Indbankonline

MARKETS FOR YOU

Private Circulation only | August 2015 | Issue - 99

From the President's Desk

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President & Whole time Director
Indbank Merchant Banking Services Ltd

It is said that, Capital market is like a voting machine (voting outcome is generally unidirectional) in the short run but like a weighing machine (fundamentally strong only stays) in the long run. Stock market movements, primarily in the short run, are basically driven by expectations. Significant events, both domestic and overseas, fuel such expectations.

During the month of July 2015, there has been substantial volatility in Indian stock markets. The reasons attributable to domestic concerns include less than normal expected monsoon, absence of clarity/finality in Govt's treatment of tax on long term capital gains earned by FII/FPI in Indian capital markets, apprehensions of enquiry into beneficial ownership in P-notes, less than expected earnings by India Inc in the first quarter of FY 2015-16 etc. Overseas concerns boarded on the contagion effects of capital markets in the developed world due to the Greek crisis in Euro zone, sudden appearance of fault-lines in Chinese financial system etc.

Greek was on boil due to its possible default in repaying its external borrowings which at Euro 323 bn is 175% of its GDP which is unsustainable for a country of Greek's size. Greek government's tenuous nod to comply with the economic conditionalities of its lenders in return for an extended bailout plan was being anxiously watched world over because of its far reaching direct/indirect effects.

Indices in Shanghai Stock Exchange witnessed a huge turmoil in July 2015. The explanation behind such a sudden crash lies in its sudden rise. Shanghai composite index shot up by 150% between June 2014 and June 2015 where as New York Stock Exchange grew only by 1.2% in the same period. The sudden growth in the value of stocks was primarily due to the increasing practice of margin lending, which allows people to borrow money to invest in the stock market. When the stock market crashes, investors are unable to pay back their loans and the economy faces a crisis.

However as July 2015 comes to an end, there have been positive signals from across US, UK, Eurozone and Japanese economies. These have reflected in the upward trend in the Indian stock market. China's official policy response has been heavy-handed to the turmoil in their highly-leveraged financial markets. Any relocation of overseas capital from Shanghai to Mumbai due to the stress on the Chinese financial system, will be to India's advantage.

In the domestic front too, there have been encouraging signals. Monsoon is not far below the long term average. Government is also taking many measures to improve the climate of investment in India. The recent policy to permit 49% Foreign Portfolio Investment (FPI) is a case in point which will positively impact investment in brown field pharma, single brand retail, insurance and pension sector etc. SEBI's continuing investor friendly regulatory measures have been making equity investments attractive and secure. The decisions of Employees' Provident Fund Organizations (EPFO), the largest pension fund in India, to invest 5% of its funds in the capital market validates confidence in the share market. Let us exudes confidence.

However, it is very important for a retail investor to know the fundamentals of the invested companies rather than investing based on the short play of the stock on the exchanges and never wanting to miss the current surge in the price of a stock. Let hope, fear and greed not drive your investment decisions. If one is a novice in this field, it is better to entrust the job of investing to professionals like mutual funds, wealth managers etc. with clear understanding of their terms.

-Happy Investing

Banabihari Panda
President and Whole Time Director
Indbank Merchant Banking Services Ltd

Indbank
Merchant Banking Services Ltd
(A Subsidiary of Indian Bank)

Our Website : www.indbankonline.com

Markets for You

Important Happenings

- Seven foreign investment proposals worth Rs 981.15 crore have been cleared by the Finance Ministry, GOI, following recommendations for the same by the Foreign Investment Promotion Board (FIPB). The Ministry said the proposal, related to telecom and broadcasting sector, entails investment worth Rs 963 crore including that of Hathway Cable and Datacom. Cyprus-based Lalea Trading, related to real estate, has been granted permission for repatriation of investment. The clearance will lead to FDI outflow of about Rs 23.27 crore.
- India Inc raised about $3.16 billion in overseas borrowing in June, showing a rise of 67 per cent over the year-ago month as per the report of RBI. Of the total borrowings during June 2015, $2.35 billion was raised through approval route, while $806.48 million came through automatic route. In the approval route category, Bharti Airtel and Power Finance Corp raised $1 billion each for telecommunications business and on-lending, respectively.
- Draft Indian Financial Code have been made public for comments, only after receiving the comments government will take a view on its implementation. The draft had proposed taking away Reserve Bank chief's authority to veto the interest rate decision of the central bank's monetary policy committee which will have four representatives of the government and three from the central bank, including the 'RBI Chairperson.
- Special investigations team appointed by the Supreme Court in May 2015 has recommended in its report that regulators need to provide greater oversight of money laundering in stocks as well as "black money" being repatriated to the country through investments in equity derivative products. The panel also recommended SEBI examine whether P-Notes should be allowed to be transferred, saying it made it harder to trace "the true beneficial owner" of these derivative products and also recommended to investigate cases where shares of penny-stock companies are used in pump-and-dump schemes to launder money and evade taxes.
- Rajya Sabha adopted a motion to withdraw a bill on which an ordinance was issued last month to enable lakhs of persons file cheque-bounce cases in the place where the cheque was presented for payment and not the place of issue. Finance minister Arun Jaitley moved the motion for withdrawal of the Negotiable Instruments (Amendment) Bill, 2015 for further amending it.
- The Union Cabinet approved amendments to the GST bill to compensate states for revenue loss for five years on introduction of the uniform nationwide indirect tax regime, as has been suggested by Rajya Sabha Select Committee. The GST Constitution Amendment Bill would now be taken up for discussion in the Rajya Sabha. The government proposes to roll out the new indirect tax regime on April 1, 2016.
- The Union Cabinet in July 2015 approved creation of a Rs 20,000-crore National Investment and Infrastructure Fund (NIIF), a sort of sovereign fund, for development of infrastructure projects, including the stalled ones. The initial authorized capital of NIIF would be Rs 20,000 crore, which will be raised from time to as decided by the Finance Minister. The government would contribute 49 per cent of the subscribed capital of NIIF.

Snap Shots

Inflation (%) (WPI)	-2.40% (Jun 2015)	-2.36% (May 2015)	-2.65% (Apr 2015)	-2.33% (Mar 2015)	-2.06% (Feb 2014)
Inflation (%) (CPI)	5.40% (Jun 2015	5.01% (May 2015	4.87% (Apr 2015	5.17% (Mar 2015	5.37% (Feb 2014
Particulars	**3rd Jul 2015**	**10th Jul 2015**	**7thJul 2015**	**24th Jul 2015**	**31st July 2015**
91-Day Cut-off (%)	7.5602	7.5186	7.5186	7.4769	7.4769
10-yr G-Sec yield (%)	7.9346	7.9374	7.9923	7.9589	7.9391
USD/INR(Rs)	63.3963	63.3793	63.4928	63.8916	64.0054
USD 6m LIBOR	0.45	0.4499	0.4557	0.4700	0.4799
10 Y US Treasury	2.38	2.40	2.35	2.26	2.18
USD/Euro Spot	0.9031	0.9047	0.9165	0.9119	0.9129

Global Indices

Indices	Country	Index as on 26th Jun 2015	Index as on 31st Jul 2015	Variation (%) (Inc/ Dec)
NASDAQ	United States	5080.51	5,128.79	0.95%
DJIA	United States	17946.68	17,745.98	-1.12%
S&P 500	United States	2101.61	2,103.84	0.11%
Hang Seng	Hong Kong	26663.87	24,636.28	-7.60%
Nikkei 225	Japan	20706.15	20,585.24	-0.58%
Shanghai Composite	China	4192.87	3,663.73	-12.62%
Straits Times	Singapore	3320.9	3,202.50	-3.57%
FTSE 100	United Kingdom	6731.1	6,696.28	-0.52%
CAC 40	France	5059.17	5,082.61	0.46%
DAX	Germany	11492.43	11,308.99	-1.60%
SENSEX	India	27811.84	28,114.56	1.09%
NIFTY	India	8381.1	8,532.85	1.81%

Institutional Investments

Category	Debt / Equity	Gross Purchases (Rs Crores)	Gross Sales (Rs Crores)	Net Investment (Rs Crores)
FII Investments	Equity	89680.51	84564.44	5116.07
(in July up to 30.07.2015)	Debt	12703.78	12458.26	245.52
Mutual Fund	Equity	17845.70	14433.60	3412.10
(in July up to 28.07.2015)	Debt	88539.50	60052.60	28486.90
FII Derivative Trades (in Jun upto 30.07.15) **(Rs Crores)**	**INDEX FUTURES**	**INDEX OPTIONS**	**STOCK FUTURES**	**STOCK OPTIONS**
-Buy	50564.63	311108.85	99836.44	38648.50
-Sell	50007.63	301439.28	104642.81	39222.24

Editorial Team

Banabihari Panda
President and Whole-time Director

Sujay K S
Head-Merchant Banking

IPO and NFO Review

IPO NEWS

- The Rs 550-crore Initial Public Offer of Syngene International Ltd, a research arm of Biocon, was subscribed 32 times on the final day of the offer on 29.07.2015 led by heavy demand from high net worth investors and institutions. This is the second-highest subscription to an IPO so far in 2015 after VRL Logistics which was subscribed 74 times. While the qualified institutional buyers' category was subscribed 51.5 times, non-institutional investors' portion, which includes HNIs, saw 90 times subscription. The shares set aside for retail investors was subscribed by nearly 5 times. The IPO was priced at a band of Rs 240-250.
- Healthcare Global Enterprises, which specialises in cancer treatment, has filed an offer document with the capital market regulator SEBI in July 2015. The Initial Public Offer has share sale by existing equity holders, as well as fund-raising by the company. The issue is for sale of 31.09 million shares or 36.83 per cent of all post-issue equity. There is an Offer for Sale of 11.6 mn shares and a fresh issue of another 19.49 mn. The issue size would depend on the final price at which the company decides to sell the shares.
- Pune based real estate developer Paranjape Schemes (Construction) Ltd is looking to raise up to Rs.600 crore through an Initial Public Offer (IPO). Company has filed the DRHP on 09.07.2015 with SEBI for its observation. The IPO will be an entirely fresh sale of shares and the firm intends to utilize the funds to invest in its upcoming projects and for debt repayment. It would become the first pure realty company to do so in five years when Oberoi Realty, Prestige Estates and Nitesh Estates went public. Last year city development and management firm Lavasa Corp had filed for $125 million IPO. Although Lavasa has got approval from the market regulator last November, it is yet to float its issue.
- Bharat Wire Ropes has filed draft papers with SEBI on 21.07.2015 to float an Initial Public Offer. According to Draft Red Herring Prospectus (DRHP) filed with SEBI, Bharat Wire Ropes aims to raise Rs 70 crore through the issue. The proceed of the issue would be utilized for setting up a manufacturing plant at Chalisgaon, Maharashtra and for general corporate purposes.

Forth Coming Corporate Actions

Company	Symbol	Purpose	Div %age	Ex-Date
IndusInd Bank Limited	INDUSINDBK	Final Div	40	07.08.2015
LIC Housing Finance	LICHSGFIN	Final Div	40	07.08.2015
Bharti Airtel Limited	BHARTIARTL	Final Div	44	13.08.2015
Gujarat Industries Power Com Ltd	GIPCL	Final Div	25	14.08.2015
Engineers India Limited	ENGINERSIN	Final Div	40	14.08.2015
City Union Bank Limited	CUB	Final Div	110	14.08.2015
UltraTech Cement Limited	ULTRACEMCO	Final Div	90	14.08.2015
Thomas Cook (India) Limited	THOMASCOOK	Final Div	50	17.08.2015
Kirloskar Industries Limited	KIRLOSIND	Final Div	200	19.08.2015
Bosch Ltd.	BOSCHLTD	Final Div	30	25.08.2015
MphasiS Limited	MPHASIS	Final Div	160	25.08.2015
Maruti Suzuki India Limited	MARUTI	Final Div	500	26.08.2015

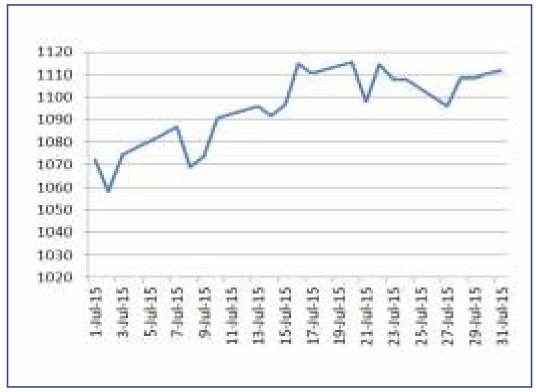
NEW FUND OFFERS					
Fund Name	Open Date	Close Date	Min Inv Amount	Category	Type
Axis Equity Saver Fund	27.07.2015	10.08.2015	5000	Equity - Growth	Open Ended
ICICI Prudential Capital Protection Oriented Fund - Series VIII - 1101 Days Plan G	25.07.2015	08.08.2015	5000	Debt - Income	Close Ended
SBI DUAL ADVANTAGE FUND - SERIES X	29.07.2015	12.08.2015	5000	Fixed income Sec - Income	Close Ended
SUNDARAM FIXED TERM PLAN GZ	24.07.2015	06.08.2015	5000	Debt - Income	Close Ended
ICICI Pru India Recovery Fund - Series 1	9/3/2015	23-09-15	5000	Equity	Close - Ended

HDFC Bank Ltd

HDFC Bank Ltd. is India's largest private sector lender engaged in providing a range of banking and financial services. The bank operates in four segments: treasury, retail banking, wholesale banking and other banking business. The bank is having a capital adequacy of 16.8% (tier-1 capital: 13.7%) by the end of FY15. As on 31st March, 2015, the bank has customer base of ~3.2 crore with a nationwide network of 4,014 branches and 11,766 ATM's in 2,464 towns and cities across India.

On standalone basis, HDFC Bank earned an interest income of `48,470 crore on its lending in FY15, which is 18% higher from a year ago. Meanwhile, the bank paid 15% higher interest, worth `26,074 crore on its deposits during FY15. As a result, the net interest income (NII) recorded a growth 21.2% YoY at `22,396 crore. Robust traction in NII growth came on account of healthy loan growth and better retail mix (healthy growth in auto loans, personal loans, loan against shares and credit cards). Non-interest income of the bank, which contributes ~29-30% of net total income also grew 14% to `8,996 crore in FY15, aided by healthy fee income growth and robust trading gains.

1 Month closing price 01.07.2015 to 31.07.2015



NSE Code: HDFCBANK
BSE Code: 500180

CMP*: 1111.65 as on 31/07/2015
Mkt Cap*: 218680.17 Cr. as on 31/07/2015

Face Value: Rs.2.00
52W High : Rs. 1128 (21/07/2015)
52W Low : Rs. 791.40 (11/08/2014)

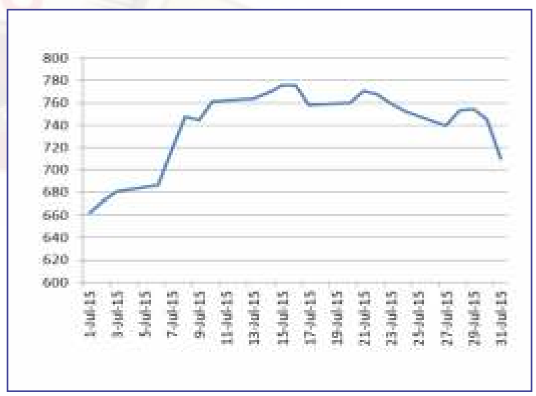
As on 31.03.2015
- EPS: 40.80
- PE (x): 26.60
- Book Value Per Share: Rs. 247.40

Alembic Pharmaceuticals Ltd.

Alembic Pharmaceuticals Ltd is an India-based pharmaceutical company which came into existence in 1907. Being an integrated company, it has the ability to develop, manufacture and market pharmaceutical products. It operates in four major segments that include Active Pharmaceutical Ingredients (APIs), Bulk Pharma Chemicals, Formulations and Contract Manufacturing. It earns ~40% of its revenues from exports.

Accelerated product launches, enhanced capacities, global regulatory approvals and increased product delivery have triggered 10.4% YoY increase in its consolidated revenue in FY15 to `2,056.1 Crore. Besides, the company has reported 12.6% YoY rise in EBITDA to `403 Crore in FY15 due to initiatives taken by the company to optimise costs. The EBITDA margin stood at 19.6% increased by ~40 bps over the previous year. In line with EBITDA growth coupled with considerable fall in interest cost by 81.9% in FY15, the net profit of the company grew by 20.1% to `282.9 Crore. As a result, the net profit margin of the company during the year rose to 13.8% from 12.6% a year earlier.

1 Month closing price 01.07.2015 to 31.07.2015



CMP*: 715.80 as on 31/07/2015
Mkt Cap*: 3463.68 Cr. as on 31/07/2015

CMP* : 1301.45 as on 30/06/2015
Mkt Cap* : 6332.59 as on 30/06/2015

Face Value: Rs.2.00
52W High : Rs. 791.90 (15/07/2015)
52W Low : Rs. 330.70 (01/08/2014)

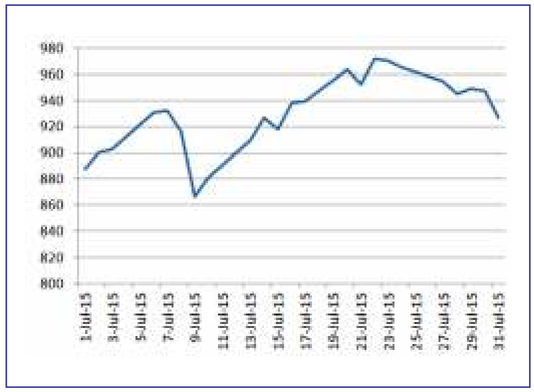
As on 31.03.2015
- EPS: 15.00
- PE (x): 50.70
- Book Value Per Share: Rs. 46.90

Bharat Petroleum Corporation Ltd.

Bharat Petroleum Corporation Limited (BPCL) is an Indian state-controlled oil and gas company headquartered in Mumbai, Maharashtra. It has business interests primarily in refining and marketing of crude oil. The refining and marketing segment contributes ~99% of the total revenue. Its products include LPG, diesel, petrol, bharat metal cutting gas, kerosene, aviation fuel, bitumen, naphtha, auto lubes, lubricants, grease and oil. Its secondary segment constitutes Exploration and Production (E&P) activities. As of June 2015, the company has participating interests in 17 exploration blocks; in consortium with other companies.

Net revenue for the company stood at Rs. 242,598.5 Crore in FY15, showing a decline of 8.3% as compared to the last year due to subsidy sharing burden. Despite the fall in revenue, EBITDA showed a moderate increase of 4.3% during the year and reached at Rs. 9,777.6 Crore primarily due to decline in the operating expenses of the company. Net profit was reported at Rs. 4,806.6 Crore in FY15 showing a growth of 22.9% YoY mainly driven by strong GRMs, lower working capital costs leading to fall in the interest cost by 40.4% and net under recovery benefits due to declining crude prices and increase in other income by 52.9%.

1 Month closing price 01.07.2015 to 31.07.2015



NSE Code: BPCL
BSE Code: 500547

CMP*: 933 as on 31/07/2015
Mkt Cap*: 23949.69 Cr. as on 31/07/2015

Face Value: Rs.10.00
52W High : Rs. 987.50 (23/07/2015)
52W Low : Rs. 560.50 (08/08/2014)

As on 31.03.2015

- EPS: 66.50
- PE (x): 14.10
- Book Value Per Share: Rs. 311.80

Merck Ltd

Incorporated in 1967, Merck Ltd. (Merck) is the first Asian subsidiary of the US-based drug manufacturer Merck. It is engaged in the productionof innovative and quality products in healthcare, life science and performance materials. The Company operates through two broader segments in India viz; pharmaceuticals and chemicals businesses. The company offers effect pigments for paint, plastics, printing and coatings industries as well as for cosmetic applications and various active ingredients used in skin care and personal care products. It also deals in functional and pearl luster effect pigments. Its key products include tablets & capsules, reagents, syrups/ointments, injections and bulk drugs with major revenue (~38%) coming from tablets & capsules.

1 Month closing price 01.07.2015 to 31.07.2015

NSE Code: BPCL
BSE Code: 500547

CMP*: 819 as on 31/07/2015
Mkt Cap*: 655.45 Cr. as on 31/07/2015

Face Value: Rs.10.00
52W High : Rs. 1009.00 (08/04/2015)
52W Low : Rs. 700.00 (30/07/2014)

** CMP and Mkt cap as on 31.07.2015 on NSE*

Mutual Fund Corner

Scheme for the Month:
Canara Robeco Emerging Equities Fund – Regular Plan

LEVEL OF RISK: **BROWN (High)**
FUND MANAGER: **Krishna Sanghvi and Ravi Gopalakrishnan**
Objective of the Scheme: The scheme seeks to generate long term capital appreciation by primarily investing in diversified mid cap stocks that have a potential to emerge as the bigger corporates with higher performance. For the Purpose of this fund, mid & small companies are defined as those which are ranked from 151 to 500 on the basis of market capitalisation.

Investment Details	
Minimum Investment Amount (Rs)	5000
Additional Investment (Rs)	1000
SIP(Rs)	1000
Minimum Cheque	6
Options	Growth & Dividend
Expense Ratio (%)	2.93% (as on May 31, 2015)
Exit Load (%)	1% for redemption within 540 days

Trailing Returns

As on 31st Jun 2015	Fund Return	S&P BSE Healthcare	Category Return
Year to Date	15.11	9.10	10.78
3-Month	13.06	8.19	8.58
1-Year	46.37	24.18	35.72
3-Year	40.61	24.18	33.23
5-Year	23.55	10.27	17.57
10-Year	19.73	14.93	17.89
Return Since Launch 19.57%			

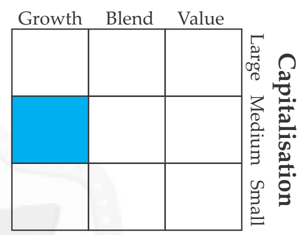
Note : Return up to 1 year are absolute and over 1 year are annualized.

Asset Allocation	
As on 30/06/2015	**% Net Assets**
Equity	96.16
Debt	3.73
Cash & Cash Equivalent	0.11

Current Statistics & Profile	
Latest NAV	Rs. 64.08 as on 31/07/2015
Fund Category	Equity: Mid & Small Cap
Type	Open Ended
Launch Date	11/03/2005
Net Assets (Cr)	Rs.548 crores as on 31/06/2015
Benchmark	CNX Midcap

Fund Style

Investment Style



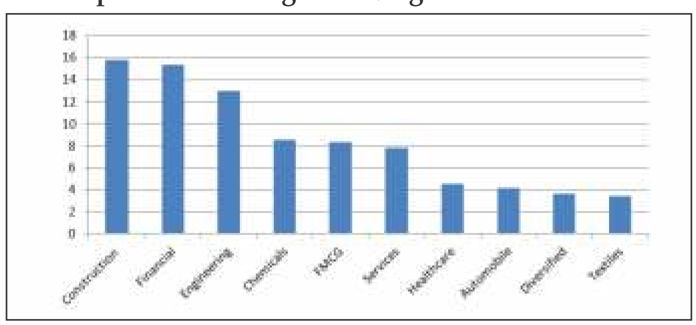
Concentration & Valuation

No. of Stocks	64
Top 10 Stocks (%)	24.23
Top 5 Stocks (%)	13.69
Top 3 Sectors (%)	44.07
Portfolio P/B Ratio	2.99
Portfolio P/E Ratio	26.19

***PORTFOLIO** – Top 10 Holdings as on 31/05/2015*

Sl. No.	Name of Holding	Instrument	% Net Assets
1)	Yes Bank	Financial	3.12
2)	Indusind Bank	Financial	3.10
3)	Britannia Inds	FMCG	2.61
4)	Federal Bank	Financial	2.47
5)	Tata Communications	Communication	2.39
6)	Whirlpool	Cons Durable	2.28
7)	Ricoh India	Engineering	2.23
8)	Wabco India	Automobile	2.04
9)	Solar Industries	Chemicals	2.01
10)	Texmaco Rail & Engineering	Engineering	1.98

Top 10 Sector Weights in %age as on 30.06.2015



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Greek Crisis – An overview

1. The Euro and Greece

The Mastrich Treaty's Stability and Growth Pact (SGP) set the criteria that European nations had to meet to be in the Eurozone. It prescribed limits on inflation, fiscal deficit, Public Debt to GDP and interest rate on 10-year Govt Security. Based on the SGP conditions, 11 countries were initially admitted to Eurozone in 1999. Greece was desperate to enter Eurozone. It fudged its macro -economic data to make the SGP cut and qualified as the 12th Eurozone country in January 2001.

2. The Build-up

The introduction of the euro as a common currency reduced trade costs among the Eurozone countries, increasing overall trade volume. During 2001-2007, with huge inflow of money and foreign debt into its infrastructure, real estate and tourism sector, Greeks never had it so good. With such huge fund inflows Greek government indulged in fiscal profligacy by way of increase in subsidies, paying higher salaries and pensions, creating large public sector employment etc. Greece had enacted many entitlements like health care, education, unemployment benefits, housing etc. It assures pension to every Greek citizen including private or self-employed persons at the age of 57. Ridiculously, Greek pastry chiefs, radio anchors, hair dressers and masseurs in steam baths are among more than 600 professions allowed to retire at 50 years of age with a state pension of 95% of their last working year's earning on account of “arduous & perilous nature of their work”. With so much public welfare and luxurious living, the fertility rate among Greek women has come down to 1.41 (much below the rate of 2 children per women which is considered the rate of replacement). Not enough nephews are now working in Greece to help generate revenue for the Govt to take care of the welfare of their so many uncles.

As the Great Recession that began in the U.S. in 2007–2009 spread to Europe, the flow of funds from the European core countries to the periphery began to dry up. Over years labour costs also increased more in peripheral Eurozone countries such as Greece relative to core countries such as Germany, making Greek exports less competitive. As a result, Greece saw its current account (trade) deficit rise significantly. Both the Greek trade deficit and budget deficit rose from below 5% of GDP in 1999 to peak around 15% of GDP in the 2008–2009 periods. Reports in 2009 of Greece's fiscal mismanagement and admission of under reporting of earlier years' macro-economic data precipitated borrowing costs. Greece could no longer borrow at favorable terms to finance its trade and budget deficits.

3. The Bail-outs

In 2009, the EU and the IMF provided €240 billion in emergency funds in return for austerity measures which gave Greece enough money to pay interest on its existing debt and keep banks capitalized and barely running. Unfortunately, the measures further slowed the Greek economy, reducing the tax revenues needed to repay the debt. Unemployment rose to 25%, riots erupted in the streets, and the political system was in an upheaval as voters turned to anyone who promised a painless way out. In 2011, the European Financial Stability Facility (EFSF), another lending facility funded by EU countries, added €190 billion to the bailout.

By 2010, Greece's debt-to-GDP rose to 146%. Credit rating agencies responded by downgrading the Greek government debt to junk bond status (below investment grade), as they found indicators of a growing risk of a sovereign default, and the government bond yields responded by rising into unsustainable territory – making the private capital lending market inaccessible as a funding source for Greece.

In May 2010, the European Commission, European Central Bank (ECB) and International Monetary Fund (IMF), later nicknamed the Troika, responded by launching a €110 billion bailout loan to rescue Greece from sovereign default and cover its financial needs throughout May 2010 until June 2013, conditional on implementation of austerity measures, structural reforms, and privatization of government assets. A year later, a worsened recession along with a delayed implementation by the Greek government of the agreed conditions in the bailout programme revealed the need for Greece to receive a second bailout worth €130 billion (including a bank recapitalization package worth €48bn), while all private creditors holding Greek government bonds were required at the same time to sign a deal accepting extended maturities, lower interest rates, and a 53.5% face value loss.

The second bailout programme was finally ratified by all parties in February 2012, and by effect extended the first programme, meaning a total of €240 billion was to be transferred at regular tranches throughout the period of May 2010 to December 2014. Due to a worsened recession and continued delay of implementation of the conditions in the bailout programme, in December 2012 the Troika agreed to provide Greece with a last round of significant debt relief measures, while the IMF extended its support with an extra €8.2bn of loans to be transferred during the period of January 2015 to March 2016.

By 2012, Greece's debt-to-GDP ratio had risen to 175%, nearly three times the EU's limit of 60%. Bondholders finally agreed to a haircut, exchanging $77 billion in bonds for debt worth 75% less. Now Greece's government has an unsustainable debts of €323bn (€40 bn hold by private bankers, another €40 bn by IMF and ECB and the balance € 243 bn by Eurozone countries held by Germany and France).

After a premature snap parliamentary election called by the Greek parliament in December 2014,the Syriza-led government refusing to respect the terms of its current bailout agreement and the rising political uncertainty of what would follow, caused the Troika to suspend all scheduled remaining aid to Greece under its current programme. This rift caused a renewed and increasingly growing liquidity crisis (both for the Greek government and Greek financial system), resulting in plummeting stock prices at the Athens Stock Exchange, while interest rates for the Greek government at the private lending market spiked, making it once again inaccessible as an alternative funding source. Strenuous negotiations between Greek government and the Troika eased the crisis temporarily even though in the preceding political referendum on 05th July 2015 the Greeks voted “NO” to further austerity measures.

4. A Historical Observation

How can the country of Archimedes and Socrates, Plato and Pythagoras have come to such a dire strait? Why the Greeks are unable to tackle the crisis by minimal solutions of cut in government's unproductive expenses, sale off of loss-making public sector enterprises, devaluation of currency, other economic reforms etc., which other countries faced with similar circumstances have done? The Chinese under Deng Xiaoping in 1970s, England under Margaret Thatcher in 1980s and India in 1990s have handled such crisis successfully. Of course, by adopting Euro, the Greek has forfeited the weapon of devaluation of its currency. But Historians opine that, the Greek defiance to accept economic realities springs from the Greek psyche of glorious resistance against overwhelming odds.

5. Solutions

i. Grexit

Nobel prize-winning economist Paul Krugman suggests that the Greek economy can recover from the severe recession by exiting the Eurozone (often called "Grexit" in the media) and launching a new national currency, the drachma. The devaluation of the currency may help Greece boost its exports and pay down its debts with cheaper currency. However, the political and economic consequences of "Grexit" could be global and severe.

ii. Negotiate another bailout

Greece could also agree to additional bailout funds and debt relief (i.e., bondholder haircuts or principal reductions) in exchange for further public pension cuts, privatizing certain government owned businesses, selling government-owned assets, raising tax rates, and more aggressively collecting taxes. However, the present austerity strategy has contributed to a Greek Depression, making it even harder to pay back its debts. So it is unclear how further austerity measures would help if not accompanied by very significant reduction in the debt balance owed. The conditions under which Greek can be “saved” are too expensive. Greek will have to bear considerable economic pain. Yet if handled by a capable government, Greek will remain in European Union but with its erstwhile currency “Drachma”, just as the Czech Republic has its “Crowns” and Poland its “Zlotys”.

-Happy Investing