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CHRIST
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chaanakya

Tracking the economy....



CHRIST UNIVERSITY
INSTITUTE OF MANAGEMENT

A Wealth Incorporation Publication

Index



News

- ◆ National3
- ◆ International5

7..... Rates and Graphs



Contemporary Articles

- ◆ Indian Financial Market.....9

10..... Debate
Working Capital



Stock Watch.....11

Investor Check.....14

Commodity Market (Cotton).....15

Scam.....16



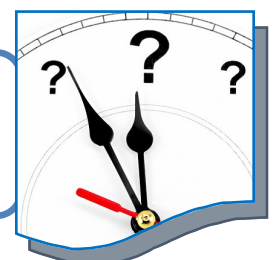
17.....Did You Know

19.....Industrial Analysis



Buzzword.....22

Quiz.....23



Srivishnu Garbham

IMBA I

Cobra Post: Finance Ministry for immediate action against staff

Within hours of online portal Cobrapost alleged money laundering by financial institutions, the Finance Ministry asked PSU banks and LIC to take immediate action against employees appears to be advising customers on ways of violating KYC and other regulatory norms. In response, Takru's communication has been sent to SBI and its associate banks, LIC, PNB, BoB, Canara Bank, BoI, and 17 other banks for inquiry.

Piramal Group buys TPG's entire 9.9 per cent stake in Shriram Transport Finance

Diversified conglomerate Piramal Group has picked up US-based private equity investor TPG's 9.9 per cent stake in Shriram Transport Finance in the open market via block deals. Piramal Group bought 2.28 cr shares of Shriram Transport Finance Company at a price of Rs 723 per share in a block deal. Piramal group will pay ₹1,652 crore to buy the TPG stake.

Repc Home Finance's profit up by 30 per cent

Repc Home Finance has reported a 30.2 per cent rise in its profit after tax at ₹80.02 crore for the year ended March 31, 2013, against ₹61.46 crore in the previous financial year. Total income has risen by 27.31 per cent to ₹405.97 crore from ₹318.89 crore. Home loan portfolio of the company grew 25.03 per cent to ₹3,016.54 crore as on March 31, 2013 as compared to ₹2,412.59 crore

Finance Ministry 'happy' with IIP pick-up, hopes growth will cross 6%

Upbeat over pick-up in industrial growth, Finance Ministry today expressed confidence that with the current trend continuing, the economic growth rate would cross 6 per cent in 2013-14. Showing signs of recovery, the industrial growth has bounced back to 2.5 per cent in March on better performance of manufacturing and power sectors coupled with higher output of capital goods. Industrial production had seen a contraction of 2.8 per cent in March last year.

State finance ministers to solve GST riddle

The Centre and states are likely to clinch a deal on a threshold for the Goods & Services Tax (GST). However, a consensus on a revenue-neutral rate (RNR) under the proposed tax regime is not hopeful. Dual control of the Centre and states, and exemptions and threshold for annual turnover below which GST would not apply are likely to be discussed in the meeting of the empowered committee of state finance ministers. For inter-state movement of goods, the committees have suggested a new model, as the states felt that the model earlier envisaged had certain flaws.

Dewan Housing Finance rises post Q4 earnings

Dewan Housing Finance has rallied 6 per cent to ₹184 after net profit more than doubled to ₹197 crore for the quarter ended March 31, 2013 (Q4) against profit of ₹94 crore in a year ago quarter. Net interest income increased two-fold to ₹394 crore from ₹197 crore during the recently concluded quarter.

Finance Ministry red-flags over 250 dubious bank transactions

The Finance Ministry has red-flagged over 250 suspicious banking transactions, most of them related to Multi Level Marketing (MLM) or ponzi schemes, this year and has alerted agencies concerned and state governments on them. As many as 272 such transactions were sent to the Central Economic Intelligence Bureau (CEIB) by Financial Intelligence Unit (FIU)-India, an agency tasked with analysing and disseminating information relating to dubious financial transactions to enforcement agencies.

IDFC appoints Sandeep Gupta as MD of Corporate Finance division

IDFC Ltd, India's leading infrastructure finance company, announces the appointment of Mr. Sandeep Gupta as the Managing Director of Corporate Finance division of IDFC Capital. Prior to joining IDFC, Sandeep was Director at Credit Suisse in Mumbai where he also played an instrumental role executing the \$650 million Alliance Tire sale from Warburg to KKR, India's 2 nd largest LBO.

Getting deposits at right price will be key for banking: L&T Finance

L&T Finance, considered a strong contender for getting a licence to become a bank, sees developing the deposits portfolio and filling key posts as two founding stones to become a successful lender. The Reserve Bank of India (RBI) is in the process of issuing new banking licences after a gap of a decade. It is expected to allow only a handful of new entrants, from a large number of aspirants.

Will not stall Finance Bills but no support to government hereafter: Sushma Swaraj

An aggressive BJP has said that it will not disrupt the passing of four important Finance Bills, but emphasized that the UPA government can hereafter cease to expect any support from the main opposition party.

No wealth tax on farm land: Finance Minister

Finance Minister P Chidambaram ruled out levying wealth tax on agriculture land and roll back of the duty hike on SUVs but relaxed residency norms for investors from countries like Mauritius for the purpose of tax benefit. In order to attract investment for long-term infrastructure bonds, he said the interest payments on investments in government bonds and corporate debts will attract 5 per cent tax as against 20 per cent.

Finance Ministry appeals India Inc to support infra projects

Highlighting the need for easier exit norms for private sector developers, the finance ministry has called for setting up of facility management companies that can take over the operation and maintenance of completed projects. Such firms can step in from the equity side when the projects have been developed. This would help construction companies that have over stretched order books to focus on other projects.



Sailabala Nayak

IMBA I

China inflation data shows central bank policy dilemma

China's annual consumer inflation accelerated more than expected in April while factory prices fell for a 14th consecutive month, highlighting the dilemma facing the central bank as it balances support for the economy against the threat of rising prices. With global growth sputtering, China's central bank has limited room to move, unlike counterparts in South Korea and Australia which both made surprise rate cuts this week. Any easing could fuel property market risks, while tightening would hurt a nascent recovery after economic growth unexpectedly slowed to 7.7 per cent in the first quarter from 7.9 per cent in the previous three months.

ECB Cuts Interest Rates to Record Low as Recession Lingers

The European Central Bank cut its key interest rate to a record low as the 17-nation euro region struggles to emerge from recession. Policy makers meeting in Bratislava on 2nd May'13 lowered the main refinancing rate to 0.5 percent from 0.75 percent, a move predicted by 45 of 70 economists in a Bloomberg News survey. The ECB kept the deposit rate at zero and reduced the marginal lending rate to 1 percent from 1.5 percent to preserve a symmetrical rate corridor.

China trade data beats expectations, scepticism remains

China's exports and imports grew more than expected in April, offering the possibility of a better outlook for the world's second-largest economy, but the figures failed to put an end to scepticism that financial manoeuvring by exporters and speculative capital inflows are masking weakness in real demand. China's exports rose 14.7 per cent in April, while imports grew 16.8 percent, leaving the country with a trade surplus of \$18.16 billion for the month, the Customs Administration said on 8th May'13. That compared with market expectations for a 10.3 percent rise in exports, a 13.9 per cent increase in imports and a trade surplus of \$15.1 billion. From a month earlier, exports edged up 2.7 percent while imports fell 7.7 per cent.

Euro-Area Manufacturing Contracted for 21st Month in April

Euro-area manufacturing output contracted for a 21st straight month in April, adding to pressure on the European Central Bank to cut interest rates to spur lending and growth. A gauge of manufacturing in the 17-nation euro area declined to 46.7 last month from 46.8 in March, London-based Markit Economics said on 2nd May'13. That's above an initial estimate of 46.5 on April 23. A reading below 50 indicates contraction. With the euro-area economy mired in a recession, the ECB's Governing Council will cut its benchmark rate on 2nd May'13 to a record low 0.5 per cent from 0.75 per cent, according to the median of 70 economists' estimates in a Bloomberg News survey. The Frankfurt-based central bank sees the economy shrinking 0.5 per cent in 2013.

UBS shrugs off break up call, with shareholder support

UBS won broad shareholder backing for its strategy and pay policies on 2nd May'13, dealing a blow to a surprise call from activist investor Knight Vinke Asset Management for the Swiss bank to hive off its investment bank. Knight Vinke's intervention, in an open letter to UBS management, staff and investors, was not taken up by other shareholders during hours of questioning at the bank's annual general meeting (AGM) on the outskirts of Zurich. UBS said forecast-beating first-quarter earnings earlier this week showed its pared-back investment bank complemented its prized wealth management arm, and contradicted Knight Vinke's view that the two could hold each other back.

Hiring Probably Rose, Manufacturing Cooled: U.S. Economy Preview

Employers probably hired more workers in April than in the prior month and the jobless rate held at a four year low, showing the early stages of government budget cuts failed to destabilize the U.S. labour market, economists said before reports this week. Payrolls increased by 150,000 workers after an 88,000 gain in March, according to the median forecast from 70 economists surveyed by Bloomberg before a May 3 Labour Department report. The unemployment rate may have stayed at 7.6 percent, matching March's reading as the lowest since December 2008. Other figures may show manufacturing cooled as companies reined in stockpiling on concern demand will deteriorate.

ANA to Resume 787 Scheduled Service on June 1, CEO Ito Says

ANA Holdings Inc. (9202), the biggest operator of Boeing Co. (BA) 787s, aims to resume scheduled flights of the jet on June 1, Chief Executive Officer Shinichiro Ito said 27th April'13 in Tokyo. Ito, who flew on the airline's initial test flight 27th April'13 with Boeing Commercial Airplanes President Ray Conner after completion of a fix to the battery system, said Tokyo-based ANA won't change plans for introducing the Dreamliner to its fleet. The airline expects to receive 10 more planes in the year to March and will assign the next delivery to expanding domestic routes, he told reporters after the flight.

U.S. Q1 growth quickens, but misses forecasts

U.S. economic growth regained speed in the first quarter, but not as much as expected, which could heighten fears the already weakening economy could struggle to cope with deep government spending cuts and higher taxes. Gross domestic product expanded at 2.5 per cent annual rate, the Commerce Department said 26th April'13, after growth nearly stalled at 0.4 per cent in the fourth quarter. The increase, however, missed economists' expectations for a 3 per cent growth pace.

Nomura Profit Triples to Seven-Year High on Investment Banking

Nomura Holdings Inc. (8604)'s quarterly profit more than tripled to the highest in seven years, beating analysts' estimates as investment banking fees and brokerage commissions surged. Net income rose to 82.4 billion yen (\$835 million) for the three months ended March 31 from 22.1 billion a year earlier, Japan's biggest brokerage said 25th April'13. The result exceeded the 56 billion yen average estimate of nine analysts. Stock trading volume has boosted brokerage fee income and investment banking is picking up, with Japanese stock offerings tripling to 1.7 trillion yen so far this year.

Mittal slips to 4th on UK rich list 2013

Steel tycoon Lakshmi Mittal's wealth has plummeted but the Hinduja brothers have become the richest Asians in the UK, while Lord Swraj Paul, Chairman of the Caparo Group has emerged as the wealthiest Peer, according to the 21st April'13 Times Rich List. Mittal, 62, who spent eight years at the top of the list, has dropped down to fourth position this year, with a fortune of £10 billion, £2.7 billion less than last year. The 40 per cent stake Mittal and his wife Usha hold in the steel-making giant Arcelor Mittal has plummeted from £28 billion at its peak to £5.95 billion.

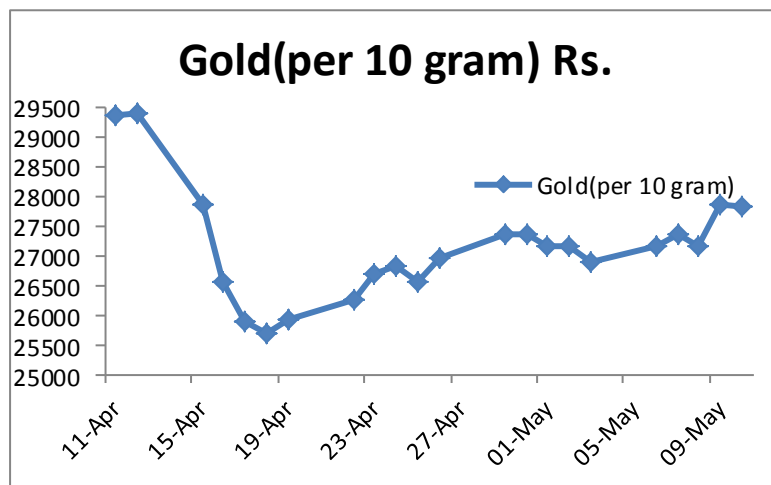
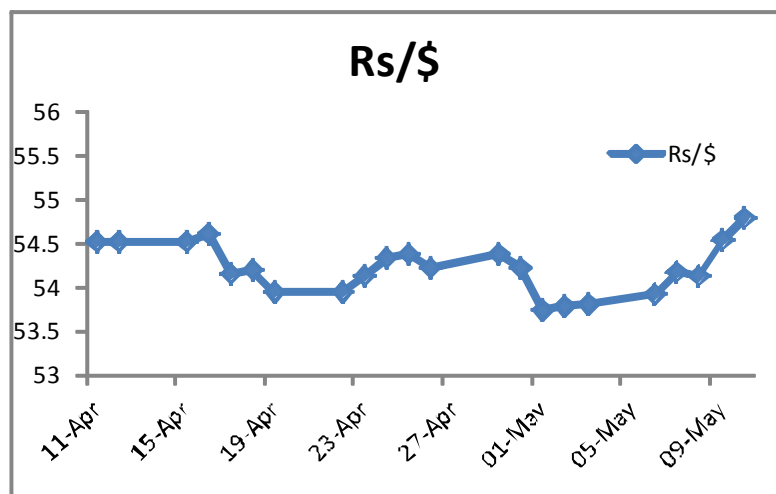


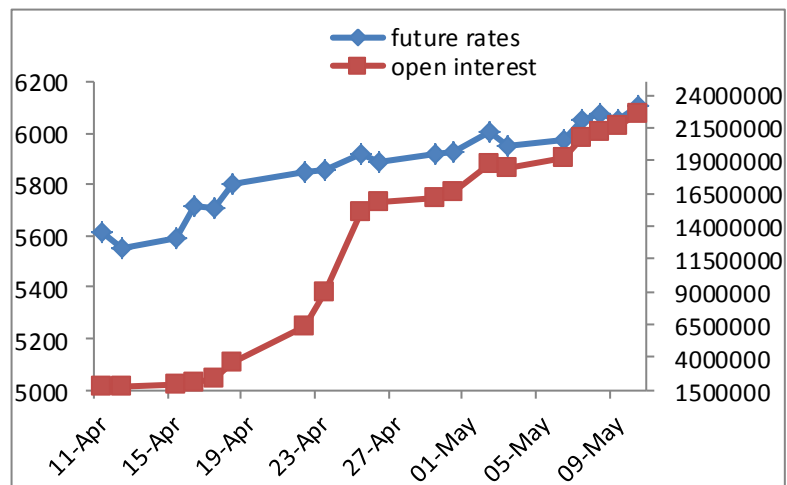
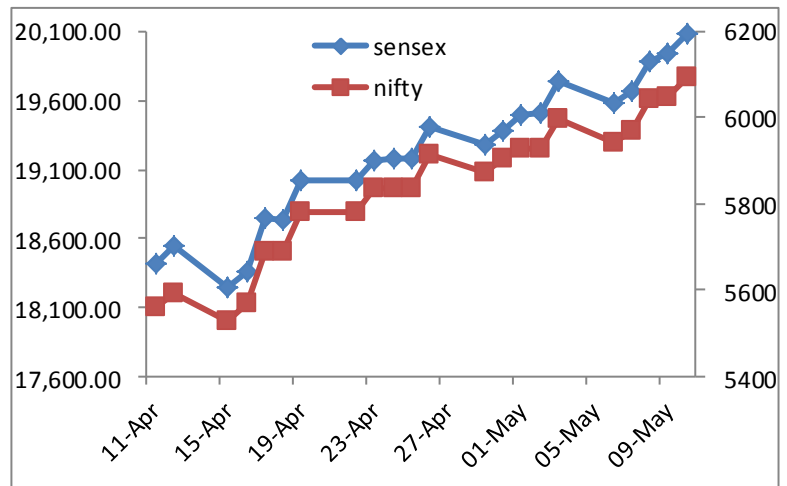
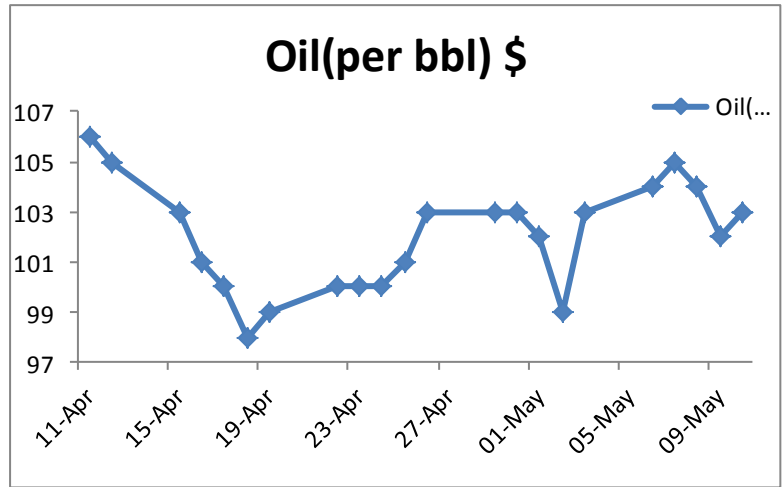
RATES AND GRAPH

Gaurav Agarwal I MBA M

Rate Repo	7.25per cent
Reverse Repo	6.25per cent
Call Rate	6.30 per cent –7.35per cent
Inflation	+5.96 per cent for February 2013
Forex Reserve	\$296.370 Billion as on 26 th April 2013
91day T-Bill	7.4769per cent
IIP	2.5per cent (increase) for April 2013
6.90 GS 2019	8.0907per cent

Graph





INDIAN FINANCIAL MARKET: A LOOK BACK AND AHEAD

Eldho Poulose

I MBA K

Indian economy stands at a distance of more than twenty years from the start of economic reforms where Liberalization, Globalization and Privatization were considered as the pillars to reform. We have already watched our economy undergone many changes since the economic reforms started. Throughout the process in last two decades, we can see that the financial market played major role in fostering the growth of Indian economy.

Banking sector is the prominent player in our Financial Market. The figures showing by the Indian banking sector is really promising. The asset of the banking sector which was at 7.5 trillion during 1998 now stands at 83 trillion. Almost 11 times it expanded. The non-food credit which stood at 3.1 trillion in 1998 is now figuring 45.30 trillion, expanded 14 times. The credit to GDP ratio which stood at 25 per cent in 2000-01, expanded to 52 per cent at the end of 2011-12. Statutory Liquidity Ratio (SLR) which was at 38.5 per cent in 1991 is now at 23.0 per cent of the Net Demand & Time Liabilities (NDTL) in 2013.

In financial market, the equity market capitalization, which was at 6.5 trillion in 2000-01 grown to 61 trillion in 2011-12. Corporate debt outstanding which stood at 7.9 trillion in 2010 increased to 12.9 trillion in 2013. In 2003 the outstanding CP was 575 million and in 2013 it stands with a figure of 11 billion. Also CD outstanding has grown to 39 billion in 2013 from 91 million in 2003. In Debt market, the outstanding marketable government debt has grown to 29.9 trillion in 2012-13 which was at 4.3 trillion during 2000-01. The central government's annual borrowing through dated securities has grown to 5.6 trillion from 1 trillion during the same period. In foreign exchange market, rising current account deficit (CAD) is the most worrying issue. During October-December 2012 we witnessed CAD hitting historic high of 6.7 per cent .

Except CAD all the numbers are looking great and promising. But we need to address lot of things to enhance a stable growth of our economy, as projections and estimations are not meeting by the economy. There is a strong need for improvement in debt market .It is very crucial to meet the infrastructure needs and developments of our country through debt market. We can't entirely depend on Public sector financing for infrastructure considering the economic condition and uncertainties prevailing. Regarding Liquidity the apex bank has to ensure sufficient credit flow to the developing and productive sectors of the economy through strong monetary policies and Open market operations. Also there is requirement for effective utilization of hedging instruments by the business to minimize the negative impacts of exchange rate volatility. Measures to provide better access to financial sector (Financial Inclusion) is essential for the financial awareness of entire population and thereby enabling them to participate in the process of nation building.

It is evident from the last twenty years that, financial market has the potential to make strong grounds for development and growth along with other constituents of the financial sector. Indian economy now requires a vibrant role from the financial market to sustain growth and meet its challenges. Financial market has done it in the past. Hope it will do more wonders in future.

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WORKING CAPITAL

Sabahat Bashir I MBA I

Akanksha Bansal

I MBA L

Whether Positive Working Capital is better than Negative Working Capital has always been a debatable issue. So first of all let's understand what working capital actually is? It is a measure of both a company's efficiency and its short-term financial health. The working capital ratio is calculated as:

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

In a basic sense, working capital is made up of current assets and current liabilities. The major drivers of working capital are:

- Accounts receivable
- Inventory
- Prepaid balances in current assets and accounts payable
- Other payables
- Unearned income in the current liabilities.

Anything below 1 indicates negative W/C (working capital). While anything over 2 means that the company is not investing excess assets.

A positive working capital position, being the most common, is not necessarily the most beneficial. A positive working capital position occurs when the current assets exceed the current liabilities. The difference between the two is the working capital position of the company and needs to be funded and increased in line with revenue growth if the working capital structure remains the same.

Ordinarily, having negative anything is not a good thing, but with operating working capital it can be. Some companies can raise cash so fast that they have a negative working capital while being profitable. Some examples are McDonalds, Amazon, HUL etc. Companies with negative operating working capital (expressed as a percentage of revenue) tend to be more adept at raising cash than companies with positive operating working capital. "If a company has positive working capital, it tends to use a portion of its growth and revenue to pay for the increase it will have in inventories and receivables. But a company with a negative operating working capital can effectively 'borrow' from its vendors or customers as they grow, since it is being financed with customer funds," says Chuck Mulford, an accounting professor at Georgia Tech University and director of the Georgia Tech Financial Analysis Lab.

A NWC is a sign of managerial efficiency in a business with low inventory and accounts receivables. In any other situation, it is a sign a company may be facing bankruptcy or serious financial trouble. You can tell if this is the case by comparing a company's accounts payable to the total inventory on the balance sheet.

The danger with the negative working capital is twofold.

1. First, some industries cannot and should not use it at all (such as Ford Motors that early recognized the mistake and changed to a neutral working capital position before the worst part of the 2008 recession began)
2. Second, the negative working capital position only works when the company is growing revenues (such as General Motors that used it for several years until revenues began declining). When the company's revenues are declining the positive effect of a negative working capital position reverses and it immediately starts needing annual working capital investment during a time when the company can least afford it.

Therefore, whether positive working capital is good for a company or negative working capital is desirable depends on several factors and can be judged only by looking at all the facets of the company's operations.

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<http://thebusinessferret.com/key-financial-metrics/working-capital-need/>
http://www.investorwords.com/8111/negative_working_capital.html



STOCK WATCH -EMAMI

Ankit Dewani I MBA K

SriKrishna I MBA M

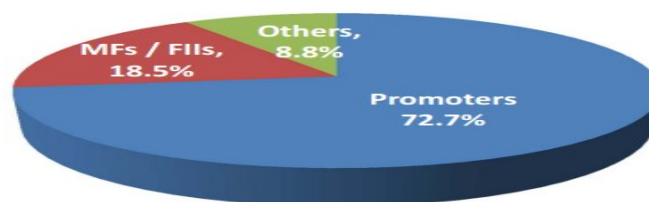
INTRODUCTION-

Emami Limited is one of the leading and fastest growing personal and healthcare businesses in India, with an enviable portfolio of household brand names such as Boroplus, Navratna, Fair and Handsome, Zandu balm, Mentho Plus balm and Fast Relief.

Established in 1974, we have a portfolio of over 300 products based on ayurvedic formulations. The current operations comprise more than 50 countries including India, GCC, UK, Sri Lanka, Bangladesh, Nepal, African and the CIS countries. Over 100 Emami products are sold every second. Emami Limited, the flagship company of the Group, recorded a turnover of ₹1699 crore, 2012-13.

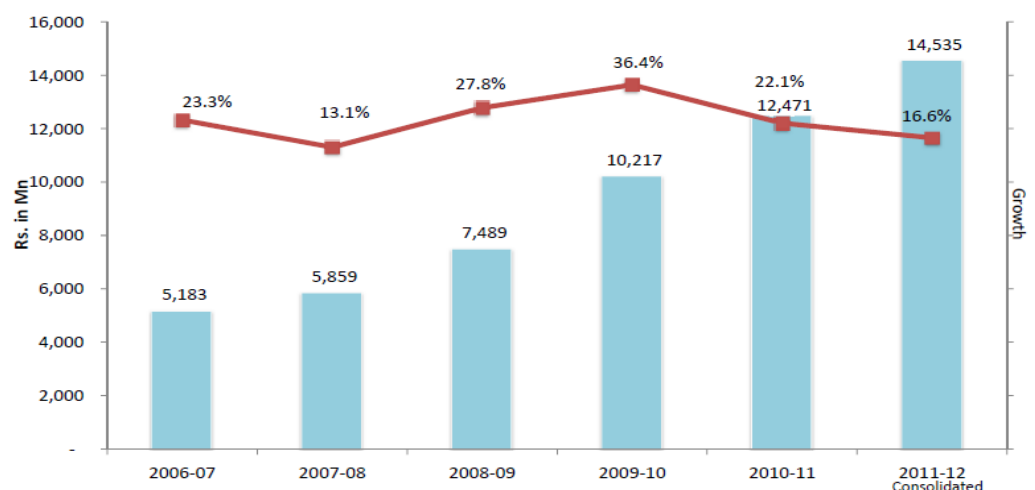
Emami acquired the heritage brand Zandu on the basis of huge business synergy between the two brand portfolios. It employe more than 4000 people, reach out to 40 lakh retails outlets through a network of 3500 distributors and have invested in seven plants , five regional offices and 32 distribution centers across India

SHARE HOLDERS PATTERN-



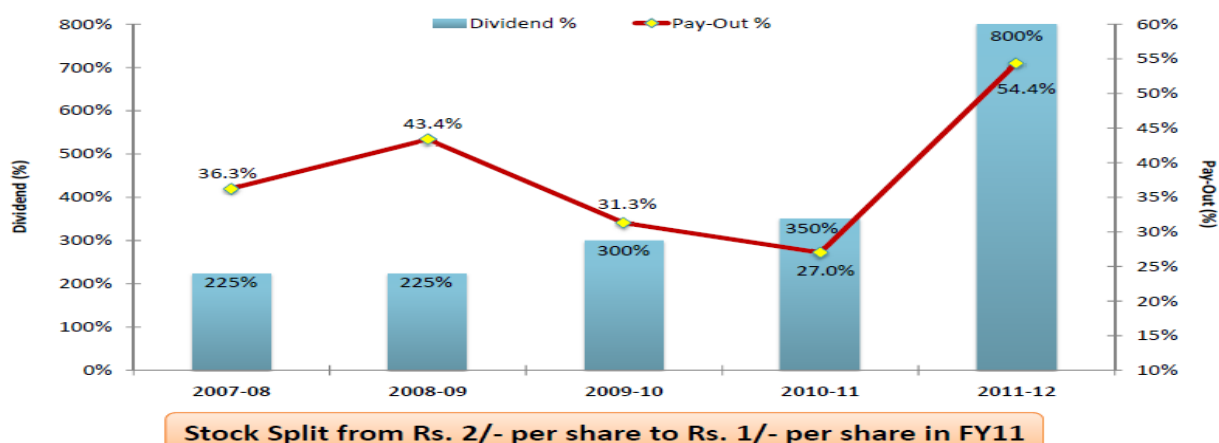
- ◆ Listed on the NSE, BSE and Kolkata stock exchanges
- ◆ Market capitalization of over ₹90 bn (USD 1.65bn)
- ◆ Return to investors of over 300per cent following the QIP in JULY 2009

NET SALES-



Growing at CAGR of 23% over last 5 years

DIVIDEND DETAILS-



FINANCIAL SNAPSHOT WITH KEY RATIOS-

10 years highlights

(₹ in lacs)

PARTICULARS	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
A. OPERATING RESULTS:										
Income from operations	145,351	124,707	102,170	74,893	58,593	51,825	42,044	31,126	30,678	29,514
EBITDA	29,676	25,343	24,517	12,903	9,519	6,624	5,074	3,365	2,463	2,465
PBT	29,893	26,912	20,493	10,587	10,240	7,476	5,148	3,200	2,533	2,155
PAT (after minority interest)	25,884	22,872	16,972	9,186	9,020	6,619	4,936	2,976	2,199	1,867
Dividend incl tax	14069	6175	5,311	3,983	3,272	2,853	1,395	697	190	158
B. FINANCIAL POSITION:										
Fixed assets (Net block)	48,034	49,094	56,729	64,946	9,229	8,137	5,052	4,975	4,712	3,353
Liquid investments	7,356	-	5,500	3,267	8,233	6,500	8,000	4,700	-	-
Other assets	61,927	60,635	43,125	24,952	36,920	18,588	15,522	12,959	12,639	11,547
Total assets	117,317	109,729	105,354	93,165	54,382	33,225	28,574	22,634	17,351	14,900
Share capital										
- Equity	1,513	1,513	1,513	1,313	1,243	1,243	1,223	1,223	1,123	562
- Preference	-	-	-	-	8	-	-	-	-	-
Reserves & surplus	69,150	67,471	61,025	28,799	26,981	21,680	17,923	14,394	8,987	7,668
Net worth	70,663	68,984	62,538	30,112	28,224	22,923	19,146	15,617	10,110	8,230
Minority interest	12	7	-	-	48	-	-	-	-	-
Loan funds	16,114	22,937	25,906	44,822	12,580	3,836	3,369	3,624	4,364	4,775
Deferred tax (Net)	1450	1370	696	596	215	258	285	506	457	364
Capital employed	88,239	93,299	89,140	75,530	41,075	27,017	22,800	19,747	14,931	13,369
C. KEY RATIOS:										
ROE (%)	36.63	33.15	27.14	30.51	31.96	28.87	25.78	19.06	21.75	22.68
ROCE (%)	29.33	24.51	19.04	12.16	21.96	24.50	21.65	15.07	14.73	13.96
Debt - Equity ratio	0.23	0.33	0.41	1.49	0.45	0.17	0.18	0.23	0.43	0.58
EBIDTA margin (%)	20.42	20.32	24.00	17.23	16.25	12.78	12.07	10.81	8.03	8.35
Net profit margin (%)	17.81	18.34	16.61	12.27	15.39	12.77	11.74	9.56	7.17	6.33
Interest cover	19.51	16.64	4.48	3.30	13.83	45.98	NA	36.18	NA	16.88
D. EQUITY SHARE DATA:										
Earnings per share (₹)	17.11	15.12	11.63	7.23	7.26	5.33	4.03	2.62	1.96	1.66
Dividend per share (₹)	9.30	4.08	7.28	5.17	5.27	4.59	2.28	1.14	0.34	0.28
Book value per share (₹)	46.70	45.59	85.70	47.38	45.42	36.89	31.31	25.54	18.01	14.66

PERFORMANCE FOR THE PAST SIX MONTHS-



RECOMMENDATIONS-

Mentha oil is the key raw material for Emami (25per cent of Material Cost) and has seen a sharp up move in the last couple of years. Emami faced severe margin pressure as its largest input cost, menthol, moved up 350per cent over FY10-12. Significance correction in menthol prices from ₹1600/kg in March 2013 to ₹950/Kg in May 2013 has made the stock attractive.

Stock to get re-rated as growth picks up is also one of the reasons for future increase in stock price.

Emami drives more than half of its sales from rural India and the management expects this to go up further going forward through focus on value for money products, increase in brand promotion & distribution and rise in rural household incomes.

Emami has also increased its sales force from 300 to 1600 over the last five years. The direct rural business has shown a strong growth which is now contributing around 25per cent of the total revenues.

Most of its major power brands have substantial market shares over the years. These are commanding market share more than 50per cent in their respective segments.

Emami's focus on continuous strengthening of its brand equity, focus on the mass market product portfolio, scale up Zandu brands, and increasing rural penetration makes the stock attractive for investors.

CMP : Rs. 688

Target : 730

Duration : 3 months

INVESTOR CHECK: : CONTRASTING IPO MARKET

Abhishek Aggarwal

IMBA I

Scotts Garments a Bangalore based garment manufacturing company on 22 April, 2013 decided to come up with an IPO of ₹138 Crores for its expansion plans. The price band was fixed between ₹130-132 per equity share. The issue size was 1,05,06,954 equity shares of the face value of ₹10 each. The initial issue period was from April 25 to April 29. Keynote Corporate Services and Canara Bank Merchant Banking Division were the Book Running Lead Manager (BRLM) to the issue and Link Intime India was the Registrar to the Issue. Equity shares of the company are proposed to be listed on BSE & NSE. CARE gave a grade of 3 out of 5 to this IPO. Just, in between the issue on April 27 the company decided to revise its price band to ₹118-120 per equity share and extended the issue closing date to May 3. Up till May 3 also the issue was subscribed only to the extent of 27 per cent. This IPO even did not meet the minimum subscription mark and as a result it was a complete fail. This has been the second IPO this year which failed in the market after Sai Silks.

On another instance, Wonderla Holidays on April 17 has filed a draft red herring prospectus (DRHP) with SEBI for an IPO of 1,45,00,000 equity shares of face value of ₹10 each at a price decided through book building process. Wonderla currently has two water parks, one each in Bangalore and Kochi as well as one resort in Bangalore as well. Wonderla plans to open another waterpark in Hyderabad from the proceeds of this issue. The book running lead managers to the issue will be Edelweiss Financial Services Ltd and ICICI Securities Ltd.

In another news, Just Dial India's local search engine got acceptance from SEBI after it filed a second DRHP with SEBI (previously filed in August 2011) for issue of about 95 Lakh equity shares of ₹10 each through book building process. The issue will be a stake sale and the company will not receive any amount from the issue. The objective of the issue is to reap the benefits of listing of shares on stock exchange and improve brand name of the company. In addition it will also provide liquidity to the stock. As per the grading CRISIL has assigned 5 out of 5 to this company indicating strong fundamentals. So, one can go for this issue when it comes in the market and can be assured of short-term gains seeing the performance of the company from the past 5 years.

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COMMODITY :: COTTON

Vattam Bhargav

IMBA V

Cotton is a soft fiber grown and used majorly for textile manufacturing. India is the second largest producer of cotton and the second largest consumer of Cotton in the world. The three largest producers of cotton being China, USA and India, only USA is a net exporter of cotton among these three countries. India produced nearly 32.5 million bales of cotton in the year 2012-13. Major states where cotton is grown in India are, Maharashtra (26.15per cent), Andhra Pradesh (24.61per cent) and Maharashtra (20.5per cent).

Major uses of Cotton are:

Cotton is mainly used in textile production. Other small uses of cotton are, fishing nets, cotton paper, coffee filters. Cottonseed is used to extract cottonseed oil, which has various other uses.

India, being the second biggest producer of Cotton in the World is experiencing increase of demand for cotton. Various reasons contribute to this fact such as, growing textile production outsourcing in the sub-continent region, foreign companies showing interest for manufacturing in India.

In MCX (Multi Commodity Exchange) Cotton is measured in units of Bales and traded in lots of 1 Bale, which is equivalent to 170 kilograms.

Positive news on Cotton:

The acreage of Cotton is reducing at the rate of 5per cent from the past two years (34.1 million 2012-13, 32.2 million hectares forecasted in 2013/14). Global cotton production is estimated down 5per cent from 27.8 million tons to 26.3 million tons this season, and world production is forecast to drop another 6per cent to 24.6 million tons during 2013/14. Global cotton mill use is rising an estimated 7per cent from 22.1 million tons last season to 23.7 million tons in 2012/13, and mill use is projected to rise another 2per cent to 24.3 million tons in 2013/14. World cotton stocks are forecast to rise to 18 million tons by July 2014, which will represent approximately 9 months of world mill use. However, the ending stocks-to-use ratio in the world minus the Chinese reserve will drop to 37per cent in 2012/13 and to an estimated 30per cent in 2013/14, posing a potential challenge to the global supply of cotton next season.

Current performance of Cotton in the Commodity Market:

Cotton is presently being traded with a spot price of ₹18,080/Bale.

The current Spot prices in MCX for Cotton futures are (10th May, 2013):

₹18,080 / Bale for 31st May 2013.

₹18,320 / Bale for 28th June 2013.

₹18,550/ Bale for 31st July 2013.

₹19,060/ Bale for 31st October 2013.

Cotton has a potential to touch ₹19,500 levels in the October contract.

References:

<http://www.commodityonline.com/commodities/fibers/cotton.php>

<http://www.commodityonline.com/commodity-market/commodity-prices/commodity-prices/cotton>



SCAM : SARADHA CHIT FUND SCANDAL

Akanksha Jha I MBA J

India is truly the land of scams and the year 2013 witnessed another scam, “The Saradha Chit Fund Scandal”. The Saradha Group financial scandal is a financial scam which was caused by the collapse of a Ponzi scheme run by Saradha Group, a consortium of Indian companies which was believed to be running on the chit funds. The total loss is estimated to be US\$ 4-6 billion.

Saradha attracted lakhs of investors to deposit money in its schemes with attractive schemes and the promise of high returns. A perceived closeness to the ruling Trinamool Congress in West Bengal allegedly also helped it get investors. Saradha had Trinamool Rajya Sabha MP Kunal Ghosh heading its media division and MP Satabdi Roy was featured in its promotional material. In addition to these, Chief Minister Mamata Banerjee had inaugurated two Saradha offices.

SEBI has warned that it will be launching a criminal case for "fraud, cheating, criminal breach of trust and misappropriation of public funds" if Saradha does not return the money to all its investors in three months.

Sudipto Sen is the chairman and managing director of the Saradha Group. He was arrested in Kashmir on 23 April 2013, after having been on the run for over a week. He has a very interesting past. In his youth, he had a different name, Shankaraditya Sen, and was part of the Naxalite Movement. He changed his name to Sudipto Sen and may have had plastic surgery sometime in the 1990s, after which he became associated with land development projects in Kolkata.

Once again the question arises how to save the country from fraud and scams. Every year we lose billions. The rich is getting richer and the poor is starving. This has to change. WE have to change.

DID YOU KNOW ?

The Concept of LIBOR

Tina Patricia D'Souza

IMBA N

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association. It is the average interest rate estimated by leading Banks in London, that they would be charged in they had been borrowing from other banks. It is usually abbreviated to Libor or the trademark bbalibor (British Bankers Association Libor).

It is a primary benchmark along with Euribor for short term interest rates around the world.

Libor rates are calculated for ten currencies and 15 borrowing periods ranging from overnight to one year and are published daily at 11:30 am (London time) by Thomson Reuters. Many financial institutions, mortgage lenders and credit card agencies set their own rates relative to it.

In 1984, it became very evident that active trading was involved in a variety of relatively new market instruments namely Interest Rate Swaps, Foreign Currency Options and Forward Rate Agreements. Though the immense trading brought in huge profits and gave a wide scope for such derivatives trading, the bankers realized the importance of having a uniform measure. Thus, in October 1984 the British Bankers Association (BBA) along with other parties established the BBA standard for Interest Rate Swaps or the better known BBAIRS.

It was only after 1 January 1986, that the BBA Libor fixings commenced officially. Eighteen Banks currently contribute to the fixing of the Libor Rates. They are :

Bank of America	Credit Suisse	Royal Bank of Canada
Bank of Tokyo-Mitsubishi UFJ	Deutsche Bank	Société Générale
Barclays Bank	HSBC	Sumitomo Mitsui Bank
BNP Paribas	JP Morgan Chase	Norinchukin Bank
Citibank NA	Lloyds Bank	Royal Bank of Scotland
Credit Agricole CIB	Rabobank	UBS AG

SCOPE OF LIBOR

The Libor is widely used as a reference rate for many financial instruments in both financial markets and commercial fields. There are three major classifications. They are the standard interbank products, commercial field products, and hybrid products which often use the Libor as their reference rate.

Some of the Examples under each of the Classification that make use of LIBOR as their reference rate are:

Standard Interbank Products:

- Forward Rate Agreements
- Interest Rate Futures
- Interest Rate Swaps
- Swaptions
-

Commercial Field Products:

- Floating Rate Notes
- Syndicated Notes
- Term Loans

LONDON OFFERED
INTERBANK RATE

Hybrid Products:

- Range Accrual Notes
- Step up Callable Notes
- Collateralized Mortgage Obligations
- Collateralized Debt Obligations

In 2012, around 45 percent of prime adjustable rate mortgages and more than 80 per cent of subprime mortgages were indexed to the Libor. American municipalities also borrowed around 75 per cent of their money through financial products that were linked to the Libor.

IMPORTANCE OF LIBOR

It is the rate at which most of the borrowers prefer to borrow from the Banks.

It is also the rate upon which rates for less preferred borrowers are based. For example, a multinational corporation with a very good credit rating may be able to borrow money for one year at LIBOR plus Premium.

TECHNICALITIES OF LIBOR

Calculation

It is an index that measures the cost of funds to large global banks operating in London financial markets or with London-based counterparties. Each day, the BBA surveys a panel of banks (18 major global banks for the USD Libor), asking the question, “At what rate could you borrow funds, were you to do so by asking for and then accepting inter-bank offers in a reasonable market size just prior to 11 am?” The BBA throws out the highest 4 and lowest 4 responses, and averages the remaining middle 10, yielding a 23per cent mean. The average is reported at 11:30 a.m.

LIBOR is actually a set of indexes. There are separate LIBOR rates reported for 15 different maturities (length of time to repay a debt) for each of 10 currencies. The shortest maturity is overnight, the longest is one year.

CURRENCIES & MATURITIES

In 1986 the LIBOR was fixed for the following three currencies, that is the U.S Dollar, British Pound Sterling and Japanese Yen. In the following years the following currencies were also included in its ambit:

- | | |
|-------------------------|------------------------------|
| Australian dollar (AUD) | British pound sterling (GBP) |
| Canadian dollar (CAD) | Japanese yen (JPY) |
| Swiss franc (CHF) | New Zealand dollar (NZD) |
| Danish krone (DKK) | Swedish krona (SEK) |
| Euro (EUR) | U.S. dollar (USD) |

The Rates for the following maturity periods are added:

- | | | |
|----------|----------|-----------|
| 1 day | 3 months | 8 months |
| 1 week | 4 months | 9 months |
| 2 weeks | 5 months | 10 months |
| 1 month | 6 months | 11 months |
| 2 months | 7 months | 12 months |

The following table lists the LIBOR along with the lesser known rates as on the date 8/05/2013.

LIBOR, other interest rate indexes	This week	Month ago	Year ago
Bond Buyer's 20 bond index	3.77	3.96	3.81
FNMA 30 yr Mtg Com del 60 days	3.06	3.08	3.40
1 Month LIBOR Rate	0.20	0.20	0.24
3 Month LIBOR Rate	0.28	0.28	0.47
6 Month LIBOR Rate	0.43	0.44	0.73
Call Money	2.00	2.00	2.00
1 Year LIBOR Rate	0.70	0.72	1.05



INDUSTRIAL ANALYSIS:: EQUITY RESEARCH

Gaurav Agarwal

Ankit Dewani

SriVishnu

Tina D'Souza

Abhishek Aggarwal

INTRODUCTION

Equity Research is a professional term for the work performed by securities analysts, whose profit forecasts define "Street expectations" during an earnings season.

Equities or common stock comprises a big chunk in any company's capital and shareholders need to know whether to stay invested in the company or sell the shares and come out. As an individual, it is time consuming to do equity research – that is to study the company, its financial statements, products, management and take a decision about investment.

Analysts are often assigned a sector to cover, such as biotech, technology, retail or commodities. Equity research is conducted through studying a composite of financial records, news stories and interviews with company insiders. It is also called securities research.

REGULATORY ENVIRONMENT

Nature of market prior to reforms

As compared to other developing countries, the Indian stock markets have a fairly long history. However, the volume of transactions in these markets remained limited until the late 1970s, but grew rapidly during the 1980s as the corporate sector turned increasingly to the equity market.

Equity market reforms since 1992

As part of a broad set of reforms, the Securities and Exchange Board of India (SEBI) was given the legal powers in 1992 to regulate and reform the capital market, including new issues. The equity market reforms since then can be divided into two broad categories: one that increases the level of competition in the market and the other that deals with problems of information and transaction cost

KEY SUCCESS FACTORS

- **Leadership:** The commitment and continuity (able to sustain involvement for the long haul) of one or two individuals to lead and coordinate the enterprise is essential.
- **Partnership management:** The ability to negotiate and maintain a core set of relationships for the benefit of the enterprise is important for growing the enterprise and ensuring equitable benefits.
- **Proof and clarity of innovative concept:** Not only is it necessary to be able to explain the concept clearly, but testing and external validation is essential to demonstrate that a new idea has market potential.
- **Business planning and marketing:** The leaders of the enterprise have business and marketing skills, or they have access to those skills in their key partners, or they have ready access to training to attain these skills.
- **Triple bottom line planning:** The conscious and deliberate alignment of economic benefits with social and environmental benefits is an important element of achieving sustainable development.
- **Short and long-term benefits management:** The enterprise should demonstrate how it is planning to deliver not only longer-term benefits for its stakeholders (including how those benefits will be shared), but also the short-term benefits that will keep stakeholders engaged and committed to the enterprise.
- **Community engagement:** Long term success and sustainability depends on the successful engagement of the local stakeholders and beneficiaries.
- **Risk management:** Demonstrated planning for mitigation of risks and externalities helps ensure the long term functioning of the enterprise.

MAJOR PLAYERS IN EQUITY RESEARCH

- J P Morgan Equity
- Nomura
- Morgan Stanley



- Citigroup
- IL&FS Investments
- Emkay Research
- India Infoline
- Goldman Sachs
- Sanford C Bernstein
- UBS

These are the firms that are the hot seats for employment.

GLOBAL TRENDS OF EQUITY RESEARCH

At larger Firms, both Investment Banks and Equity Research Analysts start with the same base compensation. Equity Research Firms don't directly generate revenues. They are a cost centre that support Sales & Trading activities by giving valuable insights to the investors regarding the Company's stock.

Equity Research Firms are separated from the Investment banking Department so as to have more clarity in their dealings with Corporate Customers, investors as well as in the trading activities.

The separation of the sell side departments is resulting in serious cost pressure as a result firms are looking for innovative ways to cut costs, which has resulted in firms off shoring the Analysts work to countries like India, Philippines, etc.

Though the Buy side claims a lot of glamour, it offers the allure of even better lifestyle and actually investing. But the Buy side is extremely competitive. In order to carve out a niche for oneself, one needs to arm oneself with credible qualifications and enhance one's profile by going to a good business school or getting a CFA Charter, before venturing into the buy side. Senior Analysts have much interaction with the Buy side.

Globally, there is no typical career path for a Equity Research Analyst. He could, for example, be work on a team as an Associate for three years and then promoted to the post of a VP wherein he/she could begin a coverage of own companies.

SCOPE OF MBA FINANCE IN EQUITY RESEARCH

Equity Research involves research, review and analysis of various stocks and equities traded on in world stock markets. An equity research firm will have research analysts who have the expertise of a particular industry.

Equity analysts closely monitor the movement of stocks for a particular industry/ company. They also keep a tab on the news that will affect the financial strength of the company and also analyze the information to predict the financial position of the company. Equity Research is an important aspect of investment banking and portfolio/ investment management.

If you are interested in writing, being on the phone with clients and getting to know management teams, while at the same time doing a lot of financial modeling and financial analysis, then Equity Research is the field for you.

After considerable study and corporate training in subjects such as Accounting, Finance , Capital Markets Research Associates are assigned to a group, led by senior analyst with anywhere between 0 to 3 other junior associates already under him and begin to cover a group of stocks (usually 5-15) within a specific industry or region.

KEY SKILLS:

- Efficient in written and spoken English as well as in comprehension of written sentences and paragraphs in work related documents.
- Critical Thinking - Using logic and reasoning to identify the strengths and weaknesses of alternative solutions, conclusions or approaches to problems.
- Good Listener and a Prudent decision maker
- Problem Solver with flexible solutions
- Good knowledge of Mathematics especially number crunching and Analysis as well as knowledge of Systems Evaluation and Systems Analysis.
- Active Learner and ever ready to improve performance through constant monitoring
- Should be adept with skills of Persuasion, Negotiation and Co-ordination
- Time Management - Managing one's own time and the time of others.

Should have knowledge of the following subjects:

- Accounting and Economics
- English Language
- Administration and Management
- Customer and Personal Service
- Communications and Media
- Mathematics

COURSES AND CERTIFICATIONS

NAME OF THE CERTIFICATE	DESCRIPTION	FEES	LINK /WEBSITE
1. NISM-Series-VIII: Equity Derivatives Certification Examination	The examination provides understanding of various derivatives products available in equity derivatives markets, regulations and risks associated with the products and the exchange mechanisms of clearing and settlement.	INR 1250	http://www.nseindia.com/education/content/module_nism.htm#NISM-Series-XI
2. NISM-Series-XI: Equity Sales Certification Examination	It provides a better understanding of equity markets, better quality investor service, operational process efficiency and risk controls.	INR 1405	http://www.nseindia.com/education/content/module_nism.htm#NISM-Series-XI
3. Valuation trading comparables (stock) module by school of investment banking Mumbai	Provides knowledge of fundamental analysis for listed and private companies, Identify undervalued/ overvalued stocks Candidate can Appear for highly technical finance interviews with confidence.	INR 5000 USD 100	http://www.schoolofib.com/online-course.jsp
4. FLIP - NCFM: Equity Research	It covers both qualitative (Economy, Industry and Company) and quantitative analysis (Financial Statements, Ratio analysis and valuation).The course also shows you how to write a proper research report in practice.	INR 2536 + 12.36% S.Tax	https://www.learnwithflip.com/buy-now/373-equity-research.html?page=shop.product_area_dtls&sef=c
5. certificate in stock market and equity research by Dalal street investment journal	Provides a wholesome practical, enjoyable , user friendly and effective training on capital market investment & equity research in the stock market	INR 5500	http://academy.dsj.in/csmer.php#Course_Fees
6. Certified Equity Research Analyst	This Course is intended for professionals and graduates wanting to excel in the field of equity research and valuation	INR 3000	http://www.vskills.in/certification/Certified-Equity-Research-Analyst

EQUITY RESEARCH INTERVIEW

Interviewee: Mr. Ajay Kumar Srivastava
Senior Research Analyst (Retail),
Religare Securities Limited

Interviewer: Abhishek Aggarwal (MBA- I Finance)

Q1 According to you, what is the need of research?

Research is required so that we can interpret the financial data of the companies which are publically available and to find out the best investment opportunity in a better way.

Q2. Do the usual Indian investors really and regularly follow research reports?

Generally, the retail investors are less interested in reports; the main reason is that they do not properly understand the complex financial report. They would like to know whether their money is safe or not and they will get good returns.

Q3. How one should go if he/she wants to make a career in research?

MBA finance is the most common degree. But the main aspect is that one should have strong analytical skills.

Q4. Does any specific certifications/ courses act as a value add to our profile for entering this industry?

CFA is the most desirable degree.

Q5. According to you, is there any difference between retail and institutional research?

Retail clients focus on short term investment advice, due to lack of understanding they do not have patience to hold and when the prices plunge they immediately panic or when it moves up they immediately book profit.

Institutional clients are big investors and in order to attain higher profits first they collect full information and then they put their money. Due to their big pockets they have high potential to hold the stock for long term.

Q6. How is the work culture and job profile in research?

Job profile is good but one should be familiar with excel and it's various formulas. A good command on writing English is an added advantage.

Q7. Any particular advice you want to give to the aspirants who want to take research as a career?

If you have a natural inclination with financial data, numbers and ability to read between the lines then career in research is good. An analyst needs to project the future which no one has seen and therefore it totally depends on his skill. Wrong projections creates problem because financial decisions is taken on the projections. Industry requires good analyst who can provide right analysis; if you have such ability then this field provides big opportunity for you.

References

Feldman, M. Financial Modeling Courses | Investment Banking and Financial Training. Investment Banking vs Equity Research. Retrieved May 11, 2013, from <http://www.wallstreetprep.com/blog/investment-banking-vs-equity-research/>

BUZZWORD

Ankit Dewani IMBA K

Definition of 'Key Ratio'

A mathematical ratio that illustrates and summarizes the current financial condition of a company. Key ratios can be used to easily obtain an idea of a company's financial status. Companies that are in good condition financially will have superior ratios to those that are performing poorly.

There are actually several different key ratios used by analysts to examine a bank's financial condition. These include the capital to assets ratio, the loan loss reserves to total loans ratio, the liquidity ratio and many others. These ratios provide direct measures of different specific aspects of a bank's assets, liabilities and cash flow.

References:

<http://www.investopedia.com/terms/k/key-ratio.asp>

Vattam Bhargav I MBAV

SriKrishna Sajja

I MBA M

- 1) The famous consulting firm that was the auditor for Satyam computers during the 2009 Satyam scandal was _____
- 2) _____ is the trading of a public company's stock or other securities (such as bonds or stock options) by individuals with access to non-public information about the company.
- 3) Ketan Parekh used _____ as a method to artificially boost the share prices of _____ during its proposed merger with UTI Bank.
- 4) The great 2008 crisis in USA was caused due to an instrument introduced in the housing market. The instrument was _____
- 5) _____ is the regulatory body in India that has to monitor insider trading and similar securities related frauds.
- 6) The current import duty on Gold in India that has resulted in increase of smuggling gold into the country is _____%
- 7) _____ is the specialty practice area of accountancy that describes engagements that result from actual or anticipated disputes or litigation.
- 8) CFA institute prescribes an accounting fraud triangle consisting of three vertices namely _____, _____ and _____.
- 9) _____ is a legal status of a person or organization that cannot repay the debts it owes to creditors. In most jurisdictions, bankruptcy is imposed by a court order, often initiated by the debtor.
- 10) _____ is an electronic method of capturing a victim's credit card information used by identity thieves. This is specifically done using the credit card physically.
- 11) _____ is the act of attempting to acquire information such as usernames, passwords, and credit card details by acting as a trustworthy entity in an electronic communication. This is done on the Internet.
- 12) Where is the European Central Bank located?
- 13) In money market, what is the term used for the non-convertible paper money?
- 14) CAMEL is an effective system of rating by the banks. The model insists five main criteria and based on these the financial health is evaluated on a scale of highest to lowest, 1 to 5. In that A means 'asset quality', M means 'management' and L for 'liability', then what are C and E refer?
- 15) What does 'Asset Tripping' mean?
- 16) What is known as the cost of living index which represents the goods and services purchased by consumers?
- 17) What are the Bonds that carry low ratings with correspondingly higher yields called?
- 18) Name the term used for depreciating a company's intangible assets?
- 19) Name the first Indian woman CEO of a Foreign Bank?
- 20) Name the first private sector corporate launched the gold fund in India?

Note :- We would love to receive your answers to these quizzes and the names of the first three correct respondents will be published in the next issue.

April Issue Quiz Answers

- | | |
|--|--|
| <p>10) _____ NYMEX (New York Mercantile Exchange Group)</p> <p>_____ RICI (Rogers International Commodity Index)</p> <p>_____ NCDEX (National Commodity and Derivatives Exchange)</p> <p>_____ NASDAQ (National Association of Securities Dealers Automated Quotations)</p> <p>11) _____ HSBC</p> <p>12) _____ 5.2</p> <p>13) _____ Hedge</p> <p>14) _____ 24.35</p> <p>15) _____ 6.62</p> | <p>1) _____ London stock exchange, 100, footsie</p> <p>2) _____ Amsterdam Stock exchange, 1602</p> <p>3) _____ Chicago Mercantile Exchange</p> <p>4) _____ Bombay Stock Exchange, 1875</p> <p>5) _____ Hong Kong Stock Exchange, \$2,831 bn</p> <p>6) _____ TCS, 2,95,794.81</p> <p>7) _____ 0.1</p> <p>8) _____ Currency</p> <p>9) _____ equity – 1,38,586.10 crore rupees, Debt – 39,951.70 crore rupees</p> |
|--|--|

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