CHAPTER – II

COMPANY PROFILE AND REVIEW OF LITERATURE

ACC LIMITED

ACC (ACC Limited) is India’s foremost manufacturer of cement and concrete. ACC’s operations are spread throughout the country with 14 modern cement factories, more than 30 ready mix concrete plants, 20 sales offices, and several zonal offices. It has a workforce of about 10,000 persons and a countrywide distribution network of over 9,000 dealers. ACC’s research and development facility has a unique track record of innovative research, product development and specialized consultancy services. Since its inception in 1936, the company has been a trendsetter and important benchmark for the cement industry in respect of its production, marketing and personnel management processes. Its commitment to environment-friendliness, its high ethical standards in business dealings and its on-going efforts in community welfare programmes have won it acclaim as a responsible corporate citizen. ACC has made significant contributions to the nation building process by way of quality products, services and sharing its expertise.

In the 70 years of its existence, ACC has been a pioneer in the manufacture of cement and concrete and a trendsetter in many areas of cement and concrete technology including improvements in raw material utilisation, process improvement, energy conservation and development of high
performance concretes. ACC’s brand name is synonymous with cement and enjoys a high level of equity in the Indian market. It is the only cement company that figures in the list of Consumer Super Brands of India.

The company's various businesses are supported by a powerful, in-house research and technology backup facility - the only one of its kind in the Indian cement industry. This ensures not just consistency in product quality but also continuous improvements in products, processes and application areas. ACC has rich experience in mining, being the largest user of limestone, and it is also one of the principal users of coal. As the largest cement producer in India, it is one of the biggest customers of the Indian Railways, and the foremost user of the road transport network services for inward and outward movement of materials and products. ACC has also extended its services overseas to the Middle East, Africa, and South America, where it has provided technical and managerial consultancy to a variety of consumers, and also helps in the operation and maintenance of cement plants abroad.

ACC is among the first companies in India to include commitment to environmental protection as one of its corporate objectives, long before pollution control laws came into existence. The company installed pollution control equipment and high efficiency sophisticated electrostatic precipitators for cement kilns, raw mills, coal mills, power plants and coolers as far back as 1966. Every factory has state-of-the art pollution control equipment and devices. ACC demonstrates the practices of being a good corporate citizen undertaking a wide
range of activities to improve the living conditions of the under-privileged classes living near its factories.

ASHOK LEYLAND

The origin of Ashok Leyland can be traced to the urge for self-reliance, felt by independent India. Pandit Jawaharlal Nehru, India's first Prime Minister persuaded Mr. Raghunandan Saran, an industrialist, to enter automotive manufacture. In 1948, Ashok Motors was set up in what was then Madras, for the assembly of Austin Cars. The Company's destiny and name changed soon with equity participation by British Leyland and Ashok Leyland commenced manufacture of commercial vehicles in 1955. Since then Ashok Leyland has been a major presence in India's commercial vehicle industry with a tradition of technological leadership, achieved through tie-ups with international technology leaders and through vigorous in-house Research and Development.

Access to international technology enabled the company to set a tradition to be first with technology. Be it full air brakes, power steering or rear engine busses, Ashok Leyland pioneered all these concepts. Responding to the operating conditions and practices in the country, the company made its vehicles strong, over-engineering them with extra metallic muscles. "Designing durable products that make economic sense to the consumer, using appropriate technology", became the design philosophy of the company, which in turn has moulded consumer attitudes and the brand personality. Ashok Leyland vehicles have built a reputation for reliability and ruggedness. The 5, 00,000 vehicles the
company has put on the roads have considerably eased the additional pressure placed on road transportation in independent India.

In the populous Indian metros, four out of the five State Transport Undertaking (STU) buses come from Ashok Leyland. Some of them like the double-decker and vestibule buses are unique models from Ashok Leyland, tailor-made for high-density routes. In 1987, the overseas holding by Land Rover Leyland International Holdings Limited (LRLIH) was taken over by a joint venture between the Hinduja Group, the Non-Resident Indian transnational group and IVECO. (Since July 2006, the Hinduja Group is 100 per cent holder of LRLIH). The blueprint prepared for the future reflected the global ambitions of the company, captured in four words: Global Standards, Global Markets. This was at a time when liberalisation and globalisation were not yet in the air. Ashok Leyland embarked on a major product and process upgradation to match world-class standards of technology. In the journey towards global standards of quality, Ashok Leyland reached a major milestone in 1993 when it became the first in India's automobile history to win the ISO 9002 certification. The more comprehensive ISO 9001 certification came in 1994, QS 9000 in 1998 and ISO 14001 certification for all vehicle manufacturing units in 2002. It has also become the first Indian auto company to receive the latest ISO/TS 16949 Corporate Certification (in July 2006) which is specific to the auto industry.

**BATA INDIA LIMITED**

Bata India is the largest company for the Bata Shoe Organization in terms of sales pairs and the second largest in terms of revenues. With 1250 stores
across the country, it also has the widest retail network within the BSO. By the
time Bata had come to India in 1931; it was already recognized as a leading shoe
brand. Its manufacturing and marketing operations heralded the rise and the
development of a modern footwear industry in India. Before Bata, footwear was
produced primarily in the handicrafts and small enterprise segments. Bata, over
the decades, used the ‘current knowledge' from its international experience to
create adaptive and innovative baseline standards for the shoe businesses in
India.

Incorporated as Bata Shoe Company Private Limited in 1931, the
company was set up initially as a small operation in Konnagar (near Calcutta) in
1932. In January 1934, the foundation stone for the first building of Bata's
operation - now called the Bata. In the years that followed, the overall site was
doubled in area. This township is popularly known as Batanagar. It was also the
first manufacturing facility in the Indian shoe industry to receive the ISO: 9001
certification. The Company went public in 1973 when it changed its name to
Bata India Limited. Today, Bata India has established itself as one of Asia's
largest footwear retailer. It has cornered around 35 per cent market share in the
organized sector (and approx. 8.5 per cent of the total footwear market). Almost
98 per cent of the company's revenue is from the domestic market while the rest
is from exports. The company currently sells over 45 million pairs of shoes
every year and has an annual sales turnover of more than Rs 8000 million (USD
178 million).
Over the years, Bata India has established a leadership position in the footwear industry and is easily the most trusted name in branded footwear. Its retail network of 1250 stores gives it a reach/coverage that no other footwear company can match. The stores are present in good locations and can be found in all the metros, mini-metros and towns. In terms of products, the company has now built a good, market-oriented collection that is in line with fashion trends and offers a good quality to price ratio. Its product range now encompasses classic shoes such as Ambassador for Men and comfort shoes such as Comfit for ladies, as well as a more trendy collection for ladies in the Marie Claire range and a sporty fashion collection for young adults in the North Star range.

Bata's smart looking new stores supported by a range of better quality products are aimed at offering a superior shopping experience to its customers. And the new face of Bata India is now visible to the industry as well as its customers. Today, backed by a brand perception of experience, the company is working towards positioning itself as a vibrant and contemporary young brand. It has significantly transformed its retail formats to become more lifestyle-oriented, which has helped change consumer perceptions to a large extent.

**BHARAT HEAVY ELECTRICAL LIMITED (BHEL)**

BHEL is the largest engineering and manufacturing enterprise in India in the energy-related infrastructure sector today. BHEL was established more than 40 years ago, ushering in the indigenous Heavy Electrical Equipment Industry in India - a dream that has been more than realized with a well-recognized track
record of performance. The company has been earning profits continuously since 1971-72 and paying dividends since 1976-77.

BHEL manufactures over 180 products under 30 major product groups and caters to core sectors of the Indian Economy viz., Power Generation and Transmission, Industry, Transportation, Telecommunication, Renewable Energy and the like. The wide network of BHEL’s 14 manufacturing divisions, four Power Sector regional centres, over 100 project sites, eight service centres and 18 regional offices enables the Company to promptly serve its customers and provide them with suitable products, systems and services efficiently and at competitive prices. The high level of quality and reliability of its products is due to the emphasis on design, engineering and manufacturing to international standards by acquiring and adapting some of the best technologies from leading companies in the world, together with technologies developed in its own Research and Development centres.

BHEL has acquired certifications to Quality Management Systems (ISO 9001), Environmental Management Systems (ISO 14001) and Occupational Health and Safety Management Systems (OHSAS 18001) and is also well on its journey towards Total Quality Management.

CIPLA LIMITED

The Chemical, Industrial and Pharmaceutical Laboratories was set up in 1935 which came to be popularly known as Cipla. The founder gave the company all his patent and proprietary formulas for several drugs and medicines, without charging any royalty. On August 17, 1935, Cipla was
registered as a public limited company with an authorised capital of Rs 6 lakhs. The search for suitable premises ended at 289, Bellasis Road (the present corporate office) where a small bungalow with a few rooms was taken on lease for 20 years for Rs 350 a month. Cipla was officially opened on 22nd September, 1937 when the first products were ready for the market. The Sunday Standard wrote: "The birth of Cipla which was launched into the world by Dr K A Hamied will be a red letter day in the annals of Bombay Industries. The first city in India can now boast of a concern, which will supersede all existing firms in the magnitude of its operations. India has lagged behind in the march of science but she is now awakening from her lethargy. The new company has mapped out an ambitious programme and with intelligent direction and skillful production bids fair to establish a great reputation in the East."

On 31st October, 1939 the books showed an all-time high loss of Rs 67,935. That was the last time the company ever recorded a deficit. In 1942, Dr Hamied's blueprint for a technical industrial research institute was accepted by the government and led to the birth of the Council of Scientific and Industrial Research (CSIR), which is today the apex research body in the country. In 1944, the company bought the premises at Bombay Central and decided to put up a "first class modern pharmaceutical works and laboratory." It was also decided to acquire land and buildings at Vikhroli. With severe import restrictions hampering production, the
company decided to commence manufacturing the basic chemicals required for pharmaceuticals.

In 1946, Cipla's product for Hypertension, Serpinoid was exported to the American Roland Corporation, to the tune of Rs 8 lakhs. Five years later, the company entered into an agreement with a Swiss firm for manufacturing for omycene. Dr Yusuf Hamied, the founder's son, returned with a doctorate in chemistry from Cambridge and joined Cipla as an officer in charge of research and development in 1960. In 1961, the Vikhroli factory started manufacturing diosgenin. This heralded the manufacture of several steroids and hormones derived from diosgenin.

**GRASIM INDUSTRIES LIMITED**

Grasim Industries Limited, a flagship company of the Aditya Birla Group, ranks among India's largest private sector companies, with consolidated net revenues of Rs.141 billion and a consolidated net profit of Rs.20 billion(FY2007). Starting as a textiles manufacturer in 1948, today Grasim's businesses comprise Viscose Staple Fiber (VSF), cement, sponge iron, chemicals and textiles. Its core businesses are VSF and cement, which contribute to over 90 per cent of its revenues and operating profits.

The Aditya Birla Group is the world’s largest producer of VSF, commanding a 21 per cent global market share. Grasim, with an aggregate capacity of 270,100 tonne per annum has a global market share of 11 per cent. It is also the second largest producer of caustic soda (which is used in the production of VSF) in India. In cement (grey cement and white cement), Grasim
along with its subsidiary UltraTech Cement Ltd. has a capacity of 30 million tonne per annum and is a leading cement player in India. In July 2004, Grasim acquired a majority stake and management control in Ultra Tech Cement Limited. One of the largest of its kind in the cement sector, this acquisition catapulted the Aditya Birla Group to the top of the league in India.

**WIPRO TECHNOLOGIES**

Wipro Technologies is a global services provider delivering technology-driven business solutions that meet the strategic objectives of our clients. Wipro has 55+ ‘Centers of Excellence’ that create solutions around specific needs of industries. Wipro delivers unmatched business value to customers through a combination of process excellence, quality frameworks and service delivery innovation. Wipro is the World's first CMMi Level 5 certified software services company and the first outside USA to receive the IEEE Software Process Award.

**Some quick facts on Wipro**

- Wipro becomes the first Indian IT Service Provider to be awarded Gold-Level Status in Microsoft’s Windows Embedded Partner Program
- Wipro is the world’s largest independent R&D Services Provider
- Worlds 1st PCMM Level 5 software company
- Wipro one among the few companies in the world to be assessed at maturity level 5 for CMMI V1.2 across offshore and onsite development
- Worlds 1st IT Services Company to use Six Sigma
• The pioneers in applying Lean Manufacturing techniques to IT services
• World’s first SEI CMM/CMMI Level 5 IT services company
• The first to get the BS15000 certification for its Global Command Centre
• Functional RFID Enabled Concept Store and Global Data Synchronization Laboratory BS7799 and ISO 9000 certified
• Among the top 3 offshore BPO service providers in the world
• Wipro is a strategic partner to five of the top ten most innovative companies in the world*
  (*Technology Review Innovation Index 2005)
• Over 55 industry facing ‘Centers of Excellence’
• 928 clients - 95000+ employees
• 54 development centers across globe

SATYAM COMPUTERS AND SERVICES

Satyam is a leading global business and information technology company, delivering consulting, systems integration and outsourcing solutions to clients in over 20 industries. It leverage deep industry and functional expertise, leading technology practices, and an advanced, global delivery model to help clients transform their highest-value business processes and improve their business performance. Satyam (NYSE: SAY) is a leading global business and information technology services company, delivering consulting, systems integration, and outsourcing solutions to clients in 20 industries and more than 65 countries. Satyam leverages deep industry and functional expertise, leading
technology practices, and an advanced, global delivery model to help clients transform their highest-value business processes and improve their business performance. The company’s 52,865 Associates excel in engineering and product development, supply chain management, client relationship management, business process quality, business intelligence, enterprise integration, and infrastructure management, among other key capabilities. Satyam development and delivery centers in the US, Canada, Brazil, the UK, Hungary, Egypt, UAE, India, China, Malaysia, Singapore and Australia serve 690 clients, including 185 Fortune 500.

**RELIANCE INDUSTRIES**

The Reliance Group, founded by Dhirubhai H. Ambani (1932-2002), is India's largest private sector enterprise, with businesses in the energy and materials value chain. Group's annual revenues are in excess of US$ 34 billion. The flagship company, Reliance Industries Limited, is a Fortune Global 500 company and is the largest private sector company in India.

Backward vertical integration has been the cornerstone of the evolution and growth of Reliance. Starting with textiles in the late seventies, Reliance pursued a strategy of backward vertical integration - in polyester, fibre intermediates, plastics, petrochemicals, petroleum refining and oil and gas exploration and production - to be fully integrated along the materials and energy value chain. The Group's activities span exploration and production of oil and gas, petroleum refining and marketing, petrochemicals (polyester, fibre
intermediates, plastics and chemicals), textiles, retail and special economic zones.

Reliance enjoys global leadership in its businesses, being the largest polyester yarn and fibre producer in the world and among the top five to ten producers in the world in major petrochemical products. The Group exports products in excess of US$ 20 billion to 108 countries in the world. Major Group Companies are Reliance Industries Limited (including main subsidiaries Reliance Petroleum Limited and Reliance Retail Limited) and Reliance Industrial Infrastructure Limited. Dhirubhai Ambani founded Reliance as a textile company and led its evolution as a global leader in the materials and energy value chain businesses.

He is credited to have brought about the equity cult in India in the late seventies and is regarded as an icon for enterprise in India. He epitomized the spirit 'dare to dream and learn to excel’. The Reliance Group is a living testimony to his indomitable will, single-minded dedication and an unrelenting commitment to his goals.

**RANBAXY LABORATORIES LIMITED**

Ranbaxy Laboratories Limited, India's largest pharmaceutical company, is an integrated, research based, international pharmaceutical company, producing a wide range of quality, affordable generic medicines, trusted by healthcare professionals and patients across geographies. The Company is ranked amongst the top ten global generic companies and has a presence in 23 of the top 25 pharma markets of the world. The Company with a global footprint in
49 countries, world-class manufacturing facilities in 11 and a diverse product portfolio, is rapidly moving towards global leadership, riding on its success in the world’s emerging and developed markets.

Ranbaxy was incorporated in 1961 and went public in 1973. For the year 2007, the Company's Global Sales at US$ 1,619 Million reflected a growth of 21 per cent. Profit after Tax at US$ 190 Million registered an increase of 67 per cent over the previous year. The Company has a balanced mix of revenues from developed and emerging markets and is well positioned to leverage the growth potential offered by these markets. For the year 2007, North America, the Company's largest market contributed sales of US$ 419 Million, contributing 26 per cent of total sales followed by Europe garnering US$ 365 Million. The Company’s business in Asia was led by a strong performance in India that clocked sales of US$ 301 Million with market leadership backed by its strong brand-building skills.

Ranbaxy is focused on increasing the momentum in the generics business in its key markets through organic and inorganic growth routes. It continues to evaluate acquisition opportunities in India, emerging and developed markets to accentuate its business and competitiveness. The Company’s growth is well spread across geographies with near equal focus on developed and emerging markets. Ranbaxy has entered into new specialty therapeutic segments like Bio-similar, Oncology, Peptides and Limuses. These new growth areas will add significant depth to its existing product pipeline.
MAHINDRA AND MAHINDRA

Few groups can identify as closely with India's destiny and industrial progress as the Mahindra Group. In fact, Mahindra is like a microcosm of India. Both were born around the same time, had the same aspirations and both experienced the inevitable troughs and crests in the journey towards their goals. And both continue to march on the path to progress and global recognition.

The birth of Mahindra and Mahindra began when K.C. Mahindra visited the United States of America as Chairman of the India Supply Mission. He met Barney Roos, inventor of the rugged 'general purpose vehicle' or Jeep and had a flash of inspiration:

Swift action followed thought. The Mahindra brothers joined hands with a distinguished gentleman called Ghulam Mohammed. And, on 2nd October, 1945 Mahindra and Mohammed was set up as a franchise for assembling jeeps from Willys, USA.

Two years later, India became an independent nation and Mahindra & Mohammed changed its name to Mahindra and Mahindra. Ghulam Mohammed migrated to Pakistan post-partition and became the first Finance Minister of Pakistan.

Since then, Mahindra & Mahindra has grown steadily in size and stature and evolved into a Group that occupies a premier position in almost all key sectors of the economy. The Group's history is studded with milestones. Each one taking the Group forward. In fact, today, its total turnover is about 6 billion dollars.
ITC LIMITED

ITC is one of India's foremost private sector companies with a market capitalisation of nearly US $ 18 billion and a turnover of over US $ 5.1 Billion. ITC is rated among the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine, among India's Most Respected Companies by Business World and among India's Most Valuable Companies by Business Today. ITC ranks among India's '10 Most Valuable (Company) Brands', in a study conducted by Brand Finance and published by the Economic Times. ITC also ranks among Asia's 50 best performing companies compiled by Business Week.

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

As one of India's most valuable and respected corporations, ITC is widely perceived to be dedicatedly nation-oriented. Chairman Y C Deveshwar calls this source of inspiration “a commitment beyond the market”. In his own words: "ITC believes that its aspiration to create enduring value for the nation provides the motive force to sustain growing shareholder value. ITC practices
this philosophy by not only driving each of its businesses towards international competitiveness but by also consciously contributing to enhancing the competitiveness of the larger value chain of which it is a part.”

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

INFOSYS TECHNOLOGIES

Infosys Technologies Ltd. (NASDAQ: INFY) was started in 1981 by seven people with US$ 250. Today, we are a global leader in the “next generation” of IT and consulting with revenues of over US$ 4 billion. Infosys defines, designs and delivers technology-enabled business solutions that help Global 2000 companies win in a Flat World. Infosys also provides a complete range of services by leveraging our domain and business expertise and strategic alliances with leading technology providers.

Infosys’ service offerings span business and technology consulting, application services, systems integration, product engineering, custom software development, maintenance, re-engineering, independent testing and validation services, IT infrastructure services and outsourcing. Infosys pioneered the Global Delivery Model (GDM), which emerged as a disruptive force in the industry leading to the rise of offshore outsourcing. The GDM is based on the principle of
taking work to the location where the best talent is available, where it makes the best economic sense, with the least amount of acceptable risk.

Infosys has a global footprint with over 40 offices and development centers in India, China, Australia, the Czech Republic, Poland, the UK, Canada and Japan. Infosys has over 91,000 employees. Infosys takes pride in building strategic long-term client relationships. Over 97% of our revenues come from existing customers.

**ICICI BANK**

ICICI Bank is India's second-largest bank with total assets of Rs. 3,997.95 billion (US$ 100 billion) at March 31, 2008 and profit after tax of Rs. 41.58 billion for the year ended March 31, 2008. ICICI Bank is second amongst all the companies listed on the Indian stock exchanges in terms of free float market capitalisation. The Bank has a network of about 1,308 branches and 3,950 ATMs in India and presence in 18 countries. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialised subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Our UK subsidiary has established branches in Belgium and Germany.
ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46per cent through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank
formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries. In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

HINDUSTAN PETROLEUM CORPORATION LIMITED

HPCL is a Fortune 500 company, with an annual turnover of over Rs 1,03,837 Crores ($ 25,142 Millions) during FY 2007-08, 16per cent Refining and Marketing share in India and a strong market infrastructure. Corresponding
figures for FY 2006-07 are: Rs 91,448 crores ($20,892 Million). The Corporation operates 2 major refineries producing a wide variety of petroleum fuels and specialties, one in Mumbai (West Coast) of 5.5 MMTPA capacity and the other in Vishakapatnam, (East Coast) with a capacity of 7.5 MMTPA. HPCL holds an equity stake of 16.95 per cent in Mangalore Refinery & Petrochemicals Limited, a state-of-the-art refinery at Mangalore with a capacity of 9 MMTPA. In addition, HPCL is progressing towards setting up of a refinery in the state of Punjab in the joint sector.

HPCL also owns and operates the largest Lube Refinery in the country producing Lube Base Oils of international standards. With a capacity of 335 TMT. This Lube Refinery accounts for over 40 per cent of the India's total Lube Base Oil production.

The vast marketing network of the Corporation consists of Zonal offices in the 4 metro cities and over 85 Regional offices facilitated by a Supply and Distribution infrastructure comprising Terminals, Aviation Service Stations, LPG Bottling Plants, and Inland Relay Depots & Retail Outlets. The Corporation over the years has moved from strength to strength on all fronts. Our refining capacity steadily increased from 5.5 million tonnes in 1984/85 to 13.70 million metric tonnes (MMT) presently. On the financial front, the turnover grew from Rs. 2687 crores in 1984-85 to an impressive Rs 91,448 crores in FY 2006-07 and Rs 1,03,837 crores in FY 2007-08.
HERO HONDA GROUP

The joint venture between India's Hero Group and Honda Motor Company, Japan has not only created the world's single largest two wheeler company but also one of the most successful joint ventures worldwide. During the 80s, Hero Honda became the first company in India to prove that it was possible to drive a vehicle without polluting the roads. The company introduced new generation motorcycles that set industry benchmarks for fuel thrift and low emission. A legendary 'Fill it - Shut it - Forget it' campaign captured the imagination of commuters across India, and Hero Honda sold millions of bikes purely on the commitment of increased mileage.

Over 20 million Hero Honda two wheelers tread Indian roads today. These are almost as many as the number of people in Finland, Ireland and Sweden put together! Hero Honda has consistently grown at double digits since inception and today, every second motorcycle sold in the country is a Hero Honda. Every 30 seconds, someone in India buys Hero Honda's top-selling motorcycle Splendor. This festive season, the company sold half a million two wheelers in a single month a feat unparalleled in global automotive history.

Hero Honda bikes currently roll out from its three globally benchmarked manufacturing facilities. Two of these are based at Dharuhera and Gurgaon in Haryana and the third state of the art manufacturing facility was inaugurated at Haridwar, Uttrakhand in April this year. These plants together are capable of producing out 4.4 million units per year. Hero Honda's extensive sales and service network now spans over 3000 customer touch points. These comprise a
mix of dealerships, service and spare points, spare parts stockiest and authorized representatives of dealers located across different geographies. Hero Honda values its relationship with customers. Its unique CRM initiative - Hero Honda Passport Program, one of the largest programs of this kind in the world, has over 3 million members on its roster. The program has not only helped Hero Honda understand its customers and deliver value at different price points, but has also created a loyal community of brand ambassadors.

THE HOUSING DEVELOPMENT AND FINANCE CORPORATION LIMITED (HDFC)

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalisation of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit
facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

HDFC Bank's mission is to be a World-Class Indian Bank. The objective is to build sound customer franchises across distinct businesses so as to be the preferred provider of banking services for target retail and wholesale customer segments, and to achieve healthy growth in profitability, consistent with the bank's risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance. HDFC Bank's business philosophy is based on four core values - Operational Excellence, Customer Focus, Product Leadership and People.
REVIEW OF RELATED LITERATURES

Lavin in his study entitled “An Empirical Investigation of the persistence of stock and bond return seasonality” concluded that seasonality persists in stock returns. Therefore, investors have the potential to earn excess returns by trading on seasonal patterns. At the turn of the year, average returns are high in general and the average return on the stock of small firms is greater than the average return on the stock of large firms. Specifically, the difference between the return on small and large stocks (the observed size premium) is larger for the month of January than any other month of the year. Thus, a large portion of the size effect can be explained by abnormal January returns. Seasonality is the most pronounced among the stock of small firms and continues to persist even though investors are aware of the phenomenon and trade on it. The existence of seasonality suggests that the market is not semi-strong form efficient. None of the portfolios of NYSE stocks exhibited seasonality from 1926 to 1940, but from 1941 to 1975 the first six portfolios, including small as well as medium-size stocks, show evidence of seasonality. From 1976 to 1992, the first four portfolios, consisting mainly of small stocks, show evidence of seasonality.

The government bond market shows no evidence of seasonality, possibly because this market is so efficient. Government bond prices depend in large part on interest rates, and there are a plethora of interest rate forecasts available. Consequently, there is little opportunity to earn excess returns on government bonds during any month of the year. There is evidence of
seasonality in the high-quality end of the corporate bond market from 1966 to 1978. However, seasonality in high-grade corporate bonds seems to have dissipated in recent years.

The persistence of seasonality in returns, noted predominantly among the stock of small firms, may be due to a combination of the tax-loss selling effect and high trading costs which preclude arbitraging. The market for small firm stocks may also be less efficient than the market for large firm stocks because it is more costly to obtain and process information on small firms. This difference in efficiency may contribute to the persistence of the small firm effect, especially during the month of January. Finally, the effect may be attributed to the inability of current pricing models to capture the risk of small firms. Whatever the cause, empirical tests show that seasonality continues to persist in stock returns, especially small stock returns. Therefore, investors who wish to take advantage of this seasonality are likely to be rewarded if they purchase small company stocks in December and hold them through the month of January.

\textsuperscript{2}Woolley, Suzanne in their study entitled “\textit{Hold, All ye Faithful}” notes that market strategists point out that what seems to be a mercurial market is actually a return to normal volatility. And they expect the market's erratic behavior to continue. "The stock market should be able to go through a period where highly valued stocks are chopped down and offered at much more reasonable prices," says Thomas McManus, NatWest Market's U. S. investment strategist. "That would leave a legacy of further reasonable gains to be made
over the next few years. McManus thinks the Dow will end the year at 8000 to 8050.

3Sallie Mae in her study entitled “S and P Picks and Pans: Berkshire Hathaway” says that unconfirmed report by Associated Press indicate Berkshire is set to acquire 60 per cent of privately held Marmon Holdings from Chicago's Pritzker family for some $4.5 billion in a deal set to close in early 2008. Terms of the transaction also call for Berkshire to acquire the remaining 40 per cent over the next 5 to 6 years. It is viewed that the deal positively and believe it enhances BRK's already diverse mix of businesses. But at current levels, BRK shares are fairly valued. They maintain our 12-month target price at $140,000, or 17.6X in 2008 operating EPS estimate, a premium to peers.

4Bills, Steve in his study entitled “Financial Delays Hurt ACI Worldwide” reveals that the New York payment-software vendor disclosed it could be delisted from its stock exchange and two analysts cut their ratings. ACI said in a regulatory filing on Friday that the Nasdaq Stock Market had warned that its stock could be suspended because it was delinquent in filing its annual report. ACI said it would seek a hearing. The company actually spent most of the year behind on its financial filings, as it reviewed past practices for granting stock options. It caught up in September, filing four quarterly reports in four-and-a-half months, but in November it delayed the report for its Sept. 30 fiscal year to analyze the way it handled its income taxes. ACI reported preliminary results last week for its fiscal fourth quarter, saying it expects a pretax loss of $10.4 million but could not report net income because of questions about its
income taxes. Revenue fell 4%, to $84.7 million. The company also announced an alliance with IBM, of Armonk, N.Y., under which IBM will help it develop software and provide other services in return for warrants to buy up to 8 per cent of ACI's shares.

Bogoslaw, David in his study entitled “Stocks: Merrill Brings Some Holiday Cheer” says that major U.S. stock indexes finished higher on Monday, buoyed by financials getting a boost from reports that Merrill Lynch & Co. (MER) has signed some deals designed to pump nearly $6 billion in much-needed cash into its coffers. On Monday, the Dow Jones industrial average closed 98.68 points, or 0.73 per cent higher at 13,549.33. The broader S&P 500 index rose 11.99 points or 0.81 per cent to 1,496.45. The tech-heavy Nasdaq composite index gained 21.51 points or 0.80 per cent to trade at 2,713.50.

Barrett, William P., Forbes in their study entitled “Stock Markets Are Scary Enough” conclude that following a grand tradition of rolling out new financial products resonating on themes in the news, "terror-free" investment vehicles are slowly taking root. The state of Missouri recently added an option to its 529 college savings plan allowing parents to pick funds that avoids buying stock in companies that do business with the usual suspects that the U.S. government considers state sponsors of terrorism. FTSE Group in London says it will launch several screened-for-terror stock indexes, to which mutual or exchange-traded funds presumably could be pegged. The pioneer in this area seems to be the Roosevelt Anti-Terror Multi-Cap Fund, of Indianapolis. It has just $28 million in assets but, since adding the security-screening criteria in
2005, has performed creditably. The total returns for 2007 to date, 18.7 per cent, is triple that of the S&P 500.

Weinberg, Neil, Forbes in their study entitled “The Next Bubble?” state that some fund managers believe that emerging market stocks, which have provided great returns (39.5 per cent annually since 2002), are perilously overvalued. No question, countries like China, India, Brazil and Russia are growing much faster than the developed world and are likely to do so for a while--with GDP growth rates of 5 per cent to 11 per cent a year, compared with 3 per cent for the U.S. But there are worrisome signs that the run-up is fueled, in part, by just the sort of speculative money that typically presages a collapse. Foreign direct investment is still cascading into these countries: $213 billion this year, the Institute of International Finance estimates. Total assets under management for emerging markets hedge funds jumped eightfold in the four years through September to $269.5 billion, estimates Lipper Tass Asset Flows Report. Even that low balls the true amount by $50 billion or so, reckons Lipper senior analyst Ferenc Sanderson, given that global and other hedge funds are also dumping money into these regions.

Mutual fund firms, never ones to pass up an investing frenzy, have been diving in as well. Five years ago there was but one fund newly set up to target the sector; this year there are 16, says Morningstar. Individuals doubled their mutual fund bets in emerging markets last year to $11 billion, says AMG Data Services; as of Nov. 20 they totaled $14.2 billion for 2007. "This is strongly reminiscent of the flows into technology in late 1999 and early 2000," worries
Robert Adler, AMG's president. Of concern, too, is how much of the recent years' stellar returns have been the result of the expansion of price multiples rather than of earnings. Since bottoming out six years ago, the price/earnings ratio of Morgan Stanley's emerging market stock index has climbed 70 per cent to 18.5, just ahead of the S&P 500's multiple. But look a little closer. The price/sales ratio in emerging market stocks is roughly 120 per cent higher than the same measure in developed economies. That means, if P/Es are about the same, profit margins in emerging markets are twice again as high as in developed ones. The obvious risk here is that profit margins in emerging markets will decline to global average levels as new competition surfaces, says Robert Arnott, chairman of fund manager Research Affiliates. "These stocks have soared beyond reason." Among the most vulnerable: stocks in China, the Czech Republic, Colombia and Morocco.

*Clash, James M., Forbes* in their study entitled *Shock-Absorber Funds* conclude two widely used measures of past performance that address the risk-versus-reward tradeoff are beta and the Sharpe ratio. Beta is a measure of market-related risk. If a portfolio has a beta of 1.5, then every 1 per cent move in the market tends to move that portfolio 1.5 per cent, and in the same direction. Beta is not, as popularly presumed, a measure of volatility. A portfolio could have a zero or negative beta and be wildly volatile. Par for a stock portfolio is a beta of 1.0 that is, by definition, the beta of the S&P 500 Index.

The Sharpe ratio, promulgated in 1966 by Nobel Prize-winning economist William Sharpe, compares risk with reward. To get it you subtract a risk-free
return (such as on Treasury bills) from the portfolio's return and divide what's left by the standard deviation of the portfolio's returns. (The performance and deviation numbers are all annualized.) A negative Sharpe ratio means that a portfolio didn't even keep up with a money market fund. A Sharpe ratio above 0.1 (measured from 1997 to 2007) is pretty good.

A high beta is not, in itself, a bad thing. There is no harm in taking on risk if one get paid to do so--if, that is, his returns are commensurately high. The Sharpe ratio, in contrast, is a measure of goodness. A high ratio means that a fund delivered excellent results for the risk it exposed to. It might have done that by delivering merely average results while allowing you to sleep better at night than the owner of an index fund. Another way to win a terrific Sharpe ratio is to deliver a superior return while exposing investors to merely average risk.

9Lehmann, Richard, in his study entitled “Chaos = Opportunity” reveals that income investors hate volatility and uncertainty. But volatility and uncertainty provide the best opportunities to get higher long-term yields. The financial turmoil have been seeing is based on a reawakening to default risk across the board. And it's brought on by the real losses coming out of the housing bust. Those losses could magnify into a recession, something a few prescient souls like fellow Forbes columnist Gary Shilling have been warning about for some time.

So far the worst damage to market prices has been in the banking and financial sectors, particularly real estate investment trusts. While the Federal
Reserve's September cut in short-term rates has calmed the markets for the moment, the bloodshed is far from over.

The summer's broad-ranging selloff was motivated by uncertainty. Who will get hit--and how hard--from mortgage-related holdings? We won't know until the year-end financial reporting period is over, if then. A second worry festers about a corporate debt default wave, an event last seen in 2001 and now long overdue. Such a wave is generally accompanied by a recession.

Income investors, who look forward instead of back, will find opportunities in this chaos. While more bad news may come in the high-yield arena, well-rated debt will benefit. Two reasons: This debt is a safe haven and interest rates decline when the economy goes south. That will help the prices of high-rated issues. Meanwhile, inflation concerns are small, if only because there are greater things to worry about.

Allen, Andy in his study entitled “No need to panic” says that the world stock markets plunged this month, wiping millions of pounds off the value of shares. With pensions funds owning shares as part of their portfolio, many employees may be wondering whether they might be better off diverting funds to the "safety" of their mortgages. Ensuring that employees avoid taking drastic steps in a panic is one of the challenges facing HR professionals. Charles Cotton, CIPD adviser, reward and employment conditions, says: "Our concern is that employees will see the hype about shares falling and think:

Capon, Andrew in his study entitled “The strange case of volatility” concludes that the Vix Index of US stock market volatility went down in 2006 as
the Dow Jones, slowly, predictably and smoothly, went up. Between 1998 and 2003, the Vix traded in the mid-20s. In March 2006, the index was trading below 11 and in spite of a sharp rise following the swoon in emerging markets in May and June, peaking at 23 on June 13, was back below 11 by mid-October. The Vix Index has only closed below 10 eight times since it began trading in 1990; three of those were in the last two months of 2006.

During the 1990s, the average one-month at-the-money implied volatility of options on dollar/Deutschemark traded in double digits. In 2000, the first year of the euro, the average dollar/euro one-month implied volatility was 13 per cent. By 2005 volatility had declined to an average of 8.7 per cent and last year it was around 8 per cent. There has been a similar decline in dollar/yen implied volatility.

The disappearance of volatility across different asset classes is perplexing. Some commentators regard it as a purely cyclical phenomenon. Sections of the academic literature suggest that volatility strikes from a blue sky, rather like an England XI winning a cricket match in Australia. However, there are surely structural forces at play. As the great detective Sherlock Holmes said: "Singularity is almost invariably a clue. The more featureless and commonplace a crime is, the more difficult it is to bring home."

12 Gabaix, Xavier, Gopikrishnan, Parameswaran, Plerou, Vasiliki, Stanley, H. Eugene in their study entitled “Institutional Investors and Stock Market Volatility” present a theory of excess stock market volatility, in which market movements are due to trades by very large institutional investors in
relatively illiquid markets. Such trades generate significant spikes in returns and volume, even in the absence of important news about fundamentals. They derive the optimal trading behavior of these investors, which allows us to provide a unified explanation for apparently disconnected empirical regularities in returns, trading volume and investor size.

They present a model in which volatility is caused by the trades of large institutions. Institutional investors appear to be important for the low-frequency movements of equity prices, as shown by Gompers and Metrick [2001]. Understanding better the behavior of institutional investors also sheds light on many issues, such as momentum and positive feedback trading [Chae and Lewellen 2005; Cohen, Gompers and Vuolteenaho 2002; Choe, Kho, and Stulz 1999; Hvidkjaer 2005], bubbles [Brunnermeier and Nagel 2004], liquidity provision [Campbell, Ramadorai, and Vuolteenaho 2005], and the importance of indexing [Goetzman and Massa 2003]. They further this research by analyzing how trading by individual large investors may create price movements that are hard to explain by fundamental news.

In their theory, spikes in trading volume and returns are created by a combination of news and the trades by large investors. Suppose that news or proprietary analysis induces a large investor to trade a particular stock. Since his desired trading volume is then a significant proportion of daily turnover, he will moderate his actual trading volume to avoid paying too much in price impact. The optimal volume will nonetheless remain large enough to induce a significant price change.
Holland, Andrew, Dwor-Frecaut, Dominique, Jha, Sailesh in their article entitled “The External View” conclude that the stock market volatility post election was sentiment driven as a result of market apprehension based on the pace of reforms and continuation of the disinvestment program. Since then the market has crossed the 5600 mark that is to pre elections levels and this is due to several factors and initiatives by the new administration.

Contrary to apprehensions, the new government is committed to taking the reform process forward. While it is understandable that the process would be deliberated upon in greater detail, recent announcements (increase in FDI limits; flexibility for banks) by the government have helped assuage the market about the government's intentions. They believe over the medium term, reforms could surprise on the upside.

Fundamentally, they are positive on the macro outlook, although in the 2005 financial year we may see a deceleration in growth owing to the weak monsoons. Despite that we believe there is an up tick in the investment cycle led by higher capital expenditure by corporate and enhanced infrastructure investments, estimated at about US$75 billion, over the next three years. Additionally the changing demographic profile continues to underpin the buoyancy in consumption that is likely to sustain over the medium term. These factors, in our view, help present a strong investment case for India.
Chernoff, Joel in his study reveals that in the late 1990s, equities delivered double-digit returns while stock market volatility declined. Fed this data, the typical optimizer told pension executives to keep loading up on stocks. That answer quickly proved to be wrong with the subsequent collapse of the tech-stock bubble.

Officials at the $187 billion California Public Employees' Retirement System in Sacramento want to avoid any future irrational exuberance. In an unusual move for a pension fund, CalPERS' officials have devised a way to impose a "reality check" on the total portfolio by running a "reverse optimization," said Mark Anson, chief investment officer. While investors pump historical data, interest-rate and return assumptions into a traditional mean-variance optimizer to create a choice of optimal asset mixes, reverse optimization starts with the asset weightings and works backwards. A reverse optimization generates the implied excess rates of return within the total portfolio, based on the risk associated with each asset class, the covariance matrix and the allocations to each asset class. If the results are out of whack with a pension executive's beliefs about risk and return, the reverse optimization would signal that the portfolio should be rebalanced.

Monnelly, Mike analysed one by one, the opportunities to make arbitrage profits out of convertible bonds have disappeared. It's no wonder the smartest hedge funds are bailing out. GLG, one of the biggest, recently entered talks to sell itself to Lehman Brothers. And a US fund, Marin Capital Partners, was forced to place restrictions on investors that wanted to withdraw their
money after fund of funds giant Man Group withdrew seed capital from it, according to reports. Convertible arbitrage was once a sexy strategy. It requires a mastery of many markets. Convertible bonds are debt securities that can be converted into shares at a premium to the issuer's share price. To arbitrage them, hedge funds buy them and simultaneously sell short the issuer's shares and bonds. This effectively isolates the value of the option to convert into shares buried in the convertible.

Jumping through hoops to create an option like this might seem a bizarre exercise. But complexity is precisely the point. Convertibles were traditionally sold by companies in financial difficulties. The bonds were priced such that the embedded options were sold at a discount to their fair value. This meant that both sides got something out of the bargain. The hedge funds got a cheap option. And the issuers got a loan. Furthermore, if the issuers went bust, the hedge funds didn't really care, because they had hedged out their credit exposure. Companies issued convertible bonds by the bucket-load in the late 1990s -- not necessarily because they were distressed but because it was a quick and convenient way to raise money. Convertible arbitrage funds sprouted everywhere. But arbitrage contains the seeds of its own destruction. As more money chased the same opportunity, companies issued convertibles on terms more attractive to them than before. In other words, the discount at which the options were sold narrowed, until it disappeared entirely.

\[16\] Holland, Andrew, Dwor-Frecaut, Dominique, Jha, Sailesh studied that the stock market volatility post election was sentiment driven as a result of
market apprehension based on the pace of reforms and continuation of the disinvestment program. Since then the market has crossed the 5600 mark that is to pre-elections levels and this is due to several factors and initiatives by the new administration.

Contrary to apprehensions, the new government is committed to taking the reform process forward. While it is understandable that the process would be deliberated upon in greater detail, recent announcements (increase in FDI limits; flexibility for banks) by the government have helped assuage the market about the government's intentions. They believe over the medium term, reforms could surprise on the upside. Fundamentally, they are positive on the macro outlook, although in the 2005 financial year they may see a deceleration in growth owing to the weak monsoons. Despite that they believe there is an up tick in the investment cycle led by higher capital expenditure by corporate and enhanced infrastructure investments, estimated at about US$75 billion, over the next three years. Additionally the changing demographic profile continues to underpin the buoyancy in consumption that is likely to sustain over the medium term. These factors, in their view, help present a strong investment case for India.

17Colwell, Megan G says that despite faint glimmers of relief on the horizon, the troubles plaguing the directors and officers liability insurance market will linger for a while. Solutions are emerging, but customer satisfaction with those solutions may lie in redefining the problem. Driven largely by stock market volatility, initial public offerings and corporate governance scandals, the frequency and severity of D&O claims have increased, particularly claims.
arising from securities class-action lawsuits. The increase in claims has been accompanied by a constricting D&O market. Departing D&O insurers, stiffer terms and conditions, narrower contracts, soaring premiums, and a good deal more underwriting skepticism-particularly for public companies-are all evidence of the constricting market.

Since 1999, several significant D&O markets have ceased providing capacity, although their outstanding loss portfolios are alive and kicking. The remaining insurers—those that haven't gone under or sold off their book—fall into basically two categories of players. First, there are those that have been in the market for some time, typified by American International Group Inc. and Chubb Corp. These companies have good ratings, experienced underwriting and claims staff, significant books and significant loss portfolios. Although they are here for the long haul, it is evident that “long haul” will be based on their need to fund for today's outstanding losses along with tomorrow's predicted loss costs.

The other category of D&O insurer is a new entrant, with no prior corporate track record in this arena but with new management, underwriters and claim staff who individually bring their experience to the insurer. These companies have new capital but no loss portfolio, enabling them to attract a book of business, priced competitively with broader terms and conditions than may be available elsewhere. This provides a counterbalance to the other insurers, but it also breeds resentment, resistance and skepticism as to whether the newer players will be around over the long term.
The weak economy and stock market volatility continued to daunt 401(k) plan participants last year, according to research by Hewitt Associates, a global human resources outsourcing and consulting firm. Hewitt said Tuesday that its research found declines in participation, transfer activity, equity allocation, and, for some employee populations, contribution rates. This indicated that employees continue to interact infrequently with their 401(k) plans, said the Lincolnshire, Ill., firm, and as a result are not using the benefit to their full advantage. “Employees lost ground in 2002,” said Lori Lucas, a defined contribution consultant at Hewitt. "The market environment has taken a toll on employees” willingness to participate and interact with their 401(k) plans. Hewitt examined the savings and investment behavior of more than two million eligible employees and nearly 1.5 million participating employees in 2002. For year-over-year comparisons, Hewitt studied the behavior of nearly 330,000 eligible employees. The study showed average plan participation of 68.2 per cent, a decline of 2.8 percentage points. The decline was most evident among younger and low-tenure employees.

It's likely that employees “willingness to participate was affected by the prolonged market decline, the weak economy, and the negative perception of 401(k) plans resulting from high-profile bankruptcies," Ms. Lucas said. The average contribution rate was 7.8 per cent of pay, which was consistent with 2001 findings. However, the study found a slight drop in contribution rates among younger and low-tenure employees, for example, 6.5 per cent of pay for participants 20 to 29 years old.
Harper, Richard B., in his study entitled "Asset Allocation, Decoupling, and the Opportunity Cost of Cash" states that investors hold cash and near-cash balances for several reasons. One typical reason to hold demand deposits and money market fund balances is to provide ready access to cash for various transaction needs and unanticipated liquidity needs. Many investors also hold cash and near-cash balances to moderate their risk exposure to equity markets and provide peace of mind and shelter from the storm when stock prices seem dangerously high or when stock market volatility soars. Fixed principal accounts are less appropriate in asset allocation and balanced account applications, though, and cash-equivalents can be a detriment to the performance of a balanced portfolio in terms of both return and downside risk protection.

A study of the U.S. equity market and the indices that track it will use a measure call the "share-weighted return." This particular figure is not provided by Morningstar or other services. The share-weighted return assigns a greater weight to stocks that have more shares outstanding and less weight to thinly-held stocks. As a result, this procedure attempts to track equity returns in proportion to the share base held by investors. Like market cap weighting, the technique acknowledges the inherent size and scope differentials among U.S. equities. But unlike market cap weighting, it does not use current stock prices in the calculation. Shares outstanding and their quarterly or annual returns are the components.

Unsworth, Edwin concluded that European insurers and reinsurers, which traditionally have placed more of their investments in equities than their
U.S. counterparts, recently began announcing half-year results that illustrate the adverse affects of lower investment earnings on profits. These companies, their customers and insurer rating agencies are all becoming concerned about the consequences of lower investment returns and losses. Until recently, insurers and reinsurers in continental Europe have placed between 20 per cent and 25 per cent of their investments in equities, though that percentage was as high as 80 per cent for U.K. life insurance companies, according to Yann Le Pallec, a Paris-based analyst with Standard and Poor's Corp. This compares with the 1960s and 1970s, when insurer investment practices were “very conservative” with about 80 per cent of assets invested in government bonds and most of the remainder in real estate rather than equities.

22Moses, Lucia opined that Veronis' report forecasts newspaper ad spending will grow at a compound annual rate of 5.7 per cent the next five years. But with no new advertising streams on the horizon to replace the tech and internet ads that drove spending in the late 1990s, Veronis predicts media properties won't recover as quickly as they did from the last recession. After years of publishers curtailing outlying circulation and shuttering evening editions, Broadwater said he is glad to see publishers' recent commitment to turning around circulation declines, a move crucial to their survival.

23Hansen, Charlotte Strunk show that the conclusions to be drawn concerning the informational efficiency of illiquid options markets depend critically on whether one carefully recognises and appropriately deals with the econometrics of the errors-in-variables problem. This paper examines the
information content of options on the Danish KFX share index. They consider the relation between the volatility implied in an option's price and the subsequently realised index return volatility. Since these options are traded infrequently and in low volumes, the errors-in-variables problem is potentially large. They address the problem directly using instrumental variables techniques. They find that when measurement errors are controlled for, call option prices even in this very illiquid market contain information about future realised volatility over and above the information contained in historical volatility.

24T Lavin, Angeline’s point of view the purpose of this paper is to investigate the persistence of seasonality in stock and bond returns using data from 1926 to 1992. This study finds evidence of seasonality in stock returns during the 1926-92 period. Dividing the data into sub-periods yields the following results: there was no evidence of stock market seasonality from 1926 to 1940, seasonality increased between 1941 and 1975 and then diminished slightly from 1976 to 1992. Specifically, the average January return was found to be significantly different than the average return in the other eleven months of the year. Seasonality was found in the high-quality end of the corporate bond market during the 1966-78 periods, but there was no evidence of seasonality in the government bond market.

25It is found in Journal of Economic Literature that sixteen papers, all previously published over the period 1980 to 1991, incorporate the psychology of decision-making into economic models of behavior. Papers discuss developing a positive theory of consumer choice; mental accounting and sunk
costs; gambling with the house money and trying to break even--the effects of prior outcomes on risky choice; an economic theory of self-control; the behavioral life-cycle hypothesis; some empirical evidence on dynamic inconsistency; the experimental work done to test the basic tenets of rational choice; experimental tests of the endowment effect; common comments made by economists about the work of psychologists and recommended responses; fairness as a constraint on profit-seeking; fairness and the assumptions of economics; the relevance of quasi rationality in competitive markets; evidence concerning overreaction in the stock market; further evidence on investor overreaction and stock market seasonality; evidence concerning whether security analysts overreact; and investor sentiment, closed-end mutual funds, and the efficient market hypothesis. Thaler is Henrietta Johnson Louis Professor of Economics at the Johnson Graduate School of Management, Cornell University.

26Stovall, Sam states that The S&P 500 index just eclipsed the 1,500 mark for the first time since September 11, 2000. Market sages are now talking about overtaking the S&P 500's old high of 1527 in the next two months. At this rate, the S&P 500 could be up 17 per cent for the full year. But in light of eroding fundamentals, many investors must be wondering if the recent market advance is sustainable. It's no wonder investors are considering the old Wall Street adage: “Sell in May then walk away.” S&P Equity Strategy believes investors would be wise to heed the advice, but in a slightly altered fashion. There is truth in the old adage, in our opinion. Since 1945, the S&P 500 posted
an average price gain of 7.1 per cent during the November through April [N-A] period, versus a rise of only 1.6 per cent from May through October [M-O], implying that greater profits could be made elsewhere. In addition, the performance during N-A outperformed M-O 69 per cent of the time, as was the case in the last 12 months. We think there are several reasons for this pronounced seasonal strength and weakness.

27Halperin, Alex reveals that some market pros remain optimistic about Chinese stocks, despite interest rate-hike jitters and periodic bouts of volatility. Any lingering doubts about China's global clout were laid to rest when fears that the government would have to raise interest rates caused a brief panic on Apr. 19 in Asian and European markets. News that China's economy had grown at an annualized rate of 11.1 per cent surpassed expectations, and investors feared China would have to hike rates to stave off inflation and rein in overheated growth. But analysts remain sanguine despite the Middle Kingdom's periodic bouts of volatility, good news for investors in Europe and the U.S. Though it's far more volatile than markets in the U.S. and Europe, the Chinese stock market has also displayed impressive resilience. After the Shanghai composite index plunged more than 9 per cent on Feb. 27, it quickly rebounded to new highs. Likewise, on Apr. 19, when the market benchmark saw a large slump on interest-rate worries, it recovered most of the losses by the next day.
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