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Issue 1



# chaanakya

*Tracking The Economy*



CHRIST UNIVERSITY  
INSTITUTE OF MANAGEMENT



*A Wealth Incorporation Publication*

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# NATIONAL NEWS

MAYANK KAUSHIK

1 MBA- M

## **Banks hired 3 lakh employees in past 4 years**

According to data released by industry lobby, the Indian Banks Association (IBA), state owned banks hired nearly 2,97,896 staff between April 2009 and August 2013 which includes over 94,000 officers not only because of attrition & superannuation but also the expansion of the bank branches. In fiscal year 2013 only, 73,258 employees were hired indicating a surge in hiring process. But the bulk recruitment was at the clerical level with 1,74,786 people being hired during the last four and a half year, out of which 28,467 hiring were in the sub-staff category. The data released by IBA comes at a crucial time when a lot of measures were undertaken for growth of the banking sector.

## **₹ 20,000 crore medical institutes will dig into the finances of ESIC**

The UPA government's plans to build 31 medical institutes, majority of which lies in its leader's



constituencies, will eat up the finances of cash-strapped medical care provider Employee's State Insurance Corporation (ESIC) and push it to the edge of bankruptcy in the next few years. The dental, nursing, medical and para-medical college recently inaugurated in Gulbarga, Karnataka are the most expensive ESIC colleges with an initial investment of ₹.1265 crore. The 31 institutions approved and being implemented include nine post-graduate medical institutes, 15 medical colleges, three dental colleges, two nursing colleges and two paramedical training institutes which will be built using the statutory contributions of two crore all Indian workers

## **RBI places ₹ 4.4 k-crore G-Secs with EPFO**

The Reserve Bank of India has placed ₹ 4,400 crore of 30-year government bonds of 9.23percent coupon rate with the Employees' Provident Fund Organization (EPFO) in lieu of securities maturing in the short term to help the government reduce bond redemption pressure through a mechanism called switch. In exchange of these bonds, the central bank has taken back eight to ten papers which were scheduled to mature over the next couple of years. The switch operation or swapping of long-maturity bonds with those which have completed most of their tenure and are scheduled for repayment in the near term, helps the government avoid immediate repayment of the bonds and stop fund outflows from its coffer which is already under stress due o huge fiscal spending by the government.

## **RBI monetary policy review**

In the monetary policy review for the quarter ending on 31<sup>st</sup> March, Reserve Bank of India governor kept repo rate unchanged at 8percent on the sidelines of uncertainties such as lower farm output and defi-

cient rainfall. In terms of liquidity management, borrowing by banks through the overnight repo has been cut to 0.25 percent of deposits. They can borrow up to 0.75 percent of that through seven-day and 14-day repos, from 0.5 percent earlier. Borrowing under the marginal standing facility remains at 9 percent. The reverse repo, at which RBI borrows from banks, was held at 7 percent and the cash reserve ratio, the proportion of deposits that banks have to keep with RBI, was maintained at 4 percent. Debt investment options for foreign funds were curbed as they can't buy short-term government securities such as treasury bills. They can purchase government bonds with a maturity value of at least a year. Hedging options were widened to minimize volatility in both yields and currency.

### **India's foreign exchange reserve crosses \$300 billion mark**

In the just concluded financial year, the foreign exchange reserve rose to over \$300 billion, the highest since December 2011 due to the massive jump in the FII funds flow into the equities market on the expectations of a new government next month. Also, the record NRI funds and dollar purchases by RBI have boosted the forex with a whopping \$5.038 billion coming in the week leading to



March 28. From October, RBI became net purchaser of dollars on monthly basis. It net bought \$ 10.08 billion in November. The government selling a part of its stake in Axis Bank for over a \$ 1 billion also helped boost the inflows as FIIs lapped up the stock.

### **SEBI revokes restrictions on USD-INR contracts**

The Securities and Exchange Board of India (SEBI) on Monday partially reversed curbs on dollar-rupee forward contracts that were imposed last year after the rupee hit record lows. SEBI had doubled the margin requirement on the domestic dollar-rupee forward trades last year in a bid to arrest the steep decline of the rupee. The SEBI on Monday asked exchanges to restore the initial margins and extreme loss margin for dollar-rupee trades to pre July 8, 2013, levels from April 15. SEBI also restricted foreign investors from buying government securities with maturity of less than a year, a move that aims to encourage inflows of long-term overseas fund.

### **RBI grants in-principle approval to IDFC and Bandhan**

The Reserve Bank of India granted "in-principle" bank licenses to Infrastructure Development Finance Co (IDFC) and microfinance lender Bandhan Financial Services Ltd and the regulator's promise of keeping a window open permanently for bank licenses in future, rather than inviting applications at intervals, have kept the hopes of other applicants alive. The in-principle approval is valid for 18 months during which IDFC and Bandhan will have to meet all RBI rules to secure a permanent license and begin banking activities. IDFC funds big-ticket projects such as power plants and roads while Bandhan lends small amounts to the poor. Both these companies were seeking a license because a bank has access to lower cost deposits in the form of savings and current accounts. A finance company has to borrow from banks, or sell bonds to raise funds, forcing them to charge more from borrowers.

# INTERNATIONAL NEWS

PRIYA THOMAS

1 MBA – I

## **National Bank of Greece planning EU 2.1 Billion capital boost**

The **National Bank of Greece**, the country's biggest lender, is planning to increase its share capital by as much as 2.1 billion Euros (\$2.9 billion) to cover a shortfall identified in the national regulator's stress test, according to a person with knowledge of the matter. On March 7, the bank said it would present a plan to address its capital shortfall without raising new equity. The Bank of Greece, which regulates the financial system, declined to accept that plan, according to two people with knowledge of the discussions with the commercial lender. National Bank's board will propose an increase in the share capital of 2.1 billion Euros through payment in cash and the cancellation of the pre-emption rights of the bank's ordinary shareholders, including **Greece's** bank recapitalization fund HFSF.



## **China credit strains rise as Beijing embraces failure**

Credit warning signs are flashing for heavily indebted Chinese semiconductor, software and commodities firms as the government cautiously steps aside to let market forces play a bigger role in deciding winners and losers. China's first-ever domestic bond default this month - a missed interest payment from Shanghai Chaori Solar Energy Science and Technology Co shattered the belief that Beijing would always bail out struggling companies. Across all listed Chinese companies, the average debt-to-equity ratio was 0.85 in 2013. Materials companies look vulnerable as weak commodity prices hurt profitability, leaving less money to repay debt. Although the metals and mining sector's average debt-to-equity ratio is a manageable 1.4, bond holders see rising risk and have demanded higher yields for holding the debt.

## **Big US banks must boost capital by \$68 billion under new rules**

The eight biggest U.S. banks must boost capital levels by a total of about \$68 billion under new rules, U.S. regulators said prompting industry complaints that less-stringent global standards will give overseas competitors an advantage. The rules would limit banks' reliance on debt, part of efforts to prevent another financial crisis. By 2018, banks must rely more on funding sources such as shareholder equity, rather than borrowing money. The rule would apply to JPMorgan Chase, Citigroup, Bank of America, Wells Fargo, Goldman Sachs, Morgan Stanley, Bank of New York Mellon and State Street. The rules require the eight biggest bank holding companies to maintain top-tier capital equal to 5 percent of total assets. Insured bank subsidiaries must meet a 6 per-

cent ratio. That's higher than the 3 percent ratio included in the Basel agreement.

### **BofA to pay \$727 million to consumers over credit card practices**

Bank of America agreed to pay nearly \$800 million in fines and restitution to settle allegations of deceptive marketing and unfair billing involving credit card products, US regulators said. The Consumer Financial Protection Bureau and Office of the Comptroller of the Currency said they had ordered the bank to pay \$727 million in relief to consumers to resolve problems with add-on products providing identity theft and payment protection products. The bank must also pay fines of \$20 million to the bureau \$25 million to the OCC. The consumer bureau said the bank had misled roughly 1.4 million people about the cost of two credit card payment protection products, which allow consumers to suspend minimum card payments if they lose their job or suffer a severe illness, and the amount of time they would receive benefits from them.

### **China central bank ready to cut bank reserves if growth falters**

China's central bank is prepared to take its strongest

action since 2012 to loosen monetary policy if economic growth slows further, by cutting the amount of cash that banks must keep as reserves, sources involved in internal policy discussions say. A cut would be triggered if growth slips below 7.5 percent and towards 7 percent, they said, and would come on top of money market operations and currency intervention via state banks that traders say has already loosened monetary conditions. The concern is that the financial reforms could weigh on an already slowing economy, so the central bank will be prepared to free up some cash by cutting bank reserves if need be to give the economy support, the sources at top government think-tanks said. The government is aiming to shift the economy's reliance on the investment and exports that fuelled a double-digit pace of expansion for three decades to one that leans more on services and consumption, which it hopes will feed more sustainable long-term growth.

### **SIDBI and Bahrain Development Bank seal deal to help SME**

The government-run Small Industries Development Bank of India (SIDBI) Wednesday signed an agreement with Bahrain Development Bank (BDB) to assist small businesses in establishing operations. Bahrain's Finance Minister Ahmed bin Mohamed on behalf of Bahrain Development

Understanding (MoU) here in the presence of Bahrain's King Hamad bin Isa Al-Khalifa. As per the agreement, SIDBI would provide technical assistance and facilitate activities of BDB Group in the areas of risk management and credit appraisal. It will also provide training to BDB Group officials in SME credit risk appraisal and related areas, in framing a suitable monitoring policy and NPA management system and in exploring tie up of Indian micro, small and medium enterprises with SMEs in Bahrain for mutual benefit.



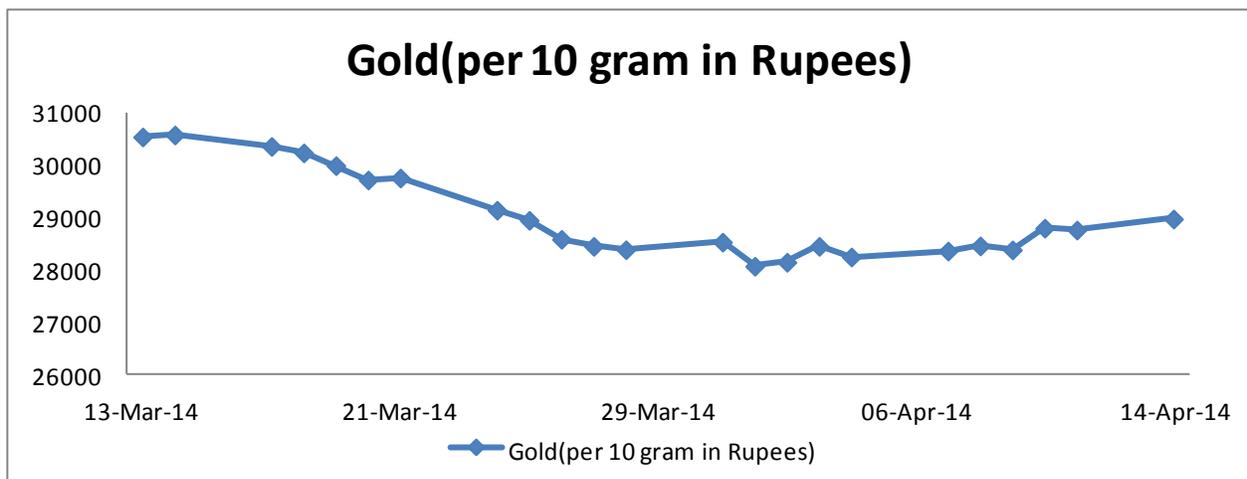
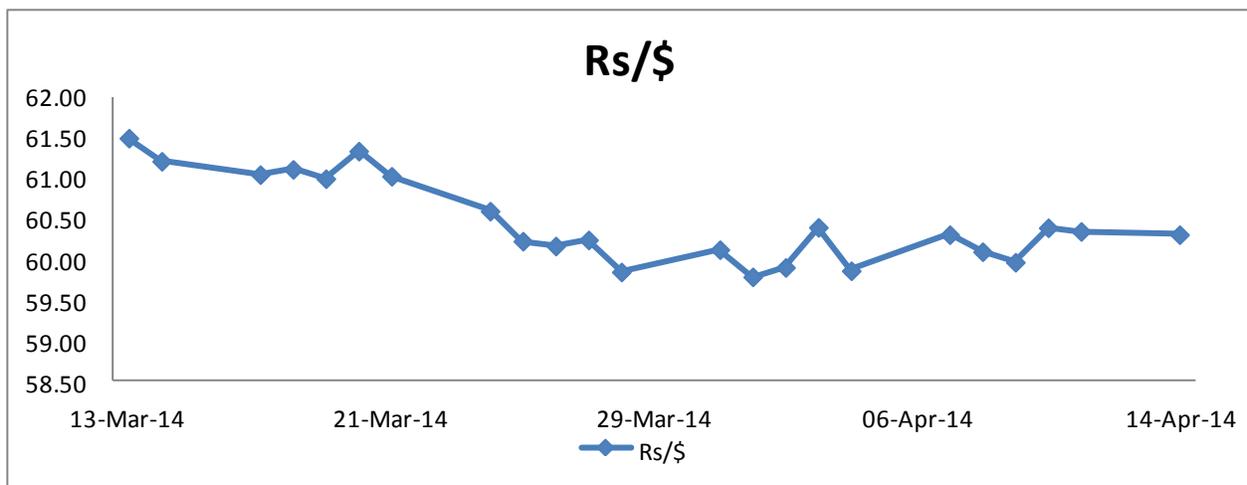
# RATES AND GRAPHS

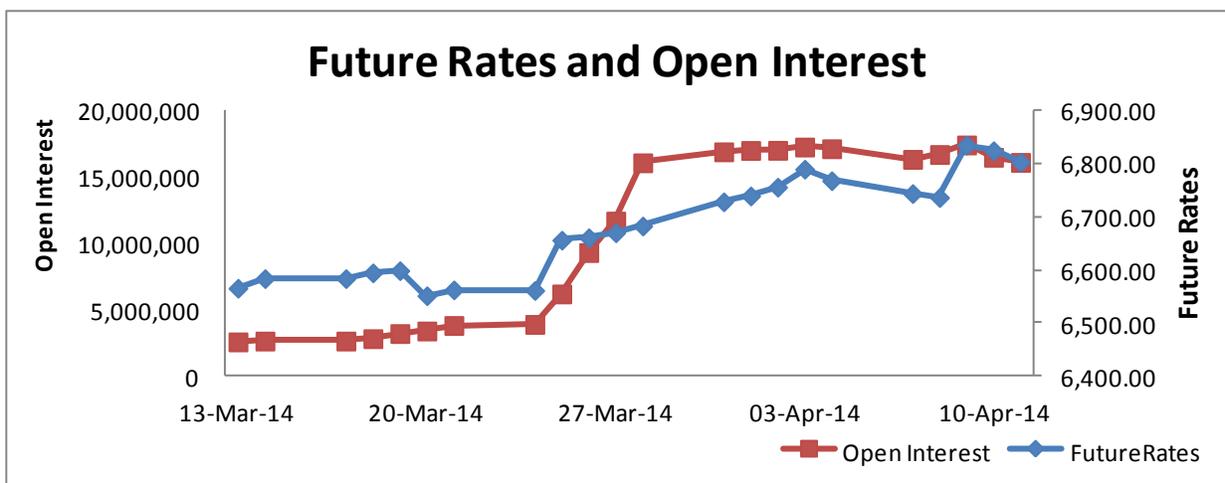
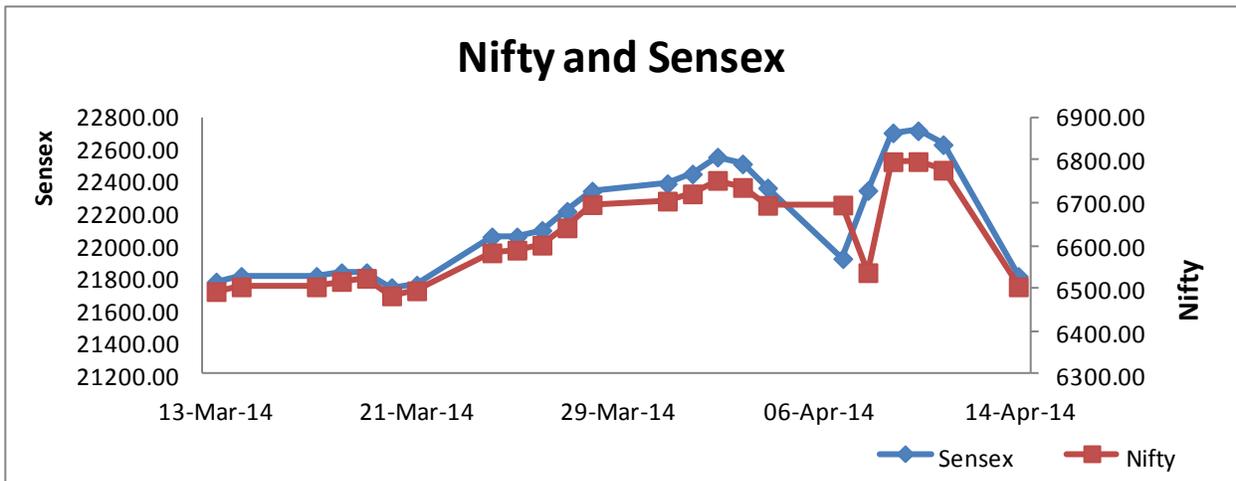
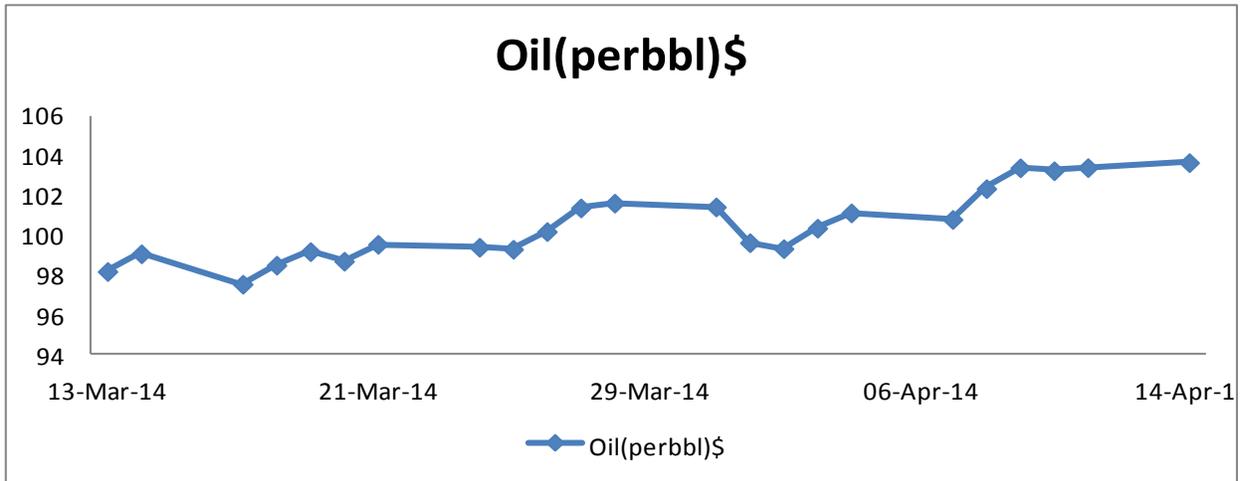
NIVEDITA PALLAVI

1 MBA - L

Rate Repo	8.0 Percent
Reverse Repo	7.0 Percent
Marginal standing facility	9.0 Percent
Call rate	6 to 8.25 Percent ( 14th April 2014)
Inflation	+8.1 Percent for March 2014
Forex Reserve	\$ 306.64 Billion as on 7 <sup>th</sup> April 2014
91day T-Bill	8.89 Percent
IIP	1.90 Percent (decrease) for March 2016
90 GS 2019	8.09 Percent (indicative YTM)

## GRAPH





# NEW BANKING LICENSES

MARIA LISBEL

I MBA - I

The then Finance Minister Pranab Mukherjee when stated in the budget speech of 2010 – 2011 that there was a need to extend the banking services in the country, and that the RBI was considering in giving some additional banking licences to the private sector players, the RBI issued guidelines in February the previous year for the licensing of new banks.

The process involves the scrutinizing of the applications by the RBI in order to ensure the eligibility of the applicants. The RBI assesses the quantitative and qualitative aspects of the applicants as per the criteria laid down in the guidelines, this in turn includes the analysis of the financial statements of the key entities in the group, 10-year track record of running their businesses, the proposed business model for the bank as well as the applicants' demonstrated capabilities for running a bank, among others. Keeping these as the basis RBI takes a view as to whether they are fit and proper. Thereafter, the applications are referred to the High-Level Advisory Committee (HLAC), which in turn submits its recommendations to the RBI.

The Reserve Bank of India (RBI) on the 2<sup>nd</sup> of April, 2014 gave in-principle approvals to IDFC Ltd and Bandhan Financial Services Pvt. Ltd to start new banks. RBI has also accepted the recommendation of High Level Advisory Committee (HLAC) to consider the application of Department of Post separately in consultation with the Government of India. The decision to grant the 'in-principle' approval was taken after consulting the Election Commission, given that the Code of Conduct for the coming elections is in force. The “in-principle” approval granted would be valid for a period of 18 months, where the applicants have to comply with the requirements stated under the banking licence

guidelines and fulfil other conditions as stipulated by the RBI. On the satisfaction of the requisite conditions the RBI would consider granting of a licence for the commencement of the banking business. Until a regular license is issued, the applicants would be barred from doing banking business.

There were 25 applicants for new bank licences, the Central Bank stated that those entities which did not qualify for a full-fledged banking licence could apply again in the future or could apply for differentiated licences under the proposed framework.

Bandhan is the first microfinance institution to be granted a banking licence in the country. Microfinance institutions had come under government scrutiny in 2010 after allegations that their strong-arm recovery tactics had led to a spate of suicides by borrowers. Bandhan was set up in the year 2001 by Chandra Shekar Ghosh, with a focus on working with the socially disadvantaged and economically exploited women. It has 2,016 branches across 22 states and Union territories, and has over 52.33 lakhs borrowers as of February, 2014. It had disbursed ₹ 963 crore of loans in February, 2014 and has total loans outstanding of ₹ 5,704 crore.

IDFC is an infrastructure finance company with a loan book of ₹ 54,552 crore at the end of December. IDFC had a net worth of ₹ 15,250 crore as of 31 December. The government owns 17.24% of IDFC, followed by a unit of the Malaysian sovereign fund, Sipadan Investments (Mauritius) Ltd, which has a 9.97% stake. That apart, several financial institutions hold minority stakes in it.

The main reason for issuing the new banking licences is to promote financial inclusion and spread banking across the country. The government had termed it as a key reform measure to attract investor interest.

# DEBATE :: MUTUAL FUNDS

GAURAV VIDYARTHI

1 MBA -L

NEENU SUNNY

1 MBA- NL

An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.

## Advantages:

- **Advancement in Portfolio Management**  
Payment of a management fee as part of expense ratio, which is used to hire a professional portfolio manager who buys and sells stocks, bonds, etc. This is a relatively small price to pay for help in the management of an investment portfolio.
- **Reinvestment in Dividend**  
As dividends and other interest income is declared for the fund, it can be used to purchase additional shares in the mutual fund, thus helping your investment grow.
- **Risk Reduction (Safety)**  
A reduced portfolio risk is achieved through the use of diversification, as most mutual funds will invest in anywhere from 50 to 200 different securities - depending on their focus. Several index stock mutual funds own 1,000 or more individual stock positions.
- **Convenience and Fair Pricing**  
Mutual funds are common and easy to buy. They typically have low minimum investments (some around \$2,500) and they are traded only once per day at the closing net asset value (NAV). This eliminates price fluctuation throughout the day and various arbitrage opportunities that day traders practice.

## Disadvantages:

- **High Expense Ratios and Sales Charges**  
If you're not paying attention to mutual fund expense ratios and sales charges, they can get out of hand. Be very cautious when investing in funds with expense ratios higher than 1.20 percent, as they will be considered on the higher cost end. Be wary of 12b-1 advertising fees and sales charges in general. There are several good fund companies out there that have no sales charges. Fees reduce overall investment returns.
- **Management Abuses**  
Turnover and window dressing may happen if your manager is abusing his or her authority. This includes unnecessary trading, excessive replacement and selling the losers prior to quarter-end to fix the books.
- **Tax Inefficiency**  
Like it or not, investors do not have a choice when it comes to capital gain payouts in mutual funds. Due to the turnover, redemptions, gains and losses in security holdings throughout the year, investors typically receive distributions from the fund that are an uncontrollable tax event.
- **Poor Trade Execution**  
If you place your mutual fund trade anytime before the cut-off time for same-day NAV, you'll receive the same closing price NAV for your buy or sell on the mutual fund. For investors looking for faster execution times, maybe because of short investment horizons, day trading, or timing the market, mutual funds provide a weak execution strategy.

# STOCK WATCH :: RELIANCE POWER LIMITED

SANDIPA DAS

1 MBA – N

VAIBHAV RAINA

1 MBA – N

## About the company

- Reliance Power Limited is a part of one of India's largest business houses the Reliance Anil Dhirubhai Ambani Group.
- It constructs and operates power projects in the international and Indian markets.
- Reliance Energy Limited and Anil Dhirubhai Ambani Group together promote Reliance Power.
- It is developing 13 large and medium sized power projects.
- Reliance power was merged with Reliance Natural Resources in 2010.
- So far Reliance Power has won three of the four Ultra Mega Power Projects (UMPPs) awarded by the Indian Government which includes

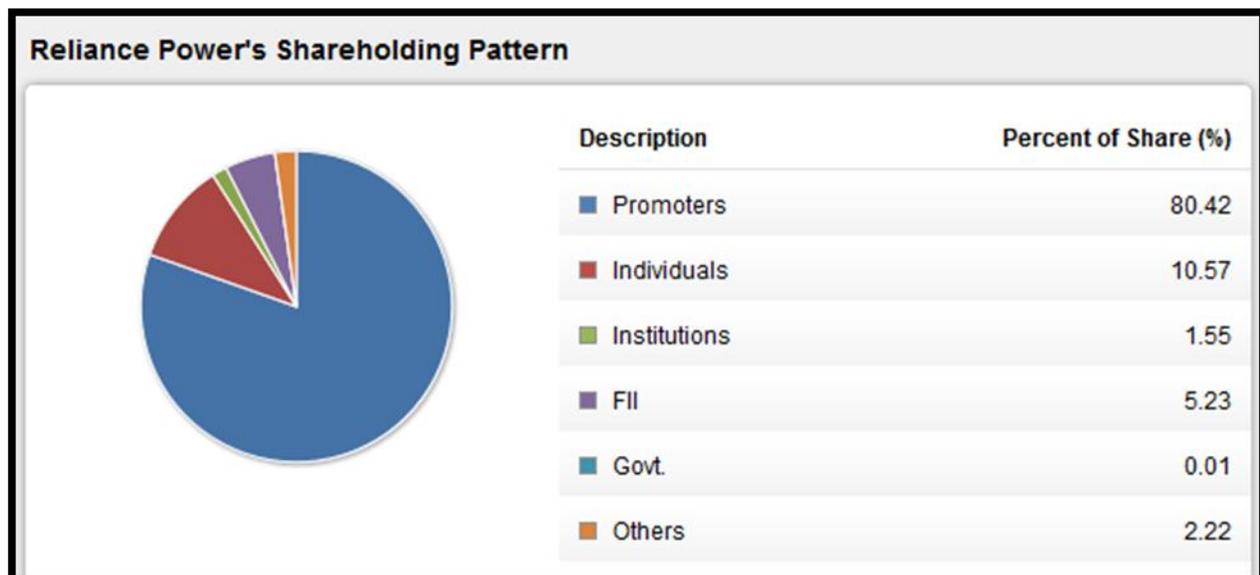
UMPPs in Sasan (Madhya Pradesh), Krishnapatnam (Andhra Pradesh) & Talaiya (Jharkhand).

## Recent news

- Reliance Power - Boiler Light-up achieved for fourth 660 MW Unit of 3,960 MW Sasan Ultra Mega Power Plant.
- Reliance Power's total operational capacity reaches nearly 4000 MW.
- Reliance Power gains nearly 2 percent as Butibori plant is fully operational.

## Recent news

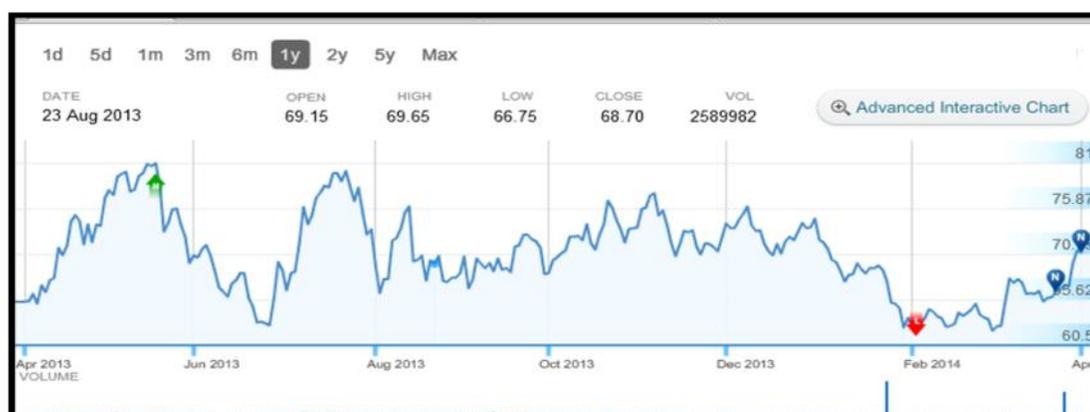
- Reliance Power - Boiler Light-up achieved for fourth 660 MW Unit of 3,960 MW Sasan Ultra Mega Power Plant.
- Reliance Power's total operational capacity reaches nearly 4000 MW.
- Reliance Power gains nearly 2 percent as Butibori plant is fully operational.



## Company's financial figures and estimates

Particulars	Mar '13	Mar '12
<b>Investment Valuation Ratios</b>		
Dividend Per Share	--	--
Net Operating Profit Per Share (Rs)	0.04	0.24
<b>Profitability Ratios</b>		
Operating Profit Margin (%)	-895.17	-138.41
Cash Profit Margin (%)	43.77	35.12
Net Profit Margin (%)	204.87	92.51
Return On Capital Employed (%)	0.68	1.08
Adjusted Return on Net Worth (%)	0.63	0.71
<b>Liquidity And Solvency Ratios</b>		
Current Ratio	2.08	31.8
Quick Ratio	89.65	31.8
Debt Equity Ratio	0.11	--
Long Term Debt Equity Ratio	--	--
<b>Debt Coverage Ratios</b>		
Interest Cover	5.81	2.91
Total Debt to Owners Fund	0.11	--
<b>Management Efficiency Ratios</b>		
Inventory Turnover Ratio	--	--
Debtors Turnover Ratio	1.14	4.22
Asset Turnover Ratio	0	0
Number of Days In Working Capital	112,843.95	34,747.73
<b>Profit &amp; Loss Account Ratios</b>		
Material Cost Composition	--	10.42
Expenses as Composition of Total Sales	118.23	10.26
<b>Cash Flow Indicator Ratios</b>		
Earning Retention Ratio	100	100
Adjusted Cash Flow Times	17.1	--
Earnings Per Share	1.83	1.11
Book Value	59.98	57.4

## Stock performance of Reliance Power for last 1 year



- It is still undervalued stock. Also it's having thousands of mega watts power plants under construction phase. They need to find the market to sell it. India needs lot of energy.
- Good buy at this rate for hold 6 months will be around 125
- 2014 will be for good for Power sector
- Hold for long term 1 to 2 years. Good Track record and well managed company both PSU and PVT sectors.
- Government may initiate huge reform in coming months.

## Peer Comparison

Peer Companies	Price `	EPS `	TTM P/E	Dividend Yield	1Yr Return (%)
NTPC	120.6	14.872	8.11	4.77	-17.01
Power Grid Corpn.	106.6	8.4697	12.58	2.58	0.33
Tata Power	83.35	3.9549	21.07	1.33	-10.08
NHPC	19.15	2.0506	9.34	3.13	-10.93
Reliance Power	71.55	0.5459	131.1	0	8.25
Adani Power	54.05	-	0	0	13.43
JSW Energy	61.75	4.3401	14.23	3.24	7.02
CESC	511.4	53.227	9.61	1.37	86.13
KSK Energy Ventures	68.15	0.305	223.5	0	38.8
BF Utilities	618.9	2.0275	305.3	0	118.62
PTC India	68.1	7.4204	9.18	2.35	12.38

Unlike most of its Peers Reliance power in the past 1 year has given a much positive return. Although its performance is not as good as BF Utilities and CESC but it is retentively performing well on quarter to quarter basis and hence is a great investment option.

## References

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achieved the turnover of ₹ 6000.00lacs in the first year itself. It sells products in the states of Delhi, Maharashtra, Gujarat, and West Bengal & Karnataka through their 8 dealers. For the year ended March 31, 2013, company's Total Income and

Restated Profit after Tax were ₹ 6059.11Lacs and ₹ 0.83Lacs respectively. For the 6 months ended as on September 30, 2013, the company's Total Income and Restated Profit after Tax was ₹ 4301.96Lacs and ₹ 12.50Lacs, respectively.

<b>SECURITY TYPE</b>	<b>EQUITY</b>
<b>Issue open date</b>	March 28, 2014
<b>Issue Close Date</b>	April 4,2014
<b>Issue Size( No. Of shares)</b>	37,10,000
<b>Issue Price</b>	Cash at Par 371 (face value Rs10)
<b>Listing on</b>	BSE
<b>Issue reserved for Market Makers</b>	1.90,000(5.12% of the Issue size)
<b>Proportion of offer to Public (Net Issue)</b>	35,20,000(94.8% of the Issue Size) (50% of Net Issue to Retail investors & 50% of Net Issue to other investors)
<b>Pricing Method</b>	Fixed Price
<b>Minimum allotment (shares)</b>	10,000
<b>Allotment Lot</b>	10,000 equity shares & in multiple of 10,000 equity share thereafter
<b>Trading Lot</b>	10,000 Equity Shares
<b>Registrar</b>	BIGSHARE SERVICES PRIVATE LIMITED
<b>BRLM</b>	HEM SECURITIES LIMITED

# ALUMNI SPEAK :: MAHIDHARA DAVANGERE V

MALLIKA JAIN  
1 MBA - K

## Can you throw some light on the job profile and the role you play in your organization?

*I am an Entrepreneur. I run a boutique Risk Management Consulting Firm, Pramatha Investment Partners, started in 2010; today we have offices in Bangalore, US and Malaysia with team strength of 30. I am an Actuary by Profession and I help people solve business problems using quantitative tools and techniques.*

## What scope is there for our young finance professionals in the service industry?

*Young finance professionals have wide scope in service industry. Today, the service sector has grown beyond leaps and bounds. It is not restricted to being just an Equity Analyst or a CFO, there are wider fields like Financial Analytics, Risk Management, Fraud and Forensic Accounting, Business Analyst, Wealth manager, Professor, and the list goes on.*

## Many of us still have ambiguity about “what next in finance”. How should they go about this

*There is nothing called as “What next in Finance”. As long as you have business happening in this world you will have finance. It’s the life blood of any business. One needs know the fundamentals of the finance taught in an MBA course by spirit.*

*Nobody can prepare you completely for any specific job profile. Instead focus on applying what you have learnt practically with an open mind. That’s the key for success. Having ambiguity is good in the early part of career. That will make you explore more avenues and you will eventually find what you like.*

*An MBA Finance student focus on strengthening the academic knowledge (never ignore) coupled with additional skill sets like deep understanding of Excel, Financial Modeling, programming, etc. You should be able to correlate what you have studied in your first year with second year specialization*



## What important attributes should an MBA from Finance have?

*An MBA Finance student focus on strengthening the academic knowledge (never ignore) coupled with additional skill sets like deep understanding of Excel, Financial Modeling, programming, etc. You should be able to correlate what you have studied in your first year with second year specialization subjects. I am able to understand the importance*

*first year MBA subjects even after 12 years, as it forms the basis for any kind of Business Consulting or Strategic Decision making. MBA finance should not be treated like M.Com or CA, with focus only on financial subjects, but rather interdisciplinary approach should be followed. Remember you are doing Masters in Business Administration, which itself is a generic course.*

### **How MBA did from Christ helped you achieve your goals in life?:**

*Doing MBA in Christ has been a game changer in my life. I got the taste of entrepreneurship in Christ when I won All India Business Plan competition in Dec 2003, with a cash award of ₹ One lakh that point in time. I realized that “Money never creates Idea, AN IDEA CREATES MONEY”. I pursued dual specialization in Marketing and Finance which has helped me with a perfect blend to carry out my own business effectively. Christ University also helped me to network with my fellow mates, Professors, Visiting faculties and many other industry veterans who have been of great support to me even to this day.*

### **Leadership or followership. Which one is important?**

*Leadership and followership are two sides of the same coin. Take an example of an entry level Assistant Manager in a Bank. He needs to obey and follow the rules and regulation of the bank and his superiors. At the same time he will have to lead a team of junior employees who would look up to him for guidance and support. If you have to be a leader, you need to be able to be a follower too. You need to implement the suggestions provided by your team members for the achievement of common goal. Being an autocratic leader will not help. At the same time, one needs to balance between just following the orders blindly, and being the same. We practice Leadership and followership everyday knowingly or unknowingly in all walks of life.*

### **What are you doing to ensure that you continue to grow and develop in the industry or your organization?**

*I have never stopped studying after MBA. I have formally completed M.Sc (Mathematics), MFC, Actuaries and continue to study, not for degrees but for knowledge. Understand your strengths and weakness and choose your career accordingly. I was good at mathematics and made my profile stronger in the field of mathematics, finance and economics. A formal qualification in Actuaries has helped me to differentiate in the industry.*

*Formal studies have to be coupled with diverse and practical experience. If you feel your learning in any organization has reached saturation, look for better opportunities or create new opportunities. In our firm we give at most importance for R&D and innovation. We continuously try to innovate ourselves which forms the DNA of our growth strategies.*



*Doing MBA in Christ has been a game changer in my life. I got the taste of entrepreneurship in Christ when I won All India Business Plan competition in Dec 2003, with a cash award of ₹ One lakh that point in time. I realized that “**MONEY NEVER CREATES IDEA, AN IDEA CREATES MONEY**”.*

### **Additional courses that you will suggest to our young MBAs?**

*There are plenty of courses for an MBA student. But it has to be chosen very carefully, depending on the*

*individual strengths and interest. CFA, CAIA, CA, Actuaries, FRM are the premier courses which suit an MBA Finance student. There are alternate niche careers which one should explore before pursuing any additional course. My suggestion to young students would be to complete MBA, identify your field of interest and then choose additional courses to augment your career.*

**This is the season of internship. What will you suggest my colleagues to go about it? How should they convert it in a Pre Placement Offer?**

*I am not too sure if you can convert your internship into a Pre Placement offer, if you have not chosen a right firm to do your internship. A lot also depends on the requirements and policies of the firm you are doing your internship. I am against the idea of thinking for final placements during internship. An internship should be pursued with an idea of learning from the practical exposure one gets by working in a company. If it gets converted to a Pre placement offer it is good, but this should not be the goal. Never keep placements, alone in mind, while doing anything in*

*MBA. Every student will eventually get a job, based on his or her capabilities. So focus on improving your knowledge, skill sets and network during your internship. This is the only time you get to experiment your skills sets in a practical world. Make full use of the opportunity.*

**How is the professional world different from the life in MBA?**

*At a lighter note life during MBA is one of the best days in life. You will never get another opportunity to make real friends for lifetime. Professional world is filled with people who may never become your true friends. Cherish your life during MBA, as you will certainly face the Professional world.*

*Professional world is ruthless and very demanding. You should learn work life balance during MBA if you have to remain sane. So learn proper time management and healthy life style to meet the real life challenges.*

**A message for Christites**

*Believe in your dream. Live your life to fullest. Never fear for failure and keep in touch with your fellow mates beyond Facebook.*

## BUZZ WORD

SANDIPA DAS | MBA - N

### **Loan to value ratio (LVR or LTV)**

It is a lending risk assessment ratio that banks and others lenders examine before approving a mortgage loan. Assessments which have got high LTV ratios are generally seen as higher risk. Still if such loan proposals are accepted then it will generally cost the borrower higher rate of interest and the borrower will need to purchase mortgage insurance. Low LTV ratios (below 80%) have a lower rate of interest for lower-risk associated with it. It allows lenders to consider higher-risk borrowers with low credit scores, previous late payments in their mortgage history, high debt-to-income ratios, high loan amounts or cash-out requirements, insufficient reserves or no income. Higher LTV ratios are given to the borrowers with higher credit scores and a satisfactory previous mortgage history. 100% LTV is given only to the most credit-worthy customer. The loans which have LTV ratios higher than 100% are called underwater mortgages.

**LVR = Mortgage Amount/ Appraised Value of the Property**

# COMMODITY :: NATURAL GAS

ABHISHEK SURYARAJ

1 MBA - L

Natural gas is a fossil fuel formed when layers of buried plants, gases, and animals are exposed to intense heat and pressure over thousands of years. The energy that the plants originally obtained from the sun is stored in the form of chemical bonds in natural gas. Natural gas is a hydrocarbon gas mixture consisting primarily of methane, but commonly includes varying amounts of other higher alkanes and even a lesser percentage of carbon dioxide, nitrogen, and hydrogen sulfide.

The world's natural gas reserves estimates around 7,360.9 trillion cubic feet. The Middle East countries holds 38.4percent of the world's reserves, 21.4percent is located in the former Soviet Union, with only 9percent held in the OECD countries.

## Major uses of Natural Gas

Natural gas is a main source of electricity generation through the use of cogeneration, gas turbines and steam turbines. Using hydrocarbon, combined cycle



power generation through natural gas is the safest and cleanest way to generate power. Its compressed form CNG is the main domestic cooking and heating fuel. It is also used in the production of ammonia fertilizers for agricultural use. Nowadays, some of the aircrafts especially those designed by Russians, use natural gas as their fuel.

In MCX (Multi Commodity Exchange) Natural Gas is quoted in dollars and cents per mmBtu and are traded in lot sizes of 10000 mmBtu (Million Metric British Thermal Units).

## News about Natural Gas

Natural gas was one of the best performers in last week with the commodity tracking mostly better weekly inventory report from the US. By the end of trade, NG for active May expiry contract was higher by 2.4 percent to USD 4.470 MMBTU whereas in the Indian markets we saw local prices adding 2.5 percent to ₹ 280.10 per MMBTU. We also recommended a ratio strategy by buying crude and selling NG though as both commodities inched higher locally, and NG outperformed Crude; traders who initiated the position might be sitting in moderate loss. We recommend exiting any holding positions in Ratio today.

## Current performance of Natural Gas in the Commodity Market

Natural gas is currently being traded with a spot price of ₹ 280.35 (12<sup>th</sup> Apr 2014).

The current Spot prices in MCX for Natural Gas futures are:

₹ 283.40/ mmBtu for 25<sup>th</sup> Apr 2014

₹ 285.50/mmBtu for 27<sup>th</sup> May 2014

₹ 288.30/mmBtu for 25<sup>th</sup> Jun 2014

# SCAM :: ADARSH HOUSING SOCIETY SCAM

PRAGYA TAMRAKAR

1 MBA - L

Adarsh housing society scam highlights a deep nexus of corruption between the politicians and the bureaucrats. Adarsh Housing society is basically a cooperative society in the area of Colaba of Mumbai. It is a building which was constructed for the purpose of allotment to the relatives of defense personnel especially war widows and heroes of the Kargil war. But it was allotted to some bureaucrats, politicians and top defense officers. It was also meant to be the six storey building in the initial phase which got converted to the 31 storey building. Hence, a lot of irregularities came to light regarding this society which shocked the entire country and also brought shame to the personnel of defense.

The chief minister of Maharashtra at that point of time, Ashok Chavhan received a lot of criticisms as he was accused of allotting his personal relatives to the cooperative society which was not supposed to be. This scam forced him to resign as the CM of Maharashtra. In the year 2011, the entire scam was scrutinized by the Comptroller and Auditor General of India. His reports clearly highlighted that rules and regulations were made out of order in order to use the public land for personal benefits. In the month of January of the same year, a commission was formulated by the Maharashtra government, headed by two retired high court judges to look into the matter. It made an intense investigation and submitted its report in the year 2013 to the Maharashtra government.

The report clearly stated that there were totally 25 cases of illegal allotment which included 22 cases of proxy. Apart from Ashok Chavhan, former chief ministers of Maharashtra- late Vilasrao Deshmukh, Shivaji Rao Nilangekar Patil and Sushilkumar Shinde were also accused of

indulgence in the illegal allotments along with two former urban development ministers. Many rules and regulations were bluntly violated in this scam. It involved a high level of manipulation of the records as well as false representation of the important facts in order to get NOC (non objection certificate) from the Army as well as MMRDA-Mumbai Metropolitan Region Development Authority. Even some of the former chief generals of the Army like Deepak Kapoor and N.C Vij were also found holding flats in the Adarsh society. They later on reported that they were not aware of the fact that the society was meant for the war widows and Kargil war heroes.

The norms relating to the environment regulation also came to light in this matter. The area where the society was constructed is considered a very sensitive coastal region. Fake permissions were obtained from the Environment and the forest ministry regarding the construction of the same in such a sensitive area. It was revealed that the environment ministry as well as the Mumbai Metropolitan Region Development Authority was in dark regarding the clearances given for the construction. The union environment ministry reported that it did not provide any clearances to this society. Even Mumbai Metropolitan Region Development Authority decided to scrap the certificates given when the scam came into light.

Recently, Devyani Khobragade who came into a lot of news due to alleged Visa fraud in US was also accused to be involved in the Adarsh Society scam. She and her father are charged with the accusations that they obtained flat in the society through false affidavit. Whereas her father denied to all such accusations and considered it as a conspiracy to hamper his image. The central bureau of Investigation (CBI) is continuously probing into the irregularities and the illegal beneficiaries which are involved in this scam.

# DID YOU KNOW :: CAPITAL MARKET

GAURAV VIDYARTHI

1 MBA - L

Capital market is a market where buyers and sellers engage in trade of financial securities like bonds, stocks, etc. The buying/selling is undertaken by participants such as individuals and institutions.

Capital markets help channelize surplus funds from savers to institutions which then invest them into productive use. Generally, this market trades mostly in long-term securities.

Capital market consists of primary markets and secondary markets. Primary markets deal with trade of new issues of stocks and other securities, whereas secondary market deals with the exchange of existing or previously-issued securities. Another important division in the capital market is made on the basis of the nature of security traded, i.e. stock market and bond market.

Capital markets have numerous participants including individual investors, institutional investors such as pension funds and mutual funds, municipalities and governments, companies and organizations and banks and financial institutions. Suppliers of capital

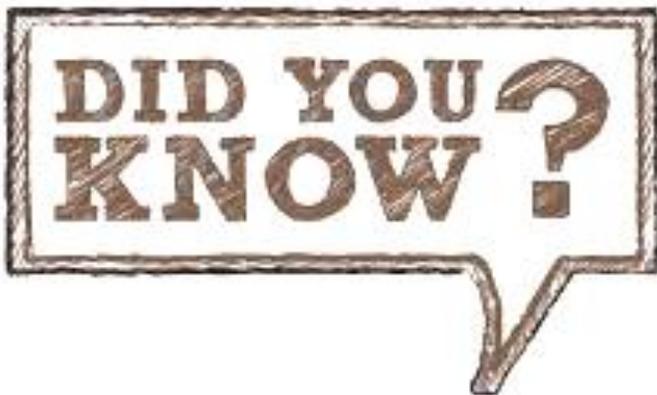
generally want the maximum possible return at the lowest possible risk, while users of capital want to raise capital at the lowest possible cost.

Capital markets are increasingly interconnected in a globalized economy, which means that ripples in one corner can cause major waves elsewhere.

Examples of capital market transaction are:

- A government raising money on the primary markets.
- A company raising money on the primary markets.
- Trading on the secondary markets.

The size of a nation's capital markets is directly proportional to the size of its economy. The United States, the world's largest economy, has the biggest and deepest capital markets. Capital markets are increasingly interconnected in a globalized economy, which means that ripples in one corner can cause major waves elsewhere. The drawback of this interconnection is best illustrated by the global credit crisis of 2007-09, which was triggered by the collapse in U.S. mortgage-backed securities. The effects of this meltdown were globally transmitted by capital markets since banks and institutions in Europe and Asia held trillions of dollars of these securities.



# FINANCIAL SERVICE INDUSTRY ANALYSIS :: INVESTMENT BANK

MAYANK KAUSHIK  
PRAVEEN SINGH  
NIVEDITA PALLAVI  
PRAGY TAMARAKAR  
VAIBAV RAINA  
MALLIKA JAIN

## Introduction

An investment bank is a financial institution that assists individuals, corporations, and governments in raising capital by underwriting or acting as the client's agent in the issuance of securities or both. An investment bank may also assist companies involved in mergers and acquisitions and provide ancillary services such as market making, trading of derivatives and equity securities, and FICC services (fixed income instruments, currencies, and commodities).

Unlike commercial banks and retail banks, investment banks do not take deposits.

There are two main lines of business in investment banking. Trading securities for cash or for other securities e.g. facilitating transactions, market-making, or the promotion of securities e.g. underwriting, research, etc. is the "sell side", while buy side is a term used to refer to advising institutions concerned with buying investment services. Private equity funds, mutual funds, life insurance companies, unit trusts, and hedge funds are the most common types of buy side entities.

Investment banking has changed over the years, beginning as a partnership firm focused on underwriting security issuance (initial public offerings and secondary offerings), brokerage, and mergers and acquisitions, and evolving into a "full-service" range including securities research, proprietary trading, and investment management. The major independent investment banks such as Goldman Sachs and Morgan Stanley reflect three segments:

1. Investment banking (fees for M&A advisory services and securities underwriting);
2. Asset management (fees for sponsored investment funds), and
3. Trading and principal investments.

## Regulatory Environment

Talking about the current scenario, past five decades marked prosperity in investment banking sector both in terms of the size and revenue. It made all its clients wealthy. The scenario changed after financial crises and moreover after that the upcoming stringent regulation directly affected the profitability may be aimed to improve operating efficiency.

Now let's have a look at the regulatory changes that affect investment banking sector:

Global initiative: Ring-fencing commercial banking facilities

- Volker Rule: Under Dodd-Frank Act in US, its overall objective constructing a fire wall between deposit taking/core banking activities and investment banking/proprietary trades activities.
  - Restricts above and prevents investments in, sponsorship of, equivalent risks such as hedge funds, private equity funds, and also ancillary operations of hedging.
- Vickers Rule: in U.K.
  - Ring Fencing of retail banking of UK banks into separate legal subsidiaries.
  - Narrow set of retail banking that is retail-deposit taking, overdrafts, SMEs etc within ring fencing.
  - Another set of activities, e.g., some other forms of retail and corporate banking, including operations to hedge risks to support them may also be conducted within the protected entity.

- Liikanen Act: in European union
  - Craving out proprietary trading and market making activities beyond a threshold on a standalone basis from the deposit taking bank.
  - If these activities are to be carried out, they should be carried out in separate subsidiaries.
- Basel III Norms: All countries but recent in India.
  - This is based on three pillars: minimum capital, supervisory review, and market discipline.
  - Minimum Capital: Along with Tier I minimum capital and Tier II capital make extra provision in the form of Capital Conservation Buffer.
  - Supervisory Review: To know what is the risk appetite of the banks and how they are actually moving and therefore they have to build capital buffer according to the risk they are undertaking.
  - Market Discipline: To bring transparency in the banking sector to avoid risk.

- Security
- Privacy
- Management
- Human resources
- Equipment and facilities
- Cost of production and operation
- Prices and Rates

To ensure success, these institutions develop what is commonly called Investment Banking BSC (Investment banking balanced scorecards). There are a lot of factors that are considered when developing a well-balanced scorecard. However one must consider that investment banking is not like any other industry. This industry has risk higher so the sets of standards must be defined to draw a distinct line between right and wrong. Another aspect to be



All these reforms restrict bank's management capacity for excessive risk and shield import financial services from shocks. These regulations have been insignificant in introducing and implementing the new changes, capital requirements and specially increased many folds many transaction costs.

### Key Success Factors

The Key Success Factors of any Investment banks lie around the below parameters

- Prudence
- Marketing
- Banking
- Business Plan
- Advertising
- Technology advances

included in the balanced scorecard is key performance indicators.

Though these indicators may differ from one bank to another depending on their individual goals and objectives, some of the below indicators can be applied to all

### Recent Global Trends

The retail banking sector dominates IT spending, which is expected to grow by 4.1 percent in 2013 to reach \$96.1 billion and touch \$104.5 billion by

2015. Wholesale/corporate banking is the second most important segment, where IT spending is expected to grow by 3.2 percent in 2013 to reach \$48.2 billion and touch \$51.4 billion by 2015. In corporate banking spending, North America is expected to register the highest growth rate of 4.7 percent in 2013.

The following key industry trends are expected to drive increased investments in technology:

- Banks are enhancing their big data technology capability to successfully leverage their huge database of customer data
- Banks are increasingly investing into analytics to understand customers' needs, improve risk management and compliance, and boost efficiency
- Banks are likely to increase technology investments into digital channels (e.g., Internet, mobile, tablet, and social media) and push toward digital convergence
- Banks are looking to provide better services and products in an increasingly competitive environment and reduce their total cost of ownership by rationalization of the legacy landscape, with a result in core banking transformation gaining pace.

Trend 1: Enhance Big Data Capability to Enhance Customer Centricity

Trend 2: Build Capabilities in Customer Analytics

Trend 3: Transform Digital Channels through Digital Convergence

Trend 4: Focus on Core Banking Transformation to Enhance Competitiveness

### **Key Skills Required & Scope of MBA Finance**

Investment banking is considered a highly dynamic industry whose scope is widening day by day because of the volatile environment. MBA in finance can have great roles to play in this regard. It involves a series of financial services which are diverse. It is getting very popular as a professional career among the youth sector as it offers a lot of opportunities for career advancement. There are

great opportunities in the field of-

- Wealth management
- Underwriting of securities
- Analysts
- Security analysis
- Risk management
- Financial advisors
- Counseling on mergers and acquisition
- Fund raising

Investment banking is an area of great responsibility. It requires a great deal of qualities in order to remain efficient and successful as it involves a lot of complex analysis and decision making in the presence of changing market conditions. Hence, it is considered a challenging task which has to be performed with a lot of diligence. Following are the skills and qualities which are highly important in this regard:

- Statistical knowledge
- Quantitative ability
- Communication skills
- Analytical skills
- Team work and interpersonal skills
- Understanding of the market conditions

### **Courses & Certifications**

There are no part time certificate courses in Investment Banking as it is a diversified field and includes skills of various domains of finance and thus is studied as a subject under various management programs. But many reputed universities and institutes all over the world provide full time diploma and certificate courses in Investment Banking. Many investment banking companies such as Goldman Sachs provide training programs to its business analysts.

URLs of some of such providers are:

- <http://www.scps.nyu.edu/academics/departments/finance-tax-and-law/academic-offerings/noncredit/certificate-in-investment-banking.html>
- <http://www.schoolofib.com/>
- <http://www.ibtraining.com/investment-banking-course.php>

# QUIZ

ABHISHEK SURYARAJ

1 MBA – L

PAVAN L

1 MBA - K

1. Bank of Middle east, Dubai is maintaining an account with SBI, Mumbai calls this account as what?
2. Suppose that a speculator anticipates depreciation of US \$ against Euro 3-months from now from the current 3 months forward rate. What should an speculator do to make profit?
3. The value of forward contract at its initiation is.
4. The amount that can be realized by a company if it sells its business as an operating one is termed as what?
5. What are the Bonds that carry low ratings with correspondingly higher yields called?
6. Which is India's first Credit Rating Agency set up jointly by LIC, GIC, UTI, ICICI and Asian Development Bank in January 1988?
7. Recently we came to know that Treasury Bills which are short term (up to one year) borrowing instruments of the Government of India are also being issued frequently under the Market Stabilization Scheme (MSS). They are available for minimum amount of \_\_\_?
8. As we know that RBI has two departments Issue Department and Banking Department. Which among them is responsible for maintaining a Minimum reserve system against printing of currency notes?
9. Which of the International organization is called as “Second Generation Reforms”?

10. What is the equity (percentage) of Reserve bank of India in National Housing Bank?
11. Which Stock exchange is the world's largest stock exchange?
12. What is the number of State Finance Corporations in India?
13. The term Rolling Settlements is predominantly used in which of the markets?
14. What is name of the five year plan that was running in 1978-79?
15. Which year for the first time Government introduced the Industrial Policy Resolution?

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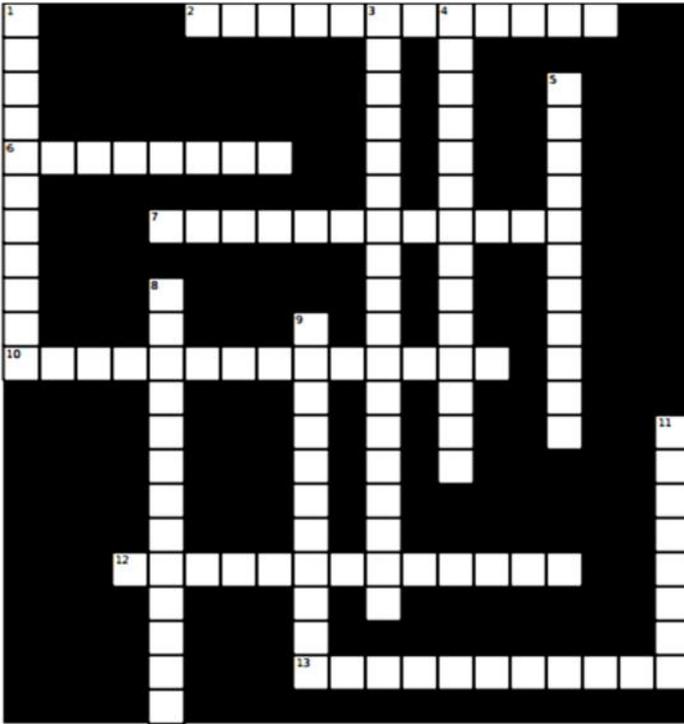
## Answers of March edition

1. First Trading Bank in the world.
2. Centurion Bank
3. ABN-Algemene Bank Nederland. AMRO- formed after the merger of Amsterdamsche Bank and Rotterdamsche Bank. Created after the merger of ABN & AMRO in 1991.
4. Decimal Coinage System was introduced.
5. McDonald
6. US 64 from UTI
7. Quipo
8. Money spent for payment towards the influential persons for the benefit of organizations
9. Supply of credit falls, though there is sufficient demand
10. The Netherlands
11. Frankfurt
12. Fiat Money
13. Greece
14. George Soros
15. McGraw Hills



# CROSS WORD

NEENU SUNNY  
1 MBA - L



## Across

- 2) The current worth of a future sum of money or stream of cash flows given a specified rate of return.
- 6) The act of holding an investment for too long.
- 7) The estimated value that an asset will realize upon its sale at the end of its useful life.
- 10) The amount one would anticipate receiving on an investment.
- 12) A type of financial protection that assures an individual or business keeping goods in a storage facility that any losses will be covered if the facility fails to meet the terms of its contract.
- 13) The portfolio of financial instruments held by a brokerage or bank.

## Down

- 1) A corporate security that ranks lower in claim to another corporate security in terms of dividends, interest or principal repayment if the company goes out of business.
- 3) Fixed operating costs that a financial institution must incur, such as anticipated bad debt provisions.
- 4) A merger between two companies producing different goods or services for one specific finished product.
- 5) A type of government bond issued in the United Kingdom by National Savings and Investment (NS&I) that gives the holder a chance to win a random monthly drawing for a tax-free cash prize.
- 8) An asset that is being valued by investors at a very substantial premium, either in terms of its earnings or cash flow, or in relation to its peers.
- 9) A company's revenue minus its cost of goods sold.
- 11) A state-level entity that provides that state's smaller public entities with debt financing at a lower cost than what the small entity could obtain on its own.

11) BOND BANK	
13) TRADING BOOK	(9) GROSS PROFIT
12) WAREHOUSE BOND	(8) RICH VALUATION
10) EXPECTED RETURN	(5) LOTTERY BOND
7) SALVAGE VALUE	(4) VERTICAL MERGER
	PENSE
(6) OVERSTAY	(3) NONINTEREST EX-
(2) PRESENT VALUE	(1) JUNIOR ISSUE
<b>ACROSS</b>	<b>DOWN</b>

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# 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.

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