The Wealth Incorporation, Finance Club
Presents

October 1, 2010

CHRIST UNIVERSITY
BANGALORE

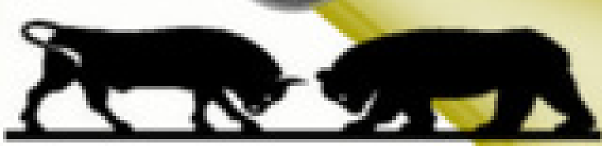
chaanakya

.... tracking the economy

VOLUME 4.13
ISSUE 75

DELHI 2010

Before you can really start setting financial goals, you need to determine where you stand financially.
-David Bach



INDEX

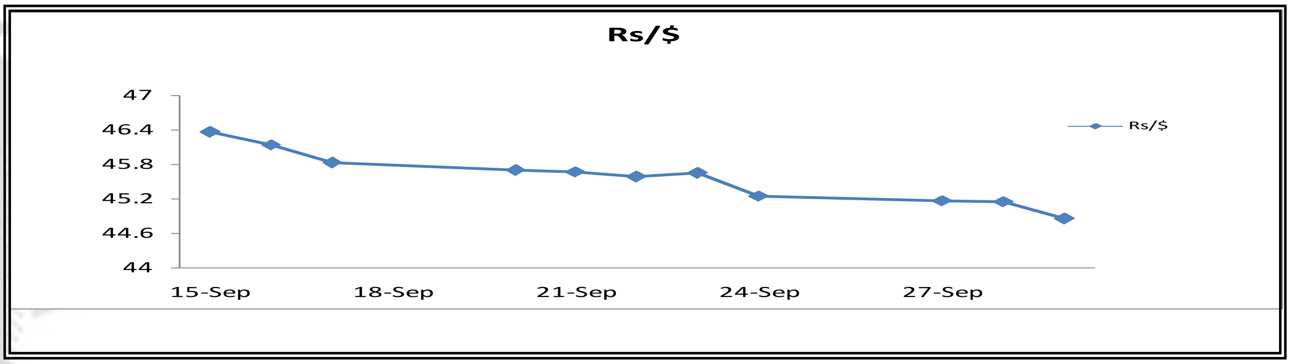
RATES

Repo	6.00 %
Reverse Repo	5.00 %
Call rate	4.50-7.25 %
Inflation (as on 14 Sept.)	8.50%
Forex Reserve (as on 24th Sept.)	$ 287.734 billion
91 day T-Bill	6.2735%
IIP (for July)	+13.8%
6.90 GS 2019	8.0907-8.0907%

STUDENT'S CARTOON

By Sachin, MBA - M

GRAPHS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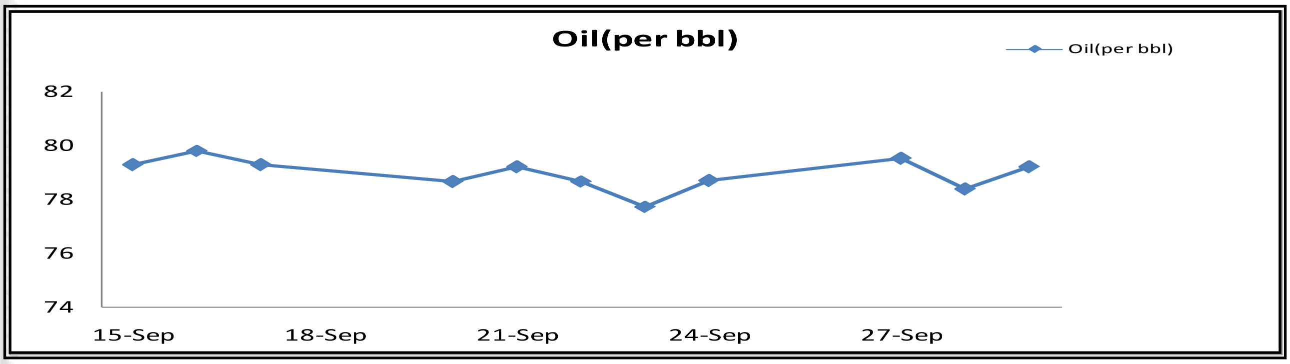
45.8
45.2
44.6
44
15-Sep
18-Sep
21-Sep
24-Sep
27-Sep
Rs/$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Oil(per bbl)
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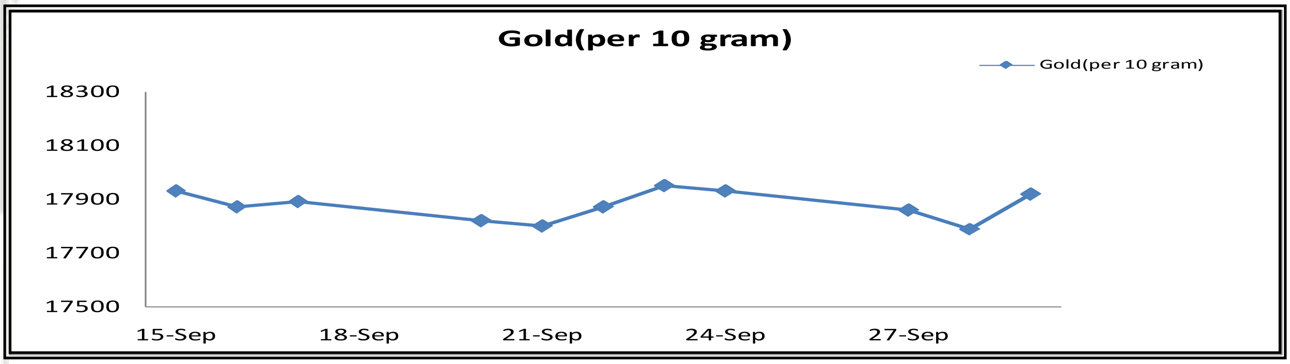
18-Sep
21-Sep
24-Sep
27-Sep


Gold(per 10 gram)
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18100
17900
17700
17500
15-Sep
18-Sep
21-Sep
24-Sep
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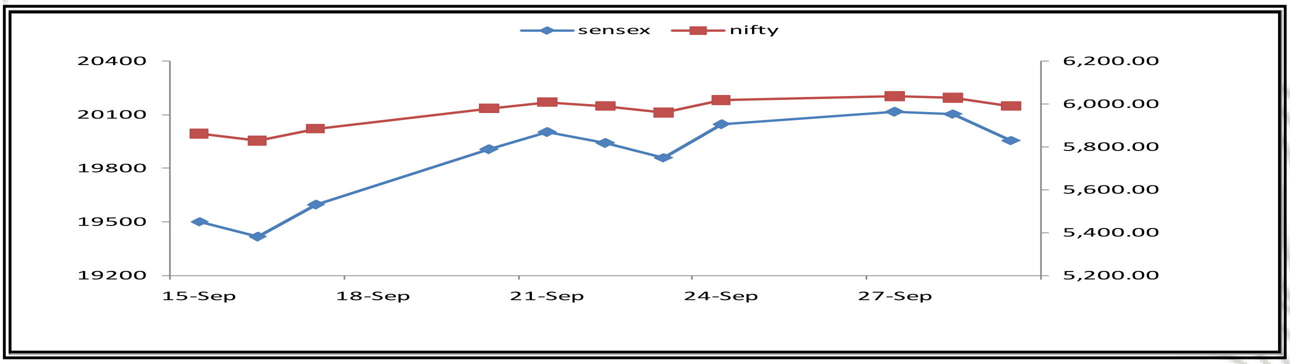
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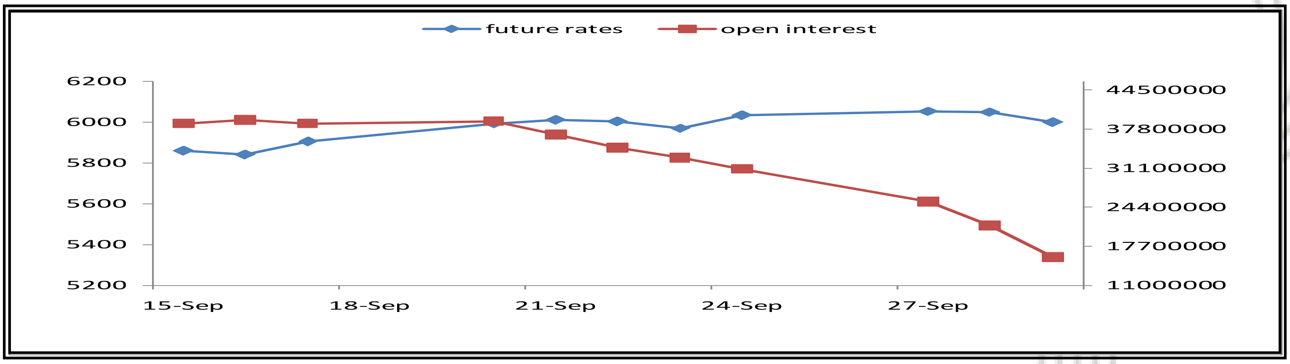
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15-Sep
18-Sep
21-Sep
24-Sep
27-Sep

INTERNATIONAL NEWS

By Elizabeth Merin Mathew, MBA-L

- US healthcare company Johnson & Johnson, looking to catapult itself into the global vaccine market, is in talks to pay $2.3 billion to buy Dutch Biotech Crucell.
- European union agreed to sign a free trade agreement with South Korea, which is the first generation of bilateral trade agreement which will bind Europe and Asia together in an ever closer economic bond.
- HSBC Holdings Plc will promote Stuart Gulliver, Head of investment banking at London based HSBC to CEO after Michael Geoghegan resigned.
- Petroleo Brasileiro SA raised $ 70 billion from the Brazilian Govt. and the other investors, in the world's largest share sale as it seeks cash to develop offshore fields.
- Hewlett Packard Co. has settled a legal dispute over Oracle Corp's hiring of Mark Hurd, as the two companies moved to publically mend fences and put the contentious issue behind them.

NATIONAL NEWS

- RBI raised reverse repo rate by 50 bps to 5 percent and repo rate by 25 bps to 6 percent. This is the fifth time this year that the central bank has raised rates to rein in high inflation.
- To develop the local bond market and boost long term foreign investment in infrastructure the Govt increased the investment limits for FII's in G secs and corporate bonds by $5 billion each. The Cap in G secs and corporate bonds now stands at $ 10 billion and $20 billion respectively.
- UIDAI chairman Nandan Nilekani said Unique Identification Authority of India (UIDAI), is all set to roll out Aadhaar, the Unique identification number to the residents of the country by the end of this month.
- India's FOREX reserves rose by $3.23 billion in the week ended September 17 to $287.73 billion reflecting strong capital flows and fluctuations in the value of the global currencies and this is the biggest rise in reserves in a week since September 11, 2009.

IPOs IN REAL ESTATE SECTOR

By Gaurav Jain II MBA K

Against:

"ANTAGONISTIC VIEW OF ENTRANTS INTO IPO'S IN REAL ESTATE SECTOR A SELF-DESTRUCTIVE MODE AHEAD".

The National Housing Bank (NHB), the regulator for housing finance companies, on 27th September advised lenders to exercise caution on lending to high-value properties, even as it warned that a potential real estate bubble was building as residential prices in several regions in the country were breaching their lifetime highs. A cautious approach is needed to ensure that a repeat of the crisis in the housing market in late 2008 is not made. The global markets went tumbling in 2008 as sub-prime real estate lending in the US created several defaults forcing the valuation of assets crashing down by over 50 per cent. Several banks and insurance firms were on the brink of bankruptcy including Citibank and AIG. Lehman Brothers has already filed for chapter 11 bankruptcy protections in the US. Just to reduce the occurrence the similar instances, many real estate companies such as MANTRI, PURVA are planning to venture into initial public offering.

For example, the prices have risen ₹6000 per square feet around forum in Bangalore in 2005 to ₹29,000 today for the same.
Projects have seen a rise land costs go up from 40 to 50 percent involved earlier to today to two thirds of the project. The real estate firms are seeking funds to finance land acquisitions and lock in runaway land prices but their IPOs are faced with the prospect of poor investor response. At least 12 real estate firms are suspending their offers despite getting final regulatory approval, according to analysts. When the

By Rony Thomas II MBA-N

In Favour:

"REAL ESTATE COMPANIES ENTERING IPO IS A POSITIVE MOVE".

The market is booming and the FII investments are flowing, so now the question is as to where is the realty sector, which is the backbone of the growth of the nation. It is called backbone because of its necessity in the upcoming projects and infrastructure development. The reality sector is coming more and more in the news due to many of the reality companies going for an IPO. This can be seen as a revival of fortunes after plumbing into the depths of economic slowdown with a tentative return to the Initial Public Offering (IPO) market. Some of the pioneers for an IPO are JP infratech, Emaar MGF Land Ltd, Sahara prime city etc.

Let us see what is happening in the reality sector. During the slow down period, the sales had decreased by 50%. So the developers had to slash the prices and launch new residential projects at lower rates. This was the scenario back then. But now there has been a visible change in the scenario with new projects coming up. With all these considerations in mind, we must ask ourselves if the companies would be able to manage without the initial public offering.

It is said that Initial public offerings (IPOs) worth $6 billion, from real estate firms are in danger with the increasing mortgage rates and high prices in the realty market, which was once flourishing. Official data reveal that only three realty IPOs have been launched this year. The realty companies are looking out for funds so that they can acquire lands. Many of the investors also feel that things existing players are themselves finding it difficult to sustain in the capital markets, new entrants are sure to struggle for its existence.

The expansion in the real estate sector will also lead to many environmental issues such as deforestation as it involves excavations to be made in green areas.

Thus, real estate firms entering IPO is definitely a wrong move!!!

have improved over years and they are returning to the market and so the IPO's will do well in the coming days. For e.g. :- Godrej Properties Ltd. , the first developer to sell shares in an IPO in India after a gap of almost two years raised Rs 4.69 billion last December and the stock has gained about 3%, since its trading debut.

An IPO becomes successful when a company provides sustainable returns to the investor and ample liquidity in the stock. The success of upcoming IPOs will depend on their timing and the prevalent market scenario. But in the current situation, real estate companies entering into IPO will surely yield favourable results to the company as well as the economy at large.

NEW INFLATION CALCULATION PROCESS

By Yugesh M. II MBA-L

Overhauling the dynamics of calculating inflation (or Wholesale Price Index) – It is yet another reformist movement in India; though not a big reform, but nonetheless an important change to keep pace with current times.

Nearly seven years after the setting up of a working group, chaired by Mr. Abhijit Sen, member of the Planning Commission, and two years after the presentation of the technical report, a Wholesale Price Index series with 2004-05 as the base year was proposed to be launched. The Committee of Secretaries (CoS) in its meeting held on 9th August, 2010 approved the release of new series of Wholesale Price Index (WPI) with 2004-05 as its base and directed that it may be released on September 14, 2010.

Though the wait has been long, one can feel good that it has been worth the while, as the WPI in its new avatar is said to be the best ever constructed not only in terms of the number of commodities it covers but even in terms of the number of price quotations to be relied upon to construct the index at a fundamental level.

Here are some of the broad features of new series of WPI:

- A representative commodity basket comprising 676 items has been selected.
- A new weighting diagram (new weights for different classes of commodities).
- The number of quotations selected for collecting price data for the above items is 5482.

Thus this new WPI series includes a total of 676 items inclusive of all the three major components i.e. the primary articles, fuel & power and manufactured products which are an improvement by 241 items from the previous list comprising of 435 items only. The basket of manufactured products has surged from earlier 318 items to 555 items now. The list under primary articles that include food, cereals and grains etc. has gone up from 98 to 102. The fuel and power category remains static at 19 items.

In addition to this the new series comprises of different weight-age levels, relative to the changes in the economy over a period of time. For instance, the weight of manufactured products has surged from 63.74% as per 1993-94 base price levels to 64.97% now, retaining the lions share. On the other hand, the weight of primary articles in the new index has come down to 20.11% as against 22.02 earlier. As such, the food prices would still comprise a big fifth of a share in the WPI index.

A comparative statement showing the weights assigned to different classes of commodities included in the new commodity basket, the number of items included in the new commodity basket and the number of quotations that will used to collect the price for these commodities, between the current series and new series for the major groups of commodities are given below:

Major Group	Weight		No. of items		No. of Quotations	
	Present Base Year 2004-05	Previous Base Year 1993-94	Present Base Year 2004-05	Previous Base Year 1993-94	Present Base Year 2004-05	Previous Base Year 1993-94
All Commodities	100.000	100.000	676	435	5482	1918
1. Primary Articles	20.118	22.0253	102	98	579	455
2. Fuel & Power	14.910	14.226	19	19	72	72
3. Manufactured Products	64.972	63.749	555	318	4831	1391

This recast of the WPI series was very much required as one knows that the WPI is used to measure the inflation in the economy and this is based on the price movement of the basket of goods as mentioned earlier. But in India's case this basket of goods was decided more than a decade ago. And the many changes that have taken place in the consumption pattern of people over these years makes the present WPI outdated. Due to which, only 16-20% of the goods in the commodity basket contributed to the real change in WPI, as rest of the goods present in the basket were almost out of use.

Furthermore it became necessary to recast the index to reflect the structural changes in the economy that have taken place over the last 15 years, as well as new tastes and preferences of the consumers that stand to drive out the old components such as typewriters, video cassette recorders etc. and bring in some new ones in the commodity basket.

Therefore, advancing the base year (by which the price rise is measured) by a decade from 1993 – 94 to 2004 – 05, makes the WPI more indicative of the actual price movements. This choice of 2004 – 05 as the base year is because it is deemed to be a normal year. Interestingly, the new WPI index also includes the more commonly used items such as refrigerator, washing machine, microwave oven, computer and Television sets etc. which have now turned into basic needs of the consumer from wants. In fact, even Consumer items widely used by middle class such ice-cream, mineral water, readymade and instant food products, canned meat, leather products, dish antenna and even precious metals like gold and silver finds its place in the new index. Another notable feature is the inclusion of crude petroleum with the price to be obtained in the domestic market. As to the other commodities are concerned the prices to be collected will be at the first point of bulk sale in the domestic market. Thus these entire improvements make the new WPI series a more relevant and effective indicator of inflation based on modern consumption.

BULL RUN OF BSE SENSEX

By: Rohit Dhannawat I MBA-L

INTRODUCTION

As the bull run continued in the BSE, the market finally reached the psychological level of 20000 on 21st September 2010, after a long gap of thirty two months. The journey from 20000 (Oct 2007) to 20000 (Sept 2010) has been a roller coaster ride. Starting with the financial crisis of Lehman Brothers and then followed by the European debt crisis this year, affecting the Indian markets too. However, strong support from foreign institutional investors (FII) over the last few months has been fuelling the market.

CONTENT

For the last few days it has been seen that the Foreign Institutional Investors (FII) are on a shopping spree. FII have pushed about ₹ 11716 cr. in the BSE sensex. FII's have been mainly focussed on the large cap shares, as it has been seen that performance of mid cap and small cap has been lagging the performance of sensex. The rally has been primarily driven by FII & has been supported by the absence of any negative news on the global market which could have affected sentiments of the share market. The gains of the Indian market have outpaced that for all other major markets of the world in recent times.

The reasons for the sustained FII inflow can be seen because of many factors, such as the overall growth of the economy is likely to be around 8.5%, which is quite satisfactory. The monsoon has also been more or less pretty decent, which means that kharif crop will be fine. The inflation has been high for food products, but that is mostly because of the high demand and now it has started to stabilize. The trade deficit has also been high for the same reason that our country produces less than it needs to keep the growth in industrial output up. The bank credit is also expanding at a reasonable pace of about 20%. Thanks to the recent spectrum auctions and some disinvestment along with a strong Forex reserve of $285 billion, the Indian economy looks strong.

The local investors do not seem to have participated as much since much of the liquidity has been coming from the FIIs. Sensex has roused from 17000 points to 20000 points in the last 18 months and during this time the fund houses have emerged as the net sellers during this period. As against ₹50760 cr. net inflow from FIIs, fund houses have sold assets worth ₹11300 cr. in the rising market. It has been mainly due to continuous and rising redemptions at a time when the net value of the equity scheme were at lifetime high. Investors do not want to take any more risk.

Many stocks are quoting substantially low price earning or P/E ratio than the levels recorded in October 2007. The P/E mismatch could mean that investors are valuing the companies more reasonably than in the past or it could also mean that the stocks are grossly undervalued.

Sensex rally has been driven by FII is a well known fact. Domestic Institutional Investors (DII) were not part of the rally is equally well-known. What comes as a bit of surprise though is that the two actually invest in a counter- cyclical manner.On Dec 11 2007, when BSE sensex crossed the psychological level of 20000, FII invested ₹300 Cr. DII, comprising of mutual funds and insurance companies, invested ₹308 cr. But after that the trend has been quite different.

On Jan 15 2008, when the sensex once again closed above 20000 points, FIIs invested ₹174 cr. and DII inflows were at ₹ 519.5 cr. as they sold equities in panic fearing that the benchmark was set to go for a correction. Again on Sept 21 2010, when the sensex touched 20000 points after 32 months, FIIs put in ₹402 cr. while DIIs were net sellers at ₹ 208 cr. From July to Sept 2010, FIIs have invested over ₹ 50000 cr. & DII have pulled out over ₹ 11000 cr.

CONCLUSION

What is so special with the number 20000? More than anything else it is just a psychological factor. Humans have always been more comfortable with round numbers. But the question arises should small investors be worried with the current market trend?

The market has been partying for past 18 months. The race from 19000 to 20000 points did not take even 10 trading sessions. The new investors should avoid entering into the market now, and can look for alternatives such as SIP. For those who have been in market for a longer time, it is a good time for them to get rid of the nonperformers even if the profit margin is very low. And for the performing assets, partial profit booking should be done.

The Bull Run is expected to continue for some more time. The market may go to a new high before correction takes place in the market. That might be a good time to do some buying, especially in undervalued sectors.

BARINGS BANK SCANDAL

Barings Bank (1762 to 1995) was the oldest merchant bank in London until its collapse in 1995 after one of the bank's employees, Nick Leeson, lost £827 million ($1.4 billion) speculating - primarily on futures contract.

History

Barings Bank was founded in 1762 as the 'John and Francis Baring Company' by Sir Francis Baring, the son of John Baring, originally from Bremen in Germany. The Baring family lives in both Germany and England.

In 1806 his son Alexander Baring joined the firm and they renamed it Baring Brothers & Co., merging it with the London offices of Hope & Co., where Alexander worked with Henry Hope.

Barings had a long and storied history. In 1802, it helped finance the Louisiana Purchase, despite the fact that Britain was at war with France, and the sale had the effect of financing Napoleon's war effort. Technically the United States did not purchase Louisiana from Napoleon. Louisiana was purchased from the Baring brothers and Hope & Co. The payment for the purchase was made in US bonds, which Napoleon sold to Barings at a discount of 87 1/2 per each $100. As a result, Napoleon received only $8,831,250 in cash for Louisiana. Alexander Baring, working for Hope & Co., conferred with the French Director of the Public Treasury François Barbé-Marbois in Paris and then went to the United States to pick up the bonds before taking them to France.

Later daring efforts in underwriting got the firm into serious trouble through overexposure to Argentine and Uruguayan debt, and the bank had to be rescued by a consortium organized by the governor of the Bank of England, William Lidderdale, in the Panic of 1890. While recovery from this incident was swift, it destroyed the company's former bravado.

Its new, restrained manner made it a more appropriate representative of the British establishment, and the company established ties with King George V, beginning a close relationship with the British monarchy that would endure until Barings' collapse. (Diana, Princess of Wales, was the great granddaughter of one of the Barings family.) The descendants of the original five male branches of the Baring family were all appointed to the peerage with the titles Baron Revelstoke, Earl of Northbrook, Baron Ashburton, Baron Howick of Glendale and Earl of Cromer. The company's restraint during this period would cost it its pre-eminence in the world of finance, but would later pay dividends when its refusal to take a chance on financing Germany's recovery from World War I saved it the painful losses experienced by other British banks at the onset of the Great Depression.

During the Second World War, the British Government used Barings to liquidate assets in the United States and elsewhere to help finance the war effort. After the war Barings was overtaken in size and influence by other banking houses, but remained an important player in the market, until in 1995.

1995 collapse:

The Barings Bank collapse of 1995 is considered a pivotal turning point in the history of banking and has become a textbook example of accounting fraud. Over a period of three years, Nick Leeson, a Singapore-based management employee of London's Barings Bank, lost £827 million (US$1.4 billion), primarily on futures contract speculation, and through manipulating the records, hid his actions until February 1995. When the losses were revealed, Barings Bank — the oldest merchant bank in the City of London, the Queen's personal bank and the financier of the Napoleonic Wars — was forced to default on its accounts.

At the time of the massive trading loss, Leeson was supposed to be arbitraging, seeking to profit from differences in the prices of Nikkei-225 futures contracts listed on the Osaka Securities Exchange in Japan and the Singapore International Monetary Exchange. Such arbitrage involves buying futures contracts on one market and simultaneously selling them on another. Since the margins on this are small, the volumes traded by arbitrageurs tend to be large. However, because of the offsetting movements of the hedged position, the strategy is not very risky, and certainly would not have bankrupted the bank. Instead of hedging his positions, however, Leeson gambled on the future direction of the Japanese markets. According to Eddie George, the governor of the Bank of England, Mr Leeson began doing this at the end of January 1995. Due to a series of internal and external events, his unhedged losses escalated rapidly.

Aftermath:

ING, a Dutch bank, purchased Barings Bank in 1995 for the nominal sum of £1 and assumed all of Barings' liabilities, forming the subsidiary ING Barings. In 2001, ING sold the U.S. based operations to ABN Amro for $275 million, and folded the rest of ING Barings into its European banking division. This left only the asset management division, Baring Asset Management. In March 2005, BAM was then split and sold by ING to MassMutual (acquiring BAM's investment management activities and the rights to use the Baring Asset Management name) and Northern Trust (acquiring BAM's Financial Services Group). Barings Bank therefore no longer has a separate corporate existence, although the Barings name still lives on as the MassMutual subsidiary Baring Asset Management. Nick Leeson fled Singapore but was arrested in Germany and extradited back to Singapore, where he was convicted of fraud and sentenced to six and a half years imprisonment. While in Changi prison he was diagnosed with cancer, recovered and was divorced by his wife. He wrote an autobiography, Rogue Trader, covering the events leading up to the collapse. Film-maker James Dearden later dramatized the book in the film Rogue Trader. In 2006, Leeson was appointed chief executive officer of Galway United, an association football club in Galway, Ireland.

BUZZ WORDS

Green Investing Mean?
Pure play green investments are those that derive all or most of their revenues and profits from green activities. Green investments can also be made in companies that have other lines of business but are focusing on green-based initiatives or product lines.

Accrual Rate Mean?
The rate of interest that is added to the principal of a financial instrument between cash payments of that interest. For example, a six-month bond with interest payable semi-annually will accrue daily interest during the six-month term until it is paid in full on the date it becomes due.

Abatement Mean?
In general, a decrease in the amount of taxation faced by an individual or company.

Hobby Loss Mean?
A non-deductible loss incurred as a result of doing an activity for personal pleasure instead of for profit. A taxpayer cannot deduct the hobby loss as a business loss. A "hobby loss rule" is used to determine if an activity is a hobby or a business.

Whipsaw Mean?
A condition where a security's price heads in one direction, but then is followed quickly by a movement in the opposite direction.

Daisy Chain Mean?
A group of unscrupulous investors who, practicing a kind of fictitious trading or wash selling, artificially inflate the price of a security so that they sell it at a profit.

Fill Mean?
The action of completing or satisfying an order for a security or commodity. It is the basic act in transacting stocks, bonds or any other type of security.

One of the major premises of technical analysis is that history repeats itself. For the technician, the recurrence of identifiable patterns and formations that have preceded important movements of the market in the past provide important clues as to the probable direction of price movement in the future. Chart patterns are formations that appear on the charts which provide you with forecasting tools of impending price movement. Some patterns are more reliable than others for price forecasting.None of the chart patterns are infallible. They have a high probability of success but are not guaranteed to work all of the time. Technicians must always be on the alert for chart signs that prove their analysis to be incorrect. After trend lines, support and resistance lines have been drawn on a chart, one of the most important and most difficult decisions you will have to make is determining the timing of entering and exiting the market as well as determining when a major top in a rising market or a major bottom in a declining market has occurred.

There are two types of patterns that develop on charts, the reversal pattern and the continuation pattern. Reversal patterns indicate that an important reversal in trend is taking place. Knowing where certain patterns are most likely to occur within the prevailing trend is one of the key factors in being able to recognize a chart pattern. Some of the most common reversal patterns include the head and shoulders: top and bottom, double tops and bottoms, triple tops and bottoms, key reversals, island reversals, rounding bottoms and tops, “V” formations or spike bottoms and tops. There are a few important points to be considered which are common to all of these reversal patterns.

1. The existence of a prior major trend is an important prerequisite for any reversal pattern.
If a price pattern has not been preceded by an existing trend, there is nothing to reverse and the pattern would therefore be suspect. Knowing where chart patterns are most likely to occur within a price trend is one of the key factors in identifying price patterns.

2. The first signal of an impending trend reversal is often the breaking of an important trend line.
The breaking of a major trendline signals a change in trend, not necessarily a trend reversal. The breaking of an uptrend line might signal the beginning of a sideways trend which may later form either a reversal or continuation pattern.

3. The larger the pattern the greater is the price movement potential.
The height of the pattern measures the volatility, the width of the pattern measures the amount of time required to build and complete the pattern. The greater the height of the pattern (the volatility) and the longer it takes to build - the more important the pattern becomes and the greater the potential for the ensuing price move.

4. Topping patterns are usually shorter in duration and more volatile than bottoms.
Price swings at major tops are wider and more violent. Tops usually take less time to form than bottoms. For this reason it is usually less risky to identify and trade bottoms than tops however the time spent in establishing a top is generally shorter than the time spent establishing a market bottom. Therefore, a market manager can generally do better by trading the downside of the market rather than the upside of the market. This has important implications for farm managers, due to the fact that the natural tendency is to trade the former rather than the latter.

5. Volume is usually more important on the upside.
Volume should generally increase in the direction of the market trend and is an important confirming factor in the completion of all price patterns. The completion of each pattern should be accompanied by a noticeable increase in volume, particularly at market bottoms. Market tops tend to fall on their own weight once a trend reversal is underway. At a market bottom, if the volume pattern does not show a significant increase following the upside breakout, the entire price pattern should be questioned.

The second type of chart pattern is the continuation pattern. Continuation patterns suggest that market is only pausing for a while before the prevailing trend will resume. Another difference between reversal and continuation patterns is their time duration. Reversal patterns usually take much longer to form on the chart and represent major changes in trend. Continuation patterns, on the other hand, are usually shorter-term in duration and are often classified as intermediate term chart patterns. Some of the most common continuation patterns include; flags, ascending and descending triangles, symmetrical triangles, pennants, gaps, and rectangles.

STOCK WATCH: RELIANCE INDUSTRIES LTD.

By: Saurabh Khator I MBA-L

INTRODUCTION

Reliance Industries being one of the largest company by market capitalization and accounting for 12.77% weightage in Sensex is making its presence felt in every sphere of human life ranging from petrochemicals to textiles and the recent being telecom and Hospitality sector. Though the Sensex has grown by about 14.5% this year and around 11.5% this month, Reliance has been up only by 3 %, under performing the market expectations while moving in the price range of 950-1050.

RELIANCE STRATEGY

Reliance has always pursued a strategy of backward vertical integration - in polyester, fibre intermediates, plastics, petrochemicals, petroleum refining and oil and gas exploration and production - to be fully integrated along the materials and energy value chain.

RECENT DEVELOPMENT’S:
RELIANCE FORAY INTO THE TELECOM SECTOR

After the abolishment of non-compete agreement between the two brothers, Mukesh

Ambani has forayed into the telecom sector by acquiring Infotel Broadband for US $1 billion; which successfully won the license for all the 22 telecom circles in the recent bidding for WiMAX Spectrum. With the entry into telecom sector Reliance is riding on the new wave of diversification and creating ripples in the industry as it is known for the massive and aggressive marketing strategy in order to gain the market share.

RELIANCE ENTERS HOSPITALITY SECTOR VIA EIH

Reliance pushed ahead of its strategy of diversifying by buying 14.88% stake in EIH (East India Hotels) group in the hospitality sector which operates Oberoi and Trident group of Luxury Hotels. Reliance will compete with players such as Indian Hotels Co Ltd - owner of the Taj luxury chain and an arm of the salt-to-software Tata Group -- and ITC Ltd, which also makes cigarettes. Reliance is also considering appointing Neeta Ambani, wife of Mukesh Ambani on board of directors of EIH which is headed by PRS Oberoi. Neeta Ambani is not new to limelight and business sense as she is successfully managing Dhirubhai International School and Mumbai Indians (IPL Team). Though Reliance has decided not to take management or operations control in its hand for the time being, it is in wait and watch mood before taking any further steps, as it is new to the Hospitality sector. EIL is also planning to come up with rights issue worth Rs 1300 crore in the coming months. According to current takeover code, if Reliance increases its holdings beyond 15%, they have to come up with an open offer; but with the new takeover code coming into practice it is expected that Reliance may increase its holding via Right Issue.

RELIANCE PURCHASE OF SHALE GAS ASSETS

Reliance industries recent move includes investment in shale gas assets. The Mumbai-based firm in April had bought a 40 per cent stake in Atlas Energy Inc's Marcellus Shale acreage for USD 1.7 billion. In June, it had agreed to buy a 45 per cent stake in Pioneer Natural Resources Co's Eagle Ford shale natural gas asset in Texas for about USD 1.36 billion. It also agreed to pay USD 340 million in cash to acquire a 60 per cent stake in the Marcellus shale-gas acreages held by Carrizo Oil and Gas Inc and its partner in August. Mukesh Ambani in his statement to shareholders said that "shale gas is likely to overtake conventional gas and liquid fuels as a source of energy in the next decade and Reliance will commit investments with low-cost operators to expedite the development of this resource". Reliance interest in shale gas comes as it sought stakes in at least two overseas energy companies since November. The Mumbai-based company's attempt to buy bankrupt LyondellBassell Industries AF was rejected this month and it missed out on an oil sands block owned by Canada's Value Creation Inc.

Once Reliance establishes and succeeds in Shale gas business, they can go for big-ticket acquisitions and bring that technology and expertise back to India. India plans to offer shale-gas areas for exploration for the first time in about a year, after assessing reserves and creating rules to tap unconventional energy sources.

SALE OF TREASURY SHARES

The market is also filled with rumours of Reliance planning to sell more treasury shares in the coming months which would result in huge tax saving as according to the new Direct Tax code coming up, there would be a 15 per cent tax on Long term capital gain. LIC is also planning to buy a significant stake this time also, as in earlier treasury share sale by Reliance it brought shares worth ₹2600 crore at 1035/share.

BP AND RIL TO DISCUSS JOINT VENTURE AND ASSET SALE

BP and Reliance Industries (RIL) will set the ball rolling on divestment and joint venture opportunities. BP is expected to discuss RIL's interest in its exploration assets in North Africa, downstream assets in West and South Africa and its petrochemical operations in Vietnam (which BP is looking to exit.

CONCLUSION

With all the factors considering the Reliance recent acquisition of Shale gas assets and its recent foray into the Telecom and Hospitality sector, the prospects of Reliance looks good. Reliance despite being a heavyweight is still underperforming the benchmark Sensex. The next big rally is expected to be carried out by Reliance Industries Ltd. Companies like Reliance Industries with EPS of 14.80 have a lot of cash and are diversifying in various businesses to earn better returns. This will help improve their valuations. Reliance is currently trailing at P/E ratio of 15.39 which makes it higly undervalued stock. The current recommendation is to consider buying the share with every dip keeping stop loss of 950, with support level at 980 and resistance at 1040. The rally in market was due to consumer goods, metal and banking shares with oil and gas sector being laggard, so we can see momentum building up in these shares and Reliance being a major player in the field, there is certainly going to be some action in the coming days. The retail investors with short term perspective are advised to maintain a strict stop loss as with a lot of telecom players already existing in market, it would not be easy for Reliance to penetrate customer base easily and while with shale gas assets which require huge initial investments, the return are expected to deliver over a long period of time. So investors with long term view can consider investing at current levels.

IS THE BULL RUN IN INDIAN MARKETS SUSTAINABLE?

By: Syed Azhar MBA-L

Another market rally in the Indian stock market where the retail investors remained mere spectators and have missed the train once more is the premise of this article. Now the big question is whether this Bull Run which the market has witnessed is sustainable or not! Let us look at a few factors which have led to this spurt in buying activity.

The most important factor remains the huge FII inflow of more than $2.5 billion which have been instrumental in fuelling this rally. However it is necessary to analyze as to what makes India the shining star in a global economy faced by uncertainty and volatility. We have had about $15 billion coming into Indian equities this year. The market was successful in closing above the psychological barriers of 6000 for the Nifty and 20000 for the Sensex but has failed to remain above these levels in the following trading sessions. There are many reasons for this skepticism as the valuations seems to be a bit high at least to domestic investors. The rally has been primarily driven by consumer goods, banking and metal shares.

Another factor is the rise in global equities on Sep 21 after the US Federal Reserve indicated that it would come out with further stimulus measures and kept key policy rates unchanged. The Nifty managed to close above 6000 on that day.

Now coming to China which has remained the global manufacturing hub employing huge economies of scale, the future policy environment in China looks bleak. India on the other hand is doing its best to catch up with a very friendly policy environment. The recent increase in FII cap is an example of this type of policy environment which promotes investments. In their rush to create massive manufacturing units, with little regard for price and profit margins, the Chinese have fallen into a trap of non-performing assets (NPAs) on bank loans – the average NPA in China could be as high as 25%. In contrast, NPAs in India are between 1.5% and 3%.Structurally the Indian market is better than China. Foreign institutions are now concerned about the non transparent pricing mechanism and the very high nonperforming assets of Chinese banks. This has resulted in new funds for investments being diverted to India instead of China by foreign institutional investors. A word of caution here is that if global events do not turn out to be as expected and if the US economy does go into a double dip then we may see the possibility of a 20% correction in the short run. The sensex has shown very good support at 18000 levels.

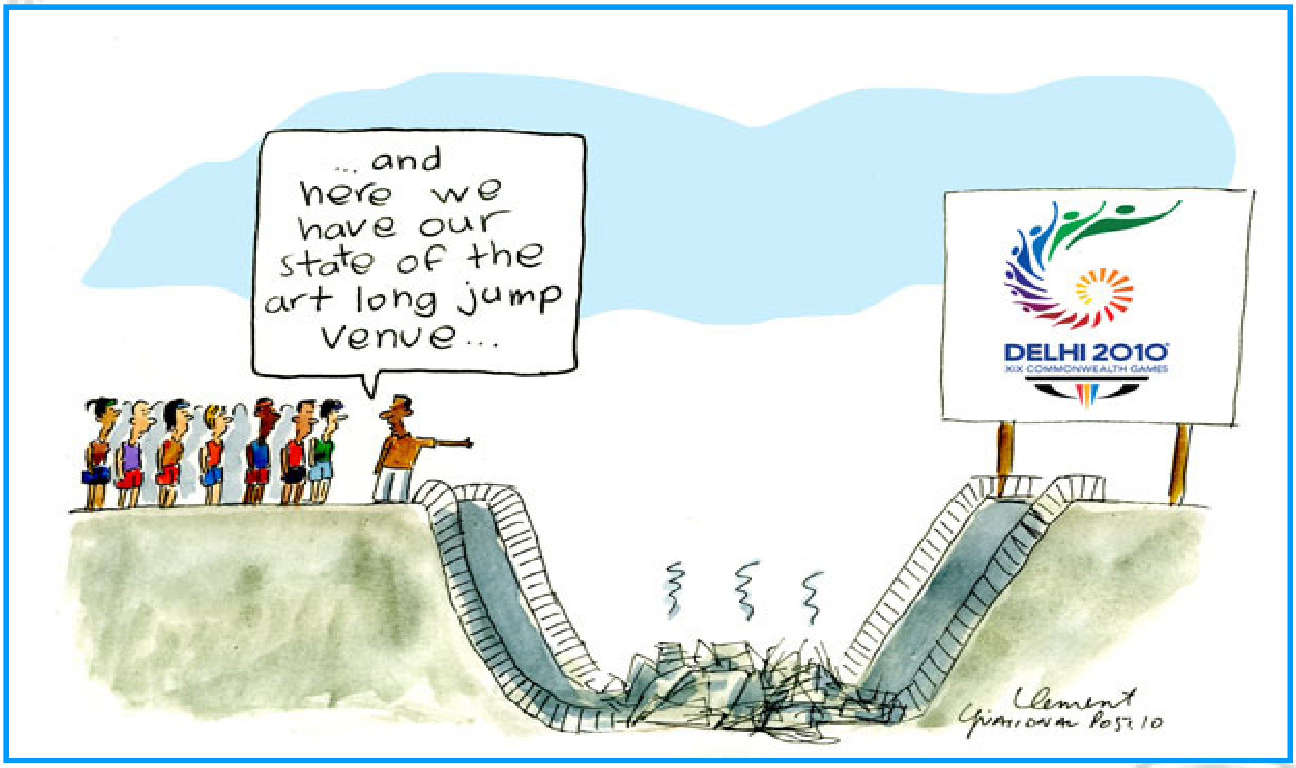
However, investors have to think twice before entering banking stocks where we have gotten a little ahead of ourselves in terms of valuations and earnings potential. The worrying factor is the acceleration in buying activity in the month of September. India at this point of time is one of the highest valued markets in the world but US investors are unfazed by it, as long as they get return on their equity they are willing to pay for growth. According to reports India is likely to see sustained long term growth of 7% which will be driven by India's demographics, but the government needs to do a lot more when it comes to infrastructure development. This is where India has been found struggling to even be comparable to China's massive infrastructure development plans. Unless there are dramatic improvements in education and infrastructure development the sustainability of this growth becomes questionable and can fizzle out into a short lived boom cycle.

The market has been improving due to strongly improving fundamentals like IIP numbers, quarterly results and low interest rates in global markets. With the Fed indicating that the near zero interest rates are there to stay in the near future US investors are using this cheap credit to invest in emerging economies like India. We find a situation where the global savings especially of the US being directed to India for investment and this is not speculative money which would be taken out in the short term.

The current uptrend in the market is therefore sustainable but we may see small corrections due to profit booking by retail investors and few conservative domestic fund houses as many blue chip stocks are trading at their 52 week highs. Any small correction can be taken as an opportunity to buy. The last time in 2007 when the equity markets peaked they were trailing at about 23 times the forward earnings PE. Currently we are at about 19 times, so a continuation of the uptrend to about 24 to 25 times the forward earnings PE is quite likely.

Although the market seems expensive at current levels, investors with a three to five year investment horizon should not have a problem in picking stocks. This is certainly not a bubble in the making. So with the Indian economy expected to grow at about 9%, strong corporate governance, possibility of good monsoons and robust domestic demand the India growth story is far from over.

FINANCE-DE-HUMOR



JOKES APART

Trading online is just great. I find it really speeds things up.
I now get my margin calls 5x faster than before

There are primarily 3 different types of investors who post on the message boards.
1. Those who don't know anything: approx. 10%
2. Those who know a little: approx. 10%
3. Those who don't realize they don't know anything: approx. 80%

From Dimgroup.com

ALUMNI SPEAK

By: CLIFFORD CARDOZA
MOHIL KAPOOR
SMITHA JOSEPH

In this edition we have with us, Ms. Sindhu B Navali.

Ms. Sindhu B Navali
Business Analyst
Fidelity Investments
Batch: 2006 – 08

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The following are excerpts from an interview with Ms. Sindhu B Navali., a finance alumnus who passed out in the year 2008. She is currently working with Fidelity Investments where she has been a Business Analyst for the past 24 months. Her work profile involves data modelling, analysis, reporting and score carding, mostly dealing with Statistics.

Chaanakya: Can you explain in detail about your role in your organization?
Ms. Sindhu B Navali: As an analyst my role is to procure data from different sources and match them, create database and validate the data. The data usually come from the internal vendors however sometimes data also comes from external vendors. According to the requirements we keep on changing. After analysis is done we share it with our business partners based on which the business decisions are taken. Finally the modelling is done in terms of how they are performing and how they can effectively perform.

Chaanakya: Since your job involves a lot statistics, what are the various statistical tools that you have to use at work?
Ms. Sindhu B Navali: Yes, indeed the job of a business analyst typically involves a lot of statistics. I am thankful to our professors at college (Sreeja Ma'am particularly) for having made my basics of statistics so strong. It is that knowledge which has come in very handy and made my work easier.

The various tools that we have deal with almost daily at work are SAS programming software, MS Excel, CHAID etc.

Chaanakya: What do you think are absolute necessary requirements for a job profile similar to yours?
Ms. Sindhu B Navali: Fidelity Investments basically looks for students who are either MBA- Finance or Marketing (even dual specialisations) or CFA for performing the roles which are currently performed by me. Sharp analytical skills, ability to deal with pressure and strong basic knowledge of statistics are some of the absolute musts for a job profile like this.

Chaanakya: What are the different certifications that will help students to understand your job role?
Ms. Sindhu B Navali: Additional qualifications always give you an upper hand both while recruitment as well as while dealing with day to day work. Some of the qualifications which can be very helpful for a job like this are SAS -2nd stage, Advanced & Base SAS and also CFA & CA certification to an extent.

Chaanakya: How does your department contribute to the business of the organization?
Ms. Sindhu B Navali: This department comes under Marketing but we don't do any selling. It's more of a marketing research and strategies. It involves preparing reports and sharing it with the partners. Strategies depend on what kind of analysis and modelling is done.

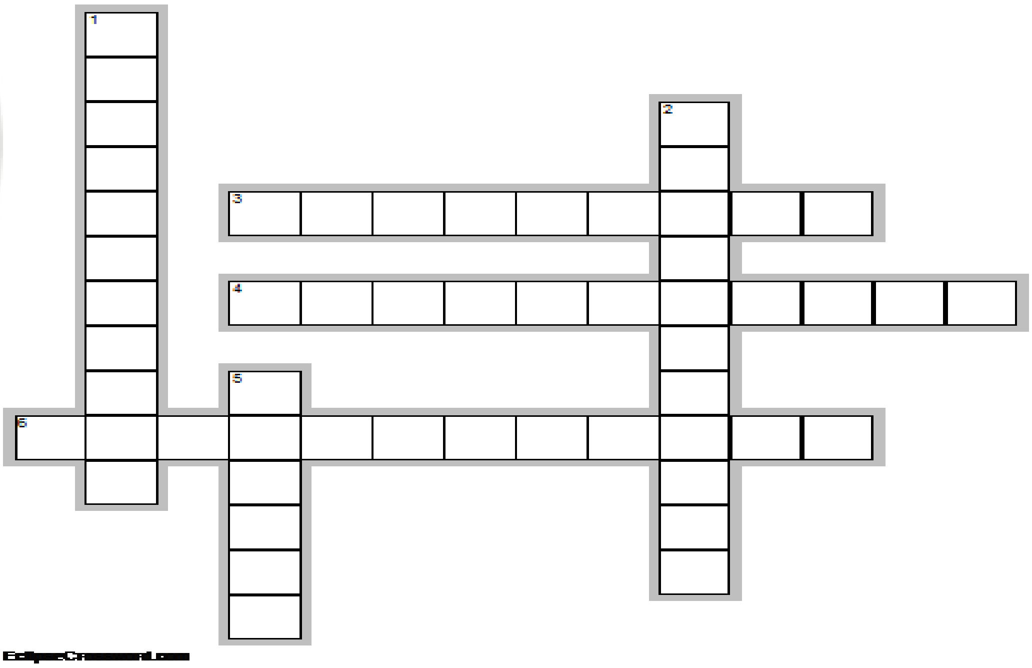
Chaanakya: Can you tell us how SAS is used at work?
Ms. Sindhu B Navali: SAS is basically a Programming tool being used in all sorts of work we do to import and export the data. Various statistical aspects like regression logistics, means, ANOVA are also performed using it. Its very user friendly if you know programming.SAS is also used for User Interface. It's not like the problems that we deal with in the books but we look into different variables in real life and create an equation to solve them.

Chaanakya: Can you give the students few tips for placements?
Ms. Sindhu B Navali: There is a general misconception among Finance students that companies don't look for good communication skills. Good communication skills are the basic template that all students must possess. Apart from that one should be very confident throughout the recruitment process, companies seeks for candidates who are confident and willing to take up responsibility. Also companies expect the students to be very sound with their Finance basics, as an employee you cannot expect basics to be taught to you during the training period.

Chaanakya: Finally, any message for the students............
Ms. Sindhu B Navali: I would just like to remind all the students of a very simple saying "Where there is a will there is a Way." Your future and your destiny are all in your hands; you and you alone have the option to either make it or break it. Nothing in this is world is unachievable. If you work hard that dream job is there for the taking.

I would like to wish all the students best of luck for their placements and also for their future.

CROSSWORD



Across

3. The person who filed a lawsuit accusing 11 major corporations including Apple,google and facebook of infringing on his company's internet search patents.

4. A company that makes a friendly takeover offer to a target company that is being faced with a hostile takeover from a separate party

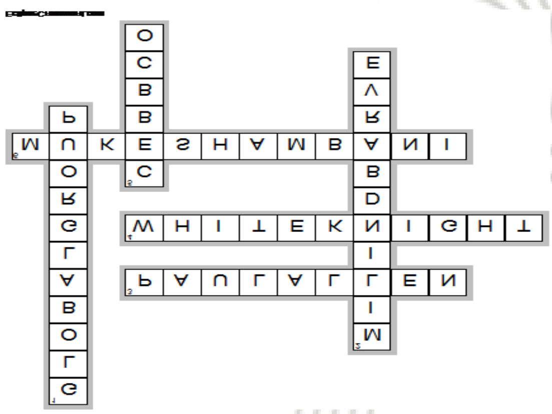
6. Who topped Forbes magazine's list of the 100 richest Indians.

Down

1. Taxman detected Rs 800cr bogus billing in raid on this company recently.

2. Who is the newly appointed vice-chairman of AMFI Board?

5. A manufacturer of vehicle and locomotive bodies for applications in rail and road transportation which roped in anchor investors for ₹31 cr at ₹127 per equity share.



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