



Igniting Thoughts of Tomorrow

INVESTMENT BANKING

WeChat

Mr. Nandkumar Surti
MD and CIO
JP Morgan Asset
Management



.....
Being an Investment Banker



Featured
Volcker Rule
page 12

December 2013



OUR VISION

“To nurture thought leaders and practitioners through inventive education”

CORE VALUES

Breakthrough Thinking and Breakthrough Execution

Result Oriented, Process Driven Work Ethic

We Link and Care

Passion

“The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.” - Alvin Toffler

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind's eye needs to be nurtured and differently so.

WeSchool has chosen the ‘design thinking’ approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

Dear Readers,

It gives me great pride to introduce Samvad issues every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone. I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.



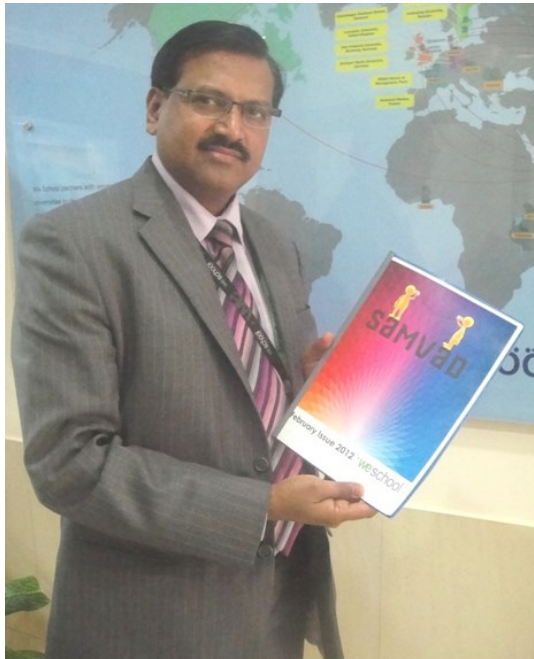
Prof. Dr. Uday Salunkhe,
Group Director

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

Samvad is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

Prof. Dr. Uday Salunkhe,
Group Director



Prof. Dr. Uday Salunkhe introducing the first issue of Samvad

OUR VISION

“To facilitate exchange of ideas that inspire innovative thought culture”

MISSION

To Dialogue

To Deliberate

To Develop

To Differentiate

As the student magazine of WeSchool, Samvad is greatly inspired by the words of Alvin Toffler backed by a strong vision of facilitating exchange of ideas that inspire innovative thought culture. Samvad is a platform for the next generation leaders to bring forth their perspective on management to the world and gives the readers an opportunity to learn, unlearn and relearn on a continuous basis.

The team of Samvad is driven by a set of strong WeSchool values which enable us to create a dialogue leading to knowledge gaining and sharing, to deliberate on the information, to develop a sense of creativity and differentiate our minds with innovative thoughts of tomorrow; today.

Dearest Readers,
Greetings from Team Samvad!

It gives me and the entire Samvad Team immense satisfaction to bring to you the latest issue of Samvad on the theme “Investment Banking”.

However, at the same time, I feel disheartened as my Samvad journey comes to an end and I have to move on in life to seek greater opportunities. Nonetheless, I feel extremely honoured to hold the Editor's post of Samvad for an entire year and it would always remain close to my heart. Working in Samvad has helped me immensely to develop myself both on the personal and professional front and I would like to thank Prof. Jalpa Thakker and the entire Samvad Team without whom I couldn't have achieved anything. Further, I wish the new team All the Best. This issue is completely designed by them and I am sure they will take Samvad to greater heights.

Investment banking as an area has grown leaps and bounds over the last decade and perhaps for some people, getting a job as an investment banker is probably a dream especially for all those MBA Students who takes up Finance as their specialization. The lure of money and respect that comes with the job is enticing for all MBA graduates across the world. However it is very important to know about the nuances of Investment Banking and the nitty-gritty of all the jargons associated with the field.

To give you more insights on a career in this sector, we have Mr. Nandkumar Surti (MD and CIO of JPMorgan Asset Management India), a distinguished personality in the Asset Management Sector. Hope the interview adds lot of value to your reading. The featured article gives an insight on the financial theory of investment banking and helps the reader visualize the investment banking domain in a more concise manner.

We are thankful for all the wonderful comments, compliments and suggestions for improvisation by you all and we are striving for the best. We hope with this issue we provide you with different perspectives on this sector. We will be happy to hear if you personally wish to enter this sector or have a vision to bring about a disruptive change at the grassroots level. It's time we ignite our thoughts in to actions for a better tomorrow.

Hope you will like reading this issue. Feel free to give us your feedback.

Read Better to know Better...!!!

Best Regards and Bidding Adieu,

Aniruddha Kulkarni

Editor

Samvad - Igniting Thoughts of Tomorrow

Team Samvad would like to extend its heartfelt thanks to certain key members of the WeSchool family for their special efforts towards the making of this magazine.

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by both **Prof. Amarkant Jain** and **Prof. Deepa Dixit**. Their insight and expertise is our driving force to ensure the sustainability of our magazine.

We appreciate **Prof. Ravi Vaidee** for his help in selecting the best Marketing articles. He is part of our core Marketing faculty at WeSchool.

The Finance articles were scrutinized by **Prof. Sapna Malliya** and we thank her for choosing the most relevant and informative articles.

We appreciate the efforts of **Prof. Jyoti Kulkarni** for selecting the most interesting articles in General Management domain.

The Human Resources articles were scrutinized by **Prof. Anjali Joshi** and Operations Section by **Prof. Kavita**. We thank them for choosing the best articles

We would like to thank **Ms. Yashodhara Katkar**, General Manager - Liaison, WeSchool and her PR team for helping us to reach out to our readers. Also, we thank **Ms. Prachi Shah** and her team for helping us out in the PR activities of Samvad

We are indebted to **Prof. Jalpa Thakker** for all her help and guidance in the making of Samvad. Her insight and suggestions have been of tremendous benefit to us. The Samvad Team would truly be incomplete without her.





WeChat with Mr. Nandkumar Surti, MD and CIO,
J P Morgan

08



Featured Article



Is Volcker Rule the end of mindless speculation

11



General Management



Being an Investment Banker

14



Human Resources



Bottom line Investment in Investment Bank

16



Interview



L.I.M.E. Season 5 Wildcard Winners

18



Breather

20

An Interview with Mr. Nandkumar Surti

By: Team Samvad

(MD and CIO of J.P. Morgan Asset Management India.)

1. Could you please share with us a few interesting challenges that you faced in your professional career as you have worked for diverse profiles like fund manager in a Mutual Fund company, head of an investment team, CIO and now CEO and MD of Asset Management team at J P Morgan Asset Management India?

Challenges have been plenty. The biggest challenge was to stay put with your strongest conviction even when you were at logger heads with the rest of the world, and here I mean the sales team because they are the ones who go and show case our products to the external world and face the brunt of investors. This conviction helped me show strong performance through the periods of Indian financial challenges back in 1998, 2000 and also 2008.

It is not that I have not faced performance challenges as a fund manager. However, the best confidence I could get was from my investors because they would invest even more money with my funds because a beaten fund manager would put in more effort to rebound. That confidence probably comes when you master your subject. When I was a management trainee, my first CEO would really take us to task if we were half prepared, because he himself was such a well read person. That gave me first lesson to be first class in my subject always and pay thorough attention to detail.

2. Sir, you having headed the investment team for 12 years at JM Financial Mutual



Fund, what advice would you like to give to the investors going about investing among asset classes in the near and long term?

It's a challenging and dynamic world for investors. My advice to investors would be to focus on defining their investment horizon and the level of liquidity they require. It's imperative that one understands the cash flow availability and sets objectives based on financial requirements. Accordingly, they should choose products, ensure diversification and keep their expectations reasonable. I firmly believe in the power of compounding. A 12% to 14% compounded annual return over a long period of time adds substantial wealth.

In the near term, investors can look at short term bond funds along with liquid and treasury funds. If you extend your holding in duration products for the next six months you might get plausibly good opportunity to exit by making reasonable returns.

For long-term purpose on the other hand, I would advocate investments in equity as an asset

class. Small and mid-cap segments offer good investment opportunity. Growth is making a comeback in economies which are re-coupled with the developed world. If you are linked to these economies through global funds then you may tend to benefit. We strongly advise that investors should look at diversification as a theme in their investment portfolio. Diversification across product classes to minimize the volatility on the portfolio and help improve the risk adjusted returns.

3. Sir, reading your profile, you have been associated with Mutual Funds for most part of your career till now. Could you provide some insights into the mutual fund investments in India when compared with the advanced countries like the US?

In India, it is only a small fraction of the total savings that goes into investments in mutual funds. Gold and property are more favored instruments. The risk appetite is low and investors prefer the safety of bank FDs. The primary reason is the volatility attached with the market as also the inadequate awareness of mutual funds. Despite of the endless efforts made by the regulator and fund houses on Investor Education Initiatives, the buy-in from investors is still abysmal. As a matter of fact, in India, mutual funds are still a push product. In my belief, there is definitely a vast growth potential yet to be unleashed and India is undoubtedly emerging as the next big investment destination, driving on a high savings and investment rate, as compared to other Asian economies.

Assets under management as a percentage of GDP is less than 5 per cent in India as compared to 77 per cent in the US, 41 per cent in Europe and 40 per cent in Brazil. Mutual Fund industry in India has grown by 7% from 2009. The size of the AUM in India vis-à-vis advanced countries speaks for itself. Apart from this, with increasing sign of recovery in the cyclical sectors, Unemployment data improving, corporate profits surging and leverage in corporate balance

sheets coming down, mutual fund investments in US have picked up. In Japan, structural reforms have increased the market momentum. Japanese equities could therefore provide good risk-adjusted returns and add value to investment portfolios. Recently, developed Europe has seen signs of recovery due to linkage with other economies like US, China and Japan.

On the whole, global growth is improving on back of recovery in the developed markets. As a result, for the coming year there may be higher allocation to equities as an asset class.

4. With the Indian markets being relatively dormant (Sensex 20,900 being deceptive) with respect to ROI, how do you manage to retain the interest of your investors in Indian Capital Markets?

When talking about Indian Capital Markets, the scenario is tending towards positive outcomes. Long-term corporate bond or long-term G-sec of about 9 per cent looks quite attractive in terms of valuation. Investors looking at a horizon of more than a year will definitely benefit from it.

In PE (price-earnings) terms, valuations are around 14.6 times one-year forward earnings. Despite the worst prevailing conditions – policy inaction, high interest rates, weak consumer sentiment – the market valuations did not go below 12.5 at any point in this period. The ten-year average PE is around 15 times. So the market is currently trading just below its long term average. Presently, PBV (price-to-book value) is 2.5x which is again below its long term average of 3 times. Historically, whenever the markets have traded within a PBV band of 2.02.9x, the market has delivered 21% annual return over the next 1 year on an average. On the domestic front, if we see a stable government coming through, that will be the biggest positive for the market.

The markets love certainty. When that happens,

you will see investors' interest accelerating. Positive experience is the single most essential factor in keeping up the interest of the investors. Focus on building a strong product suite, improving performance and advocating diversification will help in retaining the interest of the investors.

5. Could you advice on the skills/qualities/knowledge, apart from the core domain knowledge required for a successful career in asset management?

Apart from command on financial concepts, what is really required is a strong passion for markets. As a professional in asset management, you cannot survive by just being good at number crunching. You need to possess strong interpersonal communication skills and people skills as well. Success in our business is dependent on the kind of relationship you develop with your distributors and clients. Thus, relationship management plays a very important role in our business. Ability to resolve conflicts and solve problems also comes in handy a lot of times.

What is also crucial to this business is strong attention to detail and organized and timely management of projects.

Last but not the least, in any industry including ours, a person is recognized by the ethical standards that he sets. Character, intelligence and strength are the three strong pillars on which you can build a rewarding career in asset management.

6. What would be your judgement on the financing of our current account deficit via foreign equity inflows? Is it a safe option?

Financing current deficit through volatile equity flows will always be a challenge. Having said that, since the opening of the equity markets for FIIs, India has always managed to get FII flows but for 2 years viz 2008 and 2011. These flows have essentially been on the perennial hope of

India delivering on its growth potential.

A better way of financing the CAD would be through long term steady flows like encouraging export competitiveness, FDI investments into the country etc.

7. What are your views on the market post the exit polls in the state elections?

Like I've mentioned earlier, a strong and stable government will lead to stability in the economic climate of the country. This will definitely have a positive impact on the investors' sentiment. This will reinforce investors' confidence in Indian market and we will definitely witness an upsurge in capital inflows. Investors are largely indifferent to which political party gets established, their primary concern is economic growth.

8. Could you give us an insight into how do you keep yourself abreast of the economy and the markets? Also, what are your reading habits? This is mainly so that the students who aspire to be in finance can imbibe those from you.

Keep reading. Talk to people who have the relevant knowledge. Continuously interact with external corporates to understand the real challenge to the outside world.

9. Lastly, could you tell us about your source of motivation and your advice to the budding managers for them to never lose that motivation in life?

What motivates me is the urge to make a difference. Not to worry that the work is done and run home. Not to worry about short term goals. Strive for excellence rather than perfection. Failures are a part when you are moving up. But never forget the learning from those failures so that you are better prepared the next time.

—O—

Is Volcker Rule the end of mindless speculation?

By: Gaurav Chattopadhyay & Puneet Mhatre, PGDM (2013-2015), SIMSREE

Dr. Gaurav Mehta, PGDM (2013-2015), WeSchool

After three years, on 10th December 2013, five US regulatory agencies voted to pass the Volcker Rule, a central part of the 2010 Dodd-Frank financial reform bill born out of the 2008 financial crisis. The rule will come in effect in its full force only in July 2015 for banks overseen by the Federal Reserve (Fed). Smaller banks – with assets lower than \$10 billion – have till 2017 to comply with the rule. The rule derives its name from Paul Volcker, the former Federal Reserve chairman, who laid down the basic rules.

Figure 1: Paul Volcker; The Volcker Rule



Image Source: http://www.bloomberg.com/video/it-s-a-big-day-for-the-volcker-rule-1gJD_OhqQ36zk9JkinVVQw.html

Central Provisions:

The Volcker Rule separates investment banking, private equity and propriety trading sections of financial institutions from their consumer lending arms. It basically stops banks from doing their normal business (installment loans, residential mortgages, equity credit loans, deposit services) as well as trading on their own behalf.

The rule was introduced following the recession of 2008, to control the risk associated with the financial sector. Wall Street banks were accused of accumulating an excessive amount of risk and unfair business practices due to the inability of

regulators to properly monitor their complex instruments and activities. Banks are not allowed to simultaneously enter into an advisory and creditor role with clients, such as with private equity firms. As per the Volcker Rule, Federal Deposit Insurance Corporation (FDIC) backed banking institutions are prohibited from:

Proprietary trading with their client's deposits
Proprietary trading is speculative trading done for the purpose of profits. Pre-2000, Investment Banks (IB) were partnerships owned by rich families who placed these bets with their own money. That money was now subject to the uncertainties of the market with IBs now being able to use customer deposits to trade. Between 2006 and 2011, banks made \$15.6 billion profits and lost \$15.8 billion in proprietary trading, with a net loss of \$221 million. Some of these bets were described as pure "gambling". Restrictions on owning, sponsoring or investing in hedge, private equity or other similar funds ("covered funds"). Proprietary trading through partners is thus avoided.

Loopholes in the Volcker Rule

Although Senators Merkley and Levin have argued that the formulators of the rule do not have the statutory authority for the given exclusions of the Volcker Rule; it has widened the scope of escape from the said rule by creating such open ended administrative exclusions. Even if these are overlooked the Volcker Rule is highly dependent on unenforceable standards and self-regulation by the banks, which has not proven very successful in the past. It allows the insured depository institutions to the following

Indirectly bet on Repo, Reverse Repo and Securities

All these three are excluded from the whole concept of a trading account. Furthermore there are no limits on repos in the final rule. This way Repos and Securities can be used a short sale or arbitrage. Large scale betting can occur with these two by using them to create the effect of total return swaps and synthetic forward contracts.

Buy and sell investment for their own clients (Market Making)

Although very few banks act as market makers, the one that do are very dangerous. Banks prefer to have a batch of securities that they could be sold to clients on demand but this process does allow them to earn profit. So this cache of securities could be used for speculation.

Hedging to mitigate risk

The Volcker Rule did put some restrictions on this one but it still allows banks to mitigate their risk through hedging for various banking activities. In expert opinions hedging doesn't eliminate risk at all; it just replaces one risk with another. There is a blurred line between hedging and proprietary trading that the rule aims to prevent. The bank may claim that the current position in a security is for risk mitigation but that could actually be for profit making purpose. The Volcker rule dictates hedges as often being in "different legal entities" which will make it very hazy for the bank supervisors to monitor the correlation between trading accounts and hedging.

Clearing of Derivatives

The innovation of derivatives can be called a pre-cursor that helped propel the financial crises into its current situation. Yet the rule doesn't accommodate any strict regulations for it. The Dodd-Frank Act requires the derivatives to be cleared but does not the clearing houses. The final rule also excuses derivatives trading by a bank that operates a clearing house. A clearing house can itself become too big to fail. Recent

history proves that such clearing houses had to be bailed out.

Underwriting

IBs are allowed to have an underwriting position so long as it does not exceed "reasonably expected near-term demands of customers". This also includes secondary market offerings, anticipatory accumulation of inventory and block positioning.

Bloomberg suggested that the Investment Banks are expected to exploit the loopholes of the rule and possibly this expectation propelled stocks of Goldman Sachs and JPMorgan to rise even after the rule's approval.

Volcker Rule vs. Glass-Steagall Act

Figure 2: Glass-Steagall Act



Image Source: <http://global-resource-based-economy.blogspot.in/2014/01/banks-in-overdrive-to-stop-glass.html>

Glass-Steagall Act was an act enacted after the Great Depression of 1928. Its main provision was to provide for clear separation of the commercial banking system and the investment banking system. This meant that any commercial depository bank which was affiliated with the Federal Reserve will not be able to affiliate with IBs. In this way the commercial banking system which was insured by the US Government would not take part in speculative trading and leading to lesser systemic risk. But in 1999, the Clinton administration repealed this act which led to the formation of the "Too Good to Fail" banks post 2008.

Volcker rule is viewed as the tepid down version of the Glass-Steagall Act. Dubbed as the “Glass-Steagall Lite”, the rule prevents certain type of transactions; JPMorganChase is restricted in propriety trading, while Glass-Steagall act prohibited certain type of institutions; JPMorganChase could not exist. The rule’s enactment was based on the premise that if Glass-Steagall would have been in place we could have avoided the 2008 crisis. But the fact remains that neither Lehman Brothers, Bears & Sterns were pure IBs and did not come into the purview of the act and neither AIG nor Fannie and Freddie. So what is the real impact of this rule?

Impact of Volcker Rule

The major impact is on JPMorganChase, Citigroup, Goldman Sachs and Morgan Stanley. Though Investment banking giants Goldman Sachs and Morgan Stanley are not traditional “banks” that issue deposits, they are impacted as they were labelled banking institutions by the Federal Reserve following the 2008 financial meltdown so that the government could rescue them.

Reduced sources of Funds

This would only lead to the IBs being customers of the commercial banks. In this case also the commercial banks will be as vulnerable to the speculative activity of the IBs. The commercial banks will only serve as an intermediary.

Reduced liquidity

Institutional investors can easily become nervous. If they sense any risk in the IB they would pull out their money easily and without liquidity from their commercial banking arm could spell trouble for the IB.

Exodus of top traders

Since opportunities of trading for traders have reduced for IBs, top traders in IBs are moving into greener pastures viz. hedge funds.

Reduction in trading profit

Trading income for the big IBs will reduce. The following graph shows the share of the trading revenue as percentage of their total revenue. In fact, Bank of America said it stands to lose up to \$500 million per quarter due to the rule.

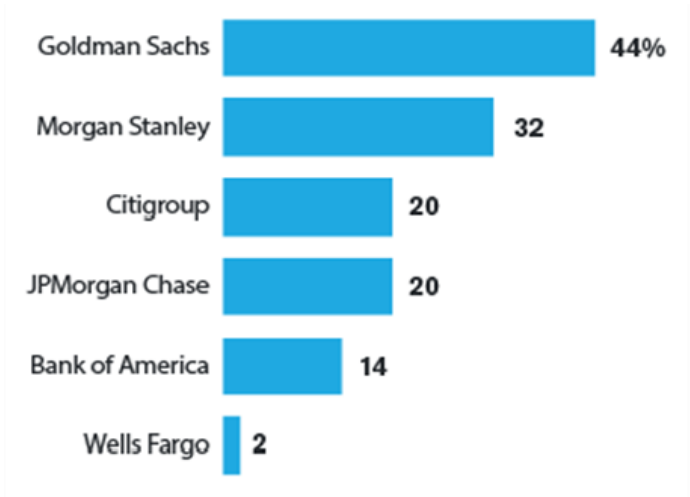


Image Source: <http://www.bloomberg.com/quicktake/files/2013/12/volcker-rule-2-grafic.png>

Conclusion

The proposed Volcker Rule has led to an exodus of top proprietary traders from large banks to form their own hedge funds or join existing hedge funds

Investment Banks might hope the rule was never made, but what this rule really does is just add a ‘superficial’ layer of risk management to the banks operations while impacting the economy in a modest way by reducing liquidity.

—O—

Being An Investment Banker

By: Ankit Savla, PGDM (2013-2015), National Institute Of Bank Management., Pune

Investment Banking and Investment Banker are one of the most misused financial jargons used in B – Schools. Hollywood Movies like Wall Street, Inside Job and many others further add to the glamour of the job of being an Investment Banker.

What is Investment Banking all about?

An Investment Banking Firm is a financial super market which performs variety of financial intermediary services. Investment banks specialize in complex financial transactions such as underwriting, acting as an intermediary between a securities issuer and the investing public, Private Equity Funds, Venture Capitalists, debt funds, etc. facilitating mergers, acquisitions, raising equity capital, debt capital and other corporate re-

organizations. It also acts as a broker and/or financial adviser for institutional clients.

What it takes an Individual to become an Investment Banker?

An individual who intends to make a career as a front end officer Investment Banker dealing with clients typically requires to have dual knowledge of marketing and financial products. Usually building and maintaining client relationships with top managements of companies and investing funds, banks, etc. tests the marketing skills of the individual. Further knowledge of the financial products of the individual are tested for completing the various financial transactions.

Why all the Money and Glamour is attached with Investment Bankers?

The main reason is because being an Investment Banker, the individual directly deals with people/ individuals in powerful positions like entrepreneurs, top management (CEOs, CFOs) of companies, top Investment Firms, and Investors in the industry.

What is the normal day to day Job of an Investment Banker?



Image Source:<http://google.co.in>

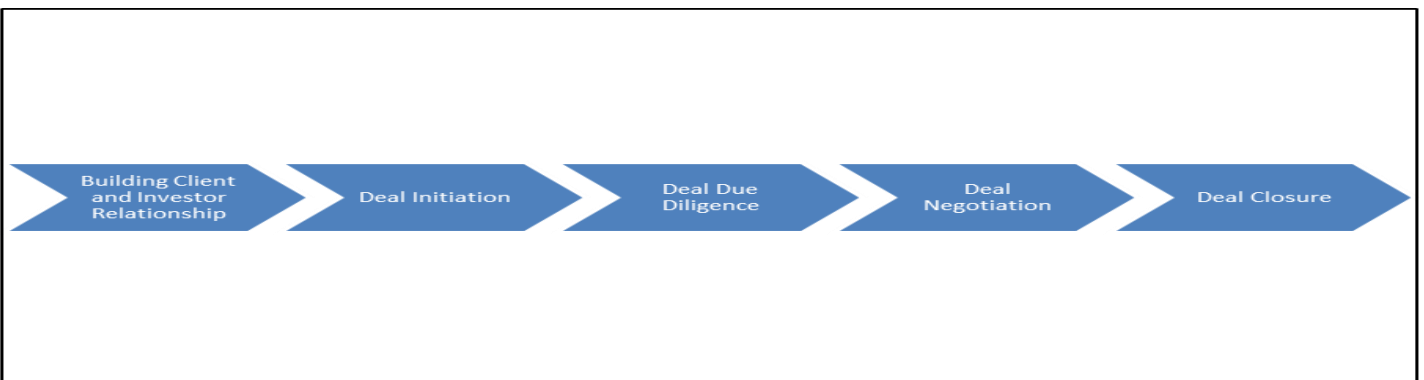


Image Source:<http://google.co.in>

Of the entire process major time in a typical day of the investment banker is spent on meeting / discussing deal initiations with prospective clients. Further a lot of time of the investment bankers is also spent reading and understanding about Industries and financial products they deal in.

What is the flip side of being an Investment Banker?

It is widely said that “an individual is as good as his last quarter’s sales performance”. This term is especially true in the Investment Banking Industry as Investment Banks primarily rely on the Investment Banking fees earned on deals done by Investment Bankers. Human Resource is the primary cost of majority Investment Banks. Deal flows usually dry up during slowdown / recession phase of the economy. Hence, we see a lot of layoffs taking place in Investment Banking firms as cutting cost to stay in business during bad time remains the primary aim of the firm.



Image Source:<http://google.co.in>

Conclusion:

To conclude Investment Banking is a high risk high return paying job like acting or being an ace Investor where the one who does well is applauded and others end up gaining next to nothing.

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Image Source:<http://google.co.in>

Bottom Line Investment In Investment Bank

By: Avik Sengupta, PGDM-HR (2013-15), XIMR, Mumbai

In broad terms, an investment bank is an institution that advises and raises money for companies, governments and wealthy individuals. Investment Banking is a set of many roles which involves investment of risk, hard work, knowledge, skills and patience with varying proportions (depending on the role) to derive a higher return in the form of job satisfaction and money.

Ask a HR personnel in an investment bank and he/she is most likely to agree with the above two answers which play an important role while he/she makes a hiring decision. The broad scope of this article is analysis of job profiles in an investment bank and personality –job fit for the same.

General Hierarchy in an Investment Bank

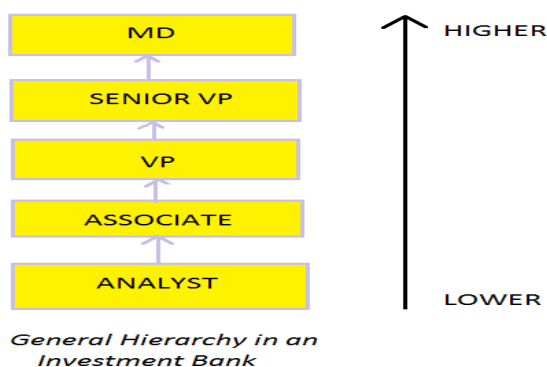


Image source: <http://www.google.com/imghp>

I would be delving in detail into the job profiles of an analyst and an associate.

Job Profile of an Analyst

As Analysts are at the bottom rung on the investment banking ladder, they do the bulk of the work. Broadly speaking there are three types of work that Analysts do: presentations, analysis and administrative tasks. Presentation work

involves putting together various documents which may include marketing documents (“Pitches” or “Pitch books”) and documents for live transactions (for example, a presentation to a manager or a client). The second main task of an analyst is analytical work. Pretty much anything done in Excel is considered “analytical work.” It may include entering company data from public documents, analyzing such data for valuation purposes and projecting a company’s



Image source: http://howik.com/Prepare_for_a_Job_Interview

financial statements (“modeling”). The third type of task is administrative work which involves things like scheduling, making travel arrangements, setting up conference calls and meetings and keeping a list of team members involved in the deal up to date.

Candidate’s point of action

- a) High degree of initiative and motivation
- b) Keen attention to detail
- c) Composure and confidence to juggle conflicting priorities
- d) Ability to learn, think, and react quickly

Interviewer's point of action

A. Analysis of the role

The skills needed would be good presentation skills, basic understanding of financial ratios and valuation techniques, knowledge about excel. These skills can be gauged from the educational and good organization skills (administrative work). These skills could be gauged from candidate's educational and professional background.. Since the tasks assigned involves high pressure and repetitive work, he can be put through a stress test and made to play monotonous games respectively to determine his response..

Thus, patience and hard work are the key attributes to be tested from a company's point of view and to be developed from a candidate's point of view. Knowledge in the form of basic understanding of finance is also essential.

Job Profile of an Associate

An investment banking associate works under the direction of a senior banker to advise clients on a variety of strategies. These investment strategies may include issuing stocks or bonds to meet temporary monetary problems, preparing corporate documents for initial public offerings (IPOs) on securities exchanges and advising in merger and acquisition (M&A) transactions. Compensation in the investment banking community typically depends on firm size, academic qualifications, seniority and trends in securities exchanges.

Candidate's point of action

- a) ability to work well in a team environment with strong core finance base
- b) strong interpersonal skills .
- c) knowledge of industry trends, history, and the major participants.
- d) ability to judge investment opportunities for the client

Interviewer's point of action

A. Analysis of the role

Skills needed - same as those of an analyst but additional skills required are:

1. Excellent knowledge in Finance - As he is responsible to guide the analyst under him. His knowledge increases the efficacy of the analyst under him.

2.. Managerial Skills and Excellent client relationship maintenance ability.

Job Nature – same as an associate but an addition is:

Risk- Higher as his work along with the analyst can make or break a deal and help or destroy the analyst's career.

B. Working Model to judge an individual's fitness for the role

The candidate should have either a MBA in finance or CFA Level-II certification. An exposure of 2 years as an analyst in the same or some other company should be preferred. Any other form of experience which adds to his core finance knowledge should also be good. To test managerial skills, ask the candidate to split a job between him and another person based on both their strengths. In order to test relationship maintenance ability, ask him to communicate a valuation to a hypothetical client. Stress interview and emotional intelligence questionnaire can be used to check a person's ability to handle risks .

Notice how the risk proportion moved up in the investment equation as we moved up higher from the analyst to the associate role. Further this risk proportion increases as we scale up the ladder as the accountability increases. Hence both the candidates and the interviewer should keep this in mind while preparing to take or face an interview .

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L.I.M.E. – Season 5 Wildcard Winners

Shashank Shekhar, Nidhi Rath and Jai Rampuria from WE School were adjudged the wildcard winners for this years Lessons In Marketing Excellence-L.I.M.E Season 5. They made it all the way to the semi-final stage

Here, they give us insights on how they went about their case Study which was on Luxury Salon Hair Products namely T.I.G.I and how one mentally and physically prepares for Big Competitions like L.I.M.E.

1. Please share your experiences and learnings while preparing for L.I.M.E?

We read and studied the case thoroughly. The first few days went off in a whimper but as the deadline drew closer, we started to take it seriously. We were working continuously. I used to take a one hour break in between, have something, take a nap then again start working. Everything was just happening. We forgot everything else. That is the reason probably we got through. Another important thing to note is wild card is where not only your ideas have got a very important role, but also your presentations. Your presentations should just look out of the world, in terms of look and feel. Keep brilliant images, wonderful things. It also forms a part of selection. It is very logical because they do not have time to go through each and every presentation in just 10 days. So the ones that look good and has some exclusive data get selected. So it is very important in the wild cards, not in the semifinals. This it is just a strategy. And during your preparation please involve your faculties. They are brilliant and exceptional. Their knowledge level is out of this world.

2. How did you go about deciding about things like Survey, Sample Size etc?

L.I.M.E Season 5 case study came very late and all the participants got only 3 weeks (20 days) to prepare for it. For competitions or case studies which involves survey make sure you have a sample size as big as possible. Reason being you get better insights. Secondly you start getting a pattern as to your sample size is big or small. Moreover you can quote figures. Always quote figures or percentages. It adds credibility to the person if he/she tells that 74% people feel that T.I.G.I is good for hair etc. It makes the listener feel that the speaker has done some research work. That is the reason, talking to a lot of customers give a better insight. Read your case every day. It gives a different meaning every time. The HUL guys are very smart. They play with words. You have to play even smarter than that. So read the case a lot of times.

3. What was your overall sample size?

We targeted around 300 customers. We did online and offline surveys. We took snapshots from survey monkey, kept them in slides. We quoted figures. When you go to customers or salon managers or stylists, shoot questions like what do consumer want, the problem they face they will go on and don't write, always record. Keep recording, once you come back, listen and you will have hold of all that you would have heard. Be very smart. If you are a group of 3, then all of you don't do the same work. While others can observe, what the product is, see how they behave etc.

4. When you went to salons and interviewed hairstylists and salon managers, did you get to interview their customers?

Salons have very strict policy of not allowing to



Image Source: <http://www.limeonline.in/index.asp>

interview their customers. You have to shed all your ego. Even if they strictly say no or insult, you have to say thank you ".Sometimes we waited for customers to come out and started talking to them, or we went sometimes like customers itself and started talking to them.You have to find ways to get information

5. How was the products of TIGI discussed in case study?

One was Sfactor and the other was bed head. In a range of 100, 60 were for styling. They wanted to leverage styling. But in India it is just 8%.We asked a lot of questions during our research "Why don't you style your hair?" Many replied "It is very time consuming, it destroys hair, I prefer oil etc".Then we thought of Moroccan oil. Then we realized Oil is a very homely thing for Indians. A consumer wouldn't think much before using Rs.2430 worth Moroccan oil while they would doubt L'Oreal. This has repercussions for TIGI as well. If someone says "I am using Moroccan oil and am comfortable with washing it off with L'Oreal"

So you should say that it is perfectly fine, but persuade them to use TIGI.Because It is a myth it damages your hair and styling does not damage your hair. So here is the point you need to leverage your campaign. We got these through customer research. It has to be wide and strong.

6. Please give us insight on the campaign designed by you?

Campaigns are something which comes out of creativity. We designed a campaign which we thought was good. But probably judges liked it even more. We designed a campaign called 'Style Mafia' for bed head which is for the age group of 18 -25.Style mafia was planned in 3 phases. First phase was just buzz creation which was done in about 2 weeks. It was done just by telling people that Style mafia is there in town. We didn't mention anything about TIGI. We launched social media website for style mafia .Phase 2 we called stylists like Adhuna Akhtar, Javed Habib etc and consumers. Now they will declare that TIGI is their new style mafia. Also launch a lot of competitions. It was done with an idea that everyone would start talking of TIGI.

7. Lastly, what would be your advice to juniors or your peers who are going into Big Competitions like L.I.M.E?

Well, Read and study the case thoroughly. Involve your faculty as much as you can as you get a lot of inputs which prove useful. And finally believe in your abilities and be confident and competitive. It's a competition, go out there with an intention to win and you would come out trumps. All the best to all!

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Investment Banking: A background

“Investment banking” is a buzz word now days. But what investment banks actually do? It’s not a straightforward thing to explain, but let’s start by stating that it’s not investing, nor banking. An investment bank is a special type of financial institution that works primarily in higher finance unlike commercial banks. The primary function of an investment banker is to assist companies in raising money through the sale of financial securities in the capital markets. These securities are usually either bonds, preferred stock, or common stock. E.g. if Coca-Cola Enterprises wanted to sell 10 Cr. worth of bonds to build new bottling plants in India, an investment bank would help them find buyers for the bonds and handle the paperwork, along with a team of lawyers and accountants. Along with this, there are many other functions an investment bank performs. They are:

1. For issuers of securities—like investment institutions, corporations, governments, and agencies—the bank offers its capital market services. These services continue the investment banks’ ancestral role of financier, but modern-day banks’ activities go beyond that. The banks keep inventing (and underwriting) new financing structures to adjust the issuers’ cash flow to the appetite of investors.
2. For investors, the bank proposes its selling capabilities to advise on the attractiveness of a financial product. Its brokers (private-client representatives) talk to individual investors.



Image source: <http://www.google.com/imghp>

Its institutional sales force provides investors with opportunities to diversify their portfolios, manage risk, and enhance returns. This helps the overall environment of an investment banking function to operate in a more holistic and competitive manner.

3. For buyers and sellers of securities—like money management firms, insurance companies, and the various types of funds—



Image source: <http://www.google.com/imghp>

the bank proposes its trading expertise to execute transactions in equities, bonds, currencies (referred to as Forex or FX), options, and futures. The bank's traders then lock horns with other traders at commercial banks, investment banks, and large institutional investors.

4. For clients dealing in commodities, whether as industrial companies hedging their risks or as speculators taking a position in the market, the bank makes a market in this product. When making a market, the investment bank acts as a principal that takes the other side of customer trades.



Image source: <http://www.google.com/imghp>

5. The research departments of investment banks convey information to investors about monetary or economic matters. They also provide recommendations concerning the future prospects of listed securities.

6. Continuing on the advisory side, investment banks propose strategic advice and valuation services in mergers and acquisitions, transactions dealing with the equity capital of corporations.

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We invite articles for the January 2013 Issue of Samvad.

The Theme for the next month: January 2013 - “**Small and Medium Enterprise**”

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

Submission Guidelines:

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com. Deadline for submission of articles : 25th December, 2013**
- Please name your file as: <YourName>_<title>_<section name e.g. Marketing/Finance>
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- Ensure that there is no plagiarism and all references are clearly mentioned.
- Like our Fb pg: [Samvad.WeSchool.Student.Magazine](#).

Samvad Blog

As said by Ann Morough Lindburg, “Good communication is as stimulating as black coffee and just as hard to sleep after.” Samvad, which means 'to converse' in Hindi, is exactly the motive of our team Samvad. Our readers and writers are of utmost importance to us at Samvad. We don't like to interact with you only once when the issue is released. So, we thought, what next? Then came the idea of a blog - the ideal platform for meaningful discussion on a more regular basis. Hence, we present to you 'The Samvad Blog'. The Samvad Blog, as the name suggests is a blog dedicated to sharing of information, insights and opinions that allow exchange of some valuable ideas by stimulating your intellectual senses. It will include some interesting reads on management gurus, book reviews, and relevant articles among many other varieties of food for thought.

<http://samvadwe.blogspot.in/>

Don't forget to comment with your opinions. Always have a healthy debate we say! As progression lies not in agreement, but debate!



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