

CORPORATE SNAPSHOT-WORLD

December 2013

Deutsche Bank Disclosure Lapse in CO2 Case Blamed on IBM Staff

Deutsche Bank AG's failure to turn over e-mails in a tax probe that led to the arrest last year of five employees may have been caused by errors at International Business Machines Corp., which managed the bank's data storage.

The December 2012 arrests were based on prosecutors' claims that Deutsche Bank withheld e-mails from the last week of April 2010 in the accounts of employees suspected of participating in a tax scheme related to carbon emission certificates.

McKinsey Return to BOE Spurs 1960s Memory of Unfinished Business

Governor Mark Carney is giving the U.S. firm another shot at transforming the three-century-old institution, more than four decades after the BOE first hired it to conduct a full-scale examination of operations. The impact of the original review was "limited," according to former BOE official Guy de Moubray, who participated in the study. The bank doesn't like other people telling it what it ought to do.

Bankers Balking at Bitcoin in U.S. as Real-World Obstacles Mount

Bitcoin, the digital money created as an alternative to currencies controlled by nations and banks, is finding that its wider adoption depends on both as governments in China and the U.S. demand enthusiasts play by existing rules.

Bitcoin exchanges, payment processors and other startups say they need banks to connect them to the existing payments system and provide basic services like checking accounts. To do that, the fledgling companies must convince the regulators who police the banks that Bitcoins aren't being used to conceal illicit activity. Introduced in 2008 by a programmer or group of programmers under the name Satoshi Nakamoto, Bitcoin is the most prominent of a group of virtual currencies -- money that exists mainly as a string of code -- that have no central issuing authority. Today, despite its unclear status, Bitcoin can be used to pay for t-shirts, food or an appointment with a Manhattan psychiatrist.

Asian Stocks Fall While Credit Risk Climbs With Gold, Yen.

Asian stocks dropped, with a regional index headed for its biggest loss in three weeks, and credit risk increased after a gauge of China's service industries fell. The yen rose with gold while emerging-market currencies slid.

The MSCI Asia Pacific Excluding Japan Index lost 1 percent at 1:26 p.m. in Hong Kong and the Hang Seng China Enterprises Index tumbled 2.5 percent. Standard & Poors 500 Index (SPX) futures were little changed after U.S. equity gauges sank from records yesterday. Indonesia's rupiah slid 0.6 percent versus the dollar, trading near the lowest level since 2008, while the yen

jumped 0.7 percent. The cost of insuring sovereign and corporate bonds in Asia outside Japan rose to a three-week high and gold added 0.6 percent.

Reserve's Recession-Fighting Weapon: Circa 1900s

Bernanke used the so-called discount window on Oct. 29, 2008, to provide banks with \$111 billion in loans as short-term credit markets nearly froze in the wake of the Sept. 15 bankruptcy of Lehman Brothers Holdings Inc. The Fed chairman also used emergency powers to support money markets. Paul M. Warburg, a banker in the 1900s had flagged as critical to financial-system liquidity deployed against the worst recession since World War II Warburg "is the father of the discount window in the United States" and "the grandfather of the Federal Reserve, according to Michael Bordo, at Rutgers. If his plan had been followed, the Fed would have done a lot better in the 1920s, and the Great Depression might not have been so bad.

Facebook's Instagram Adds Private Messaging for Users

Fb's (FaceBook) Instagram mobile photo-sharing application will let users send photos and videos directly to their friends, as it steps up competition against upstart messaging services such as Snapchat Inc.

The new feature, called Instagram Direct, will pop up in an icon on a user's home feed. The tool will let people send photos and videos directly to as many as 15 friends, who can then discuss them using familiar features such as comments and the like button, the company said at an event in New York.

Apple, Microsoft, Asics, RedTube: Intellectual Property

Apple Inc is again seeking to ban sales in the U.S. of Samsung Electronics co products that were at issue in the companies' first patent trial in California and are now no longer on the market.

"Samsung's claim that it has discontinued selling the particular models found to infringe or design around Apple's patents in no way diminishes Apple's need for injunctive relief," Apple argued in a court filing.

Asiana Names CEO Five Months After San Francisco Crash :

Asiana Airlines, South Korea's second-biggest carrier, named a new chief executive officer to replace Yoon Young Doo, who headed the company when one of its planes crashed while landing in San Francisco in July.

Kim Soo Cheon, 57, will take over from Yoon starting Jan. 1 as part of annual personnel changes, the airline's parent Kumho Asiana Group said in an e-mailed statement today. Kim is currently chief executive officer of Air Busan Co., a budget carrier 46 percent owned by Seoul-based Asiana Airlines.

Billionaires worth \$3.7 Trillion Surge as Gates Wins 2013

The richest people on the planet got even richer in 2013, adding \$524 billion to their collective net worth, according to the Bloomberg Billionaires Index, a daily ranking of the world's 300 wealthiest individuals.

The aggregate net worth of the world's top billionaires stood at \$3.7 trillion at the market close on Dec. 31, according to the ranking. The biggest gains came in the technology industry, which soared 28 percent during the year. Of the 300 people who appeared on the final ranking of 2013, only 70 registered a net loss for the 12-month period.

Fiat Gains Full Control of Chrysler in \$4.35 Billion Deal

Fiat SpA (f), secured full ownership of Chrysler Group LLC in a \$4.35 billion agreement that will conserve the Italian company's cash while creating a global carmaker with better scale to take on General Motors Co. (GM)

Fiat rose the most in almost five years in Milan trading after Sergio Marchionne, chief executive officer of Chrysler and its Italian parent, struck an accord to buy a 41.5 percent stake from a United Auto Workers retiree health-care trust. The No. 3 U.S. carmaker will put up most of the funding for the transaction, underscoring the CEO's reputation as a dealmaker.

USA: 1.3 Million People Lost Unemployment Benefits.

When Congress reconvenes on Jan. 6, one of the first issues it will take up is whether to renew an emergency federal unemployment program that expired on Dec. 28, cutting off 1.3 million jobless

workers. Enacted in 2008 at the start of the recession, it provided up to 47 weeks of benefits for those still looking for work when their state unemployment benefits ran out. Senate Majority Leader Harry Reid says he'll try to pass a temporary extension, but most Republicans have balked at the \$25 billion-a-year cost. If the program isn't revived, the impact could be significant—not just for the 1.3 million people losing a vital lifeline but on the broader economy.

Xiaomi's Resolution: Double Its Smartphone Sales Volume in 2014

On the last day of 2013, Xiaomi founder and Chief Executive Officer Lei Jun took to a Chinese social network to announce his ambition for 2014: shipping at least 40 million smartphones. That would mean more than doubling last year's sales volume, as Xiaomi sold 18.7 million smartphones in 2013.

The past year didn't quite bring a doubling of Xiaomi's sales, but the company did grow in impressive leaps and bounds, with 160 percent more phones sold than in 2012 to boost revenue 150 percent. The company's strategy is to peddle high-quality Android phones at low prices—its Hongmi (“Red Rice”) sells for about \$130—and then charge for apps, games, advertising, and other services. Xiaomi's customized Android operating system, MIUI, now has about 20 million users. But Xiaomi isn't just sticking to phones. In September it began selling 3D smart TVs in China, priced at \$490, or less than an iPhone.

CORPORATE SNAPSHOT-INDIA

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Government may push PSUs like CIL, NTPC, IOC and others to buy stakes in each other

The government may push state run-firms to buy stakes in each other, in order to revive its floundering disinvestment programme. While Coal India may be asked to pick up shares in power-sector firms such as NTPC and Power Grid, other cash-rich companies such as National Mineral Development Corp (NMDC) will also be asked to explore similar options. The idea is that cash-rich PSUs can pick up stake in companies where there are business linkages. It will also give them comfort. 2013, for instance, Coal India and NTPC had scrapped over delayed payments and the poor quality of coal supplied. The push from the finance ministry comes as the fiscal deficit during the April-November period reached 94% of the targeted budgetary estimate, raising concerns that India may overshoot its ambitious target of containing this at 4.8% of GDP. The government has so far managed to raise Rs 1,325 crore from divestment as against the budgeted target of Rs 40,000 crore, with just three months left for the fiscal year to close. The plan to offload shares to the public in cash-rich Coal India and IOC has been delayed due to concerns raised by their respective administrative ministries.

The Reserve Bank of India's Financial Stability Report (FSR) shows devil in the details

The Reserve Bank of India's latest Financial Stability Report (FSR), released on 30 December 2013, makes for chilling reading. It shows the extent to which the UPA government (and, to a lesser extent, the regimes before that), has allowed the banking system to be debauched, increasing systemic risks by encouraging crony capitalism. The real scary statement in the FSR, the first one put out after Raghuram Rajan became RBI Governor, is the one which points out that the failure even one large company or a large corporate group could danger the entire Indian banking system. The report said: “Failure of a major corporate or a major corporate group could trigger a contagion in the banking system due to exposures of a large number of banks to such corporates. The analysis shows that interconnectedness in the banking sector could cause losses due to contagion, over and above the direct losses on account of the failure of large corporate groups.” The days of crony capitalism are clearly numbered, not because politicians and corporates have learned their lessons, but because if this trend is not arrested, the Indian banking system will be up the creek without a paddle.

Health of banks worsened in past six months: RBI

With stressed assets continuing to rise and expected to get worse, the Reserve Bank has cautioned that risks to the banking system have increased over the last six months, but added that there are no systemic risks at the moment. "The banking stability indicator shows that risks to the banking sector have increased since June 2013," the Reserve Bank said in its half-yearly Financial Stability Report released on 30th December 2013. The indicator combines the impact on all major risk dimensions, said the RBI, which has carried out multiple tests before coming to this conclusion. "The strain on asset quality continues to be a major concern," the report said. The report said though agriculture accounted for the highest GNPA at 5.5 percent as of the quarter to September 2013, it is the industrial sector with a GNPA of 4.9 percent and 10.9 percent of restructured loans which is the main culprit. The central bank also said that present levels of provisioning for loan losses by banks may not be sufficient to meet the expected losses if the conditions were to deteriorate.

Domestic IT market to grow 9.7% to Rs 1.51 lakh crore in 2014

IT spending in the country is expected to grow at 9.7 percent and touch Rs 1, 51,728 crore in 2014 as companies invest in technology to control costs, drive efficiency and ensure organic business growth, a study by research firm Coeus Age revealed on 30th December. Based on inputs from 130 CIOs/IT heads of large and medium-sized Indian enterprises, the report gauges the perception of the companies regarding business scenario, priorities and plans regarding IT for the year 2014. 2014 is the year of general elections at the Centre and with the new government formation being just six months away, the hope of revival is a natural outcome. However, businesses are also cautious on account of pressures of moderate revenue growth across industries as well as high inflation.

Banks allowed lending up to Rs 1 lakh against gold jewellery

Banks allowed to lend up to Rs 1 lakh against gold jewellery Reserve Bank has allowed banks to sanction loans of up to Rs 1 lakh against pledge of gold ornaments and jewellery. "In response to suggestions from banks and with a view to ensuring a level playing field among various market participants, it has been

decided to permit bullet repayment of loans extended against pledge of gold ornaments and jewellery for other than agricultural purposes...", RBI said in a notification. Bullet repayment means a lump sum payment for the entire loan amount paid at the time of maturity. The RBI in May had imposed restrictions on banks and NBFCs for providing loans against gold coins as well as units of gold ETFs and mutual funds. Also banks were asked to ensure that the amount of loan to any customer against gold ornaments, gold jewellery and gold coins (weighing up to 50 grams) should be within the board approved limit.

Factors expected to trigger stock markets in 2014

a) Oil reforms: An important reform in 2013 has been continuation of reduction in the diesel subsidy burden. While there is short term pain owing to the impact of diesel price hikes on inflation, the long term benefits are significant as it improves revenue to the government, helps curtail deficit, and improves market sentiments given that the solution is structural.

b) Improvement in global markets: Most forecasts suggest that the growth in global economy in 2014 will accelerate to 3.7%, the first significant growth after 3 years. Also, the first US fed rate increase is unlikely until 2016, would keep interest rate low supporting growth.

c) Stable currency: The current account situation has improved significantly owing to slew of measures taken by the government, which has helped the currency stabilize.

d) Structural growth drivers intact: Indian economy in the past has exhibited exemplary resilience to face adversities. Rural growth drivers are still intact given the consumption nature of our economy. The problem is related to total drying up of investments, and urban-led slowdown in discretionary spending. Underlying demand drivers for consumption, i.e., related to demographics, urbanization, etc. are secular and as inflation stabilizes, we would see discretionary spending picking up. We would assume that worst of GDP growth is behind us, and the cycle is poised for turnaround.