



June 2013



Thinking Aloud

Surviving in the Global Financial Marketplace - **Jay**

Podium

Interview with **Upendra Kulkarni**, Co-founder and Executive Director of Fortress Financial Services Ltd.

We Recommend

Book Review – Clients for Life

Standing Ovation

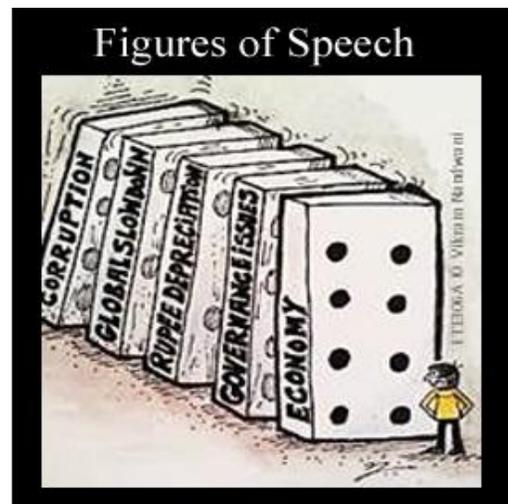
Avanti Fellows

Dear Reader,

As we all are aware, the global economic contagion which started from the sub-prime mortgage crisis in the US in late 2007, reached epic proportions and gradually subsided; but even today, almost half a decade later, the global economy has yet not reached prime health. The ensuing events have unfolded various problems in many countries across the globe and there has been no single substantive effort to bring the world economy out of this situation. But haven't economic crises happened in the past? Yes they have, but the difference between then and now, is the level of interconnection among the financial markets of countries across the globe. This interconnection has led to a much wider effect of the problem and even individuals have been directly or indirectly affected due to this phenomenon. So, in such a situation, should we

close our eyes and believe all is well or should we keep our eyes and ears open and grab the right opportunities? I know you will answer the latter, and that is the main reason why this month's ET focuses on the financial markets, with a special emphasis on the Indian scenario. Though there has been a lack of encouraging news from India, experts believe the dream-run is far from over. Events like the depreciating Rupee, bearish trend in equity markets and the slowing pace of real estate appreciation are events which weigh on the short-term sentiment, but to look at the other side of the coin, they could well be opportunities. I hope you find this issue interesting and informative.

In **Thinking Aloud** this month Jay shares with us his thoughts about the global financial markets which are a concoction of mazes. There has been no individual in history who could predict accurately about what to expect, but everyone has an expert opinion after the event. He says that in the current interconnected world, awareness about financial markets is very important as actions taken in one corner of the world, have a domino effect on the other corner of the world. He says that even though the current global economic conditions are overcast, he is hopeful that



India can witness sustained economic growth. The main thing required is an initial thrust to set the ball rolling.

On the **Podium** this month we have **Upendra Kulkarni**, who is the co-founder and Executive Director of Fortress Financial Services Ltd. An expert in the finance field, Upendra shares with us his views about India's growth potential and what he expects will shape the Indian economy in the medium term. He says that though the cycle of peaks and troughs continues to unfold on the global horizon, India has a good chance to reap benefits from its domestic demand potential. He is of the opinion that a weak Rupee has its challenges and opportunities and the current economic scenario is no exception and such conditions have prevailed in the past as well. He is optimistic about the potential of the Indian economy and believes that there is much more that India can achieve, so he advises to make rational investments, especially in companies with good track record and sufficient liquidity.

This month **We Recommend** a book titled 'Clients for Life', authored by Jagdish Sheth and Andrew Sobel, which is a must read for people working in client-centric organisations. Meeta, consultant at ELS, has reviewed the book and she tells us that the book helps in drawing a clear distinction between the 'Experts for Hire' and 'Extraordinary Advisors' and also charts out the journey from the former to becoming a successful 'Client Advisor'. The book consists of more than hundred case studies and CEO interviews which help in driving the point home. The book refers to various personality types which are referred to, through examples of eminent individuals, and provides an inspiring and powerful read to connect better with your client.

In **Standing Ovation** this month we feature Avanti Fellows, a not for profit organisation which runs learning centers in India with an aim of providing excellent science and mathematics education to low-income students from high schools. Avanti runs stand-alone centers in Mumbai, Delhi and Kanpur and also conducts in-school center in Chennai Corporation Schools. The NGO has its custom pedagogy which it uses to train deserving students to prepare for competitive exams and brings world-class education within their reach. For the cause and its resolve, Avanti Fellows deserves a Standing Ovation!

In **Figures of Speech**, Vikram looks at the economic situation from his 'creative lens'.

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#), [Twitter](#), [Linked In](#) & [Google+](#) - where you can join our community to continue the dialogue with us!



Thinking Aloud

Surviving in the Global Financial Marketplace - Jay

Financial Markets are a riddle wrapped in a mystery inside an enigma (to play on Churchill's famous quote on Russia). Making sense of the financial markets has never been easy and there are as many interpretations as there are experts. And, the only time they all get it right is after the event!

The cynics may wonder whether there is any need then to study Financial Markets at all. Well, the fact is that

Financial Markets (be it, Capital Markets, Commodity Markets, Derivatives Market, FOREX Markets, etc.) rule us in ways that most of do not realise. And, what we are impacted by is the fluctuations in these markets (or, to continue to echo the cynics, the games people play there).

From a time when the world was living in its cocooned existence of separate Financial Markets (primarily, London, New York, Hong Kong and Japan) to the world that we live in today (where everyone is connected to everyone else), the implications for all economies has been tremendously difficult to measure, let alone contain. The market wizards (if at all there are any) will tell you that they have to constantly pay attention to their monitoring screens (which is the physical manifestation of the markets) to keep tabs on the movements of the anonymous and invisible hand that sends shivers down government economists' spines. Added to this is the world of 'Breaking News' where instant sound bites have to be provided by Government officials attempting to make sense of the movement of indices, without truly having the time to study it carefully! 'Stop the world and let me think' may well be the refrain of economists who find that their random comments in turn fuels further frenetic activity – and the cycle goes on.

The recent decision by Ben Bernanke to ease or taper their asset-buying programme is a case in point. While everyone knew that the music and the merry go-round had to stop sometime, speculations abounded on the possible timeline. What adds spice to the action of course is that there are various interpretations about the implications of this step. Emerging markets too reacted to this announcement of the Federal Reserve, and before long, a minor cold in Washington had the world markets in fever. That is the way of the world now, where every move of the British exchequer, the Chinese government, the European Union, etc. are scrutinised at length with no one truly having a clue on what is around the bend.

But the show must go on. Whether the Rupee fluctuates or is stable, whether inflation rises or falls, whether the government staggers or continues to stay in office, what truly matters is the belief that most businessmen have in the long run viability of the Indian economy. This is where I tend to be optimistic if not positively bullish. If you break free of the daily clutter and take a long term view of the potential that is visible (and not just latent) across the length and breadth of the nation, particularly the native initiative of the Indian people, one cannot but have faith in the economic power of the country. Yes, the elephant moves slowly but it can roam free on all it surveys and can break any boundary should it choose to.

The one challenge that we need to invoke is igniting this lumbering giant. There are various ways to do so, which we can explore on another occasion.

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Podium

Upendra Kulkarni, Co-founder and Executive Director of Fortress Financial Services Ltd.



Upendra Kulkarni is the co-founder and Executive Director of Fortress Financial Services Ltd. Established in the year 1995, Fortress is active in investment banking and infrastructure advisory services. Fortress has worked on various focused areas including pharma, road sector, water, logistics, real estate, education, tourism, etc.

Headquartered in Mumbai, the Fortress team consists of 60 specialists in various spheres of specialization including finance, engineering, agriculture, architecture and consulting.

Upendra is a commerce graduate, Fellow Chartered Accountant from the Institute of Chartered Accountants of India and a British Chevening Scholar from London School of Economics.

His interests include reading and sports. He along with his colleagues is active in agricultural activities. He regularly appears on various electronic media as an expert on financial markets and is frequently quoted in print media like Economic Times, etc.

ET: Bucking global trends, India is well on its way towards economic growth. What according to you is India's growth scenario in the short run?

UK: If one takes a look at India from the 90's to today, there is a major positive change which has happened. If we look at our own standard of living individually, it has definitely improved over the period. With the huge domestic demand, the momentum will carry the country forward, irrespective of the obstacles on the way like current account deficit, scarcity of capital and governance issues. I strongly believe that though we are going to see a huge upheaval in the economic activity not just in India, but worldwide, which may shake us up from time to time, our path to growth would always be positive. The only difference is that if we are able to get better governance we can improve our economic growth much more.

In brief, over the next 12 months - growth in corporate earnings will be moderate and politics will dominate the country with elections on the horizon. This will follow huge campaign spending (informally estimated to be around Rs. 12,000 crores). Campaign spending coupled with new initiatives from the new government and domestic consumption will lead to the uptrend in the economy.

ET: What will be the impact of international economic conditions on India over the next 6 months to a year?

UK: For understanding this question, let us look at what are the major international economic factors which will have an impact on India.

Winding down of quantitative easing in the United States, slowdown in Europe and China, changes in Japan, etc. Impact of all the above will be on commodity prices, especially on oil, and the valuation of the Rupee vis-à-vis the US Dollar.

We believe that depreciation in the value of Rupee and increase in commodity prices would keep the pressure on the Indian Rupee and create huge volatility which will have a negative impact on economic conditions of India but these conditions will also give an opportunity for our government to work on the policy framework in a much more effective way.

The other impact is, due to the constant depreciation in the Rupee, the demand for gold in India will continue to be at

a very high level which will again create current account deficit leading to a disastrous cycle. We need to control our current account deficit so as to reduce the Rupee volatility and take effective steps to moderate the demand for gold in the country.

In spite of these issues India will recover and clock reasonable growth, as the above issues are being faced for a long time and will be more in the form of economic cycles.

ET: Given the recent weakness in the Rupee, what lies ahead for India's capital markets?

UK: I believe this question can be looked at in two ways. Obviously with substantial weakness in the Rupee, existing investors take a beating but it also opens up doors for new investments. As the worst has already taken place, it has led to opportunities for fresh investments by new investors in the oversold Rupee. One also has to look at the impact of cost increase on companies as well as impact of additional burden on borrowers who have borrowed internationally and haven't hedged completely. Also it opens up a splendid opportunity for exporters as they become more competitive with better margins.

ET: What is your advice to a regular investor on investing during volatility or uncertainty in India's stock market? Equity, gold or other avenues?

UK: As regards investments, I believe times like the current one with huge volatility have been seen in the past, but life has continued and would continue in future. One needs to embrace frequent volatility in today's times as compared to earlier decades and one needs to be mentally prepared for that. I believe investors need to continue with their allocation of investments in these times and also clearly focus on large fundamentally strong companies with good liquidity. As regards gold, in terms of the dollar prices, gold might come down but in Rupee terms, thanks to the depreciation in the Indian Rupee it is still sustaining. We believe with the correction, this can be a good opportunity to look at equities of companies with a solid track record and good dividend yields. One can also look at the real assets like agricultural land (obviously be careful about titles and legalities) vis-à-vis constructed properties which are also showing a lot of volatility.

ET: Has India lost its shine in attracting foreign investors amid its lacklustre macroeconomic and political landscape?

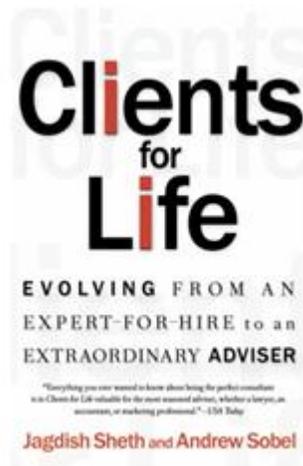
UK: I don't believe India would lose its shine or it has lost its opportunity. Obviously, our poor handling of the political landscape and the lacklustre handling of the macroeconomic situation has not allowed us to gallop at the speed which could have been achievable. In spite of our social and political fabric and the resulting macroeconomic situation, I believe that India would continue to progress and will continue to attract foreign investors from time to time (may be with lot of volatility). No wonder India has always been referred to as an Elephant. The sheer size of our population coupled with a high percentage of youth in the population would ensure our positive momentum in the world economy irrespective of missed opportunities.

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We Recommend

Book Review – Clients for Life



Whenever we go to meet clients, what is it that plays on our minds? Is it our focus to see what the clients want or is it what we can provide to them? Well, most of us go prepared to provide solutions and bargain with the client to get a good deal. This may get us a one off project but does this make them our clients for life?

In *Clients for Life*, Jagdish Sheth and Andrew Sobel tell us the difference between those Consultants who are 'Experts for Hire' and those that are 'Extraordinary Advisors'. According to them, whilst many of us earn our living by serving clients, we don't invest in developing our skills and strategies which are so important in today's world where the access to information and expertise is unlimited. The book features over one hundred interesting case studies and interviews with eminent CEO's.

This book takes you through a journey from being an 'Expert for Hire' to becoming a 'Client Advisor'. The key elements that enable this transition are being a deep generalist, having selfless independence, deep trust, being able to synthesize and provide insight and wisdom.

Quoting an example of Aristotle, Sheth and Sobel, explained the concept of a deep generalist - how Aristotle personally owned one of the largest libraries in Greece and about his system for classifying animals which endured for 2,000 years.

Talking of trust and independence, the authors refer to these values as the most powerful and greatest allies. Giving great examples of Harry Hopkins – Franklin Roosevelt's most trusted advisor and Merlin – King Arthur's advisor, these values have been well explained.

On synthesizing and seeing the big picture, the authors have narrated the story of Niccolo Machiavelli, the adviser to the Florentine Council, who was accused of being a traitor, imprisoned and tortured before being released. During his seven year exile, he produced one of the most penetrating and enduring political analyses about Italy, which then did not exist as a country but was divided into five states that vied with each other for power and influence.

This book is an old classic but still has immense relevance to all those who wish to take client relationships to higher levels. This is applicable not just to management consultants but also to other professional services firms who exist with the express intention of adding value to clients who seek them out for finding solutions to vexed issues that face their organization.

A little about the authors – Jagdish N. Sheth is the Charles H. Kellstadt Professor of Marketing at the Goizueta Business School of Emory University. He is an internationally recognised business consultant whose client list includes AT&T, BellSouth, Ford, GE, Motorola, Square D, Whirlpool and Sprint. He is also an educator, the winner of many awards and honors, and a member of the American Psychological Association. He is the founder of the Center

for Relationship Management at Emory University and Center for Telecommunications Management at the University of Southern California.

Andrew Sobel is a noted strategy advisor who has consulted with the senior management of many leading corporations such as Citigroup, Cox Communications, and American Express. His latest book 'Power of Questions' has been one of the top 30 best-selling books in the United States. He is the President of Andrew Sobel Advisors and the Executive Director of the Client Leadership Forum, a best practices consortium of International Services Firms.

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Standing Ovation

Avanti Fellows



Avanti Fellows is a non-profit organisation registered in India and the United States which runs learning centers in India to provide low-income high-school students a world-class science and mathematics education. Their centers have no trained teachers and conduct very little conventional lecturing. Instead, Avanti focuses on teaching students how to learn from books and their peers, resources that are more abundant, accessible and consistent in quality. Over the past years, they have

shown that their students perform at par with some of the most expensive after-school programs in the country.

Avanti runs stand-alone centers in Mumbai, Delhi and Kanpur and in-school centers at the Chennai Corporation Schools. The stand-alone centers act as centers of excellence where the NGO implements, improves and tests its pedagogy in a quality learning environment. Admission to these centers is gated by a rigorous selection process and limited to students with a family income of

In addition to its own learning centers, Avanti partners with top coaching institutes across India to provide free seats to a select group of students through their Fellowship program. Avanti's work is supported through generous grants and support from the Draper Richards Kaplan Foundation, Echoing Green, The PanIIT alumni organisation, UnLtd India and generous individual donors in India and the United States.

For its benign cause and relentless efforts, Avanti Fellows truly deserves a Standing Ovation!

If you want to get more information and support Avanti Fellows, you can visit the website at <http://avantifellows.org>

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