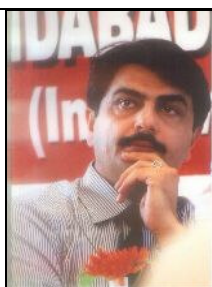


E-circular dt Wednesday, September 17, 2008



Rajive Chawla
President, FSIA



Sangeet Kr Gupta
Hony Consultant, FSIA

Dear Members,

& Indian Rupee Tumbles

- RBI Reference Rate was Rs. 39.97/\$ on 31st March 2008 (RBI Rate for that date, Infact if you follow the Accounting Standards issued by the ICAI properly, you have to restate your Forex Debtor / Creditor / ECB Loan balances at that figure.
- And the same **INR, Touched almost Rs. 47 / US dollar** , yesterday.
- The 2% fall is sharpest in last 10 years (since India last did Nuclear Explosion)
- What is happening ????????

& Stock Market tumbles in USA

- **Biggest fall since September 2001**, Terrorist Attacks on World Trade Centre.

& Lehman Brothers, the Giant + one of the oldest Banks of USA,

- It is **BANKRUPT** now ???????
- It owes 600 billion dollars to lenders, and there is no money.

& Merrill Lynch (almost Bankrupt) → Taken-over by Bank of America

- At 50% discount to its value last year.

& AIG (in the past, the biggest Insurance co. in USA)

- Pleads for emergency funding of USD 40 billions
- Else it is in the queue for the bad time (like Lehman Brothers)
- AIG Shares have dropped from \$ 70.00 to \$ 3.12 , in one year.
- **Drop in Share price by 95.5%** : (Source : www.AOL.com)

& LIBOR in USD – for 1 week spread transaction is down to around 2.33% p.a.

- From 5.5% in September 2006
- This never happened in the last ten years.

& Crude Oil, yesterday touched USD 92.1 \$/barrel

- From peak of USD 132 \$ just 3 months ago
- Drop of 30%, in 3 months ???????
- Lowest in 7 months

What is happening ?

And how it will effect the FSIA members ?

(Sources : Websites of American Online, Reuters, Economic Times, New York Times and Financial Express. On midnight of Sept-16 and Sept 17, 2008)



REUTERS



The New York Times

An insight

International market is a very broad and vast terrain. Till some time ago, the businessmen in India were untouched by global turmoils.....
but now "**Farak-Parta-Hai**" (It does make a difference to our lives)

- & Many of our members are **Exporters**
- & Many of our members are **Importers**
- & Some of our members Have ECB (**US Dollar / Yen denominated Loans**)
- & Some of our members Have **FCNR** (Forex Loans from Indian Banks)
- & Yet some have direct investment of **Foreign Partner in Equity**
- & And some have **their plants in China**, US and Mexico.

And we all consume Oil & Petrol etc,
We all need Steel
We all need Plastic
We all need non-ferrous metals
And **we all are effected by the Global turmoil**

A bird's eye view

We at the FSIA editorial board, are giving you a brief idea. The perfection is not possible in this subject of "International markets". Yet we are taking a risk, since, we must share with you, our "personal interpretation" of the news available on the internet.

- a) Reason for Lehman brothers crash → US Mortgage Loans market crash.
- b) Reason for US Mortgage market crash → US Property market crash.
- c) Question that are raised :
 - a. US property market has crashed (for last 2 years)
 - i. → Will property market crash in India ?
 - ii. → Short term, No
 - iii. → But the standstill is already to be seen.
 - b. Will Stock Markets crash in India ?
 - i. → Indian companies have their own strength
 - ii. → Indian investor has local funds too
 - iii. → But Lehman brothers has Rs. 20000 invested in India, will it pull it back ?
 - c. What will happen to the 2500 employees of Lehman brothers in India ?
 - i. The fate of 2,500 odd employees working for investment banking giant Lehman Brothers in India remains uncertain following its parent company's decision to file for bankruptcy protection in the US.
 - ii. Lehman said in a statement that its New York office intends to file for bankruptcy protection as it owes **over 600 billion dollars** to lenders.



d. Indian Exporters are gaining ?

- i. Yes it is a windfall gain
- ii. You expected your costing at say, 40/dollar
- iii. And after export you are getting at 47/dollar
- iv. That is a big almost 20% super bumper bonus
- v. Congratulations
- vi. This will help cover some of the losses you incurred last year, when dollar had tumbled from 44 to 39.50.
- vii. Graph below shows the movement.

e. Indian Importers are Losing ?

- i. Yes it is a bolt-from-the-blue.
- ii. You imported say, PP/LDPE from China taking price at say 40/dollar
- iii. And now export you are paying at 47/dollar
- iv. Is it sustainable ?
- v. Very very tough.

For queries, suggestions and feedback , you can e-mail us at :

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