

Weekly Wrap-Up

Affirmative set of second quarter earnings by Reliance Industries that was almost on anticipated lines, ITC and Ambuja Cements among others, and assenting global markets on one hand along with escalated WPI for the month of September, moderated inflow of foreign funds and depreciation in the Indian currency on the other summed up the week which witnessed flattish gains of around one tenths of a percent after retreating for the first time in six weeks during last week's slither of around one and a half percentage point.

WPI Inflation for the month of September 2012 clambered to its highest level in 10 months limiting central bank's knack to cut rates to help support the economy post prior week's recuperated Industrial data that clambered to 2.66% during August 2012 against anticipation of around a percent and prior months negligible provisional growth of 0.1%. WPI inflation edged up to 7.81% in September 2012 from provisional 7.55% in August 2012 due to a steep hike in diesel price in mid-September 2012. The core inflation, which is manufactured products inflation excluding food products, remained steady at 5.57% in September 2012. The annual reading for July has revised up to 7.52% from the provisional figure of 6.87% earlier.

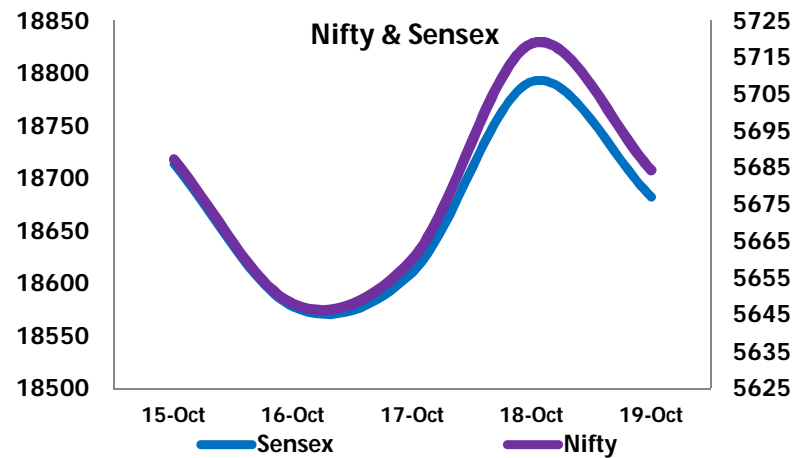
RBI that is slated to announce its Second Quarter Review of Monetary Policy - 2012-13 on 30th October 2012 shall factor in the impact of the government's economic reforms on growth and inflation while formulating its monetary policy as per RBI Deputy Governor, Mr. Subir Gokarn.

The Indian rupee witnessed sharp correction on the last day of the week, losing over 2% from prior session's close to hit an intraday low of 53.95 against the US dollar. It closed at 52.87/dollar on Wednesday and at 53.41/dollar on Thursday.

Cigarette maker, ITC that declared above anticipated second quarter earnings on the last day of week hit its record high of 299. The company's second quarter net profit rose better-than-expected 21% year-on-year to Rs 1,836 crore, aided especially by strong growth in its FMCG and agri-business. Net sales for the July-Sep period towered 20% to Rs 7,146 crore. Reliance too reported above anticipated earnings for the July-Sep quarter of FY13. RIL's net profit jumped 20.2% to Rs 5376 crore on 1.7% decline in turnover to Rs 93265 crore in Q2 September 2012 over Q1 June 2012. GRM surged to \$9.5/brl in Q2FY13 from \$7.6/brl in Q1FY13. However, on YoY basis net profit declined 5.7% to Rs 5376 crore on 15.4% growth in turnover to Rs 93265 crore.

FII's that profoundly poured in funds to the tune of Rs. 2829.59 crores last week following preceding weeks robust inflow of Rs. 6106.42 crores and Rs. 9759.89 crores respectively—moderated this week with flow of net negative inflow of Rs. 137.25 crores.

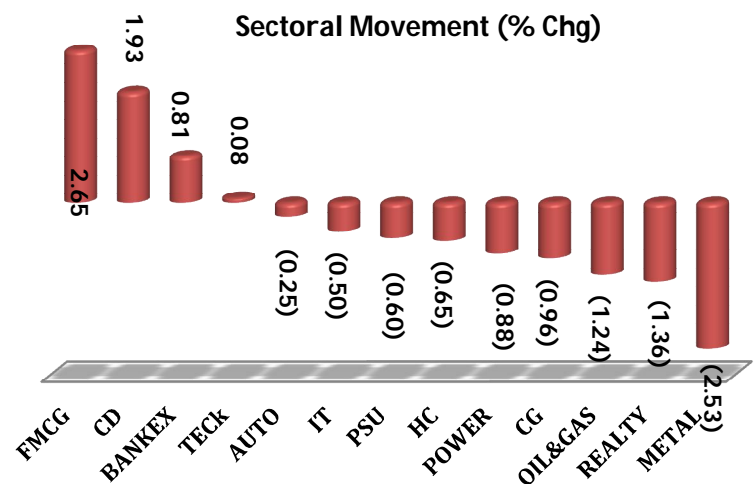
Market Trend



Major Indices

Major Indices	19 th Oct 12	12 th Oct 12	% Chg
BSE Sensex	18,682.31	18,675.18	0.04
S&P Nifty	5,684.25	5,676.05	0.14
BSE Midcap	6,671.62	6,676.85	(0.08)
BSE Small cap	7,169.75	7,109.73	0.84
BSE 100	5,694.20	5,696.37	(0.04)
BSE 200	2,307.32	2,308.53	(0.05)
BSE 500	7,214.02	7,213.64	0.01
CNX NIFTY JUNIOR	11,108.85	11,210.20	(0.90)
CNX 100	5,572.60	5,573.10	(0.01)
S&P CNX DEFTY	3,652.30	3,723.35	(1.91)
S&P CNX 500	4,509.45	4,506.15	0.07
CNX MIDCAP	7,903.85	7,921.50	(0.22)
NIFTY MIDCAP 50	2,258.20	2,286.05	(1.22)

Sectoral Trend



Market Perspective

The festive truncated trading week ahead that is shut on Wednesday on account of Dussera shall persist to witness stock specific action, ruled primarily by the second quarter earnings. The expiry of October month Futures & Options contracts shall keep the benchmark indices choppy during the week. The near-month October 2012 derivatives expire on Thursday, 25 October 2012. Inflow of foreign funds along with the Indian currency's vogue shall be ardently eyed upon after this week's slithered inflow of foreign funds and sharp depreciation in the currency. Global indices that are set to mark numerable impending releases next week shall endure to simmer back their sentiment back home.

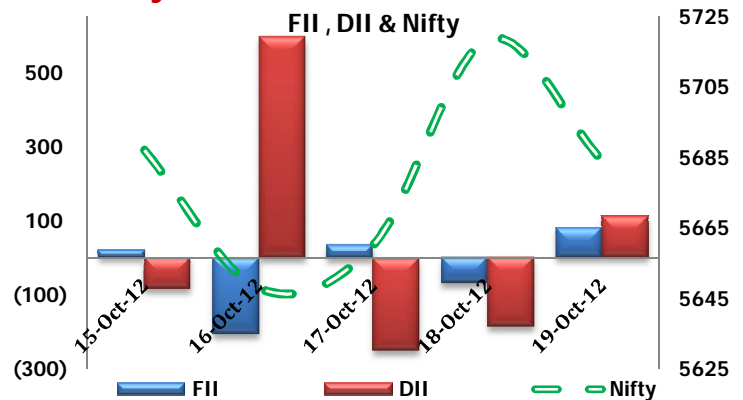
After loads of assorted earnings releases this week by major companies, next week too is scheduled to display yet another long list of earnings. Bajaj Auto, Ultratech, M & M Financial and Bajaj Holdings are set to unveil their earnings on Saturday. Idea Cellular, L & T, HDFC Corp, Cairn India, Phoenix Mills and Bank of Baroda shall declare their earnings on Monday. Lupin, Hero MotoCorp, Sterlite Industries (India), Yes Bank and Arvind Ltd. will unveil their earnings on Wednesday. Mahindra & Mahindra, Kotak Mahindra Bank and Asian Paints will announce their Q2 results on 25 October 2012. Hindustan Unilever, Dabur, Hindustan Construction, ICICI Bank, Indian Overseas Bank, NTPC, Sesa Goa, GAIL (India), Punjab National Bank and IDFC among others are scheduled to disclose their Q2 September quarter performance 26 October 2012.

Investors and analysts will closely watch the management commentary that would accompany the results which could cause revision in their future earnings forecast of the company for the current year and the next year.

Investors may watch out for development on the taxation front. Finance Minister P. Chidambaram had said on 1 October 2012 that the government will set final rules on tax avoidance within 20 days after considering recommendations made by a government panel. The committee in an earlier report submitted to the government last month had suggested deferring the implementation of GAAR by three years.

On the global front lots of data are scheduled to be released next week that primarily includes the Federal Open Market Committee (FOMC) meet, GDP, New Home sales, Durables Goods Order, Jobless Claims and Consumer Sentiment among others next week that determine market's vogue.

FII Activity



Weekly Movers

Company Name	Last Trade	Previous week close	% Return WoW
Godrej Industries	306.40	280.70	9.16
Essar Oil Ltd.	64.25	59.15	8.62
Syndicate Bank	123.45	115.20	7.16
Axis Bank Ltd.	1,199.50	1,120.20	7.08
Shree Cement	4,235.00	4,000.85	5.85

Weekly Lagers

Company Name	Last Trade	Previous week close	% Return WoW
GMR Infra	22.50	24.15	(6.83)
Lanco Infratech	13.70	14.65	(6.48)
ACC Ltd.	1,408.20	1,498.45	(6.02)
DLF Ltd.	206.05	218.90	(5.87)
Engineers India	239.45	253.95	(5.71)

Upcoming Q2 Earnings

Date	Company	Date	Company	Date	Company
20-Oct	UltraTech	23-Oct	JP Ven	26-Oct	Dabur
20-Oct	M & M Fin	23-Oct	Bank of Mah	26-Oct	Cont Corp
20-Oct	Bajaj Auto	23-Oct	Arvind	26-Oct	GAIL
20-Oct	Indian Bank	23-Oct	Indiabulls Re	26-Oct	Torrent P
20-Oct	Bajaj Hold	23-Oct	Yes Bank	26-Oct	Pun&Sind
22-Oct	Idea Cellular	25-Oct	Adani Ent	26-Oct	HOEC
22-Oct	Indiabulls Po	25-Oct	Asian Paints	26-Oct	PNB
22-Oct	Kirloskar Ind	25-Oct	IPCA Lab	26-Oct	NTPC
22-Oct	BoB	25-Oct	Delta Corp	26-Oct	Emkay GI
22-Oct	Phoenix Mill	25-Oct	KPIT Cum	26-Oct	IoB
22-Oct	HDFC Corp	25-Oct	NALCO	26-Oct	INOX Lei
22-Oct	Mahindra Fo	25-Oct	Mah & Mah	26-Oct	IDFC
22-Oct	Syndicate Ba	25-Oct	Kotak Mah	26-Oct	Kansai Ne
22-Oct	Larsen & Tou	25-Oct	Bajaj Elec	26-Oct	Shalimar
22-Oct	Indiabul Fin	25-Oct	Sasken Com	26-Oct	HCC
23-Oct	Lupin	25-Oct	Oriental Ban	26-Oct	HUL
23-Oct	United Pho	26-Oct	ICICI Bank	26-Oct	Aditya Bi

Domestic Economy Review

- Inflation rose to its highest level this fiscal at 7.81 per cent in September as prices of wheat, cereals and diesel soared, a development that may restrain RBI from cutting interest rates at its monetary policy later this month. Inflation, as measured by the Wholesale Price Index (WPI), was 7.55 per cent in August. In September last year, however, it was 10 per cent. In the food articles category, wheat turned expensive by 18.63 per cent, up from 12.85 per cent in August. Cereals too became dearer by 14.18 per cent, from 10.7 per cent in the previous month. Inflation in diesel shot up to 8.94 per cent during the month, from 0.36 per cent, following government raising prices of the petro-product by over Rs 5 per litre on September 13. For the fuel and power category, inflation surged 11.88 per cent from 8.32 per cent. Besides diesel, aviation turbine fuel and kerosene became expensive. Food inflation, as a category, declined to 7.86 per cent during the month, from 9.14 per cent in the previous month. Food articles have 14.3 per cent share in the WPI basket. Inflation for July was revised upwards to 7.52 per cent, from 6.87 per cent as per provisional estimates.
- Indirect tax collections have risen at a low rate of 15.6% to Rs 2.17 lakh crore in April-September, against the annual target of 27%, due to slowdown in economic activity. The excise duty collection during April-September period totaled Rs 80,000 crore, while customs duty mop up at Rs 77,000 crore. The service tax collection was Rs 60,000 crore during the period. The government has fixed the target of indirect tax collection, comprising customs, excise and service tax, at Rs 5.05 lakh crore for the current fiscal, an increase of about 27% from 2011-12 target. In September, the tax collection was Rs 22,000 crore, showing a growth of about 19% over the realization in the same month last fiscal. Revenue from customs duty totaled Rs 8,000 crore and from excise at Rs 8,110 crore. Service tax collection was Rs 5,890 crore in September. The collection from service tax is likely to be higher in October and subsequent months as the government have imposed the duty on railways also, which till September was exempted from the ambit of the tax. The exchequer is expected to earn about Rs 3,000 crore from the service tax decision coming into force from October 1.
- Market regulator SEBI has notified wide-ranging reforms in IPO market, including a strict vigil on usage of issue proceeds, greater disclosure by companies and their bankers and allotment of a minimum number of shares to retail investors. As per the notification issued by SEBI, no company can deploy more than 25% of the public offer proceeds in the name of "general corporate purposes". Besides, any issue-related expenses cannot be considered as a part of 'General Corporate Purpose' merely because no specific amount has been allocated for such expenses in draft offer document. Among other measures, which have been approved by SEBI's board and are now being notified, any merchant banker that is an associate of the issuer would have to limit its role to marketing of the offer and declare itself as a marketing lead manager. The company would also have to open the issue at least three working days from the date of registering the red herring prospectus with the Registrar of Companies. Also, the disclosures made in the red herring prospectus while making an IPO, would need to be updated on an annual basis and made public by the issuer.
- After relegating oil imports from Iran, India has said it plans to keep shipments from the West-Asian nation, which is facing the US sanctions, at around current levels. Iran, which till 2010-11 was India's second biggest oil supplier after Saudi Arabia, has now been relegated to fourth place. Saudi Arabia supplied 32.63 million tons of crude in 2011-12 while Iraq took the second spot with 24.51 million tons. Kuwait supplied 17.67 million tons while Iran sold 17.10 million tons. For the current year, imports from Iran are estimated at 15-15.5 million tons.
- India's food subsidy bill in 2012-2013 financial year has swelled to over Rs 101,879 crore in the first six months itself, 36% more than the Budget estimates according to a calculation made by the Food Corporation of India (FCI). This could seriously jeopardize government's plan to rein the fiscal deficit at 5.1% of GDP as rice procurement for 2012-2013 khariff season is yet to start in full swing. FCI said that the subsidy bill has inflated because of rise in amount of procurement, increase in acquisition cost due to hike in the minimum support price, rise in stockholding by FCI and arrear food subsidy, the Corporation said. Of the over Rs 100,000 crore food subsidy, around Rs 22,008 crore is the arrear carried over from 2011-2012. The estimates show that the same arrear will now swell to around Rs 39,909 crore as on March 31, 2013 as against the requirement of over Rs 100,000 crore, government has till date allocated just around Rs 61,978 crore as food subsidy as against the requirement of over Rs 100,000 crore.



Sector & Commodity Update

- The government is planning to set up a permanent joint working group (JWG) on cyber security that would act as the advisory body and would facilitate public-private partnerships (PPP) in cyber security. It would be established under the aegis of the National Security Council with representatives from the government as well as the private sector. The decision came based on the recommendations by the JWT report on engagement of private sector on cyber security. It released its report on Monday, stressing upon the need of public private partnership (PPP) in strengthening the country's cyber security.
- While it may still be a long-haul for the TAPI gas pipeline, Turkmenistan has invited Indian Energy companies like ONGC Videsh and GAIL India for investment in the country. Turkmenistan is endowed with rich reserves of natural gas, crude oil, iodine, potassium and rock salts. Turkmenistan has the fourth largest natural gas reserves in the world, including the world's second largest South Yolotan gas field. It also has significant reserves of crude oil. In 2011, Turkmenistan produced about 11 million tonnes of crude oil and 51 billion cubic meters of gas, of which about 30.5 bcm were exported.
- To boost food processing industries, the government is planning to lift the cap on number of food parks to be set up across the country and also bring down the subsidy component. The measures are part of a series of initiatives being planned by the department of food processing to make the scheme to build mega food parks across the country more attractive for investors in the 12th five-year plan (2012-13 to 2016-17). The programme is being revamped because of slow progress in building mega food parks across the country in the 11th five year plan.
- Amidst controversy over fall in output from RIL's KG-D6 gas fields, Directorate General of Hydrocarbons (DGH) has appeared to favor scrapping the present system of contracts and instead asking firms to bid for the share of oil and gas they can offer to the government. Under the existing Production Sharing Contracts (PSC), like the one RIL had signed for KG-D6 in 2000, companies are first allowed to recover all their cost before government gets its share of profit. This system had come in for sharp criticism from even the Comptroller and Auditor General (CAG) which said it incentivized companies by going on investing in oil and gas fields. DGH, the upstream nodal arm of the Oil Ministry, favored moving to a system where companies would be asked to bid for the share of oil and/or gas they would offer to government. The highest bidder would get the right to explore and produce. This way the government will be guaranteed its minimum take at all levels of production and it would not have to bother with monitoring of cost and its recovery.
- After allowing domestic airlines to import ATF directly, the government has decided to permit private firms to use oil PSU-owned jet fuel facilities like refueling terminal and storages at Chennai and Kolkata airports. Currently, open access to ATF facilities exist at Delhi, Hyderabad and Bangalore airports. At a meeting convened on September 24 by Pulok Chatterji, Principal Secretary to the Prime Minister, the issue of open access to ATF facilities of PSUs at airports was discussed. It was earlier planned that open access would be provided at Chennai, Kolkata, Goa and Mumbai airports by March 2013. However, the target date was shifted to March 2015.
- Long-established mobile phone operators that were not affected by the scandal-hit sale of airwaves that hurt their newer counterparts should pay a retrospective fee for part of their airwave holdings, a ministerial panel recommended. This is in addition to another surcharge totaling at least \$5 billion recommended by the same panel earlier this month, and will put extra burden on carriers including Bharti Airtel and Vodafone's local unit. The panel recommended on Thursday a surcharge should be imposed on operators holding second-generation airwaves beyond 6.2 mega hertz for four years to 2012. Earlier it had recommended that all operators pay a surcharge from next year for their airwave holdings above 4.4 mega hertz for the remaining period of their permits based on the price determined by a forthcoming auction. The good news for the companies, however, is that the panel recommended the retrospective surcharge be indexed to the 2001 price of spectrum, and not to the auction, whose starting price is more than seven times the 2001 price.
- The Union Cabinet has approved setting up of a National Automotive Board (NAB), a body which would act as a facilitator between the government and the industry and promote R&D activities in the sector. NAB will be a specialized body for promoting sustainable development of the Indian auto sector. Besides, it would also have a larger role in developing skills for the growing automobile sector. The board would also act as a think tank for the government, especially for the growth of hybrid and electric vehicles in the country.

Global Economy

- U.S. stocks rose for the week as better-than-estimated economic data triggered a three-day rally, before gains were trimmed in the final two sessions amid worse-than-forecast results at Google Inc. and Microsoft Corp. The S&P 500 added 0.32% to 1,433.19 for the week, trimming a three-day gain of 2.3%. The Dow Jones Industrial Average climbed marginally 14.66 points to 13,343.51. The gauges are up 14% and 9.2% respectively for the year. Equities gained as reports showed retail sales and industrial production increased more than forecast in September and new-house construction jumped to the highest since 2008.
- Asian stocks advanced, with the regional benchmark index posting its biggest weekly gain in a month, after reports on U.S. retail sales, housing starts and manufacturing beat estimates and China's economy showed signs of stabilization. Japan's Nikkei rallied 5.49% this week, the biggest weekly advance since December, as yen weakened against the U.S. dollar, which could help boost earnings of Japanese exporters. South Korea's Kospi Index added 0.55%. Hong Kong's Hang Seng Index increased 1.96%, while China's Shanghai Composite Index rose 1.11 percent.
- European stocks climbed this week as Moody's Investors Service reiterated its investment-grade debt rating on Spain following a review and U.S. reports on retail sales, manufacturing and house building beat estimates. National benchmark indexes gained in every western-European market except Norway and Iceland this past week. Germany's DAX advanced 2.05%, while the U.K.'s FTSE 100 added 1.77%. France's CAC 40 rallied 3.41%.
- Moody's decided against removing Spain's investment-grade credit rating. The ratings company said that the risk of the country losing access to credit markets has fallen because the ECB now has the power to buy its debt. Cyprus, Portugal, Ireland and Greece all have ratings below investment grade. S&P has a negative outlook on its BBB-rating for Spain, while Fitch Ratings has given the country a BBB score, which is two levels higher than junk.
- European Union leaders agreed on a timetable to introduce common regulation of the euro area's 6,000 lenders by Jan. 1 2014. At a two-day summit, the 27 member states decided to put in place the framework for a single regulator by the end of this year. The ECB will move to oversee all the banks in the currency area in stages next year.

Currency Update

- The yen fell the most in nine weeks versus the dollar as speculation the Bank of Japan may boost monetary stimulus sapped demand for the nation's assets as a haven.

Global Indices Movement

Indices	19 th Oct 12	12 th Oct 12	% Chg
USA			
Dow Jones	13,343.51	13,328.85	0.11
Nasdaq Composite	3,005.62	3,044.11	(1.26)
S&P 500	1,433.19	1,428.59	0.32
Asian Indices			
NIKKEI	9,002.68	8,534.12	5.49
KOSPI	1,943.84	1,933.26	0.55
SHANGHAI	2,128.30	2,104.93	1.11
TAIWAN	7,408.76	7,437.04	(0.38)
HANGSENG	21,551.76	21,136.43	1.96
European Indices			
CAC	3,504.56	3,389.08	3.41
FTSE	5,896.15	5,793.32	1.77
DAX	7,380.64	7,232.49	2.05

Currency Movement

Currency	19 th Oct 12	12 th Oct 12	% Chg WoW
USD	53.72	52.70	1.93
Euro	70.17	68.16	2.95
GBP	86.15	84.51	1.94
Yen (per 100)	67.71	67.21	0.74

Commodity

Commodity	19 th Oct-12 (Rs.)	12 th Oct-12 (Rs.)	% Chg WoW
Gold (10 grams)	31,213.00	31,153.00	0.19
Silver(kg)	59,412.00	60,480.00	(1.77)
Crude Oil(barrel)	4,878.00	4,886.00	(0.16)
Natural Gas(mmbtu)	190.00	191.30	(0.68)
Aluminium (kg)	106.15	104.10	1.97
Copper(kg)	437.10	438.95	(0.42)
Nickel(kg)	913.30	908.20	0.56
Lead(kg)	114.65	114.30	0.31
Zinc(kg)	100.10	100.15	(0.05)



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