Niveshak

(The Investor)

Monthly News Bulletin of The Finance Club, IIM Shillong.

15th August 2008. First Issue For Limited Circulation Only

Dear Reader,

It gives us immense pleasure to publish the very first news bulletin of the Finance Club of IIM Shillong. In fact, it is the first students driven news bulletin of IIM Shillong. I congratulate all the members of the finance club for making this a reality and becoming the first among equals. I would like to dedicate this issue to the Freedom Fighters of India who made this day auspicious. We thank all the Faculty members of IIM Shillong and Prof. A.K.Dutta, Director, IIM Shillong for all their support and encouragement. I would like to convey my special thanks to Prof. Suvendu Bose without whose' support this bulletin would not have been possible. This news bulletin will be an attempt to capture the true spirit of Finance in its simplest form. Wish you a pleasant reading.

Biswadeep Parida, Editor – "NIVESHAK".

Message from Prof. Ashoke K. Dutta, Director, IIM Shillong

I am happy to note the initiations taken by our students to publish "NIVESHAK (The Investor)". My best wishes for the success of the same. I sincerely hope that this will lead to other groups to come up with their own bulletin.

Congratulations.

Prof. Ashoke K. Dutta,

Director, IIM Shillong.

Message from Prof. Suvendu Bose

I Congratulate the Finance Club for coming out with the monthly news bulletin "NIVESHAK (The Investor)". I have all my best wishes and co-operation for making it sustainable and more matured so that it can be circulated to outside world in near future.

Prof. Suvendu Bose.

Message from Prof. D.K.Agrawal (PGP- Incharge, IIM Shillong):

Heartiest Congratulations to The Finance Club for bringing out the monthly newsletter "Niveshak (The Investor)". I wish them all the success.

Prof. D.K.Agrawal,

PGP-Incharge, IIM Shillong.

Message from Prof. Ashutosh Dash:

Nothing builds without toils and when people claim to have built something, it entails their sweat with faith and conviction premising on powerful dreams! At the outset let me profusely thank and congratulate the members of Finance Club of IIM,Shillong who have manifested the unprecedented perseverance in launching the magazine "NIVESHAK (The Investor)". I believe the hard work of the members of the club will build a quick reputation for the magazine for its good reading material and reliable delivery.

I convey my best wishes to the club in its future endeavour and also take the opportunity to wish the periodical to crop up and get recognized as the flagship magazine of this premier institute.

Prof. Ashutosh Das.

Message from Prof. Bhagirathi Panda

I am delighted to learn that an interest group of PGP participants have formed 'The Finance Club' in IIM Shillong and it is equally heartening to know that they are coming up with a monthly news bulletin 'NIVESHAK (The Investor)'. Modern man is both a social and an economic being. As an economic being of the 21st century, he cannot keep himself away from the nitty-gritty of finance. More so, when the economic man happens to be a management student of IIM.

The club is born, its mouthpiece is coming up and its aroma is waiting to charm all of us here in the pristine environment of IIM Shillong. I sincerely wish 'Finance Club', its maiden child in waiting 'NIVESHAK' a long journey and its patrons i.e. my promising mangers all success in their novel endeavour.

Prof. Bhagirathi Panda

Message from Prof. Rohit Dwivedi:

Hearty Congratulations to the Finance Club@IIMS for being the first among the first batch of participants to have organized amongst themselves.

I can appreciate the amount of effort which might have gone to identify a common goal and give birth to an idea "Niveshak (The Investor)".I wish a great success to The Finance Club and the Editorial Team of "Niveshak" for an intelligent and engaged readership.

Prof. Rohit Dwivedi.

Message from Prof. Naliniprava Tripathy:

It is a privilege and pleasure for IIM Shillong to bring the 1st Newsletter of Finance Club. I am sure that with the sincere involvement and contribution of the students, the newsletter will be a splendid success.

Prof. Naliniprava Tripathy

Message from Prof. S. Shahjahan

It is of immense pleasure to me learning from students' community of IIM Shillong to aspiring new heights by articulating the passion for finance in writing. I wish this monthly bulletin "Niveshak (The Investor)" every success.

Prof. S. Shahjahan.

Message from Prof. Basav Roy Choudhury:

With multitude of TV Channels dedicating their major time to tracking stock prices, investment avenues, investment tips etc, this monthly bulletin "Niveshak (The Investor)" is a very timely initiative taken by The Finance Club. I believe this will go a long way and create a few more Warren Buffets. Wishing The Finance Club and its brainchind "Niveshak (The Investor)" all success.

Prof. Basav Roy Choudhary

Message from Prof. Santosh Prusty.

"The future *mantra* of the objective of wealth creation is for serving the society, not by killing the nature but by milking it; keeping in mind the ecological factors, balance of nature and requirements of future generations". I hope the finance club of IIM Shillong will define and implement the *new mantra* of finance theory and redefine the financial management strategies to ensure social, ecological and corporate well being. I express my best wishes to the members of the club to succeed in fulfilling their vision.

Prof. Santosh K. Prusty.

Message from Prof. Manoj Bayon

Congratulations to all the members of the Finance club for undertaking the challenging task of bringing out the first publication from the stables of IIM Shillong.

All my best wishes for future endeavours in keeping the IIM Shillong flag flying and shinning through the finance club.

Prof. Manoj Bayon

The editorial committee of "NIVESHAK" is extremely thankful to all the faculty members of IIM Shillong for their support and good wishes. We are deeply indebted to Prof. Ashutosh Das, Prof. Bhagirathi Panda and Prof. Suvendu Bose for mentoring us in this endeavour.

<u>Welcome to the World of Finance</u>

- "The Finance Club"

Sitting down on the eve of the first issue… we ponder about the word "Finance". We have all been fascinated with it, the complexities and the mystery surrounding it has always eluded our minds.

The words sensex, forex, hedging, futures, options, swaps have always pulled our attention. The names of Barclays Capital, Meryll Lynch, Citigruop, Goldman Sachs etc or the fascinating stories of Warren Buffet, Peter Lynch, George Soros, Uday Kotak and the likes have always inspired an awe among wannabe MBAs. Not to forget rogue traders like Nick Lesson or our very own home grown Harshad Meheta or Ketan Parekh, or to say the very distinguished colour of ET, the terminology of Bull n Bear have done a tremendous job in attracting every mind. And in the IIMs, FINANCE is the buzz word. Investment banking, Asset Management, Private Equity, M&As, Insurance, Reinsurance, Venture Capital, Microfinance etc have always been and shall be the in-thing at the IIMs.

But have we really been able to capture the spirit and the essence of it in its true sense!

Gut feeling in finance has contributed more than any formula and when you run out of options, the only thing that puts u back in the race. Yet we have not been able to define it, leave alone capture it, we can only appreciate it.

Finance market is a place its said <u>*"where logic fails magic starts and vice-versa*</u>," There are numerous stories moving around any day on trading floor, of how a lowly educated Gujrati man by looking on to the scrips window for 20 minutes can predict market behaviour better than any Harvard educated with sophisticated tools. That, my friend, is called gut feeling. To experience this gut feeling when all the logic has failed, we need to be fundamentally clear about the mechanisms of the overwhelmingly complex financial world.

The world has not yet come out of subprime Crisis, and a currency in a million denomination is not a dream now. It's nice to hear the panwala worried about the dipping sensex, talking in terms of P/E ratio, lock in period, over bought, under bought etc. Put, Call, pips etc have really moved out of Board rooms to common man. The world is also moving back to trading in commodities (pun intended) although in a more sophisticated sense.

We really wonder about the various tools suggested by lot of human beings considered <u>"authority in finance"</u> to calculate or to predict future value of assets. Will ever a person who discovers a formula that will enable him to book colossal profits than his competitors, write it out in a book or magazine or simply share it with the world? We leave you with these two questions…oh ho the second one

Have u ever seen a better Finance Manager than your mother………?

Welcome to the world of finance……….

Did you know?

Bank of India was the first Indian bank to open a branch outside India.

Birth of "The Undercover Economist"

(*On every issue of "NIVESHAK (The Investor)", Biswadeep Parida will write a column named "The Undercover Economist". In the first issue he tries to introduce "The Undercover Economist", his philosophy and purpose.)*

"Woh NASA main kaam karta hai, jo satellite banati hai, jis se hum ko pata chalta hai ki kab kahan kitni baris hogi" quipped Kaveri amma .
" Ush main koun si badi baat hai, who kaam to apna Sahadev bhi karta hai". Sahadev stands up and says "asmaan saaf hai. Do din tak koi baarish nahin hogi".
That was how a NASA scientist was brought at par with a villager in the Hindi movie "Swades".

Don't you think that the concept of simplicity is long forgotten amidst jittery jargons and high sounding terminologies that all admit to understand and master, but most of them fail to explain? Be it literature or Finance we tend to use very complicated means to express ourselves. At times don't you wonder a true beauty is preserved if you keep it simple and straight, may be its something everybody feels is right but seldom tries to do.

Don't you feel the masses should not only understand but should also be able to explain the reason behind the rising price of oil and the so talked about Inflation.

Formulas, terminology, assumption, derivations, tools, technique and what not we use to explain a simple phenomenon.

This introspection creates enough ground for the birth of an Undercover Economist.

The vision is to break free from jargons, bring the complex "Finance" to the masses in the most simplified version, to explain most of the events in a story telling mode. The Undercover Economist feels that the mass should understand and appreciate Why an Oil trader, in spite of a lucrative offer to buy oil bonds in the present scenario, places his bet on Gold? And that How share brokers sitting all day at the exchanges, can be punished heavily for insider trading. The Undercover Economist feels that the power of simplicity in finance if used properly will enable the common man to catch the bull by its horn and refrain from the danger of the bears paw.

The common man should learn to appreciate the reforms at central banks by Ben Bernake or Y.V. Reddy, How Buffet made his millions, What made the Professor of Oxford University to predict that the humble Sikh in his class will one day become the Chancellor of Exchequer of his country, that how a single man can wipe out the capital and reserves of a 233 year old establishment, How black money saved their home country from the much talked and written about sub-prime crisis, how the purchase of a Toyota Lexus can uncover the biggest security scam. Why a market reels and economy crashes under inflation?

Secrets about hidden treasure are never shared, so how can a formula be shared if it is the best of the rest. Lots of questions to be answered, lots of myth to be explored……………

If anything is brighter than sunlight, that would be the glimmer in the eye of a satisfied individual who has conquered something that he considered he never can…..

The Undercover Economist will strike back on every issue and help us find this glimmer and brighten our eyes.

Did you know?

HSBC was the first bank to introduce ATMs in India.

George Soros: The Investors' pick

By Amit Chowdhary

"*It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong.*"

George Soros was an émigré who lived under communist rule in his native Hungary and a Jew who survived Nazi occupation. Born on 12 August 1930, he graduated from the London School of Economics in 1952. In 1956 he moved to New York City, where he worked as an arbitrage trader. In 1973 he set up a private investment firm that eventually evolved into the Quantum Fund, one of the first hedge funds, through which he accumulated a vast fortune. Today his net worth is more than $10.0 billion. The Quantum Fund is generally recognized as one of the most successful investment funds ever, returning an average 31 percent annually throughout its first 30-year history.

Soros' Quantum Fund makes money by anticipating economic shifts around the world. In 1992 Soros thought the British pound would lose value because of political and economic pressures. He short sold billions of pounds and converted them to German marks. When the pound collapsed on 16th September 1992, Soros repaid the pounds at the lower rate and pocketed the difference. His profit: $1 billion. He was dubbed "the man who broke the Bank of England."

I rely a great deal on animal instincts…… To him the prices of securities and currencies depend on human beings, or the traders - both professional and non-professional - who buy and sell these assets. He also believed that market participants influenced one another and moved in herds. He said that most of the time he moved with the herd, but always watched for an opportunity to get out in front and "make a killing."

He is currently the president and chairman of Soros Fund Management LLC. He lost almost $3 billion when the NASDAQ crashed in 2000. In July of that year Soros merged his flagship Quantum Fund with the Quantum Emerging Growth Fund to form the Quantum Endowment Fund, a switch from high-risk speculation to conservative investment.

Leaders of countries feared that if Soros traded against their currencies, he could cause an economic crisis. For better or worse, Soros had gained international status as a man who could change major sectors of the world's financial market. His fans call him a modern-day Andrew Carnegie (the steel baron).

As the world is reeling under the Sub Prime Crisis and rising oil prices, Investors have lost faith in most of the emerging markets and are playing safe but George Soros is still betting high on India. This may be an assurance that the Indian Economy is going to hit double digit growth figures very soon and sustain it.

Did you know?

Wall Street got its name from a defensive wall that was put up to protect New Amsterdam (now New York) from New Englanders.

------------------------------------Finance Gyaan------------------------------------

INVESTMENT BANKING

By M. V. Chakradhar
P.M.W. Sawanth

Investment Banks assist clients in raising funds in order to grow and expand their businesses. Their activities include:

- Originating and managing issues of securities and Bonds of Corporate and Government
- Book Running and Underwriting during IPOs.
- Corporate Finance
- Advisory service during Mergers and Acquisitions

The top-tier investment banks are Goldman Sachs, Merrill Lynch, Morgan Stanley Dean Witte, Credit Suisse First Boston, UBS, J.P. Morgan, Lehman Brothers, and Edelwiess etc.

Generally, the functional breakdown of an investment bank includes the following areas:

CORPORATE FINANCE

The bread and butter of a traditional investment bank, corporate finance generally performs two different functions:

- Mergers and acquisitions advisory - Banks assist in negotiating and structuring a merger between two companies. If a company wants to buy another firm, then an investment bank will help in structuring the deal and ensure a smooth transaction.
- Book Building/Book Running/Underwriting during IPOs.

SALES

Salespeople take the form of: 1) the classic retail broker, 2) the institutional salesperson, or 3) the private client service representative. Brokers develop relationships with individual investors and sell stocks and stock advice.

Institutional salespeople develop business relationships with large institutional investors. Institutional investors are those who manage large groups of assets, for example pension funds or mutual funds.

Private Client Service (PCS) representatives lie somewhere between retail brokers and institutional salespeople providing brokerage and money management services for high net worth individuals.

Salespeople make money through commissions on trades made through their firms.

TRADING

Traders facilitate the buying and selling of stock, bonds, or other securities such as currencies, either by carrying an inventory of securities for sale or by executing a given trade for a client. Traders deal with transactions large and small and provide liquidity (the ability to buy and sell securities and Bonds) for the market. (This is often called making a market.) Traders make money by purchasing securities and selling them at a slightly higher price. This price differential is called the "bid ask spread."They also make money out of the real-time differential value of the same stocks in two different markets. This is called “Arbitrage Trading”.

RESEARCH

Research analysts follow stocks and bonds and make recommendations on whether to buy, sell, or hold those securities. Stock analysts typically focus on one industry and will cover up to 20 companies' stocks at any given time. Some research analysts work on the fixed income side and will cover a particular segment, such as high yield bonds or U.S. Treasury bonds.
Corporate finance bankers rely on research analysts to be experts in the industry in which they are working. Salespeople within the I-bank utilize research published by analysts to convince their clients to buy or sell securities through their firm.
Reputed research analysts can generate substantial corporate finance business as well as substantial trading activity, and thus are an integral part of any investment bank.

INITIAL PUBLIC OFFERINGS

An initial public offering (IPO) is the process by which a private company transforms itself into a public company. The company offers, for the first time, shares of its equity (ownership) to the investing public. These shares subsequently trade on a public stock exchange like the New York Stock Exchange (NYSE) or the NASDAQ, NSE or BSE among a host of Stock Exchanges. The primary reason for going through the rigors of an IPO is to raise cash to fund the growth of a company.
The IPO process consists of these three major phases:
1. Hiring the Managers: this process involves meeting and interviewing investment bankers from different firms, discussing the firm's reasons for going public, and ultimately nailing down a valuation.
2.Due Diligence and Drafting : This phase involves understanding the company's business as well as possible scenarios (called due diligence), and then filing the legal documents as required by the Market Regulator by mentioning the complete usage of Funds to be raised through the IPO in the form of “Red Herring Prospectus(India)”
3. Marketing: Once the Market Regulator (SEC or SEBI) has approved the prospectus, the company embarks on a road show to sell the deal. The marketing phase ends abruptly with the placement of the stock, which results in a new security trading in the market
<u>Underwriting</u> : An Underwriter is a broker/dealer or an investment bank. He guarantees that the capital issue will be subscribed to the extent of his underwritten amount. He will make good of any shortfall. The contract between the issuer and the *Lead* or *Managing Underwriter* is the *Underwriting Agreement. The agreement* states the terms and conditions of the offering, such as, the *Underwriting Spread* (the amount the underwriters make on sales), the Public Offering Price (POP), and the amount of proceeds from the offering that will go to the issuer.

SECONDARY MARKET TRADING

Once the share are allocated through the IPOs in Primary market, they are ready to be listed traded in the Secondary Markets. The Listed Market consists of Exchanges where an Auction method is used at a physical location. Specialists provide liquidity on the floor of an exchange. Over the Counter style of Trading has given way to Online trading now.

Market Maker: I-Banks also play the role of Market making by:

1. Providing continuous bid and offer prices within a prescribed percentage spread for shares designated to them.
2. Play an important role in the secondary market as catalysts, particularly for enhancing stock liquidity.

---------------------------------The Undercover Economist--------------------------------

The World Economy may not recover – Views of a Pessimist

By Biswadeep Parida

In the middle of the year 2006, the world economy was on a high. There was high liquidity in the market and money flow could not realize the concept of nation states or boundaries and trade barriers. Indian economy too grew at a fast pace of 8-9% annually and it was expected to touch double digits soon. FDI inflows, Forex reserves and Sensex touched new highs every day. Similar was the case in many developing countries especially in Asia and the Middle East.

The US economy has always been believed to be the engine that drives the world economy although this has been faintly challenged by many economists. As the world economy was celebrating newer heights, all was not well in the world's most powerful economy. People in the United States were spending more than they were earning. George Bush had made the Federal government bleed a lot of dollars on the account of war on terror. As former Chief of US Federal Reserve, Alan Grenspan had once quoted his Economics professor saying "The main reasons that fuels inflation is Government over spending ", inflation was knocking at the doors of US consumers. The US economy had also started feeling the pinch of a slowing growth. And above all these problems, the US housing bubble was reaching its threshold limits. After that what happened is history. Now let us recollect some of the news Headlines during the mid 2007 till date- "The US housing Bubble has burst", "US Housing Mortgage firms go bankrupt", "Meryll Lynch, Citibank, Morgan Stanley, Goldman Sachs, UBS and any bank you name wrote off billions of dollars of Sub-Prime debt ", "Meryll Lynch and Citigroup CEOs resign", "US Federal Reserve and European Central Banks call emergency meetings", "Northern Rock and Bear Stearns Banks up for acquisition at throwaway prices with intervention from respective Central Banks" and lots more. This was the worst financial crisis in history according to finance legends like Warren Buffet, George Soros, Marc Faber or Nobel Laureate Joseph Stiglitz. And we simply know it by the name "Sub-Prime Crisis". This took whole of the world economy down with it and now we shall discuss why it is almost impossible to come out of the crisis in the near future.

Forgive me for being too pessimist, but let us also accept the reality.

Recessions in economies are not new. In fact the US economy experiences recessions of 3-4 quarters once every 6-8 years and so does the world. In 1952, it was a recession owing to the Korean

War. There were recessions in the United States in 1958 and 1964. Then it was the Oil Shock in the 1975 which continued to pull down the world with it till 1979. There was a minor recession during 1982 and in 1990-92 due to Iraq war. Then it was a Capital Account Convertibility crisis in South East Asian countries in 1997. After that, the dotcom bubble burst in 2000 and also the 9/11 attacks further stretched this recession .The US economy has always come out of every recession with more strength and has grown faster than before. Huge US and European Financial Institutions have always bailed the economy out of recessions. US Banks have always been supported by the Federal Reserve with its strong monetary policies. To control inflation Fed hikes interest rates and reduces liquidity in the market and when there is a slowdown, the Fed brings in enough liquidity into the market. The Fed at times has also at times printed greenbacks to counter a monetary squeeze. Alan Greenspan, ex-chief of Fed used to call this “easy money policy”. Although this fuelled inflation by decreasing value of currency, it could very well counter liquidity crunch.

Now as the world is in one of the worst economic crises, past experience forces it to look towards huge US and European Financial Institutions for rescue. But the worst hit in this Sub-Prime crisis are US and European Banks due to their leveraged exposure to Sub-Prime contracts. When US banks are in some sort of crisis, it is only the US Federal Reserve that can pull them back on track. But then, the Fed Reserve and the US Government have to be in good health. The US economy is now in a peculiar situation called Stagflation. There has been a slowdown or stagnation in the US economic growth and at the same time there is upward inflationary pressure, primarily due to overspending money by borrowing. The US government is also reeling under huge debt now. Rescuing housing mortgage underwriters like Fannie Mae and Freddie Mac has become an uphill task for the US Government. Expecting a fiscal stimulus package from the US Government for recovery of the overall economy seems quite an illogical ask. Now the Fed is also not left with much of an option. It cannot take steps to counter inflation as they may lead to further slowdown in growth and steps taken to bring more liquidity into the market may fuel inflation further. The world economy cannot afford any side-effect at this moment. Not quite surprisingly, this problem has spread to all countries. Over and above that, high crude prices won’t allow any nation to control its inflation figures. Central Banks and Governments of all countries have taken several steps to counter this problem but the best that most of them could do is adjust projected growth figures. India too adjusted its projected GDP growth rate from 9-10% annually to7.5- 8%.

Having said all this, I can now stick my head out and shout “We are trapped in a deadlock. It will be a Herculean task to recover from this crisis. We are in for more turbulent times”. You can chop it off if I am wrong

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FIIs,FDIs, Exits and Forex Crisis

By Biswadeep Parida

When it comes to the two future economies, finance and economics think-tanks converge mostly on two countries, namely India and China. At the same time they also agree that, China is far ahead of India. We all know the reason. China opened its economy for FDI/FIIs way back in 1979. Its structured FDI policy has attracted billions of dollars of investments from all round the world. Meanwhile India implemented Economic liberalization in a phased manner starting 1992. FDIs were allowed a few years later but on a very small scale. The FDI policy was very strict and unstructured and we shall later discuss how this policy and Capital Account Convertibility policy helped India subvert the South East Asian Economic Crisis. But first things first, why a lot of questions are raised when the government prepares to ease FDI norms or open up a sector to FDIs? Why does the common mass think huge FII inflows or sudden exits can disturb our markets? Is FDI/FII really Hot money? By Hot money I mean the money which can be pulled back suddenly out of the market initiating a market crash.

Before that let us try to draw a fine line somewhere between FDIs and FIIs.

Foreign investments can come to our country only through registered Financial Institutions. So we can safely term all the investments originating from foreign lands into our country as Foreign Institutional Investment or FII. We shall now try to classify FII on the basis of their nature and discuss if they are hot or not? Different types of FII are:

1- FDI: This refers to the money which comes from foreign companies for purchasing existing Indian companies or setting up Greenfield projects. E.g. POSCO. Commonsense says they cannot sell a factory overnight and leave the country. Verdict: Not Hot Money.

2- FII in Shares: Foreign Banks and companies buy shares on flourishing Indian companies through Participatory notes. They cannot sell shares and exit during panic, as Indian buyers are small and fragmented and generally do not prefer to buy in crashing market. If they sell or offer to sell 10% of their shares, the stock market will crash heavily. Verdict: Not Hot Money.

3- FII investment in bonds: Bonds fall lesser than shares in panic, but its small and capped any way. Verdict: Not Hot Money.

4- Long term Forex loans:-Loans taken by Indian companies from foreign investors for 10-15 years period or more. They cannot be suddenly recalled. But old loans mature week after week, if lenders refuse to renew them, it can steadily drain Forex reserve. Verdict: Can be fatal. Apply Caution. Needs Regulation.

5- Short term Forex loans: Loans taken by Indian companies from foreign investors for 3-5 years period. They mature quickly and can be withdrawn causing shock in the Forex market and reserve. Verdict: Too Hot, Dependency must be avoided.

During the 1990s, FIIs had poured in lots of money into shares listed on SE Asian markets. Their economy was largely dependent on exports .In the mid 1990s, as demand dropped slightly, their economy felt the pinch. As the value of their currency and their markets showed small signs of correction, FIs offered to move out of their markets and started buying back dollars from their Foreign Exchanges. This led to panic and market crash. Citizens also started to convert their money into dollars as the value of their currency was speculated to weaken further. This further drained their Forex of dollars and the citizens were most responsible for weakening of their own currency. Their Governments could do nothing to stop this as they had allowed complete Capital Account Convertibility. FIIs could also exit easily thus mopping up their Forex reserves.

Back Home in India, there were huge caps on Capital Account Convertibility i.e. Indians were absolutely forbidden to convert rupees into dollar. By contrast foreign investors had complete freedom to exit, but with a heavy penalty clause, that was so high that compelled them to stay put.

Thus our Markets and Forex reserves remained safe. This is how a conservative outlook helped India stay out of the most fatal economic crises of South East Asia in 1997.

Fin-Q

By Nilesh Bhaiya

1. In 1892, an American Banker arranged the merger of Edison General Electric and Thompson-Houston Electric Company to form General Electric. This is said to be the first structured merger in the world. Name the Banker.
2. In 1962, billionaire investor Warren Buffett began buying stock in Berkshire Hathaway. After some clashes with the Stanton family, he bought up enough shares to change the management and soon controlled the company. He ventured into Insurance business under the banner of Berkshire Hathaway but maintained its core business for a few years before closing "The Core business" in 1985. What was the core business of Berkshire Hathaway?
3. Which Indian private sector bank is traded on the Luxemburg Stock Exchange?
4. This Bethel-based company got its start in the 1940s as P.R. Mallory & Co., a battery and welding company, 135 years after Alessandro Volta had invented the first lead battery. P.R. Mallory continued to manufacture new products, introducing the ______ brand in 1964. Mallory became _______ Inc. in 1978, first merging with Dart Industries in that year, then with Kraft in 1980, before the Private Equity firm KKR purchased _______ for 1.9 billion dollars in 1988. Which company? (only one answer fits all blank spaces)
5. In 1999, which Indian Institution became first to be listed on NYSE?
6. Bonds issued by foreign companies in Europe are called Eurobonds. What are those issued in Japan by foreign companies called?
7. He came to the board of JPMorgan Chase after the JP Morgan Chase Bank merged with ______ bank in 2004. He is presently the CEO of JP Morgan Chase Bank. Name the person and the Bank from which he came.
8. Following losses from Sub-Prime Crisis, the CEO of Citigroup made way for Indian born Mr. Vikram Pandit. The CEO of Merrill Lynch also had to quit. Name the two outgoing CEOs.(One of CitiGroup and other of Merrill Lynch)
9. Bank of Baroda is the only bank in the country to be awarded the licence of a specific non-banking product. Name the product.
10. On August 3 2007 , a New York based Private Equity firm bought 80.1% stake in the Chrysler group bringing about an end to the DaimlerChrysler merger, the makers of Mercedes Benz. (Now only Daimler Corp makes Mercedes Benz.) Name the Private Equity Firm.

Rules: Once you get a copy of "Niveshak", this Quiz is open. Use Wikipedia/Google/Books or simply ask your friends, answer all the Questions on a paper and rush to Nilesh Bhaiya (C-17, Boys Hostel). The first 2 correct entries will get a surprise gift and will have their names published in the next issue of "Niveshak". The answers will be mailed at midnight of 15TH August to mark the end of the contest.

For any queries or suggestions contact "**The Mag-Gang**"
Amit chowdhary, Biswadeep Parida, M. V. Chakradhar, Nilesh Bhaiya, P.M.W. Sawanth.

