CHRIST UNIVERSITY

BANGALORE, INDIA

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March 16, 2012
Vol. 5
Issue 24

Chaanakya

Tracking the economy....

A Wealth Incorporation Publication

Index

National News

Sanjeet Kumar [I MBA J]

ICICI, Citi, BoB to form NBFC to fund core sector

In a first of its kind alliance, three lenders have joined hands to form a non-banking finance company (NBFC) to support infrastructure development in the country.

The largest private sector lender, ICICI Bank, the third largest public sector lender, Bank of Baroda, and Citi Financial (the NBFC arm of Citigroup) will form the first infrastructure development fund (IDF). While ICICI Bank and BoB will pick up 30 per cent stake each, Citi Financial will have close to 30 per cent. The balance will be shared by other financial entities.

Private, foreign banks log lower NPAs than PSU peers

At a time when slow economic growth has raised concern over the asset quality of banks and prompted the Reserve Bank of India (RBI) to take stock of bad loans in the system, data from banks showed, foreign and private sector lenders had managed non-performing assets (NPAs) better than their state-run rivals, since the global financial crisis of 2008.

LIC stocked up on ONGC before govt stake auction

State-controlled Life Insurance Corporation (LIC) of India pumped in at least ₹4,037 Crore to buy 157 million shares in state owned explorer Oil and Natural Gas Corp (ONGC) in the run-up to the government stake auction last week, according to a filing by ONGC to the stock exchanges on 4th March.

TPG, Blackstone, Cerberus eye Kingfisher Airlines stake

After W L Ross' investment in Spice Jet, another major private equity deal is likely in the debt-ridden Kingfisher Airlines. Private equity majors interested in buyouts have started initial discussions with promoter Vijay Mallya. PE buyout majors such as TPG, Cerberus Capital and Blackstone have shown interest.

RCom bags ₹300 crore contract for managing Aadhaar numbers

Anil Ambani-led telecom services provider Reliance Communications (RCom) is understood to have bagged a project worth ₹300 crores from the Unique Identification Authority of India (UIDAI) for managing the network and subscriber numbers.

According to company officials, RCom has won the number repository and IT infrastructure contract for Aadhaar as part of a consortium led by HCL Info systems.

Fiscal prudence may define bold Budget

As the Budget 2012-13 gets the final touches, thinking in the government appears inclined towards fiscal prudence and bold growth-driving measures. Steps to attract greater foreign investment, generate additional revenue from indirect taxes, introduce subsidy-targeting mechanisms and draw a prudent fiscal management blueprint in line with the Fiscal Responsibility and Budget Management (FRBM) road map are likely. Individual taxpayers may be given certain benefits to sweeten the exercise.

RBI moves to ease cash crunch, cuts CRR by 75 bps

In a pleasant surprise to the market, the Reserve Bank of India (RBI) on 8th March reduced the cash reserve ratio (CRR) —the portion of deposits banks have to keep with the central bank — by 75 basis points. This will infuse ₹48,000crore liquidity into the system.

Fiscal Excesses will earn a Downgrade, Warns S&P

Global ratings firm Standard & Poors (S&P) has warned it could lower rating on India if the country continues with fiscal excesses or if it does not adopt policies to boost growth.

Consumer non-durables, food lift industrial growth to 7-month high

Ahead of the Budget, industrial production data issued on 12th March provided some comfort to the government. It showed expansion at a seven-month high of 6.8 per cent in January, leaving room for the finance minister to concentrate on the fiscal deficit.

Federal Bank Gives NPA Tag to its 90-Cr Kingfisher Exposure

Kerala-based Federal Bank has classified its 90-crore exposure to debt-ridden Kingfisher Airlines as a non-performing loan. The guarantee has devolved and since the account has not been serviced for 90 days, the bank has classified the exposure as bad loan.

Buzz Word

Prachi Sharda [I MBA J]

Leverage

The amount of debt used to finance a firm's assets. A firm with significantly more debt than equity is considered to be highly leveraged.

Most companies use debt to finance operations. By doing so, a company increases its leverage because it can invest in business operations without increasing its equity. For example, if a company formed with an investment of $5 million from investors, the equity in the company is $5 million - this is the money the company uses to operate. If the company uses debt financing by borrowing $20 million, the company now has $25 million to invest in business operations and more opportunity to increase value for shareholders.

Sorces: http://www.investopedia.com/terms/l/leverage.asp#ixzz1oyORfJQS

International News

Sanjeet Kumar [I MBA J]

S&P downgrades Greece to selective default

Standard & Poor’s on 28th February cut Greece’s long-term ratings to ‘selective default’, the second ratings agency to proceed with a widely expected downgrade after the country announced a bond swap plan to lighten its debt burden.

S&P said that once the debt exchange is concluded, it would likely raise Greece’s sovereign credit rating to the speculative ‘CCC’ category.

China cuts 2012 growth target to 8-yr low of 7.5%

Chinese Premier Wen Jiabao cut his nation’s 2012 growth target to an eight-year low of 7.5 per cent and made boosting consumer demand the year’s first priority as Beijing looks to wean the economy off its reliance on external demand and foreign capital.

Euro inflation slows to 2.6%

Euro area inflation unexpectedly slowed in January as the economy cooled and governments cut spending across the 17-nation currency region.

US logs Q4 GDP growth at 3%

The economy grew a bit faster than initially thought in the fourth quarter on slightly firmer consumer and business spending, which could help to allay fears of a sharp slow down in growth in early 2012.

Gross domestic product expanded at a three per cent annual rate, the quickest pace since the second quarter of 2010, the commerce department said in its second estimate. That was a step up from the 2.8 per cent pace it reported in January.

Euro zone stuck in mild recession, factory output declines

The euro zone’s manufacturing sector contracted for the seventh straight month in February, with factories in the bloc’s struggling indebted states facing some of the toughest conditions on record, a business survey showed on 1st March.

GM to pay 320 mn euros for Peugeot stake

General Motors Co will pay 320 million euros ($423 million) for its 7 percent stake in French automaker Peugeot SA as part of an alliance designed to save the companies at least $2 billion.

US risks persist, China in good stead so far: IMF

A renewed drop in housing prices could thwart the US economic recovery in the short term while Washington's lack of a "credible, comprehensive" fiscal plan poses a major medium-term risk, a top IMF official said. International Monetary Fund Deputy Managing Director Min Zhu also said Chinese growth could fall by up to 4 percentage points if the European crisis took a sharp turn for the worse. Zhu told policymakers that proactive fiscal measures could trim that impact down to 1 percentage point.

China has largest trade deficit since 1989

China reported its biggest trade deficit since at least 1989 in February as Europe's debt crisis crimped exports and imports rebounded after a week long holiday.

The shortfall was $31.5 billion, the customs bureau said on its website on 10th March. Imports rose 39.6 percent from a year earlier, after a 15.3 percent slump in January, while exports increased 18.4 percent, the bureau said.

HSBC to Sell Insurance Units for $914 m

HSBC Holdings, Europe's largest bank by market value, agreed to sell some of its general insurance units in Asia and Latin America for about $914 million as it focuses on more profitable businesses.

Greece needs to announce more austerity: EU/IMF

Greece will have to slash a further 5.5% of GDP in government spending in 2013 and 2014 to meet agreed fiscal targets.

US Federal Reserve seen holding stance on monetary policy, assessing jobs gains

The U.S. Federal Reserve on 13th March is expected to hold a steady course on monetary policy, acknowledging a mildly brighter economic outlook while refraining from any suggestion that further easing is now off the table.

Indeed, the U.S. central bank, sifting through conflicting economic signals, is unlikely to offer much of anything in the way of fresh clues on its policy course after its one-day meeting.

Buzz Word

Prachi Sharda [I MBA J]

Corporate Cannibalism

Corporate cannibalism occurs when companies introduce new products into a market where these products are already established. In effect, the new products are competing against their own incumbent products.

Sources: http://www.investopedia.com/terms/ccorporatecannibalism.asp#ixzz1oyQ5ci1i

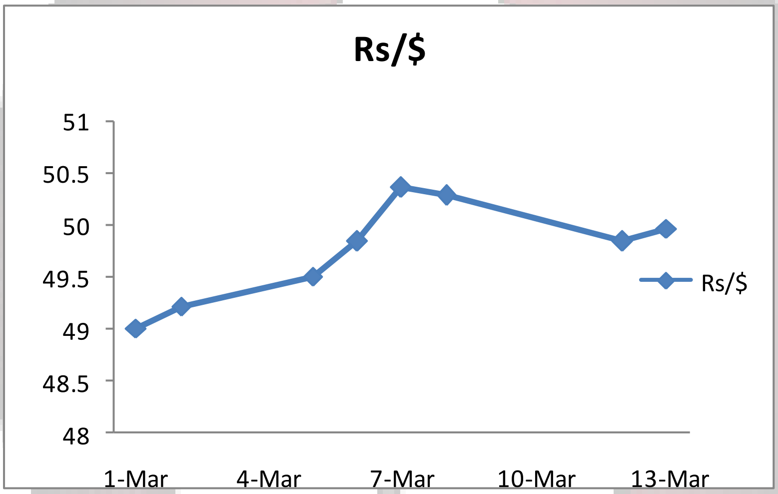
Rates

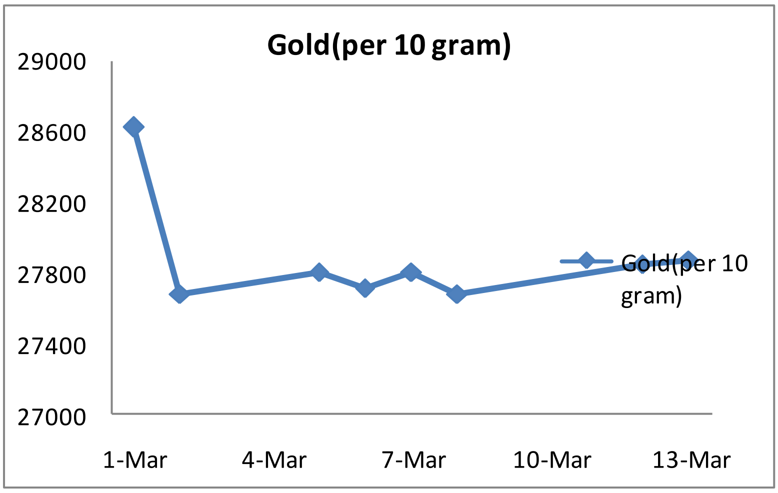
Pankaj Sharma [I MBA J]

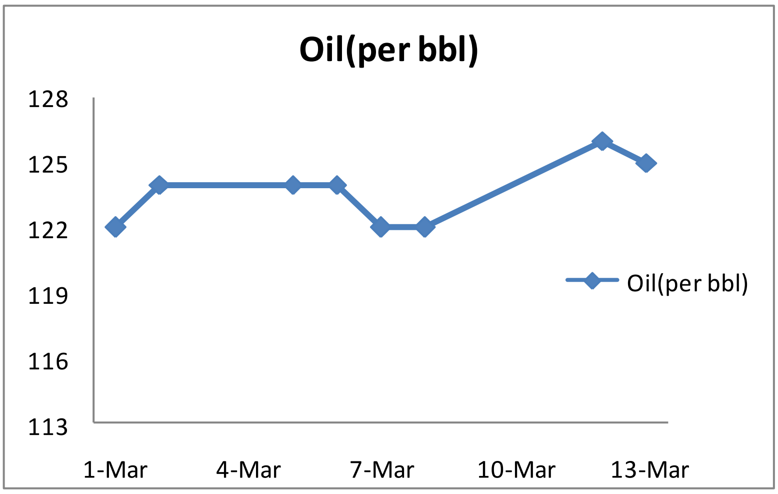
Repo Rate	8.50%
Reverse Repo	7.50 %
Call rate	7.50%-9.05 %
Inflation	+6.95% for February 2012
Forex Reserve	$ 294.988 Billion as on 3rd Feb 2011
91day T-Bill	8.9807%
IIP	6.8% for January 2011
6.90 GS 2019	8.0907-8.0907%

Graphs

Pankaj Sharma [I MBA J]



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119
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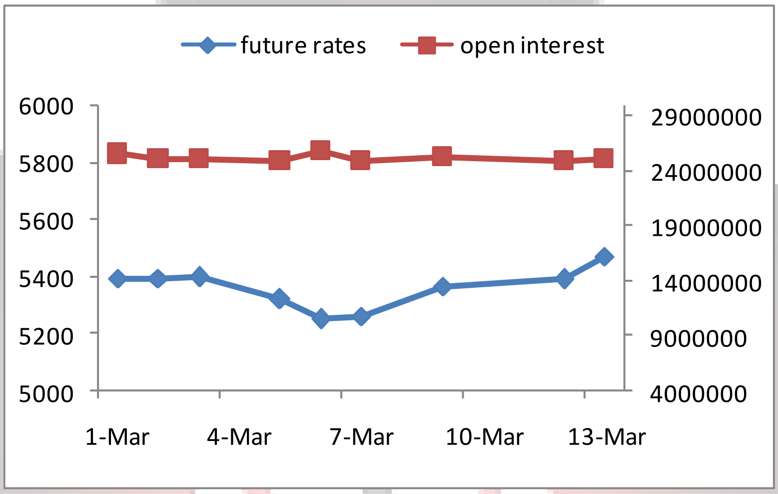
1-Mar
4-Mar
7-Mar
10-Mar
13-Mar
Oil(per bbl)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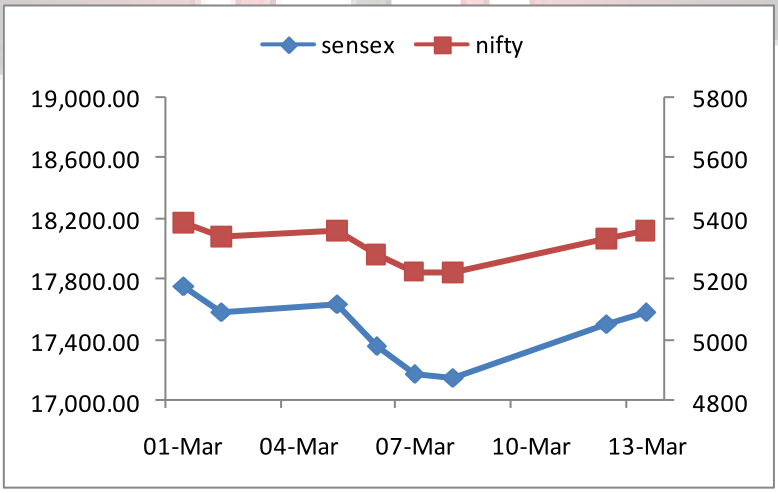
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5200
5000
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10-Mar
13-Mar

Road to Fiscal Consolidation: 2012-2013

Rakesh Kondapaneni [I MBA I]

Vulnerability is one of those words that the World. Inc. learns in the toughest way. With market trends pushing norms for re-defining the policies and practices so far despite clocking historic figures in terms of GDP rate, savings and investment rates, the government budgetary deficit rates have been propelled towards the other direction with the fall of the GDP.

During its strongest periods of GDP growth, India's tax revenue to GDP ratio did not raise to levels of similarly rated countries due to the structural constraints of a low tax base and administrative limitations that impact compliance, the budget deficit will remain more vulnerable to slowdown until the tax base is substantially expanded. As taxes on corporate profit, manufactured goods output are levied upon, consumption dominates the government revenues, as both are highly growth-elastic.

Direct, Indirect & Non Tax Revenues:

Weakening economic growth, low investment spending and business confidence during 2011-12, sky rocketing interest rates and inflationary pressures out of reach are highlights of the FY 2011-12. Fiscal correction by augmenting tax revenues, restricting revenue expenditures will ease supply constraints for growth. The compensation plans to oil marketing companies overshoots the Budget and Supplementary estimates for the fuel subsidies resulting in the fiscal deficit widening to about 5.8%. At factor cost prices, growth is expected to be 6.9%-7.0%, as the direct & indirect tax collections show a moderate expansion in the coming fiscal. Re-auction of 2G spectrum and disinvestment proceeds may boost non tax revenues. Widening of the tax base, rationalisation of expenditure, food subsidies be enhanced, curtailing subsidies through upward revision in retail price of diesel is important. Indirect tax collections, robust growth of service tax offsetting low growth of excise duty; increase in rates and widening of tax base would support fiscal consolidation going forward.

Fiscal Balances & Govt. Borrowings:

Fiscal Balances likely to worsen at an absolute level in 2012-13. The Thirteenth Finance Commission suggested revised annual targets for the revenue and fiscal deficit of GoI. GoI's rolling targets for 2013-14 indicate a revenue deficit of 2.1% and a fiscal deficit of 3.5%, higher than the targets set, with considerably lower fiscal space for incurring capital expenditure, growth of indirect and direct tax collections is expected to be moderate in the coming fiscal year unless substantive measures are undertaken to augment tax revenues.

However, such measures would need to be carefully calibrated to avoid stoking inflation and dampening economic growth. Prioritising additional expenditure on infrastructure spending, raising the rates of excise duty and service tax, widen the tax net for fiscal consolidation, capping the Central Government's borrowing programme are some of the steps which would lead to fiscal consolidation. Now let us see what the Finance Minister has to offer.

Sources:
ICRA and Yahoo

Reverse Mortgaging

Bhavesh Dhanesha [I MBA J] and Shashank Mishra [I MBA N]

Many people do not think of planning for retirement at a young age. This can lead to a crunch in income supply after retirement. Financial planners advise clients to allocate at least 10% of their monthly income for retirement, but hefty home loan EMI to pay and loads of other expenses may not let you save money for retirement.

However one need not worry by imagining a life of penury, as banks can provide you income via another source. Banks are willing to give loans against property to senior citizens. In return, the bank becomes a part owner of the property. By doing this, cash strapped senior citizens can unlock the value of their property without actually selling it and can also benefit from the regular income provided by the bank in the form of loan. This concept is known as Reverse Mortgaging.

Reverse mortgage also known as conversion mortgage is the opposite of home loan where instead of paying EMIs, owner of the house gets monthly payment from the bank. In US, reverse mortgages are administered by the US Department of Housing and Urban Development (HUD) and the program is called the Home Equity Conversion Mortgage (HECM). This concept is very common in developed markets, it has not picked up in a country like India where real estate also has an emotional value. People love their homes so much that they cannot bear the thought of selling the property.

It is obvious that the sum depends on the value of the property and the owner can borrow up to 75% of the value and, to avail for the loan, owner should be living in the house that is being mortgaged. The highlight of this concept is that the money received by the borrower will be tax-free. Moreover, lenders cannot force homeowners to sell the property to pay back the loan and the homeowner can stay on the property as long as he or she lives.

The draft guidelines of reverse mortgage in India prepared by RBI have additional feature like:

- Any house owner over 60 years of age is eligible for a reverse mortgage.
- The borrower can opt for a monthly, quarterly, annual or lump sum payments at any point, as per his discretion.
- The revaluation of the property has to be undertaken by the Bank or HFC (Housing Finance Company) once every 5 years.
- Reverse mortgage rates can be fixed or floating and hence will vary according to market conditions depending on the interest rate regime chosen by the borrower.

However, with each payment, the bank's ownership of the house increases. After death, the senior citizen's legal heirs will have the option to either repay the loan along with the interest and regain the property or let the bank sell it and give them the proceeds after deducting the borrowed amount. One should opt for reverse mortgage only if income from retirement funds, saving and social security benefits don't cover one's expenses. Reverse mortgage should be considered as the last resort for regular income.

Source: http://economictimes.indiatimes.com | http://seniorliving.about.com/od/housingoptions/a/reverse_mortgage.htm | http://www.rupeetimes.com/article/home_loans/

Qualified Institutional Placement

Sharnitha Ramachandran [I MBA I]

Qualified Institutional Placement or QIP is a financing avenue that allows an Indian-listed company to raise capital from the domestic market without the hassles of pre-issue filings to market regulators and is a form of private placement. The company can issue equity shares and partly convertible debentures and fully convertible debentures to a qualified institutional buyer. A Qualified Institutional Buyer is a purchaser of securities who is lawfully recognized by security market regulators and they manage atleast $100 million in securities. These include banks, insurance companies, investment companies etc as potential buyers.

SEBI issued guidelines for QIP on May 8, 2006. This was introduced since many listed companies in India depended on foreign capital via ADRs and GDRs because in the domestic market, raising capital was a very difficult task before 2006. SEBI felt that the domestic equity market will start to weaken if companies go for international funding and so they relaxed the norms and encouraged QIP. A merchant banker is appointed for QIP and the law stipulates that the company needs to issue a minimum of 10% of the securities to mutual funds and must have 2 allottees if the size of the issue is less than or equal to ₹250 crore and another minimum of five allottees if the issue size is more than ₹250 crore. The securities should be issued at a price equal to or more than the higher of the average of the weekly high and low closing price of the stocks for the past 6 months or the preceding 2 weeks. The allottees cannot sell the securities within a year from the date of allotment except on a recognized stock exchange.

Hence QIP proved beneficial to companies as the cost of raising capital by getting listed in a foreign market was huge for the Indian companies (listing fees, legal fees, etc.) and through QIP, the costs were drastically reduced since raising capital in the domestic market became easier with the help of merchant bankers. In addition, they were able to raise capital within a short duration only without resorting to the time-consuming methods of FPO's and rights issues.

QIP In News

Few months back, South Indian Bank (SIB) announced that it will raise ₹1000 crore capital this fiscal by taking the Qualified Institutional Placement (QIP) route. SIB had decided last year in August 2011 to go for QIP but the market conditions at that time were not favourable for SIB to go ahead and so the process got stalled. However, in 2007, SIB had gone for QIP when the business was around ₹14,000 crore. The issue size for QIP back then was ₹326 crore.

Now the management has decided to go ahead in a bid to restart its capital raising plan. In view of future requirement of capital, SIB decided QIP above other financing routes. By doing this, the bank's capital adequacy ratio will rise from the current 14% to a possible 18%. This capital will be used for branch expansions as well and to spur the growth momentum of the bank. The merchant bankers for this capital issue will be Enam Securities, SBI Capital Markets, JP Morgan and JM Financial.

Another Bank that has plans to take on the QIP route is State Bank of India (SBI). April 2012 onwards, SBI will look for FPO or QIP to raise capital after consultation with the government. Though sources say that the government will be infusing ₹8000 crore into SBI by this month end, the SBI Chairman Mr. Pratip Chaudhuri is looking out for other methods to raise capital especially through QIP as he knows that pumping money into a public sector bank comes with its own set of limitations. There is lack of capital within the bank due to the Kingfisher Airlines crisis as SBI was the lead lender and it was also SBI which declared Kingfisher as an NPA first before anyone else. Some say State Bank of India (SBI) will not consider any fresh loans for the debt-laden carrier until it raises new equity itself while others point that re-capitalisation may be possible as a viability report prepared by its own investment banking arm, SBI Capital Markets is still underway. Under such circumstances, QIP seems to be the only beacon of hope for cash-strapped banks and companies.

Sources:
Insights from The Business Line

Buzz Word

Prachi Sharda [I MBA J]

Operating Levarage

A measurement of the degree to which a firm or project incurs a combination of fixed and variable costs.

A business that makes few sales, with each sale providing a very high gross margin, is said to be highly leveraged. A business that makes many sales, with each sale contributing a very slight margin, is said to be less leveraged. As the volume of sales in a business increases, each new sale contributes less to fixed costs and more to profitability.

Financial Leverage

The degree to which an investor or business is utilizing borrowed money. Companies that are highly leveraged may be at risk of bankruptcy if they are unable to make payments on their debt; they may also be unable to find new lenders in the future. Financial leverage is not always bad, however; it can increase the shareholders' return on investment and often there are tax advantages associated with borrowing

Sources: http://www.investopedia.com/terms/o/operatingleverage.asp#ixzz1oyP1Rqki
http://www.investorwords.com/1952/financial_leverage.html#ixzz1oyPlaqLV

Olympic Cards Limited IPO

Arnab Basak [I MBA J]

The IPO market was in dire last year when the economic condition of the country was not in its proper shape but the stellar show by the MCX IPO marked an ecstatic start to the year 2012. After the big shot IPO, it was the turn of some small IPOs to enter the market and a SME named BCB Finance Ltd. came up with an IPO after MCX and became the first to get listed in the newly opened stock exchange BSE SME initiated by the Bombay Stock Exchange.

The latest IPO that hit the market was a small one by the Olympic Cards limited. The company was incorporated in the year 1961 and it is the Manufacturer and Supplier of invitation cards for all occasions. They are one of the leading manufacturers of paper/board based products, with presence mainly in Southern India. The company is presently in the business of manufacturing and trading Wedding Cards, Greeting Cards, Envelopes, Letter Heads, Business Cards, Calendars, Notebooks, Account Books, etc. They are also trading in the business of printing inks.

Olympic Cards export their products including Wedding cards, Greeting cards, Visiting cards, Envelopes and Printing inks to foreign countries such as Malaysia, Singapore, Sri Lanka & Dubai. They have plans to expand their market presence both within and outside India. Olympic offer various facility to its customers like proof mailing, transporting the goods to their request, attending their queries – and providing solution, etc. It's a single platform, where most of the customer's needs are satisfied for any kind of ceremonies and function. As for the customer satisfaction they also give them free service of reminder-sms to their guest from 2 days earlier to the function.

The Objective of the Issue was to Finance:

- Setting up a new manufacturing unit near Chennai.
- Capital Expenditure for establishing 4 own retail outlets of the company.
- Meeting Issue expenses.

Issue Details:

Issue Open	March 09 – March13, 2012
Issue Type	100% book building issue
Issue Size	Equity Share of Rs 10 each
Issue Size	₹25 crore
Face Value	₹10 per Equity Share
Issue Price	₹30 – ₹32 per Equity Share
Market Lot	200 Shares
Minimum Order Quantity	200 shares
Listing At	BSE

Financials:

For the year ended Mar.31, 2010, the company`s total income was ₹348.6 million and profit after tax was ₹12.9 million whereas for the year ended Mar.31, 2011, the total income was ₹457.2 million and PAT of ₹21.8 million and for the nine months period ended of the current fiscal Dec.31, 2011, the company`s total income was ₹327.2 million and profit after tax of ₹19.3 million.

Olympic Cards IPO Grading:

CRISIL has assigned an IPO Grade 1 to Olympic Cards IPO. This means as per CRISIL, company has '**Poor Fundamentals**'. CRISIL assigns IPO grading on a scale of 5 to 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

Lead Manager and Registrar:

The Lead Manager book runner to this Issue was Ashika Capital Ltd. and the IPO Registrar was Cameo Corporate Services Limited.

Post Issue News:

Although CRISIL assigned only Grade1 to the IPO yet it got fully subscribed and got a good response from the investors considering the company's dividend record, promoter's long standing track in business and Olympic brand's popularity in South India.

So, it was a good venture for Olympic Cards overall because although getting a poor grading from CRISIL and less investors in the opening day, it managed to get its shared fully subscribed.

Sources:
http://www.myiris.com/newsCentre/storyShow.phpfileR=20120313183549043&dir=2012/03/13
http://www.moneycontrol.com/news/ipo-issues-open/ipo-scan-olympic-cards_678796.html
Image Source: http://www.moneycontrol.com/news/ipo-issues-open/olympic-cards-ipo-fully-subscribed-_679860.html

KRBL Limited

Deebadwita De [I MBA J] and Shashank Mishra [I MBA N]

With a 120 year heritage and an existence since 1889, KRBL limited is India's first integrated rice company with a comprehensive product chain. Their flagship brand India Gate is recognized both in India and abroad with strong presence and impressive market share. KRBL's strong presence in domestic & international market could enable it to command better market share in the rapidly growing rice industry. Due to its popular brand image & better quality products, KRBL has been able to maintain healthy relationship with its overseas customers in major countries like Saudi Arabia, US, Kuwait & Middle East, which account for 80-85% of its total exports revenue.

With food processing gaining industry status gradually in India, the rice sector is expected to grow at an increasing momentum. Improvement in logistics, de-commoditization of rice and shift towards retail is likely to add momentum to the growth of Indian rice sector.

Key Highlights:

- KRBL registered revenues of ₹4,555 mn, a 21% growth over Q3 FY11. During the quarter, the company exported non basmati rice which contributed ₹1,064 mn to revenues.
- Revenue from basmati rice was ₹3,271 mn, around 7.5% lower y-o-y, as volumes declined by 9% .
- EBITDA margin expanded by 113 bps y-o-y to 15.7% on account of 303 bps decline in raw material costs as a percentage of sales because paddy prices dropped significantly compared to FY11. This was partially offset by other expenses, which grew by 21% y-o-y due to higher packaging costs.
- KRBL also incurred higher promotional expenses during the quarter.
- Reported PAT margin is 5.2%.

KEY STOCK STATISTICS	
NIFTY / SENSEX	5382/18202
NSE / BSE ticker	KRBL
Face value (Rs per share)	1
Shares outstanding (mn)	244
Market cap (Rs mn)/(US$ mn)	4,749/96
Enterprise value (Rs mn) /(US$ mn)	13,171/266
52-week range (Rs) (H/L)	34/13
Beta	1.3
Free float (%)	43
Avg daily volumes (30-days)	1,096,886
Avg daily value (30-days) (Rs mn)	19.2

Financials for KRBL:

	Mar '11	Mar '10	Mar '09	Mar '08	Mar '07
Owner's fund					
Equity share capital	24.35	24.35	24.35	24.35	24.35
Reserves & surplus	582.54	475.54	376.96	336.31	287.25
Loan funds					
Secured loans	835.61	529.49	550.62	622.8	486.72
Unsecured loans	65	75	50	149.9	-
Total	**1,507.51**	**1,104.38**	**1,001.93**	**1,133.37**	**798.33**
Uses of funds					
Fixed assets					
Gross block	551.58	451.85	323.89	313.9	276.54
Less : accumulated depreciation	171.09	135.58	108.37	86.38	63.21
Net block	380.49	316.27	215.52	227.52	213.33
Capital work-in-progress	20.42	35.82	34.09	7.42	24.98
Investments	12.99	2.52	2.37	2.52	11.27
Net current assets					
Current assets, loans & advances	1,420.51	962.12	912.38	1,094.38	737.25
Less : current liabilities & provisions	326.91	212.35	162.43	198.48	188.51
Total net current assets	1,093.60	749.78	749.95	895.91	548.74
Total	**1,507.51**	**1,104.38**	**1,001.93**	**1,133.37**	**798.33**
Notes:					
Book value of unquoted investments	4.61	2.52	2.37	2.52	9.1
Market value of quoted investments	9.33	-	-	-	-
Contingent liabilities	68.98	20.57	37.52	81.53	110.86
Number of equity shares outstanding (Lacs)	2431.12	2431.12	243.11	243.11	243.11

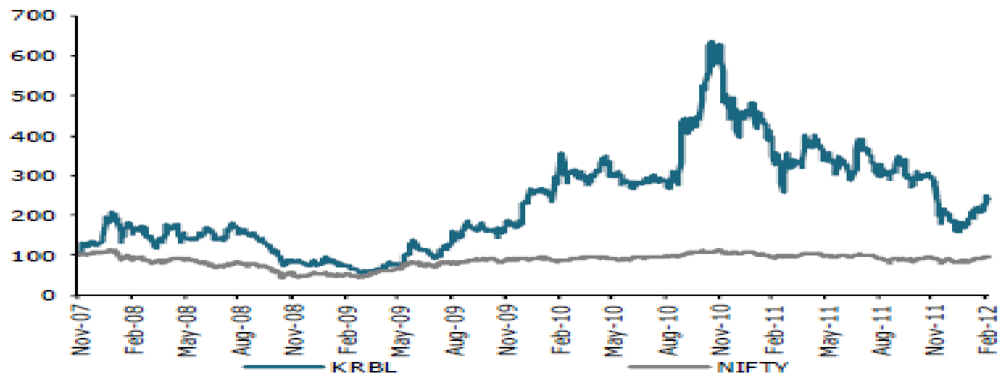
Key Developments:

- In February 2011, the government reduced the minimum export price (MEP) for basmati rice from US$ 900 per tonne to US$ 700 per tonne. This should boost basmati rice exports and, therefore, aid in clearing excess inventory with the processors and traders.
- Basmati rice prices have been under pressure due to continuing problems associated with exporting to the Middle East, the biggest market for Indian basmati.
- High revenue from sale of non basmati rice in the coming years.

PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
KRBL	14%	2%	-27%	-33%
NIFTY	14%	9%	9%	1%

Share price movement



-indexed to 100

Source: NSE, CRISIL Research

Recommendation for the Stock:

KRBL, with a major market share in India and abroad, will benefit from increasing exports, strong brand value and better product mix in the future. The company having a long experience and a healthy track record, will be able to achieve sustainable growth in the years to come. The recommendation for the stock is "BUY" for a period of 12 months.

Call: Buy
CMP: ₹140.60
Target Price :₹160
Time Period:12 months

Rubber

Srinivas Prasad K [I MBA J]

India produces around 6-7 lakh tons of rubber yearly 90% of India's rubber production comes from Kerala, the rest is mostly produced in Karnataka. The tyre industry, consumes 52 % of the almost 7 lakh rubber produced in the country. Tyre is the major form in which rubber is exported from India. India's tyre exports are around ₹1200-1300 crores a year. India's imports vary between years and is currently around 50000-60000 tons a year. Duty-paid imports of natural rubber under open general license attract 20 % import duty.

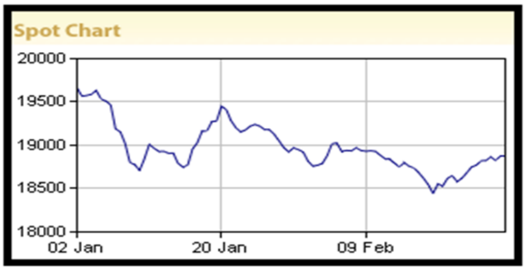
Rubber Output has Slipped in February Causing a Disrupt in the Supply.

Dry Weather and Less Rains have been the main cause for low production of Natural Rubber in February even as the consumptions continues to rise. The overall production declined 1 per cent & yield declined by 4 per cent despite growth in area under rubber tapping. Given the ‘reasonable' prices in the market, the tapping intensity continued but the yield declined on paucity of rains and drop in soil humidity. 50% deficit in rain from November till February has prolonged dry weather for almost last 5 months said the Rubber Board. Therefore, the spurt in tapping area could not be translated into increased production during last month. Due to the dry period, the adverse soil moisture condition is likely to continue in the immediate future increase in reported instances of the disease, powdery mildew, on rubber plantations since January. This comes as a bad news since it has been a lean rubber production season in the country as well as most other rubber producing regions of the world. Firm price trends are expected to continue in markets in case rubber production continues to be low in the coming months.

However, production for the first 11 months of the current fiscal was higher. Production rose by 4.2 per cent, while consumption increased by 1.5 per cent. There was a production-consumption gap of 39,420 tonnes during the period. Rubber stocks declined from 3,15,339 tonnes at the end of February last year to 2,44,000 tonnes now. This fall is mainly due to differences in enumeration statistics between the two years and does not reflect a fall in actual availability.

Therefore we need to wait and watch how if any price changes happen to rubber due to increasing demand and short supply.

Snap short of Rubber spot rate since January



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Ketan Parekh Scam

Ankita Pagaria [I MBA J]

Over and over again, every time the Indian markets have seen an upward trend, it has been followed by a scam. Ketan Parekh can be best described as the pied piper of dalal street. Ketan Parekh is a Mumbai based share and stock broker. He is from a well to do share-brokerage based family. He was involved in the shares scam of the year 2000/01. Companies when raising money from the stock market rope in brokers to back them in raising the share price. Ketan formed a network of brokers from smaller exchanges like the Allahabad Stock Exchange and the Calcutta Stock Exchange. Ketan also used benami or share purchase in the name of poor people living in the shanty towns of Mumbai. Ketan's rise to fame occurred at the same time as the worldwide dot-com boom (1999-2000) and he relied primarily on the shares of ten companies for his dealings (now known infamously as the K-10 scrips).

Ketan had large borrowings from Global Trust Bank, whose shares he was ramping up (so that he could get a good deal at the time of its merger with UTI Bank) – he got Rs 250 crores loan from Global Trust Bank, though Global Trust's chairman Ramesh Gelli (who was later asked to quit) repeatedly said that lending to Ketan was less than Rs 100 crores in keeping with Reserve Bank of India norms. Ketan and his associates got another Rs 1,000 crores from the Madhavpura Mercantile Co-operative Bank despite the fact that RBI regulations ruled that the maximum a broker could have got as a loan was Rs 15 crores.Thus, Ketan's modus operandi was clearly to ramp up shares of select firms in collusion with the promoters. Ironically, during the Ketan cleanup, SEBI concluded a 3-year old case where Harshad Mehta colluded with the managements of BPL, Sterlite and Videocon to ramp up their shares with money provided by these managements – and to get funding from them to do this. In the current Ketan case, SEBI has found prima facie evidence of price rigging in the scrips of Global Trust Bank, Zee Telefilms, HFCL, Lupin Laboratories, Aftek, Infosys and Padmini Polymer.

Now with the prices of select shares constantly going up, thanks largely to this rigging, innocent investors who bought such shares thinking the market as genuine, were at loss. Soon after discovery of this scam, the prices of these stocks came down to the fraction of the values at which they were bought. The scam burst and the rigged shares came down so heavily that quite a few people in India lost their savings. Some banks including Bank of India lost money heavily. At this time a group of traders (known as the bear cartel-Shankar Sharma, Anand Rathi, Normal Bang) relied on the global meltdown of stocks to make their profits. Bears sell stocks at high prices and buyback at low prices. At the time of the year 2000 Financial Budget this cartel placed sell orders on the K-10 stocks and crushed their inflated prices. All the borrowing of Ketan's could not rescue his scrips. The Global Trust Bank and the Madhavpura Cooperative went bust because the money they had lent to Ketan had sunk with his K-10 stocks. The information which was furnished by the Reserve Bank of India to the Joint Parliamentary Committee (JPC),during the investigation of the scam revealed that Financial institutions Industrial Development Bank of India (IDBI Bank) and Industrial Finance Corporation of India (IFCI) had extended loans of Rs 1,400-odd crores to companies known to be close to broker Ketan Parekh. Ketan Parekh was later arrested on December-2, 2002 in Kolkata.

Sources:
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10 Countries With Biggest Gold Reserves

Vinay Goel [I MBA L]

1. **United States of America**: The U.S.'s percent of foreign reserves in gold has risen from 74.8 percent in May to 75.5 percent in November 2011, which shows that it has the highest gold reserves than any other country.

2. **Germany**: The largest economy in the Eurozone, Germany, has the largest reserve of gold after the United States. Since September 2011, Germany has sold 4.7 tonnes of gold under the Central Bank Gold Agreement.

3. **Italy**: Italy's gold reserves are worth only 10 percent of the post security it needs. Italian banks were looking forward to the Bank of Italy to buy gold to strengthen their balance sheets ahead of stress tests, in 2011. Italy is the only country in this top 10 list which is in the prestigious "PIIGS" list of Euro-zone countries. Italy's gold reserves are worth approximately $147 billion, which is a very near fight to France.

4. **France**: France has signed the Central Bank Gold Agreement which limits gold sales by European countries. It sold nearly 10 tonnes of gold in the first year of the new agreement. The French National Bank, Banque De France, has a quarter of the country's gold holdings, whose worth is approximately $146 billion.

5. **China**: China reportedly made significant gold purchases in 2011 as it tried to diversify from its holdings of U.S. Treasuries. China buys gold from its domestic market. Though China is world's most populous nation its gold holdings are only 1.6 percent of its total reserves.

6. **Switzerland**: The Swiss National Bank sold 1,300 tonnes of gold from 2000-2005. In 2010, its gold reserves reached a quarter of its total reserves. Swiss National Bank conducts Switzerland's monetary policy and guards the country's 1,040.1 tonnes of gold whose worth is approximately $62 billion.

7. **Russia**: Russia bought 15 tonnes of gold in the quarter of 2011. The Central Bank of Russia mostly buys gold from the domestic market and Russian bullion banks. Early

2011, the Central Bank of Russia said it planned to purchase over 100 tonnes of gold to rebuild its gold and Forex reserves.

8. **Japan**: The Bank of Japan sold gold to push ¥20 trillion into the economy to calm down the investors after the tsunami and nuclear disaster in Japan, in 2011. Japan also holds a significant number of U.S. dollars in its reserves. Meanwhile, Japan's gold exports (which include private exports) are expected to reach 100 metric tonnes in 2011. Japan's gold reserves are worth approximately $45 billion.

9. **Netherlands**: Netherlands' central bank, that is, Dutch National Bank (DNB), sold 1,100 tonnes of gold since 1991 but the bank considers gold as the "only reserve and anchor of trust in times of financial crisis", according to Zero Hedge and thus holds it for diversification purposes. Whereas Nout Wellink, President of the Dutch Central Bank, has previously said that the DNB doesn't intend to sell gold. Netherland's gold reserves are worth approximately $36 billion.

10. **India**: India's central bank that is Reserve Bank of India's gold holding is the least among the major economies. RBI is known to buy International Monetary Fund gold and considers investment in gold as a safe investment. But India is the largest country with a gold demand of 933.4 tonnes, which is a quite significant figure considering fact that fluctuating and increasing gold prices and rupee weakening against U.S. dollar. India's gold reserves are worth approximately $33 billion.

Buzz Word

Prachi Sharda [I MBA J]

Capital Gearing Ratio

It is the ratio between the capital plus reserves i.e. equity and fixed cost bearing securities. Fixed cost bearing securities include debentures, long term mortgage loans etc.

The formula/equation for the calculation of capital gearing ratio is as follows:

Capital gearing ratio = Equity / Fixed cost bearing securities

Sources: http://www.investopedia.com/

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Image Source:
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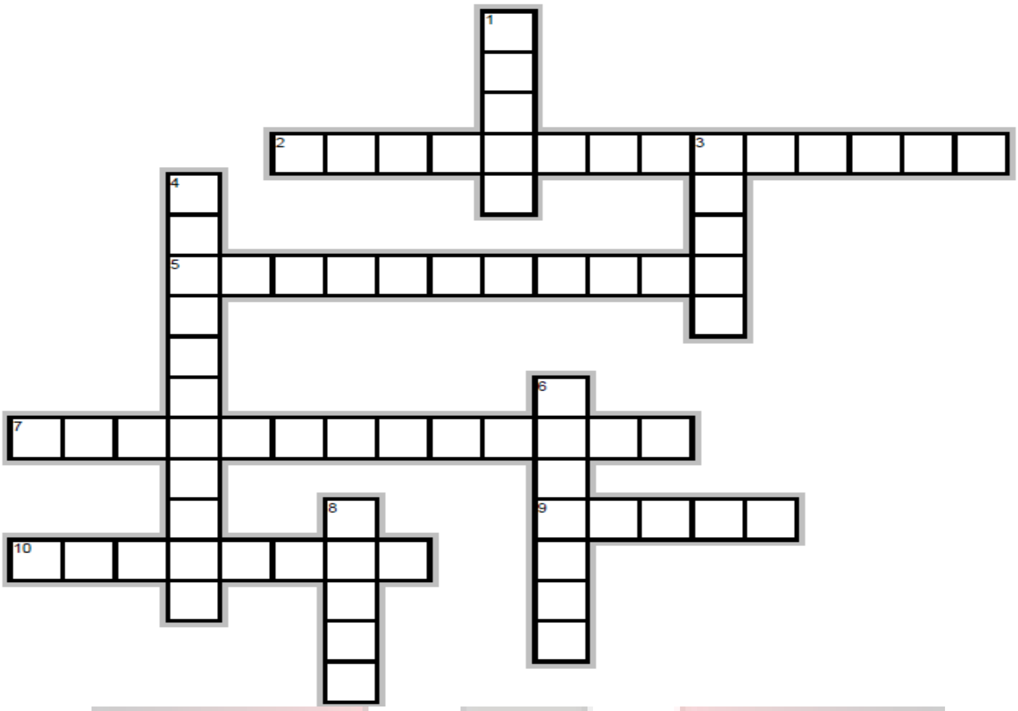
Crossword

Reddy Sreedhar T [I MBA L]



Across

2.He is the new Managing Director of L & T appointed recently in march 2012.
5. She was selected as captain of Indian Women's Cricket team in the limited over edition series against Australia(started on march 12 in Ahmedabad)
7. Seventh chief minister of Uttarakhand (elected recently)
9. Indian IT major Tata Consultancy Services (TCS) on 28 February 2012 joined hand with US based business application software services firm '....... Global Solutions' to expand its geographical reach
10. He being the Comptroller and Auditor General of India is the new chairman of the 45-nation strong Asian Organization of the Institutions of the Accountants General.

Down

1. Asia Pacific's leading media technology company, Komli Media acquired South East Asia's largest digital media network '....... Network' on 29 February.
3. This state government of India inked an agreement with the Asian Development Bank (ADB) on 9 March 2012 and as per the agreement the ADB would grant an 81 million dollar loan to the same state.
4. In economics, this defines a situation where the inflation rate is high and the economic growth rate slows down and unemployment remains steadily high.
6. K computer "is the world's fastest Super computer with 10.51 petaflop speed. It is produced by which company at RIKEN advanced institute for computational science.
8. SHADE (Shared Awareness and Deconfliction)- The pact signed by India, '......' and China to achieve the most efficient use of Naval forces present in the Indian ocean region. This mechanism is likely to check sea piracy in Indian Ocean.

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