I.T.S FINANCE CLUB

Finvest Times

Inspiring The Future Professionals....

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INSIDE THIS ISSUE:

Capital Currency and commodity market	1
Finvest Star	4
News Watch	7
Terminology	10
Market Watch	11
Brain storming	12
Success story	13

CAPITAL CURRENCY AND COMMODITY

When future returns are increasing, markets rise, and when future Returns are expected to decline, markets tumble. Many investors look at Warren Buffet and Phillip Fisher and jump into investing in financial markets. They are told to use systematic investment products, invest in good times and bad. They are told to invest and forget about it for 10, 15, 20 years. The markets today are governed by different forces. This is a powerful change from investment chasing fundamentals to investment chasing arbitrage.

Reigning uncertainty

The macroeconomic environment is fraught with uncertainty, both globally and locally. Though markets are generally uncertain and fundamental investors make allowance for that uncertainty by having a margin of safety, this is a different type of uncertainty. Generally, markets are able to identify which companies will survive and thrive. But the current uncertainty is worse.

Globally, we are in the aftermath of the financial crisis of 2008. The dust has not yet settled. The crisis of 2008 stressed the banking system severely. The banks could not lend and problems of Wall Street threatened to spill on to main street. The resulting policy action transferred the bank liabilities to government. This released the banks from the burden but the governments were stretched to their limits while bailing out the bloated financial sector. So now, the developed world governments have limited scope to revive the economy. The excesses over the past few decades, lack of understanding of policy, misaligned incentive structure and plain fraud have brought the world to the brink of col-lapse.

In India, we have further complicated this problem. In a world dependent on exports to developed markets, India almost stands alone. India is not dependent on global markets to the extent other countries are. However, possibly in the interest of fairness, our policy makers have tried to negate this serendipitous advantage. They have trampled on principles of natural jus-tice while invoking retrospective tax liabilities, withdrawn past approvals in the name of environment, manipulated government asset sales to entities that have no expertise and thereafter have rolled back the process .As if this was inadequate, populist expenditure has increased de-spite warnings of heightened government deficit. Every necessary price increase is eventually rolled back. While fiscal policy is stoking inflation, the RBI is slowing the economy down to achieve the exact opposite. Our response to sup-ply constraints is classic socialism - rationing while resisting any in-crease in supply. This dangerous gamble by politicians and policymakers has pushed the country to the precipice of 1991.

In such an environment, it is impossible to make a prediction about how economies and companies will evolve over the next decade. No wonder investors are reluctant to make long-term investment decisions. But still, they have to deliver above average returns.

Surviving the volatile markets

The long-term uncertainty forces a short-term focus. So instead of focusing on fundamental opportunities investors look for arbitrage opportunities. These are short-term opportunities existing as difference in prices in different markets. But they are also about inconsistency in the economic picture as emerges from different variables. Sores' British Pound bet was a good example of an arbitrage opportunity. A lot of investment is currently chasing such arbitrage opportunities. Naturally, when many market participants work on arbitrage opportunities, volatility increases.

Some of the arbitrage opportunities are fleeting opportunities. They exist for mere few seconds. Investors use power of computers to capture these opportunities. It is called High- Frequency-Trading or HFT. These computers can trade very quickly within nanoseconds letting the participants take and exit positions in the market before others are even aware of the opportunity.

Another technique used by investors is Algorithm trading or Algo-trading for short. Algorithm trading refers to trading by computers using specified algorithms. These algorithms track various economic variables, fundamental and technical analysis from various sources and take position in the market. The success of the trade depends on the strength of algorithm deployed. This is gaining prominence world over. The problem is that most algorithms are quite similar. This has feedback effect leading to positive or negative spirals depending on the effect of feedback. Naturally, one can see securities gain or lose value remarkably quickly.

To accentuate the issue, global capital is concentrated in the hands of few. These investors, through their influence, can command investment of billions of dollars.

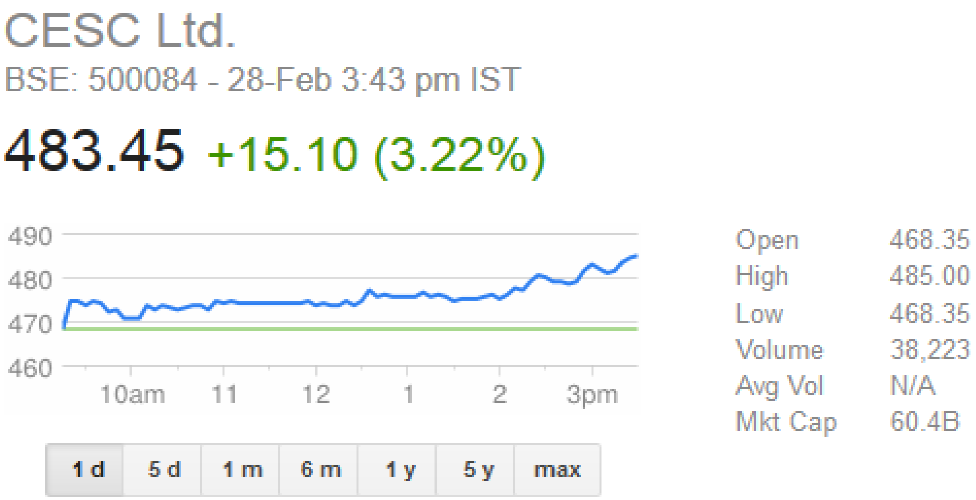
So if a handful people get jittery about future prospects of India, the Indian stock markets will crash. Further, an investor investing in foreign country is naturally wary and is inclined to leave at slightest doubt. All these factors imply that moves in the financial markets are large and fast. To allow such fast moves and to balance their risks, investors across the world rely on derivative contracts. However, as was evident in the recent Lehman crisis and AIG bailout, no one understands the derivative contracts. The counter party risk is not accounted for properly. It is like paying insurance premium to an insurance company that is bust and cannot pay any claims.

India has hope

India is better placed amongst most other countries. While there is not much India can do to avoid the global uncertainty, India can fix its own house. We need to get just a few basic things right. A well understood policy direction will go a long way in clearing up some mystery. It is less important whether tax is at 10% or 40%; what matters is a predictable policy regime. If a company knows it is going to be taxed at a certain rate, it will have no problem paying those taxes. The same is true for mining, environment or any other policy.

A saner government spending program is the next key ingredient. A government that spends based on populist hopes is not going to win favours. It makes no sense spending for NREGA while overlooking important areas of rural education, food-processing and allied industries. However, a government that invests in productivity of underprivileged, deprived, etc. will do better. A focus on rural infrastructure including irrigation, cold-chains, connectivity and power will go a long way in improving rural incomes sustainably. Investors reward prudent and sane regulations. As an example, we must look at the Reserve Bank of India. The RBI's actions during the past decades were strict by any measure and the industry loved to complain about it. However, as the crisis unfolded and the Indian banking sector survived virtually unscathed, these opinions changed and the RBI was lauded for its conservative approach. With just a few things like these, India can reduce uncertainty and create a viable lower risk investment climate. Such developments should allow global investors to look at India as a growth haven, a market protected from the uncertainty of global polity.

Finvest Star



BUSINESS OVERVIEW

The first demonstration of electric light in Calcutta was conducted on July 24, 1879 by P W Fleury & Co. In 1881, 36 electric lights lit up a Cotton Mill of Mackinnon & Mackenzie.[5] The Government of Bengal passed the Calcutta Electric Lighting Act in 1895. The first license covered an area of 5.64 square miles (14.6 km2). On 7 January 1897 Kilburn & Co. secured the Calcutta electric lighting license as agents of The Indian Electric Company Limited. The company soon changed its name to the Calcutta Electric Supply Corporation Limited and in 1897, The Calcutta Electric Supply Corporation Limited was registered in London.

On 17 April 1899, the first thermal power plant of The Calcutta Electric Supply Corporation Limited was commissioned at Emambagh Lane near Princep Ghat, heralding the beginning of thermal power generation in India. The Calcutta Tramways Company switched to electricity from horse-drawn carriages in 1902. Three new power generating stations were started by 1906. The company was shifted to the Victoria House in Dharmatala, Kolkata in 1933, and still operates from this address.

In 1970, the control of the Company was transferred from London to Calcutta. In 1978 it was christened as - The Calcutta Electric Supply Corporation (India) Ltd. The RPG Group was associated with The Calcutta Electric Supply Corporation (India) Limited from 1989, and the name was changed from The Calcutta Electric Supply Corporation (India) Limited to CESC Limited.

CESC can give upto 20% returns: Sudip Bandyopadhyay

You have been bullish on CESCBSE 3.22 % I remember our conversations it has moved up further today, it is probably trading at its life high and all the subsidiaries First Source is doing very well, the power business is coming round and they might do that Spencer listing anytime what is the call because the stock has multiplied multi-fold in the last six months?

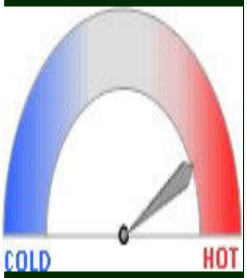
Sudip Bandyopadhyay: Absolutely right. In fact you had also identified the stock and you did your show with our promoters, it is an excellent story in the making. It was a even better story at that point of time. Some of the things which the company thought they will do and which we all believe they will do has happened but I firmly believe that still lot more action is expected to come from CESC over the next 6 to 12 months.

The Spencer disinvestment which you are talking about I am sure it is going to happen and so itself will be a huge huge positive for the company, FirstSourceBSE 0.90 % you talked about they have turned around the company, it is on a path to even greater heights. The core power business itself has started performing very well, there has been tariff revisions in the markets they are operating in.

The new plant is coming on stream and apparently there is no cost overrun so all this augur well for the group and the company. So investors even now entering in with may be six months plus time horizon, can look for 20% plus returns.

Prev Close:	**468.35**	Day's Range:	**468.35 - 485.00**
Open:	**468.35**	52wk Range:	**252.70 - 485.00**
Bid:	**483.10**	Volume:	**38,223**
Ask:	**483.45**	Avg Vol (3m):	**28,842**
1y Target Est:	**N/A**	Market Cap:	**60.40B**
Beta:	**N/A**	P/E (ttm):	**13.15**
Next Earnings Date:	**N/A**	EPS (ttm):	**36.77**
		Div & Yield:	**N/A (N/A)**

Valuation Measures	
Market Cap (intraday)[5]:	60.40B
Enterprise Value (28-Feb-2014)[3]:	73.39B
Trailing P/E (ttm, intraday):	13.15
Forward P/E (fye 31-Mar-2015)[1]:	N/A
PEG Ratio (5 yr expected)[1]:	N/A
Price/Sales (ttm):	0.77
Price/Book (mrq):	1.14
Enterprise Value/Revenue (ttm)[3]:	0.97
Enterprise Value/EBITDA (ttm)[6]:	4.95



Financial Highlights	
Fiscal Year	
Fiscal Year Ends:	31 Mar
Most Recent Quarter (mrq):	31-Mar-2010
Profitability	
Profit Margin (ttm):	6.07%
Operating Margin (ttm):	14.76%
Management Effectiveness	
Return on Assets (ttm):	3.91%
Return on Equity (ttm):	8.96%
Income Statement	
Revenue (ttm):	75.71B
Revenue Per Share (ttm):	605.97
Qtrly Revenue Growth (yoy):	-2.70%
Gross Profit (ttm):	34.72B
EBITDA (ttm)[6]:	14.82B
Net Income Avl to Common (ttm):	4.59B
Diluted EPS (ttm):	36.77
Qtrly Earnings Growth (yoy):	N/A
Balance Sheet	
Total Cash (mrq):	15.68B
Total Cash Per Share (mrq):	125.50
Total Debt (mrq):	35.19B
Total Debt/Equity (mrq):	77.51
Current Ratio (mrq):	0.98
Book Value Per Share (mrq):	411.70
Cash Flow Statement	
Operating Cash Flow (ttm):	18.56B
Levered Free Cash Flow (ttm):	-28.73B

Relaxed norms will help EPF earn good returns even from debt investments: Anil Swarup

Central Provident Fund Commissioner Anil Swarup explains how two recent decisions of the Central Board of Trustees of the EPFO could boost the Provident Fund returns significantly.

Is there a case for investing a small portion of the EPF corpus in equity, rather than debt instruments, for better returns?

This has been debated quite a lot and there is total opposition in the Central Board of Trustees (CBT) to equity investment because of the uncertainties of the stock markets. The Board feels that we should go for secure investments even if the returns are not as high as those generated by stock investments. Experts believe that one's retirement corpus must have some exposure to equity to be able to beat inflation.

This is possible without compromising on safety. We can go for debt instruments which are not as secure as gilts but can give us better returns. During its meeting in February, the CBT liberalised the investment norms for the EPF. Till now, we could invest in AAA rated PSU bonds for up to 15 years, but the CBT has now permitted investments in longer duration bonds of up to 25 years, which might fetch 50-75 basis points higher returns. So the safety of the investment is not compromised, but by merely relaxing the duration, we can get higher returns. Secondly, the CBT has allowed us to invest in private sector bonds which are rated AAA by at least two agencies. This would also enhance the returns without compromising on safety.

The NPS not only permits equity exposure, but even allows investors to choose their asset allocation. What is your view?

The logic that forms the basis of investment in the NPS is a little different from the one used in the EPFO. It is premature to compare the two because the NPS has been there for only five years, while the EPFO has existed for six decades. These are two different models and may not be comparable. One is the defined model, where the recipient has some psychological security in terms of what he will get. The other, which is the NPS, is not defined. The investor will get to know only 15-20 years down the line what he will get by way of annuity.

The NPS also offers additional tax breaks to the investor. Up to 10% of the basic pay gets deduction over and above the Rs 1 lakh under Section 80C.

That may be true, but the disadvantage for the NPS is that unlike the EPF, it is not an EEE investment. It falls under the EET regime, wherein the annuity income is taxable. This is a major drawback for the investor.

It is said that there is a deficit of Rs 55,000 crore in the Employee Pension Scheme. How will such a big gap be bridged?

Let us first examine how this number was arrived at. Let me confess that we have the date of birth of only 5% of our subscribers. How can we determine the liability when we don't know this date for all subscribers. The data available for 5% of investors is being used to extrapolate for the entire subscriber base, which is not a scientific process.

My hunch is that the actual liability would be much less than that being projected. This is because the actuaries have worked on the assumption that the fund will generate a return of 7%, but there is no reason to believe that the return will be less than 8%. If you assume an 8% return, there is virtually no deficit.

A large number of dormant EPF accounts may soon stop earning interest. What is the EPFO doing about it?

We want to enable a seamless transfer of the EPF account from one employer to another. In the next three months or so, there will be

a system, wherein the EPFO will push the employers to get the account transferred whenever an employee changes jobs. The bigger change we are working on is the establishment of a central database of EPF subscribers. Once this is in place, an employee need not do anything when he changes jobs.
He will have a unique number assigned to him and can work with any employer without having to open a fresh account. The EPF will become fully portable. The use of technology will also make the withdrawal procedure very simple. Right now, you have to fill up an application form and submit it. Imagine a scenario, where you can apply and track your application online. We are working on this and the system should be ready in about 12 months.

Elections are secondary to the ability of the economy to grow: Jerry Webman

"I think the election in any of the world's great democracies, India and the United States being of course two of them, are very important for the quality of life of the citizenry but for markets, honestly, they are secondary to the ability of the economy to grow," says Dr Jerry Webman, Chief Economist, OppenheimerFunds.

"Disliking the government is not an investment strategy," he told ET Now.

"So, people in the markets need to focus on how money is made and who makes it; and how efficiently they do so with their prospects," he adds.

But many analysts believe that market has already priced in a clear mandate.

"BJP has in the world's eye been associated with some of pro-market reforms that they instituted last time they were in government," he says.

"It is well to remember that even though reform has been slow to move ahead; and by reform I mean liberalising the financial markets and further disinvestment of state-owned enterprises and so forth, we have to remember that Congress was really the first to start those kinds of reforms 20 some years ago. So, both major coalitions have some history of moving in directions that investors have found to be friendly. Shifting government at this point may accelerate reforms," he says.

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But for somebody who can correlate markets and politics, how do the markets look in this light?

"Poll predictions that I see suggest that it'll be difficult to form a government; and so the stock markets are up only a little bit this year. Then there are just many reasons for that, but I am sure that markets are reflecting period of difficult coalition building once the election passes and maybe some difficulty at the Centre," he says.

"So, the markets are already anticipating that. Once the election is over, markets will be looking to see how quickly any government can move ahead with the kinds of investment needs and reforms. The market is right now probably looking at a hung Parliament."

Weak industry, investment may cap Q3 GDP growth to 4.9%

Contracting industrial output and an investment slowdown likely capped India's economic growth below 5 per cent in the three months to December, despite a pickup in exports and farm output.

Asia's third-largest economy is expected to grow by 4.9 per cent in the quarter from a year earlier, in line with expectations for the fiscal year to March and a shade up on the 4.8 per cent pace in the preceding quarter, according to a Reuters poll of economists.

The statistics department will release gross domestic product data on Friday around 5.30 p.m.

Growth has slowed to half the rate of the boom years of the past decade, likely condemning Prime Minister Manmohan Singh's government to defeat in a general election expected to be held in April and May.

Singh had sought to unleash a wave of investments by fast-tracking approvals for $80 billion in infrastructure projects last year, but implementation has been patchy and the eventual spurt in activity will come too late to deliver an election boost.

The opposition's candidate for prime minister, Narendra Modi, whose campaign is building momentum, has meanwhile shifted to a more pro-growth stance, saying India should be more open to foreign investment.

"If Modi manages to secure a strong government, he will be in a much better position to push through policies needed to revive investments and overall economic growth," said Miguel Chanco, India economist at Capital Economics, Singapore.

Goods exports and strong rural demand due to rising farm output are likely to propel the economy in the fiscal third quarter while manufacturing, which had been a growth driver before the global financial crisis, is likely to weigh on overall activity.

Industrial output including manufacturing and mining, which contributes around a quarter of India's $1.8 trillion economy, contracted at rates of between 1.3 per cent and 0.6 per cent during the October-December period from a year earlier.

Maruti fails to allay concerns over Suzuki Gujarat plant, shares sink

Reuters) - Shares of Maruti Suzuki India Ltd(MRTI.NS) fell as much as 5.5 percent on Friday, after the car maker sought to allay investor concerns over its plan to source cars from a plant to be built by its parent Suzuki Motor(7269.T) in Gujarat.

A group of heavyweight fund managers holding nearly 4 percent of Maruti's stock had urged it to re-think the plan in a February 13 letter to the company's chairman, saying minority shareholders would be better off if Maruti made the cars itself.

Maruti, India's top carmaker, in a statement late Wednesday provided details on pricing and funding of capacity expansion in the proposed contract manufacturing arrangement with Suzuki, which owns 56 percent

of Maruti.

Maruti shares were down 5.1 percent at 1,580 rupees by 12.49 p.m. Some analysts said the statement fell short of adequately justifying the move, which departs from Maruti's practice of making cars at its own plants in India.

Indian stock markets were shut on Thursday.

"It is clear there is no systemic efficiency gain due to this deal -- thus any value accretion to Suzuki is at Maruti's expense," Jefferies said in a research note.

Maruti has said it would buy the cars from the Gujarat plant at a price that would include only the cost of production and additional capital expenditure needs of the plant.

Maruti will also produce cars at its existing plants in Manesar and Gurgaon in north India that together have a capacity of 1.5 million vehicles

Terminology

Target Risk Fund

A fund that attempts to expose its investors to a specified amount of risk. The fund manager of a target risk fund is responsible for overseeing all the securities owned within the fund, to ensure that the level of risk isn't greater or less than the fund's target amount of risk exposure.

Yield Curve Risk

The risk of experiencing an adverse shift in market interest rates associated with investing in a fixed income instrument. The risk is associated with either a flattening or steepening of the yield curve, which is a result of changing yields among comparable bonds with different maturities.

When market yields change, this will impact the price of a fixed-income instrument. When market interest rates, or yields, increase, the price of a bond will decrease and vice versa.

Panel Bank

The name given to the group of banks contributing to the Euro Interbank Offer Rate (EURIBOR). This group is made up of the largest participants within the Euro money market. The panel bank complies daily quotes on the interest rates that banks offer one another for overnight loans. The resulting figure, the EURIBOR, is similar to London Interbank Offered Rate (LIBOR). The EURIBOR is used as a reference rate for bonds, swaps, loans and other instruments.

Panic Buying

A type of behavior marked by a rapid increase in purchase volume as the price of a good or security increases. Panic buying has the effect of reducing the supply of the good or security, while at the same time driving the price up even higher. This type of behavior is often the result of a feeling of being "left out" if a purchase is not made immediately.

Market Watch

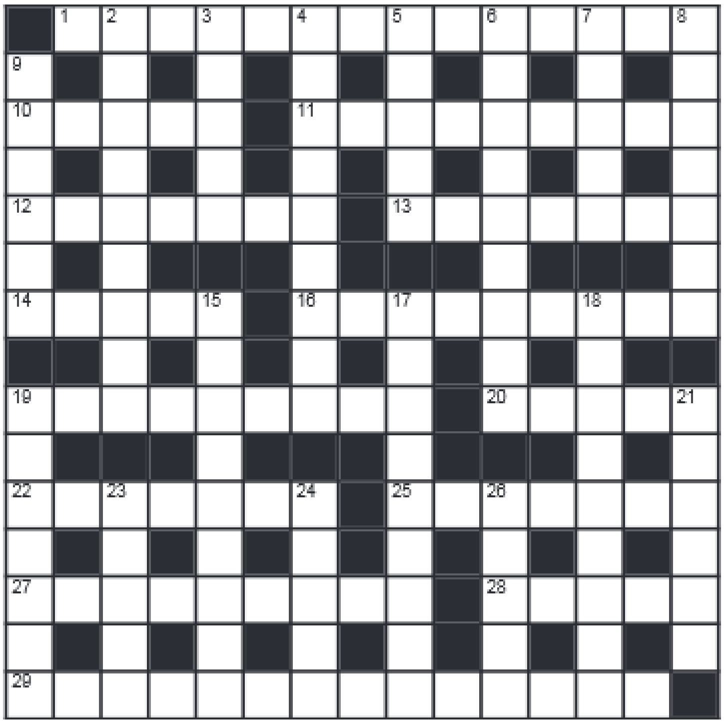
SENSEX

RBI RATES

BANK RATE	9.00%
REPO RATE	8.00%
REVERSE REPO RATE	7.00%
CRR	4.00%
SLR	23.00%

Brain Storming

CROSSWORD



ACROSS

1 Player died hungry – bananas are rancid (5,9)
10 Record minutes, being on the case of course (5)
11 Brothers around Cork endangered swimmers (4,5)
12 Sheltered terrace with girl outside (7)
13 Giving free services for Irish singer (3,4)
14 See 21
16, 9 Personal communications network gets one agitated (1,6,2,6)
19 Game show contestant's rowdy male – one reptile devours (9)
20 Scientist returned vehicle to policeman (5)
22 Level with promoted teams (7)
25 See writer's Swift having name for Lilliput's leader (7)
27 Row in church about infighting among Provos (9)
28 Flesh revealed by Duke to Queen Mother (5)
29 Promising band? (10,4)

DOWN

2 Extremists from atoll entering one country or another (9)
3 Maybe seeing Douglas Humphries was his fame (5)
4 Cricketer in unconscious state plays on here – he's some fighter (9)
5 Single over shows bowler's approach (3-2)
6 Sleeping around, non-European supporter took French leave (9)
7 Shakespearean ensign impresses maiden as idealised figure (5)
8 Reduce th pressur we hear? (4,3)
9 See 16
15 Daughter Heather, holding breath, getting weaker (9)
17 Bad weather over Britain visits Scotsman and Slav (9)
18 Recast in role under consideration quite recently (7,2)
19 Go to university with desire for work (7)
21, 14 Dictator raised as extrovert man leaves meal (6,5)
23 Undignified speech from Spain's premier film director (5)
24 Find insect population, as did butterfly in crossing river? (5)
26 Sliding calculator? (5)

Identify the person

ANSWER TO LAST PERSONALITY

Harish Manwani

Satya Nadella

Satya Narayana Nadella (born 1967 in Hyderabad, India) is an American business executive, engineer and the current chief executive officer of Microsoft. He was appointed CEO on 4 February 2014, succeeding Steve Ballmer. Previously, he was executive vice president of Microsoft's Cloud and Enterprise group, responsible for building and running the company's computing platforms, developer tools and cloud services.

Nadella Satyanarayana Chowdary was born in Hyderabad, India,in a Telugu family from Anantapur district in Andhra Pradesh to an IAS officer, B. N. Yugandhar, who was a member of the Planning Commission during 2004–2009 under Prime Minister Manmohan Singh. Nadella attended the Hyderabad Public School in Begumpet before attaining a bachelor of engineering in Electronics and Telecommunications degree from Manipal Institute of Technology (then affiliated to Mangalore University), Manipal, Karnataka.

After moving to the US, Nadella earned an MS in Computer Science from the University of Wisconsin–Milwaukee and an MBA from the University of Chicago Booth School of Business.

Nadella said he "always wanted to build things." He knew that computer science was what he wanted to pursue. But that emphasis was not available at Manipal University. "And so it [electronic engineering] was a great way for me to go discover what turned out to become a passion," he says.

Nadella worked with Sun Microsystems, as a member of its technology staff, prior to joining Microsoft in 1992.

In Microsoft he led major projects including the company's move to the cloud computing and the development of one of the largest cloud infrastructures in the world.

Nadella worked as the senior vice-president of research and development (R&D) for the Online Services Division and vice-president of the Microsoft Business Division. Later, he was made the president of Microsoft's $19 billion Server and Tools Business and led a transformation of the company's business and technology culture from client services to cloud infrastructure and services. He has been credited for helping bring Microsoft's database, Windows Server and developer tools to its Azure cloud. The revenue from Cloud Services grew to $20.3 billion in June 2013 from $16.6 billion when he took over in 2011.

Nadella's 2013 base salary is nearly $700,000, for a total compensation, with stock bonuses, of $7.6 million.[Satya Nadella played a major role in Microsoft's transition to cloud computing.

FINVEST— Finance Club

INSTITUTE OF TECHNOLOGY & SCIENCE

Mohan Nagar, Ghaziabad

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