



Watch Out

India

- 2-Jul Trade Balance
- 2-Jul HSBC Markit Manufacturing PMI
- 4-Jul HSBC Services PMI
- 6-Jul FX Reserves, USD
- 11-Jul M3 Money Supply
- 16-Jul WPI-June
- 23-Jul CPI-June

US

- 2-Jul ISM Manufacturing Index
- 5-Jul ISM Non-Manufacturing Index
- 6-Jul Unemployment Rate
- 13-Jul PPI-June
- 17-Jul CPI-June
- 27-Jul GDP (Adv) Q2

Europe

- 2-Jul Manufacturing PMI
- 2-Jul Unemployment Rate
- 3-Jul PPI (MoM)
- 4-Jul GDP (QoQ)
- 5-Jul Interest Rate Decision
- 12-Jul Industrial Production (MoM)
- 16-Jul CPI (YoY)
- 19-Jul Current Account

China

- 3-Jul HSBC Services PMI
- 9-Jul CPI-June
- 12-Jul GDP (YoY)
- 12-Jul Industrial Production
- 12-Jul Retail Sales

Japan

- 2-Jul Monetary Base
- 6-Jul Leading Index & Bank Lending-June
- 9-Jul Economy Watchers Current Index
- 10-Jul CGPI (YoY)
- 13-Jul Industrial Production (MoM)
- 27-Jul CPI-June

Will RBI cut rates in its July policy review?

That is the big question on everyone's mind including the common man, Indian corporates, banks and the large financial fraternity. Inflationary pressures weighed high on the RBI Governor's mind leading to status quo of rate in the latest monetary policy review last month. While the short-term lending rate (repo) was kept unchanged at 8 per cent, the CRR, portion of deposits banks are required to park with RBI, stood at 4.75 per cent.

There are divergent views on whether the RBI will affect rate cuts in the July policy review. Clearly there are threats to stability posed by the global sovereign debt problem and on-going risk aversion. In addition, the weak domestic fiscal position, the widening current-account deficit and structural aspects of food inflation pose even bigger challenges. The decision of RBI comes at a time when GDP growth hit a nine-year low at 6.5 per cent in 2011-12.

Evidently, the Central Bank has a tough task in fighting the two simultaneous battles of reining in inflation and not decelerating growth. The Central Bank as a custodian of monetary system has multi-tasking role to play. It has to control inflation and money supply; ensure sufficient system liquidity at affordable cost; ensure flow of liquidity to desired sectors; maintain monetary system as support to growth; control over cost of Government borrowing; manage FX impact on monetary system etc. While RBI has demonstrated reasonable ability to effectively manage domestic problems barring rupee's slide, macro factors have exacerbated the deficit problem. The rupee's fall has to a large extent nullified the gains from crude's price correction. Add to this the prospect of a weak monsoon and lack of corrective action to curb the fiscal deficit which has intensified risks to inflation.

However, there are some green offshoots in this gloomy scenario. The Government has recently diluted provisions of the retrospective tax legislation and postponed GAAR implementation to bring in much needed foreign capital. With the presidential election campaign in its last phase and the finance portfolio with the Prime Minister Manmohan Singh, there are expectations that long stalled reforms will be brought out of the cold storage. Recently, Coca-Cola and IKEA have committed to big investment plans in India in single brand retail. Expectations are building that multi-brand retail legislation may be passed in some form or other soon after the presidential election.

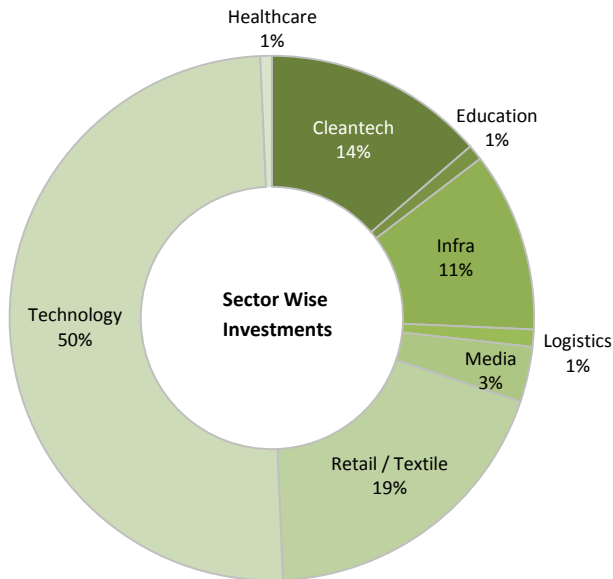
While these are encouraging developments, and the Rupee has strengthened after touching a lifetime low of 57.37 against dollar, much more needs to be done on fiscal reforms processes to regain lost ground. A rate cut may signal shift in the RBI priorities from fighting inflation to supporting growth which may be too much to expect too soon. We believe that the hawkish stance by RBI suggests that even while growth is slowing, it may be wary of cutting rates in the July meeting and will hold rates at current levels.

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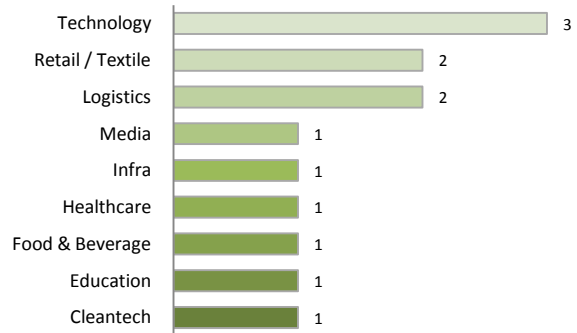
Private Equity

- In the month of June, there were a total of 13 PE deals which have been completed with an approximate investment of US\$ 215 million.
- Technology and Retail/Textile sectors saw maximum number of deals with total investment of US\$ 107 million and US\$ 41 million respectively.



Note: Deal size not disclosed for one deal in the Logistics and Food & Beverage sector each.

Number of Deals in June, 2012



Key Deals

- Sequoia Capital and SAP Ventures have invested US\$ 60 million in local search firm, Just Dial. The funds will be used to expand the company's R&D processes and to fund its inorganic expansion. PE Investors hold around 60% in the company with a total investment of more than US\$ 100 million so far.
- Mobile technology firm PubMatic, has raised UD \$45 million from August Capital and its existing investors. The funds will be used to strengthen its balance sheet and to support targeted M&A activities.
- Monte Carlo Fashions Ltd., a Ludhiana based garments manufacturer, has raised US\$ 32 million from Samara Capital by diluting 18% stake. The funds raised will be used to meet working capital and capital expenditure of the company.

Source: Press releases, Yen analysis

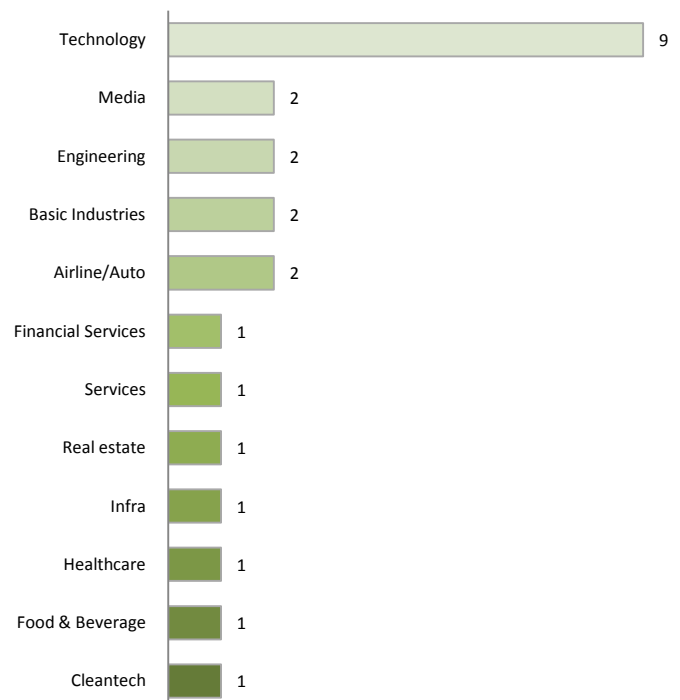
Mergers & Acquisitions

During the month of June, there were a total of 24 M&A deals. Technology was the most popular sector completing 9 deals.

Key Deals

- Mumbai's premier real estate developer, Lodha Developers Limited has bought US consulate's Washington House in Mumbai for US\$ 68 million. Lodha will demolish the building and replace it with a luxury residential tower.
- Suzlon Group has sold its wholly owned subsidiary - Suzlon Energy Tianjin Limited to China Power (Tianjin) New Energy Development Co. Limited with the majority of its assets and liabilities for approximately US\$ 60 million. This sale is a part of Suzlon's strategy to dispose non-core assets to reduce debt. The group is also realigning its business in China with an asset light model.
- Cronos Consulting, a technology consultant from Canada has acquired Kerala based Advanced Energy Software Solutions (AES) as a part of their global expansion strategy. Post acquisition, AES will become the bridgehead of Cronos, for the Asian utilities market. The company will focus on servicing English speaking countries like UK, Middle East and Africa to expand Cronos business.
- Vedanta Resources PLC has acquired 24.5% stake in Raykal Aluminium Company Private Limited for US\$ 36 million. Vedanta has right to acquire the entire 100% over a period of time for a total consideration of US\$ 330 million subject to certain milestones being achieved. Raykal Aluminium will be acquired under the non-integrated Vedanta Aluminium, will be transferred to Sesa Sterlite after the completion of the proposed merger of Sesa Goa and Sterlite Industries.

Number of Deals in June, 2012



Source: Press releases, Yen analysis

Key Indices: June 2012 Review

	29th June 2012	31st May 2012	MoM Change (%)	30th June 2011	YoY Change (%)
Sensex	17,429.98	16,218.53	7.47%	18,845.87	-7.51%
Nifty	5,278.90	4,924.25	7.20%	5,600.45	-5.74%
Dow Jones	12,880.09	12,393.45	3.93%	12,414.34	3.75%
Nasdaq	2,935.05	2,827.34	3.81%	2,773.52	5.82%
Hang Seng	19,441.46	18,617.66	4.36%	22,398.10	-13.20%
Nikkei	9,006.78	8,542.73	5.43%	9,816.09	-8.24%

India: After a dismal May, Indian stock markets rallied in June to close up nearly 7.5% for the month. It was a slow start to the month as Fitch cut its outlook for the Indian economy to "Negative", the RBI keeping rates unchanged and the rupee falling to new lows frequently. But with Manmohan Singh taking over the finance portfolio, manufacturing improving slightly and the Eurozone agreeing to bailout troubled banks by recapitalizing them directly, markets spurted. FIIs piled up over Rs. 3,500 Cr for the month against selling Rs. 347 Cr in May.

U.S.: The U.S. markets rose nearly 4% for the month. The overall economic data for the month including auto sales, home sales and employment were encouraging, except for manufacturing which showed a contraction for the first time since 2009.

After the markets saw some buying in the first 2 weeks, due to Moody's downgrading 15 large banks and the fed not signaling QE3, selling pressure was seen on the markets. But as positive news came in from the Euro summit, markets recovered sharply.

Asia: With inflation no longer a problem, China's central bank cut interest rates in early June for the first time since 2008. Manufacturing was almost flat for the month. Data showed that China's GDP rose at an annualized 8.1% in the first quarter, showing evidence that the Euro crisis is hurting their economy. The Eurozone is China's largest export market. Hence positive news from the EU summit boosted the markets, sending Hang Seng up 4.3% for the month.

Same story with the export driven Japanese markets, which were looking for relief after 28 Spanish banks were hit with a downgrade, and Egan-Jones' downgrade of Germany to A+ from AA-. Nikkei ended 5.4% in the green for the month.

Currencies

Currency Market	29th June	31st May	MoM Change (%)
USD/INR	55.50	56.30	-1.42%
EUR/INR	70.263	70.040	0.32%
EUR/USD	1.266	1.244	1.77%
GBP/USD	1.5682	1.5576	0.68%
USD/JPY	79.87	79.25	0.78%

Key Economic Indicators

	June-2012	May-2012
FOREX Reserves (USD Bn)	288.63	288.26
REPO rate	8.00%	8.00%
Reverse REPO	7.00%	7.00%
CRR	4.75%	4.75%
SLR	24.00%	24.00%
Bank Rate	9.00%	9.00%



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