

Hotel tariffs set to increase

NIKHIL K VARGHESE

Bangalore, Oct 23—The appreciating rupee seems to have affected another sector, the hotel industry. Caught in the wake of a strengthening rupee, hotels in Bangalore are now rethinking their tariffs.

Mr Hempal, duty manager at the Leela Palace says that 75 per cent of their customers are foreigners, who pay in dollars.

Tariffs have been raised since September 1st, 2007 but the appreciating rupee has been eroding profits.

September to February is traditionally the tourist season, said Siddhartha Umashanker, Assistant Sales Manager, The Oberoi, Bangalore. He also said, "We have increased tariffs for the tourist season by 30 per cent but not to combat the appreciating rupee. Although we might revise it in the coming months."

Three months ago the hotel industry was urged to go for a single currency tariff, where all transactions were to be in rupees, however few hotels like the Leela Palace and The Oberoi have resisted this move feeling that it



The Oberoi, Bangalore
Google images

would be against theirs and their foreign customers interests.

The rupee is trading at 39.65 to the dollar but the Foreign exchange rate for travelers is even lower at 37.80 to the dollar.

"Yes, the foreigners are grumbling they are not getting as much as they used to for the dollar. We may go in for the rupee tariff to shield us from the loss," says an employee at the Oberoi.

Hotels in Bangalore have a steady influx of tourists throughout the year. It will be decided in the coming months if they will switch to the rupee tariff or stick it out and weather the storm.

Gold hits an all time high but still cheaper for Indians

SADANANDA MOHAPATRA

Bangalore, October 23—The Indian gold market is less affected by the recent price hike of gold globally when it touched 28-year high price.

The reason is the rupee appreciation against the dollar, which neutralizes the price hike.

First the facts and figures. The gold price, in about 30 days has increased from US\$715/ounce to US\$758/ounce that is 6.1% increase in global price of gold. Meanwhile Indian rupee has strengthened itself from Rs.40.52/US\$ to Rs.39.84/US\$. So Indian rupee was able to compensate 1.68% of gold price hike. And the joy ride is not over. If last years' figures of gold price and rupee exchange rate are compared with today's then Rupee buoys up gold value by 14%, when gold was sold at close to US\$600/ounce.

Interestingly, India was the largest importer of gold last year with 800 tonne of gold coming into India.

It is also the largest market for gold in the world.

According to World Gold Council (WGC)'s report "Global gold demand showed the strongest



A jewellery store in Bangalore

Google images

surge, reaching a record \$14.5 billion by two quarters of 07-08 financial year, which is 37% higher than that of 06-07."

"It further reported that the rise in global gold demand was propelled by 72% demand in India.

But the WGC, the apex body for gold trading in global market has predicted that India's import for this year will be affected by 15-20% because of rise in gold price.

Mr Ashwini, commercial Officer, Tanishq Jewellery opined "there will be huge demand for gold this quarter because of Diwali celebration.

This time the demand will be across the country unlike during

the time of Akshaya Trithiya, which is predominantly a south Indian festival."

In its second quarter result the WGC, showed that "at 317 tonne India's total demand for gold was equivalent to half the global mine output

However Mr. B N Acharya, Manager, customer relation, Bhima Jewellery said, "Though the price has increased at the same time high income group (of India) has increased. So it is not the rupee appreciation alone but our strong and booming economy, festivities and weddings play a great role in determining gold demand.

How to use Participatory Notes to launder your black money

Walk the walk, and talk the talk.
Get your basics right

So whats the future of P.Ns in India

If you want to steal from the government, you have to know how to bypass the system. Before that you have got to get your gangster/stock market guru basics right. Here are a few basics.

What are Participatory-Notes? Participatory-Notes are financial instruments that are issued by Foreign Institutional Investor's (FII) to foreign investors who wish to invest in Indian stock markets, but who are not registered with SEBI (Securities and Exchange Board of India).

How do they work?

A U.S investor can buy the Indian stock by paying U.S dollars, the stock will not be credited into his demat account instead it will remain as a depository share, which can be traded as a stock. In 1992, SEBI permitted FII's to trade in India under the impression that the FII's would use their own money. What they did not assume was that these FII's would act as brokers to a third party who wished to invest in India. Now this third party would be given a participatory note by which it would raise funds from yet another party and invest in shares of its preference, a sub account.

How are they regulated? According to SEBI there are 109 registered FII's in the country, of which 34 issue Participatory Notes (P.N). Those FII's that issue / cancel P.N's need to report about the P.Ns on a monthly basis,

whereas a FII that invests in P.N's is required to report on a quarterly basis.

SEBI's guidelines on who can invest in P.N's

a) A company that has adhered to the local laws in the country of its registration.

b) Financial institution for example a bank which is monitored by a central bank.

c) A member of a stock exchange

So how do you actually cheat the system?

First you have to find a company that is registered to trade in India. Then you have to purchase a P.N from them; obviously you would have already identified the industries you would like to trade in. Now if you want you can actually leverage your P.N to get more money, you can get your gangster friends to pitch in.

The advantage of P.N's is the lack of transparency, so your safe for the time being.

Now that youve learnt where you can put that lovely money lets explore the prospects and the risks. (This is after all the Business page)

How important are P. N's to the Indian economy?

The Indian economy is heavily dependant on FII's. Without FII's the Sensex's sprint to 19000 points would not be possible. 25 to 30 per cent of foreign investment is through the issuance of Participatory Notes says SEBI Chairman M Damodran..

HDFC has the highest P.N holding at 14.2 per cent followed by ICICI with 9.1 per cent.

How have they affected the stock market in the last week?

On October 16, the SEBI made a proposal to tighten the regulations for P.N's the result was a fall of 730 points from its opening of 18,037.90. Trading was put on

hold, only the third time in the last three years.

The boring graph on the bottom left pf the column just shows us the amount of panic the pulling out of FII's can cause, similarly a statement of clarity on P.N's from P. Chidambaram can make the sensex soar.

So why does SEBI want to ban Participatory Notes?

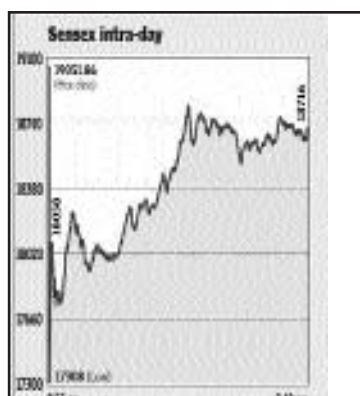
Well actually it doesn't. The Finance Minister P.Chidanbaram has clarified that SEBI would attempt to moderate foreign fund inflows but not by banning P. N's. This is to allow more transparency in the system. SEBI wants FII's to disclose the identity of its P.N customers because there are indications that black money is being pumped into the Indian economy creating artificial highs in the stock market.

FII's have been given 18 months to discontinue P.N's, so make hay while the sun shines

On October 24, 2007 A number of Sub accounts 20 to be exact registered with with SEBI, caving in to the pressure.

Run with the big daddies

Khaled Bin Mahfouz a Saudi business man known to have links with Osama has been identified by R.A.W for pumping black money into the Indian economy. In 2001 the SEBI did manage to bar a few FII's accused of illegal dealings, so times are getting harder with the new rules.



Sensex falls due to confusion on P.Ns
google

Moser Baer increases price of DVD's for regional movies

NIKHIL K VARGHESE

Bangalore Oct 23—Moser Baer the manufacturer of removable storage data has increased the price of its V.C.D and D.V.D's This is in response to the retailer feed back regarding the shortage of change.

Moser Baer had entered into the film distribution sector more than six months ago, it has garnered 40 per cent market share says Mr Shankar the regional sales manager, Bangalore.

Mr Dhananjain, Chief Operating Officer, said that though they have increased prices the effect on the market would be negligible.

The market requires quality that is why we are able to combat piracy he said.

Moser Baer aims for a 60 per cent market capitalisation

Moser Baer cd's are priced at 30 and 36 for V.C.D's and D.V.D's respectively.

Arvind mills to increase capital

OUR BUREAU

Bangalore, Oct 25—Arvind Mills has informed the Bombay Stock Exchange of its intention to raise Authorised capital from 320 crores to 450 crores. Authority to the Board of Directors / Committee thereof to issue / allot 5,06,00,000 Warrants Convertible into 5,06,00,000 Equity Shares at a price not less than Rs 52/? per share on Preferential Allotment Basis to the promoters.