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Index

National News

Srivishnu Garbham[I MBA I]

Repco Home Finance IPO: A good bet for the long term

Chennai based REPCO Home Finance promoted by REPCO Bank a government of India owned enterprise in primarily engaged in the business of financing individual home loans and loans against property. Repco is focused on providing home loans in tier II and tier III cities. The banks provide reasonable rates to Repco as these loans qualify for priority sector loans for banks. Over FY08-12, the loan book has grown at a compounded annual growth rate of 43.8per cent driving a net profit growth of 45.5per cent.

Impact of the Finance Bill, 2013 on the real estate sector

Four very important amendments have been made by the Finance Bill, 2013 to the Income-tax Law which will have very far reaching impact on Real Estate transactions to be transacted in the financial year 2013-2014.The provision relating to Tax Deduction at Source (TDS) on real estate transactions is also going to pause compliance related formalities to every purchase of real estate exceeding a particular price tag.

Finance Ministry moves to recover IT exemption availed by Cadbury

A move may be afoot to slap income tax demand on confectionery giant Cadbury, which had allegedly claimed excise duty exemption for a 'ghost' unit in Himachal Pradesh from 2009.The move is believed to be coming after Directorate General of Central Excise Intelligence (DGCEI) slapped a notice demanding `252 crore that was allegedly evaded by the chocolate maker for its new unit in Baddi, Himachal Pradesh even before it came into existence

Profitability of L&T Housing Finance may stay low: ICRA

L&T Housing Finance Limited's (L&T HFC) profitability is likely to remain low due to higher operating expenses in the medium term, according to credit rating agency ICRA. The projected interest spreads are likely to remain adequate at around three per cent in the medium term. But, the high operating expenses in the first three years of operations starting FY13 are likely to keep profitability low in the medium term

Government working on having common KYC norms for FIIs: Finance Minister

To attract more overseas investment into the country, government is working on bringing new norms for a common KYC for foreign institutional investors, Government will soon come out with a new set of norms that will have a common KYC across various regulators, be it pension, banking, stocks or insurance.

Finance Ministry asks PSUs to ensure payment of service tax by vendors

The Finance Ministry has asked heads of all public sector entities to use their influence to ensure timely payment of service tax by their vendors. PSUs are large consumer of services provided by different vendors including other public sector entities.

As per the government estimates service tax evaders have deprived the exchequer of over `9,872 crore during April- December period of 2012-13.During this period, 4,133 cases were detected. Over `1,969 crore has been realised from the defaulters. The Revenue Department is obtaining information from other government agencies and departments regarding various service providers and persons liable to pay tax.

Budget 2013: Most CFOs disagree with govt's growth targets

Most finance managers at Indian and multinational companies don't expect the government's fiscal deficit and economic growth targets to be met in the coming financial year, a survey by Yes Bank Ltd and 'Mint' has found. The government will try to rein in the fiscal deficit at 4.8per cent of gross domestic product (GDP) in the year starting 1 April, from 5.2per cent in the current financial year. Projected India's GDP growth in fiscal 2014 is at 6.5per cent, up from an estimated 5per cent this year. The survey of 91 chief financial officers (CFOs) found that around half the respondents felt the government wouldn't meet its fiscal deficit target; 76per cent estimate India's GDP to grow between 5per cent and 6per cent in 2013-14, lower than the finance minister's projection. The CFOs said removing infrastructure bottlenecks is the key to reviving economic growth; 62per cent said the budget didn't provide adequate support to infrastructure.

Banks and finance companies bullish on demand for home loans

Owing to Budget 2013-14's incentive to the housing sector, banks and housing finance companies are seeing a rise in the demand for home loans. In his Budget speech, Finance Minister P Chidambaram had said those taking loans of up to `25 lakh from a bank or a housing finance corporation for a first house would be entitled to an additional interest deduction of up to `1 lakh. He had added the move would promote home ownership and provide a fillip to a number of industries such as steel, cement, brick, wood and glass.

Kingfisher Airlines chief Vijay Mallya meets Finance Minister

Kingfisher Airlines chief Vijay Mallya met Finance Minister P Chidambaram after which he said he discussed the issue of `800-crore outstanding subsidy for his group company Mangalore Chemicals and Fertilisers. Kingfisher, which has over `15,000 crore in the form of debt, accumulated losses and various dues, has remained grounded since October 1 last year and its flying licence, suspended that month, expired on December 31 last year.

Budget 2013: Chidambaram walks tight rope; levies tax on super-rich

Presenting UPA-II's last full-fledged Budget ahead of next year's general Elections to net in an additional `18,000 crore, Finance Minister P. Chidambaram did a tight rope walk balancing growth needs with fiscal prudence by stepping up expenditure in social sectors and cutting subsidies. In a Budget that pegs fiscal deficit at 4.8per cent of GDP, Defence allocation has been stepped up by 14per cent over the revised expenditure in the current year to 203,672 crore in the next. Without changing the basic slabs and rates in income tax rates, Chidambaram gave a benefit of `2,000 to individual tax payers with taxable income of up to `5 lakh that will benefit `1.8 crore tax payers entailing a revenue sacrifice of `3,600 crore.

International News

Sailabala Nayak [I MBA I]

Dimon's Extra $1.4 Million Payout Hangs on Fed Decision

JPMorgan Chase & Co. (JPM) Chief Executive Officer Jamie Dimon personally stands to miss out on about $1.39 million a year if the Federal Reserve decides last week's stress-test results don't justify a dividend increase. That's how much extra income Dimon could get from his stake of about 6 million shares if his New York-based bank raises its payout as much as analysts predict. The sum dwarfs the combined $73,300 of new annual dividends at stake for his CEO peers at Bank of America Corp., Goldman Sachs Group Inc. (GS) and Wells Fargo (WFC) & Co., based on forecasts compiled by Bloomberg.

Ryan Unveils Budget Plan to Erase Deficit in 10 Years

U.S. House Budget Committee Chairman Paul Ryan today unveiled a revised tax-and-spending proposal that he said would eliminate the deficit within a decade by cutting $4.6 trillion out of a vast swath of federal expenditures. The budget for fiscal year 2014 would cut Medicaid, food stamps, Pell college tuition grants and scores of other programs while sparing the Defense Department and reducing individual and corporate income tax rates. The result, according to his estimates, would be a rapidly shrinking deficit, falling by more than 80 per cent in just two years and disappearing altogether by 2023.

Yahoo's Mayer gets internal flak for more rigorous hiring

Yahoo Inc Chief Executive Marissa Mayer was asked at an all-staff meeting several weeks ago whether her rigorous hiring practices had caused the company to miss out on top engineering talent in Silicon Valley's hyper-competitive job market. Mayer dismissed the complaint that she had refused good candidates because they did not have degrees from prestigious universities, and instead she challenged her staff to get better at recruiting, according to an employee who was at the meeting.

China says willing to discuss cyber security with the U.S.

China offered on 12th March'13 to talk with the United States about cyber security amid an escalating war of words between the two sides on computer hacking, but suspicion is as deep in Beijing as it is in Washington about the accusations and counter-accusations. The world's two leading economies have been squaring off for months over the issue of cyber attacks, each accusing the other of hacking into sensitive government and corporate websites.

Super-rich adds $29 bn as Dow hits all-time high

The 100 wealthiest people on the planet added $28.7 billion to their collective net worth this week (2nd-9th March'13) after the Dow Jones Industrial Average surged to a record, according to the Bloomberg Billionaires Index. The Dow closed 8th March'13 at 14397.07, its highest level since May 1896, as US employment rose 236,000 last month, according to Department of Labor figures. The jobless rate dropped to 7.7 per cent, the lowest since December 2008, from 7.9 per cent. About $10 trillion has been restored to US equities in the past four years as retailers, banks and manufacturers led the recovery from the worst bear market since the 1930s.The Standard & Poor's 500 Index gained 2.2 per cent during the week to close at 1,551.18 in New York. The Stoxx Europe 600 Index rose 2.3 per cent, closing at 295.55.

China hikes defense budget, to spend more on internal security

China unveiled another double-digit rise in military expenditure on 5th March'13, but for a third year in a row the defense budget will be exceeded by spending on domestic security, highlighting Beijing's concern about internal threats. Spending on the People's Liberation Army (PLA) will rise 10.7 per cent to 740.6 billion yuan ($119 billion), while the domestic security budget will go up at a slightly slower pace, by 8.7 per cent, to 769.1 billion yuan, according to the budget released at the opening of parliament's annual meeting.

EU Opens Way for Easier Budgets After Austerity Backlash

European finance ministers opened the way for looser budget policies after a backlash against austerity thrust Italy into political limbo and shattered months of relative stability in European markets. Italy's deadlocked election, France's refusal to make deeper budget cuts and protests against the shrinking of the welfare state across southern Europe escalated the rebellion against the German-led prescription for fighting the debt crisis. The euro-zone economy will shrink 0.3 per cent in 2013, making for the first annual back-to-back contraction since the currency's birth in 1999, the European Commission forecast in the month of Feb. The currency-bloc prediction masked a widening north-south divide, with growth in countries like Germany, Finland, Belgium and Luxembourg set against dwindling output in Italy, Greece, Spain and Portugal.

EU fines Microsoft $731 million for broken promise, warns others

The European Union fined Microsoft Corp 561 million euros ($731 million) on 6th March'13 for failing to offer users a choice of web browser, an unprecedented sanction that will act as a warning to other firms involved in EU antitrust disputes. It said the U.S. software company had broken a legally binding commitment made in 2009 to ensure that consumers had a choice of how they access the Internet, rather than defaulting to Microsoft's Explorer browser. An investigation found that Microsoft had failed to honor that obligation in software issued between May 2011 and July 2012, meaning 15 million users were not given a choice. While the sanction is sizeable, representing more than 11per cent of Microsoft's expected net profit this quarter and 1 percent of annual sales, the Commission could have charged the company up to 10 per cent of annual global revenue.

HSBC to lift dividend as 2012 profit declines

HSBC, Europe's largest bank, pledged to increase its dividend as strong growth in Hong Kong and other core Asian markets boosted its capital even though annual profit fell short of expectations. The bank on 4th March'13 said it made a 2012 pretax profit of $20.6 billion, down 6 per cent from the previous year and below the average forecast of $22.7 billion from 28 analysts polled by Reuters. Profits were hurt by a $5.2 billion loss on the value of its own debt.HSBC's shares were down 2.2 per cent at 712 pence in early trade, lagging the benchmark Stoxx Europe 600 Banks Index, which was 0.93 per cent weaker. HSBC's stock has risen nearly 30 per cent over the past 12 months, outperforming the benchmark's 9 per cent gain in the same period.

Security group suspects Chinese military is behind hacking attacks

A secretive Chinese military unit is believed to be behind a series of hacking attacks, a U.S. computer security company said, prompting a strong denial by China and accusations that it was in fact the victim of U.S. hacking. The company, Mandiant, identified the People's Liberation Army's Shanghai-based Unit 61398 as the most likely driving force behind the hacking. Mandiant said it believed the unit had carried out "sustained" attacks on a wide range of industries.

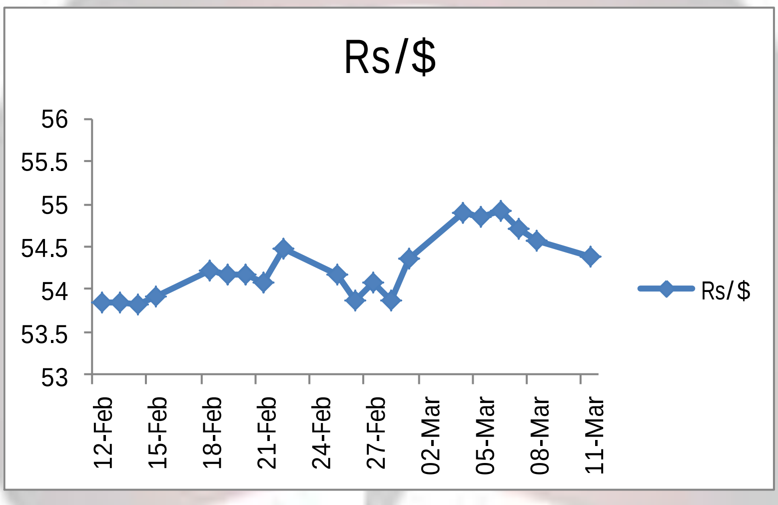
Rates

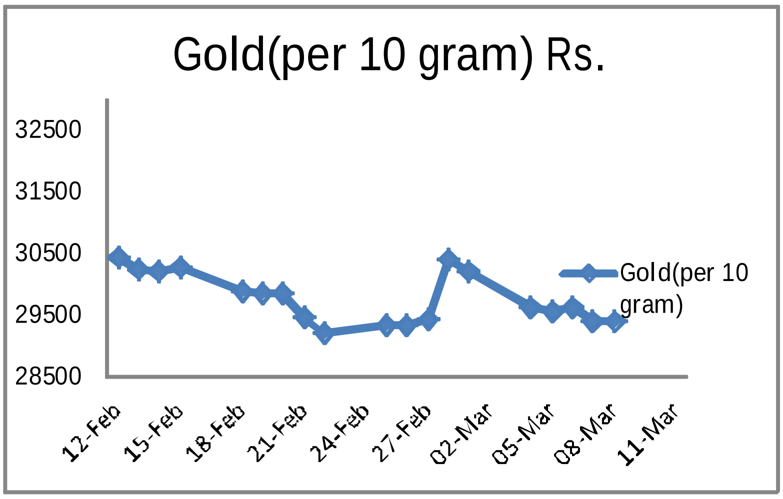
Gaurav Agarwal [1 MBA M]

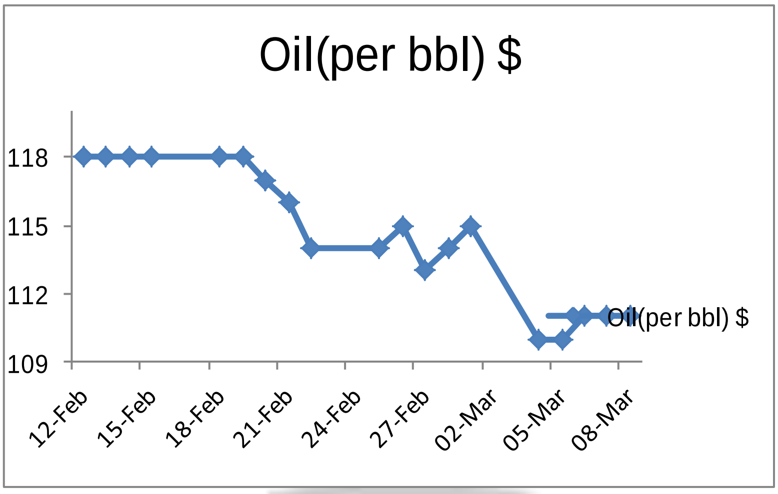
Repo Rate	7.75%
Reverse Repo	6.75%
Call rate	6.50%-7.80%
Inflation	6.62% for February 2013
Forex Reserve	$290.574 Billion as on 1st March, 2013
91day T-Bill	8.1022%
IIP	1.2% (increase) for January 2013
8.79 GS 2021	8.0907%

Graphs

Gaurav Agarwal [1 MBA M]







Oil(per bbl) $
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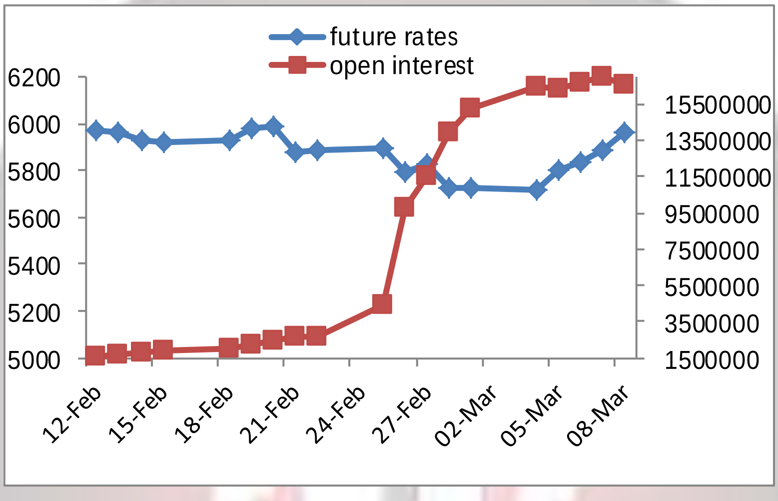

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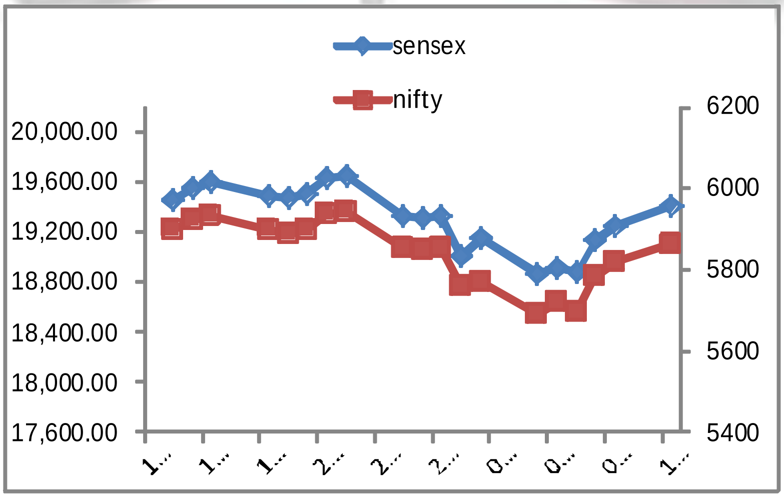

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Budget 2013 – What it means to Foreign Investors?

Meble Tom[I MBA N]

Budget 2013 was presented on 28th February 2013 by Finance Minister P. Chidambaram. However, India's budget disappointed foreign investors by failing to deliver the much anticipated cut in withholding taxes for debt investments and created confusion with a proposal that appeared to have targeted tax treaties. Several measures for foreign investors were unveiled for the 2013/14 fiscal year starting in April, including simplifying burdensome registration processes and allowing investments in corporate bonds and government securities to be used as collaterals to meet margin requirements.

However, the measures seem unlikely to significantly boost foreign inflows at a time when India needs capital flows to fight the current account deficit and hit a record high in the quarter-end in September. Indian shares were hit partly by concerns about the impact of the budget on foreign investors, with the benchmark BSE index ending down at 1.5 per cent.

Finance Minister P.Chidambaram, who met foreign investors last month as part of a road show, said that the country would consolidate the current system of mandating different registration rules for different types of investors. However, the government did not announce a cut in the withholding tax imposed on income from government and corporate debt investments and deducted at source that can now reach up to 20 per cent. The government also created confusion with a proposal stating that a tax residency certificate "shall be necessary but not a sufficient condition" to take advantage of double taxation avoidance agreements, according to the Finance Bill that was part of the 2013/14 budget.

Tax authorities previously considered this tax residency as enough proof to allow foreign investors registered in countries with these treaties to avoid paying taxes in India. However, in the Budget presented this time, the Finance Ministry did not specify what other conditions would be scrutinized beyond possession of a tax residency certificate to allow tax benefits under DTAA. This amendment sparked fears that tax authorities would have wider discretion to go after foreign investors.

This also comes about a year after poorly written rules to ensure tax evaders, called the General Anti-Avoidance Rules (GAAR), had created an outcry among the foreign investors, prompting the government to amend the provisions and delay implementation by two years.

Mr. Chidambaram had addressed these concerns at a news conference, saying that the amendment had sought to clarify that tax authorities would now look not only at the tax residency requirements, but will also enforce rules mandating these foreign investors like beneficiaries of any investments under double tax agreements.

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Hanging by the thread

George James [I MBA K]

Post budget our economy and policy makers have raised deep concern over the current account deficit of the economy. The finance minister P. Chidambaram has expressed his concern over the rising CAD. A whopping historic high of 5.4per cent of the Gross domestic product in the second quarter of the fiscal has indeed turned out to be a monster which is looming at large. The far reaching implications of this will range from the depreciation of domestic currency in terms of value to the over- dependency of country on foreign funds.

The widening gap of India's BOP with exports marking a negative growth of -1.9per cent and the imports growing at a rate of 6per cent signifies the gravity of the situation. The policy makers have to seriously analyse the reasons for which an economy, which saw a year on year export growth of about 56.9per cent in May 2011, is now recording a 0.82per cent growth in the month of January. Oil and gold are the top two constitute of the countries import; with $20.25 bn import of bullion itself making a current account deficit of $38.4 bn in the first six months of the current financial year.

The flipside of this is that; to fund such a huge deficit, the country is relying highly on foreign funds in the form of FDI, FII and ECB. To look at a futuristic point, such overdependence is not good for any economy particularly, India. Things might be looking good for India at this point of time because the FII's have pumped in about $24.4 bn into the economy in 2012 and also about $829 bn in the month of January 2013. The FII have invested about $19 bn in the stock market as of November 2012. Apart from this, they have pumped in $391 mn in the Indian debt market so far in 2013. Last year; the country has witnessed the second best FII inflow since $29 bn in 2010. As on January, the total number of registered FII stood at 1760 and the number of sub accounts was 6357.

It should be noted that from September 2011 to September 2012, FII have increased the exposure of 22 out of 30 stocks in BSE Sensex. The impact of FII in the Indian market is evident from the above figures. It is high time to analyse whether our capital markets are at the mercy of these foreign funds. Well, the figures say so! Whatever may be the reasons for the run on Indian equity market by the FII, exposing the market with such huge amount of hot money is a potential threat to the economy. In such a scenario, a sensitive shock in the economy can cause mayhem. This will result in the pulling out of these funds, which can turn everything topsy-turvy leading to a run on the market. A financial shock such as this would totally weaken the economy further. The emergence of new markets has also increased the concern for such an impending crisis.

A good investment prospect and better return in other markets can lead to the FII, pulling out these funds from the Indian market. At present financial power houses such as US and Euro zone may not be doing good, but an economic recovery can just be around the corner. US with a GDP of $13.76 trillion (24.35per cent of the world economy) as on August 2012 is growing at the rate of 2.6per cent. Considering the huge size of the US economy a 2.6per cent growth itself is high. In this scenario, the billion dollar question is 'will the comeback of US pose a potential threat to India?'

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Investor Check

Repco Home Finance Limited

Abhishek Aggarwal [I MBA I]

Repco Home Finance Limited (RHFL) was incorporated in April 2000 as a wholly owned subsidiary of Repco Bank Limited. It is a professionally managed; National Housing Bank (NHB) registered housing finance company headquartered in Chennai, Tamil Nadu. As of December 2012, the company has 56 branches and 20 satellite centres across India particularly focussing South Indian regions. RHFL provides low cost and diversified sources of funds and believes in direct customer contact to achieve transparency and quality in its operations. RHFL also has a provision of catering to loans for 50+ individuals.

The company bought its IPO which opens for subscription on 13 March 2013. The salient features of this IPO are as follows:

Period	13 March – 15 March 2013
Listing at	NSE, BSE
Issue Size	` 270 Crores
Shares on Offer	1.57 Crores equity shares
Price Band	`165-172
Market Lot	75 shares
Minimum Order Quantity	75 shares
Maximum Shares for retail	1200-1125
Lead Manager (1)	IDFC Capital Ltd.
Lead Manager (2)	J M Financial Consultants Pvt Ltd
Registrar	Karvy Computershare Pvt Ltd

The Company got `40.1 Crore in the form of investments from anchor investors comprising Goldman Sachs India Fund, Citigroup Global Markets Mauritius Private Limited, Nomura India Investment Fund Mother Fund, Birla Sun Life Trustee Company to name a few at upper price band of `172 per equity shares a day before issue opened. Apart from that, the company has reserved `1.8 Lakh equity shares for issue to their eligible employees exclusively at a discount of 16 per equity share. The issue will comprise 25 per cent of post issue paid-up capital of the company. The Credit Rating agency ICRA has assigned a rating of 3 out of 5 to this company indicating average fundamentals.

The following table shows the Net Profit and the Net NPA position for the company for a five year

Particulars	**Mar-07**	**Mar-08**	**Mar-09**	**Mar-10**	**Mar-11**	**Mar-12**
Net NPA (As a per cent of Net Advances)	1.49	0.86	0.7	0.86	0.82	0.95
Profits After Tax (Crores)	11.52	15.57	27	44.34	58.15	61.46

period extracted from the Annual Reports of the Company.

Copper

Vattam Bharghav [I MBA V]

Copper (chemical symbol Cu) is a metal and an excellent conductor of electricity and heat. This metal is corrosion resistant and antimicrobial. Copper is one of the most recycled metals in the world, which makes it a material of choice. Chile is the largest producer of Copper in the world with a share of 34 per cent and India has a Global production share of 4per cent.

Major uses of Copper include construction, Power generation and transmission, Electronic and electrical equipment production, Automobile and telecommunications industry.

Copper is a very essential metal in developing and developed economies. The major factors affecting Copper prices in the commodity markets are Demand (consumption) and Supply (production). Sterlite Industries, Hindalco, and Hindustan Copper are three major producers of copper in India. India is emerging as net exporter of copper from the status of net importer on account of rise in production. Though reports suggest that demand from China will not go down, demand for copper has hit some lows due to economic slowdown in USA and EU which has made the availability of this base metal surplus in the markets.

In MCX (Multi Commodity Exchange) Copper is measured in units of Kilograms and traded in lots of 1000 Kilograms or 1 Metric Ton.

Positive news on Copper:

From September 2012, the global supplies of Copper have outpaced demand and the stockpiles have doubled since then. Copper prices have fallen up to 2.4per cent due to the concerns regarding Economic slowdown as well as accumulated stockpiles.

Recovery of European Union, Federal Reserve announcing that United States Of America improving its economy, China's growth accelerating for the first time since two years in the fourth quarter, China copper demand not falling down are some of the factors are some of the factors which can lead to increased demand for copper and increase in its prices as well. It is expected that a shortage of this metal in the Global markets will be experienced in the coming six months.

Current performance of Copper in the Commodity Market:Copper is presently being traded with a spot price of 428.85/kg.

The current Spot prices in MCX for Copper futures are (12th March, 2013):

- 428.85 / Kg for 30th April, 2013.
- 434.25 / Kg for 28th June, 2013.
- 439/ Kg for 30th August, 2013.

Copper RSI for 14day period, which is treading at 33.6 levels below the half line (50), shows that prices have been low but have a scope to increase with respect to the positive news gaining around the metal. Copper has a potential to touch 460 and 470 levels in the coming year.

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ITC Limited

Ankit Dewani [I MBA K]
SriKrishna Sajja [I MBA M]

ITC is one of India's foremost private sector companies with a market capitalization of US $35 billion and a turnover of US $7 billion. ITC is rated among the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine and among India's Most Valuable Companies by Business Today. ITC ranks among India's '10 Most Valuable (Company) Brands', in a study conducted by Brand Finance and published by the Economic Times. ITC also ranks among Asia's 50 best performing companies compiled by Business Week.

ITC has a diversified presence in FMCG, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, and Information Technology. While ITC is an outstanding market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel, Personal Care and Stationery.

ITC's diversified status originates from its corporate strategy aimed at creating multiple drivers of growth anchored on its time-tested core competencies: unmatched distribution reach, superior brand-building capabilities, effective supply chain management and acknowledged service skills in hoteliering. Over time, the strategic forays into new businesses are expected to garner a significant share of these emerging high-growth markets in India.

Financial Highlights (1996-2012):

ITC : Financial Highlights 1996-2012		
	1996	**2012**
Gross Income	5,188	36,073
Net Segment Revenue(other than Cigarettes)	1,363	16,150
Profit After Tax	261	6,162
Net Assets Employed	1,886	19,754
Net Worth	1,121	18,792
Market Capitalization	5,571	2,00,000*
CAGR in Total Shareholder Returns in the period 1996-2012 : 25.7per cent		

Financial Estimates & Figures

- Excise duty on cigarettes raised 18per cent after 21per cent hike last year: The government has increased the excise duty on cigarettes, except for the sub-65mm segment, by 18per cent against our expectation of a 10per cent increase.
- This is the first time in recent history when excise duty has been increased by 15per cent plus for two consecutive years (21per cent hike in FY13). Effectively, excise duty on cigarettes has gone up 43 per cent in two years. However, the structure of the excise duty has been left unchanged.

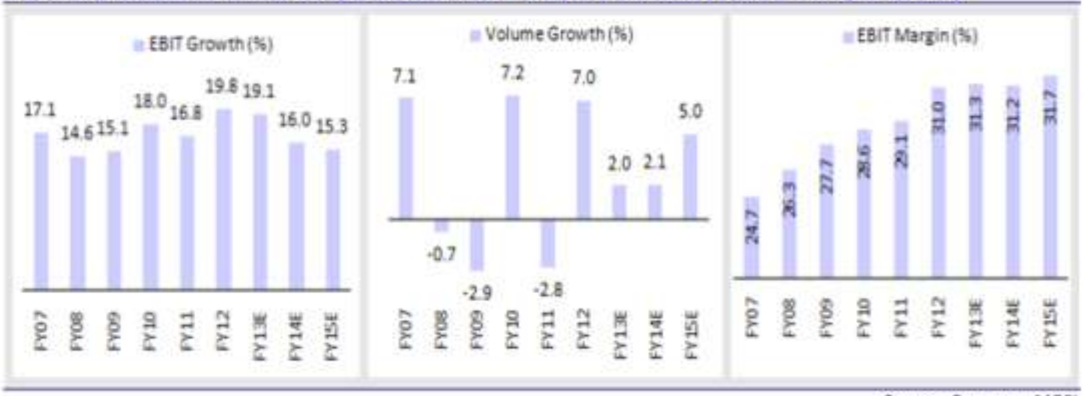
- Expect ITC to raise cigarette prices by 14-15per cent: We estimate 9per cent price hike to neu-tralize the
  excise increase and another 2-3per cent to pass on the VAT increase.
- ITC has strong pricing power: ITC has strong pricing power in cigarettes – 16.8%per cent EBIT CAGR despite 1.5%per cent volume CAGR over FY07-12. While we expect ITC to deliver 16per cent EBIT growth in FY14, we believe frequent 15per cent+ excise duty hikes can cripple volume growth. Though demand for cigarettes is fairly inelastic, the segment is not equipped to absorb 15per cent+ price hikes year after year, in our view

Sales Figures

	Mar '12	Mar '11	Mar '10	Mar '09	Mar '08
Sales Turnover	35,247.25	30,633.57	26,399.63	23,247.84	21,467.38
Excise Duty	10,157.14	9,512.74	7,832.18	8,262.03	7,435.18
Net Sales	25,090.11	21,120.83	18,567.45	14,985.81	14,032.20
Other Income	761.25	775.76	545.05	426.21	516.5
Stock Adjustments	149.3	308.42	-447.54	630.3	32.46
Total Income	**26,000.66**	**22,205.01**	**18,664.96**	**16,042.32**	**14,581.16**
Expenditure					
Raw Materials	9,933.19	8,601.13	7,140.69	6,864.96	6,307.79
Power & Fuel Cost	453.19	421.68	387.34	394.12	309.9
Employee Cost	1,265.41	1,178.46	1,014.87	903.37	745
Other Manufactur-ing Expenses	634.8	560.57	413.79	402.88	73.52
Selling and Admin Expenses	2,691.41	2,408.03	2,093.87	1,684.41	1,609.33
Miscellaneous Expenses	1,339.60	1,120.89	1,008.91	516.9	682.72
Preoperative Exp Capitalised	0	-60.54	-71.88	-72.55	-112.75
Total Expenses	16,317.60	14,230.22	11,987.59	10,694.09	9,615.51

Performance of ITC in the Last 6 month (September – March)

ITC's pricing power reflected in 16.8% cigarette EBIT CAGR despite just 1.5% volume CAGR; EBIT margin improving



Source: Company, MOSL

Changes Post the Budget

- Expected Volume growth estimate for FY14 downwards to 2 per cent(7 per cent earlier) to factor in the impact of two consecutive years of substantial price hikes and pricing growth estimate to 14per cent(8per cent earlier). In FY13, so far, ITC has taken 16- 17per cent price increase in cigarettes.

- Notwithstanding the growth potential of the 64mm segment, for now, we it is on the side of caution and build in 2per cent volume growth for FY14. We would look to revise our estimates upward, as we progress into FY14.

- Increase in tax surcharge from 5 per cent to 10 per cent for FY14 results in 2.3 per cent negative impact

- Despite the harsh policy measures, ITC offers the highest earnings visibility

- It remains insulated from competitive headwinds and raw material price fluctuations, though the excise duty hikes more than adequately compensate for the absence of raw material volatility in ITC's core business.

- Improving profitability in the non-cigarette FMCG business can augment cash flows and payout ratios.

CMP : 299.10
Target : 360
Duration : 3 Months

Alumni Speak

Mithil Kumar [I MBA L]

Name: Kumar Gaurav

Company name, Designation held

Mindtree Consulting Ltd., Business Analyst

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

I work in Mindtree Consulting ltd. It's a mid-size IT firm. My profile is of a Business Analyst. My job is to bridge the gap between a customer and developers. My understanding of various nuances of business helps me to understand a client's need and specification in much better way. I work as a liaison between a customer and technical team.

What encouraged you to choose this industry and join the particular company?

I chose this industry because I have an engineering background. I always wanted to work in an IT company because of the exposure it gives you to understand various businesses. I joined Mindtree because of its values and work culture. In a very short span of time it has created a brand for itself.

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

I am very much satisfied with my work as well as my company. The kind of visibility, work culture and people I have experienced is amazing. To work in an IT company, no matter whichever role one plays, he/she needs to have a fair knowledge of technology. One can't run away from technology just because he/she is an MBA.

How is professional world different from the life in MBA?

It is indeed very different. Though we did lot of case studies in classrooms, still the practical world is very different. Here you don't get a chance to learn by committing mistakes. One also needs to deal with politics which somewhat is absent in MBA.

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

There are lot of certifications and trainings one can undergo. It all depends on for which technology one is playing the role of business analyst. But I would certainly suggest CBAP.

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

My role model is Steve jobs because of his creativity, imagination and self-confidence. His failures did not stop him from working hard to reach his goal and to serve more people. He inspires me to be still motivated when I fail. His contribution to the society in terms of technology is immense and cannot be quoted in words.

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

Keep learning. Learning should never stop. In IT companies every 5 years or so technology changes, if one needs to be growing, he/she should keep themselves updated or else they would become redundant to the organization. Along with learning, certifications are important too.

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

He/she should be ready to play a techno-functional role initially. He/she should have good analytical skills and should be an ethical person.

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

Company is trying to break its mid-size tag. It has a target of becoming a billion dollar company by 2015. So if company will grow, an individual will also grow. Therefore there are immense opportunities to learn and grow.

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

I would be more than happy to come and share whatever little knowledge I have but time should not be a constraint.

What are your short-term, mid-term and long-term plans, respectively, for future?

My short term plans is to learn at least one technology completely. In the longer run, I would want to play a pure consulting role in that technology.

A message for Christites?

An M.B.A degree doesn't entitle an individual to be a manager. A manager is one who can plan and execute them efficiently. I would suggest you to have an open mind in your future organization for learning. You will not become manager because you are M.B.A., but you will if you scale up your learning in the organization

BUDGET 2013-14

Akansha Bansal [IMB A L]
Sabahat Bashir [IMBA I]

The budget has come at the time of the slowest economic expansion in a decade, strong inflation pressures and high interest rates. Large fiscal and current account (CAD) deficits have pushed India to the brink of sovereign ratings downgrade. This budget has been supposed to be making the best out of a bad situation.

The main priorities of this budget seem to be controlling the fiscal deficit and avoiding populist measures so as to achieve the estimated growth rate. We are unlikely to see a very strong inflationary trend because of the proposed tax structure. Coming out of a difficult year, it is not a very ambitious budget, and it is do-able. The budget is supposed to have addressed the sectors which are under stress such as Infrastructure, Housing, Capital goods, etcetera, which is a good thing if it is implemented in the right way and the output to a great extend would be dependent upon the growth-Inflation dynamics.

As according to Nagaraj Kulkarni, South Asia senior rates strategist, Standard Chartered Bank, Singapore “market borrowing numbers are higher than our estimates and it is negative for the market. There will be upward pressure on yields. However, interest rate cuts by the Reserve Bank of India need not be related to market borrowing. They will focus on the quality of the fiscal consolidation.”

Measures in the budget like in the case of dividend distribution tax, wherein the current sur-charge has been increased from 5 per cent to 10Per cent, reduction in STT for equity futures, MF (Mutual funds)/ETF redemptions at fund counters, all this is supposed to have only a limited impact on the investor community.

The decision to tax the rich along with the profitable companies is a wise one, however, it needs to be seen if the government can actually track the ones who fall within this bracket as many of them could be evading tax in some form or the other.

Overall, it is a good budget. It has taken small steps to address infrastructure bottlenecks, stalled investments and fuel supply issues, and these are the measures we need to focus on. The finance minister has painted a very encouraging macro picture but with a 30 per cent growth in planned expenditure it would be extremely challenging to contain the fiscal deficit at 4.8 per cent.

To sum it up, the budget has tried to reduce the spending of the investors while not having too much of an impact on their investments. Although the markets have reacted negatively to some of the revenue enhancing measures that have been announced we are of the view that the UPA government has presented a responsible and prudent budget.

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KG Basin Oil Scam

Akansha Jha [I MBA J]

Krishna Godavari basin came in limelight in 2002 when Reliance Industries discovered India's biggest natural gas reserves in 2002. KG basin is a 5, 0000 square kilometer area in the basins of river Krishna and Godavari in Andhra Pradesh. Reliance Industries invested $2.47 billion to produce 40 million standard cubic meters per day of gas (MMSCMD), but very soon Comptroller and Auditor General (CAG) indicated some irregularities leading India's largest public sector company into what is known as the KG BASIN OIL SCAM.

After primary investment as mentioned above reliance reinvested $8.84 billion claiming to produce 80 MMSCMD. The production capacity was doubled but expenditure was inflated almost four times. In spite of this, the petroleum ministry approved the request in just 33 days leading to the fact that the then petroleum minister Mr Murli Deora was helping reliance.

According to CAG report the then Director General of Hydrocarbons(DGH) allowed reliance to retain the entire 7645 sq km area and reliance was permitted to enter the second and the third phase without relinquishing 25 pre cent of the contract area in the first and second phase in June 2004 and 2005 respectively.

Following the CAG report a CBI enquiry was conducted that clearly highlighted the improprieties in RIL's operation. CBI is looking for DGH's role in reducing the penalty for RLI for not sticking to commitments and forcing state owned firms to form an alliance with Reliance. Role of the then Oil minister is also being investigated.

One thing that amuses most is that media completely ignored the scam thus not making it so popular in Indian household.

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http://en.wikipedia.org/wiki/Krishna_Godavari_basin

Buzzword

Ankit Dewani [I MBA K]

ABCDS- Asset Backed Credit Default Swap: Credit defaults swap wherein the reference asset is an asset-backed security rather than a corporate credit instrument. The buyer of an asset backed credit default swap (ABCDS) is buying protection for defaults on asset-backed securities or tranches of securities, rather than protecting against the default of a particular issuer.

Asset-backed credit default swaps are structured differently from other credit default swaps due to the nature of the instrument being hedged. For example, since many asset-backed securities amortize and pay monthly, the credit default swap will more closely match these features. The most widely used ABCDS transactions cover U.S. subprime mortgage tranches of mortgage securitizations.

Did You Know?

GAAR AND THE UNION BUDGET

Tina Patricia D’Souza [I MBA N]

The full form of GAAR is: General Anti-Avoidance Rules.

Tax Avoidance is an area of concern across the world. The rules are framed in different countries to minimize such avoidance of tax. Such rules in simple terms are known as “General Anti Avoidance Rules” or GAAR. Thus GAAR is a set of general rules enacted so as to check the tax avoidance.

The General Anti Avoidance Rule (GAAR)- proposed by the then Union Finance Minister Pranab Mukherjee during the annual budget 2012-13- is anti-tax avoidance rule, drafted by the Union Government of India, which prevents tax evaders, from routing investments through tax havens like Mauritius, Luxemburg, Switzerland.

According to the draft, GAAR will come into effect from 1 April 2013. As per the guidelines, FII not opting for treaty benefits and ready to pay taxes will not come under GAAR, but those who do opt for dual taxation avoidance agreements will come under its purview.

The Union Government was forced to defer the rules until 1 April 2013, as foreign investors had expressed their reservation about the language used in the rules. Investors had maintained that the ambiguous language used in the draft of the GAAR could lead to the misuse of the rule.

What are Tax Havens?

Tax havens are countries which have low tax regimes which provide individuals and business opportunities of tax avoidance or tax evasion. There are roughly 45 tax havens in the world today. In Indian context, Mauritius is considered to be the most significant tax havens or tax evading route.

In more precise words the Mauritius route can be described as a channel used by individuals and Multi National Companies to evade paying taxes in India. The tax evasion in India through this route is estimated to be in tune with 55 billion dollar, mostly attributed to the loopholes in a bilateral agreement on double taxation.

Days after the government’s announcement, the stock markets that have, of late, been driven by foreign institutional investors (FII) reached new highs. The GAAR decision, coming just weeks before the Union budget, ought to be seen as one of the many signals the government has been sending to revive the ‘animal spirits’ of foreign investors, domestic entrepreneurs and rentiers, in this case specifically to assure them of the continuance of a less onerous tax regime.

Yet the important takeaway from the modified GAAR is that it is meant to please the FIIs and portfolio managers even if, in the process, sound principles of public finance are diluted.

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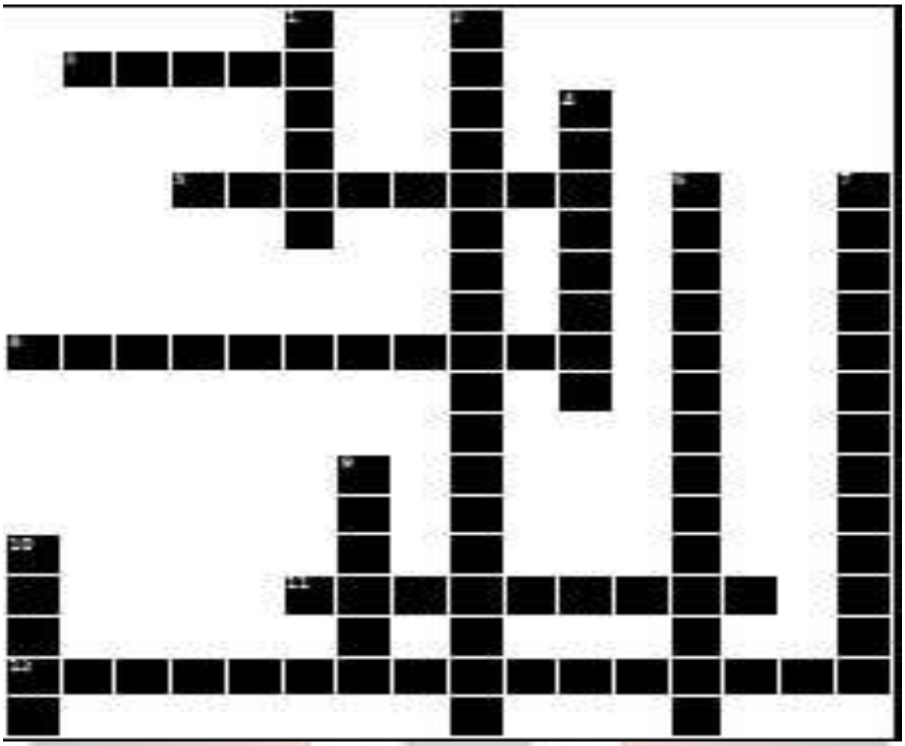
Crossword



Across

3 Opening a position in order to reduce Risk

5 An expense that cannot be attributed to any one single part of the company's activity

8 An action by a corporation to Assume control of a target firm

11 The organization(usually a bank) that keeps and safeguards the custody of securities and other assets of a fund

12 Profit retained by the firm (i.e. not paid out as dividends) for reinvestment or debt payments

Down

1 Cashing in units by selling them back to the mutual fund..

2 Money owed by the business that is generally due for payment within 12 months of balance sheet date.

4 An investment strategy that consists of the construction of a portfolio of stocks. It is designed to rack the total return performance of an index of stocks.

6 Indicates the company's ability to pay its short term debts by measuring the relationship between current assets against the short term debt value

7 Cash and anything that is expected to be converted into cash within twelve months of the balance sheet date

9 The buyer (seller) is obligated to buy (sell) an asset at a pre-determined date at a pre-determined price

10 Selling an asset and profiting when it's value goes down.

Answers

1. Redeem 2.Current Liabilities 3. Hedge
4. Indexing 5.Overhead 6.Liquidity Ratio
7.Current Assets 8. Acquisition 9. Future
10. Short 11. Custodian 12.Retained earnings

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