

FROM THE EDITOR'S DESK



It gives us immense pleasure to bring out the first edition of *Ephemeris* for the academic year 2012-13. A monthly periodical *of, for and by the Economics community of Christ University*, the magazine carries the name and logo which tries to capture the diversity associated with the subject of economics. We thank all the students for their contributions. Every article and feature published in *Ephemeris* reflects the efforts, intellect and creativity of the students.

The cover story is centred on the recent spiral in oil prices, which has burnt the pockets of Indians across all sections. The business section unfolds the success story of PVR, while for the finance-fanatics this edition has a small article on the strategy of consistent investment. To overcome the seriousness and monotony associated with hard core economics, the journal allots equal space to soft features on developmental issues, cartoons, graffiti, and brain teasers. Thus the editorial board has made every possible effort to ensure that the magazine is not devoid of the multi-disciplinary touch.

Within coming weeks we will be launching the online edition of *Ephemeris*; your source of latest news and diverse Opinions, right at your fingertips.

We would be more than glad to publish your articles and features. All the contributions can be mailed at ephemeris.709@gmail.com. You can also forward your suggestions and feedback at our email address.

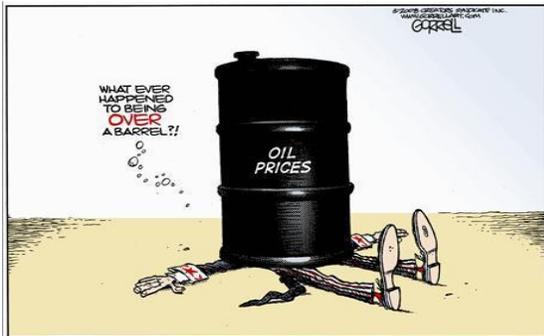
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SLIPPERY PATH: THE OIL CRISES IN INDIA

Revati Krishna

I EPS

Oil Price hike in today's time has become more common than seeing the sunrise at dawn. Every time the value of Rupee slips further, oil companies suffer a loss, they increase the prices and ultimately who suffers is the common man. The common man of India is the real victim of any price hike or any other economic alteration. What does this lead to? Bandhs, lockouts, strikes... the wave of discontent sets in!



Bob Gorrell Cartoon

Almost a month ago the country observed a National Bandh, elevated to the status of a national holiday by the BJP and leftist activists. The only relief was that the Bandh was not announced centrally, and thus its impact differed from state to state. The 'day of action' was not merely a threat to the survival of Singh's government. In fact such events underscore the difficulty faced by

progressive policy makers while trying to implement economic reforms.

The urgency of economic reforms is evident, given the falling growth rate of the country. If I look at this socio-economic issue with a rational economic-lens, I would rather support the government's take on the issue. Well, yes... oil price hikes do hurt the consumer-sentiments, but it takes more than a lay-man's mind to appreciate the need for such radical reforms. What people fail to understand is that the price hike is done to liberate our economy from the clutches of unhealthy subsidizing which, in the long run feeds on the exchequer. Such moves ultimately aim to achieve higher economic welfare of the country.

Coming to the other side of the story; how should the government handle such situations? Should the prices of other goods be reduced to control inflation? Is that really a solution? My answer is a blatant NO! I would like to drive your attention to a similar commodity; Diesel which is a Highly Subsidized Commodity. I am not really hinting at a diesel price hike, because increasing diesel prices will

straight away lead to inflation of food prices. This is how the chain reaction will set in:

Diesel price hike---> Increase in Transportation Costs since trucks (carrying food across the country) run on diesel---> Increase in food prices to accommodate the increased transportation costs, and the inflationary tornado sets in motion.



[Erich Vieth](#) | November 17, 2007

Thus I would rather suggest an increase in the custom duty of diesel cars. The diesel prices are very low in comparison to petrol prices. The subsidy on diesel prices is enjoyed by the richest of people driving luxury cars like BMW, Limousine, Audi etc...

Here's the paradox: On one hand you have billionaires driving cars worth Crores and filling the cheapest fuel in the country, and on the other hand you have the common men driving a scooter filling the costliest fuel of the country. Adam Smith's famous Canon of Equality fails here!

Concluding I hope to see the GDP Growth rates escalating once again so that the Headlines in Economic Times spread smiles rather than frowns!



[Nikahang Kosar's cartoon](#)- Rooz1671

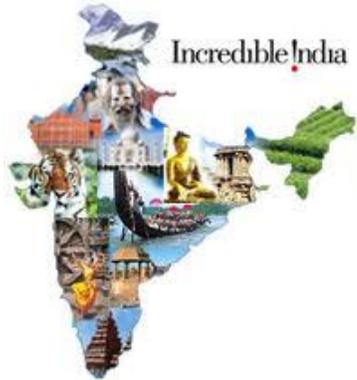
INCREDIBLE INDIA

Divya Malhotra

II MA Applied Economics

One fine day while enjoying my morning tea with the daily newspaper, I came across a feature on the editorial page of *The Times of India*, flashing in bold letters-*Incredible India*. Beautifully written, the article

glorified the physical and cultural versatility and beauty of the Indian Subcontinent. Yet my mind, body and soul refused to accept and appreciate the claims made in the article, not for its language but for the content.



Tour wings Tours limited Image

The irony of this country is that even after completing more than six decades of Independence, we are practically a hostage to various socio-economic evils!

On the social front, every Indian-irrespective of his caste, class, gender claims to be a devotee of the Indian Goddess DURGA and paradoxically, majority of Indians beat up their daughters for no good reason but for the fact that they are girls!

Our constitution-the constitution of world's largest democracy proclaims that Inter-caste marriages are legal, under the Special Marriage Act 1954. We should feel proud, shouldn't we? But once again, it all remains on the papers. Almost every day there are cases of Honour Killing across the country where couples are beaten to death for "crossing the limits" prescribed by their respective communities.

Indian Politics also deserves a mention here. The series of scams and scandals exposed in 2010 have shown how our bureaucratic and political

setup lacks the grace, commitment, sophistication and determination needed to run a nation. We have politicians with criminal records, and in fact it's considered to be an additional qualification. Still fresh in our minds is the memory of recent Karnataka Assembly case where two MLAs were caught watching porn on cell phone. The list is endless, and magnitude obscene!

And now, The Indian Economy...Not long back the newspapers and media reports used to flaunt phrases like "world's fastest growing Economy, 10th largest Industrial Nation, the only nation which met the global recession with grace" to describe the Indian Economy. If it were just about the statistics then we have many reasons to celebrate! However of late, prominent rating agency Standard and Poor downgraded Indian economy, and worse, the famous phrase BRIC might lose the only vowel (I) as there are speculations about instability of Indian Economy.

As per the official statistics, headline inflation in India was reported at 7.55% in May 2012 as against 9.53% in May last year, while food inflation was found to be hovering around 10%. Vegetables became almost twice as costly, followed by pulse-prices inflating at 16%. More than accusing, the people have started sympathizing with R.B.I. and the U.P.A. Government for their helplessness. It is evident that the government is

making efforts to bring down the “inflation numbers”. Therefore it would be too harsh to blame our angelic sinisters...sorry... ministers for the sad state of affairs.

Just as I thought of winding up, I was reminded of Aamir Khan's latest show “Satyamev Jayate”-giving sleepless nights to my fellow Indians who are often displeased by such open display

of the concealed ugly truths of daily life! Let's admit that inside an average Indian resides a chronic liar who has become blind, deaf and dumb to the problems we are facing today.

This is INDIA- the land where Ram and Krishna were born, the land where Ramayana and Geeta were written and the land where the Ganges still flow... INCREDIBLE INDIA!

INNOVATION REDEFINED RURAL INDIA

Rupali Gupta

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India's rural innovators have proved that ordinary people are indeed capable of extraordinary inventions. Despite many constraints -- lack of education and severe cash crunch -- most of them have succeeded in using technology cost-effectively to build ingenious products.

A cycle that runs on water , a scooter-powered flour mill, a solar mosquito killer, a cycle-powered washing machine -- these are just few of the-over-100,000 outstanding innovations that have come from school dropouts and poor people from rural India. Thanks to the relentless efforts of the National Innovation Foundation, under the guidance of Professor Anil K Gupta, these innovations are changing the

stereotype perceptions of rural India, which is a picture of poverty and degradation. With a database of about 140,000 innovations mostly from uneducated innovators, NIF has been striving for a decade to connect innovators with society and enterprises. Besides being cost-effective and eco-friendly, these scientific discoveries have the potential to be commercialised and even exported. Although some products are being commercially manufactured and have been exported, there are millions of ideas and innovators waiting for assistance in terms of funds, technical and design support. Another agency recognizing the rural India innovators is National Bank for

Agriculture and Rural Development (NABARD).

Consider a Bicycle Mounted Sprayer invented by Mansukbhai Jagani, a farmer in his 40s, from Mota Devalya village with only primary level education and weak financial position.

Aware of the problem faced in the spraying of agrochemicals in the field, Jagani decided to develop a sprayer which is efficient and affordable by the farmers. He decided to mount the sprayer on a bicycle, which can be found in every household and was successful in



doing so.

The knapsack sprayers generally used by farmers involve continuous pumping by one hand while holding the sprayer with the other. The whole process of spraying is very tiresome

and also leads to hand, back and neck pains with prolonged use for any scale of operation with heavy backload. Also this device requires a lot of time to cover the bigger spraying operations which increases cost for spraying as well as the hazard of pesticide mist getting into the eyes. Manual labour has also become scarce due to the migration of farm labourers towards cities. Other options like two-wheel mounted and tractor-mounted sprayers are too expensive and not of much use in small holdings. It is energy-efficient and easier to operate and maintain. A labour saving device, it can be used to spray one acre of land in 45 minutes thus covering more area compared to manual spraying. It is easy to assemble and disassemble. It serves the dual purpose of sprayer-cum-bicycle. It costs Rs.2200 (excluding the bicycle).

Another innovation worth noticing is Washing-cum-exercise machine developed by Miss. Remya Jose, who hails from Kizhattoor Panchayat in Malappuram district, Kerala. By attaching a cycle-like device, it can be used as an exercise machine thereby serving the twin purposes of keeping fit and keeping clean. Priced

at Rs. 2000, the innovation is highly practical for use in the rural areas and stays within the budget of the common man.

The above mentioned innovations are just two examples of real innovations that have been recognized and supported in the rural India. Not only can these innovations make lives

easier, they can build a resurgent, strong India on the basis of the knowledge and scientific know-how. Even the international community has started looking at India as an innovative hub, which is promoting innovations by poor uneducated Indians, thus exemplifying the true spirit of India!

INVESTMENT STRATEGY: GROWING A TREE

Ankush Aggarwal
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As a finance student it often crosses my mind that I should start investing but then my apprehension regarding my limited knowledge of markets pulls me back. However I realize that the advantage of entering the investment markets while we are still in our 20s is our “prolonged presence” in market.

With compounding interest, our money grows significantly and early entry in the market can escalate returns substantially. There is a perennial trade-off between risk and return. Metaphorically our financial life resembles an Olympic race. If we contribute wisely in the beginning, the end would be more promising and pleasant. An opportunity to contribute more now means a lower burden later. Let's consider a hypothetical situation: Two friends A and B started

their career at the same time and have thirty years of working life, before they hang their boots. A starts investing Rs. 60,000 a year in an avenue with 10% return. He would collect Rs. 1.62 Crores after 30 years. B started investing the same amount but only ten years later, in the hope of higher returns by applying his smart investment strategies.

He did not realize that even at 20% rate of return, he will not get the optimum benefit on his investment despite the fact that expectation of 20% interest would be a highly optimistic estimate. Thus time lost to fear and uncertainty in markets, gets translated into lower than optimum returns.

We need to change our perception of investing. Most of the people get their

first salary when they are still single. There are fewer responsibilities and it's possible to cut down the unnecessary expenses. Most of us waste our precious time thinking that we will start saving once we enter married life and secure a stable job. But given the fact that our life changes course very quickly, it's not such a good idea to postpone our savings or investment plans.



Art investment tree, Nic
forrest. June 3 2011

At some point of time we all wonder how and to what extent can savings of few hundred's impact our future. If you want to accumulate Rs.2crores by the time

you retire, Rs. 1000 or Rs. 2000 worth of recurring monthly investment would look too small for a biggie!

But here's a catch! If you start by investing @ Rs. 1000/ month for 30 years at 12%, you would make only Rs.36 Lacs. However if you invest @ Rs. 1500/month for the first ten years at same rate of return, and then leave the amount as a fixed deposit for the next 20 years, you will make Rs.54 lacs after 30 years. This is how it works...

In the first case, the investor has to contribute Rs. 3.6 Lacs spread across the 30-year period, while the latter demands only Rs 1.8 lacs of investment for 10 years. 500bucks made all the difference!

Thus a calculative and smart investor filters out the best option, which pays off the most in the end!

PVR AND REVOLUTION OF INDIAN CINEMA

Soumika Mukherjee
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The opening of the first multiplex in India by PVR Cinemas in the mid-nineties has changed the dynamics of the Indian film Industry and heralded a new era in the Indian movie viewing experience. The Cinema experience had lost its magic to shabby halls and outdated technology.

PVR wooed the audience back into the theatres by giving the whole experience a face-lift. Today more than a decade later, it continues to set trends by merging the market realities with its own uncompromising stand on providing wholesome entertainment to people. Priya

Exhibitors (p) Ltd is a part of the diversified Bijli Group, which had interests in transport, finance and construction sectors all over India. In 1994, a fire broke out in the family's trucking company's godown spread over 1, 00,000 square feet. Although Ajay Bijli lost heavily, he took over the running of the family's movie hall business.

Realizing that the capital's cosmopolitan audience is becoming increasingly aware of the advanced cinematic technology that enhances the movie-going experience and that this has whetted their appetite for watching movies on the

“Big screen”, Priya Exhibitor Pvt. Ltd. had totally refurbished the existing cinema in June 1991 including installation of a Dolby stereo sound system. They also gained exclusive rights to screen blockbusters from major distributors mainly Warner Brothers, 20th century fox, united international pictures. The company entered into a joint venture agreement with Village Road-show Limited in 1995 with 60:40 ratio, and began its commercial operations in June 1997 with the launch of PVR Anupam at [Saket](#) in Delhi.

Today PVR is the finest cinema exhibition company in the country. Currently, the geographically diverse cinema circuit of PVR consists of 38 Cinemas with 166 screens spread over 22 different cities covering major markets across the length and breadth of the country.

In FY 2011 the PVR brand has been successful in entertaining more than 19 million esteemed patrons across its properties. Today PVR Cinemas contributes 20-25% of domestic box office collections of any leading Hollywood movie and 12-13% of any leading Bollywood movie, highest across the Indian Film Exhibition space.

One of the main reasons behind the overwhelming success of the company is that it has always enjoyed the *first mover's advantage*. However several other factors have also contributed to the phenomenal growth achieved by the company.

The company was fast in realizing that customers today are willing to pay a premier price for superior product quality and better experience. Therefore it focused on using the best technology to enhance the quality of the film being projected.

PVR Cinemas boast of the latest technologies in the field of movie exhibition in the country.

THX-approved three-way surround sound system with real life sound effects and projection facility with the latest Xenon-based technology were first introduced at PVR. Wall-to-wall, floor-to-ceiling curved screens and digital sound complete the ultimate movie viewing experience. Several innovations were also introduced in marketing.

PVR Ltd was the first multiplex to offer computerized and online ticketing with kiosks, first to accept

credit cards in cinemas, first to introduce mobile based information and ticketing service, first to launch a loyalty program for movie goers! PVR Cinemas has also come out with a film magazine *PVR Movies First*,

expected to fulfill the information needs of the die-hard movie fans.

PVR today is thus not merely a movie hall but indeed a brand name!

MAJOR MERGERS AND ACQUISITIONS IN RECENT YEARS

Lavanya Vijaykumar

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Mergers, Acquisitions and corporate restructuring are a big part of the corporate finance world. Companies converge and combine nearly every day, and not surprisingly these actions often make news. They can dictate the fortunes of companies involved for years to come. These are used as tools for business expansion and restructuring. Through mergers the acquiring company gets an expanded client base and the acquired company gets additional lifeline in the form of capital invested by the purchasing company. Recent mergers and acquisitions authenticate such a view.



Image: Conundrum, February 21, 2009

Sector wise, large volumes of mergers and acquisitions in India have occurred in finance, telecom, FMCG,

construction materials, automotives and metals. The total value of merger and acquisition (M&A) deals in the country so far for 2012 has crossed \$16 billion mark. In the banking sector, important mergers and acquisitions in India during the recent years include the merger between IDBI and its own subsidiary IDBI Home finance, in 2010 and the deal was worth Rs. 7.6 billion. Another important merger was that of Centurion Bank and Bank of Punjab worth 3.6 billion and this merger led to the creation of the Centurion Bank of Punjab in 2005 with 235 branches in different regions of India, and later this was acquired by the HDFC in 2008. In the telecom sector, an increase of stakes by SingTel in 2009 from 26.96 % to 32.8 % in Bharti Telecom was worth Rs. 10.9 billion. In the Foods and FMCG sector, a controlling stake of Shaw Wallace and Company was acquired by United

Breweries Group owned by Vijay Mallya in the mid 2005& the deal was worth Rs. 16.2 billion. In construction materials, 67 % stake in Ambuja Cement India Ltd was acquired by Holcim, a Swiss company for Rs 27.3 billion in the mid-2008.The taking over of Hutchison Essar by the Vodafone Group making it Vodafone Essar Limited in 2007 was a significant acquisition in the telecom sector early this year.



(Mergers and Acquisitions) Vision Finance Image

The other major mergers and acquisitions were acquisition of Canada based Novelis, a global aluminium company by Hindalco, the deal which involved transaction of \$5,982 million during the same year 2007, and in the year 2006 the important ones were the acquisition of Betapharm by Dr. Reddy's Labs through a deal worth of \$597 million in February, Terapia SA by Ranbaxy Lab the deal amounting to \$324 million in March,Hansen Group by Suzlon energy through a deal of \$565 million in May and the acquisition of Daewoo Electronics Corp. by

Videocon involved a transaction of \$729 million in October.Vedanta merged its Indian firms Sesa Goa and Sterlite Industries into a single entity as Sesa Sterlite early this year and two unlisted companies Vedanta Aluminium and Madras Aluminium were also merged with Sesa Sterlite.Sun Pharmaceutical Industries has also set plans to make acquisitions in pharmaceutical companies in the US and has set aside \$450 million to execute these plans during the year.

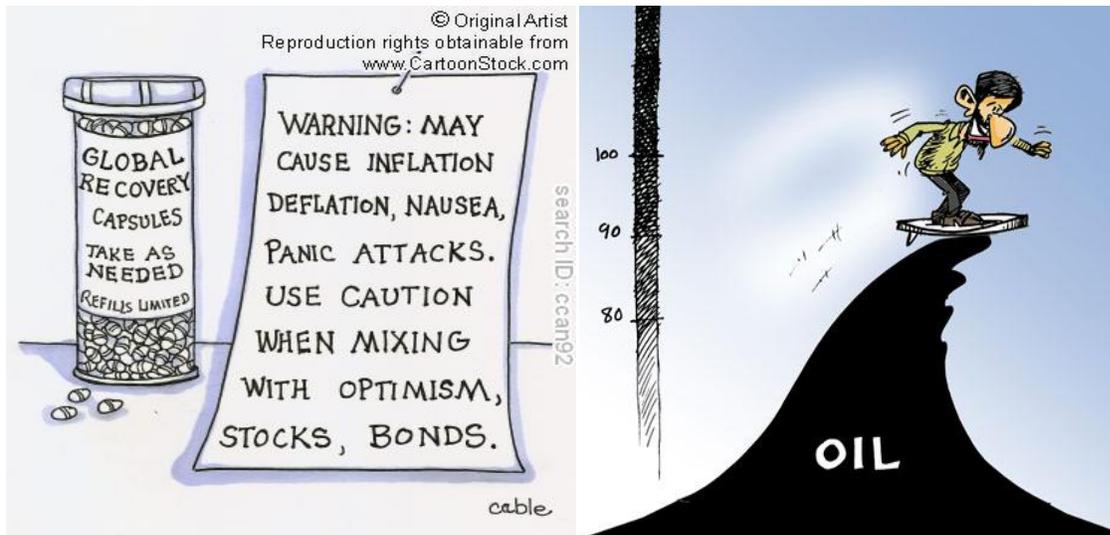
Thus, M & A's have happened across industries and sectors like banking, automotive, healthcare, FMCG, telecom etc. in the recent years. Emerging markets M&A were down in the last quarter of 2011 but is expected to rise this year as more private equity financing becomes available, prompting more deals and strategic buyouts, particularly in the natural resources, infrastructure, technology and real estate sectors.



REALITY BYTES!



Nikhang Kosar, ROOZ 1671, Nov 22 2006



Cartoonstock.com

Nikhang Kosar, ROOZ 1671, Oct 28, 2007



By Thomas J. Powell

