

December 16, 2013

Vol. 7

Issue 8



CHRIST
UNIVERSITY

BANGALORE, INDIA

Declared as Deemed to be University under Section 3 of UGC Act 1956



chaanakya

Tracking the economy....



CHRIST UNIVERSITY
INSTITUTE OF MANAGEMENT

A Wealth Incorporation Publication

Index



News

- ♦ **National**3
- ♦ **International**5

7..... Rates and Graphs



Contemporary Articles

- ♦ **SMEs : Catalyst In Indian Economic Growth**.....9

Debate

10.....The Impact Of Balimeet On Indian Economy



Stock Watch (Bata).....11

Investor's Check (Enlightening the IPO in India).....14

17.....Alumni Speak

19.....(Natural Gas) Commodity

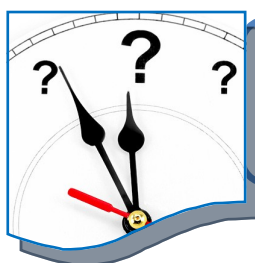


Scam (Fodder Scam).....20

Buzzword.....21

22.....Did You Know?

23.....Financial Services Industry Analysis



Quiz.....27

Crossword.....28

Srivishnu Garbham

II MBA I

Mayank Kaushik

I MBA M

Punjab to receive ₹ 6500 Crore investment in digital infrastructure

Reliance Industries Ltd extended its hand to Bharti Airtel Ltd. for improving telecom network of 4G services with their plans to invest ₹6500 Crore on digital infrastructure in the state. While RIL is rolling out their first digital infrastructure for 4G in the state with an investment of ₹2500 Crore, Bharti Airtel signed an initial agreement with the Punjab Government committing an investment of ₹4000 Crore for the same. This is not the first time Ambanis has extended a friendly hand towards Mittals. In April, their companies came together to share capacity of a submarine cable.

First Strategic Oil Facility to be commissioned in January

The first strategic oil storage facility build underground at Vishakhapatnam in Andhra Pradesh will be commissioned in January 2014 but it is still not clear as to who will operate the facility that has been built as an insurance against supply disruptions. India is also building underground storage facilities at Mangalore and Padur in Karnataka to store 5.33 million of crude oil in total. The Government of India offered Hindustan Petroleum Corp Ltd (HPCL) to manage the Vishakhapatnam facility which has the capacity to store 1.33 million tonnes of crude oil but HPCL refused citing shortage of cash.

Bharatiya Mahila Bank Inaugurated by PM

Prime Minister Dr. Manmohan Singh along with UPA Chairperson Ms. Sonia Gandhi launched the country's first all-woman bank in Mumbai on 19 November, the birth anniversary of former Prime Minister, the late Indira Gandhi. The bank with a paid-up capital of ₹1000 Crore has started operations with seven branches including Chennai, Kolkata and Guwahati. The bank will offer 4.5% interest on savings bank account for deposits up to ₹1 lakh and 5% for deposits above ₹1 lakh, Usha Ananthasubramanian, CMD of the bank said.

Special dollar swap window net \$22.7 billion

RBI received \$22.7 billion from special concessional windows for swapping foreign currency non-resident (bank) deposits and overseas foreign currency borrowings. The scheme, which was announced on 4 September in lieu of rupee declining close to 30% against the dollar between April and August, was open till 30 November. The special window allows banks to swap fresh FCNR (B) dollar funds, mobilised for a minimum tenure of three years, at a

fixed rate of 3.5 per cent per annum. According to Arvind Mayaram, the economic affairs secretary, this measure helped the rupee to gain almost 11% since its announced.

Wipro acquired Opus Capital Market Consultants

India's third-largest software services firm will buy American mortgage company Opus Capital Market Consultants for \$75 million in an all-cash deal which will help tech major to boost its presence in financial services segment where it has lagged rivals. The Opus deal comes in a series of acquisition made by the Bangalore-based company which has been looking to strengthen its financial services muscle. In April 2012, Wipro acquired Australian analytics company Promacs for ₹192 crore. In May 2013, it acquired a minority stake in data analytics firm Opera Solutions for ₹162 crore. Next month it again acquired a minority stake in wireless technology firm Axeda for about ₹30 crore.

Amazon to use India Post to collect payments

Amazon has started a pilot with India Post to use the channel to collect payments from recipients using the cash-on-delivery model which could help it to reach deep into India's hinterland. Amazon already distributes packages using 1, 50,000 post offices in India whose 89% branches are in rural areas. If the pilot proves to be successful then it would intensify the competition in the burgeoning e-commerce industry. On one hand Amazon would gain reach to 25000 pin codes, on the other India Post would benefit from the company's aggressive growth plans.

Companies will have to disclose their political funding

The government has rejected to change Section 182 (3) of the new Companies Act which makes it mandatory for corporate houses to disclose their funding to political parties. Earlier, companies are required to mention the persons they were donating funds to without the mention of the party, thus the new rules puts a contradiction in the funding of political parties directly and through trusts. Companies believe that new rules make them vulnerable to a backlash from political parties that didn't get money or were given less in comparison to their competitors. According to an analysis by the Association of Democratic Reforms, large chunks of money were raised by six national political parties from "unknown sources" between 2005 and 2012.



Sailabala Nayak

II MBA I

Priya Thomas

I MBA M

China Bans Financial Companies From Bitcoin Transactions

China's central bank barred financial institutions from handling Bitcoin transactions, moving to regulate the virtual currency after an 89-fold jump in its value sparked a surge of investor interest in the country. Bitcoin plunged more than 20 percent to below \$1,000 on the BitStamp Internet exchange after the People's Bank of China said it isn't a currency with "real meaning" and doesn't have the same legal status. The public is free to participate in Internet transactions provided they take on the risk themselves as per People's Bank of China. The ban reflects concern about the risk the digital currency may pose to China's capital controls and financial stability after a surge in trading this year made the country the world's biggest trader of Bitcoin, according to exchange operator BTC China.

Japan approves \$182-bn package to boost economy

Japanese Prime Minister Shinzo Abe's cabinet approved a \$182-billion package on Thursday to pull the economy out of deflation, but doubts remain about the impact.

The package has a headline value of 18.6 trillion yen (\$182 billion), an exaggerated figure as the bulk of the package includes loans from government-backed lenders and spending by local governments that was already scheduled. The core of the package is 5.5 trillion yen in spending measures which Abe ordered in October to bolster the economy ahead of a national sales-tax hike in April. The government does not have to sell new debt to fund this spending.

Two Regional Fed Presidents Call for Timetable for Tapering QE

Two Federal Reserve regional bank presidents (Atlanta Fed President Dennis Lockhart and Dallas Fed President Richard Fisher), who have disagreed on the need for additional easing said any decision to taper bond buying should be accompanied by a limit on the size of the program or a timetable for ending it. Officials such as St. Louis Fed President James Bullard favour retaining the option to alter the amount of bond buying at every FOMC meeting after reviewing fresh economic data. Bullard holds a vote on the FOMC this year. The FOMC will consider scaling back bond purchases in coming months based on expected gains in the labour market, according to minutes from the committee's October meeting. The panel is scheduled to meet on Dec. 17-18.

BofA \$500 Million Countrywide Settlement Wins Court Approval

Bank of America Corp's countrywide unit won final approval of a \$500 million class-action settlement with investors who claimed they were duped into buying its mortgage-backed securities. US District Judge Mariana Pfaelzer in Los Angeles said the settlement was a fair outcome because her previous rulings prevented the investors from recovering damages from Bank of America as Countrywide's parent and because the Charlotte, North Carolina-based bank said as recently as June that it might put Countrywide in bankruptcy.

Volcker Rule gets nod of 3 regulators

Federal regulators voted on Tuesday to approve the so-called Volcker Rule, a centrepiece of the Dodd-Frank financial overhaul law and a symbol of the Obama administration's efforts to rein in risk-taking after the financial crisis, received approval from three of the five regulatory agencies writing the rule. All of the agencies - the Federal Reserve, the Federal Deposit Insurance Corporation, Securities and Exchange Commission, the Commodity Futures Trading Commission and the Comptroller of the Currency - plan to approve the rule by the end of 17th Dec'13. This rule strikes at the heart of Wall Street risk-taking, that punctuates three years of internal squabbling and bank lobbying over an effort to reshape the financial landscape.

WTO Reaches its First Ever Trade Deal at Bali Meeting

The World Trade Organization has reached on consensus to strike its first ever trade reform deal with the approval from nearly 160 ministers who were gathered on the Indonesian island of Bali who meet to decide whether they should add \$ 1trillion to the global economy. There came a point where the member nations were stuck, but a solution was attained, when Cuba at the last moment dropped a last-gasp threat to veto the package of measures. This deal would help in lowering the barriers regarding trade between the nations.

U.S. Unemployment Rate Hits five-year Low, Eyes on the Federal Reserve.

The employers in US hired more workers than it was anticipated in November. The unemployment rate hit five – year low of 7.0%, raising the chance of the Federal bank to unleash its bond buying stimulus as soon as this month. The number of nonfarm employees increased by 230000 jobs in November indicates the report by Labour Organization. While labour market and consumer spending indicators are strengthening, the housing market and business spending have slowed. Inflation is still low, which economists say will make Federal Bank's officials cautious in pulling back its stimulus.



RATES AND GRAPH

Gaurav Aggarwal

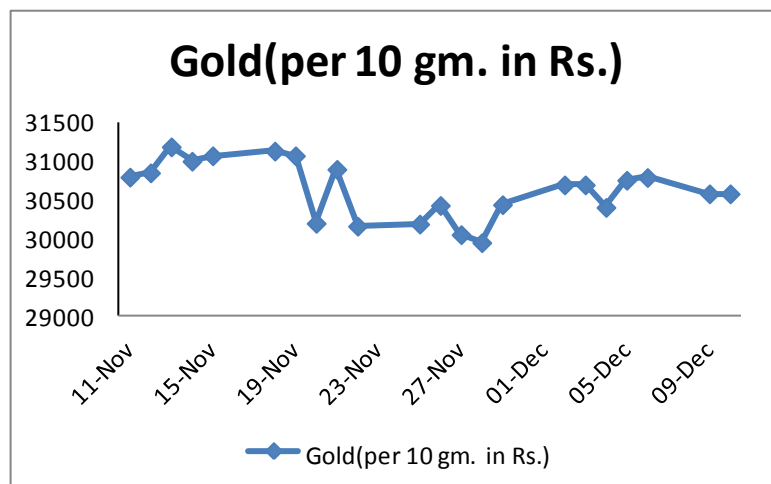
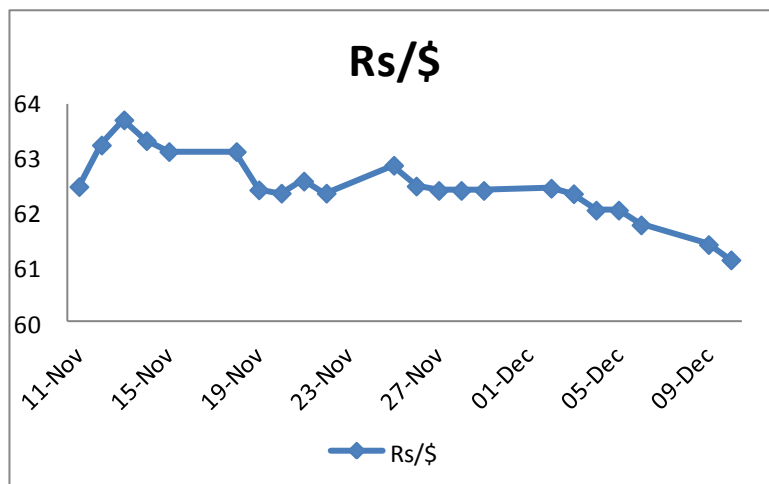
II MBA M

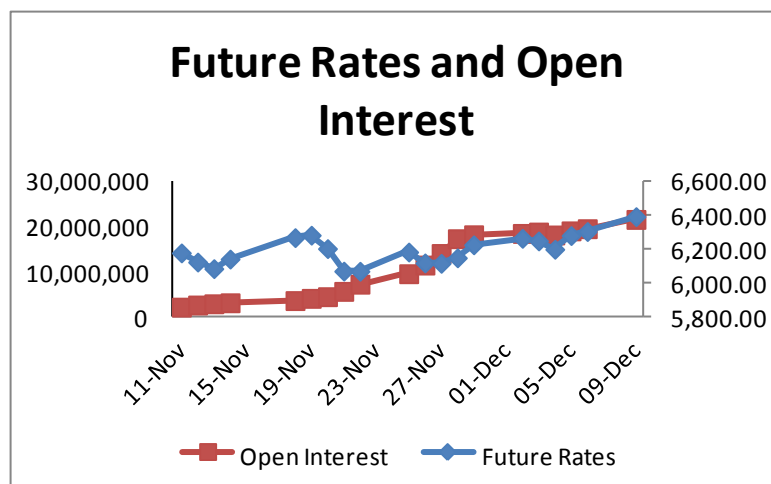
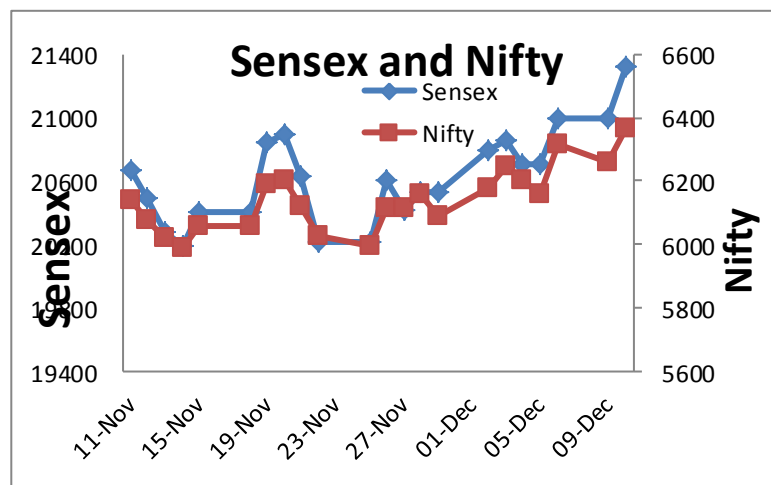
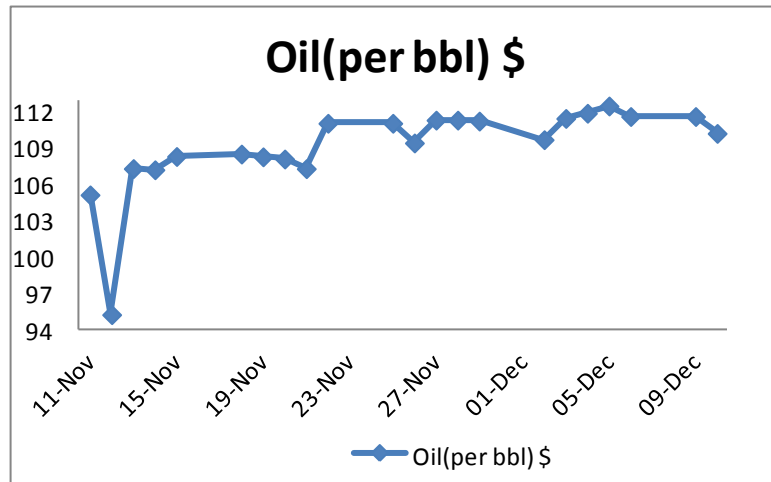
Nivedita Pallavi

I MBA L

Rate Repo	7.75per cent
Reverse Repo	6.75per cent
Marginal Standing Facility	8.75per cent
Call Rate	6.50per cent –7.50per cent(19th Dec 2013)
Inflation	+7per cent for November2013
Forex Reserve	\$291.30 Billion as on 29th November2013
91day T-Bill	8.7712per cent
IIP	2per cent (increase) for September 2013
8.83 GS 2023	8.83per cent (Indicative YTM)

GRAPH





SMEs : Catalyst In Indian Economic Growth

Soumya Kudiyarasu

II MBA I



Small and Medium Enterprises (SMEs) play a vital role in India's economic growth by creating jobs and generating income for low income people. With over 30 million units, SMEs accounted for 17 per cent of the country's GDP in 2013. The chamber of Small & Medium Business Development India projected the share of SMEs in the expansion of the Indian economy to increase to 22 per cent of the GDP in 2013. By the end of 2012, the total number of working enterprises was 44.77 million units. The total number of people employed in the SME sector is 101.25 million.

Between the time period from 2009 to 2012, the MSME units in India achieved a Compounded Annual Growth rate (CAGR) of 4.5 per cent as per the Ministry Of MSME. There was a CAGR of 11.5 per cent of investments in the SME sector during this period. This indicates the expanding phase of SMEs in India. As indicated, the MSMEs are increasingly contributing towards employment generation in India. SME sector of India is considered as the backbone of economy contributing to 45% of the industrial output, 40% of India's exports. It caters to more than 8000 quality products for the Indian and international markets. Whether labour oriented or capital oriented, the advantages of SMEs in an economy are many. Since Small industries make use of raw materials which are locally available, there will be a mechanism of tapping the local resources which will ensure good cash inflow to the local small scale producers.

In longer time frame, the promotion of small and medium industries can induce rapid growth of large scale manufacturing. The cheaper goods and services generated will help the general population to check the effects of price hikes by acting as a protective shield. Along with this, the increased employment opportunities and productivity will foster to the country's GNP. This will lead to poverty eradication at a higher level.

Small and medium industries have specific influences in the balanced and dynamic growth of any economy. While SMEs are crucial in integrating any economic system with the society, they face numerous challenges. The prominent challenge among them is non-availability of low-cost source of finance, whenever it is required. The unawareness of financial instruments and financial illiteracy combined with the lack of low-cost finance makes the credit flow to SMEs further difficult.

If we are able to address these issues, with this huge potential backed up by strong government support; Indian SMEs will continue to post their growth stories. Despite this strong growth, there is huge potential amongst Indian SMEs that still remains untapped. These untapped abilities can become a great source for the further growth of SME units and in turn it serves in the economic growth of the country.

Reference:

smebancon.smechamberofindia.com/

www.eisbc.org/Definition_of_Indian_SMEs.aspx

DEBATE:: The Impact Of Bali meet On Indian Economy

Neenu Sunny

I MBA Sec L

Gaurav Vidyarthi

I MBA Sec L

The ministerial conference is held by the World Trade Organization (WTO) once in every two years. This year the conference was held at Bali in Indonesia. The meeting brings together all the members to take various decisions on the multilateral trade agreements. The Bali meet aims at trade facilitation of the developed countries and developing countries like India and Indonesia. The food subsidy act in the Bali meet aims at the welfare of the poor people in developing countries. The recent meeting involved discussion on increasing the food subsidies above the former 10 percent limit. India has denied the policy of subsidizing food and is not willing to give any compromises on the issue.



Indian ministers stand for the poor people in the country. The food security bill in India helps in providing food security to the poor people. However, the government is against this proposal because the food security act in India has a 10 percent limit when implemented. Hence, the food security act of India should be implemented efficiently. This act should focus on the welfare of the poor people and should ensure that the act is implemented properly. The food subsidy decisions in Bali meet is compared to the Indian food security bill.

The government which supports the food security bill should consider the people and should take adequate measures for implementing the same. With the general elections nearby and the developing state of our country; the food security bill has been considered as publicity. The trade facilitation agreement was suggested which will be beneficial for the developed and developing countries. The agreement focuses on reducing export subsidies and this initiative will be beneficial for the developing countries as it encourages on exporting goods. The export of goods helps in economic welfare and focuses on Increasing the standard of living. Most of the economic benefit from this agreement goes to the developing countries.

The Bali meet is thus beneficial for both developed and developing countries. Developing countries like India, Indonesia focuses more on the food security because a good number of people rely on agriculture thus increasing the standard of living of the people in these sectors of the country.

References

<http://www.financialexpress.com/news/india-set-to-take-tough-stand-on-food-subsidy-at-wto-bali-meet/1201005>

<http://www.firstpost.com/economy/will-india-stand-up-to-americas-sweet-coercion-at-bali-wto-meeting-1265989.html>



STOCK WATCH:: Bata

Ankit Dewani

II MBA K

Sandipa Das

I MBA N

Vaibhav Raina

I MBA N

BATA INDUSTRIALS (IMPROVING WORKING LIVES)

About the company

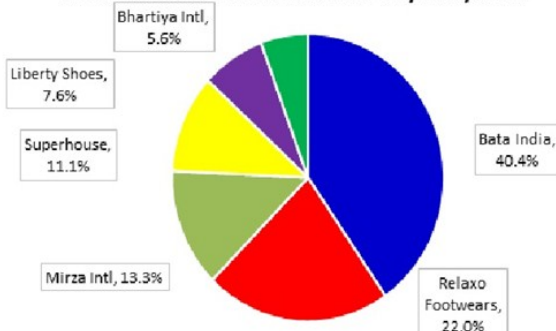
- Bata is known for manufacturing footwear and related accessories for professionals.
- It delivers its products through retail as well as whole sale networks and also invests in joint ventures for surplus property development.
- Bata footwear limited is one the largest player in the global market with offices all over the world.
- The company has bagged many awards in the retail industry. The few among them are-
- It was crowned with the title of Most Admired Brand of the year 2006-07 in Footwear category.
- It was rated among the top 10 super brands in India and awarded Super Brands Award on April 12, 2007.
- It received the AMITY Corporate Excellence Award on 21st of February 2008 for its retail out growth and excellent performance.
- In 2010 it won the 'Consumer Awards 2010' as 'India's Most Preferred Retailer' given by CNBC Awaaz.

Recent news

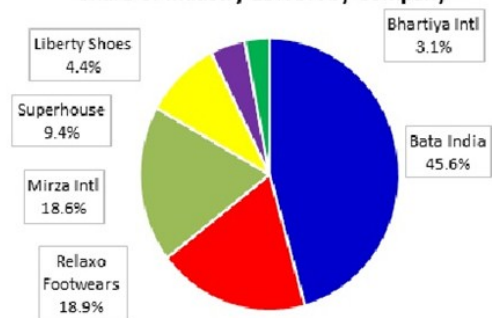
- In the 80th general meeting Bata India Ltd has planned for upgrading its plants in Bihar, Karnataka and West Bengal and also set up 100 new stores all over India which involves a capital expenditure of 100 crore. It is also planning to focus more on ladies shoe collection
- The share touched its 52-week high ₹1,071 and 52-week low ₹688.25 on 25 November, 2013 and 20 March, 2013, respectively. Currently, it is trading 0.93 percent below its 52-week high and 54.16 percent above its 52-week low. Market capitalization stands at ₹6,818.39 crore.

Company's financial figures and estimates Key Ratios

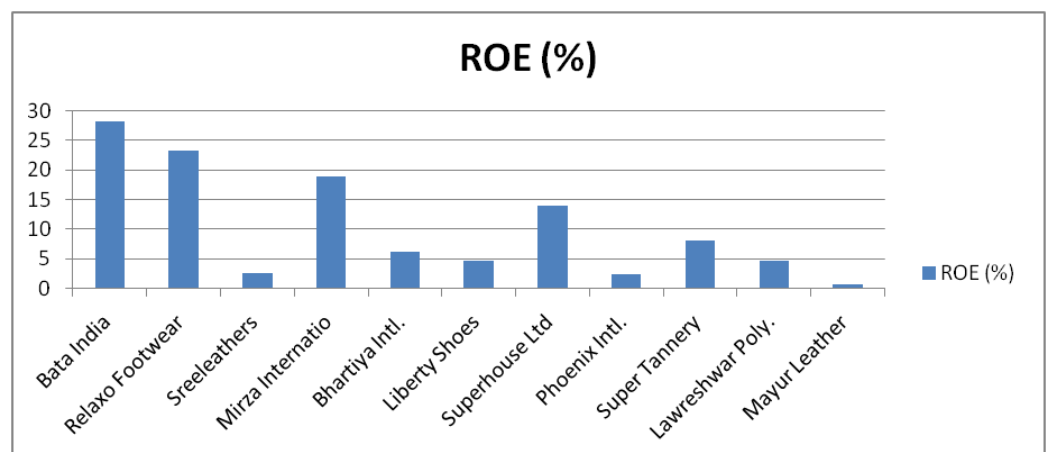
Market Shares of Listed Footwear Players by Sales



Share of Industry EBITDA by Company



Years	Dec-12	Dec-11	Dec-10	Dec-09	Dec-08
Debt-Equity Ratio	0.0	0.0	0.1	0.1	0.2
Current Ratio	2.1	1.8	1.7	1.6	1.5
Fixed Assets	3.7	3.7	3.5	3.4	3.4
Inventory	4.4	4.5	4.4	3.9	3.4
Debtors	49.0	50.8	46.1	43.6	41.5
Interest Cover Ratio	22.0	22.8	19.7	11.3	7.4
PBIDTM (%)	16.9	16.7	14.3	12.4	10.1
PBITM (%)	14.1	14.0	11.8	9.9	8.2
PBDTM (%)	16.2	16.1	13.7	11.5	9.0
ROCE (%)	39.6	44.6	43.1	35.9	30.1
RONW (%)	28.2	32.9	28.8	24.4	26.1
PE	33.7	15.5	25.5	20.0	11.9
EBIDTA	315.3	370.2	183.2	137.9	102.1
Divided Yield	0.7	1.1	1.1	1.5	2.3
EPS	25.7	34.2	14.2	10.0	9.0



Being a zero debt company compared to other players in the footwear industries Bata is performing the best as it is high on all the parameters including the ROE and ROCE.

Investment in Bata seems highly favorable from an investors point of view as compared to other footwear industries the return on equity is highest for Bata.

Bata India holds the major share in Indian market in both the Product Sector as well as in terms of revenue generated as well as has fewer amounts of expenses.

Peer Comparison

Company	Market Cap (Rs. in Cr.)	P/E (TTM) (x)	P/BV (TTM) (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)	D/E (x)
Bata India	6,676.61	35.34	9.94	17.07	28.2	39.6	0.00
Relaxo Footwear	1,068.90	20.29	4.98	8.35	23.2	21.3	1.04
Sreeleathers	734.55	96.04	4.06	0.00	2.6	4.0	0.00
Mirza Internatio	223.41	4.48	0.89	2.89	19.0	23.7	0.74
Bhartiya Intl.	202.79	21.37	1.46	12.35	6.2	10.5	0.62
Liberty Shoes	170.06	15.84	1.09	8.66	4.7	7.5	0.65
Superhouse Ltd	81.00	2.62	0.50	3.03	13.9	16.7	0.95
Phoenix Intl.	20.99	25.00	0.31	5.22	2.3	8.8	0.81
Super Tannery	20.95	3.46	0.34	4.67	8.0	12.6	1.35
Lawreshwar Poly.	12.31	7.26	0.44	4.57	4.6	8.7	0.35
Mayur Leather	9.73	11.07	0.63	20.03	0.7	2.4	0.17

Stock performance of Bata for last 6 months

Highlights



- Bata India is among the top gainers in the last six months with return of 94 per cent and a return of 96% over the last 1 year.
- Bata India plans ₹100-crore capital expenditure.
- Five reasons why Bata India is a potential buy at this point:
 - Focus on retail segment.
 - Eyeing women and children segment for growth.
 - Premiumization to drive sales per store.
 - Gross margin expansion on the cards.
 - Massive restructuring places Bata on a strong footing

CMP=1032.05

BUY AROUND=1028.15

TARGET=1040

INVESTOR CHECK :: Enlightening the IPOs in India

Abhishek Aggarwal

II MBA I

Praveen Kumar Singh

I MBA I

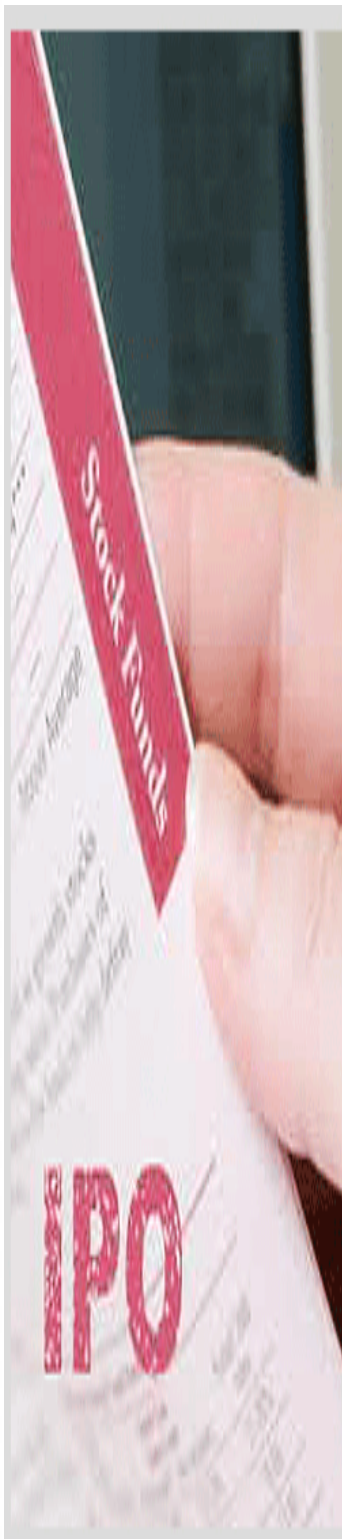
Initial Public offering or stock market launch or 'IPO' is a type of public offering which takes place in the primary market, where the shares or stocks of the companies which seeks the capital in order to finance their investments for expansion of existing structure is sold in a securities market regulated by SEBI (Securities exchange Board of India) & commonly done by privately owned companies which transforms itself into publicly traded company.

Steps involved in an IPO



Initial Public Offerings main objective varies from company to company. Few objectives are:

- Funding capital for growth
- Expansion of existing projects
- Diversification
- Funding Joint Venture and Collaborations needs
- Funding Infrastructure Requirements and Marketing Initiatives
- Financing Working Capital Requirements
- Funding General Corporate Purposes
- Repaying debt if enough profit is not generated & also to strengthen the Balance Sheet
- Meeting Issue Expenses.



Regulatory frameworks associated with IPO

- The Companies Act of India, 1956
- Securities exchange board of India: Power to SEBI under section 55 A relating to Issue & transfer of securities.
- Securities contract regulation, 1956
- According to **Securities Contract Regulation rule**, 1956 earlier it provided that a company can get listed with just 10 % holding with the public, provided the minimum net offer to the public is `100 Crore, a minimum of 20 lakh shares are offered to the public in an IPO through book-building method and allocation to qualified institutional buyers is 60 % of the size of an issue. But after its **amendment in 2010**, the minimum threshold level of public holding became 25% for all listed companies.
 - The **due diligence** process ensures that whatever you state in your prospectus can be substantiated , from both a company perspective and a sponsor's perspective it means credibility and increases the chances of a successful IPO. Legal Due diligence and Financial due diligence are well understood, but equally important are technical and intellectual capital due diligence.
 - There are two ways for a company to list new shares:

Offer for sale

Offer for Subscription/ Public issue

Before going for an IPO, promoter's contribution should be at least 20% of the post issue capital of the company for unlisted companies; for listed companies, either to extent of 20% in issue or to ensure post issue holding of 20%.

Power Grid FPO

The Govt. of India has a target of raising ₹40,000 cr in the current fiscal year from 7 different PSUs like Coal India limited, ONGC, Power grid, Engineer India etc. Among the companies to be disinvested in this year, the first is Power Grid Corporation of India Ltd (PGCIL) on 6th December 2013.

Issue date	6-10 December 2013
Issue size	₹ 7,000 Crore
Fresh Issue to Public	₹ 5,400 Crore
Stake Sale by Government	₹ 1,600 Crore
No. of shares	₹ 78.7 Crore
Current Price (As on 12-11-2013; NSE)	₹ 98
Price Band	₹ 85-90
Issue Price	₹ 90 per share
Discount to Retail	₹ 4.50 per share

Particulars	Number of Shares Offered (In Crore)	Number of Shares Bid (In Crore)	Times
QIB (50%)	39.20	438.0	11.2
NII (15%)	11.76	21.7	1.8
Retail (35%)	27.44	32.0	1.2
Total	78.40	491.8	6.3

The government is divesting **10% of its 86.36% stake** and the company will raise an equal percentage of fresh equity through the offer priced at ₹ 85-90 per share. At the upper end of the price range, Power Grid's FPO will raise ₹7,600 crore and at the lower end ₹ 7,155 crore. The FPO remained open for **4 days**, the market witnessed Power Grid's FPO which got bids **over six times** stock on offer. This can be used by investors to look into arbitrage profits that can be obtained from the market. Event-based volatility could rise in the near future, **increasing arbitrage opportunities** (The simultaneous purchase and sale of an asset in order to profit from a difference in the price).

References

PTI. (2013, 12). *The Economic Times*. Power Grid share sale subscribed 6.73 times. Retrieved December 11, 2013, from http://articles.economictimes.indiatimes.com/2013-12-06/news/44864488_1_price-band-issue-price-power-grid-corporation

PTI, .(2013, 12). *Moneycontrol.com*. Power Grid FPO price set at Rs 90/sh, govt to get Rs 1600cr - Moneycontrol.com. Retrieved December 11, 2013, from http://www.moneycontrol.com/news/ipo-issues-open/power-grid-fpo-price-set-at-rs-90sh-govt-to-get-rs-1600cr_1006171.html

ALUMNI SPEAK:: Nikunj Garg

Mithil Kumar A

II MBA L

Dhiraj Sharaf

I MBA N

Can you through some light on your Company, the job profile and the role you play in the organization?

Futures first is a company which provides professional research and advisory services in commodities, securities and financial futures and options. I am employed as a Derivatives Market Analyst (Trainee) here and currently trading oilseed (soybean, soy oil) in International commodities markets.

What encouraged you to choose this industry and join Futures First?

I am interested in active financial markets and in trading. It encouraged me to choose this industry. My performance in Trade Mogul in 2012 and my interaction with Christites working in FF further encouraged me to kick-start my trading career in Futures First.

How is your experience in the company as well as in the industry so far?

It has been a great learning experience so far. The dynamism of futures markets keep you on your toes always. I am happy that I did not give a thought to any other career option and chose to pursue trading as a career.

Industry is highly competitive where new players like us are competing against highly experienced speculators. It's a game of hard work and your emotional stability.

How is professional world different from the life in MBA?

When you are in a professional scenario, you become more serious about your goals and pathways to achieve those goals. Discipline and hard work is always expected out of you and you are always aware that losing your focus and any such issue at your workplace may cost you in terms of your reputation as well as of the university you belong to.

What do you feel is your most crucial leadership opportunity till now? Has the definition of leadership changed for you after stepping into the corporate world?

Definition of leadership keeps changing every time you are handed over a certain responsibility. According to me: a leader should focus on developing more leaders rather than more followers

What is the most challenging project or situation that you have encountered in your work?

I am trading in markets which are highly developed and active. Every position that I take in such a market; there is a thought process which is always there. Financial markets give you opportunities as well as challenges but rewards could be equally or I would say far better than such challenges.



What is your ultimate dream for your long-term career? And how would you define success?

I want to pursue trading as my career and scale up in terms of products I trade and volumes I do in markets. Trading itself has an immense potential.

Are there any additional courses / certifications that you recommend in this field?

To begin with trading, you don't need any specific certifications or any additional courses.

Who is your role model and how he/ she inspires you?

I consider my past performance as my benchmark and always try to perform beyond that benchmark.

What are you doing to ensure that you continue to grow and develop in industry?

It will be too early for me to involve myself in any other activity. Right now I am adapting to different phases of the markets and learning something every day. Adapting to dynamic markets will help me grow and develop.

What are the characteristics you believe one should possess to join this company?

Flair for numbers, strong analytical skills, independent decision making, risk taking attitude, strong emotional quotient and willingness to put your 100% hard work is what makes you fit for this company and when I say 100%, I really mean it. For the one who doubts his/ her abilities, this may not be the right place.

What are the opportunities for us (juniors) in your company?

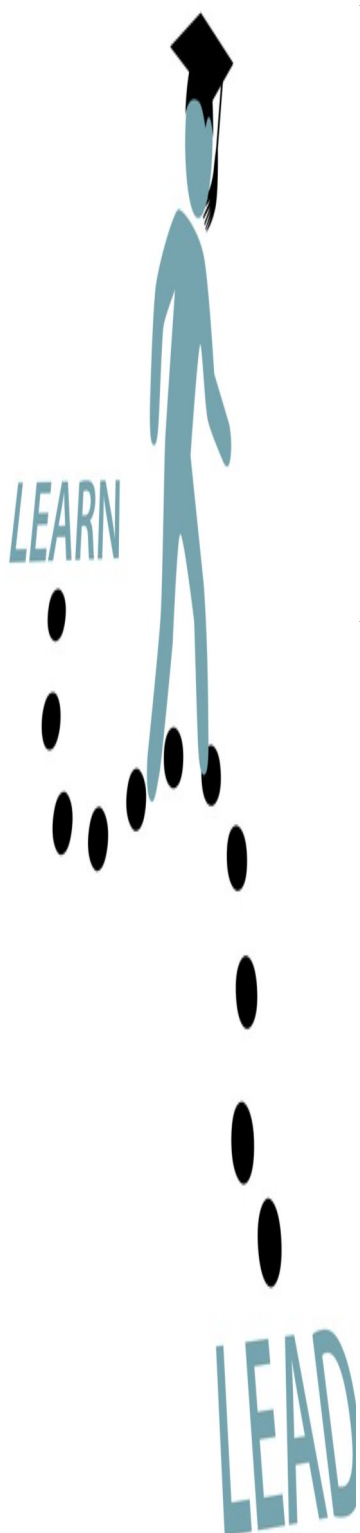
Company hires mainly traders and other roles are filled by the means of internal promotions. Trade Mogul is also one of the best ways for freshers to prove their interest in trading and financial markets and earn a chance to be interviewed here.

Will you be willing to come and share more about the industry and the company and your experience with us in an alumni interface?

Definitely, it will be an honour for me to interact with Christites.

A message for Christites

When opportunity knocks, do Open the door



COMMODITY:: Natural Gas

Vattam Bhargav

II MBA V

Abhishek Suryaraj

I MBA L

Natural gas is a colorless, odorless, environment friendly energy source. It is a gas consisting primarily of methane. It is found associated with fossil fuels, in coal beds. Natural gas is commercially produced mostly from oil fields and natural gas fields.

Major uses of Natural Gas in India are:

- Fuel source for power generation, automobile (CNG), cooking and Industrial boilers.
- Feed source for fertilizers.
- In MCX (Multi Commodity Exchange) Natural Gas is measured in units of mmBTU (million British thermal Units) and sold in lots of 1250 mmBTU.

Positive news on Natural Gas:

The main regions producing Natural Gas in USA have been experiencing extreme cold temperatures, which increases the difficulties in extracting Natural Gas. Though this phenomenon is expected to stay from two to three weeks, the weather forecasts have also been indicating that the temperatures will be below average. This not only reduces the supply but also diminishes the stockpiles and increases demand for Natural Gas for heating purposes. This commodity has also seen an increase due to these factors and expected to increase if this continues. Natural Gas has already surpassed the \$4 mark in NYMEX.

Current performance of Natural Gas in the Commodity Market:

Natural Gas is currently (11th December 2013) being traded with a spot price of ₹ 264.70/mmBTU.

The current Spot prices in MCX for Natural Gas futures are (11th December, 2013):

₹ 264.70 / mmBTU for 26 December, 2013.

₹ 266.10 / mmBTU for 28 January, 2014.

₹ 266.50 / mmBTU for 25 February, 2014.

Natural Gas price can be expected to touch ₹ 275 for 28 January 2014 contract as a short term investment.

References:

http://www.mcxindia.com/SitePages/ContractSpecification.aspx?ProductCode=NATURAL_GAS

<http://www.commodityonline.com/commodity-market/commodity-prices/natural%20gas>

<http://www.commodityonline.com/news>



SCAM:: Fodder Scam

Akansha Jha

II MBA J

Pragya Tamrakar

I MBA L

The Fodder scam also referred as Chara Ghotalais is a 17 year old scam involving a loss of about ₹ 940 crores to the national exchequer. The 12 year old scam is the case of eastern state of Bihar where some of the top notch politicians are accused of embezzlement. The involvement of former chief minister of Bihar and the RJD (Rashtriya Janta Dal) supremo, Lalu Prasad Yadav shocked the entire country. This scam ended up his phase as the Chief Minister of Bihar. Other politicians who were also having some allegations of involvement in the embezzlement were former Chief Minister of Bihar, Jagannath Mishra, Nitish Kumar as well as Shivanand Tiwari. The issue mainly involves submission of false expense reports which over time increased in volume. They withdrew the supplies for fictitious poultry and cattle which was basically again distributed among the accused politicians. The involved politicians also have the corruption charge of suppressing the evidences and making efforts to protect the other accused officials. It is claimed that the Public Accounts Committee was reported of this matter earlier back but despite investigating the matter by the investigative agencies, it also colluded with the officials. This is the reason why this act of corruption continued for such a long time without coming into light. The magnitude of the amount of theft kept on increasing and became such a hefty amount giving rise to a grave scam of financial irregularities. Evidences prove the involvement of the top authorities.

The date 3rd October 2013 came as a curse to Lalu Prasad Yadav when he was sentenced to an imprisonment of 5 years along with a fine of ₹25 lakhs. Albeit, he took the decision of moving to the higher court for the re- analysis of this judgment given and pleading for innocence. Overall, 45 people were accused of involvement in this fraudulent act and they all have been sent to various prisons across the states.



Fodder Scam

BUZZWORD

Ankit Dewani II MBA K

Interest Rate parity

A theory in which, the interest rate differential between two countries is equal to the differential between the forward exchange rate and the spot exchange rate. Interest rate parity plays an essential role in foreign exchange markets, connecting interest rates, spot exchange rates and foreign exchange rates.

Reference:

<http://www.investopedia.com/terms/i/interestrateparity.asp>

Did You Know::Currency Swap

Tina Patricia

II MBA N

Gaurav Vidyarthi

I MBA L

A swap that involves the exchange of principal and interest in one currency for the same in other currency. It can also be defined as a foreign-exchange agreement between two institutions to exchange aspects of a loan in one currency for equivalent aspects of an equal NPV loan in other currency. Unlike the interest rate swaps, currency swaps can involve the exchange of principal.

Currency swap is generally done because of two main reasons :-

- To secure cheaper debt.
- To hedge against exchange rate fluctuations.

For example: suppose a US based company needs to acquire Swiss francs and a Swiss based company needs to acquire US dollars. These two companies could arrange to swap currencies by establishing an interest rate, an agreed upon amount and a common maturity date for exchange. The maturities are negotiable for at least 10 years.

Recently India and Japan had done \$50 billion currency swap since there was involvement of two countries so it is called as bilateral swap. The facility between Reserve Bank of India and the Bank of Japan enables both the countries to swap Japanese yen or the Indian rupee for US dollars in an unforeseen situation.

There are different ways in which currency swaps can exchange loans :

- The simplest currency swap structure is to exchange only the principal with the counterparty at a specified point in the future at a rate agreed now.
- Another way is to combine the exchange of loan principal with an interest swap.
- Swap only interest payment cash flows on the loans of the same size and terms.

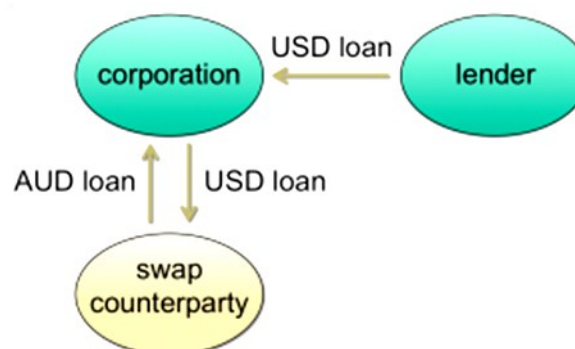


Fig: By
currency

entering into a
swap with

a third party, a corporation can convert
a USD loan into an AUD loan.

FINANCIAL AUDITING INDUSTRY ANALYSIS

Sabahat Bashir

Mayank Kaushik

Nivedita Pallavi

Vaibhav Raina

Priya Thomas

Praveen Kumar Singh

Pragya Tamrakar

INTRODUCTION

Financial auditing is an accounting process to examine a business's financial transactions and statements to present an accurate account of financial transactions. This is done so to make sure that the company is trading fairly and the accounts presented to shareholders and public are accurate and justified.

Although the public records show that this process is in practice since 1314, no organization was legally required to do so till 1934. The enactment of United States Securities Exchange Act in 1934 made it a legal requirement for all public sector companies. Usually the auditing period takes place yearly mostly at the end of the financial year. The auditor inspects all the financial transactions of the company for that period and performs the difficult task of maintaining objectivity of the company. At the end, the auditor is required to give a true and fair view, in all materials respects, in accordance with financial reporting framework.

The purpose of an audit is to provide an objective and independent examination of the financial statements, which increases the value and credibility of the financial statements thus increasing user confidence in the financial statements and consequently reducing investor risk.

REGULATORY ENVIRONMENT

Organizations many times struggle with regulatory compliance requirements such as PCI, HIPAA, DSS, and SOX etc. Industry and federal regulations and privacy acts requires implementing these audit and security controls to protect data. As financial services industry responds to an unparalleled level of evolving regulatory reform, internal audit functions should adapt to meet this challenge. The present environment provides internal audits a unique opportunity to place it as a trusted advisor to audit committee and management of an organisation.

Role of internal audit:

- Playing an active part
- Seizing opportunities of regulatory reform
- Positioning
- Risk assessment and coverage plan
- Methodology and people

REGULATORY REQUIREMENTS OF INTERNAL AUDIT IN INDIA

- Clause 49 of Listing Agreement - Responsibility of the audit



committee to review adequacy of internal audit function and internal audit reports.

- Section 292A of the Companies Act, 1956 - In addition, Section 292A of the Companies Act, 1956 requires public companies having paid up capital not less than ₹5 crores to constitute a committee of the Board.
- Section 581ZF of the Companies Act, 1956 requires that every producer Company shall have internal audit of its accounts carried out by a chartered accountant.
- The Securities and Exchange Board of India has mandated complete internal audit on a half-yearly basis for stock brokers/trading members/clearing members.
- IRDA (Investment) (Fourth Amendment) Regulations, 2008 has introduced requirements of quarterly internal audit for insurers.
- Companies going in for tapping the international capital market, especially, those seeking listing in US stock exchanges like NASDAQ, NYSE, etc. also need a strong internal audit function to meet the stringent corporate governance and internal control requirements of those stock exchanges.

MAJOR PLAYERS

The financial industry market is a booming market in today's economic world. This industry is mainly dominated by four companies which makes an oligopoly market in this industry. The four companies are:

DELOITTE: It is the largest professional network in the world.

PRICE WATER COOPERS: It is the second largest company in the financial services market. It is a multinational company and operates in around 770 cities across 159 countries.

ERNST & YOUNG: It is the third largest multinational company operating in the financial services industry. The company was formed after merger of American firm Ernst & Whinney with Arthur Young & Co. in 1989.

KPMG: It is the fourth largest financial services providing company in the world. It provides services in auditing, tax, and advisory. It is also divided into three service groups – Management Consulting, Risk Consulting and Transactions & Restructuring.

SUCCESS FACTORS

Financial Auditing is a booming industry. The companies try their level best to satisfy the needs of their clients because auditing is related to rectifying any mistakes in the preparation of the financial statements. It can also help in evading taxes for the company. The major success factors that affect this industry are:

- Understanding the client's needs and requirements would help in fulfilling their needs.
- Understanding the rules and regulations relating to auditing, and also the rules and regulations of the country.

- The companies should embrace the new technology and make continuous changes to the auditing procedures to remain updated.
- The companies should set up standards to give their level best in fulfilling the needs of the clients.
- There should always be continuous evaluation of the results.

GLOBAL TRENDS

It evolved from an objective assurance and consulting activity, IA will address the growing needs of global organizations and meet the new expectations of investors and board members.

Few key trends observed are:

- **Evolving role of internal auditors and expanding scope of audits:** The traditional work of the function – operations, systems, fraud investigations, and special project audit work – has taken a back seat to the more pressing needs of regulatory compliance as well as business process optimization.
 - **Business performance and quality assessments:** Every stakeholder, management and the audit committee, relies heavily on internal audit for providing assurance and establishing trust in the organization.
 - **Organizational structure for accountability and transparency:** Today's environment calls for greater collaboration and strong relationship between the auditor and the audited at all levels.
 - **Shift away from SOX compliance towards risk-based auditing:** More focus is on stakeholder expectations and risk-based auditing. Enterprise-wide risk management and fraud are also gaining precedence.
 - **Upgrading audit infrastructure and technological advancement:** Companies are migrating from their legacy systems, point applications and paper-based procedures to a web-based integrated audit management system.

KEY SKILLS

- **Quantitative Skills:** Finance professionals should have extensive knowledge in math including creating financial reports, budgets, balance sheets and income statements.
- **Technology Skills:** Finance professionals should be knowledgeable about using technology to access and make changes to important financial documents including budgets, purchase orders and customer accounts.
- **Analytical & Problem solving Skill:** Finance professionals analyse market trends to forecast business, industry and economic conditions. Along with monitoring a company's finances, finance managers and executives perform data analysis and advise managers on ways to increase profits.
- **Communications Skills:** Finance jobs require skills in communicating policies and procedures to other employees and customers.
- **Relationship Management Skills:** The people skills you need in order to succeed as a financial professional include understanding different



personality types, listening, asking the right questions, resolving conflicts, educating others and counselling clients.

- **Project Management Ability, Organizational Skills and Attention to Detail:** You'll need to efficiently and effectively schedule your time, manage budgets, meet deadlines and get what you need from other people in time to complete your project successfully.
- **Ethics:** Adhering to a set of ethical standards such as those required of certified financial planners (CFPs) is crucial to rebuilding the trust that has been broken by financial scandals.

COURSES AND CERTIFICATIONS

The Certified Financial Services Auditor (CFSA) by IIA (Institute for internal auditors) is considered to be a valuable certification in the field of finance for the professionals working in financial institutions like banks, loan organizations, insurance companies, credit agencies, investment companies etc. There are mainly four specialty certifications –

- Certification in Control Self-Assessment
- Certified Government Auditing Professional
- Certified Financial Services Auditor
- Certification in Risk Management Assurance
- Every certification is having a unique education and experience eligibility criteria. The registration for the exam of the same can be made online throughout the year at more than 500 locations globally. After the successful completion of the exam and meeting all the requirements of the program, certificate is awarded.

The International Register of Certificated Auditors (IRCA) provides certified training courses in order to promote best services and practices in auditing globally. There are basically four courses of different levels-

- Foundation courses: This provides a general understanding of the field.
- Internal auditor courses: A skill enhancing training is provided to perform an effective internal audit of an organization.
- Lead auditor courses: It provides skills to carry out first, second and third-party audits of complete management systems as per the standards.
- Conversion auditor courses: These courses are basically for those professionals who have already completed their lead auditor training and wishes to take their competencies to another higher level.

MIS Training Institute is a recognized international training institute in audit as well as information security. Its certification courses includes-

- Internal Audit Certificate: It is designed to inculcate the basic skill for operational and financial audits. It also involves basic IT concepts.
- Fraud Audit and Investigation Certificate: It is designed to provide knowledge and skill to detect and investigative financial frauds in any organization.



Vattam Bhargav

II MBA V

Abhishek Suryaraj

I MBA L



1. Which is the only country having paper currency and have no coins and it introduced cheque only in 1997?
2. Infosys recently announced about an acquisition of a consulting firm. Name the firm.
3. Economic historians usually attribute the start of the Great Depression to the sudden devastating collapse of US stock market prices on October 29, 1929. This day is known as?
4. This Indian company floated an issue of this controversial financial instrument in 2008 and collected a sum of around ₹19,000 crores till 2011. The company claims this issue was a private placement and not a public offer. Name the company.
5. The Indian American who will take over as the president of the global rating agency Standard and Poor's.
6. Which female lifestyle brand has been sold by Future group recently in ₹450 crore?
7. Buffalo Pvt. Ltd. Company which recently came in scandal news is owned by whom?
8. Who will replace Mike Duke as the CEO of Wal-Mart in February 2014?
9. With which IIM has mybskool dot .com tied up to launch 100 day Free Online MBA?
10. Which Indian telecommunication company has started a high quality voice service for its subscriber in Kenya, Rwanda, Malawi and Nigeria?
11. Which business magazine has been sold by ABP to an undisclosed buyer?
12. Who is the new PepsiCo Chairman and CEO for India?
13. What is unique about a newly launched Nokia 114?
14. Who is the newly appointed UNICEF's first brand ambassador for South Asia?
15. Which business term comes from the French phrase which means "Pledge to the death"?

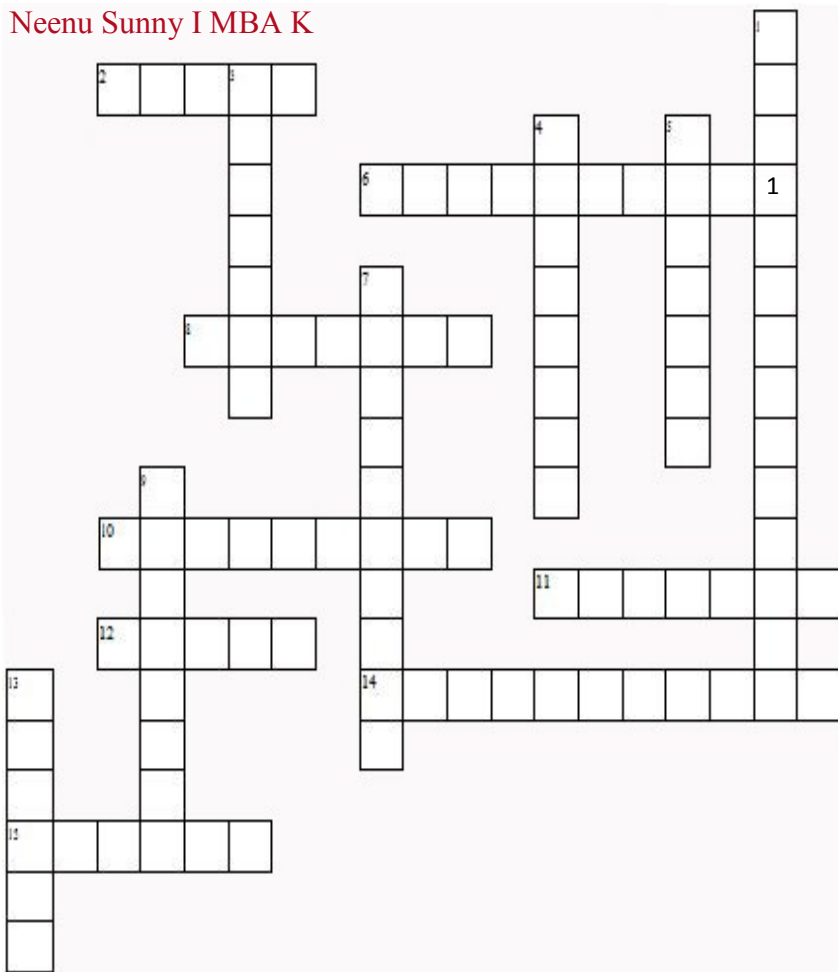
ANSWERS of November issue:

1. Centurion Bank
2. Tarini Vaidya of KBC Bank India & South Asia
3. Economy
4. CPI - Consumer Price Index
5. Merrill Lynch
6. Swap or Currency Swap
7. Lucas Pacioli
8. Decimal Coinage System was introduced
9. Payment Float
10. The Netherlands
11. Frankfurt
12. Charles Dow and Edward Jones
13. Dundee Mutual Fund
14. Amartya Sen
15. Security paper Mill at Hoshangabad, Madhya Pradesh

CROSSWORD

Ganesh Prabhu II MBA K

Neenu Sunny I MBA K



Across

2. An Internet-based system that allows funds to be transferred anonymously.
6. A computerized device that relays financial information to investors around the world
8. A purchase of securities to offset a previously transacted sale of the same security.
10. A prospective consumer of a product or service that is created when an individual or business shows interest and provides his or her contact information.
11. A bank set up to buy the bad loans of a bank with significant nonperforming assets at market price.
12. A legal document outlining the terms under which one party agrees to rent property from another party.
14. A category of money supply that includes all physical money like coins and currency along with demand deposits and other liquid assets held by the central bank.
15. The forfeited output of a country's economy resulting from the failure to create sufficient jobs for all those willing to work.

Down

1. Inadequate insurance coverage by the holder of a policy.
3. A tactic used to hide or limit expectations of a company's or individual's strength in order to produce greater than anticipated results.
4. The rate at which business proposals and investment pitches are being received by financiers such as investment bankers and venture capitalists.
5. Small public companies with a market capitalization below \$50 million.
7. A bank or financial institution with negative net worth.
9. A gradual winding down of central bank activities used to improve the conditions for economic growth.
13. The combining of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock.

2) eCash
6) Ticker Tape
8) Pairoff
10) Sales Lead
11) Bad Bank
12) Lease
14) Narrow Money
15) GDP Gap
1) Under Insurance
3) Sand Bag
4) Deal Flow
5) Nano Cap
7) Zombi Bank
9) Tapering
13) Merger

DOWN

ACROSS

ANSWERS



chaanakya

About Us

**Chaanakya is the official Finance Magazine of
Wealth Incorporation, the Finance Club. It is released monthly.**

**Its objective is to keep each & everyone abreast with the activities and events of the world of
finance.**

Christ University Institute of Management

**Christ University, Hosur Road,
Bangalore - 560029,
Karnataka, India**

Tel: +91-80-4012 9531/9532

Fax: +91-80-4012 9000

Website: www.christuniversity.in

Please mail your valuable reviews and feedbacks at

chaanakya@mba.christuniversity.in

(For Private Circulation Only)