

Weekly Newsletter

Power of Knowledge

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Issue 18

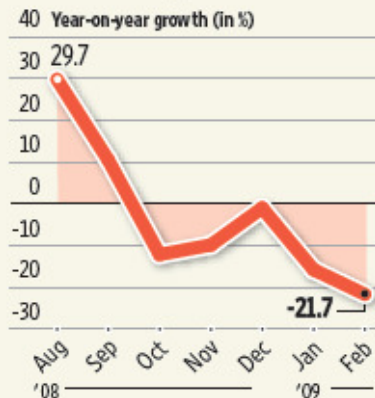
Date : 6 April 2009

News for the week ended 3 April 2009

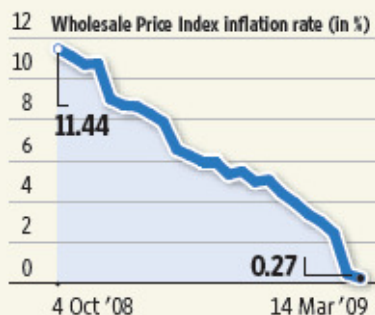
PLUMBING NEW LOWS

As the economy rapidly slows, several macro parameters are worsening.

Exports fall to a 13-year low in Feb on weak global demand

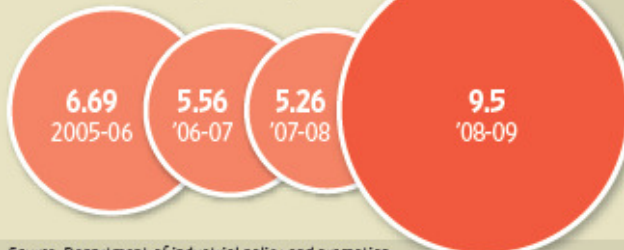


WPI Inflation declines to near-zero level, triggering fears of deflation



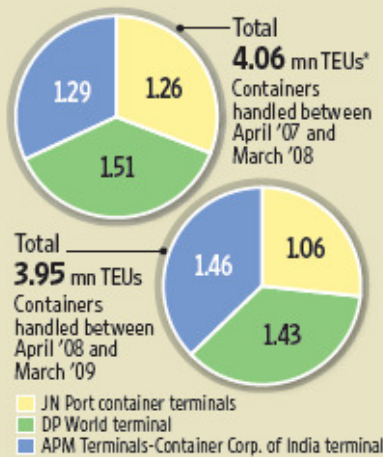
Combined fiscal deficit rises to a five-year high

Combined fiscal deficit (as % of GDP)



Source: Department of industrial policy and promotion, Central Statistical Organisation, finance ministry, Reserve Bank of India, ministry of commerce and industry

Container traffic contracts in 2008-09



Monthly industrial production sees back-to-back contraction for the first time in 16 years



*Container cargo volumes in twenty-foot equivalent units or TEUs (the standard size of a container and a common measure of capacity in the container business).

Special points of interest:

- Reserve Bank wants to regulate NBFC holding companies.
- World Bank, ADB see India growth at 4-5%.
- IMF fund to combat money laundering.

- Inflation for week-ended March 14 at 0.27% vs 0.44%.

- Wockhardt falls most in five months on seeking debt recast.

- Sebi no to delaying different load structures for MFs.



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Market Outlook

Registering phenomenal gains during the last week of trade, markets extended the good show in the current week as well, with the benchmark BSE Sensex closing higher by 3.0% and the NSE Nifty ending with 3.3% gains. Unlike last week, this time around it was the turn of Mid and Small caps to outshine their large cap counterparts. During the week, the BSE Mid and Small-cap Indices gained 6.5% and 6.1%, respectively. In a major global development, leaders of the world's largest economies at the G20 summit pledged an additional US \$1.1 trillion in resources for the International Monetary Fund (IMF) and other multi-lateral institutions to boost global growth. Back home, the Ministry of Corporate Affairs accepted the recommendation of an advisory body to defer implementation of Accounting Standard 11 (AS-11), which deals with differences in foreign exchange rates, till 2011. Finally, the BSE Sensex closed the day 4.8% lower. Markets however, reversed the trend during Tuesday's trading session, gaining 1.5% on the back of positive global cues. Markets followed up the gains in trading session, closing up 2% led by the rally in Banking and IT stocks.

Economy Highlights

Reserve Bank wants to regulate NBFC holding companies

The Reserve Bank of India (RBI) has decided "in principle" to bring under its regulatory ambit holding companies floated by business groups and companies that also own non-banking finance companies (NBFC). Sources close to the development said the move was prompted by the fact that NBFCs had frequently complained of an acute shortage of funds and some had received liquidity support from the government in consultation with RBI as a result.

WHO QUALIFIES

Company should be of systemic importance if it fails or belongs to a group posing a systemic risk .

Investment companies with 90 per cent of their investments in shares of its own NBFC and other NBFCs.

Entities should derive more than 50 per cent of income as dividend from investments.

World Bank, ADB see India growth at 4-5%

India's economy will expand at the slowest pace in seven years, with the World Bank, Asian Development Bank (ADB) and a grouping of developed nations expecting the country's growth rate to be 4-5 per cent in 2009-10. There is also little chance of the global economy staging a recovery during this year, although it might be able to stand up on its feet in 2010. In its global economic forecast update for 2009, the World Bank projected a growth rate of 4 per cent for India during 2009-10, while the ADB, in its outlook, expects the economy to expand by 5 per cent. A separate outlook by the Organisation for Economic Cooperation and Development (OECD), a club of developed countries, has forecast a 4.3 per cent growth rate for India.

Export slump gets worse

The trade deficit has been steadily improving, from \$7.5 billion (Rs38,250 crore now) in December to \$5.6 billion in January and \$4.9 billion in February, according to commerce ministry data. As we have said earlier, the worst seems to be behind us as far as the deficit goes. It

Inside the issue.....

- **March auto sales rise, but growth signs shaky.**
- **NSEL may launch wheat contracts next week.**
- **For each rating upgrade, 11 firms downgraded.**
- **Boeing to deliver aircraft worth \$17 bn to India.**
- **VW opens unit, targets 10% mkt share.**
- **o Reciprocity on foreign play in banking must .**
- **MF assets dip for first time in 5 years.**
- **Indian companies' ECBs in Feb lowest in a year .**

(For capital Market and Macro Economic indicators information? Kindly check page 3 and page 7)

Global indices (D o D)

Indices	▲/▼	Chg %	Close
NASDAQ	▲	5	1622
HANG SENG	▲	3	14546
SHANGHAI	▲	1.9	2420
NIKKEI	▲	1.4	8750
STRAITS TIMES	▲	4.5	1821

Domestic indices (D o D)

Indices	▲/▼	Chg %	Close
BSE	▲	3	10439
Nifty	▲	3.3	3211
Bankex	▲	-1	4822
Auto	▲	3.2	3167
BSE IT	▲	5	2455

FII (28 Jan) (CRORES)

Rs (cr)	Purc h	Sales	Net
Equity	1695	1460	235
Debt	16	-	16

Macro Indicators

GDP %	7.1%
WPI (Inflation)	.31%
PLR	12.75%-13.25%
Repo Rate	5%
Bank CRR	5%
Saving Bank Rate	3.5%
Reverse Repo Rate	3.5%
Forex Reserve	Rs.247.3bn

Bullion

Bullion	28 Jan	chg
Gold	Rs14925	▼Rs.205
Silver	Rs21875	▼Rs.210

is small consolation because the contraction in exports external deepening. That is evident from the data for the last six months: exports were up 10.4% in September, fell by 12.1% in October, dropped 9.9% in November, declined by 1.1% in December, were down 15.9% in January and declined 21.7% in February.

o Reciprocity on foreign play in banking must

Foreign banks planning to enter India may have to wait long if the report of the Committee on Financial Sector Assessment (CFSA) is taken seriously by the government and the Indian central bank. Chaired by Reserve Bank of India (RBI) deputy governor Rakesh Mohan, the committee has made it clear that the opening of the banking space to foreign players should be based on "reciprocity". In other words, India should continue to keep the doors shut for banks of those countries that do not open the doors for Indian banks. The US is one such country. Foreign banks could operate in India either through branches or the subsidiary route subject to reciprocity, says one of the critical recommendations. The six-volume report, submitted to stand-in finance minister Pranab Mukherjee last week.

Inflation for week-ended March 14 at 0.27% vs 0.44%

Inflation rise marginally to .31% for the week ended 21 March 2009, mainly because of the increase in the price of the manufactured goods. It was 7.9% for the corresponding week last year and .27% for the previous week. The inflation rate of the items consumed is still high like pulses and cereals continued to remain near double digits. Retail inflation remain at 9.6% as measured by CPI (Consumer price Index).

IMF fund to combat money laundering

The International Monetary Fund (IMF) will launch a donor-supported fund to combat money laundering and terrorism financing, a growing menace in the financial world. The Multi-Donor Trust Fund, the first in a series of so-called Topical Trust Funds, will start operations on May 1. It will provide about \$31 million over five years to contribute to the strengthening of global anti-money laundering and combating the financing of terrorism regimes, using the Fund's proven expertise and infrastructure. Switzerland, Norway, Japan, Saudi Arabia, Britain, Korea, and France will be providing about two-thirds of the financing, the IMF announced, adding discussions are still ongoing with a number of other donors who have also expressed interest in contributing to the Trust Fund.

First capital account deficit in over a decade

Current account deficit during Q3 highest since 1990. For the first time in over a decade, India reported a capital account deficit during the third quarter of the current financial year mainly due to net outflow under portfolio investment, banking capital and short-term trade credit. The capital account balance remained in the surplus zone since the second quarter of 1998-99. In addition, the current account deficit widened to \$14.6 billion during the third quarter of the current financial year, as against \$4.5 billion during the corresponding period last year. This is the highest quarterly deficit since 1990. According to the balance of payments (BoP) data released by the Reserve Bank of India (RBI) today, during October-December, the first quarter after the global credit crisis intensified in September, the capital account balance saw an outflow of \$3.23 billion, as against an inflow of \$31.27 billion during the third quarter of last -

year.

Markets Highlights

NSEL may launch wheat contracts next week

The National Spot Exchange (NSEL), the spot trading arm of the country's largest commodity futures trading platform, the Multi-Commodity Exchange (MCX), is planning to launch wheat contracts next week. Its rival NCDEX Spot, the spot trading platform of the National Commodity & Derivatives Exchange (NCDEX), is currently working on the idea and plans to facilitate trading by April-end to cover the Rabi crop. This assumes significance as suspension of wheat from the futures market in early 2007 has left hundreds of participants in a lurch, forcing them to shift to other commodities. The worst sufferers remained flour millers, both from the organized and unorganized sectors. In absence of any real benchmark price, they procure wheat at the open market price to meet their requirements.

Re gains on speculation inflows will rise

The currency advanced as the Bombay Stock Exchange's Sensex rose 2%, following last month's 9.2% rally. Overseas funds' equity purchases exceeded sales by \$585 million (Rs2,983.5 crore) in the five days ended 27 March, the most in such a period in a year, data released by the Securities and Exchange Board of India showed. "Stocks are expected to continue on the recent positive trend and the rupee may benefit from that," said Roy Paul, assistant manager of treasury at Federal Bank Ltd in Mumbai. "Trading was thin because of banks' annual accounts closing after the last fiscal year ended yesterday (Tuesday)." The rupee climbed 0.2% to 50.71 to the dollar at the close, according to data compiled by Bloomberg. It gained 0.8% in March.

For each rating upgrade, 11 firms downgraded

In a clear indication that the economic slowdown is damaging the health of the country's firms, local rating agencies are downgrading companies in large numbers. In the just concluded fiscal 2008-09, four local rating agencies downgraded 229 companies and upgraded only 21. In other words, for each upgrade, there were about 11 downgrades. A downgraded rating hampers a company's ability to borrow and pushes the cost of money as investors' risk perception for such companies goes up.

PMI data shows output shrank, but marginally

The ABN Amro Purchasing Managers' Index (PMI) for March confirms our assessment of an improvement in the economy in March. At 49.5, the seasonally adjusted index is marginally below the 50 mark, which indicates the manufacturing sector neither expanded nor contracted in March compared with the previous month. A reading below 50 signifies contraction while one above 50 shows expansion. It is the first time manufacturing has shown signs of stability after four consecutive months of significant contraction. The rise in the new orders sub-index to 49.5 is the most heartening, since today's orders are tomorrow's output.

Sebi no to delaying different load structures for MFs

India's stock market regulator, the Securities and Exchange Board of India (Sebi), has rejected a plea by the asset management industry to delay the introduction of variable load structures on mutual funds that will enable investors to negotiate the commissions they pay distributors. The regulator is keen to push a decision soon and may take the matter to its board shortly, a person close to the development told CNBC-TV18. The mutual fund industry has been trying hard to convince Sebi to push back its proposed decision to introduce variable load structures for mutual funds. Once approved, investors will have the right to negotiate the commission they pay a distributor every time they buy a mutual fund.

Sebi convenes special board meeting

India's capital markets watchdog Securities and Exchange Board of India, or Sebi, plans to convene a special board meeting this month to discuss the contentious orders issued by an independent committee constituted by the regulator to oversee its proceedings against the country's premier depository National Securities Depository Ltd (NSDL) in the initial public offering (IPO) scam. The scam, unearthed in April 2006, involved depositories, depository participants and market operators, who allegedly used or helped some entities use 59,000 fictitious demat accounts to corner shares meant for small investors. The orders issued by the independent committee on 4 December have not yet been made public. While at least one member of the committee insists that Sebi is bound to make these orders public, a Sebi executive said this could be done only after the board reviews them.

Pre-IPO deals haunt companies

Companies owe the money to investors because they were unable to stick to the time frame on IPOs. Investments made by private equity funds, hedge funds and other investment vehicles in companies that had been planning to raise money from the capital markets through initial public offerings (IPOs) have come back to haunt the founders of many such firms. Companies owe their investors at least Rs4,000 crore for their inability to come out with IPOs within a specified time frame, a precondition for such investments, data provided by Nexgen Capitals Ltd, the investment banking arm of Delhi-based stock broker SMC Global Securities Ltd.

Industry Highlights

Wockhardt opts for debt revamp

Habil Khorakiwala installs son Murtaza as MD, to remain executive chairman. Drug major Wockhardt joined the growing list of Indian companies to be referred to the Corporate Debt Restructuring (CDR) mechanism, a system to deal with cases in which multiple lenders are involved. CDR cases went up three-fold to over 30 in 2008-09 from only 10 in the previous financial year, indicating the worsening repayment capability of Indian companies. In its announcement, Wockhardt also said Habil Khorakiwala, currently chairman and managing director, has stepped down as managing director and will continue as executive chairman. The board nominated his son Murtaza H Khorakiwala as managing director, subject to approval from shareholders. The board also appointed Murtaza and Khorakiwala's younger son, Huzaifa, currently executive directors, additional directors. Huzaifa has been appointed whole-time director, designated executive director. Wockhardt's promoter-family, which holds 74 per cent in the company, has pledged 79.21 per cent of its shareholding to various banks and institutions.

Stake buy talks with Fortis may speed up

The company's debt obligation is around Rs 2,800 crore. The somewhat rocky process of trying to divest a minority stake in Wockhardt Hospital Ltd is likely to pick up pace in the aftermath of a decision by the board of Wockhardt Ltd to refer the flagship company for corporate debt restructuring. Sources said negotiations in this regard with Fortis Healthcare, reported earlier by this newspaper, were likely to see fruition after some stalemate. The debt burden on Wockhardt Ltd has become high enough to need restructuring and the promoters – Habil Khorakiwala and family – need to bring in more equity to tide over the current crisis. Hence, the move to raise resources by divestment of other assets. The company's debt obligation is already in the region of Rs 2,800 crore, and with a debt-equity ratio of 2.3:1, its capacity to raise loans is constrained. There is also redemption pressure on foreign currency convertible debentures (FCCBs) of \$110 million face value, slated in October this year. The redemption amount would actually amount, with interest, to \$140 million. And the redemption is inevitable given the conversion price of Rs 486 per share of FCCB, against the current market price of around Rs 85 per share.

VW opens unit, targets 10% mkt share

Besides hatchbacks, the company plans to introduce its full range of commercial vehicles. Volkswagen (VW) AG, Europe's largest car manufacturer, hopes to run its plant at Chakan near Pune to its full initial capacity of 110,000 units in two-three years, targeting a market share of 8-10 per cent. The factory, inaugurated today, will initially build Skoda Auto AS's Fabia hatchbacks from May before beginning production of a hatchback version of Volkswagen Polo in 2010. With this, VW becomes the last of the world's biggest auto manufacturers to mark its foray into India through a full production facility.

Boeing to deliver aircraft worth \$17 bn to India

Aircraft maker Boeing said the company was not seeing any big impact of the global economic slowdown in the Indian aviation market in the form of cancellation of orders. The US-based aerospace major, which had earlier projected that there would be a requirement of aircraft worth \$105 billion in India in the next 20 years, said the company was planning to deliver 100 planes to India worth \$17 billion over the next five years.

Indian companies' ECBs in Feb lowest in a year

Indian companies raised \$452 million through the external commercial borrowing (ECB) route in February. This is the lowest level of overseas borrowings since February last year, when they had borrowed \$420.11 million. According to the data released by the Reserve Bank of India (RBI), during the April-February period this financial year, the total amount raised through ECBs by Indian companies was estimated at \$16.51 billion, as against \$20.58 billion during the corresponding period in 2007-08, representing a decline of 19.81 per cent.

Ford worried GM, Chrysler revamps may hurt business

Having declined federal loans, Ford Motor Co. has been watching the car industry's bailout drama from the sidelines. Now, company officials worry that a bankruptcy filing by a rival could severely disrupt Ford's operations. A bankruptcy reorganization by either General Motors Corp. or Chrysler LLC—as suggested by President Barack Obama this week—could damage the networks of suppliers and dealers shared by Detroit's auto makers, throwing uncertainty into Ford's parts deliveries and its retail operation. Moreover, Ford officials are concerned that bankruptcy could allow GM or Chrysler to restructure more fundamentally and exact deeper concessions from unions and bondholders. That could leave a rival in better competitive shape than Ford, unless Ford can gain the same concessions.

Wockhardt falls most in five months on seeking debt recast

Pharma company Wockhardt Ltd had the biggest drop in five months in Mumbai trading after the drug maker sought to restructure its debt, citing liquidity constraints and adverse market conditions. Wockhardt declined 11% to Rs75.65, its biggest drop since 29 October, having plunged as much as 22% earlier in the day. The Mumbai-based company and lender ICICI Bank Ltd have approached the Corporate Debt Restructuring Cell, a voluntary organization backed by the central bank that assists lenders and borrowers. Chairman Habil Khorakiwala, who stepped down as managing director on Tuesday, is seeking to raise funds to repay debt that has ballooned to four times its current market value.

March auto sales rise, but growth signs shaky

In March, Hyundai Motor India Ltd, India's second largest car maker by volumes, saw its domestic sales fall nearly one sixth compared with the same month last year. The company had in March 2008 reported an expansion in sales of 52.3% over the year-ago period, according to industry group Society of Indian Automobile Manufacturers, or Siam. March sales at Tata Motors Ltd, the country's largest truck maker, continued to fall but the decline was less steep than in the last four months. At 29,006 units, the company sold 19% less trucks in March than the same period a year ago but 24% more than February this year. Passenger vehicle sales contracted 4% to 23,680 units.

Emami to sell Zandu's chemicals business

Personal care products maker Emami Ltd has started restructuring the business operations of Zandu Pharmaceutical Works Ltd, in which it acquired a 72% stake in October, by selling the latter's subsidiary Zandu Chemicals Ltd. The unit is being taken over by the Parikh family, which sold its controlling stake in Zandu. "We have reached an agreement with the Parikhs for sale of the chemicals division, but the transaction has not ended yet," Emami chairman R.S. Agarwal, who is also a director of Zandu, said in an interview.

Bajaj Finserv may soon get a new brand identity

First, the Bajaj group split management responsibilities for various businesses. Then, it split the businesses themselves, creating three Bajajs—Bajaj Auto, Bajaj Finserv, and Bajaj Holdings and Investment—from one (Bajaj Auto). Now, Sanjiv Bajaj is looking to create a new brand identity, including a new logo, for the company he controls, Bajaj Finserv Ltd. The auto business, headed by Sanjiv Bajaj's brother Rajiv Bajaj, will continue to use the Bajaj logo, with a bold B. "We are already working with a brand expert on certain ideas to have a brand identification without diluting the group's brand," Sanjiv Bajaj said.

Will Big Blue buy Satyam?

Ramalinga Raju shocked the world by confessing that he had, over the years, fudged the company's books to the tune of at least Rs7,136 crore. the start of the year, said a senior executive at the Hyderabad-based firm that's trying to find a strategic investor to purchase a controlling stake in it. The official didn't wish to be identified. The firm, now run by a government-appointed board, has been at the centre of India's biggest corporate fraud investigation since founder B. Ramalinga Raju on 7 January confessed to having misstated accounts to the tune of Rs7,136 crore over several years. The company is now in the middle of a competitive bidding process to sell new shares equivalent to a 31% stake. The winning bidder, who will infuse much-needed funds into Satyam, will have to make an open offer to shareholders to buy an additional 20%.

MF assets dip for first time in 5 years

For the first time in five years, the average assets under management (AAUM) of mutual funds have fallen. The AAUM of fund houses fell by 7 per cent or Rs 36,798 crore to Rs 4.93 lakh crore in the financial year 2008-09, as against Rs 5.30 lakh crore in 2007-08, according to data from the Association of Mutual Funds in India (Amfi). In the last four years, the AAUM rose consistently. In 2007-2008, the AAUM increased by almost 50 per cent or Rs 1.75 lakh crore to Rs 3.55 lakh, from the previous year. In earlier years as well, the AAUM rose from Rs 38,489 crore in March 2004 to Rs 3.55 lakh crore in March 2006. Market experts at-

tribute this substantial rise to the booming stock markets in those years. And a lot of investors were flocking to take advantage of it. Also, during that period a lot of innovative debt products came into being like fixed maturity plans (FMPs).

THE FALL FACTOR

AAUM	Change in AAUM
4,93,286.56	-36,798.58
5,30,085.14	1,75,070.37
3,55,014.77	2,35,470.83
1,19,543.94	60,859
58,685	20,195

Figures in Rs crore

Disclaimer@ International College of Financial Planning April 2009

All the information contained in this report are true to our best knowledge & taken from various market sources. The information available only for educational purposes not for any investment decision. International College of Financial Planning Ltd.3rd Floor Gulab Bhawan, Bahadur Shah Zafar Marg, New Delhi -110002.

Please provide your feedback and suggestions for further improvement at geetikac@icofp.org

Forex rates

Rs/\$	Rs.50.35
Rs/€	Rs.67.46
Rs/£	Rs.74

Crude Oil

Price	Chg
\$52.61	-.65%

Top Gainers BSE

Company	%	Close
Rel Comm	8.79	213.4
Idea Cellular	4.31	53.3
Bharati Airtel	4.08	664.5
Tulip Telecom	3.57	381
Tata Comm	3.31	544.95

Top Losers BSE

Company	%	Close
On mobile Global	10	334
Nettlinx	2.58	9.45
MTNL	1.13	70.3

Data of capital market 4.4.2009