

NEWS ALERT

RECESSION SHAPES BIYANI'S BIZ PLAN

Kishore Biyani's Future Group has not only learnt the recession lessons but has also decided to implement them for shaping business strategy. India's largest retailer has decided to rejig its operations to just six large formats — Pantaloons, Big Bazaar, Food Bazaar, Central, Home Town and eZone.

The Future Group has also merged operations of more than its dozen-odd smaller formats such as Depot, Lee Cooper, Fashion @ Big Bazaar, Blue Sky, Dori, Ethnicity, aLL, Celio, Staples and Navras. It has decided that going forward, it will expand these ventures primarily through the shop-in-shop route and not stand alone stores. This will also be the case for forthcoming specialized formats.

BANKS SET TO GET ANOTHER RECAP LIFELINE

The government will provide Rs.5000 crore to public sector banks to beef up their capital, allowing these banks, that control three-quarters of the country's banking assets, to expand their lending.

The infusion will be in addition to Rs.16000 crore provided by the World Bank to recapitalize public sector banks (PSBs), a finance ministry official said

The funds infused will form tier-1 capital of these banks. The exact mechanism of the contribution — through preference shares or plain equity shares via rights issue — would depend on the equity structures of the banks, said the official. Tier-1 capital is core capital and includes equity and disclosed reserves.

As per Basel II norms — international guidelines on banking prepared by the Basel Committee on Banking Supervision — require the capital adequacy ratio (CAR) of banks at a minimum of 9%. In India it is at 12%.

CAR is the summary measure of the amount of capital necessary to cover unexpected losses. The higher the amount, the better it is.

With this infusion, banks will have CAR for the next four years, by when the finance ministry is expecting the amalgamation of weaker banks into stronger banks to be complete. The broad guidelines on consolidation are aimed at strengthening PSBs.



CREDIT RATING SYSTEM CAN HELP IN FASTER DISBURSAL OF CREDIT TO SMEs

The inability to access timely and adequate finance — a major bottleneck in SME development — is what gave rise to a path-breaking measure in the form of credit rating schemes. Launched simultaneously in 2005, CRISIL and SMERA are the two prominent credit rating agencies for SMEs in India. Since their inception, both CRISIL and SMERA have worked with the primary objective to provide ratings that are comprehensive, transparent and reliable and would facilitate greater and easier flow of credit from the banking sector to SMEs.