing network coverage and a competition-induced decline in tariffs acting as catalysts for the growth in subscriber base. The growth story and the potential have also served to attract newer players in the industry, with the result that the intensity of competition has kept increasing. The sector is expected to witness up to US$ 56.3 billion investments and the market will cross the US$ 101 billion mark in five years, according to consultancy firm Boston Consulting Group (BCG). BCG India's Partner and Director, Arvind Subramanian said the industry will continue to grow at 12-13 per cent annually. With new players coming in, the intensity of competition in the industry has increased, especially over the last four years. The market share of the telecom companies reflects the fragmented nature of the industry, with as many as 15 players. As of April 30, 2012, Bharti telecom led the market with 19.9 per cent share, Reliance (16.7 per cent), Vodafone (16.4 per cent), Idea (12.4 per cent), BSNL (10.6 per cent), Tata (8.8 per cent), Aircel (6.9 per cent), with the remaining share being held by other smaller operators, according to Telecom Regulatory Authority of India (TRAI) database. Mobile Number Portability requests increased from 41.88 million subscribers at the end of March 2012 to 45.89 million at the end of April 2012

Telecom	BSE		NSE	
	High	Low	High	Low
Bharti Airtel	344	280.1	343.85	280.1
Tata Teleservices	15	12.05	14.95	11.35
Idea Cellular	101.2	71.2	101.2	65.6
Reliance Communications	90.4	60	90.45	59.45
Agc Networks	264.75	167.05	265.75	166.1
Tata Comm.	240.35	190.65	242.55	197.45



	Bharti Airtel	Tata Teleservices	Idea Cellular	Reliance Communications	Agc Networks	Tata Comm.
Sales Turnover	10,981	659	5,427	2,616	147	1,082
Total Income	11,623	661	5,427	2,794	151	1,269
Total Expense	7,759	528	4,191	2,083	143	892
Operating Profit	3,221	132	1,236	533	5	190
Gross Profit	3,864	134	1,236	711	8	377
Net Profit	1,470	(163)	190	(252)	6	114
EPS	4	0	0.57	-	4	4

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