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Editorial

This is the first issue of the new volume. You are aware that Artha will now be a bi-monthly number. The first issue under the new format will also have a section on Corporate Finance. I am pleased to inform you that the Finance discipline in IIM Calcutta has been ranked as number one in the Financial Times Ranking of Masters in Management Programme 2013. The ranking is done on seventy global business schools that offer such programmes.

The first article in this volume looks at the Indian cement industry and the recent UltraTech cement's acquisition of Jaypee Group's cement unit in Gujarat. The article finds that although the Competition Commission should think before approving any more acquisitions in this industry, the capital market response is positive. The second article highlights on the Indian rupee which has been on a depreciating trajectory. The author finds out that the external sector vulnerability of the Indian economy is going to deteriorate in the near future. This is going to affect the banking sector adversely both via the generalized confidence channel as well as formation of non-performing loans. The third article looked at creating an indexed rate taking into account Call, Repo and CBLO rather than picking up only one rate. The liquidity was estimated as ratio of daily Liquidity Adjustment Facility (LAF) and Net Demand and Time Liabilities (NDTL). The relationship between indexed rate and liquidity was tested and found to be rational. The article also found rational relationship between the spread and ratio of LAF and NDTL along with money market transaction volume.

I hope you'll enjoy reading the newsletter. Please offer suggestions for further improvement to ashok@iimcal.ac.in

Ashok Banerjee

Cement Industry in India: Sign of Consolidation

Ashok Banerjee

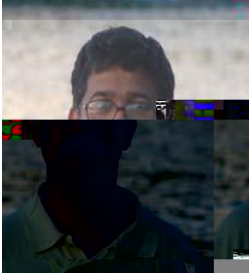
Scathed by the Exchange Rate Volatility and Deteriorating Asset Quality: Resilience versus Fragility of the Indian Banking Sector

Partha Ray

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Money Market Dynamics

Golaka C Nath



Introduction

Short Term Markets in India

Short Term Market Dynamics

LAF Activity:

LAF/NDTL Ratio

	Shortage of Liquidity (RBI net support)	Excess Liquidity (Banks net deposit with RBI)	LAF >1% of NDTL (Excess Liquidity)	LAF >-1% of NDTL (Shortage of Liquidity)

Market Composition

Annexure - II

=0.0684-1.1536*LAF/NDTL	
Regression Statistics	
Multiple R	0.42517
R Square	