

**MARKET NEWS:**

A setback towards the end of the week pulled the market in the red in for the week ended Friday, 27 November 2009, as Dubai's debt problems sparked concerns about corporate exposure and the risk of foreign investors repatriating funds. The BSE Sensex fell below the psychological 17,000 mark and 50-unit S&P CNX Nifty fell below the key 5000 mark.

Dubai's financial health came under scrutiny after a major government-owned investment company on Wednesday, 25 November 2009, asked for a six-month delay on repaying its debts. Dubai World, which has total debts of \$59 billion, is asking creditors if it can postpone its forthcoming payments until May next year. Dubai World has also appointed global accountancy group Deloitte to help with its financial restructuring. The company has been hit hard by the global credit crunch and recession. It was due to repay \$3.5 billion of its debts next month.

The request for a delay in repayments led to major credit ratings agencies downgrading a number of state-backed companies. Following six years of rapid growth, the Dubai economy has slumped since the second half of 2008. The Dubai government said the request to delay debt repayments also applied to property developer Nakheel, a Dubai World subsidiary.

Volatility was high as traders rolled over positions in the derivative segment from November 2009 series to December 2009 series ahead of the expiry of the near month November 2009 contracts on Thursday, 26 November 2009.

Earlier, the market hit one month high on Wednesday 24 November 2009 supported by sustained buying by the foreign funds. FII inflow in November 2009 totaled Rs 5491.60 crore (till 26 November 2009). FII had bought equities worth Rs 8303.80 crore in October 2009. FII inflow in the calendar year 2009 totaled Rs 73,939.30 crore (till 26 November 2009). A weak dollar boosted world stocks recently as traders borrow against the low-yielding greenback to reinvest elsewhere in what's known as the carry trade. The dollar has tumbled this year on speculation the US Federal Reserve will keep interest rates low for a prolonged period of time to aid recovery in the US economy.

Dovish comments from a US Federal Reserve official on Sunday, 22 November 2009, added weight to expectations that US monetary policy would stay ultra-loose for a prolonged period. St. Louis Federal Reserve President James Bullard said on Sunday that the central bank should keep alive its mortgage-related asset purchase programme beyond a planned end date to help stimulate the economy.

Higher capital inflows have resulted in currency appreciation mainly in Asia and Latin America, prompting central banks contemplate a range of measures to hold back the tide. An unwinding of the European Central Bank's extraordinary stimulus measures is still premature as the financial crisis has not completely subsided, European Central Bank (ECB) President Jean-Claude Trichet said on Monday.

C. Rangarajan, chairman of the Prime Minister's Economic Advisory Council, said in an interview to a news agency on Tuesday 24 November 2009 that India can absorb nearly \$100



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billion of dollars in capital inflows, nearly double for what is on track this year, before it needs to take strong restrictive measures. He said the total capital flows during the current year would be \$57-\$60 billion, which is manageable. Any initial curbs would be on speculative funds in sectors such as real estate and borrowing abroad to spend at home, he said.

Rangarajan's statement came after Brazil and Taiwan have taken steps to curb hot money inflows, and other governments are keeping a watchful eye on inflows, wary that they could fuel asset price bubbles.

Meanwhile, there are also concerns that a glut in share sales may suck liquidity from the secondary market. A foreign brokerage firm expects Indian firms to raise roughly \$70 billion through share sales over the next three years. The brokerage expects stake sales in state-run firms will account for \$10-\$15 billion of the total funds to be raised. The upcoming auction of third-generation mobile spectrum will also spur potentially billions of dollars in equity raising, although not necessarily from the public markets.

Indian companies have raised about \$18 billion in equity thus far this year to repay high cost debt or to fund expansion plans. Last year, Indian firms raised \$7.2 billion in equity.

The food price index rose 15.58% and primary article index rose 11.04% in 12 months to 14 November 2009, data released by the government showed on Thursday, 26 November 2009. The fuel price index declined 1.51%.

The worst dry spell in nearly four decades and floods in parts of the country have hurt farm output and pushed up food prices. C. Rangarajan, Chairman of Prime Minister Manmohan Singh's Economic Advisory Council, recently said food price inflation is the biggest worry for the economy in near term and a strong rise in food prices could prompt monetary action. Inflation based on the wholesale price index rose 1.34% in October 2009 from a year earlier

The government has set reform of the insurance sector as a priority for the winter parliament session that began on 19 November 2009. The bill, which was stalled in the last parliament, proposes raising the foreign investment limit in insurance companies from 26% to 49%. The government also wants to open up the pension sector to private and foreign firms and give equal voting rights to foreigners in private-sector banks, which are currently limited to 10% irrespective of their actual holding.

The Index of six core industries having a combined weight of 26.7% in the Index of Industrial Production (IIP) registered a growth of 3.5% in October 2009 compared to 2% growth registered in October 2008, data showed on Friday 27 November 2009.

The BSE 30-share Sensex fell 389.84 points or 2.29% to 16,632.01 in the week ended Friday, 27 November 2009. The S&P CNX Nifty fell 110.70 points or 2.19% to 4,941.75.

The BSE Mid-Cap index fell 2.36% and underperformed the Sensex. The BSE Small-cap index fell 2.1% and outperformed the Sensex.

The Sensex is up 6984.70 points or 72.4% in calendar year 2009, as on 27 November 2009. From a 3-year closing low of 8,160.40 on 9 March 2009, the Sensex is up 8471.61 points or 103.81% as on 27 November 2009.



Volatility ruled the roost as the key benchmark indices pared gains after striking one-month highs in mid-afternoon trade on Monday 23 November 2009. Firm global stocks and weak US index aided the rally on the domestic bourses. The BSE 30-share Sensex rose 158.33 points or 0.93% to 17180.18 on that day. Index heavyweight Reliance Industries (RIL) led the rally. The stock surged after the company said it has put a bid to acquire bankrupt chemicals maker LyondellBasell Industries.

Volatility was the order of the day as market swung between positive and negative zone on Tuesday, 24 November 2009. Market snapped last two days' gains as a sharp slide in Chinese stocks and weak European markets weighed on investor sentiment. The BSE 30-share Sensex fell 49.10 points or 0.29% to 17131.08 on that day.

The key benchmark indices pared gains after hitting their highest level in more than a month on Wednesday, 25 November 2009 on concerns a glut in share sales may soak available liquidity in the secondary market. The BSE 30-share Sensex rose 67.87 points or 0.4% to 17198.95 on that day.

The market witnessed sharp losses in a highly volatile trading session on Thursday as world stocks fell. The BSE 30-share Sensex lost 344.02 points or 2% to 16,854.93 on that day.

Key benchmark indices cut steep intraday losses on Friday 27 November 2009 as European stocks recovered from an initial slide. News that China has pledged to stick with a pro-growth stance in 2010 also helped. The market recovered after a heavy sell-off in early afternoon trade triggered by worries about Dubai's debt problems. The BSE 30-share Sensex fell 222.92 points or 1.32% to 16,632.01 on that day.

Telecom stocks fell. India's second largest mobile telecom services provider by sales Reliance Communications fell 4%. Reliance Communication on Friday 27 November 2009 slashed SMS charges, further heating up an ongoing price war in the telecom market

India's largest mobile telecom services provider by sales Bharti Airtel fell 1.77%. The company reduced roaming rates by up to 60% on 20 November 2009. Bharti Airtel has slipped to third position in terms of monthly additions, data from an industry body showed. Bharti Airtel in October 2009 added about 27 lakh new users, lower than 29 lakh added by Vodafone Essar and over 38 lakh added by Tata Teleservices.

Bharti expects the current state of stiff competition to continue into 2010, as the government worked on new rules that may allow faster consolidation.

India's largest commercial vehicle maker by sales Tata Motors fell 2.01%. The company reported a consolidated net profit of Rs 21.78 crore in Q2 September 2009 compared with a consolidated net loss of Rs 941.75 in Q2 September 2008. Consolidated total income declined 8.20% to Rs 21506.94 crore in Q2 September 2009 over Q2 September 2008. The result hit market at the fag end of trading session on Friday.

The world's sixth largest steel maker by capacity Tata Steel fell 1.21% The company reported a consolidated net loss of Rs 2707.25 crore in Q2 September 2009 compared with a net profit of Rs 4771.65 crore in Q2 September 2008. The result was announced during trading hours on Thursday, 26 November 2009



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India's largest engineering company by revenue Larsen & Toubro fell 2.85%. Executive vice president, Shankar Raman told the media on Friday 27 November 2009 that the company's exposure to Dubai is in the range of \$20 million to \$25 million.

India's largest drug maker by sales Ranbaxy Laboratories rose 5.11%. The company launched a generic version of GlaxoSmithKline's Valtrex in the United States with a 180-day marketing exclusivity.

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