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The Finance Club of IMT-G

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EDITORIAL

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Launch of Riscon and Marketing World Cup

Hello IMT,

Greetings for the festive season. With rejoicing memories of Onam and the blessings of Maa Durga we unfold yet another page of learning in IMT.

Club FinNiche congratulates Club Markup for successfully conducting the Eureka Effect and hosting the AdGods amidst this festive season in the IMT campus.

In this seventh issue of FinXpress, we talk about a woman who made it to the list of "Times Global Influentials" at the age of 37, in our personality section. Also, we attempt to capture the absolute meaning of "EVA" in the FinWord section. In the coming days we witness the launch of Riscon - The annual risk management conclave, hosted by FinNiche at IMT and we also witness the grand launch of Marketing World Cup, hosted by Club Markup.

We invite you to hop on, for the classical journey through the National and International happenings and do remember to save a glance for the markets.

"Best of luck!" to the first year students for their second end term exams.

And as always, we welcome any comments, suggestions or criticism regarding the magazine. Please do write to us and share your ideas.

Happy Reading!

Regards

The Editorial Team

Club FinNiche

NATIONAL

BY BHAGIRADH SISTA

Who's the winner in the race of Festive Season Sale?

SNIPPETS

- **Festive season sales occupy a quarter of the total annual sales**
- **The race of market share and sales for e-commerce giants in India**
- **Hurdles in the race that they need to jump for**
- **Who is the ultimate winner in the race?**

The festive season has kick started with the storm of discounts and value added services offered by leading e-tailers. Flipkart announced "Big Billion Days" starting from Oct 13th to Oct 17th. Shopclues competed with its "Diwali se Pehle Dhamaka" from Oct 13th to Oct 18th. Amazon has come up with "Great Indian Festive Sale" and Snapdeal with "Diwali Sale" and many more e-tailers with their discount offerings.

The Race has begun !

In addition to the overflowing discounts, Amazon has offered even Gold Bars to increase its market share. Though the festive season goes month long, the first nine days are considered most critical for the e-tailers as the customers perceive those nine days auspicious for making big purchases. According to the sales forecast reports, the e-tailers could make as much as a fourth of their annual sales in this nine day period. Amazon was overtaken by the local giant Alibaba holdings in China because of the challenges it faced in logistics. This has been a lesson to many e-tailers and they are now investing billions of dollars in their logistics. Amazon invested over 2 billion \$ in the logistics and operations in India.

Website analytics reports of Alexa show that Amazon India's website is ranked 6th



most visited website in India and 83rd in the world, as of Oct 13th. The above ranks were up by 18 positions over the last three months. Its counterpart - Flipkart ranked 5th in India and 79th in the world. All the e-tailers have customized their discount offerings to the selected products as the consumer spending is picking up over the last two years, also the consumer spending will hit a spike during the festive seasons. India - the 3rd largest economy of Asia is considered as a critical market for the multinational e-tailers. Some of the e-tailers offered the special festive discounts for App-only but some offered on both desktop and App. Like Amazon, Flipkart also had its own lessons from the past incidents. The website crashed during the maiden festive sale of Flipkart. To overcome this hurdle, this time the e-tailers have planned to manage the traffic by balancing on different servers and increasing the servers. Over 5 million products are shipped out of Snapdeal in

the season while Flipkart sold over 1 million products within 10 hours of the Day 1 of the sale. Flipkart also added that on Day 3, it sold 0.5 million mobiles were sold within 10 hours.

Hurdles in the Race

As all the e-tailers learnt from their past mistakes and now planned to balance the surge in traffic by deploying the best in class technologies in the hardware and the information systems. But there was something that they didn't expect to happen.

The spike in the sales has triggered a extra demand for the delivery boys or bikers to all time high in their history. According to the staffing firms, it was about 100,000 bikers which faced a shortage of 70%. Exactly an year ago, it was just around 40,000 bikers required for delivery. The organized staffing firms like TeamLease were able to meet only 30% of the current demand of the bikers. It is estimated by Kelly Services, India that over 1 lakh jobs will be created this year in the following bucket -

- Delivery
- Logistics
- Customer Care

For this reason, all the e-tailer giants planned the festive sale 60-90 days earlier. But the shortage of bikers has forced the firms to tap the rural areas surrounding the metros to fill the young

talent into the vacant bucket. After the poaching of youth, they are trained to be the best delivery boys. Unless there is a robust delivery mechanism it is sure that the business model will collapse. Some of the e-tailer giants have converted the boys at petrol bunk to the delivery bikers. They are also partnering with third parties that offer HR services to fill in the vacancies of delivery department.

Consumers are the winners !!

The raining discounts offered wooed the customers to prefer to shop online. The top 5 firms have invested heavily on categories like Apparel, Household, Electronics and the main thing - Logistics, to ensure that the customer experience shouldn't suffer. The analytics proved that this year's sale was well handled and better managed this time compared to that of the last time. The numbers ironically grew more though Flipkart offered the discount through App only option. This was also a good opportunity for them to test the waters of App Only strategy.

On a holistic view, the benefits gained were more to the consumers though the e-tailers have gained the penetration of new or first time buyers. In the long run, this win will be on both sides. Let us hope all the e-tailers meet their break even in the near future !!

Rail Neer Scam

SNIPPETS

- **CBI busts a drinking water scam in Indian Railways**
- **Cash worth Rs. 27 crore recovered**
- **Two Chief commercial managers of Indian Railways suspended**

Rail Neer is a drinking water brand that was launched in 2003 to provide affordable and high quality packaged water to the train passengers. The first Rail Neer plant was set up in West Delhi. Recently, Central Bureau of Investigation busted a scam related to the supply of packaged drinking water to the Indian Railways. The CBI investigation team conducted a search operation at 13 places in Delhi for the same and they have registered a case against 7 private companies in link to this scam. The CBI Team managed to recover cash worth Rs. 20 Crore from the residence of Mr. Shyam Bihari Agarwal, the owner of Rail Neer.

As per the CBI's statement, IRCTC was to provide private caterers drinking water at Rs. 10.50 per bottle through Rail Neer. The private caterers were also to be given Rs. 15 per bottle for supplying water to the passengers in all the premium trains. But, to the contrary, cheap drinking water was distributed in the premium trains and Rail Neer packaged water was not supplied by caterers. The water supplied in the trains was of sub standard quality that was available in the market for Rs 6-7 and this helped the caterers and suppliers make huge profits out of it.

CBI recovered Rs. 27 crore from Railway



Caterers, out of which money worth Rs. 4 lakh was fake currency. Money worth Rs. 1 Crore was retrieved from Shyam Bihari's offices and 52 lakhs were recovered from his CEO's residence. The cash amount retrieved was so huge that it took the CBI officials 15 hours to count the money with the help of 3 counting machines.

Suspension of Indian Railway employees

In relation to this scam, two railway officials, Chief commercial manager of Northern Railway M S Chalia and Sandeep Silas have been suspended. As per the CBI officials, the caterers never picked up the allotted quota of Rail Neer in spite of a numerous reminders. The officials suspended are accused of never taking any action against such caterers. The owner of Rail Neer, Mr. Shyam Bihari Agarwal has built a 500 Crore business empire within a decade and has control over 70% of the

pantry car business of the Indian Railways. He is suspected of having links with senior politicians and bureaucrats that have helped him establish such a huge business empire. As per the CBI spokesperson he had almost all contracts under his belt in the premium trains of Indian Railways such as Shatabdi and Rajdhani.

Reaction of Indian Government

Union Railway Minister Suresh Prabhu said that immediate action will be taken

against all the accused and full transparency will be maintained in the case. Suresh Prabhu immediately ordered a complete technical audit of all IRCTC bookings just to ensure that the system was not manipulated.

The scam unfolded just a few days back and CBI is probing Shyam Bihari Agarwal and his sons Abhishek Agarwal and Rahul Agarwal, the directors of the company to get more insights into the case and trap all the officials involved.

INTERNATIONAL

BY ABHINEET AUGUSTINE

China Economic Growth Falls Below 7% for 1st Time Since '09

SNIPPETS

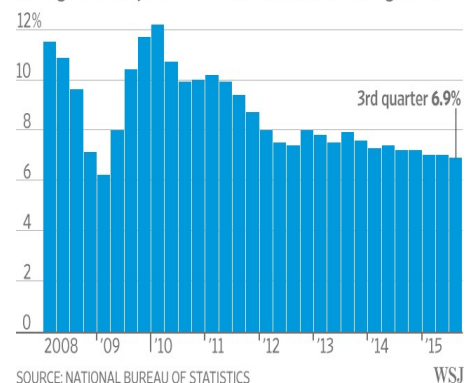
- **First time Chinese GDP fell below 6% in 6 Years**
- **China is still the engine of Global economic growth**
- **Chinese stocks have found stability**

Chinese Q3 GDP was released last night and something that many have feared has finally happened: Chinese growth posted below the 7% target that the economy has been holding on to despite the protracted-slowdown being felt throughout Asia. Q3 GDP posted at 6.9% versus an expectation of 6.8%, and while this meager .1% miss might not seem like all that big of a deal, the symbolism of the country failing to meet their own growth targets confirms the fact that global growth is, in fact, slowing down.

Near-term, this slight beat of estimates combined with the continued expectation for further easing from Beijing in the form of additional interest rate cuts and cuts to bank reserve requirements actually serves as a positive for the Chinese economy (and, in-turn, the rest of Asia). While China is slowing down, the 'landing,' at least at this point, hasn't been as 'hard' as many have feared, as the country continues to grow through the multiple recessionary pressures being felt throughout their economy.

This is relevant for the rest of the world because China is still the engine of global economic growth. China's economy has roughly doubled since the Financial Collapse, and even with these lower

Change from a year earlier in China's real GDP growth



growth rates this increased demand comes at a time when economies in Europe, the United States and Asia are struggling for satiety. QE programs from around the world can help exports for troubled economies, but you still have to have an economy to export goods and services to for these efforts to actually work.

Chinese stocks have found stability since the panic drives in August sent the Shanghai Composite towards the psychological 3,000 level, and this goes hand-in-hand with many global equity indices that have throttled higher since late September/Early October.

Although the stock market turmoil that began in June is fading, downward pressure on the economy is still strong. The government is looking to provide support by implementing infrastructure projects, among other measures.

INTERNATIONAL

BY NISHANT RATHI

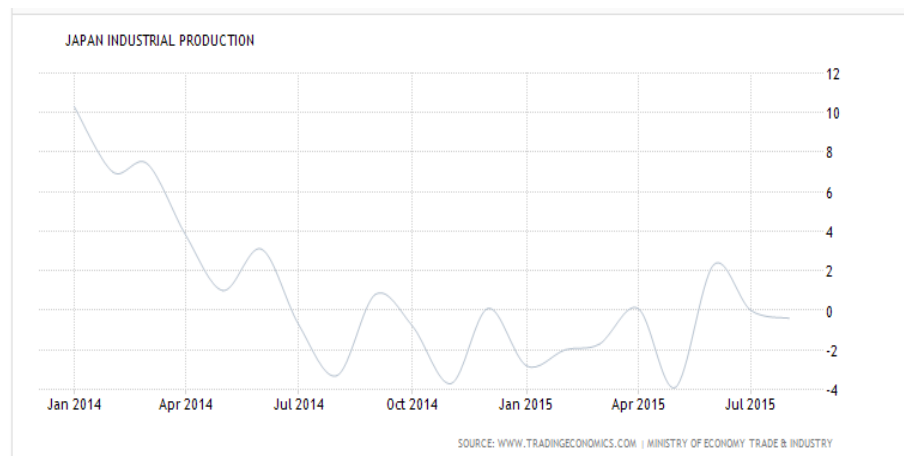
SNIPPETS

- Japan's industrial production decline by 0.5% in August
- Export oriented company and large firms are most affected by global slowdown

Is Japan moving towards another recession ?

Following a decline of 0.6% in July, Japan's industrial production figures for August also show a decline by around 0.5%. It is feared that the fall in production will tilt Japan towards negative growth.

were most apprehensive and have lowered their profit forecast. In manufacturing industry, the most hit by the slowdown in Chinese economy is, companies exporting to international markets. The picture



Recently Japan GDP growth was revised downwards by the Asian Development Bank. Industrial output forms a large part of Japan's GDP. August figures indicate contraction in growth for Japan's third quarter, which combined with the negative growth rate of second quarter indicate Japan might enter into recession. The main reason for this slowdown is weak domestic demand along with slowing external demand given the slowdown in world economy led by slowdown in China. Further a survey of Japan's quarterly business attitude shows that many firms are pessimistic about economic prospects in the near future. Large firms in particular

however is not completely gloom, with domestic market still showing some growth which has led to optimism in business serving domestic market like small-medium size manufacturers and service industry. The Japanese believe in solid fundamentals of Japanese economy and future recovery.

But given the shrinking economy additional easing by the Japan's Central bank in November seems all but inevitable. But if the third-largest economy still continues to decline it can enter recession for a second time and will add to fear about global growth.

TRENDING NEWS

COMMODITIES

GOLD INR
26773 / 10G

SILVER INR
36803 / KG

CRUDE OIL INR
2911 / BARREL

EXCHANGE RATES

64.82 INR/
1 USD

71.54 INR/
1 EURO

53.57 INR/
100 YEN

99.53 INR/
1 STERLING

Refugees stranded in Serbia as border close

Hungary closed the border with Croatia on 17th October, 2015. The border closed prevented refugees from travelling to rich northern European nations like Germany. Instead they will be allowed to enter only through two official border crossings established exclusively for refugees, according to the prime minister of Hungary. Thousands of people clamored to enter Croatia from Serbia on Monday, their entry to the west slowed by a Slovenian effort to limit the flow of refugees into Western Europe.

"We can only say that there are more than 10,000 refugees in Serbia," UNHCR spokeswoman Melita Sunjic said. "It is like a big river of people, and if you stop the flow, you will have floods somewhere. That's what's happening now."

Indigo Airlines IPO size reduced to ₹3,000 Crores

Low cost Airline Indigo, reduced its IPO by over Rs 200 Crores to nearly Rs 3000 Crores with one of the promotor deciding to reduce the number of shares to be sold in public. So, Indigo will be selling around 23 million shares instead of 26.1 million shares as planned earlier. Sources said that Gangwal family decided to reduce the number of shares to be offered by them for sale. This will result in reduction in IPO size from 3268 Crores estimated to 3000

Crores where each share's price band was fixed between Rs 700-765.

Company manager Aditya Ghosh said that company will launch its public issue on October 27 which will remain open till October 29.

Russian strikes on Syria

Airstrikes from Russia on Syria has killed hundreds of militants, stated by Russian President Vladimir Putin. Putin told in a meeting with ex-Soviet nations in Kazakhstan that Russian military has achieved great results from the air strikes in Syria which started on September 30. Putin reaffirmed that the Russian bombing blitz against the Islamic State group and other radicals in Syria will continue "for the period of the Syrian troops' offensive operations against terrorists," but wouldn't elaborate. He said between 5,000 and 7,000 people from Russia and other ex-Soviet nations are fighting alongside Islamic State militants. "We can't allow them to use the experience they have just gained in Syria back home," he said.

Russian jets have flown more than 600 combat sorties since the start of the air campaign, said Col.-Gen. Andrei Kartapolov of the Russian military's General Staff. Putin also reacted angrily to U.S. Defence Secretary Ash Carter's comments warning that Russia would suffer casualties in Syria, saying the statement was "highly unprofessional."

MARKETS

TOP GAINERS

- NTPC
- RIL
- AXIS BANK
- EXIDE INDS.
- INFOSYS

TOP LOSERS

- NAKODA LTD
- PERIA KARAMALAI
- KSS LTD.
- FARMAX INDIA
- SHEKHAWAT POLY

This week started with the Indian markets at Sensex-27,201 and Nifty—8241.30. On a truncated week, markets performed better: Sensex rose 255 points or 0.95% and Nifty rallied 57 points or 0.67% over the week, mainly because of strong global cues. The upsurge was led mainly due to rally among the global equity markets after hint of quantitative easing by the European Central Bank chairman Mario Draghi. CCD IPO being oversubscribed, and few notable IPO's coming ahead, markets are expected to hold on to the gains. However, the rate cut by the Chinese Central Bank—indicating another phase of slowing Chinese economy can have an adverse impact on the markets in the coming week.

	Open	High	Low	Close
SENSEX	27201.31	27555.6	27213.12	27470.81
NIFTY	8132.95	8328.10	8222.85	8295.45

BSE SENSEX



CNX NIFTY



FIN-WORD

BY ALANKRITA

EVA : Economic Value Added

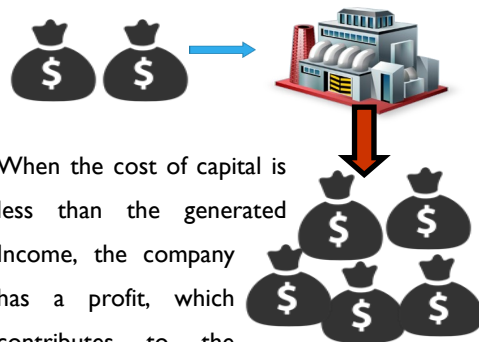
What is EVA?

A measure of a company's financial performance based on the residual wealth calculated by deducting cost of capital from its operating profit. It aims to capture the true economic profit of a company.

Brief History

This measure was devised by Stern Stewart & co. It saw through financial manipulation to present the actual "state" of a company. Presented very successful management and bonus system in the 90's to industry big-shots like Coca-Cola, Wal-Mart, AT & T.

EVA Information



When the cost of capital is less than the generated Income, the company has a profit, which contributes to the formation of EVA.

Mathematical Representation

$$EVA = NOPAT - (WACC * \text{Invested Capital})$$

NOPAT : Net Operating Profit After Tax

WACC : Weighted Average Cost of Capital

In Brief, $NOPAT = (\text{Profit} - \text{Tax})$

$\text{Invested capital} = (\text{Share capital} + \text{Net Fixed Assets})$

$$WACC = ((\text{cost of debt} * \text{corresponding market weight}) + (\text{cost of equity} * \text{corresponding market weight}))$$

EVA Values

The value of EVA can be positive or negative :

Positive value indicates company's growth,

Negative value indicates economic decline .

An Example

Tom wants to start a company specializing in production of Cheese. So he goes to Jerry and asks for an investment of \$500. Jerry is Shrewd, he tells Tom – "Okay. But I need a return of at least 4% on my initial payment". Tom is hard pressed for money and he accepts. Next year Tom again asks Jerry for an investment. Now, Jerry is confused. Should he go forward and invest? So Jerry comes to us.

This is what we tell him :

NOPAT for Tom's company - \$150

Hence $EVA = \$150 - (0.04 * 500) = \130

Since EVA is greater than zero,

We advise Jerry to go ahead the investment.

PERSONALITY

BY ABHINA PANDA

Sallie Krawcheck

SNIPPETS

- **Chairperson of Ellevest Network**
- **CEO of Sanford C. Bernstein & Co.**
- **Placed in Fortune's most influential persons under the age of 40**

Based in South Carolina, Sallie L. Krawcheck owns and chairs Ellevest Network. Prior to this she served as the president of the Global Wealth and Investment Management Division of Bank Of America. Identified as one of the senior most women on Wall Street, she has strong presence over social media, advocating start ups and concentrating on regulatory reforms.

Always an extraordinary scholar, She received Morehead Scholarship to the University of North Carolina and earned a degree in Journalism. She graduated Beta Gamma Sigma from Columbia Business School.

From a humble beginning as a equity analyst, covering Wall Street firms, Krawcheck rose on to become Director of Research and then Chairman and then CEO of Sanford C. Bernstein & Co. . Renowned for her impartial advice, she was able to wind her way out of lucrative and underwritten conflicting businesses. Fortune was so impressed that it dubbed her "The Last Honest Analyst".

She was sought out to deal with criticisms over conflicts of interest within its wealth management when Elliot Spitzer tried to defame the company.



She was then named the CEO of Citigroup's Smith Barney unit and was placed in the Fortune's Most influential person Under the age 40.

She has also been the proud recipient of CNBC's "Business Leader Of the Future" Award and has been credited by The Daily Beast as one of the "Rare Honest Voices on the Walls Street".

With her creativity, Unrelenting Focus on results , and integrity, Sallie Has risen to the pinnacle of success and is now reportedly launching a new platform for women called Ellevest.