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EDITORIAL

Bidding Adieu - The Forgettable FY14

As the fiscal year 2013-14 draws to an end, India Inc. must be heaving a sigh of relief after facing a tumultuous year during which scams and scandals kept tumbling out one after another, rocking the entire nation as it watched in disbelief. And now the news of rising NPAs which has been grabbing headlines for sometime now gives rise to the concern about banking sector's robustness. In fact, recent troubles at the embattled United Bank of India (UBI) clearly underline the fact that if appropriate measures are not initiated at the earliest the troubles could even spread to more banks.

However, it is not to say that the central bank is not aware of the NPA crisis that has begun to trouble a growing number of banks. As per a Mint report, in December last, the Reserve Bank of India restrained the Kolkata-headquartered UBI from advancing a loan of more than Rs.10 crore to any single borrower and barred it from restructuring stressed loans. The absolute level of restructured assets and NPAs together is around 10 per cent and that's not a comfortable level," the RBI governor Raghuram Rajan had said in an October interview to Mint. The troubles on the NPA front have already begun to hit banking sector's bottom lines. A number of PSBs reported lower profit numbers during the October-December quarter of 2013-14.

Industry experts warn of further troubles ahead as the economic growth continues to remain sluggish, while interest rates remain high which could hurt corporate profitability and in turn constrain their ability to repay loans. A recent study by industry body Assocham adds to the fear. It forecasts NPAs to deteriorate further to reach Rs 1,50,000 crore mark by the end of the FY14 due to the lag effect on asset quality in relation to the state of the economy. Gross NPAs as on September 30, 2013 stood at Rs 2,29,007 crore, 27 per cent higher when compared to Rs 1,79,891 crore as of March 31, 2013 for the 40 listed banks, mentioned the Assocham paper.

One of the major reasons, according to the paper, is the guided lending for banks. Besides, factors such as faulty credit management, lack of professionalism in the work force, unscientific repayment schedule, mis-utilization of loans by user, lack of timely legal solution to cases filed in different courts, political interference at local levels and waiver of loans by government have also been contributing to mounting NPAs in India, the paper says. It's not that the reasons have not been known earlier, but the big question is: were the policymakers and regulators slow in responding to the situation and initiate timely and effective measures. While it's easy to put the blame on the banking sector for its growing NPA woes, but the corporate sector too needs to share some burden.

Every time a loan becomes a bad asset or an NPA, it deprives a needy, prospective corporate borrower of the access to funds and hence can impact its growth. But a much bigger impact can be seen on economy as lack of credit in the system, led by a rise in bad debts, could raise cost of capital for the corporate sector, in general, thereby hurting their growth.

Another major worry stems from the growing cases of import alerts and warning letters from the USFDA to several domestic drug makers. In recent times, a number of Indian pharmaceutical firms have invited wrath of the US drug regulator over quality lapses and poor compliance with production standards.

These examples really raise alarm bells for India Inc. Needless to say there is a need to raise the bar when it comes to corporate governance and transparency. While these alone cannot treat all ails impacting the domestic corporate sector, they could go a long way in helping the industry put itself on a path of growth and long-term prosperity. May FY15 bring a new dawn of hope.

Amit Singh Sisodiya

THE GLOBAL ANALYST

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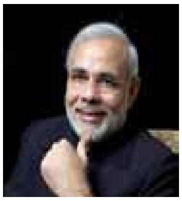
Published & Edited by D Nagavender Rao

The US and Europe of short-sighted economic greed and argues that industrialized nations must assist developing countries with their currency problems - especially given that India, China and Co. helped dampen the crisis in 2008. Industrial countries have to play a part in restoring that, and they can't at this point wash their hands off and say we'll do what we need to and you do the adjustment.

- Raghuram Rajan, Governor, Reserve Bank of India

I buy more books than I can finish. I sign up for more online courses than I can complete. I fundamentally believe that if you are not learning new things, you stop doing great and useful things.

- Satya Nadella, CEO, Microsoft



Satya Nadella's was appointed as CEO of Microsoft, it is definitely a good news. Most of you must be dreaming to reach such high position. There are very few in the country who are able to reach prestigious institutions or even to any Universities or to any part of educational system. This is our biggest challenge, Despite India had set up Universities which are over 1000 years old and got thousands of Universities, none of them got global ranking. Even after 65 years of independence it is unfortunate that we have not focused on education.

- Narendra Modi, BJP's Prime Ministerial Candidate & Chief Minister of Gujarat

We always blame banks for higher NPAs. The corporates who avoid paying loans should also be blamed for it. Giving loans to a risky business, at times, has gone wrong. The banks then have to cover the risk while giving these loans. Write off is not considered to be a wrong method either. It can been done only after a proper recovery process.

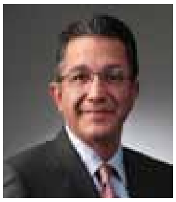
- K C Chakrabarty, Deputy Governor, Reserve Bank of India

The loss from ATMs is very concerning. If you are looking at extending the ATM network and making it available to more and more people, there has to be a commercially viable model.

- Arundhati Bhattacharya, Chairperson, State Bank of India

Making Indian solar developers use locally made equipment discriminated against US producers and could hinder the spread of solar power.

- Michael Froman, US Trade Representative



India needs to shake off the image of the past two or three years that it cannot get things done. India's main competitor is not China. China is China. India's main competitors are the likes of Brazil, Indonesia, Russia and West Asia. They are the ones who are going to steal foreign direct investment away from India if people think the country cannot get its act together. Indians needs to shake themselves up and get the dust off their feet.

- Shane Tedjarati, President, Global high-growth Regions, Honeywell

India's economic growth rate in the current fiscal has been estimated at 4.9 per cent. This is an encouraging news. It implies the growth in second quarter of current fiscal has been more than 5 per cent. This indicates that slowdown has been bottomed out.

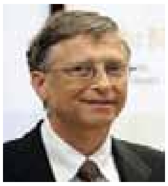
- C Rangarajan, Prime Minister's Economic Advisory Council Chairman

Indian farmers have always been offered patching solutions, instead of structured solutions. It was high time that farmers are looked at as an important component of lucrative business model.

- L P Semwal, Chairman, Shri Jagdamba Samiti

The decline in annual car sales that we witnessed in 2013 was the first time after 2002. The negative sentiments have deepened due to the current state of the economy. High inflation, fuel prices and interest rates - which resulted in high cost of ownership - have affected sentiment.

- Vishnu Mathur, Director General, SIAM



There will be almost no poor countries by 2035. - **Bill Gates, Philanthropist**

PRODUCTION (Iron Ore) UP 36% (Q3 vs Q3)

SALES (Iron Ore) UP 38% (Q3 vs Q3)

TURNOVER UP 38% (Q3 vs Q3)

Scaling Newer Heights
Through Sustained Growth

PART-I

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 31-12-2013

(Rs. in Crore)

Particulars	Unaudited					Audited
	Three months ended			Nine months ended		Year to date
	31-Dec-13	30-Sep-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Mar-13
1. Income from operations						
(a) Net Sales/income from operations (net of excise duty)	2,821.53	2,478.14	2,046.83	8,168.77	7,496.57	10,698.67
(b) Other operating income	1.64	1.78	0.86	4.94	3.45	5.60
Total Income from operations (net)	**2,823.17**	**2,479.92**	**2,047.69**	**8,173.71**	**7,500.02**	**10,704.27**
2. Expenses						
(a) Consumption of raw materials	8.78	7.95	8.54	20.65	23.32	30.94
(b) Consumption of Stores & spares	83.28	62.38	64.01	207.43	157.50	257.99
(c) Changes in inventories of finished goods and work-in-progress	-5.82	47.58	-49.49	66.05	-111.26	-184.33
(d) Employee Benefit Expense	157.35	144.68	139.19	450.35	418.46	579.92
(e) Royalty & Cess	225.55	182.43	204.69	631.56	648.92	952.43
(f) Selling Exps incl. Freight out	243.17	366.44	176.37	900.68	425.14	818.00
(g) Depreciation and Amortisation	36.17	34.79	33.87	107.31	99.84	138.52
(h) Other Expenses	208.05	174.70	113.12	595.24	309.77	871.35
Total Expenses	956.53	1,020.95	690.30	2,979.27	1,971.69	3,464.82
3. Profit from operations before Other income, finance cost & exceptional items (1-2):	1,866.64	1,458.97	1,357.39	5,194.44	5,528.33	7,239.45
4. Other income	507.70	538.37	556.26	1,566.98	1,691.48	2,238.87
5. Profit from ordinary activities before finance costs and exceptional items (3+4):	2,374.34	1,997.34	1,913.65	6,761.42	7,219.81	9,478.32
6. Finance cost	-	-	-	-	-	13.20
7. Profit from ordinary activities after finance costs but before exceptional items (5-6):	2,374.34	1,997.34	1,913.65	6,761.42	7,219.81	9,465.12
8. Exceptional items	-	-	-	-	-	-
9. Profit from ordinary activities before Tax (7-8)	**2,374.34**	**1,997.34**	**1,913.65**	**6,761.42**	**7,219.81**	**9,465.12**
10. Tax expense	807.04	678.89	620.85	2,303.48	2,342.39	3,122.75
11. Net Profit from ordinary activities after tax (9-10):	1,567.30	1,318.45	1,292.80	4,457.94	4,877.42	6,342.37
12. Extraordinary items (net of tax expense)	-	-	-	-	-	-
13. Net Profit for the period (11-12):	**1,567.30**	**1,318.45**	**1,292.80**	**4,457.94**	**4,877.42**	**6,342.37**
14. Paid-up Equity Share Capital:	396.47	396.47	396.47	396.47	396.47	396.47
Face value per share	Re.1/-	Re.1/-	Re.1/-	Re.1/-	Re.1/-	Re.1/-
15. Reserves excluding revaluation reserves						27,114.49
16. i & ii EPS for the period (Rs) - Basic and diluted before and after extraordinary items	3.95	3.33	3.26	11.24	12.30	16.00
	(Not Aannualised)					(Annualised)

PART-II SELECT INFORMATION FOR THE QUARTER ENDED 31-12-2013

Particulars	Unaudited					Audited
	Three months ended			Nine months ended		Year to date
	31-Dec-13	30-Sep-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Mar-13
A. PARTICULARS OF SHAREHOLDING						
1. Public shareholding						
- Number of Shares	79,27,69,420	79,27,69,420	79,27,69,420	79,27,69,420	79,27,69,420	79,27,69,420
- Percentage of shareholding	20	20	20	20	20	20
2. Promoters and Promoter group shareholding						
a) Pledged / Encumbered						
- Number of Shares	-	-	-	-	-	-
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-
- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-	-
b) Non Encumbered						
- Number of Shares	3,17,19,46,580	3,17,19,46,580	3,17,19,46,580	3,17,19,46,580	3,17,19,46,580	3,17,19,46,580
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100	100	100	100	100	100
- Percentage of shares (as a% of the total share capital of the company)	80	80	80	80	80	80

Particulars	Three Months ended 31-12-2013
B. INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	NIL
Received during the quarter	44
Disposed of during the quarter	44
Remaining unresolved at the end of the quarter	NIL

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SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT

(Rs. in Crore)

Particulars	Unaudited					Audited
	Three months ended			Nine months ended		Year to date
	31-Dec-13	30-Sep-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Mar-13
1. Segment Revenue						
(net sale / income from each segment)						
a) Iron Ore	2,796.98	2,454.75	2,032.08	8,086.01	7,442.66	10,609.50
b) Other Minerals & Services	35.95	34.43	29.39	107.61	98.69	145.56
Total	2,832.93	2,489.18	2,061.47	8,193.62	7,541.35	10,755.06
Less: Inter segment revenue	9.76	9.26	13.78	19.91	41.33	50.79
Net sales / income from operations	**2,823.17**	**2,479.92**	**2,047.69**	**8,173.71**	**7,500.02**	**10,704.27**
2. Segment Results						
(profit (+) / loss (-) before tax and interest from each segment)						
a) Iron Ore	1,949.24	1,507.19	1,392.57	5,400.03	5,620.50	7,385.10
b) Other Minerals & Services	-2.99	2.36	9.22	-8.28	30.41	28.76
Total	1,946.25	1,509.55	1,401.79	5,391.75	5,650.91	7,413.86
i) Less : Interest	-	-	-	-	-	(13.20)
ii) Add : Other unallocable income net off unallocable expenditure	428.09	487.79	511.86	1,369.67	1,568.90	2,064.46
Total Profit before Tax	**2,374.34**	**1,997.34**	**1,913.65**	**6,761.42**	**7,219.81**	**9,465.12**
3. Capital Employed						
(Segment assets - Segment Liabilities)						
a) Iron Ore	3,232.54	3,120.92	2,996.47	3,232.54	2,996.47	3,048.72
b) Other Minerals & Services	98.42	93.39	109.99	98.42	109.99	106.38
c) Other offices	27,350.21	27,291.33	25,349.67	27,350.21	25,349.67	24,454.11
Total	**30,681.17**	**30,505.64**	**28,456.13**	**30,681.17**	**28,456.13**	**27,609.21**

NOTES:

1. The financial results have been reviewed and recommended by the Audit Committee at its meeting held on 10-Feb-2014 and approved by the Board of Directors at its meeting held on 10-Feb-2014.
2. The export of Iron ore during the current nine months was 16.37 Lakh tons as against 7.31 Lakh tons of corresponding period of previous year. Due to this increase of export of Iron ore by 9.06 Lakh tons, the selling expenditure has gone up by Rs.447.79 cr. Further, on account of Hon'ble Supreme Court judgement dated 18th Apr 2013 on illegal mining cases at Karnataka, 10% of sale proceeds of Donimalai sector amounting to Rs.200.62 cr (Previous corresponding period NIL) has been accounted in 'other expenses' in the current nine months period, towards contribution of Special Purpose Vehicle to be formed in Karnataka.
3. The Board of Directors has approved in its meeting held on 10-Feb-2014, a Second Interim dividend of Rs.5.50 per equity share of Re 1/- for the financial year 2013-14. With this for the current financial year, the total interim dividend declared by the company is Rs.8.50 per equity share.
4. Figures for the previous period have been regrouped wherever considered necessary so as to conform to the classification of the current period.
5. The financial results have been reviewed by the Statutory Auditors as required under clause 41 of the listing agreement.

For NMDC LIMITED

Sd/-
(C.S. VERMA)
Chairman-cum-Managing Director

Place: New Delhi
Date : 10-Feb-2014

NMDC Limited

(A Government of India Enterprise)
Regd. Office: "Khanij Bhavan", 10-3-311/A, Castle Hills, Masab Tank, Hyderabad-500 028.

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Interim Budget

A Mixed Bag!...............................15

The last budget of the UPA–II government does not spring any surprises, barring a reined-in fiscal deficit that comes at sub 5-level for the first time in the last five years, since it rose to the record high of 6.5 per cent in 2008-09. Of course, it's for the obvious reason that it's just a stop-gap arrangement before the formation of the new government at the centre in a couple of months from now. Yet the proposals pertaining to waiver on educational loans (taken before March 2009) and thrust on farm mechanization come as welcome moves. On the other hand, those who had expected actions on public sector banks' recapitalization front, infrastructure growth, etc., could have felt disappointed. Besides, as critics point out, the government managed to bring down deficits by slashing spends on areas such as infrastructure development, healthcare and public welfare. Nonetheless, the interim budget could best be described as the one of mixed bag!

BUSINESS ENVIRONMENT

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Finance & Accounting (F&A) organisation is centre of attention as business scales up with more zeroes added to the top line and CFO/FC (Chief Financial Officer/Finance Controller) needs to gear up to taper the challenges of rising cost of finance function (COFF).

21 Saving Agriculture - What India must do?

Even after several decades post the green revolution, India still needs another green revolution and a host of other measures so as to boost agriculture production in the country and also importantly achieve the goal of food security. So, what needs to be done? Q&A with Suresh Chandra Babu, Senior Fellow and Program Leader, International Food Policy Research Institute, Washington DC.

SPOTLIGHT

24 Bitter Pill! - Indian Pharma's Growing Quality Woes

India's once storied pharma industry's reputation is getting increasingly threatened by the recent spate of allegations over manufacturing lapses and quality issues leveled by drug regulators including the US FDA and the Medicines and Healthcare Products Regulatory Agency of Britain, where around 20 per cent of the medicines sold are imports of cheap generic drugs (which are the cut price versions of branded/patented medicines) from India.

29 Start-up Xpress

paisaxpaisa
committed to investor success

The Global ANALYST spoke to Hanu Yedluri, Founder and Managing Director, paisaxpaisa.com, about what led his decision to head home after spending a considerable period in the US, and start the innovative personal finance portal, uniqueness of his business model and his future plans.

Gionee launches the world's slimmest Smartphone

Chinese mobile phone maker, a relatively new entrant in the fast-growing Smartphone segment, has unveiled Gionee Elife S5.5. The S5.5 with a touch screen size of just 5.5mm thickness could be the slimmest Smartphone in the world. The device has been listed for pre-order on the company's China page, at roughly $370 (approx. Rs. 23,000). The other Smartphones with slimmer screens include Vivo X3 Smartphone, which is 5.75 mm thick, and Sony Xperia Z Ultra, which boasts of a screen size of just 6.5mm thickness. The S5.5 comes equipped with a 5-inch Full HD Super AMOLED plus screen, a true Octa-core 1.7GHz processor, a 13 megapixel rear camera and the world's first 95-degree ultra-wide angle 5 mega pixel front camera. The phone is based on AMIGO OS, which has been customized from Android for the ELIFE S5.5. The phone sports two shooting modes, the professional and normal camera settings, and also has the "Charm Camera", which includes auto make-up mode, footprint mode, and meeting memo mode. The phone is expected to be available in India soon.

Tech Specifications

5.0" Super AMOLED Plus display

Octa- Core 1.7GHz CPU

Single SIM

13.0MP AF +5.0MP AF Camera 95 Degree Ultra-Wide Angle

AMIGO OS 2.0 (based on Android OS, V4.2)

Memory: 16GB+2GB

Ultra slim 145.1 x 70.2 x 5.55mm

GSM-850/900/1800/1900MHz

WCDMA-850/1900/2100MHz or 900/1900/2100MHz

3.5 mm Earphone Jack

WIFI/GPS/BT4.0/FM/G-sensor

Non-removable 2300mAh Battery OTG

Nokia embraces Google, opts for Android

Like it or not, but it's a fact that there's a little bit of Google in everyone's life! If you don't believe, ask Nokia. The embattled Finnish phone maker, which has been reduced to being an also-ran in the Smartphone segment, courtesy Apple and Samsung, and which is seeking to resurrect itself by agreeing to be acquired by Microsoft, has announced a new line of Smartphones that are based on Google's popular mobile operating system, Android. The once-dominant mobile handset maker, which will soon be a part of the Redmond-based Microsoft, unveiled its new range of phones christened Nokia X, X+ and XL—which run on Android o/s – at the Mobile World Congress 2014 in Barcelona, Spain. This, however, has taken experts by surprise as Nokia and Microsoft joined hands three years ago aiming to launch innovative phones based on the latter's Windows Phone software instead of Google's Android software.

Unveiling the new lines of phones, Stephen Elop, Nokia's CEO, attributed the move to the dramatic shift in the market, and hence the Group needed to address a sub-$100 segment that is set to grow four times faster than more expensive phones, a report in Reuters quoted him saying. Market analysts say that the latest move of the embattled phone maker clearly hints that consumers in price-sensitive markets like India prefer an Android-based operating system over anything else.

"The X family serves a specific purpose - it is a feeder system into our Lumia line of smartphones. It also addresses the gap between Asha and Lumia," Elop said at the WMC 2014. The new range of phones come bundled with Nokia' and Microsoft's services. Also, the X family phones do not depend on the Google Play app store. Instead, these phones use Nokia's own app store along with a host of other app store. The phones will also come with Nokia's own music and map offerings along with Microsoft's e-mail, cloud, messaging and search services.

It's not known, when these phones will be launched in India, one of the hottest markets for mobile phone, including Smartphones, the fastest growing category worldwide. In 2013, Smartphone shipments topped 1 billion units for first time in 2013, climbing 38.4 per cent from the previous year to 1.004 billion units, according to the research firm IDC. The data further showed that Smartphones made up 55.1 per cent of all mobile phone shipments last year from just over two-fifths in 2012. Android-based phones account for a lion's share – Android phones accounted for almost four out of every five smartphones sold, or 781.2 million units, worldwide in 2013.

Sony Corp unveils tablet, two phones

The MWC 2014 also saw Japanese electronics giant Sony Corp take the wraps off its new Xperia Z2 Smartphone. The new version of the much popular Xperia Smartphone comes loaded with noise-cancelling technology and ultra-high-definition video recording.

The phone sports a 5.2 inch screen and is also water-proof like its predecessor. "With the Xperia Z2, we have taken our premium Z series to the next level, in a way that only Sony can deliver," said Kunimasa Suzuki, President and CEO, Sony Mobile, during the launch function. The consumer electronics major also showcased its new tablet range - the Xperia Z2 tablet, featuring a 10.1 inch screen - and the Xperia M2 phone, a stripped-down version of the Xperia Z2. The M2 features a 4.8-inch screen and has a less powerful camera.

Samsung takes the wraps off S5

Samsung too took the opportunity to showcase the latest version of its hugely popular Galaxy S series Smartphones at the recent MWC 2014. S5, the brand new version and a successor of the flagship Galaxy S4, IS equipped with a fingerprint reader and also boasts of slightly bigger screen at 5.1 inch. Besides, Galaxy S5 also sports a much more powerful camera with a capacity of 16 megapixels. It will sport a biometric sensor button and will also have several fitness-related features.

The phone also comes with a Super AMOLED (1080 X 1920p) display and is powered by a 2.5GHz quad-core processor. The Galaxy S5 will come in two variants with 16GB and 32GB internal storage variants, which will be expandable up to 64GB through micro SD card.

The water-resistant phone is expected to be available in stores from April 11.

TGA

Cost Factor!
India's Top Companies in terms of Employee Cost

Public Sector Banks

Rank	Company	Emplyee Costs *	% of Net Sales
1	**SBI**	18,380.90	15.36
2	**Indian Bank**	1,973.89	14.21
3	**PNB**	5,674.72	13.55
4	**Central Bank**	2,891.55	13.23
5	**State Bank Bikaner**	987.53	13.17
6	**Syndicate Bank**	2,179.21	12.73
7	**Bank of Maha**	1,187.82	12.36
8	**Allahabad Bank**	1,985.94	11.39
9	**Union Bank**	2,755.01	10.97
10	**IOB**	2,248.35	10.87
11	**State Bk Mysore**	640.24	10.74
12	**Punjab & Sind**	773.51	10.54
13	**State Bk Travan**	884.76	10.25
14	**United Bank**	932.52	10.08
15	**Andhra Bank**	1,286.98	9.97
16	**Bank of India**	3,130.52	9.81
17	**Bank of Baroda**	3,449.65	9.8
18	**Canara Bank**	2,973.09	9.64
19	**Vijaya Bank**	848.59	9.37
20	**Oriental Bank**	1,576.09	8.9
21	**Dena Bank**	791.83	8.9
22	**UCO Bank**	1,393.27	8.32
23	**Corporation Bk**	990.31	6.46
24	**IDBI Bank**	1,160.44	4.97

Private Sector Banks

1	DCB	137.9	15.05
2	HDFC Bank	3,965.38	11.31
3	Dhanlaxmi Bank	186.76	14.28
4	Kotak Mahindra	1,075.14	13.37
5	South Ind Bk	472.51	10.66
6	JK Bank	652.26	10.63
7	Karnataka Bank	375.08	9.96
8	Federal Bank	543.85	9.78
9	ICICI Bank	3,893.29	9.71
10	IndusInd Bank	661.46	9.47
11	Axis Bank	2,376.98	8.74
12	Yes Bank	655.54	7.9
13	City Union Bank	150.87	6.89

Source: Moneycontrol.com

Software Companies

Rank	Company	Emplyee Costs *	% of Net Sales
1	**Religare Tech**	21.93	98.96
2	**Polaris Tech**	1,426.56	76.95
3	**Geometric**	190.94	70.79
4	**Sasken Comm**	245.69	67.74
5	**Hinduja Global**	452.37	64.31
6	**Acropetal Tech**	97.31	63.99
7	**Blue Star Info**	64.34	63.53
8	**Mindteck**	36.41	62.73
9	**3i Infotech**	223.29	61.1
10	**Mindtree**	1,427.40	60.44
11	**Mastek**	240.91	60.07
12	**Saksoft**	24.1	56.76
13	**Zensar Tech**	457.36	54.6
14	**Infosys**	19,932.00	54.21
15	**Tata Elxsi**	278.57	54.15
16	**NIIT Tech**	590.15	53.25
17	**Infinite Comp**	182.16	52.84
18	**Ramco System**	88.83	52.53
19	**Thinksoft**	56.63	50.61
20	**Oracle Fin Serv**	1,435.71	48.87
21	**Persistent**	477.86	47.94
22	**Wipro**	15,904.20	47.87
23	**Infotech Enter**	499.47	47.5
24	**Hexaware Tech**	432.88	47.44
25	**MphasiS**	1,506.22	44.03
26	**Tech Mahindra**	2,513.80	41.88
27	**HCL Tech**	4,628.61	36.98
28	**TCS**	17,081.72	35.27
29	**Financial Tech**	124.11	27.52
30	**AGC Networks**	107	17.23
31	**Rolta**	216.19	16.49
32	**Mahaveer Info**	1.11	4.75
33	**7Seas Tech**	0.5	4.66
34	**Geodesic**	33.52	3.86
35	**Hinduja Venture**	2.64	2.82
36	**ICSA**	9.83	2.34

***Employee Costs as per the latest Profit & Loss Account available.**

Top 10 Companies in India by Market Capitalization - BSE

Rank	Company Name	52 wk High	52 wk Low	Market Cap (Rs. cr)
1	**TCS**	2,384.20	1,380.95	4,11,528.75
2	**Reliance**	927.9	765	2,60,310.79
3	**ITC**	380	290.2	2,58,045.88
4	**ONGC**	353	234.4	2,35,960.42
5	**Infosys**	3,799.00	2,190.00	2,06,483.84
6	**Coal India**	354.9	238.35	1,70,541.84
7	**HDFC Bank**	727	528	1,54,586.47
8	**Wipro**	586.65	315.3	1,38,585.68
9	**Sun Pharma**	650	377.2	1,26,051.04
10	**Bharti Airtel**	373.5	266.95	1,22,060.61

Source: Moneycontrol.com

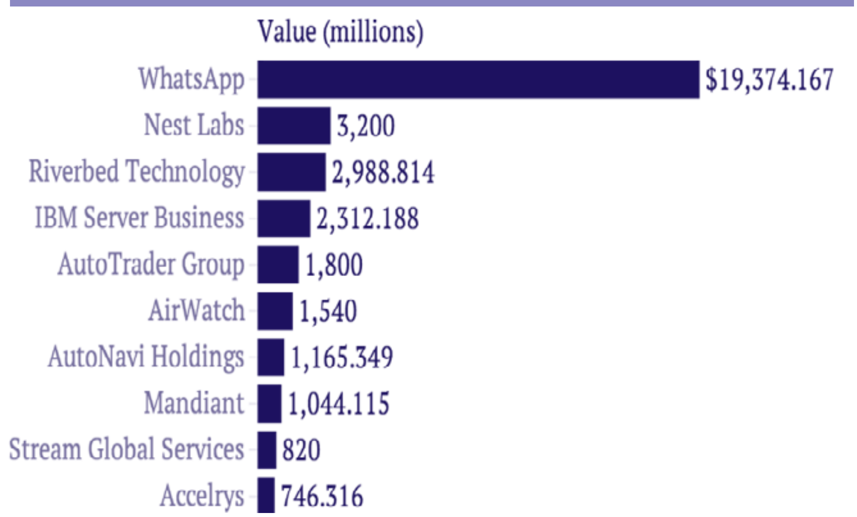
2013: The World's 10 Most Innovative Companies

2013 Rank	▲▼	2012 Rank	Company	Country	Industry	R&D Spend ($bn)*
1	▶	1	Apple	US	Computing & Elect.	3.4
2	▶	2	Google	US	Software & Internet	6.8
3	▲	4	Samsung	S.Korea	Computing & Elect.	10.4
4	▲	10	Amazon	US	Software & Internet	4.6
5	▼	3	3M	US	Industrials	1.6
6	▼	5	GE	US	Industrials	4.5
7	▼	6	Microsoft	US	Software & Internet	9.8
8	▲	9	IBM	US	Software & Internet	6.3
9	New	-	Tesla Motors	US	Automotive	0.3
10	New	-	Facebook	US	Software & Inte	1.4

* R&D spend data is based on the most recent full-year figures reported.

Source: Booz & Company

Top 10 Largest Global Tech Deals to date in 2014



Top 20 generous donors of 2013

America's biggest donors gave $7.7-billion to nonprofits in 2013, with higher education and family foundations receiving the most money, says a latest report from The Chronicle of Philanthropy. The list is topped by Mark Zuckerberg, the co-founder and CEO of Facebook, the world's leading social network, and Ms. Chan, a paediatrician. The couple gave 18 million shares of Facebook, valued at about $992.2-million, to the Silicon Valley Community Foundation, in Mountain View, California, according to The Chronicle.

Rank	Name	Organization	Donations (in mn)
1	Mark Zuckerberg and Priscilla Chan	Facebook CEO	$992
2	George Mitchell	Fracking pioneer (deceased)	$750
3	Philip and Penelope Knight	Nike co-founder	$500
4	Michael Bloomberg	Former NYC mayor, founder of Bloomberg L.P.	$452
5	John and Laura Arnold	Hedge fund founder	$296
6	Charles Johnson	Retired businessman, principal owner of San Francisco Giants	$250
7	Pierre and Pam Omidyar	eBay founder	$225
8	Irwin and Joan Jacobs	Qualcomm co-founder	$221
9	Sergey Brin and Anne Wojcicki	Google co-founder	$219
10	Jeffrey Carlton	Founder of Press Forge, a metal alloy company (deceased)	$212

Source: The Chronicle of Philanthropy

SME Financing

Managing Cost of Finance Function

Finance & Accounting (F&A) organization is centre of attention as business scales up with more zeroes added to the top line and CFO/FC (Chief Financial Officer/ Finance Controller) needs to gear up to taper the challenges of rising Cost of Finance Function (COFF).

- Sanjay Gaggar - Founder Partner & CEO, ixCFO Services P. Ltd, Mumbai

For an SME, Cost of finance function is a function of how a business owner would like to release his own bandwidth in terms of diverting his time to the business. A smart business owner would start building the finance function by grooming its internal team or hiring or outsourcing competent professional service provider to manage its F&A function. In a situation like this, a CFO needs to play important role by not loosing quality of score keeping function by delivering accurate data with quality analytics to the business owner.

The COFF has typical following components:

- Cost to Company (CTC) of finance team/Service charges of outsourcing agency
- Overheads (Seat/HR cost) on F&A team
- Automation platform cost – Amortization of hardware & new software license/ customized spending on IT, on-going support & AMC

Based on the current prevailing scenario, COFF is generally 1-2 per cent of top line (revenue) in an established organic business growth scenario and 2-4 per cent in a business which is churning hyper growth rate via inorganic ways by doing, say M&A, raising funds through the PE/VC/JV route, etc. Other ways for early stage venture (may be product or market development/R&D Company) may also include finding out total burn rate, and, within that exploring F&A cost is how much of total burn rate? One needs to raise an alarm, when COFF is higher than benchmark support cost for other internal functions like HR, IT, Admin or benchmark industry/peer group cost.

Sanjay Gaggar

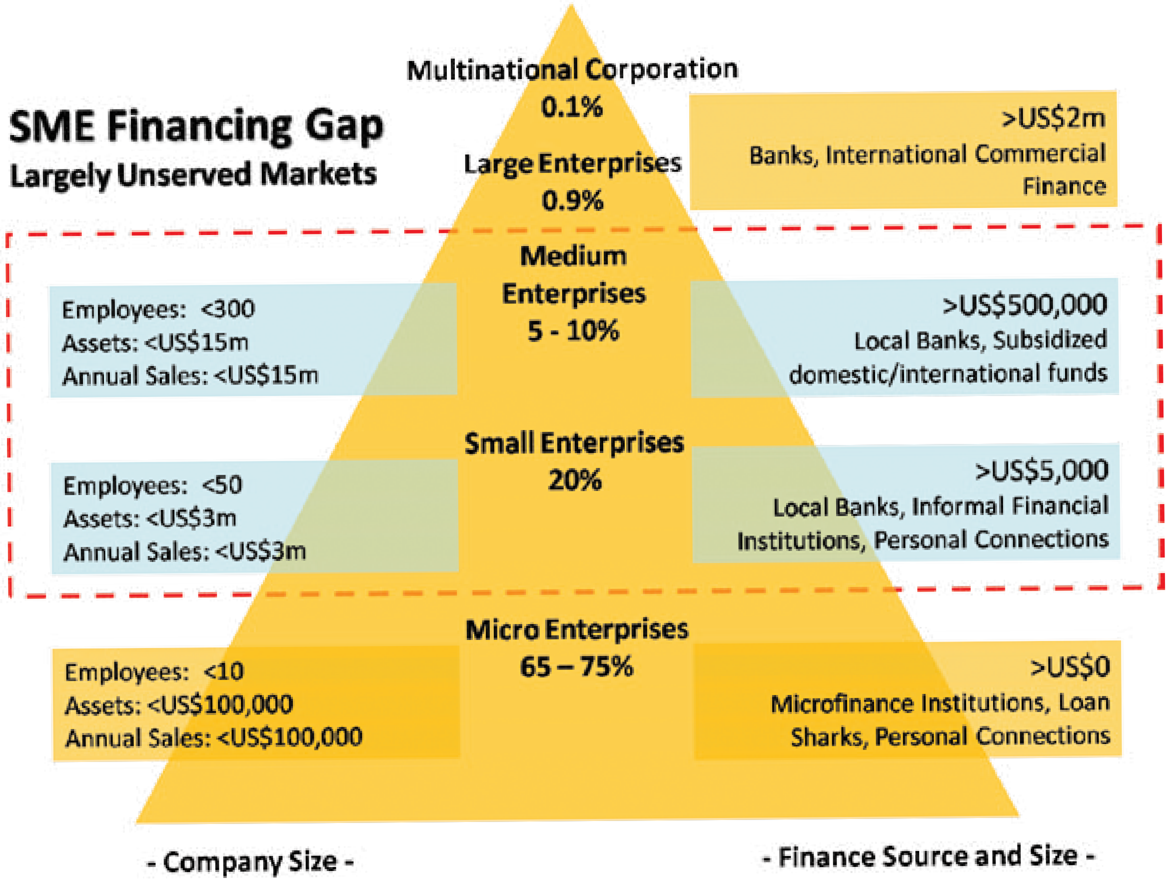
By commanding a better finance team/service providers, CFO needs to deliver on "do more with less" by understanding the criticality of Accounts Receivable (AR), Accounts Payable (AP), regulatory Compliance (Tax, Non-Tax laws) and MIS function. The CFO needs to answer questions such as what is it that would bring the required efficiency on the above listed functions in F&A function – whether by Managing KRA of employees vs. SLA of Vendors?

Within F&A, key processes like revenue accounting could be in-house due to confidential nature of business segment/commercial contracts/pricing/key payment terms, etc., but vendors payable and T&E for employees could be outsourced with SOP & SLA framework. However, it is important to keep in mind the end result of data accuracy and data quality in MIS at the end of calendar-based month closing cycle, having taken decision to outsource.

T&E Payroll represents single biggest packaged commodity in the market with the number of quality service providers which bring significant downward reduction on COFF with high level of comfort on compliance and process quality as well.

Another significant benefit of outsourcing is to leverage the rich knowledge, economies of

सिंडिकेटबैंक
SyndicateBank
Faithful, Friendly
भारत सरकार का उपक्रम A Govt. of India Undertaking
Best Interest in your Interest
Presenting
Synd
Disha Deposit
Special Interest
9.25%* p.a.
for 444 Days
Additional 0.5% p.a. for Senior Citizens
Max. Deposit : Less than ₹10 crore
Limited Period Offer
www.syndicatebank.in
* conditions apply



Source: beyondprofit.com

scale, avoiding redundancy in IT spending and removing altogether attrition level issues in F&A functional team. SSC model of service provider assists greatly in putting process driven culture which is a pre-requisite for any successful outsourcing model. This is required for the shared service set up to start improving on process quality and to reduce costs of operation with a centralized approach in F&A function. A shared services model helps the CFO to establish a framework wherein larger set of routine activities of the finance function happens in auto mode, and only exceptions need to be worked upon which bring value to the entire F&A function as a true business support service.

Over a period, IT usage has increased manifold in F&A function and this has shifted focus on outsourcing. Furthermore, with increased quality lease lines on internet bandwidth, cloud based applications are making far easier to have entire Procurement to Pay (P2P), Invoice to Cash (I2C) cycle, and efficiently managed cycles. With process centric Input (Data entry) & Output (MIS reporting for internal use or external compliance) as key benchmark in SLA, they assist entire organization in coming out of "person" centric mode.

In the past, although the finance executives and CXOs were well aligned on most issues related to finance strategy and operations, there were a few exceptions where gaps between the two groups were substantial. The largest gaps between the CXOs and CFOs from India in areas of finance strategy and operations were: preparing for growth (98 per cent versus 78 per cent) and contributing to the enterprise strategic direction (93 per cent versus 73 per cent). This is aligned to the finance executives' relative dissatisfaction with their contribution to enterprise strategic direction. Another major challenge viewed by the CXOs, in comparison to the finance executives, was finding and retaining skilled finance workforce (54 per cent versus 43 per cent); (Source: Accenture; The next battle ground for the finance organization in India).

Addressing optimal COFF is the only way, a CFO/CEO can realign better in terms of expectation on business/finance strategic role by freeing valuable time and CFO's own internal issue in high level of attrition/retaining key finance people is being taken care of. By continuously monitoring the benchmark COFF, the CFO should be in a position to bring a focused shift from score keeping to data analytics. This leads to true collaborative practice between CEO and CFO as true business partners. TGA

Interim Budget
A Mixed Bag!

The last budget of the UPA–II government does not spring any surprises, barring a reined-in fiscal deficit that comes at sub 5-level for the first time in the last five years, since it rose to the record high of 6.5 per cent in 2008-09. Of course, it's for the obvious reason that it's just a stop-gap arrangement before the formation of the new government at the centre in a couple of months from now. Yet the proposals pertaining to waiver on educational loans (taken before March 2009) and thrust on farm mechanization come as welcome moves. On the other hand, those who had expected actions on public sector banks' recapitalization front, infrastructure growth, etc., could have felt disappointed. Besides, as critics point out, the government managed to bring down deficits by slashing spends on areas such as infrastructure development, healthcare and public welfare. Nonetheless, the interim budget could best be described as the one of mixed bag!

I can confidently assert that the economy is more stable today than what it was two years ago. The fiscal deficit is declining, the current account deficit has been constrained, inflation has moderated, the quarterly growth rate is on the rise, the exchange rate is stable, exports have increased and hundreds of projects have been unblocked.
- P Chidambaram, Finance Minister

If you'd expected the Vote-on-Account or the Interim Budget to spring any major surprise(s), not-so-surprisingly it hasn't! Indeed, the last budget of the UPA-II expectedly turned out to be a non-event for the obvious reason that it's just a stop-gap arrangement before the new government takes the reins at the centre.

Nevertheless, there were a few bright spots as well in an otherwise lacklustre report. And the brightest among those (no points for guessing), is the much reined-in fiscal deficit, which stood at 4.6 per cent in 2013 (vs. 5.8 per cent in FY 2012-13), thus providing the much-needed relief to the economy and the corporate sector. Cut backs on excise duties on four wheelers, particularly passenger cars and SUVs, offer further relief to the much battered automobile segment, which recorded its worst sales in last 12 years in 2013, and is not expected to do any better this year as well.

The loan waiver on educational loans and interest subvention to the farm sector are some other major highlights of the interim budget for 2014-15. Except these the budget does not have much to cheer about. Instead, as a critics point out, the Vote-on-Account neither addresses some key concerns before the economy, nor envisages any plan to boost infrastructure which could have helped kick-start the economy.

India's GDP has grown at sub-5 per cent level since last three quarters and experts see no signs of acceleration in the growth momentum even during this fiscal year. Several international rating agencies have warned of a possible lowering of the country's sovereign credit rating if appropriate policy actions to rein in government debt are not initiated. According to Moody's, one of the top global rating agencies, rising twin deficits along with inflationary environment pose significant threat to the economy recovery. And if the economic slowdown lingers along with rising inflation could further hurt the corporate sector, which, in turn, could pile up woes for the banking sector, where piling NPAs and deteriorating asset quality have seen profitability hit badly.

The recent quarter performances of banks, particularly state-owned banks, have been impacted hard due to spike in bad loans. State Bank of India, the country's top lender, reported a fall of 27 per cent in its net profits during the recently concluded December quarter.

The country's largest scheduled commercial bank attributed this to a surge in net NPAs which grew to per cent. Punjab National Bank, the second largest PSB, too registered a jump in bad debts to per cent over the same quarter of the previous year.

Indian banks are faced with the twin challenges of containing NPAs, on one hand, while raising (tier I and tier II) capital to meet Basel III norms, on the other. PSBs, in particular, badly need funding support from the government for migrating to BASEL III.

However, on this front too, the budget has disappointed as the proposed racapitalization amount of Rs. 11,300 crore is too low compared to what the PSBs need. "The proposed provision of Rs. 11,200 crore for capital infusion in public sector banks may not be sufficient," according to State Bank of India's chief economic adviser Soumya Kanti Ghosh. On Farm sector front too, the budget does not say much. However, the biggest concern still remains that of the burgeoning subsidy bill and lack of a concern plan so as to effectively tackle it.

The Global ANALYST offers you insights into various budget proposals, major positives and negatives, and their impact on the industries and the economy.

Key Proposals

Let us first have a look at the major relief provided to the common man. The FM did not let the opportunity to please the common man in an election year go away, by announcing duty cuts on several items of consumption including durables; although one cannot call them populist as these measures are also aimed at supporting industries by reviving demand.

In one such measure, the interim budget slashes indirect taxes on cars and mobile phones, while shrugging off any talks of policy inaction on part of the government. The FM emphatically said that the economy is more stable than what it was two years ago as a result of a slew of measures announced by the government. He exuded the confidence that the economic growth will be better in the second half of 2013-14. "Thanks to the numerous measures, I was confident that the decline will be arrested and growth cycles will turn in the second quarter. I believe, I have been vindicated...Second quarter at 4.8 per cent and growth for whole year has been estimated at 4.9 per cent," he told.

Highlights of the Interim Budget 2014-15

GROWTH

- GDP expansion in third and fourth quarters of 2013/14 estimated at 5.2 per cent. Growth for the whole year expected at 4.9 per cent

FISCAL DEFICIT

- Fiscal deficit seen at 4.6 per cent of GDP in 2013/14, below target of 4.8 per cent
- Fiscal deficit projected at 4.1 per cent of GDP in 2014/15
- FM Says need to bring down the deficit to 3 per cent of GDP by 2016/17

CURRENT ACCOUNT DEFICIT

- Current account deficit for 2013/14 estimated at $45 billion from last fiscal year's $88 billion
- Forex reserves to rise by $15 billion by end of 2013/14

BORROWING/DEBT SERVICING

- Gross market borrowing for 2014/15 seen at 5.97 trillion rupees, net market borrowing at 4.57 trillion rupees
- Government plans to buy back/switch bonds of 500 billion rupees in 2014/15
- Ways and Means advances for 2014/15 estimated at 100 billion rupees
- Debt repayment in 2014/15 seen at 1.397 trillion rupees
- Interest payments seen rising to 4.27 trillion rupees in 2014/15 from a revised estimate of 3.8 trillion rupees for the current fiscal year

PRIVATIZATION

- Target from stake sale in state run firms for 2013/14 revised to 258.41 billion rupees
- Target for 2014/15 increased to 569.25 billion rupees

SPENDING

- Plan expenditure for 2014/15 seen at 5.55 trillion rupees, the same level as the previous fiscal year
- Non plan spending estimated at about 12.08 trillion rupees in 2014/15

SUBSIDIES

- Total spending on food, fertilizers and fuel at 2.5 trillion rupees in 2014/15
- Food subsidy estimated at 1.15 trillion rupees, fertilizer subsidy at 679.71 billion rupees. Petroleum subsidy seen at 634.27 billion rupees versus revised figure of 854.8 billion rupees for 2013/14

DEFENCE

- Spending raised to 2.24 trillion rupees in 2014/15, up 10 per cent year on year

EXPORTS

- Merchandise exports seen at $326 billion in 2013/14, up 6.3 per cent year on year
- Agriculture exports expected to touch $45 billion in 2013/14, up from $41 billion in 2012/13

TAX PROPOSALS

- No major change in tax rates
- Excise duty to be reduced to 10 per cent from 12 per cent on some capital goods, consumer durables
- Cut excise duty on small cars, two wheelers, commercial vehicles to 8 per cent from 12 per cent
- Recommends excise duty reductions on larger vehicles
- Restructure of factory gate tax for mobile handsets

BANKS RESTRUCTURING

- Govt to provide 112 billion rupees capital infusion in state run banks in 2014/15
- Propose to set up public debt management office to start5 work from 2014/**15**

Source: Thomson Reuters

In a major move to boost automobile sector, the FM announced excise duty cuts for vehicles across the board in the interim budget. The excise duty on small cars, motorcycles and commercial vehicles has been slashed to 8 from 12 per cent earlier, while that on SUVs stand reduced to 24 per cent now from 30 per cent earlier.

The automobile sector, particularly SUV makers were unhappy when last year the duty on SUVs had been hiked. The industry blamed rate hike for the subdued demand of once fast-growing segment of the automobile segment. In fact, the automobile industry has been experiencing its worst slump in over a decade amid lack of any signs of a possible recovery in the short-term. In another move to appease the middle class, the budget also reduction of duty on select consumer and capital goods from 12 to 10 per cent. What also comes as a major respite, expectedly though, is the move to leave direct tax rates unchanged, leaving it to the next government.

The interim budget also left the surcharge on super-rich unchanged. In the last year's budget, the FM had introduced a surcharge of 10 per cent on affluent individual with annual income above Rs. 1 crore. The duty cuts on large and mid-segment cars have also been cut from 27-24 per cent to 24-20 per cent. Mobile handsets too have become cheaper as the budget reduces excise duty on mobile handsets to be 6 per cent on CENVAT credit to encourage domestic production, while duty on capital goods and non-consumer durables have been reduced to 10 from 12 per cent. The FM also announced a moratorium on interest on student loans taken before March 31, 2009. This move is expect to benefit nearly 9 lakh borrowers.

Changes in Tax Rates

Following changes in some indirect tax rates are proposed:

- States to partner in development so as to enable the Centre to focus on Defence, Railways, National Highways and Telecommunication.
- The Excise Duty on all goods falling under Chapter 84 & 85 of the Schedule to the Central Excise Tariff Act is reduced from 12 to 10 per cent for the period upto 30.06.2014. The rates can be reviewed at the time of regular Budget.
- To give relief to the Automobile Industry, which is registering unprecended negative growth, the excise duty is reduced for the period up to 30.06.2014 as follows:
- Small Cars, Motorcycle, Scooters - from 12 to 8 per cent and Commercial Vehicles SUVs - from 30 to 24 per cent Large and Mid-segment Cars - from 27/24 per cent to 24/20 per cent.
- It is also proposed to make appropriate reductions in the excise duties on chassis and trailors - The rates can be reviewed at the time of regular Budget To encourage domestic production of mobile handsets, the excise duties for all categories of mobile handsets is restructured. The rates will be 6 per cent with CENVAT credit or 1 per cent without CENVAT credit.
- To encourage domestic production of soaps and oleochemicals, the custom duty structure on non-edible grade industrial oils and its fractions, fatty acids and fatty alcohols is rationalized at 7.5 per cent.
- To encourage domestic production of specified road construction machinery, the exemption from CVD on similar imported machinery is withdrawn.
- A concessional custom duty 5 per cent on capital goods imported by the Bank Note Paper Mill India Private Limited is provided to encourage domestic production of security paper for printing currency notes.
- The loading and un-loading, packing, storage and warehousing of rice is exempted from Service Tax.
- The services provided by cord blood banks is exempted from Service Tax.

Source: Indiainfoline.com

A Balance Budget!

Though the industry did not expect much from the interim budget, a majority of business leaders felt that the FM has done a fine balancing act, as reflected in the better-than-expected improvement in the twin deficits. The industry hailed the performance of the FM on the fiscal consolidation front. According to the interim budget, the fiscal deficit, which once threatened to spurt beyond comfort, has now been brought down to 4.6 per cent of the GDP (lower than 4.8 per cent expected earlier), while the current account deficit too is expected to halve to 2.5 per cent of GDP. "The twin deficits have been effectively contained at a time when global growth is slowing," observed Kaku Nakhate, President and Country Head, BoA Merrill Lynch, in her column in the Economic Times. "Needless to say, this should be a major macro plus as global investors have been majorly concerned about high twin deficits," she added. "The budget is absolutely up to expectation. I mean (this) budget means it is a vote on account. So we were not expecting creativity. But we are very happy to see that the numbers he (the FM) has delivered on the larger ticket item has been stuck to what he has promised," commented Sidharth Birla, President, FICCI. Sunil Sanghai, Head of Banking, HSBC India, described the interim budget as very balanced. "Generally when you have a vote on account just before the election there is a perception that it could be very populist but as you would have seen it is very balanced," Sanghai said. “Whatever relief we got that was in a segment which was required. Manufacturing segment, particularly, in the auto sector which actually needed support,” he added.

The latest numbers (pertaining to the twin deficits) come as a major relief to the industry as further rise in the deficits could have spelled doom for the economy, which till some time back was staring at a possible rating downgrade. The government had in September, last year, announced a slew of measures which included banning holding of official meetings in 5-star hotels, barring officials from flying executive class, besides asking all ministries and departments not to buy new vehicles. It also decided not to create any new jobs or fill posts lying vacant for over one year as part of the move to reduce non-plan expenditures by 10 per cent and restrict the fiscal deficit to 4.8 per cent of GDP in 2013-14.

In fact, the government had stepped up efforts in the last couple of years to tame the twin deficits which had helped it to contain the fiscal deficit at 4.9 per cent of GDP in 2012-13, much lower than the budgeted target of 5.1 per cent. According to a PTI report, the total expenditure for 2013-14 has been budgeted at Rs 16.65 lakh crore, of which non-plan expenditure has been estimated Rs 11.09 lakh crore. In 2012-13, non-plan expenditure came at Rs 9,95,139 crore, which was above the estimated Rs 9,69,900 crore, as a result of a rise in subsidies.

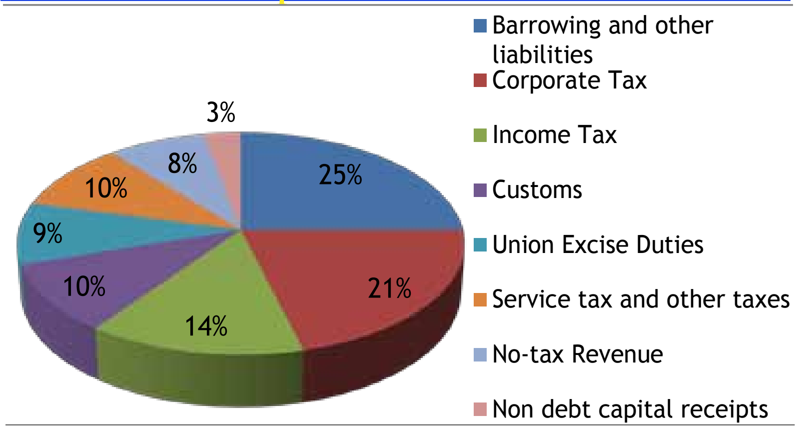
The government now expects fiscal deficit to a much lower 4.1 per cent in 2014-15, while revenue deficit is estimated at 3 per cent during the current fiscal year. The budget also expects CAD to fall significantly to $45 bn in 2013-14, compared to $88 bn recorded a year ago.

Headwinds Remain

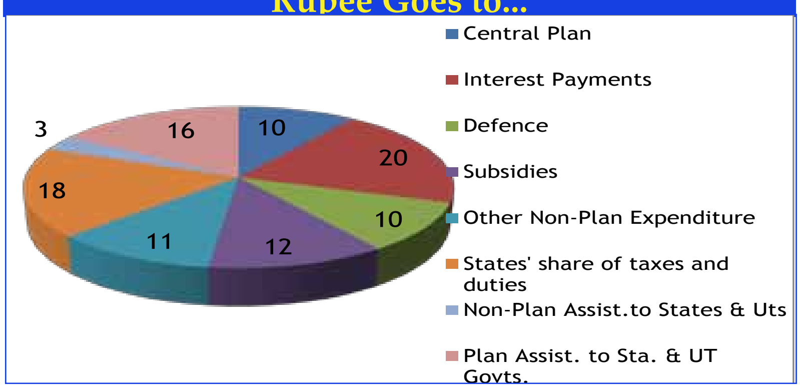
Despite making a tight rope walk, and having delivered a balanced budget, the headwinds still remain for the domestic economy. For, the threat of deficit ghost might have got subdued for some time, it can raise its ugly head once again, given the rising subsidy burden and a spurt in expenditures in the wake of general elections. Against this backdrop, a major challenge is to contain oil subsidies. According to estimates, the government’s oil subsidies bill itself stands raised to Rs 85,480 crore from Rs 65,000 crore budgeted earlier. Another cause of concern is the desperate attempt of asset-stripping on part of the government to achieve its target of lowering deficits.

The state-owned entities have been pressurized to shell out higher dividends so as to help it lower the deficits. Besides, the slow progress on divestment front too does not instil much confidence. Also, worrisome is persistent weakness in rupee, high inflation, and also threat of a slowdown in foreign portfolio inflows (FII investments) ‘post-taper’ are the other major concerns before the economy. Further, as a section of experts suggest, the government has been able to contain deficits by curtailing its spending on areas such as infrastructure, education, healthcare, and rural development, which could have helped kick-start the economy. With economic growth not expected to bottom out any time soon (the only silver lining being the agriculture sector) and global economic recovery still on shaky ground, all eyes would now be on the forthcoming Lok Sabha elections and the formation of the new government and on how it prepares for these challenges.

Rupee Comes from...



Rupee Goes to...



Amit Sisodiya with

N Janardhan Rao

TGA

State Of Economy

Deficit and Inflation

- The fiscal deficit for 2013-14 contained at 4.6 per cent.
- The currect account deficit projected to be at US$45bn in 2013-14 down from US $88 bn in 2012-13.
- Foreign exchange reserve to grow by US $15 bn in this Financial Year.
- No more talk of down grade of Indian Economy by Rating Agencies.
- Fiscal stability at the top of the Agenda.
- Government and RBI have acted in tandem to bring down inflation.
- WPI inflation down to 5.05 per cent and core inflation down to 3.0 per cent in January 2014.
- Food inflation down to 6.2 per cent from a high of 13.8 per cent.

Agriculture

- Agricultural sector has performed remarkably well.
- Food grain production estimated for the current year is 263 million tonnes compared to 255.36 million tonnes in 2012-13.
- Agriculture export likely to cross US$45bn higher from US $41 bn in 2012-13.
- Agricultural credit to exceed the target of Rs. 7 lakh crores.
- Agricultural GDP growth for the current year estimated at 4.6 per cent compared to 4.0 per cent in the last four years.

Investment

- Savings rate at 30.1 per cent and investment rate of 34.8 per cent in 2012-13.
- Government set up a Cabinate Committee on investment and the Project Monitoring.
- Group to boost investment. By end of January 2014, Projects numbering 296 with an estimated project cost of Rs. 660,000 crore cleared.

Foreign Trade

- Despite a decline in growth of global trade, our exports have recovered sharply.
- The estimated merchandise export is estimated to reach US $326 bn indicating a growth rate of 6.3 per cent in comparison to the previous year.

Manufacturing

- The sluggish import is a matter of concern for manufacturing and domestic trade sector.
- Due to deceleration in investment, the manufacturing sector has witnessed a sluggish growth.
- The National Manufacturing Policy has set the goal of increasing the share of manufacturing in GDP to 25 per cent and to create 100 million jobs over a decade.
- 8 National Investment and Manufacturing Zones (NIMZ) along Delhi Mumbai Industrial Corridor (DMIC) have been announced. 9 Projects had been approved by the DMIC trust.
- 3 more Industrial Corridors connecting Chennai and Bengaluru, Bengaluru and Mumbai & Amritsar and Kolkata are under different stages of preparatory works.
- Additional capacities are being installed in major manufacturing industries.
- Notification of a public procurement policy, establishing technology and common facility centres, and launching the Khadi Mark are steps taken to promote Micro Small and Medium Enterprises.

Infrastructure

- In 2012-13 and in nine months of the current financial year, 29,350 MW of power capacity, 3, 928 Kms of National Highways, 39,144 Kms of Rural Roads, 3,343 Kms of New Railway track and 217.5 milliion tonnes of capacity per annum in our ports have been created to give a big boost to infrastructure industries.
- 19 Oil and Gas blocks were given out for exploration and 7 new Air ports are under construction.
- Infrastructure debt funds have been promoted to provide finances for infrastructure Projects.

Exchange Rates

- Rupee came under pressure following indications by US Federal Reserve of reduction in asset purchases in May 2013.
- Government, RBI and SEBI undertook a number of measures to facilitate capital inflows and stablize the foriegn exchange markets. As a result among emerging economy currencies rupee was least affected when actual reduction took place in December 2013.

GDP Growth

- The GDP slow-down which began in 2011-12 reaching 4.4 per cent in Q1 of 2013-14 from 7.5 per cent in the corresponding period in 2011-12 has been controlled by numerous measures taken by the Government. Growth in the third and fourth quarter of the current year is expected to be 5.2 per cent and that for the whole year has been estimated at 4.9 per cent.
- The declining fiscal deficit, stable Exchange Rate and reducing Current Account Deficit, moderation in inflation, increasing exports are reflection of a more stable economy today.

Source: Indiainfoline.com

Saving Agriculture - What India Must Do?

"In India, specifically, there is a need for increasing the productivity of the crops beyond what they are currently. For example, the yield of wheat and rice per hectare has been ranging from 3-4 tonnes which should be increased to 6-8 tonnes."
- Suresh Chandra Babu, Senior Fellow & Program Leader, International Food Policy Research Institute, Washington DC.

Even after several decades post the green revolution, India still needs another green revolution and a host of other measures so as to boost agriculture production in the country and also importantly achieve the goal of food security. So, what needs to be done? **The Global ANALYST** spoke to Suresh Chandra Babu, Senior Fellow and Program Leader, International Food Policy Research Institute, Washington DC, to know his views about the present state of agriculture in India, what is ailing it, and his advice on what corrective measures can be implemented to revive Indian agriculture. Edited excerpts:

According to the UN Food & Agricultural Organization (FAO), by 2050, global population is expected to increase by 40 per cent while associated global food production needs will expand by more than 70 per cent with a rapidly growing middle-class in developing countries. India's population will grow to 1.3 billion by 2017, which means fresh demand for food-grain in terms of quantity, quality and affordability, so current agricultural output needs to be doubled against odds like changing climatic conditions, declining ratio of arable land to population and water getting scarcer. How do you view this situation?

The increase in global population along with the challenges on natural resource degradation will pose a serious threat to meeting the increasing food demand in many developing and emerging economies. India is not alone in this battle. However, as the lessons of history would teach us, it is possible to overcome these challenges by anticipating them and give due attention to the locality-specific challenges facing agriculture and food systems. There are several technological, institutional and policy interventions that we can initiate now which can result in avoiding food related disasters for the developing countries.


Suresh Chandra Babu

In India, specifically, there is a need for increasing the productivity of the crops beyond what they are currently. For example, the yield of wheat and rice per hectare has been ranging from 3 -4 tonnes which should be increased to 6-8 tonnes. This technological change will come from increasing the use of high quality seeds and the seeds that meet the environmental and natural resources conditions and that can adopt to changing climatic conditions.

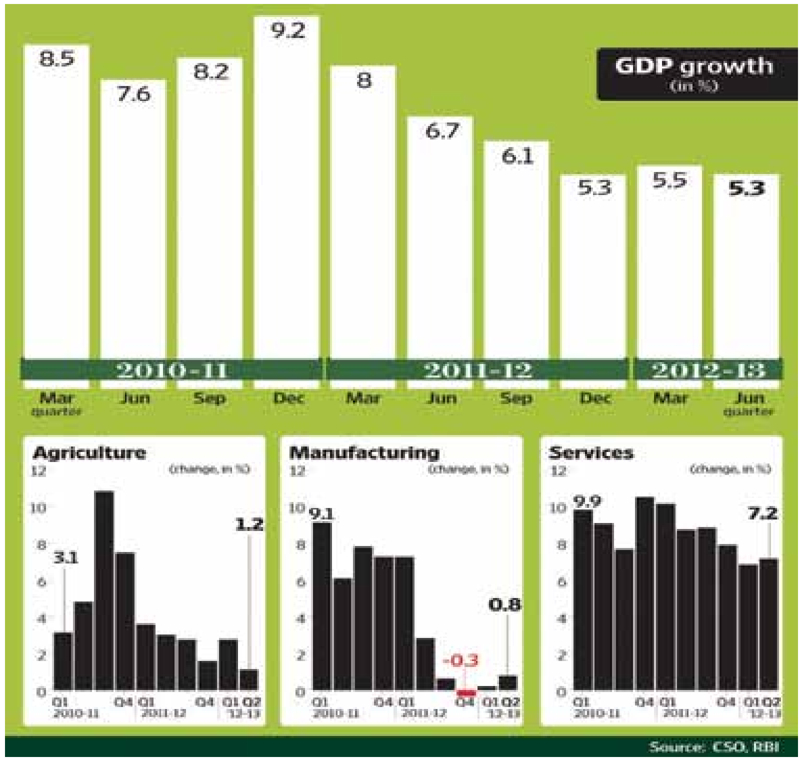
Current varieties of seeds of rice and wheat need to be replaced with higher yield, more drought-, pest- and disease-tolerant varieties. Adoptive yield trials are conducted regularly, but the results of these trials should be seriously applied in the farmers' fields to make the farmers see the benefits of research. Having good seeds at the village level is another concern. The seed markets are not functioning well in the major food crops. Farmers use the varieties of the seeds that are available and accessible at the time of sowing. Organized efforts by the agricultural extension departments are needed to increase the availability of the seeds for the farmers. This will require better governance of the seed system. Farmers tend to sow the varieties that fetch good price in the market even if the yields are low. These varieties, however, need additional effort in terms of protecting form the pest and diseases that they are vulnerable to.

Fertilizers availability and application of the fertilizers according to the needs of the crops and the soil conditions is a major hurdle. When the fertilizers are used uneconomically both the yield suffers and the cost of cultivation increases. Cost saving by testing the soils on a regular basis would help to reduce loss of nutrients in the cropping systems. While soil testing technology is available, their application at the farm level still remains far from achieved. The departments of agriculture at the state levels have issued soil heath cards to the farmers, which has created the awareness about judicious use of fertilizers, but due to poor follow ups and ineffective extension system, these are not fully functional even in the states where the government missionaries have taken keen interest to reach out to farmers.

The lack of availability and the high cost of pesticides and fungicides are other major reasons why farmers continue to suffer both in terms of untimely application of the control measures and in selling out higher price for the chemicals which may not solve their problems. This requires institutional and regulatory measures to protect farmers from the mercy of local input dealers who push the chemicals that are in stock or the one that the chemical companies have given high level of commission to sell. This combined with the ignorance of the farmers in application makes them vulnerable to exploitation.

There are a variety of chemical companies promoting their produces and come up with new ones all the time for various pests and diseases, but even extension agents are unable to keep up with the changes. In addition, due to the the fact that the input dealer also double up as the creditor, there is high level of misinformation and poor accountability in the systems if the crop fails.

Institutional changes that are put in place are needed. Insurance coverage currently in vogue does not provide full coverage and protection to the farmers in the event of crop failure as the insurance companies determine the payment based on the rainfall in an area. Yield losses do not come only from rainfall uncertainty but also from the pest and diseases and flooding. These factors are not fully considered in protecting farmers from yield losses. Also, due to low level of trust in the



insurance system, farmers are not willing to pay the part of the premium required by them even after the subsidy given by the government. Famers often see this as the collusion of the government with the private insurance companies to exploit them.

In spite of the success of the Green Revolution, contribution of agriculture and allied sector to the gross domestic product (GDP) has fallen from 61 per cent to 19 per cent in the last five decades. Why is it so?

The decline in the contribution of the Agriculture sector to the overall GDP is not necessarily bad for the country. In fact, this is how the structural transformation of the economy occurs. However, it should be cautioned that such reduction in the contribution should also result in the reduction of the labor force depending on agriculture and decrease in rural poverty. This requires removal of dependence of the majority of the households in rural areas on agriculture.

As the contribution of agriculture decreases, there should be gradual growth of labor absorption in rural areas to other, non-agricultural sector. This has not happened fast enough in several Indian states to reduce rural poverty. There is a need for investment in the rural infrastructure including marketing and processing which would absorb the skilled labor in rural areas. This, of course, needs high quality workforce that entrepreneurs will need for supporting their investments in the processing industries.

In addition, a large number of the small and marginal farmers are also increasingly getting engaged in the non-farm activities in the rural areas particularly in the states where rural industrialization has been increasing. So they depend increasingly on the landless labor to accomplish the agricultural task. This is also pushing them out of agriculture since labor availability has become a challenge. This crisis is getting further accentuated by the national employment guarantee schemes (MNREGA) which is implemented in a rather blanket manner in all the rural areas – even where rural unemployment may not be an issue and in seasons that compete for labor for crop production.

There is a high level movement of labor during the crop season from agriculture to the employment guarantee scheme which in a way is inducing mechanization in various ways. This is particularly encouraging for solving labor problem but it may not help all the farmers unless farmers organize themselves so as to harness the benefits of mechanization.

Presently, India sustains 16.8 per cent of world's population on 4.2 per cent of world's water resources and 2.3 per cent of global land. Per capita availability of resources is four to six times less compared to the world average which will decrease further with increasing demographic pressure and consequent diversion of the land for non-agricultural uses. What needs to be done?

The availability of agricultural land is decreasing and prime cultivable lands are used for creating new cities and small towns are increasingly being converted into land for housing plots and for construction. This trend of conversion of the agricultural land for housing will continue as long as the population is increasing and due to this demand for housing will continue to rise.

However, there is a need for developing technological solutions that will increase the productivity of the existing lands so that farmers may see agriculture as available business that can be passed on to the next generation. There is also an increasing trend in the rural areas among the farmers to get out of agriculture as the challenges facing farmers are formidable.

Farmers do not want their children to be farmers. This attitude has increasingly resulted in small farmers selling their lands to the housing development particularly if their lands are on accessible roads. This may bring down the price of land in the remote areas which may entice new entrepreneurs to come in for agribusiness. However, the institutions that help in the land transaction have to be strengthened for encouraging new entrants to come in. Computerization of land records is a good move in that direction.

According to a TOI report, agriculture intersects toughest challenges arising mainly from grim competition for supplies of fresh water, with its share dropping to 75 per cent from the present 83 per cent in the near future, in the wake of growing industrial and domestic sectors. Presently, excess exploitation of groundwater has caused sharp depletion of water table in Central Punjab, Haryana, West Uttar Pradesh, Rajasthan, Tamil Nadu and West Bengal. In UP, it reports, over 260 out of total 800 blocks are already declared 'dark zones'. Yet, government has not taken water conservation measures for political reasons. Against this backdrop, what corrective measures would you suggest?

Ground water depletion is a phenomenon that was observed 40 years ago in most of the crisis-prone districts. The fact that water could be pumped free of cost through free electricity has to some extent contributed to this crisis. This challenge requires an ecological systems approach to replenish the ground water. This, in turn, requires communities to come together and take collective action to conserve the rain water to increase the recharge of the water systems. However, capacity and institutions are needed for collective action. Continuity is also missing.

The village level panchayats should be trained in scientific ways of water conservation. Using the employment guarantee scheme effectively would be one way to rehabilitate the waterways and rural ponds that could help in recharging of the ground water. But policies and programs should be in place to encourage the communities for collective action. The externalities that arise from individual use compared to the societal use should be internalized through effective policy and institutional mechanisms.

Do you think GM crops are an answer to India's quest for food security and saving agriculture?

GM crops could be part of the technological innovation to increase food security in India. However, the political economy of GM technology is not well understood. The controversial issues such as GM crops also have various groups of supporters and opponents based on their beliefs and information base. It is important that evidence on the benefits and costs of GM technology is documented well and shared widely for having an informed debate. Without understanding policy process at various levels, promotion of policies and programs of the biotechnological innovations will be difficult.

Any other views?

There is a large gap between evidence generated through research and policy making in general in the promotion of food security. There are a number of programs designed to help the farmers to increase their productivity. However, implementation of the programs requires better understanding of the policy process and governance at various levels. Further, monitoring and evaluation of the programs and policies need to be linked to improvement of the implementation which is grossly missing in any sector, including agriculture sector. TGA

Bitter Pill!

Indian Pharma's Growing Quality Woes

India's once storied pharma industry's reputation is getting increasingly threatened by the recent spate of allegations over manufacturing lapses and quality issues leveled by drug regulators including the US FDA and the Medicines and Healthcare Products Regulatory Agency of Britain, where around 20 per cent of the medicines sold are imports of cheap generic drugs (which are the cut price versions of branded/patented medicines) from India. Against this backdrop, the question that arises is: Can the home-grown pharma firms fight off the present challenge and redeem their global image?

- Hyma Goparaju, MD, Indigen Technologies (P) Ltd.

Indian companies exported generic drugs worth $4.2 billion to the United States last year, and demand is accelerating. But so too are safety concerns about these medicines.

- International Business Times

Only until a few years ago, it seemed nothing could go wrong with India's generic drug makers. Thanks to their excellent reverse engineering skills, the home-grown firms have not only grown phenomenally, they've also expanded their footprints across the globe, including the highly impregnable markets from the US to Japan, Germany to UK. The industry grew by leaps and bounds, more so, post-1991, as India ushered in liberalization and globalization. Today, the country ranks third globally in terms of manufacturing volume and 14th in terms of value, as per a Deloitte report.

However, a recent spate of allegations over manufacturing lapses leveled by drug regulators in the US and UK, which have been followed by issuances of warning letters and import bans against some domestic generic manufacturers, not only puts the Indian pharmaceutical industry on the back foot, but also threatens to halt its global march.

The Indian Patent Act 1970 that allows only process patents propelled the Indian pharma industry to the global stage. Many pharma manufacturers reverse engineered exorbitantly priced medicines and made them locally affordable. However, in 1995 with Trade Related aspects of Intellectual Property Rights (TRIPS) emerging, Indian industry was obliged to fall in line. The Indian patent law was amended by pressure from the WTO and product patent was finally allowed in the year 2005. However, to avoid ever greening of patents, the Indian judiciary has been actively delivering judgments to protect the interest of the common man in particular to make sure that the costs of drugs and medicines do not spike continuously.

While the recent Novartis – Glivec patent judgment was hailed by some sections of the industry, the western pharma industry especially the big pharma segment expressed concerns over what they viewed as the Indian industry's flouting of intellectual property rights. The Indian industry has more to deal with just than the FDA import alerts which have rapidly gone up post the patent war with the big MNCs.

The FDA import alerts causes an abrupt and immediate damage to the industry already struggling due to severe competition and wafer thin margins in the domestic market. The high margin US market offsets the loss of revenue in other markets for the domestic Indian companies and the rush of bans and import alerts pose a severe threat to the industry gripped by various other issues of patent rights and intellectual property rights that continue to pose a long term challenge.

The Phenomenal Rise

India's pharmaceutical industry's market size tripled to $18 bn in 2012 from $6 bn in 2005, and is forecast to touch $45 bn by 2020, which will catapult it to the sixth position in the global pecking order, according to the global consultancy firm, McKinsey & Company. India's healthcare market grew at a similar pace to reach $70 bn in 2012 from $23bn in 2005.

Despite being highly fragmented with about 20,000 existing units and looming pressures of price control and patent regimes, the Indian pharmaceutical industry has done exceptionally well. In recent times, many Indian pharma companies repositioned themselves as contract manufacturing and research units, manufacturing and supplying world class drugs. According to market research firm IMS Health, pharma market in India typically grows at about 1.8 to 2 times the GDP rate in India. Considering lower forecasts of around 5 per cent GDP growth for the coming fiscal, the pharma market is expected to grow at around 10 per cent. Though the pharmaceutical and healthcare spending by the government is, however, less than 1 per cent of the GDP, it is expected to be increased to 2 to 3 per cent in the coming years.

The Indian pharma industry exports Drug intermediates, Active Pharmaceutical Ingredients (APIs), Finished Dosage Formulations

The Reality

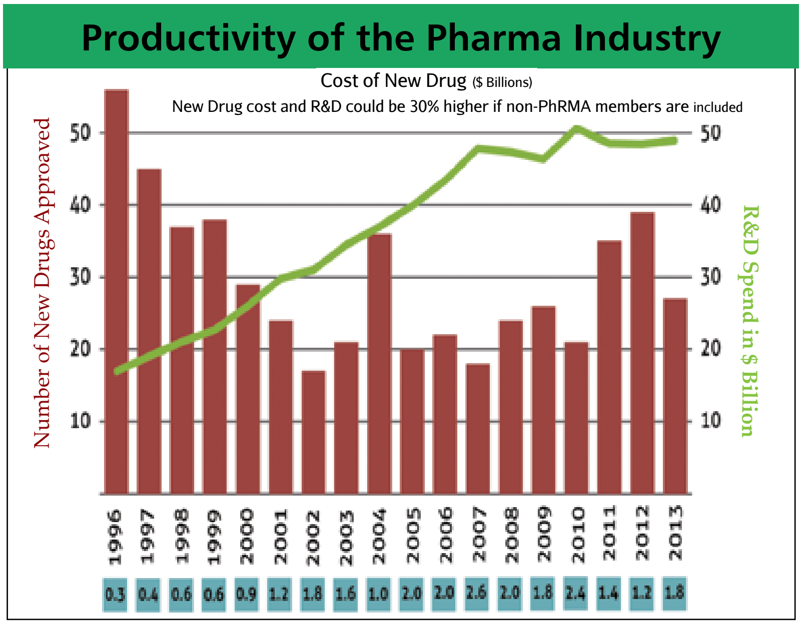
Dr. Margaret A Hamburg, the commissioner of the US Food and Drug Administration (USFDA) said that India's image was being tarnished due to a handful of pharmaceutical companies that do not adhere to the requisite quality norms.

- The reality is that while some of the plants in the country boast of state-of-the-art technology, many others are plagued by numerous quality control problems.
- Experts feel that spurious and fake drugs have become the rule, rather than an exception. They recommend that the USFDA action is justified and should continue.
- The World Health Organization (WHO) estimates that one in five drugs manufactured in India is fake.
- Heather Bresch, Chief Executive of Mylan is of the view that if there were no cops around, would everyone drive the speed limit. You get careless, start taking risks.
- The USFDA is keeping a suspicious eye on the pharmaceutical companies in China as well, however, its efforts to carry out surprise inspections there have been thwarted by the Chinese government.

(FDFs), bio pharmaceuticals and clinical trials to several markets across the world. India is also the biggest supplier of medicines to the US with a share of 40 per cent in generics as well as OTC products and 10 per cent in FDFs.

The Indian exports are regulated by the Drugs Controller General of India (DCGI) which issues NoCs to the exporters. The country also has FDI-approved manufacturing facilities which provide APIs to plants across the US for manufacturing end-products. India has 526 FDI approved facilities, the second largest outside of the US which are inspected by the FDI on a regular basis, preferably annually. These facilities are expected to conform to cGMP or current Good Manufacturing Practices which stipulate stringent hygiene norms, process and documentation procedures that include a detailed batch-wise recording and double-blinded clinical trial studies.

While Indian Pharmaceutical industry has seen the rise of pharma hubs, buzzing entrepreneurship and increase in the size of its pie in the global share, many players have also witnessed an equal or more amount of near circling the drain moments. In the last one year, import alerts have been issued to many reputed manufacturing facilities located in India. Some of the prominent drug makers whose approvals have been withdrawn by the US FDA include Ranbaxy, Wockhardt, RPG Life Sciences, Aurobindo Pharma and Strides Arcolab.



Finding the true cost of a new drug is complex & controversial...

Source: USFDA, PhRMA

'Import Alert' Debacle – The Ranbaxy Saga

The recent import alert issued to Ranbaxy's Toansa plant manufacturing APIs used for medicines for treating diabetes and HIV is no new news. On earlier occasions too the FDI had clamped down on facilities in India citing deviations from regulatory compliances. Earlier too, Ranbaxy's three other facilities, two in Paonta Sahib and Dewas and one in Mohali had received FDA's import ban in 2008 and 2013, respectively. Long before, in 2003, Ranbaxy was also hit by a US lawsuit which it had to settle by paying a huge penalty.

Last year, Wockhardt's Waluj and Chikalthana plants were restricted from tapping into exports markets, after having received five FDA Form 483s (a kind of summarized observation report), out of six FDA inspection visits. Many more manufacturing facilities have received the much dreaded Form 483, also referred to as 483, by the US FDA which lists out concerns upon inspection of a unit and is served to the inspected unit. A response to the form is expected within 15 days irrespective of the numbers of issues highlighted while there is no specified time limit for the FDA to revert on the response. A satisfactory response reverted by a Form 483 issued firm consists of reasonable explanations with corrective actions proposed.

However, the Ranbaxy issue is a more serious one since with the ban on the Toansa facility the company is not left with any domestic unit to manufacture APIs for exporting to the US. The company's US facility, Ohm Labs located in New Jersey is its last hope. However, since Ohm cannot ship ingredients from the Indian units post the ban, it would have to depend on an outside supplier to continue its manufacturing activity which does put enormous pressure on Ranbaxy's already slackening margins and also pushes the upcoming US launch of three more generics by it, which is expected to fetch $7 billion sales in the next six months, to the backburner.

The greater damage, however, has been done to the company's long record of credibility built over more than half a century that had hoisted it to the rank of the torchbearer of the Indian pharmaceutical industry. Japan's second largest pharma company Daiichi Sankyo bought a majority stake in Ranbaxy in 2008, a high profile deal that was valued at $4.6 billion. According to Daiichi, US sales constitute about 40 per cent of its Indian subsidiary's overall sales.

Tackling Regulatory Hassles – Popping the Bitter Pill

According to a report in the Financial Express, India has 526 US-FDA units second to China's

960 units. The Indian units have been subjected to around 403 intimations of violations by the FDA during 2011-13. Inspections conducted on the Indian FDA units constitute about one-fourth for cGMP outside of the US, while the same is about a 10 per cent for Chinese US FDA units. However, countries like Mexico, Canada and UK have faced higher number of bans and import alerts with 74 per cent units banned in Mexico and 30 per cent units in Canada and UK facing import alerts.

An inspector of the FDA provides a report citing a violation in the preparation of a food, drug, device or cosmetic – either being adulterated or susceptible to adulteration in view of substandard quality in the environment in and around the facility and a Form 483 is issued. The Form 483 that is not responded to the satisfaction of the FDA is followed by a warning letter that leads to an import alert or a ban. Most of the times many firms respond to 483 issues and comply to all norms within the time stipulated not wishing to keep any outstanding issues with the FDA.

Indian firms have been facing a deluge of Form 483s, Import Alerts and warning letters which have only gone up in the last four years, displaying no signs of receding which continue to pose a severe threat to the pharmaceutical industry in India. While all firms take these notices by FDA seriously, experts dispute that GMP practices keep evolving on a regular basis and argue that import alerts and deviations are more of subjective evaluation. The regulator seldom takes cognizance of this line of reasoning and throws the ball back into the manufacturers' court, compelling them to push the envelope and make the standards of the facilities more rigorous and uncompromising.

Image Source : Concern Pharma

Building a world class GMP facility complying with the US FDA norms requires huge investments by the parent company and any withdrawal of approval threatens to upset its customers and market share, punishes its share price and hurts profitability. Ranbaxy has reportedly invested over $300 mn to upgrade its facilities in the past few years. Many a times pharma manufacturers have to build back up facilities in case an unforeseen incident is reported from a supplying unit, which increases the capital expenditure tremendously. Also many top rung pharma manufacturers have close to 30 per cent of their sales coming from the US which does pose a severe threat to their balance sheets since the supplies are stopped abruptly and a significant amount of time is lost in getting back on track in the back and forth that happens with the FDA in the event of getting served by regulatory notices that could range from documentary to hygiene lapses. However, it is also interesting to note that till date no single drug or end-product from FDA alerted plants located in India has ever found to be defective or has reportedly caused any human harm.

Indian manufacturers do need to imbibe in the spirit of high quality and up their investments and commitment in creating facilities and processes that ensure their medicines meet all stipulated world standards.

With a handsome share of more than 30 per cent in the exports, the US market commands a great allure to the Indian pharma companies. The Obama Healthcare program promises huge opportunities which the Indian companies would not want to miss in the light of the recent setbacks and hence it becomes all the more imperative to focus on stringent training and meticulous implementation of quality norms by the Indian manufacturers to ensure steady and hassle free relations with the FDA. It is not just the drug and medicine space that has been involved in bitter standoffs with the FDA, but manufacturers of food products like rice and spices have also been embroiled in quality hassles. In fact, India is the eighth largest exporter of food products to the US and has been subject to scrutiny under the FDA scanner several times before.

But the crescendo of the standoff between FDA and the Indian manufacturers in the last one year has generated sufficient noise which threatens to disturb trade relations on the food and pharma fronts between the US and India prompting the first ever visit by US FDA chief to India in February this year. The visit is expected to generate confidence and bridge the regulatory gaps to smoothen the bilateral trade between the two countries.

The Indian government has pressed for the presence of an Indian regulator during every inspection by FDA in Indian plants and has asked the FDA to inform them of every inspection and share information accordingly. While it is to be seen whether FDA obliges to the Indian pharma industry's concerns, it would however, be a tough negotiation to sail through.

A Consistent Policy Framework – The Need of the Hour

In order to deliver world class healthcare to the US citizens, FDA in tandem with the industry keeps working on improving the manufacturing processes on a continuous basis and the latest move stipulated by it is to manufacture drugs and medicines in high technology computer controlled production facilities capable of producing variety of dosages and dosage forms, which it believes is the future of drug preparation. While such a novel process requires heavy investments and ultra-stringent environs, it would only increase the spate of challenges the Indian pharma industry is already grappling with, and would beyond doubt cause an unprecedented surge in the already rising import alerts.

However, at the same time, there is no denying the fact that health of an individual across any part of the globe has the same value and respect. Given, there is a pressing need for a uniform global regulatory system that stresses on a health code that aims at providing high quality affordable healthcare. The recent FDA-Ranbaxy debacle (besides several others) is an example of a regulatory process threatening the very existence of a reputed firm highlighting discrepancies such as presence of flies in the sample room and water bottles in a refrigerator used for storing samples.

While it is imperative to have stringent quality norms in the manufacturing process of drugs used for end consumption, it does come as a surprise that the EMA (European Medicines Agency), the European parallel of FDA has not banned the same drugs from the company banned by the FDA for the very reason that the end product prepared using the APIs manufactured at Ranbaxy's Toansa plant was not found to be defective. The same drugs continue to be used in India too!

A regulatory system's role is to enforce and ensure quality compliances keeping in view the overall objective of affordable health. However, the pharmaceutical world across the globe is tethered by issues like patenting rights, regulation hassles, expensive R&D and exorbitantly priced FDA approvals which also gave an impetus to the insurance industry that has piggybacked its growth on the rising costs of healthcare.

It is indeed time for the healthcare experts to come together to devise a reasonable framework of policies and programs that are consistent and not confusing, scientific and not arbitrary, discrete and not discretionary and most importantly a policy that allows genuine manufacturing firms to continue to manufacture drugs by not jeopardizing the existing businesses or thwarting the entry of new players through high costs and regulations.

Last but not least, at the same time, the Indian manufacturers do need to imbibe in the spirit of high quality and up their investments and commitment in creating facilities and processes that ensure their medicines meet all stipulated world standards. The business community and the government together must rid themselves of the jugaad (quick-fix innovation) mentality especially in the health sector and their long embedded chalta hai (it's ok) attitude and bring in greater amount of professionalism and seriousness by jettisoning the lackadaisical approach towards human health and lives. TGA

All companies must understand that quality is the basis for the public's trust and confidence in their products and maintaining high quality standards is part of the cost of doing business. The FDA is talking with the industry to develop data that may signal which manufacturing plants are straying from standards and need inspection.
- Margaret Hamburg, FDA Commissioner

Countries that got US important alert

World of Drugs

If American investors have new ways of investing their money, using innovative platforms/portals like Likefolio, a brand new online platform, Paisaxpaisa.com introduces domestic investors to a refreshing new way of managing their wealth, the way they like! The Global ANALYST spoke to Hanu Yedluri, Founder and Managing Director, paisaxpaisa.com, about what led his decision to head home after spending a considerable period in the US, and start the innovative personal finance portal, uniqueness of his business model and his future plans. "Today's youngsters are tech savvy and are ready to explore new areas. I think this is a great opportunity for tech-driven platforms like paisaxpaisa.com and redefine the way people invested, tracked and managed their savings," he avers.

What were the driving factors behind launching Paisa×Paisa?

In essence, I would say, it's been the desire to help inculcate savings habit among a larger number of people which led to the launch of our online personal finance advisory platform PaisaxPaisa.com. While the rich and affluent can always avail of best of the breed wealth management services, the retail investors lack access to such services, primarily due to the fact that such services are simply not affordable. Besides, low level of awareness among this segment of investors, most of who never looked beyond the fixed return instruments, has also been a major factor behind near-abysmal participation of retail participation in our stock markets. Same holds true for other investment instruments such as bonds, real estate, commodities, etc., as well.

Lack of investor knowledge has for long been misused by shrewd companies selling investment products. In fact, mis-selling of investment instruments has been one of the major factors that have deterred retail investors from looking beyond traditional saving instruments like FDs or Post Office Savings Schemes.

How do you define your startup's USP?

Paisaxpaisa.com introduces investors to a refreshing new way of managing their wealth, the way they like! This innovative personal finance platform offers an exciting, new way to investors, leveraging on technology. Excel sheets, sales literature are presented during the customer interaction sessions, where various investment instruments/ products are mapped to the customer need, besides also mapping his goal, thus helping him to build a robust portfolio to grow his wealth several fold.


Hanu Yedluri

Our platform lets the users share their needs for their life time. The paisaxpaisa.com powerful engine does the dynamic calculations and makes automatic updates, allowing the users to view and make changes accordingly.

Our planning solution then requires the investor to tell three things:

a. Where do you want to go? data collection of present and future)

b. How can you reach there? (Plans provided by each category)

c. Where are you today? (Analysis & Reviews); Compare what is your actual against your plan, check it online any time.

Many of our existing customers consolidate their loans, investments, insurances, and other assets in Microsoft Excel and check them now and then. We maintain the same, monitor continuously and alert the customers how their personal finance is going to be impacted by any regulatory changes, changes in micro and macro economic conditions, etc. For example, housing loan EMI gets impacted by a rate cut announced by the Reserve Bank of India. We notify the customers about these changes and also how much they can save as a result.

Today's youngsters are tech savvy and are ready to explore new areas. I think this is a great opportunity for tech-driven platforms like paisaxpaisa.com and redefine the way people invested, tracked and managed their savings.

We believe in disciplined investment and that Systematic Investment Plan (SIP) is the only mantra for creating wealth rather than TIP-based trading or day trading by individuals which never created any wealth for anybody.

How do you define the business model of your online personal finance portal? Do you intend to focus solely on the online model or do

you also plan to be present in the brick-and-mortar space?

Our model is both online and offline with our offices spread across several cities in the country. Our customer support team will be available online for answering customer queries. We also offer a channel where any management graduate can become our sub-broker and sell our various services, subject to fulfilling certain T&Cs.

What are the advantages Paisa×Paisa offers to its clients vis-à-vis competition?

Our investment begins with planning. The executed recommendation can be monitored, compared (review) online any time. It's always aligned with the customer needs, rather than with any specific product. For our clients, we are service-driven rather than product-driven. Best trusted service is the need of the hour.

The personal finance/wealth management market already has a number of players – from brokerage houses to independent advisory services firms. Given, how do you plan to cut through the clutter?

Yes, there are lots of players in the market. But I still see significant gaps in the market where traditional houses are struggling to build technology-driven solutions and convincing their sales team to use the same.

Who could become your customer? Also, which is your target market – middle class, big-pocket investors, NRIs or even a retail investor can avail of your services?

People who are thinking of disciplined investment are my clients, but they should be open to learn before they want to invest and should have interest in technology.

Our target clientele is middle class, NRIs, a typical retail investor, even a deep pocket investor also. People, who are interested in technology, want to learn and understand how investments are coming along, are the ones we look at.

Who don't want to avail a service available 24x7!

What are the kinds of products/services your firm is currently offering?

We are offering online financial planning, retirement planning, insurance planning, and financial health checkup. We cover all types of loans, investments, life, health and general insurance also.

What are the different types of investment instruments you manage?

We manage Equity, Debt, Hybrid and Liquid Mutual Funds, Corporate Fixed Deposits, Bonds, NCDs, etc. Our basic goal is to align investor needs and their investment horizon with products that can create sufficient wealth, by following a disciplined investment approach.

Can you also tell us about pricing of various packages/offerings?

Our annual charges will be around Rs.1999 per annum. Currently we are in the customer acquisition phase and offer our services absolutely free of cost!

What is the growth potential of personal finance/retail wealth management market in India?

Till 2012, the statistics show that direct IT employment is 2.8 million, indirectly at 8.9 million. In 2013, there were 4,655 pharma plants in India, employing over 3,45,000 workers.

Looking at the new banking norms, financial inclusions, new banks are set to enter the eco system, which will create much more opportunities in the distribution market place.

Indian banking industry's fixed deposits are at around Rs.70 lakh crores whereas mutual fund industry's AUM stood at Rs. 8 lakh crores.

How do you see the competition in the markets you operate in?

I follow the golden saying, "Unsatisfied needs of the customer are the new opportunities". For a growing economy like India with its large workforce, the opportunity is plenty. But It is always a volume business rather than value business for us, until India turns in to a developed nation.

Yes, we are raising the bar in the customer service and doing the right thing for customer benefits. Also, while existing competition is still focusing on HNI's and ultra HNI's, our focus is on people who want to grow by learning and earning more.

What's your outlook on the investment climate in the country, especially in the wake of the current sluggish economic growth?

Infrastructure is key component of our growth story, which is being paralyzed and existing companies want to come out of those projects, which are not good.

India's infrastructure needs are typical, where land availability is limited with highest population density. Typical infra planning done around countries like the US, Europe doesn't fit into our model. We should do optimum utilization of resources to maximize the benefits to masses.

In the recent past I have observed colleges and IT companies are doing lot of joint projects, which is a good sign in closing the gap between academia and the industry.

What is your long-term plan?

This is my first venture to get started, and has been working on it for almost a year-and-half - built it lean, using Microsoft's Azure platform, scalable for future expansion to replicate in no time. I believe paisaxpaisa.com will set the benchmark as knowledge based service provider for Indian customers. The opportunities to distribute products are endless.

Any other views?

IRDA's new initiatives on e-insurance, SEBI's new regulations on increasing promoters' share (Skin in the game), NPS taxation exemption will bring a sea change in boosting investor confidence.

TGA

Gold

Is a Turnaround Round the Corner?

Both gold and silver have performed well above the rate of CinC inflation, even after their huge post 2011 market corrections. When we consider that both Treasury bonds and the Dow Jones are near their all-time highs, and gold and silver prices are currently greatly discounted, logic would have it that the risk of losing money is mostly in the US Treasury and stock markets, not with investments in gold and silver.

- Mark J Lundeen, Independent Analyst - Financial Markets, US

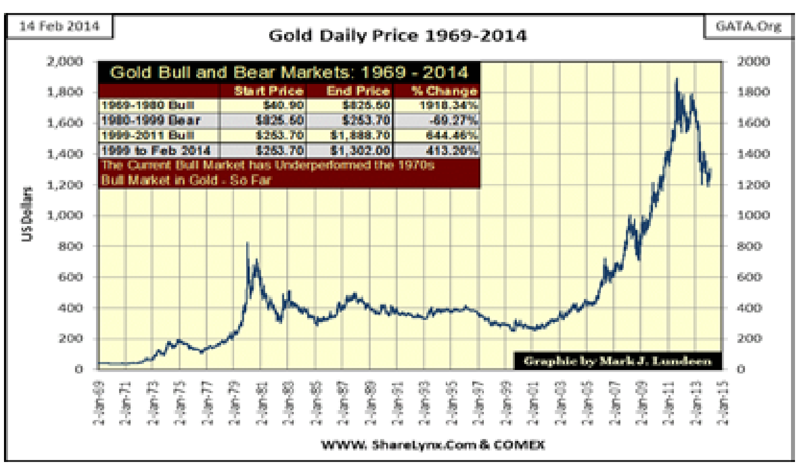
In the gold price chart below, we see two bull markets: 1969-1980 & 1999-2011, and a bear market from 1980 to 1999. The table in the chart gives the specifics, and in case you're wondering why sometimes I use 1999 instead of 2001 as the beginning of the bull market, it's because it was in 1999 that the bear market found its ultimate low price, but then the price of gold didn't do much for the next few years. In 2001 gold bottomed again two dollars above its 1999 low, forming a double bottom and only then began its second bull market advance since 1969.

Note in the table that gold's current advance is a few years longer than the 1969-80 bull market, and its gains so far have been subdued. That isn't necessarily bad. In fact, this bull market has been very good to investors as it has been easy to make money just by buying and holding gold for the long term. The 1969-80 gold bull market was very emotional, and I doubt many people actually made money as it was a hysterical market. Many, if not most retail-gold bulls came in late and didn't really accept that the bull market was over until years had passed and gold fell many percentage points below its January 1980's top.

The current decline in the chart above appears to be the largest decline gold has seen since 1969, even larger than the 1980-1999 bear market, and in dollar terms it actually is. But after decades of monetary malfeasance by Greenspan, Bernanke and now Yellen, dollar prices for goods, services and precious metals from decade to decade become distorted. So let's look at the same data using my Bear's Eye View (BEV) plot to gain a better insight for the bull and bear markets over the past-forty five years.

Looking at the price of gold from 1969 to 2014 from the point of view of Mr Bear, where every new all-time high is equal to a big fat Zero, and all other prices are seen as percentage claw-backs from their previous all-time high, we see how the bear market bottom of 1999 (-69 per cent) was much deeper than our current -37 per cent bull-market correction. In fact our current bull-market correction isn't even the deepest in history. The 1970's bull market saw a 47 per cent correction just a few years prior to its ultimate closing price of $825 in January 1980 – OUCH! So keep in mind that even though the gold market has been tough since August 2011, the 1970's gold-bull market saw even more severe corrections without derailing its upward primary trend. This will prove true of the current correction as well.

The BEV plot above for our bull market is based on the January 1980's $825 closing price of gold,



so we see our bull market advance from a -69 per cent bottom to a new all-time high in 2007, but this isn't the best view of our current bull market. So the next chart shows the BEV plot beginning from its 1999 low of $253.70, which makes all the BEV Zeros new highs of the move until gold eventually made a new all time closing high of $839 in December 2007, twenty eight years after its previous record close of $825.

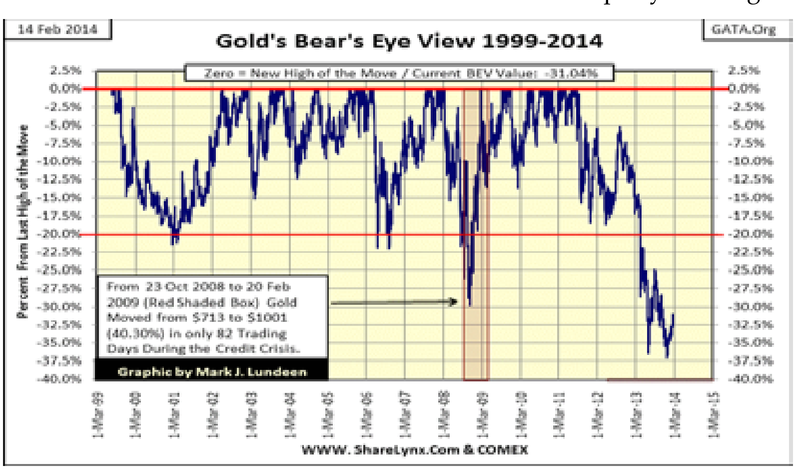
Without a doubt, our current correction in gold has been the deepest and most prolonged since 1999; it's also been our bull market's most absurd decline. 2013 was a historic year for gold. China and the rest of Asia are buying physical gold from New York and London by the thousands of tons and shipping it home where it will never return as long as the West offers only paper money in exchange. Most investors today are little aware or concerned that Germany asked for the return of its thousands of tons of gold held at the New York Federal Reserve Bank, only to be told it couldn't have it back.

So what's the problem? Just that this refusal to return Germany its gold is the third time the US government has reneged on its gold obligations since 1934 when FDR devalued the dollar from $20.67 to $35 an ounce, and made gold ownership by American citizens a felony. The second time was when Nixon closed the US Treasury's gold window in 1971, breaching its Bretton Woods' obligation to redeem US paper dollars owned by foreign central banks for gold at the agreed upon rate of one ounce of US gold for every 35 US paper dollars offered. But these first two gold defaults were well covered by the American media. The news coverage for Uncle Sams' current refusal to return Germany's gold has been fairly muted. Today, most people don't really care about how these tangential events in the gold market will impact their investments; but one day they will.

All this leads to the question of the status of the alleged 262 million ounces of US gold reserves; does the US Treasury actually own any monetary gold free and clear of third party entanglements? It's becoming more and more obvious that central bank gold reserves are not as reported by the "monetary authorities." It's becoming hard not to believe that the NY Fed and US Treasury have been selling other people's gold (America's too?) to Asia to supply an insatiable demand for the world's oldest form of money, in a world that is getting sick of the ever increasing supply of US Dollars and US Treasury debt.

In place of the missing gold reserves are paper promises to return loaned gold, made by the same illiquid banking system that required a bailout during the subprime mortgage credit crisis of 2007-09, and in fact is still being bailed out by endless quantitative easing. And while all this was going on last year we saw the price of gold in a 20 per cent free fall during spring and summer with gold finishing 2013 some 37.5 per cent below its August 2011 all-time high. Today, few people believe any of this corruption at the highest levels of government and finance will impact their daily lives and investments, if they are aware of it at all. But one day they will.

The end of gold's current correction will most likely be similar to what we see in the red box in the chart above. From October 2008 to February 2009, in just eighty-two trading days gold moved



from the bottom of a 30 per cent correction to a new all-time high, which occurred during the depths of the stock market's credit-crisis crash.

It's been awhile since we've looked at gold's step sum; so here it is. The step sum is a single item Advance – Decline Line that uses daily closing prices as its inputs. Rising step sums indicate more up than down days, declining step sums indicate more down days than up. The step sum is a market sentiment indicator that provides an insight into the market's psychology, and typically when step sum trends are out of step with the price trends, it's the price trend that should be trusted. A perfect example is seen in gold's bear box below, where for thirty months the price of gold declined as gold's step sum trended sideways.

So what good is the step sum when all you needed was price information to tell you the bulls in the gold market were losing money? Because when the step sum's plot collapses downward toward the price trend, as it usually does in bear boxes, it tells us the bulls have capitulated in the face of reality and the correction is coming to an end. Below is a BEV plot of gold with its step sum from 1969 to today, and we see an eight year bear box beginning in 1988. The optimism of the gold bulls of the 1970s took a long time to die, as we see in the bear box below that began in the 1980s and didn't terminate until the 1990s.

In the face of declining prices (Blue Plot), the COMEX saw about as many up days as down days for years (Red Plot). But gold and silver were in a bear market in the 1990s, as the world then was intoxicated with everything high-tech. Demand for the US dollar was strong as investors globally needed dollars to purchase what at the time was seen as the future – high tech stocks trading on the NASDAQ exchange. In the chart above we can see when the gold bulls gave up their dreams of ever seeing gold resume its bull market, at the dotted line (1996) marking the beginning of the collapse of the step sum. Not surprisingly, this collapse in bullish sentiment in the gold market occurred just as the high-tech bubble entered its mania phase. Note too that gold's step sum continued collapsing until 2001, when it then reversed to the upside.

Our current bull market in gold, marked by the 2001 upward reversals in both gold and step sum trends began at the same time the US Government and Wall Street began inflating a second and even larger bubble in the American real estate market, and has continued on after that bubble popped and Washington and Wall Street began inflating their third and largest bubble in the debt market. With "economic" and "monetary policy" like this, the bull markets in gold and silver have a very long way to go, or so market sentiment as seen with gold's step sum refusal to decline is telling us. I think the gold bulls have it right!

Returning to our thirty month bear box, there is an excellent chance that gold's step sum will not collapse down towards the price plot. Instead we could see both the step sum and price trends reverse their current direction to the upside, possibly violently. After all, 2014 is a totally different world than back in 1996 when gold's step sum collapsed in a bear market. The mania for American high-tech stocks is now only a pleasant memory, and even the media frequently reports that the main reason for today's rising stock market is due to the massive amounts of "liquidity injected" into the financial markets by the Federal Reserve's ZIRP and quantitative easing programs. Also, consumers today are the same people who took advantage of the low mortgage rates during the housing bubble. Economically speaking, the American middle class was left greatly impaired with massive levels of thirty year debt after the housing bubble and now they are being hobbled again with increases in healthcare expenses from Obamacare.

What will happen to the economy, and the people who must make a living in it when the third massive inflationary bubble in the debt markets goes bust? It will be bad for the American middle class, but it should be good for gold and silver.I think China knows exactly what they're doing by exchanging every US dollar they can for precious metals and other minerals. You might consider following this pearl of wisdom from the East.

Just one more chart for this week to put the markets into their proper perspective. This chart shows indexed values for gold, silver, Dow Jones, US Treasury's long bond valuations and US Currency in Circulation (CinC) since the termination of the high-tech bull market in January 2000.

The first item that jumps out at me when I see this chart is how poorly the Dow Jones (Blue Plot) has done since 2000. For ninety per cent of the past fourteen years capital gains from the US Treasury's long bond (Red Plot) were greater than what the Dow Jones returned.

But neither blue-chip stocks nor bond valuations have doubled since 2000, and the yields (income) for both have been subpar for well over a decade. Now look at gold (Purple Plot) and silver (Grey

Plot). Both have performed well above the rate of Cin+C inflation (Green Plot), even after their huge post 2011 market corrections.

When we consider that both Treasury bonds and the Dow Jones are near their all-time highs, and gold and silver prices are currently greatly discounted, logic would have it that the risk of losing money is mostly in the US Treasury and stock markets, not with investments in gold and silver. I could be wrong, but it would seem prudent to sell what others are willing to pay top dollars for and shift some of the proceeds into an asset that others are selling at a loss! TGA

FORM IV

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Date March 2014

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Signature of publisher

Mutual Funds
Myths vs. Reality

A mutual fund is a convenient structure for the fund house to earn management fees. It is lucrative for the fund managers who earn fat salaries, bigger bonuses and television attention! It is productive for regulators as it keeps them busy. It feeds a host of other related industries like broking, custodians, HR, etc. If you are slightly informed, you may want to try enhanced index strategies. If you are hands on in the market, you are better off identifying and investing directly in some 10 good stocks and sticking with it.

- M R Raghu, Senior Vice President & Head of Research, Kuwait Financial Centre (Markaz), Middle East

It is not my intention to criticize mutual funds, for, I was also an avid investor till recently. However, the normal claims about virtues of mutual fund investing amuse me sometimes. Recently I read an online article published in Times of with a fancy title, "Why should you invest in mutual funds?" Like a lay reader, I started browsing through the contents till I realized that, if not all, many of the claims can be easily rubbished. Here is a run-down on the claims of the virtues of mutual fund investing and the truth explained alongside:

In the whole of the investment history, there is only handful of examples where fund managers performed consistently and even here they have attributed that more to luck than skill

1. Beat Inflation:

The MYTH: "Mutual Funds help investors generate better inflation-adjusted returns, without spending a lot of time and energy on it."

The TRUTH: This is true only if the mandate of the fund is to beat the inflation, i.e., TIPS like products (Treasury inflation protected securities). The RBI has just introduced an investor-friendly product and is still dusting the finer elements. However, I suspect the claim was made more in the generic context of equity mutual funds. Equities as an asset class beat inflation not because it is structured as a mutual fund, but because of the inherent ability of the asset class to perform better than the inflation. Even if I buy some 10 good stocks and sleep on it for 20 years, my investment should beat inflation without the hassle of being structured as a mutual fund.

2. Expert Managers:

The MYTH: "Backed by a dedicated research team, investors are provided with the services of an experienced fund manager who handles the financial decisions based on the performance and prospects available in the market to achieve the objectives of the mutual fund scheme."

The TRUTH: Academic research has proven time and again that fund managers as a group do not beat the market. Also, those fund managers that beat the market do not do it consistently. In other words, if you invest in a fund that has performed well because you got charmed by the fund manager, in all likelihood, he will trail the performance since there is no consistency in the performance. In the whole of the investment history, there is only handful of examples where fund managers performed consistently and even here they have attributed that more to luck than skill. Obviously there will be some fund managers that will do better than others and the market but there is no scientific way of knowing that in advance.

3. Convenience:

The MYTH: "Mutual funds are an ideal investment option when you are looking at convenience and timesaving opportunity. With low investment amount alternatives, the ability to buy or sell them on any business day and a multitude of choices based on an individual's goal and investment need, investors are free to pursue their course of life while their investments earn for them".

The TRUTH: If technology helps mutual funds to offer convenience, the same technology offers investors the option to directly buy and sell financial instruments including post office savings. Opening a trading account with any reputed institution is just a matter of signing in 37 places, and beyond this hassle everything else is just a click of button. You can buy 1 share of Infosys and sell 1 share of Hindustan Lever and for that level of volume all else including electronic demat, service tax, SMS alert, etc., is done by the technology.

4. Low Cost:

The MYTH: "Probably the biggest advantage for any investor is the low cost of investment that mutual funds offer, as compared to investing directly in capital markets. The benefit of scale in brokerage and fees translates to lower costs for investors."

The TRUTH: By definition mutual funds have to add extra cost to a transaction due to management fee, custody, etc. While they can bargain for lower fees due to scale, since they are normally applied as a per cent to total assets, there is no economies of scale. Also mutual funds get research from brokers apparently free of cost and in return for this favor, they are encouraged to trade more (technically referred to as portfolio turnover). The tendency to trade higher due to this, in fact, increases the cost. Left to himself or herself, the investor can buy when needed and sell when due only sporadically in order to achieve the same result at a far lower cost.

5. Diversification:

The MYTH: "Going by the adage, 'Do not put all your eggs in one basket', mutual funds help mitigate risks to a large extent by distributing your investment across a diverse range of assets."

The TRUTH: Mutual funds certainly don't diversify more than the index to which they are benchmarked. It is due to this reason, they sometimes over diversify! Most of the indices have skewed distribution with the top 10 or 20 stocks accounting for 70 to 80 per cent of the total with the remaining 100 or 200 stocks accounting for the balance 30-20 per cent. A typical mutual fund portfolio will have its top holding a share of say 5-8 per cent while the last stock in the portfolio will have a share of say 0.2 per cent or 0.1 per cent.

While technically the portfolio has more than 40 to 50 stocks (substantiating the claim of diversification) the puny allocation to most of the stocks do not technically contribute anything meaningful to the performance of the overall portfolio. Assuming the last stock with 0.2 per cent weightage increases dramatically in value, say by 25 per cent, in a particular month, its impact on the overall portfolio is only 0.05 per cent, hardly moving the needle! Also, academic research says that you need only 10-15 stocks to meaningfully diversify beyond which the diversification benefit tends to reduce exponentially.

6. Liquidity:

The MYTH: "Investors have the advantage of getting their money back promptly, in case of open-ended schemes based on the Net Asset Value (NAV) at that time. In case your investment is close-ended, it can be traded in the stock exchange, as offered by some schemes."

The TRUTH: While it is true that liquidity is provided by mutual funds, the same liquidity is available even for direct investments and hence mutual funds do not provide anything additional in value. The current regulations requiring pay out in T+1 and T+2 ensures that one receives liquidity well on time.

7. Higher Return Potential:

The MYTH: "Based on medium or long-term investment, mutual funds have the potential to generate a higher return, as you can invest on a diverse range of sectors and industries."

The TRUTH: The higher return potential does not accrue because it is structured as a mutual fund. The higher return potential probably accrues because of longer time frame and stock selection capabilities in case of equities. As said earlier, if we select 10 good stocks and invest in them for say 5 or 10 years, it should provide higher return potential regardless of the fact that it is not structuras a mutual fund.

8. Safety and Transparency:

The MYTH: "Fund managers provide regular information about the current value of the investment, along with their strategy and outlook, to give a clear picture of how your investments are doing. Moreover, since every mutual fund is regulated by SEBI, you can be assured that your investments are managed in a disciplined and regulated manner and are in safe hands."

The TRUTH: Stocks purchased directly and lying in the demat account is as safe as mutual fund investment. There is no added safety just because it is a mutual fund structure. In terms of transparency, thanks to technology, the trading platform provides dissection of the portfolio without any additional cost.

9. Product Variety:

The MYTH: "Mutual funds offer variety of products across asset classes like equity, bonds, money market, real estate, etc."

The TRUTH: While it is true that they offer variety, the problem is investors are perplexed by the swathe of offerings and choices. In fact, the process of choosing among funds today is far more complex than choosing stocks. In other words, investors who avoid picking stocks thinking that they are too complex actually play a far more complex game of choosing funds."

Apart from these limitations, mutual fund manager also suffer other issues connected with liquidity and fund size. Even well regarded blue chip companies can suffer from poor liquidity leading to higher costs. Mutual funds should suffer this problem especially in mid- and small-cap stocks. Given their ticket size, their requirement will always exceed what the market trades on a typical day. Also, if the fund has grown big, it will have a tendency to hug the market in order to avoid the risk of underperformance. In other words, the propensity to take risk is reduced while the managers are paid management fee to take risk!

In summary, a mutual fund is a convenient structure for the fund house to earn management fees. It is lucrative for the fund managers who earn fat salaries, bigger bonuses and television attention! It is productive for regulators as it keeps them busy. It feeds a host of other related industries like broking, custodians, HR, etc. After all this drama, it is still anybody's guess as to which fund will outperform the benchmark and the peers.

As a lay investor, you are better off investing in an Exchange Traded Fund (ETF) that enjoys the lowest cost. If you are slightly informed, you may want to try enhanced index strategies. If you are hands on in the market, you are better off identifying and investing directly in some 10 good stocks and sticking with it.

Happy investing! TGA

China Economy

Is a slowdown in offing?

Will it be a make-or-break year for the much-vaulted China Dream? How will growth be generated if exports and trade are declining? To answer these questions, it would be instructive to examine a few possible faultlines in China's economy.

- Andrew K P Leung, International and Independent China Specialist & Chairman, Andrew Leung International Consultants Ltd.

The Chinese Premier Li Keqiang in November 2013 set a floor on growth at 7.2 per cent, the level he claims to ensure full employment. China has so far not declared an official GDP target for 2014, perhaps until the "Two Conferences" in March, when both the National People's Congress and the Chinese People's Political Consultative Conference will have concurrent meetings.

Shadow Banking

The so-called "shadow banking" consists of off-balance sheet "wealth management products" (WMPs) offering ultra-high interest rates to attract ordinary investors. The majority of China's burgeoning middle class has long been frustrated by financial repression mandating very low deposit rate ceilings for their savings. With a less-than-developed financial market, the range of investment products to choose from remains very limited. Most WMPs are issued by local banks closely associated with the state. With rising property prices and perceived erosion of cash value, WMPs have been selling like hot cakes. The local banks take the funds raised to lend to local governments, who use the cash to finance infrastructural projects or channel it into speculative property development or corrupt ventures.

The Chinese Academy of Social Science estimated that total shadow banking credit amounted to 40 per cent of GDP (20.5 trillion Yuan, $3.35 trillion) at the end of 2012. Fitch Ratings puts China's ratio of total debt-to-GDP, including government, corporate and household debt, at 218 per cent of GDP at the end of 2013. This was up 87 per cent since 2008, but this debt level still remained lower than many developed countries including the US and Japan.

The State Council published guidelines (Document 107 dated 11 December, 2013) to crack down on the irregularities, restricting local government lending to originally-intended official purposes: social housing and essential infrastructural development, while forbidding banks to disguise credit risks of WMPs. The responsibilities of regulators, including the People's Bank of China, the China Banking Regulatory Commission and the China Securities Regulatory Commission have been clarified. The State Council document recognizes WMPs as a "beneficial" and "inevitable" consequence of financial development.

While shadow banking remains a critical problem, the country does not seem to be drifting towards

Generally I do not do short term forecasts because there are too many events and government decisions in a country such as China that can alter the short term results although they typically have much less influence over long term results. Thus a low export surplus for one month is meaningless but overall there is no doubt that China will never again see years of double digit export growth. There exports are far too large and the impact of increases of several hundred billion dollars in exports per year would involve disruptions for many markets that would lead to efforts to curtail increases of that magnitude. However, short run exports could certainly rise above the level you cite for the most recent period.

Overall, I have been arguing for five years or so that China's high catch-up style of growth is coming to an end and over the next several years it could fall further to say 5 or 6 per cent a year. If the housing construction bubble were to burst and if the government did not step in to maintain construction at a fairly high level (with low cost housing), there could even be a year or two with very little growth, but that outcome is not very likely.

"China will never again see years of double digit export growth."

Prof. Dwight H. Perkins
Harold Hitchings Burbank Research Professor, Political Economy
Harvard University

financial collapse. A great deal of the loans by local government may be non-performing, but they are now being reined in. In any case, a fair proportion of such loans go into state infrastructural projects with a long and flexible payback period. Moreover, China's foreign currency reserves of $3.8 trillion, even not all deployable at once, should provide a reasonable cushion for any hiccups. In any case, Beijing remains wary of using a sledge hammer, such as drastic de-leveraging, to smash the whole shadow banking edifice, for the fear of massive economic dislocations. However, the story does not end there. The world will continue to watch this space.

Economic Re-balancing

The second possible faultline is whether China could stumble in her economic re-balancing act. Why is fixed asset investment still driving growth? Where and how is consumption coming forth? The answer needs more in-depth analysis.

China is witnessing history's largest and fastest urbanization, adding 350 million more urbanites in 221 new cities by 2030, according to global consultancy firm McKinsey. Thus infrastructural development including expressways and other urban facilities will continue to drive 'fixed asset investment's' contribution to China's GDP for some more time to come. Meanwhile, with a re-balancing economy, the share of exports is likely to decline while the proportion due to consumption is set to increase.

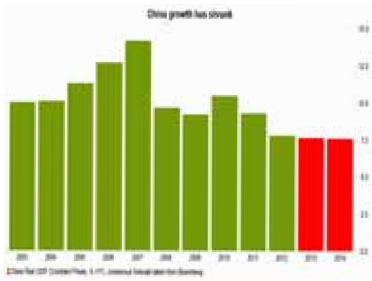
Consumption accounted for merely 36 per cent of China's GDP in 2012, compared to the world average of 60 per cent. Though this hides the country's consistently high consumption growth from 2008-2012. During this period, China's real consumption had been growing by more than 9 per cent on average, compared to 7 per cent for India and less than 5 per cent for Brazil, based on data from the Economist Intelligence Unit and the World Bank. By the end of 2013, consumption contributed to 50 per cent of China's GDP compared with investment's 54.4 per cent and trade of goods and services at a negative 4.4 per cent.

Consumption is set to ascend further as a contributor to GDP. The Party's latest Third Plenum introduced a dramatic rural land reform which enables all peasants to mortgage, rent or transfer their land, of which they have so far enjoyed only user rights. This will greatly create the national level of discretionary income, a prerequisite for consumption, for nearly half of China's 1.3 billion strong population. An additional boost in terms of baby products and services will come from a relaxation of the existing 'One Child Policy'. A second child will be allowed even where only one of the parents, instead of both, is a single-child. Moreover, the gradual abolition of the hukou (household registration) system will help integrate masses of migrant workers into the urban society of consumers over time.

According to a paper by the American think tank Brookings Institution, China's consuming middle class in 2011 was already the world's second largest, after the US, in absolute numbers (157 million consumers). However, this represented only 12 per cent of population. The picture, however, will change quite dramatically over the coming two decades. By 2030, consumers are expected to represent over 70 per cent of China's population, buying up $10 trillion of goods and services. By then, India and China together are expected to account for 41 per cent of global consumption, while the rest of the world's leading consumers, including the US, would each make up single digits.

China's latest Party Third Plenum emphasized the "decisive" role of the market in the economy. This is manifested in a decision to open up the state-owned sector, increasing its mandatory contribution to the state from 15 per cent to 30 per cent of profits. These extra funding will be used to expand social services. Additionally, the financial system is to be liberalized, making for such new ideas such as private banks and pushing for a faster space of full convertibility of the Chinese yuan (the renminbi, RMB). 126 countries worldwide already have China as the largest trading partner, compared to 76 in the case of the US. So the RMB is set to rise in status as an international currency. Indeed, it has already eclipsed the dollar as an ipso facto "reference currency", as more currencies now move in tandem with the RMB than the greenback, according to a publication from the Washington-based Petersen Institute for International Economics. As a result, the role of services is likely to expand as a contributor to China's GDP.

In short, re-balancing towards consumption and services away from over-export dependence, if not yet away from fixed asset investment, has already started with the explosive growth of new consumers and China becoming the world's largest trader. The process is likely to pick up steam in 2014 in the wake of the Third Plenum transformative reform package.



China's economy may have slowed in the last quarter, but officials offered this nugget of good news: inequality fell very slightly last year.

Trade and Exports

According to the World Bank, merchandise trade accounted for 47 per cent of China's GDP during 2009-13, compared with 24.8 per cent for the US. China's GDP growth has slowed from 9.32 per cent in 2011 to 7.7 per cent in 2012. The 2013 December trade surplus at $25.6 billion was much below analysts' expectation of $31.15 billion. Export growth of 4.3 per cent was similarly disappointing, falling short of 4.9 per cent expected. These negative out turns are partly due to the wobbly global economy, to which China is inextricably linked. Another explanation is that re-balancing such a diverse, continental-sized country can never be as smooth as it may appear on paper. A third reason is that the country has been planning and executing a slower, more equitable and more sustainable growth during the current Five Year Plan 2011-15. So part of the slowdown is self-driven.

However, notwithstanding treacherous global headwind and painful domestic reforms, China's overall economy in 2013 grew by 7.7 per cent, higher than the official target of 7.5 per cent, according to China's National Bureau of Statistics. The last quarter of 2013 registered 7.7 per cent growth, slightly over the forecast of 7.6 per cent.

Nevertheless, one must be cautious with the so-called "Chinese New Year Effect" on January and February figures. They tend to be significantly distorted by different timing of the Lunar New Year. In 2014, the Chinese New Year started from 31 January but was from 10 February last year. During the festive period, business and industrial activities generally slow down with a massive exodus of migrant workers returning to rural homes across the country.

Nevertheless, growth in 2013 was re-assuring, if not overtly impressive. It is reasonable to expect China's economy to grow much less than the trend in coming years as the country is transforming towards higher quality growth. But the question is how much slower?

Forecast for 2014

According to the Center for Forecasting Science (CEFS), Chinese Academy of Sciences (CAS), China's consumption market will grow by around 13.7 per cent in 2014, slightly higher than 2013. The growth rate of fixed assets investment will be around 20 per cent in 2014, the same as for 2013. The European Union, China's largest market, while not rosy, does not seem to head towards meltdown. If anything, more adroit management by the European Central Bank may deliver reasonable growth for China's exports to Europe in 2014. Trade with the US, China's second largest market, is expected to pick up in the light of gradual improvement in the American economy.

On the other hand, the lingering problems of shadow banking, the herculean tasks of implementing the bold reforms of the Party's Third Plenum, the wait for the European Union to emerge from the woods, and the uncertain pace of the Fed's "tapering" quantitative easing strategy, will all call for more caution.

Q & A

"Chinese finance is not very well integrated into global finance, so that impact will be temporary."

*- **Derek M. Scissors,** Resident Scholar, the American Enterprise Institute (AEI), where he studies Asian economic issues and trends. In particular, he focuses on the Chinese and Indian economies and US economic relations with China and India. Scissors is also an adjunct professor at George Washington University, where he teaches a course on the Chinese economy.*

Derek M. Scissors

- ***China's December trade surplus at $25.6 billion was much below analysts' estimates of $31.15 billion, while exports growth of 4.3 per cent too came as a major disappointment, falling short of 4.9 per cent markets had expected. Given, how do you view the numbers?***

China's monthly trade numbers can be strongly affected by false invoicing, used to hide capital movements. They aren't important. The longer-term trade performance is mediocre, but the economy is now driven by domestic factors.

- ***Do you feel that there could be more troubles ahead for the Chinese economy, given that even the PMI numbers which came in recently too point towards an imminent slow down in the growth momentum?***

The PMI does not match China's industrial production statistics, and it is difficult to know which is more accurate. It is fair to say that the survey respondents for the PMI are concerned about the pace of economic expansion.

- ***According to a Reuters report, rising money market rates and bond yields since the middle of last year indicate China's central bank is committed to deleveraging in the economy to fend off potential risks, but it has so far refrained from tightening policy abruptly. What's your take?***

This is a difficult balancing act for the People's Bank. China's interest rate structure is awful, breeding colossal amounts of waste. Too rapid an adjustment, however, will harm state-owned enterprises. In the past, the Chinese have been too timid in financial reform. At some point, the state sector should shrink considerably.

- ***What could be the ramifications for the global economy in case the weakening in China's manufacturing sector persists?***

A weakening that is confined to manufacturing would hurt commodities producers but be positive for competing global manufacturers. If manufacturing weakness triggers a financial scare, that will harm world equities markets for a time. However, Chinese finance is not very well integrated into global finance, so that impact will be temporary.

- ***What's your view on the so-called Lunar New Year effect on China's economy?***

Just makes the quality of the statistics worse.

- ***Your outlook for Chinese economy in 2014?***

What matters for 2014 is not official economic statistics but whether reform is genuinely reinitiated. A struggling China engaged in reform, as seen at various points in the 1990's, is far superior to a China that borrows another year of growth.

On balance, therefore, I would predict only a marginally improved level of growth for 2014, i.e., 7.8 per cent, 0.1 per cent higher than 2013.

To conclude, do I expect more troubles ahead for the Chinese economy? Yes, if some of the possible faultlines outlined above turn out to be more serious. In any case, the trajectory during the year may not be smooth, depending on a host of imponderables enumerated above. However, for reasons outlined above, my prognosis is that, save the totally unexpected, any troubles are unlikely to be cataclysmic, and will not derail the fundamentals of liberalizing reform and economic transformation. TGA

Stock Investing Made Simple - Types of Stocks

Just as there are different asset classes to select from, there are numerous ways of making money on the stock market. You can choose from a variety of equity shares which match your investment objective, the amount you want to invest, your risk appetite, investment horizon, etc.

Following are some of the types of equity shares:

- **Large Cap Stocks**
- **Blue-Chips**
- **Mid Cap Stocks**
- **Growth Stocks**
- **Defensive Stocks**
- **Cyclical Stocks**
- **Turnaround Stocks**
- **PSU Stocks**
- **MNC Stocks**

Large Cap Stocks

These are stocks of primarily large companies, with many being shares of blue chip firms. These stocks are also classified so on the basis of their market capitalization (a product of current market price per share and total number of outstanding shares). Any stock with m-cap of Rs. 10,000 crore and above is considered a large-cap. Large-caps are stocks of established enterprises with huge financial muscles which allow them to exploit new business opportunities (think of businesses such as Tata Motors, ITC, M&M, L&T, etc).

On the other hand, the sheer size of these companies acts against them, as it does not allow them grow as rapidly as their smaller rivals. In other words, as these companies' growth taper off after some time, they are not considered growth stocks.

No surprise then, stocks of small-sized firms often tend to outperform large-caps over time. However, what the large-caps lack in speed, they make in consistency. These companies enjoy steady sales and earnings, and also reward their shareholders handsomely in the form of regular dividends. Large-caps, therefore, offer benefits of relatively higher dividends, as compared to small- and mid-cap stocks, besides also ensuring long-term preservation of capital.

Tata Steel, Reliance Industries, SBI, HUL, etc., are examples of large-caps.

Blue Chips

These are stocks of established companies whose assets, sales turnover, and profits continue to grow steadily. These companies are highly dynamic and furiously pursue growth opportunities through foraying into new markets/geographies, new product launches, diversification, mergers & acquisitions, etc.

Examples include Infosys, Nestle, Ranbaxy, etc.

Defensive Stocks

These are shares of traditional companies engaged in stable and mature industries. Their earnings do not fluctuate very widely from year to year. The market prices of defensive shares tend to fluctuate within a narrow range. Their dividend yield (dividend/ current market price) is usually higher than that of blue chips and growth stocks.

These are typically companies engaged in utilities like transportation and electricity supply, mature commodity-type businesses, FMCG, pharmaceuticals, etc.

Cyclical Stocks

These are stocks of companies engaged in businesses which are vulnerable to fluctuations caused by economic and trade cycles. Cyclicals do extremely well during periods of boom, but hit bottom during recessionary times. Stocks of these companies follow similar cycles of uptrend and downtrend.

Examples include steel, polyester, infrastructure, travel and leisure, shipping, real estate, etc.

Mid-caps

Mid-cap stocks or mid-caps are typically stocks of mid-sized companies. These are well-known companies, which enjoy good growth and also have immense growth potential. Hence these stocks offer not only the advantage of acquiring stocks with good growth potential but also the stability of a larger company. Generally companies that have a market capitalization in the range of Rs. 250-4000 crore are classified as mid-cap stocks.

Mid-cap stocks also include baby blue chips, that is, companies that show steady growth backed by a good track record. They are like blue-chip stocks (which are large-cap stocks), but lack their size. These stocks tend to grow well over the long-term.

Small-caps

This is where excitement as well as disappointment is. These stocks are best suited to those investors who wish to generate significant gains in the long run as long

as they don't require current dividend and can withstand price volatility.

Small Cap companies generally have market cap of Rs. 250 crore or less.

Cyclical vs. Defensive

Industries that greatly differ from each other in terms of business activity can react similarly to changes in the economy. For example, cyclical stocks, like retail and travel, are sensitive to the economic cycle because in tight economic periods, consumers are less likely to spend money on non-essential or discretionary items.

On the other hand, defensive stocks represent necessary items, like Food, Fuel and Pharmaceuticals, and tend to change very little with the economic cycle because consumers are likely to continue buying them even in tough economic times.

Growth Stocks

These are stocks of relatively newer companies which are performing in an outstanding manner. Such companies are usually headed by ambitious first generation entrepreneurs. They succeed based on new technology, marketing, pricing or some other uniqueness. Growth stocks eventually graduate into established blue chips. With age, they mature, gain stature, acquire financial muscle and marketing clout, and become leaders in their market segments.

Turnaround Stocks

These are the stocks of the companies which might have undergone a lean phase or could have experienced financial troubles. As a result, these stocks could be trading at a lower price than their intrinsic value. However, when such a company begins to turn around or could become a possible M&A candidate, the stock price could head north due to bottom fishing or value-pickings by bargain hunters.

Examples include Wockhardt, Mahindra Satyam (now Tech Mahindra), Bharti Airtel, Britannia, Wipro, Infosys, etc.

PSU Stocks

These are the stocks of enterprises owned by the government. Even after over two decades of liberalization and divestments, there still remain a significant number of companies which are in the public sector.

Examples include public-state banks (SBI, Syndicate Bank, Andhra Bank, etc.), BHEL, Bharat Electronics Ltd, Indian Oil Corporation, HPCL, BPCL, Engineers India Ltd, Coal India, MTNL, etc.

MNC Stocks

As their name suggests, these are the stocks of subsidiaries of multi-national companies operating in India. Investors have a fancy for these stocks owing to their strong financials (many of these companies perform well and have almost debt-free balance sheets), are majority-owned by global parents which enjoy strong financial muscles and significant global presence, and given their strong presence in a large, emerging market like India also offer their parent firms opportunity to boost their growth.

Given their parent companies' substantial shareholdings in the domestic subsidiaries, rumors of delisting or share buybacks, open offers, etc., often drive their share prices. However, investors need to be cautious of such rumors and avoid basing their investment decision on speculations or hearsay; rather, they should base it on fundamental research and seek professional advice.

Examples include Nestle, ABB, Siemens, Gillette India, Novartis, GSK Pharma, Bata India, etc.

Estate Planning

India is on the verge of an inter-generational shift of wealth where several family businesses are passing the baton to the next generation. As the scale of wealth and the quantum of disposable incomes in the wallets of senior corporate heads, professionals, entrepreneurs and traditional business families surges, the complexities of managing it also increases. In order to make the optimum use of what one has gathered over the years, and to protect it for one's heirs, it becomes imperative to plan. One of the most crucial factors to ensure that wealth is transferred to future generations is to do estate planning.

- CA. Rajkumar S. Adukia, Partner, Adukia & Associates, Mumbai

Estate Planning is a process of arranging and planning a person's succession and financial affairs. An Estate Plan which incorporates a person's wishes about his estate, could be regarding Estate.

Management, Estate Preservation and Estate Legacy during and post life.

The primary goal of estate planning is ensuring that the estate of the individual passes to the estate owner's intended beneficiaries, often including efficient tax and succession planning and avoiding or minimizing court proceedings in succession matters and obtaining probates (i.e., a "Will" certified under the seal of the court with the grant of administration to the estate of person who has made the Will).

Though earlier India had estate tax, today we have no estate tax or estate duty unlike many advanced market economies. First introduced here in 1953, Estate Duty was abolished in 1985. Estate Planning by Trust Structures was primarily done to minimize Estate Duty/ Tax which is imposed on all property transferred at death.

Why is estate planning so important?

Because it allows you to accomplish a number of crucial objectives like:

- Harmonious and planned succession and disposition of the estate which helps ensure that your money and other assets go to the people you choose.
- Efficient management and accumulation during and after life.
- To take care of unforeseen eventualities by providing for who will care for your minor children if you become unable to.
- Defusing potential conflicts over the distribution of your assets.

Rajkumar S. Adukia

Modes of Estate Planning

(1) Will

The term will is defined under Section 2(h) of the ***Indian Succession Act, 1925*** and means the legal declaration of the intention of the testator with respect to his property which he desires to be carried into effect after his death. A will or testament is a legal declaration by which a person, the testator, names one or more persons to manage his estate and provides for the transfer of his property at death. A will may be written on a plane piece of paper by a person of sound mind is legally admissible.

Proper execution involves the step that the maker signs, dates and acknowledges the will in the presence of two legally competent adult witnesses one of whom may be a notary public and second one preferably a doctor and both are not beneficiaries of the will. A point to note here is that a "nominee" is a person who is designated to act on the behalf of the other, while a beneficiary is the person who is eligible to receive the benefits under the will. The nominee may receive the inheritance for the use of beneficiary.

A will or testament is a legal declaration by which a person, the testator, names one or more persons to manage his estate and provides for the transfer of his property at death

(2) Power Of Attorney

The term 'Power Of Attorney' is an authority given by an instrument by one person, called as the donor or principal, authorising another person, called donee or agent to act on his behalf. There may be possibility of giving 'Power Of Attorney' by two or more persons jointly to one or more persons.

Here a legal authority is given by the principal to the agent which may be broad or limited and an agent can take all necessary decisions i.e., financial, property related matters and all other matters where principal cannot be present to sign or in the case of principal's illness and disability.

A paper signed by principal giving powers to an agent is sometimes itself called a power of attorney. A paper giving a power of attorney should be clear and understandable. It is regulated by Power of Attorney Act, 1882.

According to the 'Section: 1A' of Power of Attorney Act, 1882 "Power Of Attorney' includes any instruments empowering a specified person to act for and in the name of the person executing it".

A power of attorney document is an extremely important part of estate planning yet one of the most misunderstood. It is often convenient or even necessary to have someone else act for you as there is advancement in the business and commerce transactions. As many people confuse the Power Of Attorney (POA) with a will (Probate), but these documents are two very different things and have two very different functions. A will comes into effect on the day person die. A POA applies during a person's lifetime and ceases to apply when he dies. So you actually need both a POA and a will as they complement, and do not overlap, each other.

(3) Trust

Definition As per Section 3 of Indian Trust Act,1882: A "Trust" is an obligation annexed to the ownership of property, and arising out of a confidence reposed in and accepted by the owners, or declared and accepted by him, for the benefit of another and the owner.

A trust is used in place of will to transfer the ownership of financial assets where direct or immediate transfer is not possible due to certain reasons and the purpose is to protect the interests of the beneficiaries. A trust is a legal relationship where property (real or personal, tangible or intangible) is held by one party for the benefit of another and it conventionally arises when property is transferred by one party to be held by another party for the benefit of a third party. It is also possible for a legal owner to create a trust of property without transferring it to anyone else, simply by declaring that the property will henceforth be held for the benefit of the beneficiary.

Important Aspects:

- Mere Transfer of Income alone is not sufficient Transfer should be irrevocable For Movable property, Ownership should be transferred For Immovable property, writing and registration is mandatory.
- For Valid Trust Author must Indicate: His Intention to Create Trust The Purpose of Trust The Beneficiary The Trust Property Transfer of property to Trust.
- Settlor of a Trust: A person who is competent to contract as per Indian Contract Act,1882 and is the legal owner of the property concerned. A Limited Company can be a Settlor. A karta can be a Settler on Behalf of HUF.
- Anyone can become a Trustee. A Settlor himself can become a sole trustee or one of the Trustee. Note: The Clubbing provision is governed by the Relationship between the Settlor and the Beneficiary and not that between the Trustee and Beneficiary.

The primary goal of estate planning is ensuring that the estate of the individual passes to the estate owner's intended beneficiaries, often including efficient tax and succession planning and avoiding or minimizing court proceedings

(4) Gifts

Gift is also a more thorough which the wealth can be transferred to the legal heirs or the intended person, the only difference being that the person will have to give the gift during his lifetime. Gift being received is exempted from tax to the limit of Rs 50,000 under the provisions of Income Tax Act, 1961. However, gift received from relatives at the time of wedding is exempt from tax. In case of a Hindu undivided family (HUF), the share of the father can be transferred to the eldest son, who shall be Karta, either by will or as per Hindu Succession Act, 1956 in case of interstate succession Class I heirs shall be entitled to the share of father if he is a co-parcener.

WILL VS. TRUST

Traditionally, will has been the most widely used mode of succession planning. Will is a legal declaration of a person's intention with respect to his property, which he desires to be carried into effect only after his death.

A trust structure on the other hand, helps disciplined and efficient long term management of assets for the members of the family and ensures that needs of the family are met in case of any unforeseen eventuality, and to make provisions for a smooth and unhindered succession plan.

In comparison between a trust and a will, a well-planned trust structure can help mitigate the various issues that may arise with a will. A will can be contested and the property can go into litigation leading to years of indecision and family disputes.

A will on many occasions may need to be probated, a process that can take months to complete; and most importantly, it only comes into effect on the demise of the person writing the will. In case of incapacity (a mental illness, old age), the will is not helpful in the management of the estate and the meeting of financial needs of the family.

Benefits of Estate Planning by Creation of Trust Structures

By adopting the Trust Structure for planning one's estate the following objectives can be achieved:

- Estate Protection because a Trust is a bankruptcy remote structure.
- Self Beneficiary - the person who creates the Trust can himself be one of the beneficiaries and enjoy the benefit of his own estate during his lifetime.
- Efficient Succession planning by providing for children, grand

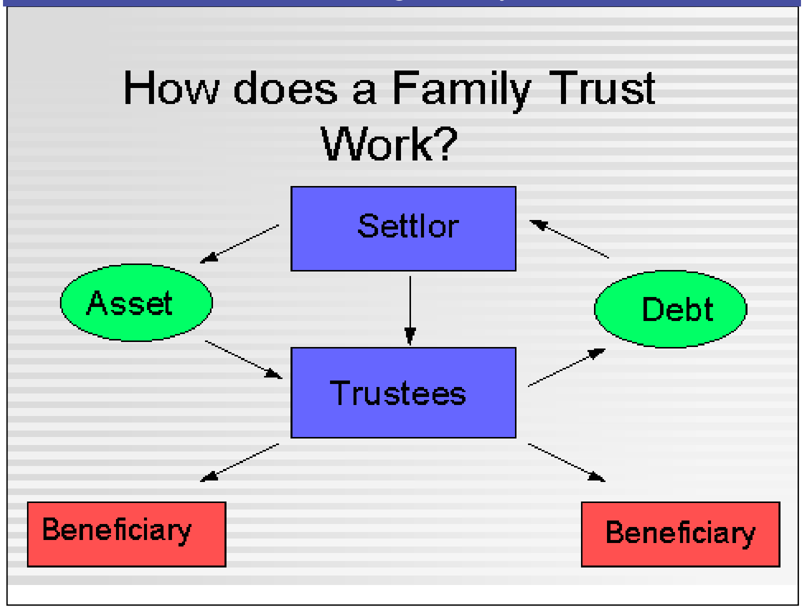
children and great grand children.

- Management of all types of assets through expert advisors.
- Accumulation of the Estate during the lifetime and post death through the hands of Trustees.
- Avoidance of family disputes leading to disintegration of family businesses.
- Retaining confidentiality, as obtaining a Probate is not necessary.
- Causing efficient management of the Estate as a trust can be made operational during the lifetime and post death of the Client.
- Providing for future administration of assets to protect against future incapacity and for incapable beneficiaries.
- Making provisions for religious or charitable purposes.
- Lower Contestability as compared to a Will.

Taxation of Trust

Subject to the fulfillment of specified conditions, a public trust is exempt from tax if the income is applied for charitable or religious purposes. Approved retirement trusts are also exempt from tax. In the case of private trusts, if the individual shares of the beneficiaries are ascertainable, they are included in the individual taxable incomes, the tax assessment being made either directly on the beneficiary or on the trustee as a representative of the beneficiary. However, if the trust has income from business, the entire income from the trust is taxed in the hands of the trustee at the maximum marginal rate applicable to individuals unless the trust is created by will for the benefit of relatives. When the individual shares of the beneficiaries are indeterminate (i.e., discretionary trust), the entire income is taxed din the hands of the trustees, in most cases at the maximum marginal rate applicable to individuals.

Estate Planning - Family Trust



Taxation of Beneficiaries

Where tax on a discretionary trust is assessed in the hands of the trustee, after-tax distributions to the beneficiaries are exempt from tax in their individual hands.

Tax treatment of Settlor/grantor

If the trust effectively alienates income from the settlor/grantor, income tax liability thereon will be avoided. However, the settlor/grantor continues to be liable to income tax on income from the settled property to the extent that it is for the immediate or deferred benefit of a spouse or minor child. The transfer of assets to the trustee maybe subject to gift tax. Stamp duty is payable on the transfer of immovable property. TGA

Ten common misconceptions about Estate Planning

- Estate Planning is only for elderly and wealthy people
- A simple will lasts a lifetime
- The state has laws to protect my estate
- Joint ownership with my spouse is a practical substitute for an estate
- Estate planning is too expensive
- I'm too young for estate planning
- I don't need a lawyer at all
- I need a lawyer to draft these documents
- If I have a will, I don't have to worry about probate
- If I pass away without a will, the state will get my assets

Residential Real Estate
The Policy Effect

Post the 1991 liberalization policy, India began to welcome various multinational corporates that were seeking permission to commence operations locally. Being the financial and commercial capital of India, Mumbai was the first city to witness a significant influx of large multinational firms. By 1994-95, real estate prices in the city increased to a point where companies started to look for cheaper alternative locations, paving the way for other cities to grow commercially. Demand for both commercial and residential real estate gathered steam.

- Anuj Puri, Chairman & Country Head, Jones Lang LaSalle India

A policy-driven bullish cycle culminated in an industrial boom, thereby also driving house prices to a peak in 1995. At this peak, some realities of the Indian economy (poor bank penetration, high interest rates, non-transparent real estate market, etc.) came to fore, bringing a correction in market prices. As the Asian Financial Crisis (AFC) erupted in the late 1990s, residential prices witnessed a significant drop, returning to the levels witnessed in the early 1990s.

It took approximately 3-4 years for Indian real estate to recover from the AFC shock. A handful of critical national employment-oriented policies and a reduced interest rate environment instituted by the NDA-led government laid the foundation for a revival in residential real estate prices during the early 2000s. Demand for quality residential apartments began to rise, and was increasingly addressed by developers, powered with money coming through the FDI route which had opened up since 2005.

In 2005, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), which facilitated huge investments into building infrastructure to connect larger cities with 60+ smaller cities and towns, provided a fillip to overall real estate sentiment.

At the peak of prices during 2008, what emerged was a large accumulation of debt with almost every stakeholder — homebuyers (large mortgages accrued in the quest for buying more houses in a rising price scenario), developers (large accumulation of land parcels), and banks/lending institutions (exposure to outstanding loans to the real estate sector, which was now looking overheated). The ensuing economic slowdown and risk of job losses led to halt of the price rally. Thus, the two cycles of real estate that India has witnessed over the last 2 decades or so, has seen policy stimulus in the beginning and an overheated market in the end.

Reforms Targeted At The Real Estate Sector

Against the backdrop of a rising economy and concurrent income growth, the real estate sector has witnessed tremendous growth over the last 10-12 years. Government policies were at the crux, providing the necessary stimulus. However, while on one hand these real estate policies improved the housing situation in general, they also have elements that can be seen as detrimental to the real estate industry's business viability. With the advent of the union budget season for 2014, it is time to review these policies and highlight the gaps.

Repealing the Urban Land Ceiling (ULC) Act of 1976

The Urban Land Ceiling Act, 1976, was enacted with the intention of making land hoarding impossible for individuals or corporate entities which had the capacity to do so. The Act gave the state government the right to acquire and dispose excess land (as specified in the Act) from individuals and entities, thereby serving the common good. However, the Act became one of the main reasons for the short supply of land and therefore led to unaffordable land prices.

Under JNNURM, 29 states have now repealed this Act while

Anuj Puri

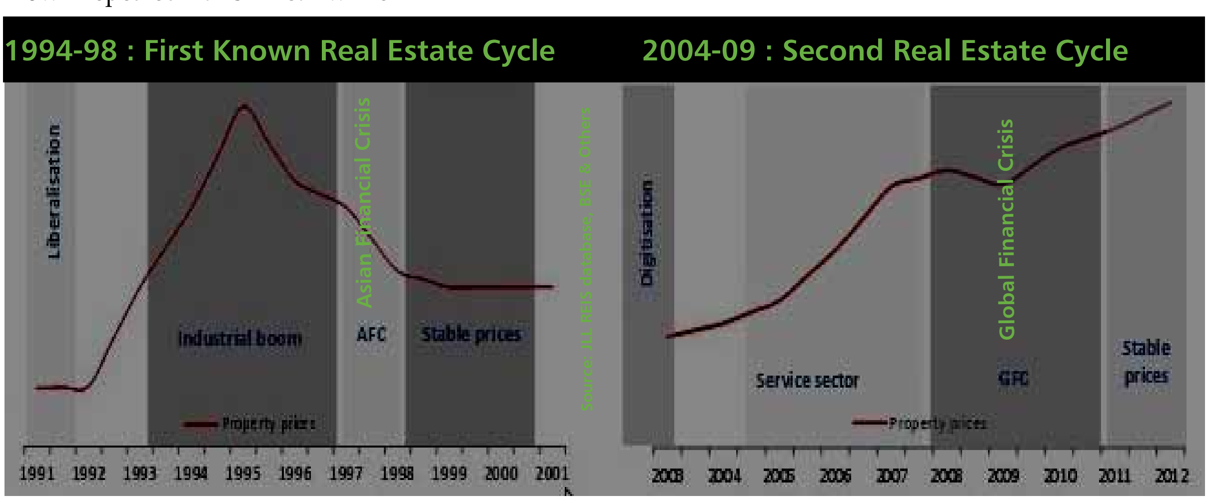
two others still need to do so. The benefits of this reform are evident from the Gujarat and Nagpur examples. The Gujarat government transferred their surplus land to urban local bodies at nominal rates for projects focused on housing for EWS/LIG households. Likewise, Nagpur witnessed an increased supply of land for development as well as for investment after repealing the act.

Even while certain states have adopted the repeal Act, there are concerns regarding the lack of implementation by local authorities in certain districts. For instance, the Maharashtra Chamber of Housing Industry contends that the provisions of the ULC Repeal Act are still not in force, and are subject to discretionary interpretation and insistence of NOC from competent authorities. A complete repeal of this Act would unleash positive changes in terms of larger land supply and relatively affordable land prices. The budget can look forward to improve the implementation mechanism.

Repealing the Rent Control Act

The Rent Control Legislation has been in existence for almost a century in India. The common intent of every state enacting the legislation was to protect tenants from forceful eviction and unfair rental hikes. However, the law failed to make provision for receipt against rent payments, rent increase against rising cost of building maintenance or inflation, repair work when the residential structure is at peril, etc. which renders the act inefficient. In an attempt to protect tenants, this Act has in fact created unfavorable terms for landlords, thereby making the entire model of rental housing unviable and inefficient.

To end the problems associated with this archaic law, a Model Rent Bill was circulated by the central government in 1992. It was an attempt to balance the interests of both the tenants and landlords. However, over the last two decades, only seven



states have implemented the changes suggested in the Act. States such as Punjab and Goa have already experienced benefits from implementing the suggested changes.

A further push from the central government (possibly under the JNNURM scheme) would be needed to expedite the adoption of the model Rent Control Act. Its repeal could unleash a construction boom, as has been witnessed in many major cities all over the world (after they repealed their respective rent control acts). This is not only necessary to meet the growing unmet demand for housing but would also have a very favorable effect on employment generation.

The New Land Acquisition, Rehabilitation and Resettlement Act

There have been innumerable cases of land owners being either exploited or dispossessed by force through diligently crafted contracts by corporate entities. The Land Acquisition, Rehabilitation and Resettlement Act tried to ensure maximum protection for land owners, who are often individuals and at times not fully aware of the future consequences of disowning their land. This Act has the potential to unlock all the land which has been locked for several years due to lack of ways and means that ensure fair compensation.

While the Act had the objective of balancing the interests of land owners and land acquirers, the final draft of the policy did not really deliver on this front. The clauses that appear in the Act not only ensure that land costs go up for the acquirer, but it also renders the acquisition process more complex and time-consuming. This is evident in the clauses pertaining to obtaining mandatory consent of 80 per cent of the owners, future incremental gains from land transactions to be shared by the land owners, and different resettlement procedures for different sections of the population (such as scheduled castes/tribes).

The key challenges that the Indian real estate industry is facing today are lack of clear land titles, absence of title insurance, absence of industry status, lack of adequate sources of finance, shortage of labor, rising manpower and material costs and a snail-like project approval process, among others

Service Tax Abatement On Construction Activity

In June 2012, the Ministry of Finance provided an exemption from service tax on construction activities related to single residential units or low-cost housing (carpet area of 60 sq. meters or less). The policy of levying service tax on construction services of under-construction apartments (which do not have completion certificates) added to escalation in cost to buyers. Due to non-availability of large capital sums and easy accessibility of EMI finance, the urban populace invests in real estate by taking loans. This includes the inbuilt costs of overdraft, which is further compounded by the imposition of service tax.

Exemption from service tax is provided for construction of residential complexes which are a part of the JNNURM and Rajiv Awas Yojana (RAY). JNNURM and RAY are flagship schemes of the government of India to provide shelter for the poor and the disadvantaged.

Consolidated FDI Policy

The Indian real estate industry has been on a roller-coaster ride since 2005. Consequent to the government's policy to allow Foreign Direct Investment (FDI) in this sector via Press Note 2, the sector has witnessed a boom in investment and developmental activities. The FDI channel was opened up under the automatic route in townships, housing, built-up infrastructure and construction development projects.

The main intention behind opening up the real estate sector to 100 per cent FDI was to bridge the huge shortage of housing in the country, and to attract new technologies into the housing sector. The sector not only witnessed entry of many new domestic realty players but also the arrival of many foreign real estate investment companies - including private equity funds, pension funds and development companies - all lured by the high returns on investments.

However, lack of consistency in rules relating to the development of SEZs, increased monitoring of the sector by regulatory agencies, tightening of rules for lending to the real estate sector and increase of key rates by the RBI several times during the last one year have arrested the growth of the real estate sector.

There is a very clearly defined need to streamline government policies and introduce reforms. The key challenges that the Indian real estate industry is facing today are lack of clear land titles, absence of title insurance, absence of industry status, lack of adequate sources of finance, shortage of labor, rising manpower and material costs and a snail-like project approval process, among others. TGA

International Tractors

From being a Minnow to a Dominant Player

Having started off with the farm implements business, International Tractors Limited, better known for its Sonalika range of tractors, has come come a long way. From a humble beginning in 1969, Hoshiarpur, Punjab-headquartered ITL has grown by leaps and bounds and in a short span of time, and has emerged as one of India's leading tractor manufacturers in the country.

- Akshatha Sajumon, Team Global ANALYST, Bangalore

International Tractors Limited (ITL), the holding company of Sonalika Farm Equipment and Tractors, needs no introduction. Being true to its name of Sonalika or Lines of Gold, the company has a Midas touch in its business. From humble beginnings in 1969, ITL has grown by leaps and bounds and is today among the leading tractor manufacturers in India.

Shining Bright

Last few years had been quite tough for the Indian automobile industry. To deal with what has been easily one of the worst slowdowns in a decade, the industry has resorted to some tough measures like cutting costs, holding up production, increasing exports among others. Sales dipped anywhere between 13-43 per cent. Though excise duty cuts announced in the Interim Budget should offer some respite to the industry.

While all this was going on, the tractor industry saw numbers picking up. Buoyed by good monsoons and sustained Minimum Support Prices (MSP) offered by the government, the tractor segment grew strongly during Sep'13 and Oct'13, with growth bouncing to 32 per cent Indian and 28 per cent respectively, after a rather dull Jul'13 and Aug'13, wherein growth rate had moderated to 9 per cent YoY, according to a report by rating agency ICRA. But the growth moderated during Nov'13 (12 per cent) and Dec'13 (10 per cent), which are lean months for tractor sales. The revival, which began in May 2013, comes after over a year-and-a-half of slow growth and production cuts.

Indian tractor industry is dependent on performance of agriculture. According to ICRA, factors which remain to be favorable for the tractor industry include government support towards rural development, credit availability, shortening replacement cycle and moderate penetration. Schemes such as MNREGA have also played a big part towards tractor sales. In fact, it has played on both ways. While on one hand, it has given some extra income to rural households, on the other hand, due to availability of assured paid work, labor availability on farmlands has reduced, which has seen rising farm mechanization.

There are about 13 major national players in the industry, with Mahindra & Mahindra leading the pack with a market share of over 40 per cent. Other important players are Tractors and Farm Equipment (TAFE), Escorts, ITL (Sonalika), John Deere, VST Tractors and Tillers, Punjab Tractors, New Holland India, Indo Farm, HMT, Force Motors etc. Again, the share of each player differs from region to region.

The industry size currently stands at about 625,000 and is expected to see a Compounded Annual Growth Rate (CAGR) of 7 per cent in the next 5 years, The Hindu quoted TR Kesavan, President of Tractor Manufacturers Association of India, as saying. Indian tractor industry is the largest in the world and manufactures 1/3rd of the global production. Exports are also a major source of revenue for all leading tractor manufacturers. As of 2012, around 11 per cent of the revenues were export driven.

Higher HP tractors have done good for Sonalika. Tractors are now used for purposes beyond agriculture, including at construction sites, water tankers, at airports, etc., and demand in this area is for higher HP ones

How did it all Begin at Sonalika?

How ITL got into tractor manufacturing is an interesting story. LD Mittal, the group chairman was a LIC agent and looked to protect the farming community from vagaries of weather and started by setting up a storage facility. Later he ventured into manufacture of farm equipment, which aided harvesting. This was in the 1960s. The company was founded in 1969 and initially concentrated only on farm implements. Only when its buyers insisted that the portfolio of farm implements offered by the company remained incomplete without a tractor, did ITL reluctantly build two tractors, hoping it would not pass the trials. However, the tractors did pass the trials! Finally, on insistence of his dealers, a tractor manufacturing facility was set up in 1996 at Hoshiarpur with money from the dealers. The entire facility was brought down, just three years down the line, on quality and technology issues, when they forged a partnership with French major Renault. From then there has been no looking back for Sonalika, relatively a new entrant in the tractor industry and has effectively taken on its competitors like Escorts, M&M, etc., who have been in the business for almost half a century.

Getting Things Right

Having started off with the farm implements business, the company has a good idea on the kind of products needed by the farming community. The company provides a complete product line including tractors, multi-utility vehicles, engines, farm machinery attachments, diesel gensets, auto components and pick & carry cranes.

India has been a market for medium Horse Power (HP) (31-40) due to small land holdings, however, there has been a gradual shift towards the higher HP ones. Sonalika makes RX Series tractors in 20-70HP, DI series in 20-90HP and WorldTrac series in 75& 90 HP category. Higher HP tractors have done good for Sonalika. Tractors are now used for purposes beyond agriculture, including at construction sites, water tankers, at airports, etc., and demand in this area is for higher HP ones. About 27 per cent of the company sales are of tractors with higher HP. Also according to ICRA, 30 per cent of the demand in the industry comes from non-agri sector. The northern states of India where Sonalika is a major player is a big market for tractors with HP>50, whereas the average HP used in India is 36.

Sonalika has also managed to get the product right for the farmers. Their tractors are low on maintenance, lesser breakdowns even with continuous usage, higher pulling capabilities and better resale value only adds to their advantage. ITL's top-end manufacturing processes, international quality control systems and advanced research and development facilities are duly ISO-9001:2008 certified by the joint accreditation system of Australia and New Zealand. Moreover, ITL is the first tractor manufacturing company in the country to be accredited with ISO-14001 certification, TS16949.

ITL has always offered huge discounts and exchange programs to boost tractor sales. This has worked in favor of the company especially when replacement cycle of tractor (time taken to replace a tractor) has reduced from 10-12 yrs to 8-10yrs.

Exports have played a huge role in boosting sales of the company. Tractors exported have 30 per cent higher margins than tractors sold in the domestic market. Though the market share of ITL in the domestic market is around 10 per cent, it occupies a higher share of 14 per cent in the export market, contributing 17 per cent of its revenue. Sonalika tractors are being exported to more than 72 countries including Europe. In countries like Nigeria, Cameroon, Algeria, Brazil and some other countries, ITL has its own assembly lines in partnership with the distributors, thereby cutting expenditure on transportation. ITL aims to bring in at least 30 per cent revenue through exports.

Money Matters

International Tractors Limited is a Rs 5000 cr conglomerate. It was a family business, until recently when Blackstone, the private equity group picked up 12.5 per cent stake in the company for Rs 520 crore. This investment was accepted by ITL, not because it needed funds for expansion, but for the expertise that Blackstone brought in. They also have a partnership with Yenmar, Japan, which bought 12 per cent of the company in 2000.

ITL is also a zero-debt company and ploughs back dividends. Revenues at ITL have seen a three fold jump and PAT a six fold jump over the past 6 years, says Outlook India. Numbers stand testimony to these figures. During FY12-13, when there was a slack in the tractor industry and major player like M&M saw volumes decrease by 5 per cent, ITL showed double digit growth. The industry grew only 3 per cent during this period.

To fuel its growth, ITL has established a green-field manufacturing facility at Fatuha, Bihar with an annual production capacity of 20,000 tractors. In view of gaining toehold in the southern region of the country, the company has established warehouses in Vijaywada, Madurai and Warangal. The existing facility at Hoshiarpur is being ramped up with an investment of Rs 300 crore to bring up its tractor production to 1,00,000 in a year.

The company had planned an IPO issue worth Rs 800 crore during 2008 which was shelved due to unfavorable market conditions.

Future Prospects

The solid foundation that the company is built on gives it an edge. Impetus to growth of agriculture, easy access to finance, and shortage of manpower are some of the factors that should help the tractor industry on the whole. Tractor penetration in the country stands at around 20 tractors per 1000 hectares of farmed land, however, it is not even spread across the country. While northern states of Punjab, UP and Haryana have higher penetration, certain states like West Bengal, Orissa and Andhra Pradesh see lower penetration, thereby providing scope for expansion.

Corporate Social Responsibilities - Aanand Ashram

The endeavors of Sonalika are not limited to any industrial brackets but being a social identity it is also concerned for the welfare of the society it operates in. Sonalika understands its social responsibilities very well and is indeed committed towards the upliftment of underprivileged children. 'Sonalika Charitable Trust' the social wing of Sonalika has taken up a unique initiative "Aanand Ashram". The initiative focuses intensely on a strategy known as LIFE (Living in Family Environment) to provide permanent residential care to orphaned and abandoned children. LIFE emphasizes mainly on promotion of family bonding amongst deprived children, their mental and physical health and enhancing social integration to enable them experience 'Joy of Living'. Sonalika puts in its best efforts to make these children live happy and become a part of society. We also welcome the volunteers who understand their social responsibilities and can make a significant difference to the lives of these children.

Also, the agricultural lands in the Southern states, where Sonalika has just 5 per cent share have harder soil, requiring higher power for ploughing. ITL's portfolio of higher range tractors should prove useful here. The company is aggressively marketing its product range and is looking at increasing its dealer base. It has introduced brochures and pamphlets in regional languages to boost sales.

Systems and processes at ITL has seen a overhaul post entry of Blackstone. Introduction of management systems for queries, sales and services has resulted in quicker resolution of issues and ready availability of spare parts.

Production of 120 HP tractors is in the pipeline. It is also working towards setting up its unit in the US after meeting quality specifications of the country. Partnership with Yenmar, Japan should help ITL establish itself in the US market.

Challenges Ahead

ITL has had a perfect run all through, but the same cannot be said about the future. ITL has a lot of work to do before it reaches the figure of around 2.5 lakh tractors that M&M sells in a year from its own 60000 a year. Its traditionally strong markets of northern India are seeing saturation in sales, prompting ITL to move beyond its comfort zone. Gaining further market share and establishing itself in southern and eastern states might be difficult. Market share of Sonalika tractors in the southern market is only 5 per cent.

Where ITL has maintained its dominance in the above 50 HP tractors, there are others seeking to enter this market. This being the nascent segment, M&M has brought in a new platform called the M Star that would bring out tractor models in this category. Just recently, Italian farm equipment maker Same Deutz-Fahr (SDF) Group introduced its premium tractor under the Lamborghini brand in India. Lamborghini tractor would be available in 30 HP and would move to higher ranges later. These tractors are touted to have a wide variety of usages like grass mowing in stadiums, resorts etc.

Given the growth potential of the Indian tractor industry, there are bound to be many more entrants into the industry, thereby adding to the competition. Moreover, as tractors are low technology, scale remains the only decisive attribute. Research and Development, effective marketing techniques and satisfactory post-sale services should help ITL spread it wings all over the country.

TGA

IMF warns India of Economic Risks

With growth set to fall to its lowest annual level in a decade, the economy is vulnerable to the withdrawal of global liquidity and India's own shortcomings. The IMF's warning, in one of its scheduled assessments of the country, highlights the challenges facing the new government that will emerge from a general election to be held in the next couple of months. The international lender says GDP growth is expected to decline to 4.6 per cent in the fiscal year to March – about half the level of three years ago – and then rise to 5.4 per cent the following year. It noted that Indian officials were more sanguine than the fund about the near-term growth prospects. However, India's growth slowdown is unusual among emerging markets both in its severity and the fact it has coincided with elevated inflation. It says blaming domestic problems such as delayed infrastructure project approvals and uncertainty over government policy for two-thirds of the slowdown.

The IMF suggests that further interest rate rise to tackle inflation - which it predicted would stay at nearly 10 per cent - more steps to cut the fiscal deficit, enhanced supervision of banks, liberalization of energy markets and greater investment in infrastructure. Eswar Prasad, an Economist & trade expert Cornell University says after the elections the first few months will be critical. There's a big opportunity for the new government, because at least it looks like things have bottomed out.

India Inc. exposed to credit risks

Moody's Investors Service has warn that its overall outlook for India's non-financial corporates in 2014 is negative because of the country's weak economy, political uncertainty and the expected gradual scale back of quantitative easing by the US Federal Reserve. Vikas Halan, a Moody's Vice President & Senior Analyst says in particular, our outlook is negative on many domestically focused sectors or sectors that are exposed to the vagaries of regulation and policy-setting. He further adds, by contrast, our outlook is largely stable on sectors that are more exposed to international trade flows or to exports.

According to a Moody's report, India's GDP growth should remain weak, at 5.5 per cent in the fiscal year ending March 2015, as elections due in the next three months will delay reforms needed to revive growth. In addition, the rupee will remain volatile, making the operating environment more challenging for importers and exporters.

NMDC'S Spectacular Q3 Performance

DECLARES 2ND INTERIM DIVIDEND OF 550% (2013-14)

- **Interim Dividend so far 850% (2013-14)**
- **Iron ore production 7.30 MT (Q3) up by 36%**
- **Iron ore sales – 7.34 MT (Q3) up by 38%**
- **Turnover – Rs.2823 crore (Q3) up by 38%**

The NMDC Board at its meeting today has recommended 2nd interim dividend of 550% in addition to the 1st interim dividend of 300% for the year 2013-14. The total interim dividend so far is 850% for the year 2013-14.

The Company's production of iron ore during the 3rd quarter is 7.30 million tonnes (MT) registering a growth of more than 36% over CPLY while sales of iron ore was 7.34 MT which is about 38% more than that of the corresponding quarter of previous year. NMDC has posted a turnover of Rs.2823 crore, representing a increase of 38% in turnover, over the corresponding period last year (CPLY). NMDC has recorded gross profit of Rs.2374 crore and net profit after tax of Rs.1567 crore in the third quarter of 2013-14 which is 24% more and 21% more respectively over CPLY. The Company's production of iron ore for 9 months for the year 2013-14 is 20.16 MT registering a growth of 14% over CPLY while sales of iron ore was 21.10 MT which is 17% more than that of the corresponding 9 months period of previous year. NMDC's turnover for 9 months for the year 2013-14 is Rs.8174 crore, gross profit of Rs.6761 crore and net profit after tax of Rs.4458 crore representing an increase of 9% in turnover and decrease of 6% in gross profit and 9% in net profit over corresponding period last year (CPLY).

For the year 2013-14, capital expenditure of Rs.2720 crore is planned to be incurred including Rs.100 crore for overseas acquisitions. So far, from April-December 2013, the capital expenditure of Rs.1679 crore has been incurred, which is 65% more than CPLY.

The installation of 3 MTPA steel plant at Nagarnar in Chhattisgarh, as part of NMDC's forward integration program and value addition, is being pursued vigorously. Orders for major technological packages have already been placed, other auxiliary packages are in advanced stages of finalization and construction works of the major packages are being undertaken on war footing. As part of its expansion program, NMDC is developing two new mines, one in Bailadila Sector in Chhattisgarh i.e. Deposit-11B Iron Ore Project and the other in Bellary-Hospet region in Karnataka i.e. Kumaraswamy Iron Ore Mine. Besides, orders have already been placed for setting up of 1.2 MTPA capacity Pelletization plant in Karnataka.

The 3rd quarter results for 2013-14 were approved by the Board of Directors of the Company under the Chairmanship of Shri C.S. Verma, in its meeting held on 10.02.2014.

Speaking on the occasion, Shri C.S. Verma, CMD said "NMDC is in its stride to reach production of iron ore of 30 MT for the year 2013-14 which would be a record in itself for NMDC in spite of evacuation hurdles. It is evident from these results that NMDC would definitely be in the forefront in the years ahead and move towards ensuring sustainable growth".

Reserve Bank of India, Chennai - Installation of Coin Vending Machines

To ensure adequate stock of coins in circulation in the city, 65 Coin Vending Machines (CVMs) have been installed at various bank branches. The move is to facilitate the availability of coins for bank customers and common man and these CVMs will help the people as well as banks save time. The machine would coin scan the inserted note and if verified for its genuineness, it dispenses the coins for an equal value. The coins will be available in denominations of Rs.1, Rs.2 and Rs.5 and Rs.10 of which any two or three denomination will be dispensed. The move is expected to gain popularity with public to look for CVMs, the way they look for ATMs. Banks are being urged to provide improved customer service by leveraging the technological interventions in the issue and distribution of coins. Banks are being incentivized, for establishment of CVMs and Machines which extend cash related retail services to the public. They have utilized the scheme by installing CMs at important places in Chennai city and also indicated that the scheme would extend to other parts of state of Tamil Nadu and Union Territory of Puducherry for the benefit of the public.

Such an initiative would have a positive impact in bringing down the shortage in supply of coins among retailers. Eight banks have installed CVMs, they are IOB-24, Indian Bank-15, SBI-10, Canara Bank-5, Bank of India-5, Axis Bank-4. S&C Bank-1 and TNSC bank-1, totalling 65 CVMs, at branches in Chennai and are being inaugurated simultaneously on February 21, 2014. Among 120 CVMs have already been installed all over the state by the banks. A press meet was held at RBI, Chennai wherein the Regional Director Dr J Sadakkadulla participated along with CMD of Indian Overseas Bank Shri M. Narendra & CMD of Indian Bank Shr TM Bhasin, Chief General Manager of SBI Smt. Varsha Punrandare and senior Officers from all the above banks.

- K Neethi Ragavan, Chief Manager, February 21, 2014.

Test Your Biz IQ

Brain Teasers

Q.1 This insurance type refers to liability insurance that is in excess of specified other policies and also potentially primary insurance for losses not covered by the other policies. Identify the type?

Ans. Umbrella Insurance

Q.2 It recently announced that it will stop selling cigarettes at its more than 7,600 retail pharmacies across the US. Which is this drugstore chain?

Ans. CVS Caremark

Q.3 Coca-Cola recently announced a partnership with the maker of the popular Keurig single-serving coffee machine. What is the name of the alliance partner?

Ans. Green Mountain Coffee Roasters (GMCR)

Q.4 This US-based cosmetics chain is taking a non-celebrity approach, with an online series, "Trading Faces," in which women from different regions swap fashion and makeup tips. Identify the company in question?

Ans. Ulta Beauty

Q.5 After being in the denial mode, about its troubled TV business, for long, this consumer electronics major recently announced an ambitious restructuring plan which includes splitting its TV division into a separate unit, while discontinuing its PC (personal computer) operations, in an effort to turn profitable. Which company is it?

Ans. Japan's Sony

Q.6 The Mumbai Monorail, which began its commercial run this February, has been implemented by the Mumbai Metropolitan Region Development Authority (MMRDA), along with a consortium of Mumbai-based conglomerate Larsen & Toubro and a foreign infrastructure firm. Which is it?

Ans. Malaysia's Scomi Engineering

Q.7 GOSF was started in December 2012. The second edition of the online festival took between 11 and 13 December 2013 and was based on the concept of Black Friday and Cyber Monday in United States. What is GOSF?

Ans. The Great Online Shopping Festival (GOSF) was launched by Google India on 12th December, 2012 in partnership with several Indian online shopping portals. According to Wikipedia, The concept of the GOSF was that the online shopping sites would give heavy discounts for one day, in order to promote their sales. The concept of a one-day online sale originated in the United States, where many online shopping sites offer discounts on "Cyber Monday", the first Monday after the so-called BlackFriday, the day that follows the U.S. Thanksgiving. Cyber Monday started in 2005 and the concept has spread to several countries including Canada, Japan, Australia, Colombia, and the UK.

Q.8 Which company has said it would acquire Google's Motorola Smartphone hardware business? If materialized, it could be China's biggest technology acquisition to date. Name the company in question?

Ans. Lenovo.

Q.9 This Bhiwadi-based automobile accessory company is planning to launch India's recreational vehicle, first caravan brand—Terra Home Car— with two boxy models complete with tiny bathroom, dining rooms and sleeping space for five. Identify this company?

Ans. PCP Motors

Q.10 YouTube is getting a new boss with expertise in advertising, in an appointment that signals the Internet's dominant online video site has entered a new phase in its evolution, said Los Angeles Times. Who's the new CEO of YouTube?

Ans. Susan Wojcicki.

TGA

How to Future-Proof Your Career

In these times of ever-changing work places and economic uncertainty, it is even more important that you are pro-active about managing your career, says Carole Brown, National President, the Career Development Association of Australia.

Here are 10 tips to help you future proof your career, so no matter what your work and life circumstances, you can be confident that you will always have options to pursue.

1. Know what you want and what you have to offer

The keys to future proofing your career are knowing where to look for opportunities and connecting these to what you want and what suits you, meets your needs and aligns with your motivators and values. Conduct an audit of your skills, your work values and interest. What do you do well? What do you have a track record in? How could these skills be applied elsewhere? What makes you want to get up and go to work each day – how well are these preferences being met in your current job?

2. Connect to opportunities

There are multiple ways to identify job opportunities including through contacts and networks, on-line job boards, social media, professional associations, recruitment agencies, directories, journals and newspapers. A knowledge of the current job market combined with clarity about what you want, puts you in a strong position to develop your career.

3. Maintain strong networks

Contacts and networks are highly important to career success in identifying industry trends and opportunities because most jobs are not advertised. Aim to be well connected through a variety of networks and be active in keeping healthy and diverse professional relationships beyond your immediate work place.

4. Commit to ongoing learning

Whether it be through formal education and courses or on the job training or learning from a mentor, continue to update and extend your skills. This is a requirement for success in modern workplaces to ensure you are competent in required skills and knowledge.

5. Develop a career strategy

Think about your options and map your career ideas for the next 2-3 years. Try to think as laterally as possible. Combine some big ideas within a healthy touch of realism to set SMART goals for yourself. Be open to opportunities and avoid the trap of staying in a job for too long.

6. Strive for a healthy work-life balance

Decide what is most important in your life and organise your priorities accordingly. Remember that everything doesn't have to be accomplished all at once. Balance activities that nurture mind body and soul. This requires commitment and discipline and a willingness to give some things up or rearrange priorities.

7. Aim for a fulfilling career

No matter what your age or stage, pursuing a fulfilling career leads to increased performance and wellbeing in the workplace. This is good for employers as much as it is for individuals. People who pursue healthy careers will also have more opportunities open to them as they are typically more energetic, achieve at a higher level and are much more attractive to employers and marketable.

8. Keep your resume up to date

With an up to date resume you have a current record of the skills, experience and achievements of your working life. There are many ways to format a resume and lots of varying advice out there about the best approach. The key things are to keep it relatively short (2-3 pages in most cases), showcase key skills and experience on the first page and ensure it is well presented and current. A qualified career consultant can provide great advice about contemporary and effective approaches to preparing job applications and succeeding at interviews.

9. Always have a Plan B.

No matter how happy you are with your current job or career, there are plenty of examples, where people have not been resilient in the face of unexpected changes such as funding cuts, a change of management, a restructure. Ask yourself, if your job were to end today, or things turned bad at work, what would you do?

10. Invest in the services of a qualified career professional

The benefits of engaging a professionally qualified career professional is the same as for any profession in that they bring experience, expertise and qualifications to an area that most people only have a small amount of knowledge about. There is no doubt that if you engage the right practitioner for you, you will achieve enormous progress much more efficiently and avoid falling into traps that can impede your success.

Courtesy: Career Development Association of Australia (CDAA)

AP State Reorganization Bill

THE REAL ESTATE IMPACT

Hyderabad has state-of-the-art infrastructure and is the most developed city in the state; therefore, it will continue to retain its relevance and pre-eminence going forward says, Sandip Patnaik, Managing Director – Hyderabad, Jones Lang LaSalle India.

The Telangana Bill passed by Lok Sabha is being viewed by mixed feelings by various stakeholders, but it is still too early to gauge its impacts on the real estate industry. That said, it is likely to end the political uncertainty that Hyderabad has been facing for the past few years. The outcomes are still unclear, but Brand Hyderabad is not likely to be overly affected as it is planned to serve as a joint capital for ten years.

Hyderabad has state-of-the-art infrastructure and is the most developed city in the state; therefore, it will continue to retain its relevance and pre-eminence going forward. Over the next six to nine months, the overall business sentiments in the city are likely to remain stable. Investors may find this period favorable, as property valuations are low and there is still potential to capitalize on this.

Similarly, this period will offer the best deals for genuine home buyers, as home prices will remain stable for at least the next six to nine months. As a result, residential sales are going to rise in the city. Office space occupiers are expected regain their confidence for business continuity in Hyderabad – a factor that was being negatively affected by the previous agitations. Leasing activity will improve now, and new occupiers will be attracted to the city.

Overall, Hyderabad City has immense growth potential and will definitely get back into growth trajectory once things stabilize.

Sandip Patnaik

Meanwhile, the formation of the new capital for the Andhra Pradesh (Seemandhra region) is waiting in the wings. This is likely to bring in new real estate opportunities in terms of the development of the new capital, which will witness immense infrastructural and real estate growth. However, these developments will depend largely on the support of policies and the leadership that will implement them.

Other key cites of Andhra Pradesh - Vijayawada, Visakhapatnam, Guntur, Nellore, Ongole and Tirupathi - are also likely to witness increases in property prices going forward. As these cities are in the running for the new capital, they may witness increased speculation.

WHAT EXPERTS SAY...

Given the indications, there will be a lot of physical and social infrastructure development in Seemandhra region in future which in turn leads to industrial development. At the same time the political stability will kick start growth which was stalled in and around Hyderabad. However, it is disappointing to note that Telugu speaking people are divided and Telugu pride is hurt.

- B.V.R. Mohan Reddy, CMD, Infotech Enterprises Ltd.

The expected new capital, surrounding infrastructure and other developments in the Seemandhra region will be a good opportunity for new business. Definitely it spells good business in the infrastructure, construction and other related areas.

- Bhagawantha Rao, MD, State Bank of Hyderabad

The properties here are valued at 60 per cent lesser compared to the ones in Chennai. The development leads to correction in the market in the coming two years.

- Shekar Reddy, CREDAI-National

After having Hyderabad as capital city for 10 years, Seemandhra's capital may again become the bone of contention between the people of Rayalaseema and Andhra which may impact the growth prospects of the new state. In addition, when the new state is formed, the distribution of different industries should be based on the availability of resources and talent.

- B. Ashok Reddy, Chairman, CII, AP

The objective of bifurcation of any state would be to enhance growth of both the regions. And we take this as an opportunity because of the fact that once these two states are created, there will be additional opportunity for banking and economic activity and growth.

- A Krishna Kumar, MD, SBI

TGA

BOOKSHELF

Books from the world of Business Management, Finance & Economics

Hot New Releases

Release Date:
October 9, 2013
Paperback
Price $12.90
Simon & Schuster

Steve Jobs

The phenomenal bestseller from the author of the acclaimed biographies of Benjamin Franklin and Albert Einstein.

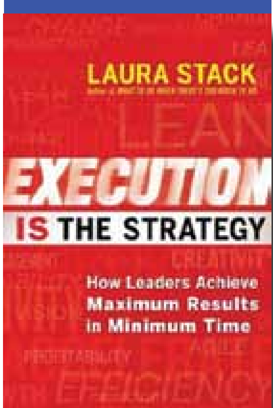
Based on more than forty interviews with Jobs conducted over two years—as well as interviews with more than 100 family members, friends, adversaries, competitors, and colleagues—Walter Isaacson set down the riveting story of the roller-coaster life and searingly intense personality of a creative entrepreneur whose passion for perfection and ferocious drive revolutionized six industries: personal computers, animated movies, music, phones, tablet computing, and digital publishing. Isaacson's portrait touched hundreds of thousands of readers.

At a time when America is seeking ways to sustain its innovative edge and when societies around the world are trying to build digital-age economies, Jobs still stands as the ultimate icon of inventiveness and applied imagination. He knew that the best way to create value in the twenty-first century was to connect creativity with technology. He built a company where leaps of the imagination were combined with remarkable feats of engineering.

Although Jobs cooperated with the author, he asked for no control over what was written. He put nothing off-limits. He encouraged the people he knew to speak honestly. He himself spoke candidly about the people he worked with and competed against. His friends, foes, and colleagues offer an unvarnished view of the passions, perfectionism, obsessions, artistry, devilry, and compulsion for control that shaped Jobs's approach to business, the innovative products that resulted, and his legacy.

About the Author

Walter Isaacson, the CEO of the Aspen Institute, has been chairman of CNN and the managing editor of Time magazine. He is the author of Steve Jobs; Einstein: His Life and Universe; Benjamin Franklin: An American Life; and Kissinger: A Biography, and the coauthor of The Wise Men: Six Friends and the World They Made. He lives in Washington, DC.



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Execution IS the Strategy: How Leaders Achieve Maximum Results in Minimum Time

Turn Strategy into Performance!

In today's world of rapid, disruptive change, strategy can't be separate from execution—it has to emerge from execution. You have to continually adjust your strategy to fit new realities. But if your organization isn't set up to be fast on its feet, you could easily go the way of Blockbuster or Borders.

Laura Stack shows you how to quickly drive strategic initiatives and get great results from your team. Her LEAD Formula outlines the Four Keys to Successful Execution: the ability to Leverage your talent and resources, design an Environment to support an agile culture, create Alignment between strategic priorities and operational activities, and Drive the organization forward quickly. She includes a leadership team assessment, group reading guides, and bonus self-development resources. Stack will equip you with the knowledge, skills, and inspiration to help you hit the ground running!

About the Author

Laura Stack, MBA, CSP, is America's Premier Expert in Productivity. Her talks help business leaders execute more efficiently, boost performance, and accelerate results in the workplace. Her company, the Productivity Pro, Inc., helps leaders turn strategy into performance and achieve maximum results in minimum time. She's the author of six books.

Data Sources: RBI, SEBI, Moneycontrol.com

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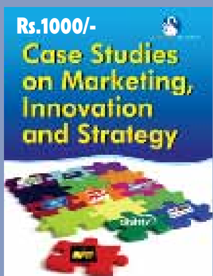

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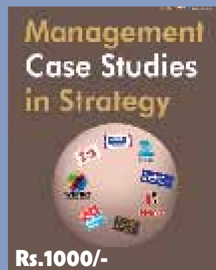

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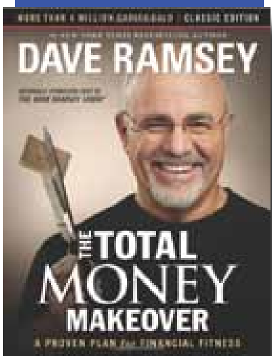
The Total Money Makeover: A Proven Plan for Financial Success

Dave Ramsey educates the reader with common sense financial planning. This book is not written for the wealthy, but all socio-economic walks of life. Ramsey's financial wisdom can apply to the single mom with a $20,000 income or a family with a $70,000 income. The strength of this book is that it can be applicable to everyone's financial situation- even those who find themselves unemployed and burdened with debt. The author offers a glimmer of hope- a way out of debt in a world where so many despair after losing jobs.

The author addresses the psychology behind the science of saving money and budgeting. He introduces simple to understand concepts- with concrete steps to follow. This is not simply an academic book on the theory of budgets and savings. Ramsey actually takes on the role of the personal life coach or accountant with specific steps and a plan to follow. In cases where one's financial situation is so dire that the basic needs cannot even be met he challenges the reader with aggressive yet effective tactics- such as a second job or selling non-essential or expensive items such as cars, boats, jewelry. He even suggests garage sales as a way to squeeze out a bit of money. Yet- this book isn't about accumulating money and wealth simply for the sake of accumulating wealth. The author shares the greater purpose which is to reduce, and eliminate debt as well as the use of credit cards. Additionally, watching spending habits and making smart choices contributes to the sustainability of a budget. This book is a real eye opener as it educates the reader with valuable information about loans and debt. He provides interesting facts about the dangers of payday loans, rent to own payment plans, car payments and buying lottery tickets- explaining how institutions and loan sharks take advantage of the poor and desperate- creating an ongoing cycle of poverty.

About the Author

WDave Ramsey is America's trusted voice on money and business. His four New York Times best-selling books –Financial Peace, More Than Enough, The Total Money Makeover and Entre Leadership – have sold more than 7 million copies combined.



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Brief: Make a Bigger Impact by Saying Less

Get heard by being clear and concise

The only way to survive in business today is to be a lean communicator. Busy executives expect you to respect and manage their time more effectively than ever. You need to do the groundwork to make your message tight and to the point. The average professional receives 304 emails per week and checks their smartphones 36 times an hour and 38 hours a week. This inattention has spread to every part of life. The average attention span has shrunk from 12 seconds in 2000 to eight in 2012. So, throw them a lifeline and be brief.

Joe McCormack tackles the challenges of inattention, interruptions, and impatience that every professional faces. His proven B.R.I.E.F. approach, which stands for Background, Relevance, Information, Ending, and Follow up, helps simplify and clarify complex communication. BRIEF will help you summarize lengthy information, tell a short story, harness the power of infographics and videos, and turn monologue presentations into controlled conversations.

- Details the B.R.I.E.F. approach to distilling your message into a brief presentation
- Written by the founder and CEO of Sheffield Marketing Partners, which specializes in message and narrative development, who is also a recognized expert in Narrative Mapping, a technique that helps clients achieve a clearer and more concise message

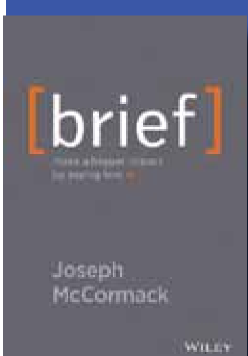
Long story short: BRIEF will help you gain the muscle you need to eliminate wasteful words and stand out from the rest. Be better. Be brief

Drawing on years of research and up-to-the-minute trends, Brynjolfsson and McAfee identify the best strategies for survival and offer a new path to prosperity. These include revamping education so that it prepares people for the next economy instead of the last one, designing new collaborations that pair brute processing power with human ingenuity, and embracing policies that make sense in a radically transformed landscape.

About the Author

A passionate leader, he founded The BRIEF Lab in 2013 after years dedicated to developing and delivering a unique curriculum on strategic narratives for US Army Special Operations Command. He actively counsels military leaders and senior executives on key messaging and strategy initiatives. His clients include W.W. Grainger, Harley-Davidson, USG Corporation, BMO Harris Bank, SAP, MasterCard, Heinz, Hoffman-La Roche and Jones Lang LaSalle.

TGA



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