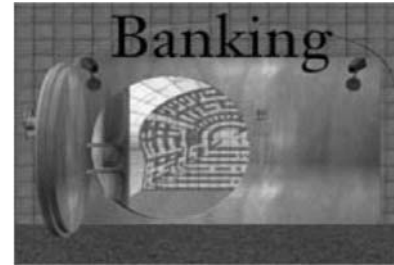
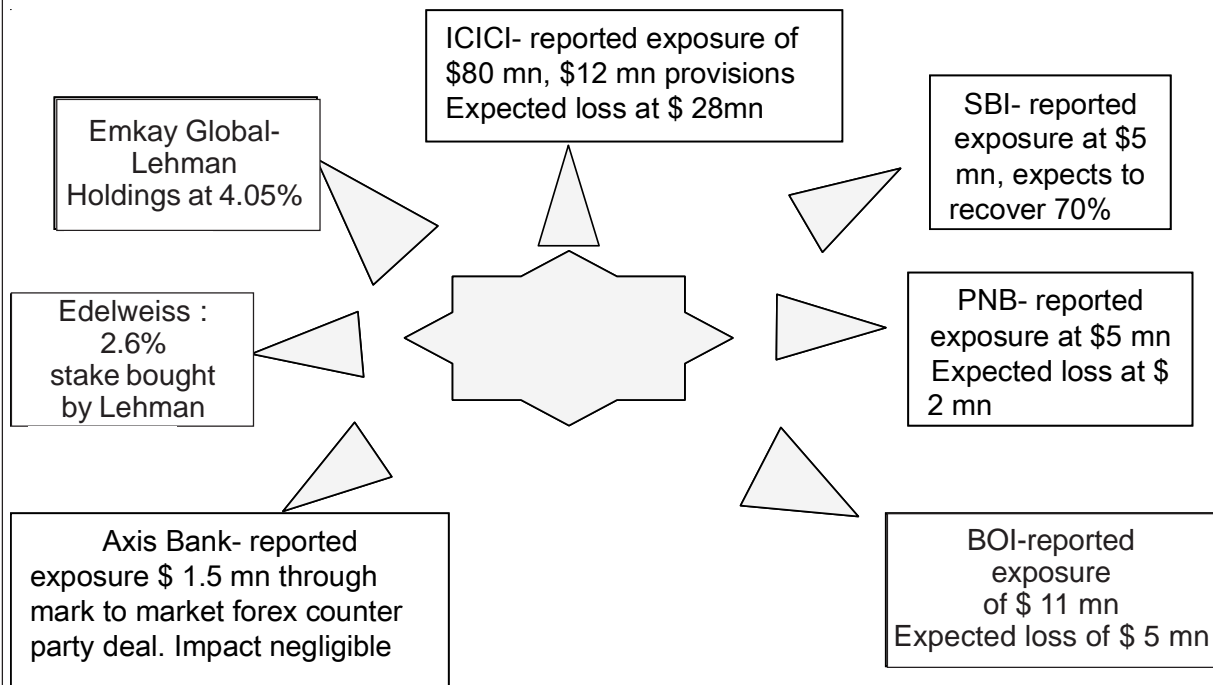


Banking Sector

- ☞ Exposure to sub-prime mortgages
- ☞ Hedge funds sell
- ☞ To reduce leverage and meet calls
- ☞ To meet redemptions
- ☞ Short – to make return



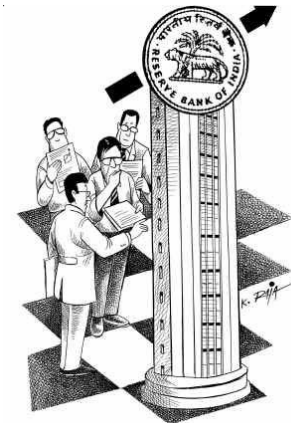
Financial services Chakra – view.....Exposed??





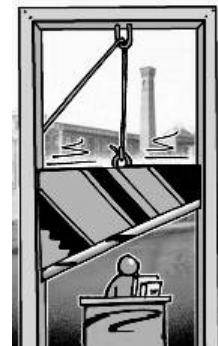
Measures Taken by RBI

- ☞ CRR, SLR, Repo rate
- ☞ ECB norms relaxed up to 500Mn\$
- ☞ Buy back of MSS securities
- ☞ Stimulus package announced to cut Cen VAT be 4%
- ☞ Announced 4 bn \$ fiscal package
- ☞ Refinance facilities to all scheduled commercial banks up to 1% of NDTL
- ☞ Banks can borrow up to 1.5 percent of their deposits in cash



Job Cuts

Slowdown-hit PSUs chant the austerity mantra



Foreign banks cut down gold supply to India

Forget stock gains, you may lose dividends too

RBI opens doors to 10 VCFs amid liquidity crunch

Demand meltdown dissolves 150 small sponge iron units

Overseas borrowings via loan syndication dip 46% in '08

Stimulus Packages

- ☞ 7th Dec-First stimulus package
 - To stimulate demand
 - Expected price of goods to fall
 - Indian exporters to be competitive
 - Reduce unemployment
- ☞ 2nd Jan-Second stimulus package
 - Corporate to hunt for fund overseas
 - Boosting local demand
 - To kick start infrastructure projects

Deficit And Surplus

India

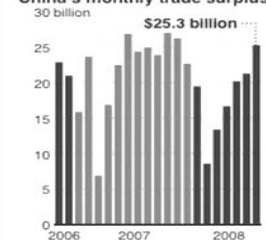


China

China's surplus up

China's global trade surplus in July soared to its highest level in eight months, according to data reported Monday.

China's monthly trade surplus

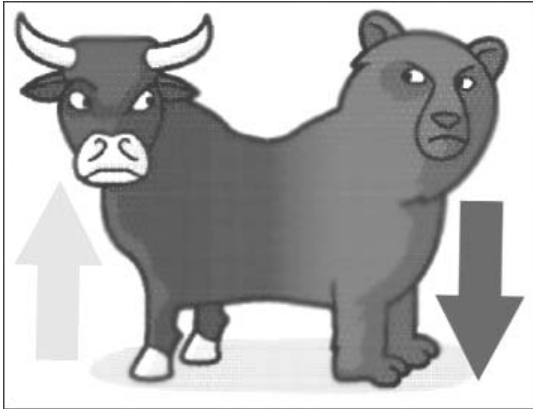


SOURCE: Chinese government AP

Lessons To Be Learnt

- ☞ Risk transfer needs closer supervision
- ☞ Reliable valuers
- ☞ Transparency and disclosure
- ☞ Conflict of interest in rating agency

**Impact of crisis-Chinese Economy
Indian Stock Market**

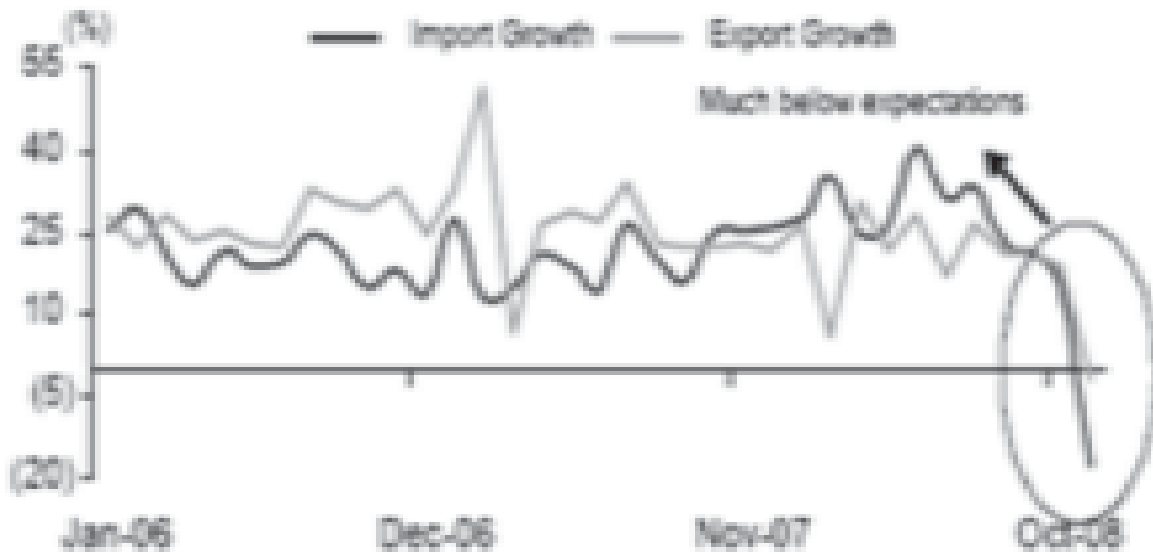


Slowdown In China

- ☛ Fourth largest economy
- ☛ Exports growth ↓
- ☛ Interest Rate ↓
- ☛ Announcement of stimulus package



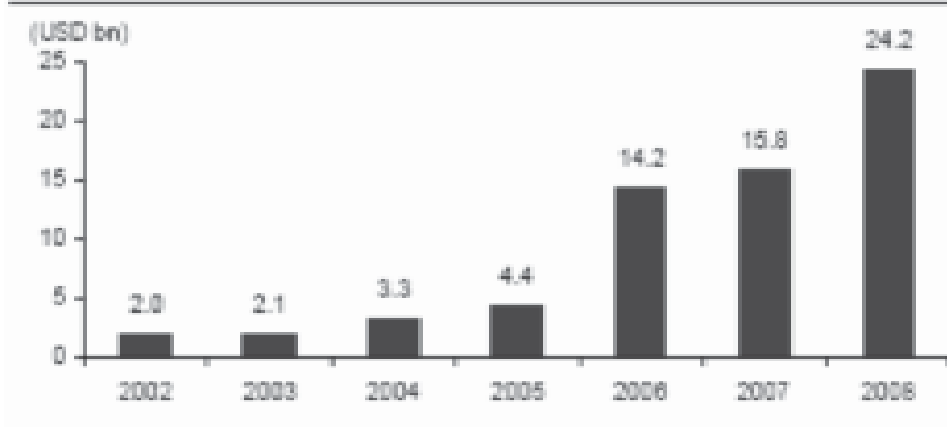
China import and export growth



Source: Customs General Administration of China

Focus on India FDI and ECB

FDI flows in India

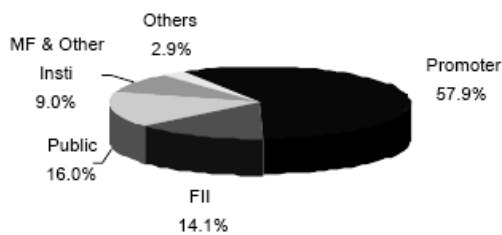


Source: Bloomberg, RHH

- ☞ Signs of slowdown in FDI with inflows dropping 26% in October
- ☞ ECB flows also on the decline, putting pressure on corporate liquidity
- ☞ Stricter lending by banks further exacerbates funding troubles

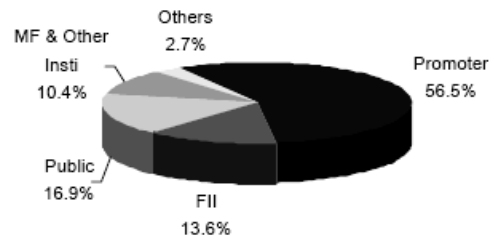
FII Flows

FII exposure in Dec 2007 (US\$ 260bn)



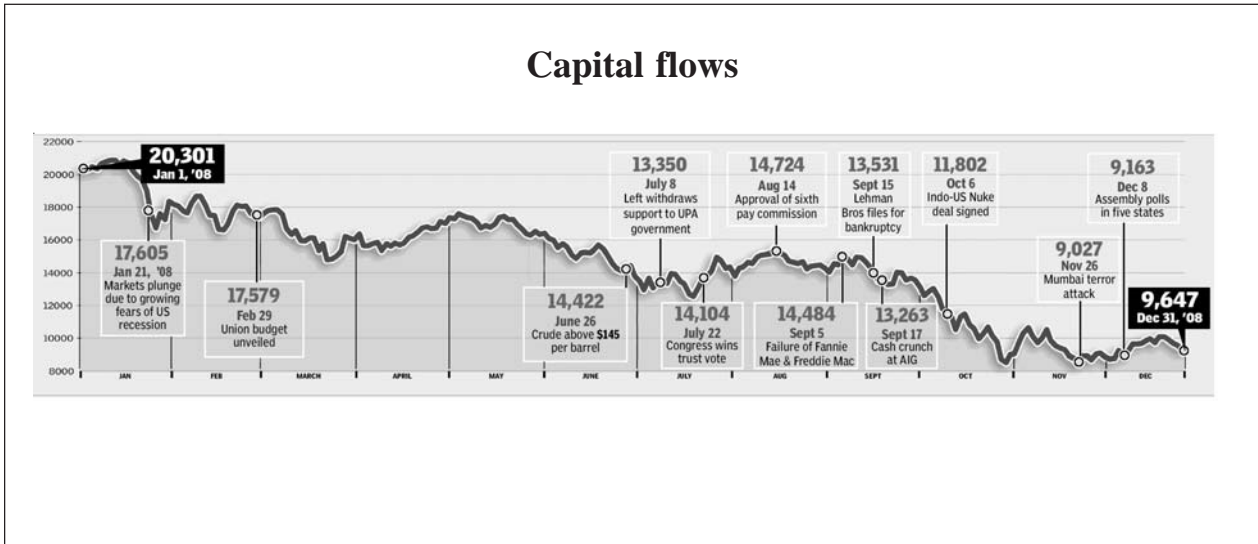
Source: Capitaline, RHH

FII exposure as on Sept 2008 (US\$ 90bn)



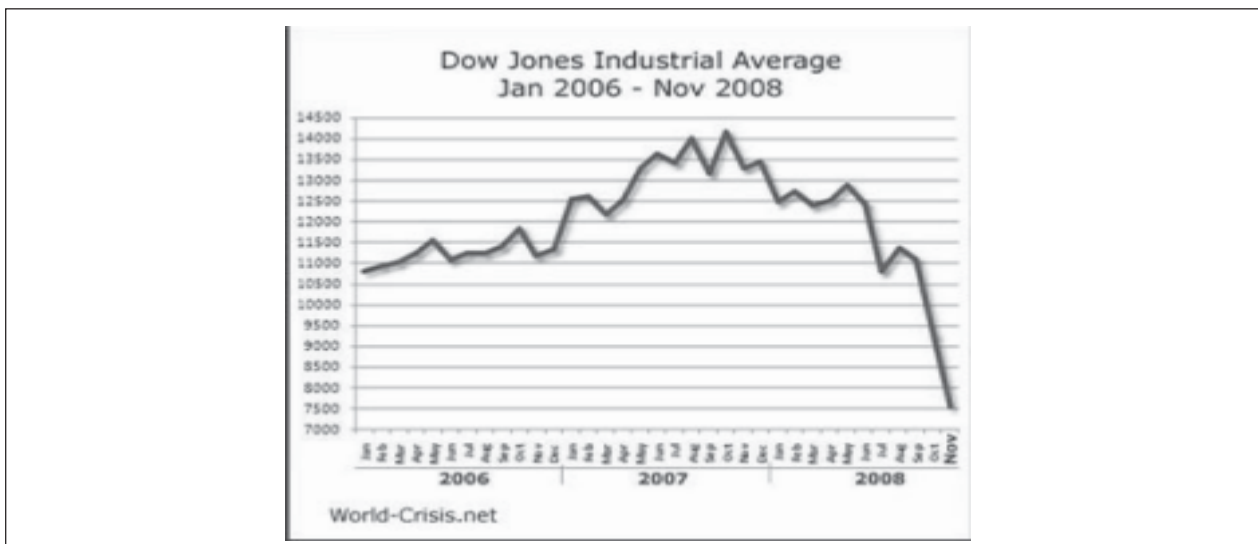
Source: Capitaline, RHH

- ☞ FII equity share exposure down 63% in over Dec.2007 to Sept. 2008
- ☞ Adjusted for net FII selling since Sep'08, current exposure is down to \$US 85 bn



Other Factors

- ☞ Commodity prices
- ☞ Interest Rates
- ☞ Oil prices
- ☞ Inflation worries



Failure of System

- ☞ Unfettered Laissez Faire concept
- ☞ Derivative market
- ☞ Excessive leveraging
- ☞ Role of regulators
- ☞ Casino capitalism
- ☞ Crony capitalism
- ☞ No transparency in functioning

“Capitalism is the legitimate racket of the ruling class”.

-Al Capone

“Corruption is our Protection.
Corruption is what keeps us safe
and warm.
Corruption is why we win.”

From the film *Syriana*
Directed by **Stephen Gaghan**

Political And Economic Viewpoints

- ☞ Regulate capitalism
- ☞ Modern capitalist states are welfare states
- ☞ Capitalism’s success is a mysterious triumph
- ☞ Capitalism is obsolete –Mao and Marx will be back
- ☞ Nationalization of banks
- ☞ Save capitalism from financial capitalist

“There are no atheists in foxholes and no ideologues in financial crises,”

- Mr. Ben Bernanke

“The duty of every aristocracy is to dig its own grave and the sooner it does so, the better. The more it delays, the more it will fester, and the worse death it will die.”

- Swami Vivekananda

Facilitators

- Dr. Guruprasad Murthy
- Dr. P.M.Kelkar
- Mr. R.S.Verma
- Mr. S.P.Desai
- Ms. Sukhada Waknis
- Ms. Suman Mathur
- Ms. Gitanjali Kapoor
- Ms. Suchitra Phadnis
- Ms. Seema Agarwal
- Ms. Saroj Mishra

Student Presenters

- ☞ Genesis – Amit Gautam & Pratik Purav
- ☞ Subprime Crisis- Rupali Mehta
- ☞ Bailout package- Jay Lodhaya
- ☞ Paul Krugmann on global financial crisis- Saldas Naik
- ☞ Europe and Japan- Saurabh Shinde & Poorva Adkar
- ☞ Impact on India- Prachie Agarwal & Bijal Shah
- ☞ Impact on Chinese economy and Indian markets- Gaurav Kothari
- ☞ Whither Capitalism- Kartik Baranga

Keywords

Aggrandizement	To increase the scope of; extend.
Amalgamation	The merging of two or more businesses into single entity
Bailout	A bailout is an act of loaning or giving capital to a failing company in order to save it from bankruptcy, insolvency, or total liquidation and ruin.
Commodity	Something for which there is demand, but which is supplied without qualitative differentiation across a market.
Debentures	A type of debt instrument that is not secured by physical asset or collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer.
De-leveraging	It is the process by which financial institutions and investors reduce the relative size of their assets to equity ratio. It means shedding assets in the financial sector, thus reducing credit and slowing the economy.
Depreciable Assets	Certain types of assets that gradually lose their value over time.
Divestiture	Disposition or sale of an asset by a company
Fiscal Policy	Fiscal policy is an additional method to determine public revenue and public expenditure. In the recent years importance of fiscal policy has increased due to economic fluctuations. Fiscal policy is an important instrument in the modern time. According to Arther Simithies fiscal policy is a policy under which government uses its expenditure and revenue programme to produce desirable effects and avoid undesirable effects on the national income, production and employment.
GDP	Gross Domestic Product. The total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports
Intellectual Property	Intellectual property (IP) refers to creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce. Intellectual property is divided into two categories: (a) Industrial property- which includes inventions (patents), trademarks, industrial designs, and geographic indications of source; (b) Copyright- which includes literary and artistic works such as novels, poems and plays, films, musical works, artistic works such as drawings, paintings, photographs and sculptures, and architectural designs.
Liabilities	A company's legal debts or obligations that arise during the course of business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods or services.
Market	It represents the aggregate value of a company or stock. It is obtained by Capitalisation multiplying the number of shares outstanding by their current price per share.

Merger	The combining of two or more entities into one, through a purchase acquisition or a pooling of interests. Differs from a consolidation in that no new entity is created from a merger.
Mortgage	It is the transfer of an interest in property to a lender as a security for a debt - usually a loan of money. While a mortgage in itself is not a debt, it is the lender's security for a debt. It is a transfer of an interest in land from the owner to the mortgage lender, on the condition that this interest will be returned to the owner when the terms of the mortgage have been satisfied or performed. In other words, the mortgage is a security for the loan that the lender makes to the borrower.
Oligopoly	A market dominated by a small number of participants who are able to collectively exert control over supply and market prices.
Operating Cost	Cost per unit of a product or service, or the annual cost incurred on a continuous process. Operating costs do not include capital outlays or the costs incurred in design and implementation phases of a new process.
Subsidiary	A company for which a majority of the voting stock is owned by a holding company
Pittance	A meager monetary allowance, wage, or remuneration.
Takeover	Acquiring control of a corporation, called a target, by stock purchase or exchange, either hostile or friendly.
Virtual Monopolies	An exclusive control of a commodity or service in a given market, or control that makes possible the fixing of prices and the virtual elimination of free competition

Source:

www.investopedia.com

www.wikipedia.com

www.wipo.int

www.creditwritedowns.com