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M & A: Way for Inorganic Growth - A Case Study on HDFC Bank Ltd.

Mergers and acquisitions are considered an optimum way for expansion, growth and value maximization. Indian banking Industry has witnessed large number of M & As, out of which some are friendly and some are completed by Government. In this case, we review the mergers initiated by HDFC bank, a new generation bank to see how these merges were helpful to the acquirer to expand its business.

HDFC Bank Limited was incorporated in August 1994. It was promoted by Housing Development Finance Corporation Limited (HDFC), India's largest housing finance company. It was among the first companies to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. The Bank started operations as a scheduled commercial bank in January 1995 under the RBI's liberalization policies. The Bank is a publicly held banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations.

In a milestone transaction in the Indian banking industry, Times Bank Limited was merged with HDFC Bank Ltd., effective on February 26, 2000. Times Bank was a new private sector bank promoted by Bennett, Coleman & Co. / Times Group, India. This was the first merger of two private banks in the New Generation Private Sector Banks in India. Times Bank had 35 branches and HDFC had 111 branches at the time of merger.

As per the scheme of amalgamation issued by HDFC bank to its shareholder the following were the reasons cited for the merger deal:

1. Branch Network would increase by over 50 percent and thus providing increased geographical coverage.
2. Increase the total number of retail customer accounts so as to increase deposit and loan products.



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3. After the merger the bank would be able to use Times Bank's lower cost alternative channels like phone banking, internet banking etc. and thereby the reducing of operating costs.
4. The merger would increase the presence of HDFC bank in the depository participant activities.
5. Improved infra structure facilities and central processing would help in deriving economies of large scale.

As per the scheme of amalgamation approved by the shareholders of both banks and the Reserve Bank of India, shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Bank. After the merger, the shareholding of HDFC group came down to 25.74% from 28.78 whereas the same of Times group promoters was only 7%. None of the directors of Times bank joined the Director board of HDFC bank after merger.

On May 23, 2008, the amalgamation of Centurion Bank of Punjab with HDFC Bank was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. As per the scheme of amalgamation, shareholders of CBoP received 1 share of HDFC Bank for every 29 shares of CBoP. The amalgamation added significant value to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower. The combined entity had a nationwide network of 1,148 branches (the largest amongst private sector Banks) a strong deposit base of around Rs. 1,200 billion and net advances of around Rs. 850 billion. The balance sheet size of the combined entity would be over Rs. 1,500 billion. Commenting on the proposed merger, Mr. Deepak Parekh, Chairman, HDFC said, "We were amongst the first to get a banking license, the first to do a merger in the private sector with Times Bank in 1999, and now if this deal happens, it would be the largest merger in the private sector banking space in India. HDFC Bank was looking for an appropriate merger opportunity that would add scale, geography and experienced staff to its franchise. This opportunity arose and we thought it is an attractive



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route to supplement HDFC Bank's organic growth. We believe that Centurion Bank of Punjab would be the right fit in terms of culture, strategic intent and approach to business."

At the time of merger, Centurion Bank of Punjab was one of the leading new generation private sector banks in India which was formed by merging two banks, Centurion Bank and Bank of Punjab. Centurion Bank was incorporated on 30 June 1994 as a joint venture between 20th Century Finance Corporation and its associates, and Keppel Group of Singapore. In 1995 Centurion Bank amalgamated 20th Century Finance Corporation. Bank of Punjab (BoP) was Punjab based bank promoted by Dr. Inderjit Singh in 1994 having operations in predominantly in North India.

On 29 June 2005, the boards of directors of Centurion Bank and Bank of Punjab agreed to a merger of the two banks. The combined bank took as its name Centurion Bank of Punjab. After the merger. The combined equity of the bank was at Rs 128 Cr. Bank of Muscat's share which had 31% controlling stake in Centurian bank came down to 25% where as Capital Corporation's

and Sabrie capital's controlling stake came down to 11% and 4.4% respectively from 14% and 5.4%. Tejbir Singh, ED of Combined entity had 27% in BoP which got reduced to 5% in the merged entity.

The bank served individual consumers, small and medium businesses and large corporations with a full range of financial products and services for investing, lending and advice on financial planning. The bank offers its customers an array of wealth management products such as mutual funds, life and general insurance and has established a leadership 'position'. The bank was also a strong player in foreign exchange services, personal loans, mortgages and agricultural loans. Additionally, the bank used to offer a full suite of NRI banking products to overseas Indians. Centurion Bank of Punjab had a strong nationwide franchise of 394 branches and 452 ATMs in 180 locations across the country, supported by employee base of over 7,500 employees.



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Interestingly Lord Krishna Bank (LKB), a Kerala dominated bank had merged with Centurion Bank of Punjab in 2017. Lord Krishna Bank was a closely held private sector bank with 65% of the equity lying with the promoter Mr. Mohan Puri. LKB has 112 branches in all with 69 of them being in Kerala. Centurion bank is predominantly present in western and northern India. The proposed merger enhanced CBOP's presence in southern India.

With the mission to be a World Class Indian Bank and farfetched objectives to build sound customer franchises across distinct businesses, HDFC bank has emerged as the preferred provider of banking services for target retail and wholesale customer segments, and constantly achieves healthy growth in profitability, constitutively with the bank's risk appetite. With the increasing number of mergers and acquisitions, the bank's commitments to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance is far better than any other prominent players in the Indian Banking sector. HDFC Bank's business philosophy is based on five core values: Operational Excellence, Customer Focus, Product Leadership, People and Sustainability.

As of March 31, 2018, the Bank's distribution network was at 4,787 branches across 2,691 cities. All branches are linked on an online real-time basis. Customers across India are also serviced through multiple delivery channels such as Phone Banking, Net Banking, Mobile Banking and SMS based banking. The Bank's expansion plans take into account the need to have a presence in all major industrial and commercial centers, where its corporate customers are located, as well as the need to build a strong retail customer base for both deposits and loan products. Being a clearing/settlement bank to various leading stock exchanges, the Bank has branches in centers where the NSE/BSE have a strong and active member base. The Bank also has a network of 12,635 ATMs across India. HDFC Bank's ATM network can be accessed by all domestic and international Visa/MasterCard, Visa Electron/Maestro, Plus/Cirrus and American Express Credit/Charge cardholders.



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HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank's branches have online connectivity, which enables the bank to offer speedy funds transfer facilities to its customers. Multi-branch access is also provided to retail customers through the branch network and Automated Teller Machines (ATMs). The Bank has made substantial efforts and investments in acquiring the best technology available internationally, to build the infrastructure for a world class bank. In terms of core banking software, the Corporate Banking business is supported by Flexcube, while the Retail Banking business by Finware, both from i-flex Solutions Ltd. The systems are open, saleable and web-enabled. The Bank has prioritized its engagement in technology and the internet as one of its key goals and has already made significant

progress in web-enabling its core businesses. In each of its businesses, the Bank has succeeded in leveraging its market position, expertise and technology to create a competitive advantage and build market share.

Teaching Objectives

1. To make the students understand the need of M & As.
2. To make them aware on ground realities of Indian Banking Industry.
3. To make them think and develop on various operational aspects involved in the growth of a bank.
4. To make and develop the students in getting innovative ideas on the possibilities of an M & A.

Teaching Plan

The class to be divided into groups of not exceeding 5 members in a group. The case may be administered after taking the students through the theories and concepts of Banking and M & A as a part of content beyond syllabus. The case should be provided to the students, one week in advance for immersing themselves into the concepts leading to fruitful discussions in the class.



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Discussion Points

1. Explain the possible benefits received by the entities due to merger?
2. How merger was useful for geographical expansion?
3. Discuss the controlling issues of promoters before and after merger?
4. Share your thoughts on diverse geographical presence gained as a result of M & A.
5. Comment on the emerging technological advancements post-merger.

Note: The authors, Prof. Roji George & Prof. Sarath P have tested this case in a Post Graduate Business Administration class consisting of 55 students of Finance Specialization, during the second week of September 2018 and found it to be fully satisfying with respect to all the 4 objectives of the case.



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Share Holder Value Creation through Value Added Reporting - Dr. Reddy and Sun Pharma Laboratories Ltd.

Part-I

1.1 INTRODUCTION: Shareholders value creation means creation of more profits to the shareholders through better management e.g. adoption of strategic cost management techniques, Brand images etc. Normally shareholders value creation means difference of current year shareholders value minus previous year shareholder value. Value added statement is a statement which indicate value addition by the company with different activities during the year and it shows disposal of profit towards various segments of the society and what part of the profit is available to the shareholders in form of dividend and retained earnings and what are the reason for the changes arises in year by year.

Value added is a basic and important measurement to judge the performance of an enterprise. It indicates the net value or worth created by the manufacturer during a specific period of time. No enterprises can survive and grow, if it fails to generate wealth. An enterprise may exist without profit, but cannot survive without adding value. Value added is meaningful measure of corporate performance than conventional measures based on traditional financial accounting and can be particularly useful for employee's oriented approach, which will allow more fruitful discussion with employees and can be especially useful in productivity arrangements. The value added is a basic and broad standard comprises investment by shareholders, debentureholders, creditors and specialized financial institutions. If such investment not creates wealth (Value addition), it means that is misuse of public funds. Therefore, the concept of value added has a direct linkage with the concept of social responsibility of the business. Value added can be particularly useful to management in comparing the performance of business within group or companies' performance with its industry as a whole. Financial reporting has traditionally concentrated on the needs of shareholders and creditors, but value added statement is important for stakeholders as well as employees for their remuneration point of view.



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1.2 RATIONALE OF THE STUDY: Value added reporting is a part of financial reporting that shows value addition by firm during the specific period and their application towards employees, Government, capital providers and retained by the firm himself for development and expansion activities. As per the Companies Act 1956 financial statement are prepared by each firm to find out their operational profit and their disposal. But it will not make a significant disclosure about creation of wealth, because income statements are prepared with the view of shareholders and creditors, not for the social reporting and social wealth creation point of view. As disclosure norms and transparency of accounting increases, their importance has been increases especially after globalization and WTO agreements, now it become necessary for society as well employees point of view to disclose the value creation and their disbursement. Therefore, a separate statement, value added statement will require to show the wealth generation by the firm and their disposal towards employees, government, capital providers and what part of the profit retained by the company for their expansion and developments activities.

Looking to the significance of the measure of value added techniques the increasing numbers of enterprises in Western Countries are presenting the value added statement in their annual reports. This practice is yet to be set in India. Presentation of value added statement in annual reports is neither statutory nor obligatory for companies in India. Although for better disclosure and transparency point of view some companies have started presenting value added statement in their annual reports. Keeping this context in background researcher try to explain Social performance evolution of Dr.Reddy's Ltd by the value added reporting, from 1995-96 to 2006-07 and what method of their social reporting and social responsibility as a pharmaceutical firm. This research paper is divided in IV sections. **Section First** deals with introduction of topic, introduction of sample companies, and rationale of study and objectives of the study. **Second Section** deals with research methodology of the study including hypothesis and limitations of the study. **Third section** deals with data analysis including various ratios and coefficient of correlation of variable and students T- test and **fourth section** is for suggestions and conclusion



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1.3. PROFILE OF THE COMPANY: **Dr. Reddy's Laboratories**, is a multinational pharmaceutical company based in Hyderabad, Telangana, India. The company was founded by Anji Reddy, who previously worked in the mentor institute, Indian Drugs and Pharmaceuticals Limited, of Hyderabad, India.[3] Dr. Reddy's manufactures and markets a wide range of pharmaceuticals in India and overseas. The company has over 190 medications, 60 active pharmaceutical ingredients (APIs) for drug manufacture, diagnostic kits, critical care, and biotechnology products

Part-II

2.1 DATA AND METHODOLOGY OF THE STUDY: This research paper is based on the 10 years financial performance of the Dr.Reddy's Lab. Ltd, which is one of the leading pharmaceutical company in India. The data of Dr.Reddy's Lab. Ltd. for the year (2004-05 to 2013-14) used in this study, have been taken from secondary sources e.g. published annual reports of the company. Editing, classification and tabulation of the financial data, which are collected from the above-mentioned sources, have been done as per the requirement of the study. For the analysis of value added reporting data are analyze in a following ways. **1. Value added statement. 2. Value added ratios.**

For assessing the behavior of data statistical techniques has been also used e.g. Mean, Coefficient of Correlation, Growth Rate, and Student T-Test in this study.

2.2 OBJECTIVES OF THE STUDY: This research paper is based on the following objectives:

1. To understand the concept of the value added reporting.
2. To, Evaluate performance of the sample company with value added accounting and value added ratios and analyze how value added reporting is better way rather then traditional method of reporting.
3. To, study intra firm comparison of last 10 years' performance and social responsibility of the sample company.
4. To, offer some suggestions for the improvement of value added in Sample Company.



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2.3. HYPOTHESES OF THE STUDY: The following hypotheses are framed for this study.

1. Generation of value added and application of value added are even and similar during the study period.
2. Value added reporting is better method for evaluation of performance analysis of sample company during the last 10 years.

2.4 LIMITATIONS OF THE STUDY:

1. This research paper is a micro nature research based in the sample Dr.Reddy's lab. Ltd.
2. This research paper is based on the 10 years financial performance of the sample company from 2004-05 to 2013-14.

For the analysis of financial data, as per the requirement data's are grouped and sub grouped

Part-III

3.1 VALUE ADDED REPORTING: Accounting procedure: Incase of value added reporting, accounting procedure will be divided in two parts: 1). Generation of Value added and, 2). Application of value added.

3.2. GENERATION OF VALUE ADDED: Value addition is the increases in the market value brought by an alteration in the form, location and availability of a product or services, excluding the cost of brought in material or services used in the that product or services. In simple words the value added is an **excess of turnover + income from services over the cost of brought in material and cost of the services. Here turnover indicates (Gross sales + sales tax and duties – (rebate + returns + commission + discount + Goods used for self consumption)).** Income from services includes incomes in the form of dividend, rent, commission and other income. The word cost of brought in material includes purchases of material and consumed during the year, adjustment of WIP and finished goods. The term cost of services represents the cost of services paid to the external parties for using the facilities given by them. The employee's costs, excise duty and deprecation have not been included in



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the cost of brought in materials and services. There are certain non-value added items appear on the debit and credit side of profit and loss accounts. e.g. profit/loss on sale of investment and fixed assets, provision for bad debts, provision for taxation, non operating exp.(donations) these items should carefully be treated

$Va = S + I - C$

Here, **Va** means Value addition, **S** means sales, **I** mean Income from services and, **C** Cost of brought in material and services.

3.2. APPLICATION OF VALUE ADDED: Value added will be shared by three segments e.g. (1) Employees, (2) Government, (3) Capital providers, and remaining share will be retained by the company for their development and expansion activities. The employees comprises all human resources e.g. workers and staff, the share available them to salary and gratuity, contribution to the P.F bonus and remuneration to the top managerial persons. The government provides not only the infrastructural facilities, but also conditions encouraging to operational activities; hence the share of value added has also to be given to the government in form of custom duty, excise duty, sales tax, and wealth tax. Shareholders are the ultimate claimant of value added. As such a share of the value added is given to them in the form of dividend, from the financial management point of view the profit ploughing back or retained earning also belongs to them.

But since they have not yet been paid out they are to be separately distributed under the heading, reinvestment in business. Providers of capital by outsider's agencies like bank, financial institutions, and debentureholders will be given in the form of interest

3.3. SIGNIFICANCE OF THE VALUE ADDED REPORTING: Value added reporting is new concept and method in Indian corporate environment to evaluate the performance of corporate sector. Its significance not only for external purpose, it is equally important for internal purpose also. Significance of value added reporting is explained with following views:

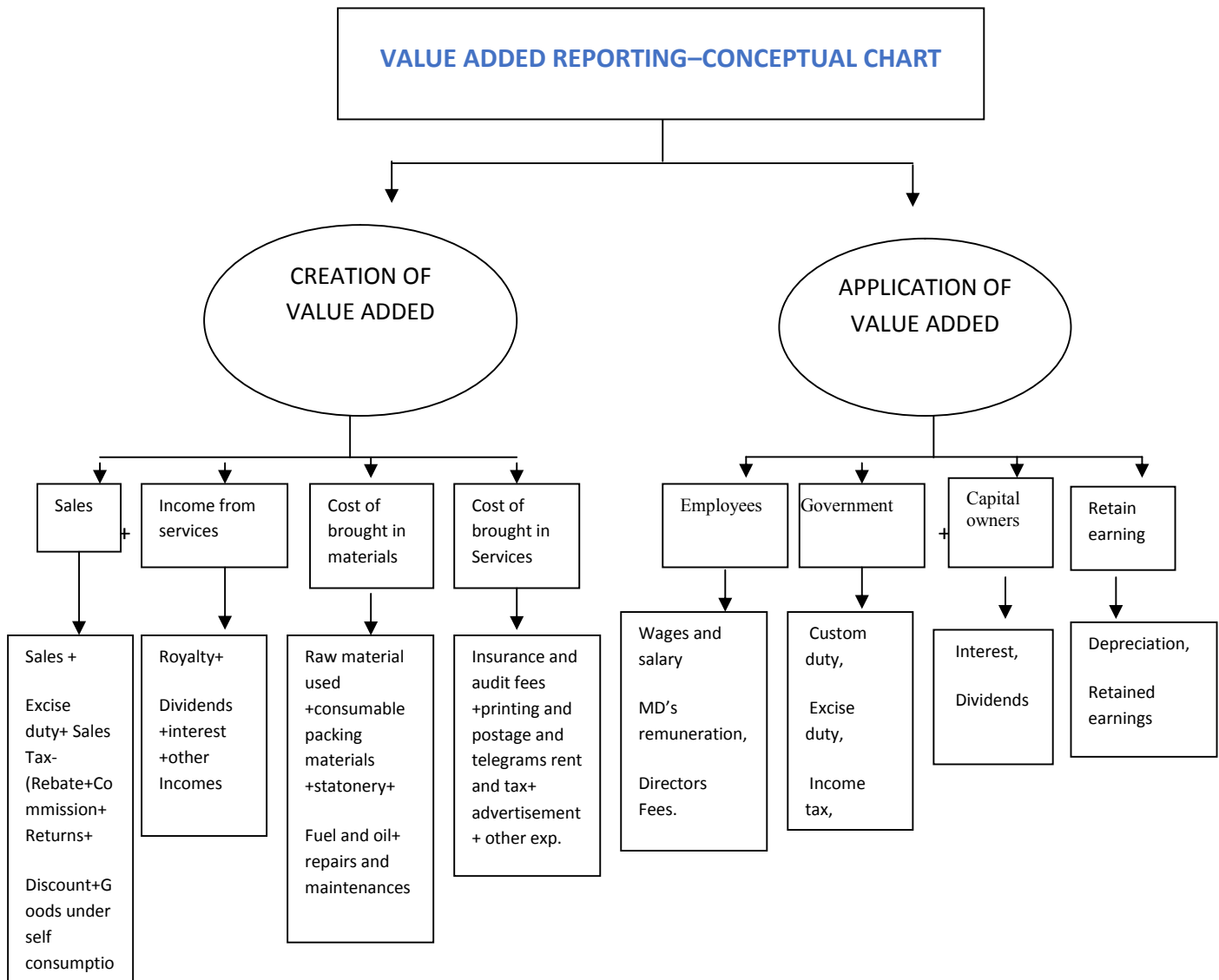


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1. **Comparison of performance:** Value added is an alternative performance measure to profit. Value added is superior performance measures because it bounces attention on inputs controllable by the management changes in material price are usually not controllable by the management and value added by deducting material costs allow attention to be directed at more comparable items.
2. **Productivity measurement:** For the measurement of productivity value added provides better information e.g. value added per rupees of capital employed, value added per rupee of sales, value added per rupees of labour cost, value added per rupees of employees, value added per labour/machine hours.



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3. **Resources allocation:** Resource allocation decisions are normally based on the concept of maximum appropriate criterion because; it incorporates the rewards to the employees as well as to providers of capital fund. For profit maximization ranking insure the allocation are based in contribution per units of the limiting factors and for value added maximization ranking would be on value added per units limiting factors.
4. **Incentive schemes for the employees:** The value added reporting is found useful by many companies for explaining company results to employees. The value added concept of profit is often a motivating and employees may well find the concept of creating wealth or adding value more acceptable. One of the significant uses of the value added concept is its incorporates in companies incentives schemes or bonus schemes. The scheme work by establishing a have ratio of value added to the pay roll and there by creating a base index. If the index moves favorable in later period a bonus is payable to share members.
5. **3.4 VALUE ADDED REPORTING ANALYSIS:** Value added statement is new concept in Indian corporate environment, for financial reporting. A typical statement of added value is prepared as routine part of management information system. The value added statement is largely a rearrangement of information contained in income statement. That rearrangement provides a better means of understanding an enterprises contribution to the society. Value added statement of Dr.Reddy's Ltd. revels that way by which the company has generated value added for the various segment of the society.
6. As per **table I**
7. **Generation of Value Added:** Revenue of Dr.Reddy's ltd. has been increases from Rs. 715.73 Crore to Rs.3092 Crore between 2004-05 to 2013-14. An index shows a growth of 100 to 384 during the study period. Total value addition by the company during the study period is significantly increases from Rs.135.62 Crore to Rs 878.82 Crore between 2004-05 to 2013-14 and indices of value addition shows a growth of



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100% to 564% during the study period. Simple reason is being company had expanded their activities during the study period, some new product i.e suprax, cephalosporins launched and some additional production capacity has been utilized by Mandideep, Ankleshwer and tarapur plants, that shows positive contribution of company towards society. Highest contribution will be made in the year 2013-14 (878.82) then year 2012-13 (667.71) and so on.

Application of Value added: Application of value added is very important for social reporting point of view. Under application of Value added major segments are; payment to employees, contribution to government, payment to capital provider and amount which are retained by the company. **Payment to employees** are increases gradually from Rs.45.32 Crore to Rs.246.9 Crore, but in term of percentage with disposal of value addition, highest percentage is in the year 2010-11 (39) then followed by 2011-12 (34.1%), 2004-05 (33.4%) and so on. One of the key observation that between the year 2005 to 2010 showed a average percentage of disposal of value added is between 22% to 25 % that shows during this period a constant growth followed by the company.

Contribution to Government: In case of payment to government it includes excise duty, local taxes, income tax, wealth tax, etc. As per table I company' contributed a large amount during the last six years for 2005-06 to 2010-11 between 28.9% to 24% of the value added. Initially contribution for the government is very low but now it is increases up to 24.75% of the total value addition. Highest contribution is in the year 2008-09 (116.46 Crore) then it is followed by 2009-10 (104.07 Crore) and so on.

Payment to capital providers: It contains two major factors, interest to money lenders and dividend to the shareholders. In case of **interest** provided to the money lenders, interest liability has been decreases significantly during the study period in both respect amount as well as percentage with total value addition. It Showed a fluctuating trend during the period of Study. Payment to the lenders was considerable reduced in the last years which is a good



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sign to the firm. Similarly in term of percentage with total disposal of value addition also decreases from 38.1% to 15.36% from 2004-05 to 2013-14. In term of percentage with total value addition that shows long-term loans are redeemed by the company because their main focuses is to reduce their long term liability with the help of huge revenue reserves and to achieve long term solvency, especially during the study period when long-term reserves are increases significantly. It is very positive for liquidity and solvency point of view.

As far as **shareholders** point of view amount of dividend will increases regularly from Rs.7.90 Crore (5.8%) to Rs.56.64 Crore (6.31%) between 2004-05 to 2013-14. Amount of dividend in term of rupees and percentage in both the respect increases gradually year by year, simple reason is interest liabilities are decreasing and more earnings and profits are available for the shareholders. It is a sign of reinvestment of excess profit in the business.

Re-investment in Business: It is in form of retained earning and depreciation. Retained earning is very important for development activities as well as shareholders wealth creation point of view. **Retained earnings** has been increases from Rs.11.94 Crore (8.6%) to Rs.216.42 (38.20%) between 2004-05 to 2013-14. One of the trends which are observed that in the second half of the study period retained earnings are increases sharply as compare to the Ist half of the study. Highest contribution is Rs.255.06 Crore (38.20%) in the year 2006-07 then Rs.152.97 Crore (33.50%) in 2011-12, then Rs.109.65 Crore (25.4%) in 2009-10 and so on, which indicates that the company is going for more and more retained earnings. But in the last year it showed a considerable decrease 38.20% to 24.155 which shows that more profit was reinvested in the business which is reducing the debt burden of the firm.

Depreciation is also a part of retained earning, because it is internal source of finance and funds are available as additional source for replacement and development activities. Amount of depreciation has been increases regularly during the study period from Rs.11.94 Crore to Rs.18.52 Crore between 2005 to 2007 but, in term of percentage with total value addition it is fluctuated between 8.6 % to 16.8 %. Highest percentage is 18.6 in the year 2006-07. As amount of depreciation increases its positive sign for liquidity point of view. Especially after



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2010 amount of depreciation will increase at a lower rate irrespective of the expansion and development of land building, plant machinery and furniture. This shows a higher level of efficiency in its operations

When we observed value addition by the company during the study period it reflects that during last six-year value addition is more as compare to other six years of the study period. It shows significant contribution by the company towards society.

3.5 VALUE ADDED Ratios: Ratios are one of the important tools for analysis of financial statement, but traditional ratios are not relevant for the analysis of value addition by the company, therefore, few new value added ratios are develop to signify the value added reporting in modern era.

1. **Gross margin Ratio:** Gross margin ratio will be calculated in place of G.P. Ratio to identify earning capacity of the firm. Gross margin ratio will be calculated by value added divided by sales. As per Table II gross margin ratios has been an increase from 18.95 % to 33.40 % during first three years of the study period.. Over all average is 29.29% which, shows value addition will be significant as compare to the sales, specially in last five years value addition will be increases due to increases of various medical products by the company which contributed additional value addition. The standard deviation of the ratios for the ten years was 4.49 which is a sign of higher degree of variability. The average annual growth rate was 4.9% which is moderate value
2. **Stock turnover ratio:** Stock turnover ratio shows operating efficiency of company during the study period. Stock turnover is calculated by gross output divided by stock. As per table II stock turnover ratio has been fluctuated during the study period form 5.02 times to 4.17 times with over all average 3.85 times. Highest ratio is 5.28 times in the year 2005-06 while lowest ratio will be 2.92 times in the year 2010-11. The ratio had a low degree of standard deviation of 0.85 with a negative average annual growth rate of -1.7%.



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- 3. Fixed Assets Turnover ratio:** This ratio is calculated by value added dividing by operating assets, its shows the utilization of operating assets during the financial years. As per table II fixed assets turnover ratio increases consistently from 47.45% to 80.25% between 2005 to 2011 with over all average of 69.93%. The overall average of the ratio of the firm was 56.47 % with an average annual growth rate of -1.7%. The variability of the ratio was high because standard deviation had a high value of 13.79.
- 1. Labour productivity ratio:** labour productivity is one of the measurements that show utilization of labour force by the company to increases value addition and productivity. It is calculated by value addition divided by number of employees employed in the firm. As per table II labour productivity has been increases regularly from 0.032 core per employees to 0.11 Crore per employees between 2005 to 2014 with minor fluctuation(Decrease) with over all average of 0.069 Crore per employees. That shows with the help of new technology, company improve their labour productivity. One of the positive trends that IInd half of the study productivity trend has been increases very sharply as compare to Ist half of the study. The ratio had high degree of uniformity
- 2. Capital productivity:** It is a ratio, which shows efficient utilization of capital employed. Capital productivity ratio is very important tool for financial appraisal of a firm. It is calculated by valued added divided by capital employed. As per Table II capital productivity of Dr.Reddy's ltd has been in sound position. It has been increases from 19.97% to 46.92 % between 2005 to 2011 but then after decreases up to 27.63% in the year 2012-13. Over all average is 29.55% which is satisfactory, when we observed capital productivity during the study period Ist half of the study (2005-09) capital productivity ratio is between 19.54% to 30.47% but in the II half of the study it increases significantly from 33.07% to 35.98% that show in II half of the study capital



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employed will be positively utilized. The ratio had a standard a low degree of uniformity with a standard deviation of 8.45 and an average annual growth rate of 8.0%.

- 3. Rate of Investment:** Rate of investment is another ratio that shows utilization of capital expenditure per employees during the financial year. It shows greater availability of capital resource per employees. It is calculated by capital expenditure dividing by number of employees worked in financial years. As per Table II ratio gradually increases from Rs.0.068 core per employees to Rs.0.31 Crore per employees between 2004-05 to 2013-14. Over all average during the study period is Rs.0.2 Crore per employees. It had appreciable growth rate with a low degree of absolute variability. That shows every year huge investment made by the company, through which they expand development and expansion activities.

3.6 Testing of hypothesis: A coefficient of correlation is calculated between two variables Sales (X) and value added (Y) it is 0.88 that shows higher degree correlation between sales and value addition. Significance of correlation will also be tested through Student T- test as:-

Null hypothesis (Ho): There is no significant relation between sales and value addition.

Alternative hypothesis (H1): There is significant relation between sales and value addition.

$$T = \frac{r}{\sqrt{(1-r^2)}} \times \sqrt{(n-2)}$$

$$= \frac{0.88}{\sqrt{1-(0.88)^2}} \times \sqrt{12-2}$$

$$= 5.86$$

Calculated value of t =5.86 which is more as compared to critical value of t =2.20 at 5% level of significance. Hence, null hypothesis rejected that means there is significant correlation between sales and value addition.

One of our hypothesis that value added generation and application are ever during the study will not be proved, because as per table I during the study period generation of value added varies between 18.45% to 33.11% due to changes in the various segment of revenue and



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control on cost of brought in material. The main reason is behind that company increase their production and lunch new product in global market as well as outsourcing of human resources, which will decreases cost of production especially in last five years. Our another hypothesis that value added reporting is better method of reporting will be proved by table I because, simple income statement not able to show generation and application of value added towards society, government, employees and reinvestment but value added statement shows it in a better way, even in value added ratios are also support our hypostasis

Part-IV

CONCLUSION: We may conclude that as compare to Ist half of the study (2005 to 2009) generation of value added is more in the IInd half (2010 to 2014) due to increases of productivity, operational efficiency and market share by the company. Our main conclusions are as:

1. Revenue from sales shows better performance, it increases Rs.715.73 Crore to Rs.3092.76 Crore and registered 301% growth during the study period.
2. Cost of brought in material significantly controlled by the management, especially in last six years it positively affects value addition of the company.
3. Payment to the Government has been increases significantly from 3.07% to 19.09% of the value addition that shows social contribution by the company in way of excise duty, custom duty, income tax and other taxes.
4. Interest liability will be deceases regularly that indicate sound liquidity position of company and effective management of long-term debt during the study period.
5. In case of shareholders only 6.31% of total value addition will be distributed by company, which shows that company follows a conservative dividend policy during the study period and most of the profit will be retained for development activities.
6. Reinvested in business is 24.15% in the form of retained earning and depreciation. It's an appropriate amount for investment and development point of view.

On the basis of above interpretation it can be conclude that the management of Dr.Reddy's Lab Ltd. has served to the society very well as 68% of total value added has been distributed



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among the employees, Government, financial institutions, banker and shareholders. On the other hand it also contributed 32% of value added towards the growth and development of the company retained in the business. Finally we conclude that value add reporting is one of the way which explain value creation for shareholders, it also explain what are the changes arises in value creation due to different activities

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Reports

19. Annual reports of Dr.Reddy's Labs. Ltd (from 2004-05 to 2013-14).

Annexure

Table II. Value Added Ratios in Dr.Reddy's Lab Ltd.

Years	Gross margin ratio (%)	Stock turnover ratio (in times)	Fixed assets turnover ratio (%)	Labour productivity ratio (In Crore per Employees)	Capital productivity ratio (%)	Rate of investment ratio (In Crore per Employees)
2004-05	18.95	5.02	47.45	0.032	19.97	0.068
2005-06	29.97	5.28	45.55	0.032	18.25	0.70
2006-07	30.32	3.34	54.24	0.038	22.49	0.070
2007-08	33.40	3.30	62.61	0.064	28.00	0.10
2008-09	31.28	3.00	69.22	0.075	30.47	0.108
2009-10	34.18	3.20	70.57	0.082	33.07	0.116
2010-11	25.98	2.92	80.25	0.10	46.92	0.126
2011-12	27.49	3.85	53.88	0.080	32.74	0.148
2012-13	32.91	4.44	40.76	0.076	27.63	0.275



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2013-14	28.41	4.17	39.54	0.11	35.98	0.309
Mean	29.29	3.85	56.47	0.069	29.55	0.2
AAGR*	4.9 %	-1.7%	-1.7%	24.4%	8.0%	35.4%
S.D**	4.49	0.85	13.79	0.03	8.45	0.19

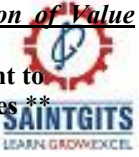
Source: Compiled and calculated from annual reports of Dr.Reddy's Lab. Ltd. (2004-05 to 2013-14)

* AAGR =Average Annual Growth Rate

** S.D = Standard Deviation

Table I. Value Added Statement of Dr.Reddy's Lab Ltd (2004-05 to 2013-14)

PARTICULARS	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
<u>Generation of Value Added</u>										
1.Revenue from sales	715.73	543.72	902.85	956.87	1120.05	1263.85	1312.28	1661.04	2028.87	3092.76
2. Other incomes	4.44	1.76	8.59	8.45	10.96	51.35	23.41	17.57	128.71	65.67
Total Earnings	720.17 (100)	545.48 (100)	911.44 (100)	965.32 (100)	1131.01 (100)	1315.2 (100)	335.69 (100)	1678.61 (100)	2157.58 (100)	3158.43 (100)
(-)Cost of Brought in material and services	584.55 (81)	382.52 (70)	637.73 (70)	645.68 (67)	780.71 (69)	883.27 (67)	994.81 (75)	1222.04 (73)	1489.87 (69)	2279.61 (72)
Value Added by Company.	135.62 (19)	162.96 (30)	273.71 (30)	319.64 (33)	350.30 (31)	431.93 (33)	340.88 (25)	456.57 (27)	667.71 (31)	878.82

SAINTGITS INSITUTE OF MANAGEMENT SAINTGITS COLLEGE OF ENGINEERING PATHAMUTTOM, KOTTAYAM											
Application of Value Added 1.Payment to Employees**		45.32	36.84	58.87	69.05	76.92	110.00	132.91	155.72	187.5	246.9
		(33.4)	(22.6)	(21.5)	(21.6)	(22)	(25.5)	(39)	(34.1)	(28.08)	(28.09)
2.Payment to Government	4.17	47.14	86.36	94.18	116.46	104.07	84.37	47.48	94.69	171.24	(28)

(Rupees in Crores)



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	(3.07)	(28.9)	(31.6)	(29.5)	(33.3)	(24.1)	(25)	(10.40)	(14.18)	(19.48)
3.Payment to capital providers										
a. Lenders (Interest)	51.58	39.86	59.70	62.20	61.38	52.59	28.25	30.30	37.09	120.5
b. Share holders (dividends)	(38.1) 7.90	(24.5)	(21.8)	(19.5)	(17.5)	(12.2)	(8.3)	(6.64)	(5.55)	1
	(5.8)	8.34	15.29	21.19	20.58	26.09	26.09	29.75	47.00	(13.71)
		(5.1)	(5.6)	(6.6)	(15.9)	(6.04)	(7.7)	(6.52)	(7.04)	56.64
										(6.44)
8. Reinvestment in Business										
a. Retained Earnings	14.73	21.35	34.97	49.85	49.92	109.65	35.64	152.97	255.06	216.4
b. Depreciation	(10.9)	(13.1)	(12.8)	(15.6)	(14.3)	(25.4)	(10.5)	(33.50)	(38.20)	2
	11.94	9.43	18.52	23.17	25.04	29.53	33.62	40.35	46.37	(24.62)
	(8.6)	(5.8)	(16.8)	(7.26)	(7.2)	(6.8)	(9.9)	(8.84)	(6.95)	(67.92)
										(7.72)
Disposal of value addition	135.62	162.96	273.71	319.64	350.30	431.93	340.88	456.57	667.71	878.8
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	2
										(100)

Source: Complied and calculated from annual reports of Dr.Reddy's Lab. Ltd. (2004-05 to 2013-14)



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AV Fitness – Is it financially fit?

A capital budgeting case study prepared by Dr. Jose Joy Thoppan and Prof. Alfia Thaha for use in the Financial Management I class of 2018-20 batch at Saintgits Insitute of Management during the second trimester of AY 2018-19

Anand is a fitness enthusiast and has been working out at a local Gym for the last decade. He had completed his MBA recently from Saintgits and has been working for the last 2 years at a leading hospitality company with largest online presence in India. He along with his friend Vishnu plans to set up a fitness chain in Kerala. Both Vishnu and Anand are marketing majors and need your support for helping them decide if they can go ahead with the project.

The Indian Fitness Industry

The Indian fitness industry is in its early stages of growth with a gym penetration rate of just 0.13% and significant untapped potential that could result in unabated growth in the coming years. With constant rise in the number of gym-goers, the fitness industry in India is all set to witness significant growth. The relatively underpenetrated Indian market has experienced healthy growth rates over the last few years. The combination of a billion-plus population and a demographic profile that is significantly skewed to the younger age brackets of 10-24 years will provide a rich target market for fitness clubs. Moreover, changing social trends are also facilitating the incremental inflow of female customers in the Indian fitness industry who today make up almost half the Indian market. The industry primarily caters to Indians with high disposable incomes and conscious about health and fitness. Indians are highly susceptible to lifestyle diseases such as diabetes, cardiac problems, osteoporosis and arthritis, among others, that typically affect a significant number of people as they cross the age of 40 years. The Indian fitness industry is also witnessing significant growth in the desire of people to look good, eat right and feel good. Higher rates of heart disease, increase in the incidence of cancer, record numbers of clinically obese people, and various other health scares have all drawn attention to the need for healthy lifestyle choices. A survey done by Edusports revealed that a majority of the current generation of Indians are unfit. This is due



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to the rise of sedentary lifestyles, unhealthy diets and low importance given to physical fitness. According to IHRSA Global Report 2015, the global fitness industry is worth USD 84 billion in revenues, comprising 180,000 health clubs worldwide.

Anand plans to start a Chain of Gyms under the brand “*AY Hercules Gyms*” in their hometown Changanassery and in the neighboring towns of Kottayam and Thiruvalla. They plan to rent out commercial space with good accessibility. They would require 1500 sq. feet for each facility and they would be able to rent it out at Rs.20/Sq.ft. per month with the rentals fixed for a period of 5 years at all the three locations, payable as lump sum at the beginning of the year. They have negotiated with the owners that there won't be any deposit requirements. They have received quotations for equipment and for the interiors, which works out to Rs. 40 lakhs per location. The gym equipment comes bundled with an AMC contract for 5 years. They have estimated that the staffing cost for each location comprising of two male trainers, one female trainer and a receptionist along with other requirements will work out to Rs.9 lakhs per annum with a cost escalation of 5% per annum.

Anand and Vishnu have done a market survey at the 3 locations and they have observed that there is very little competition around and there is a significant demand from the young and the old alike and there is also equal interest to use the gym facility across both the genders. To restrict the crowd and to control the usage, they want to keep a premium pricing of Rs. 20,000 per annum as the annual membership and Rs. 12,000 per annum as the half yearly membership. They plan to limit the membership to these two categories alone. They have estimated that the number of annual memberships at Kottayam, Changanassery and Thiruvalla will be 100, 80 and 90 respectively and for the half yearly membership it will be 140, 100 and 120 respectively. They wish to cap the membership at these levels to provide better customer experience. They believe that any dropouts will be replaced immediately.

Anand and Vishnu will be able to pool in 60% of the required amount and they expect a return of 18% on their investment. They have presented a proposal to South Indian Bank who



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have approved the funding of the remaining 40% at a rate of 12% per annum. The applicable tax rate is 30%.

Considering a project lifetime of 5 years, make a recommendation to Anand and Vishnu as to whether the project is financially viable.

Teaching Note

Cost of Capital

Cost of Equity	18%
After Tax cost of Debt	8%
WACC	14.02%

Cash Outflows

		Year 1	Year 2	Year 3	Year 4	Year 5
Rental	Changanassery	360,000	360,000	360,000	360,000	360,000
	Kottayam	360,000	360,000	360,000	360,000	360,000
	Thiruvalla	360,000	360,000	360,000	360,000	360,000
Equipment Cost	Changanassery	4,000,000				
	Kottayam	4,000,000				
	Thiruvalla	4,000,000				
Staff Cost	Changanassery	900,000	945,000	992,250	1,041,863	1,093,956
	Kottayam	900,000	945,000	992,250	1,041,863	1,093,956
	Thiruvalla	900,000	945,000	992,250	1,041,863	1,093,956
Total Cost		15,780,000	3,915,000	4,056,750	4,205,588	4,361,867

PV Computation	13,839,677.25	3,011,408.65	2,736,750.05	2,488,298.78	2,263,430.81
Present Value of Cash Outflows	24,339,565.54				

Cash Inflows

		Year 1	Year 2	Year 3	Year 4	Year 5
Annual Membership	Changanassery	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Kottayam	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
	Thiruvalla	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Half yearly	Changanassery	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000



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Membership	Kottayam	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
	Thiruvalla	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000

Total Revenue		9,720,000	9,720,000	9,720,000	9,720,000	9,720,000
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PV Computation	8,524,820.21	7,476,600.78	6,557,271.34	5,750,983.46	5,043,837.45
Present Value of Cash Inflows	33,353,513.22				

Net Present Value	9,013,947.69
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Since the NPV is positive, we recommend that Anand and Vishnu can go ahead with the project



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M & A: Way for Inorganic Growth - A Case Study of Banks in India

(For KTU 2016-18 batch, Commercial Banking)

Mergers and acquisitions are considered an optimum way for expansion, growth and value maximization. Indian banking Industry has witnessed large number of M & As , out of which some are friendly and some are completed by Government. In this case, we review the mergers initiated by HDFC bank, a new generation bank to see how these merges were helpful to the acquirer to expand its business.

HDFC Bank Limited was incorporated in August 1994. It was promoted by Housing Development Finance Corporation Limited (HDFC), India's largest housing finance company. It was among the first companies to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. The Bank started operations as a scheduled commercial bank in January 1995 under the RBI's liberalization policies. The Bank is a publicly held banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations.

In a milestone transaction in the Indian banking industry, Times Bank Limited was merged with HDFC Bank Ltd., effective on February 26, 2000. Times Bank was a new private sector bank promoted by Bennett, Coleman & Co. / Times Group, India. This was the first merger of two private banks in the New Generation Private Sector Banks in India. Times Bank had 35 branches and HDFC had 111 branches at the time of merger. As per the scheme of amalgamation issued by HDFC bank to its shareholder the following were the reasons cited for the merger deal. 1. Branch Network would increase by over 50 percent and thus providing increased geographical coverage. 2. Increase the total number of retail customer accounts so as to increase deposit and loan products. 3 After the merger the bank would be able to use Times Bank's lower cost alternative channels like phone banking, internet banking etc. and thereby the reducing of operating costs. 4. The merger would increase the presence of HDFC



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bank in the depository participant activities. 5. Improved infra structure facilities and central processing would help in deriving economies of large scale.

As per the scheme of amalgamation approved by the shareholders of both banks and the Reserve Bank of India, shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Bank. After the merger, the shareholding of HDFC group came down to 25.74% from 28.78 where as the same of Times group promoters was only 7%. None of the directors of Times bank joined the Director board of HDFC bank after merger

On May 23, 2008, the amalgamation of Centurion Bank of Punjab with HDFC Bank was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. As per the scheme of amalgamation, shareholders of CBoP received 1 share of HDFC Bank for every 29 shares of CBoP. The amalgamation added significant value to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower. The combined entity had a nationwide network of 1,148 branches (the largest amongst private sector Banks) a strong deposit base of around Rs. 1,200 billion and net advances of around Rs. 850 billion. The balance sheet size of the combined entity would be over Rs. 1,500 billion. Commenting on the proposed merger, Mr. Deepak Parekh, Chairman, HDFC said, “We were amongst the first to get a banking license, the first to do a merger in the private sector with Times Bank in 1999, and now if this deal happens, it would be the largest merger in the private sector banking space in India. HDFC Bank was looking for an appropriate merger opportunity that would add scale, geography and experienced staff to its franchise. This opportunity arose and we thought it is an attractive route to supplement HDFC Bank’s organic growth. We believe that Centurion Bank of Punjab would be the right fit in terms of culture, strategic intent and approach to business.”

At the time of merger, Centurion Bank of Punjab was one of the leading new generation private sector banks in India which was formed by merging two banks, Centurion Bank and Bank of Punjab. Centurion Bank was incorporated on 30 June 1994 as a joint venture



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between 20th Century Finance Corporation and its associates, and Keppel Group of Singapore. In 1995 Centurion Bank amalgamated 20th Century Finance Corporation. Bank of Punjab (BoP) was Punjab based bank promoted by Dr. Inderjit Singh in 1994 having operations in predominantly in North India.

On 29 June 2005, the boards of directors of Centurion Bank and Bank of Punjab agreed to a merger of the two banks. The combined bank took as its name Centurion Bank of Punjab. After the merger. The combined equity of the bank was at Rs 128 Cr. Bank of Muscat's share which had 31% controlling stake in Centurion bank came down to 25% where as Capital Corporation's and Sabrie capital's controlling stake came down to 11% and 4.4% respectively from 14% and 5.4%. Tejbir Singh, ED of Combined entity had 27% in BoP which got reduced to 5% in the merged entity.

The bank served individual consumers, small and medium businesses and large corporations with a full range of financial products and services for investing, lending and advice on financial planning. The bank offers its customers an array of wealth management products such as mutual funds, life and general insurance and has established a leadership 'position'. The bank was also a strong player in foreign exchange services, personal loans, mortgages and agricultural loans. Additionally the bank used to offer a full suite of NRI banking products to overseas Indians. Centurion Bank of Punjab had a strong nationwide franchise of 394 branches and 452 ATMs in 180 locations across the country, supported by employee base of over 7,500 employees.

Interestingly Lord Krishna Bank (LKB), a Kerala dominated bank had merged with Centurion Bank of Punjab in 20017. Lord Krishna Bank was a closely held private sector bank with 65% of the equity lying with the promoter Mr. Mohan Puri. LKB has 112 branches in all with 69 of them being in Kerala. Centurion bank is predominantly present in western and northern India. The proposed merger enhanced CBOP's presence in southern India.



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Discussion Points

1. Explain the possible benefits received by the entities due to merger?
2. How merger was useful for geographical expansion?
- 3 . Discuss the controlling issues of promoters before and after merger?



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SAPM CASELET

ABOUT WONDER WORLD

Wonder World Holidays Limited is a leading amusement park operator in south India with properties in Kochi, Bengaluru and Hyderabad. They have provided joyful experience to over 1 crore visitors over the past 15 years. They are among the first park in India to get ISO14001 certificate for eco-friendliness and OHSAS 18001 certificate for safety. The Company and its parks have won around 40 awards / certifications since inception, including National Awards for Excellence from Indian Association of Amusement Parks & Industries in the areas of total number and variety of rides, most innovative ride, etc. They have In-house manufacturing facility at Kochi which manufactures / constructs rides and attractions for its parks.

The Kochi park spread over 30 acres of landscaped space and built to international standards is in for renovation. Wonder World wants to tie-up with a leading Hollywood studio and build a Hollywood themed park. Wonder world also plans to create a Four Star leisure resort attached to the amusement park with 85 luxury rooms, 4 banquet halls / conference rooms, totaling 10,000 sq. ft. with a capacity to hold 1000 guests and a well-equipped board room that would be suitable for hosting wedding receptions, parties and other corporate events and meetings. The other planned amenities include a multi-cuisine restaurant, rest-o-bar, solar heated swimming pool, recreation area, kids' activity centre and a well-equipped gym.

Current focus is on exploiting the potential opportunity to set up a new Hollywood themed parks in Kochi

ABOUT ALISHA CHINNAPPA

Ms. Alisha Chinnappa is the Associate Vice President & Head of Equity Research at SCAF and has over 17 years of experience in the financial services industry having covered areas like Wealth Management, Product development, Multi productSales team management, Strategy planning and Equity broking.

She has been with the organization since 2015. She joined SCAF as a Research Lead and was responsible for equity research and assisting sales in client interaction. She has also been a portfolio specialist, and managed product related initiatives, product pricing and coordination with the funds management and sales team in that role.



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Ms. Chinnappa has graduated in commerce and completed her MBA in Finance. She has diverse exposure of leading sales, products, research, customer, risk and operations teams. Her core strength is strong relationship management with clients and the distribution teams.

Prior to SCAF, Alisha worked with Vyahu Analytics, as a research analyst where she was tracking Equity markets in India and generating research reports. She was also instrumental for conceiving various financial software tools in collaboration with software and technical teams.

Alisha has a team based approach to investing and depends on collective inputs from investment specialist closest to the source of investment information before finalizing on an investment opportunity

THE SITUATION

THE BRIEF

Alisha Chinnappa is tracking this stock for some time wants to assess the impact that renovation and the partnership with Disney might have on its stock. Alisha had a year back valued the stock at Rs. 253 (before the expansion project and partnership was announced) assuming a growth rate of 15% in the high growth period.

Alisha uses a dividend discount valuation model that incorporates beta in the derivation of risk-adjusted required rates of return on stocks. She assumes a beta of 1.15 for wonderla. The risk-free rate of return (T-bill) is 4.0% and the rate of return of the market is 10.0%.

Alisha assumes that due to the new project and partnership Wonderla will experience a short-term growth rate (five years) for earnings and dividends at 25.0% per annum and in the long-term this growth rate (beyond five years) will fall back to 9.4% accounting for . The dividend forecast for FY2022 (per share) Rs.1.25. The current stock price is Rs. 206.95.

THE QUESTIONS

- A. Estimate the risk-adjusted required rate of return on Wonder World's stock using Alisha's beta assumption
- B. Apply the Dividend Discount Model to compute the intrinsic value of Wonder World's stock in 2021 using required rate of return computed in (A).



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- C. Alisha finds that her recommendation for Wonder World should be changed from a “buy” to a “sell”. Examine how the construction of the new theme parks could have a negative impact on the valuation of Wonderla stock, despite her upward revision of the assumption of growth rates (from 15% to 25%).

SOLUTION

- A. Risk adjuted rate of return = 10.9%
- B. Interinsic value of wonderla share = Rs. 139.95
- C. Though growth rate increases from 15% to 25%, the risk of the project also increased and the project need to be discounted at a higher discounted rate which reduces the intrinsic value making it overvalued at Current market prices.



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Road Ahead for IT Firms in India

The top four Indian IT firms have cash reserves of nearly 1 lakh crore rupees with TCS alone holding 35,000 crores in reserves, followed by Infosys and Wipro with 20,000 crores billion, and HCL Technologies has cash reserves of 10,000 crores. Information technology (IT) services companies are utilising cash on their balance sheet to strengthen their digital, cloud and healthcare offerings - the themes that predominantly helped them beat the pandemic-induced downturn.

Already in the September quarter, top Indian IT services firms including Infosys, Wipro, and HCL Technologies have made several acquisitions, not to mention Cognizant, technically a US-headquartered company. Experts say IT companies are now seen to be banking on the mergers and acquisitions (M&A) route for geographical expansion and to bolster their growth, a new strategy for these firms. As growth slows owing to the pandemic, cash-rich IT services companies are pursuing growth, including acquisition, indicating a change in capital allocation policies.

Apart from mergers and acquisitions (M&As), even large rebadging deals (outsourcing work while reducing employee strength) and buying out captives of global firms are part of these initiatives. This is being done to drive revenue growth at a time most firms posted a revenue decline in sequential terms in Q1 of FY21, which is traditionally considered to be a strong quarter for IT services

Meanwhile, Tata Consultancy Services (TCS), the largest IT services company in India has announced a share buyback worth Rs 16,000 crores in October 2020. The board of directors of TCS had approved a proposal to buy back up to 5,33,33,333 equity shares of the company for an aggregate amount of up to Rs 16,000 crore.

The voting, which started on October 20 and ended on November 18, saw 99.57 per cent of the votes being cast in favour of the buyback offer. There was 100 per cent voting in favour of the



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proposal by the promoters, 98.11 per cent by public institutional shareholders and 98.43 per cent by other shareholders. TCS CEO and Managing Director Rajesh Gopinathan had earlier said the company is focused on its policy to return capital to shareholders. The Mumbai-based company's cash reserves stood at Rs 58,500 crore as of September 2020. In October last year, TCS' board had declared a special dividend of Rs 40 per equity share. In 2018, TCS had undertaken a share buyback of about Rs 16,000 crore. In 2017 too the company had conducted a similar share purchase exercise.

TCS CEO and Managing Director Rajesh Gopinathan had earlier said the company is focused on its policy to return capital to shareholders. The current buyback offer was part of its long term capital allocation to shareholders. The offer price for the buyback is 9.6 percent higher than the stock's closing at Rs 2,737.40 on BSE on October 7.

Discuss

1. Comment on TCS company's decision to buyback of shares



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Majesco: A Tale of Value Unlock

Majesco Ltd. (Indian Firm) hit the news headlines in mid-December 2020, when its board approved payment of interim dividend at the rate of 19,480% i.e. Rs. 974/- per equity share of face value of Rs5/- each for the financial year 2020-21. This interim dividend pay-out translates to an amount of Rs2,788.4 crore on a shareholder base of ~2.86 crore shares. At 19,480%, Majesco's interim dividend is the highest pay-out ever by an Indian firm. But what must have triggered this decision by Majesco's board.

Majesco's demerger and value-unlock for shareholders:

Mastek Majesco has had a history of handing their shareholders such unexpected bounties through such corporate actions.

Majesco India came into existence post its demerger from Mastek India (Parent) and subsequent listing in the Indian market, back in 2015. The demerger was such that each shareholder of (one share) Mastek Ltd received one share of Majesco Ltd. post listing on the exchange. As a part of the restructuring, shares of the US business of Mastek Ltd. (Majesco USA) were transferred to the newly demerged entity: Majesco (India) Ltd.

The shares of Majesco Limited were listed on August 19, 2015 on the BSE and NSE. It is interesting to note, Majesco's demerger in 2015 was a landmark corporate action and had drawn investors towards the Mastek stock and thereafter in the newly listed (read demerged entity - Majesco Ltd). Brokers and analysts considered such a transaction, a great value unlock for the shareholders, especially coming from a company the size of Mastek. Majesco shares witnessed heightened activity post its demerger-listing and was in the news for the same.



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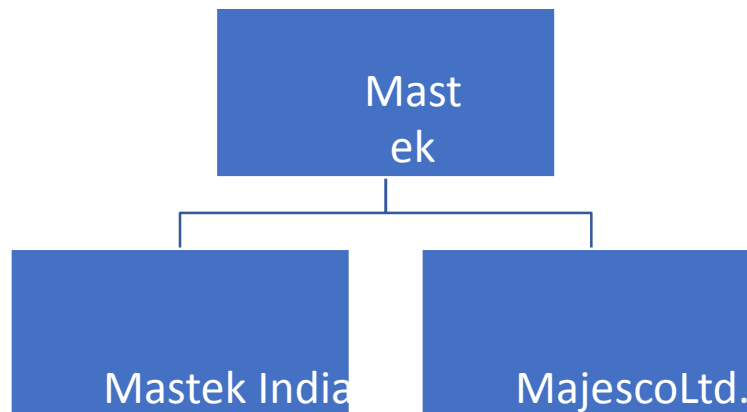


Fig. 1 Scheme of Demerger and outcome

Let's understand the chronology:

A brief history of Majesco Ltd and its investments in its markets:

Majesc USA, subsidiary of Mastek was formed in 1992. Majesco Ltd was one of the top 3 vendors engaged in providing core software solutions for Property & Casualty/General Insurance, and Life, Annuities & Pensions providers, to manage policy administration, claims management and billing functions. It is also pertinent to note that over 90 per cent of the revenue earned by Majesco (India) Ltd. was through the operations of the US subsidiary Majesco (USA).

It went on to acquire a number of businesses in the US, namely:

- Entegram in 2005
- Vector Insurance services in 2007
- STG in 2008
- SEG Software in 2010.



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Through these acquisitions, Majesco was not only able to consolidate and strengthen its core insurance business, but was also able to enter the key Canadian market post 2009. The company continued with its investment and acquisition streak, merging Cover-All Technologies in 2014 and acquiring consulting firm Agile Technologies in 2015.

Majesco USA acquired InsPro Technologies Corporation for \$12 million and successfully closed the acquisition in April 2020. This helped the firm to further strengthen and expand Majesco's domain depth in voluntary, group, voluntary benefits, and worksite markets for insurers. Both the timing and successful closing of the deal are crucial, as it took place post the pandemic gripping global economies.

Sale of Majesco (USA) in 2020

On 20th, July 2020, the company informed its shareholders, private equity firm Thoma Bravo had acquired the US arm of Majesco for an aggregate consideration of \$594 million (\$13.1 per share of Majesco USA) which was later revised to \$16 by the time of final closure of the deal. The aggregate consideration received for Majesco (USA) was \$729 million. Prior to sale of Majesco USA, Majesco Ltd. owned 74.1% percent stake in the unit. This price was a premium of approximately 113% over Majesco's average closing price of \$7.52 during the 30-trading day period ended July 17, 2020.

Majesco had announced that the proceeds from the sale will be distributed to shareholders of Majesco India. Majesco Limited divested its entire stake/ investment in its material subsidiary i.e., Majesco USA.

The underlying transaction has been consummated on September 21, 2020. Henceforth, Majesco (USA) will operate as a privately held company under the continued leadership of the existing Majesco Leadership Team.

Majesco's subsequent sale and the resultant bonanza for its shareholders highlights two important points:



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- Majesco Ltd. story as a startup of amatured Indian business could be looked upon as a matter of study which has led to a major value unlock and value creation for the shareholders of the company.
- Majesco though initially was demerged so that it could generatnddeployitsown resources/investments. Butthroughout its existence, the company has maintained both profitability and operational leadership within its segment of business. This is significant considering the fact that most of the new-age businesses are cash-burning technology companies valued at astronomical levels, with negligible revenue, cash flow and of course, no-profitable operations in the foreseeable future, Majesco's sale of its US business especially for a publicly listed entity, also holds a silver lining for investors of publicly listed shares with such potential.

Returning funds to shareholders:

Majesco management decided to return back shareholders' funds through a two-stage process. The first involved buy back of shares (representing upto 24.8% of the total paid-up equity capital of the company as on November, 2020. This buy back was to be consummated through the "tender offer" at a price consideration of ₹845 per share payable in cash. Total shares eligible for this buy back was 74,70,540 equity shares for an aggregate amount of Rs. 631.26 crores.

Post the closure and completion of buy back scheme, the company in its board meeting held on 15th December, 2020, announced an interim dividend of Rs. 974 per equity share. The total consideration of this buy back was Rs. 2788.4 crore 96.4% of the total reserves and cash available with the company. The dividend was paid out as on 30th December, 2020.

Footnote: *This Case Study has been written and published after due-consultation and discussion with the Management of Majesco Ltd (India). We sincerely thank Mr. Farid Kazani (Managing Director & Group CFO, Majesco Limited), for his feed back and obliging to be a part of the case-study development discussions, which not only helped us further improve the content but also build on conceptual inputs, which would help in developing solutions for this case-study. We also, thank Christensen IR, for being enablers of this academic work and helping us connect with Majesco Ltd.*



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Analyse:

Tentative Questions but the same would not be published as a part of the case study.

Listed Equity entities do offer opportunities like unlisted technology companies-A chance for a greater value unlock, given the promoters are willing to share the proceeds.

Identify the different transactions and the stakeholders and entities/firms/companies involved.

Analyse the above identified transactions and the change in corporate structures (if any) as a Majesco share holder.

Assuming you are a share holder- Do you agree or disagree Majesco's decision to payout the proceeds of sale of its US arm through a combination of buy back and dividend payout, was in the best interest of Majesco India shareholders?



Conducting a Fundamental Analysis for the Indian FMCG Sector

Introduction

Fast-moving consumer goods (FMCG) sector is the 4th largest sector in the Indian economy with Household and Personal Care accounting for 50 per cent of FMCG sales in India. Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector. The urban segment (accounts for a revenue share of around 55 per cent) is the largest contributor to the overall revenue generated by the FMCG sector in India. However, in the last few years, the FMCG market has grown at a faster pace in rural India compared with urban India. Semi-urban and rural segments are growing at a rapid pace and FMCG products account for 50 per cent of total rural spending.

Market Size

The Retail market in India is estimated to reach US\$ 1.1 trillion by 2020 from US\$ 840 billion in 2017, with modern trade expected to grow at 20 per cent - 25 per cent per annum, which is likely to boost revenues of FMCG companies. Revenues of FMCG sector reached Rs 3.4 lakh crore (US\$ 52.75 billion) in FY18 and are estimated to reach US\$ 103.7 billion in 2020.

Investments/ Developments

The government has allowed 100 per cent Foreign Direct Investment (FDI) in food processing and single-brand retail and 51 per cent in multi-brand retail. This would bolster employment and supply chains, and also provide high visibility for FMCG brands in organised retail markets, bolstering consumer spending and encouraging more product launches. The sector witnessed healthy FDI inflows of US\$ 13.63 billion, during April 2000



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to June 2018. Some of the recent developments in the FMCG sector are as Patanjali will spend US\$743.72 million in various food parks in Maharashtra, Madhya Pradesh, Assam, Andhra Pradesh and Uttar Pradesh. Dabur is planning to invest Rs 250-300 crore (US\$ 38.79-46.55 million) in FY19 for capacity expansion and is also planning to make acquisitions in the domestic market. In May 2018, RP-SanjivGoenka Group created an Rs 1 billion (US\$ 14.92 million) venture capital fund to invest in FMCG start-ups. In August 2018, Fonterra announced a joint venture with Future Consumer Ltd which will produce a range of consumer and foodservice dairy products

Government Initiatives

Some of the major initiatives taken by the government to promote the FMCG sector in India are as follows:

- The Government of India has approved 100 per cent Foreign Direct Investment (FDI) in the cash and carry segment and in single-brand retail along with 51 per cent FDI in multi-brand retail.
- The Government of India has drafted a new Consumer Protection Bill with special emphasis on setting up an extensive mechanism to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers.
- The Goods and Services Tax (GST) is beneficial for the FMCG industry as many of the FMCG products such as Soap, Toothpaste and Hair oil now come under 18 per cent tax bracket against the previous 23-24 per cent rate.
- The GST is expected to transform logistics in the FMCG sector into a modern and efficient model as all major corporations are remodelling their operations into larger logistics and warehousing.

Road Ahead

Rural consumption has increased, led by a combination of increasing incomes and higher aspiration levels; there is an increased demand for branded products in rural India. The rural FMCG market in India is expected to grow to US\$ 220 billion by 2025 from US\$ 23.6



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billion in FY18. In FY18, FMCG's rural segment contributed an estimated 10 per cent of the total income and it is forecasted to contribute 15-16 per cent in FY 19. On the other hand, with the share of unorganised market in the FMCG sector falling, the organised sector growth is expected to rise with increased level of brand consciousness, also augmented by the growth in modern retail. Another major factor propelling the demand for food services in India is the growing youth population, primarily in the country's urban regions. India has a large base of young consumers who form the majority of the workforce and, due to time constraints, barely get time for cooking.

Online portals are expected to play a key role for companies trying to enter the hinterlands. The Internet has contributed in a big way, facilitating a cheaper and more convenient means to increase a company's reach. It is estimated that 40 per cent of all FMCG consumption in India will be online by 2020. The online FMCG market is forecasted to reach US\$ 45 billion in 2020 from US\$ 20 billion in 2017. It is estimated that India will gain US\$ 15 billion a year by implementing the Goods and Services Tax. GST and demonetisation are expected to drive demand, both in the rural and urban areas, and economic growth in a structured manner in the long term and improve performance of companies within the sector.

Exchange Rate Used: INR 1 = US\$ 0.0149 as on Q1 Y18

Table 1: Historical Prices of the stocks and the index values for the last one year

Date	Nifty	Alpha	Beta	Gama	Delta
Mar-18	10113.7	1335.9	8202.15	255.5	4970.60
Feb-18	10492.85	1316.35	7764.35	265.05	4994.25
Jan-18	11027.7	1369.65	7464.8	271.4	4684.15
Dec-17	10530.7	1368.1	7845	263.25	4709.25
Nov-17	10226.55	1273.75	7650	256.05	4815.60
Oct-17	10335.3	1236.85	7221.1	265.7	4639.50
Sep-17	9788.6	1175.15	7222.25	258.3	4344.25
Aug-17	9917.9	1217.35	7101.1	282.25	4230.95
Jul-17	10077.1	1153.35	6750.25	285.25	3921.60
Jun-17	9520.9	1081.6	6723.05	323.65	3690.05
May-17	9621.25	1066.8	6657.15	311.8	3532.65



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Apr-17	9304.05	934.7	6702.4	278	3624.55
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Table 2: Company ALPHA Balance Sheet

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	216.00	216.00	216.00	216.35	216.27
Total Share Capital	216.00	216.00	216.00	216.35	216.27
Revaluation Reserves	0.00	0.00	0.00	0.67	0.67
Reserves and Surplus	7,065.00	6,528.00	6,357.00	3,804.62	3,320.35
Total Reserves & surplus	7,065.00	6,528.00	6,357.00	3,805.29	3,321.02
Total Shareholders' Funds	7,281.00	6,744.00	6,573.00	4,021.64	3,537.29
Minority Interest	20.00	22.00	20.00	24.80	22.28
NON-CURRENT LIABILITIES					
Long Term Borrowings	0.00	0.00	0.00	7.00	8.44
Deferred Tax Liabilities [Net]	0.00	0.00	1.00	0.37	0.00
Other Long Term Liabilities	874.00	712.00	510.00	178.24	287.46

Long Term Provisions	800.00	514.00	623.00	993.56	845.21
Total Non-Current Liabilities	1,674.00	1,226.00	1,134.00	1,179.17	1,141.11
CURRENT LIABILITIES					
Short Term Borrowings	0.00	277.00	177.00	36.04	37.14
Trade Payables	7,170.00	6,186.00	5,685.00	5,507.31	5,964.89
Other Current Liabilities	1,029.00	859.00	912.00	952.77	939.28
Short Term Provisions	688.00	392.00	293.00	2,709.07	2,127.32
Total Current Liabilities	8,887.00	7,714.00	7,067.00	9,205.19	9,068.63



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Total Capital And Liabilities	17,862.00	15,706.00	14,794.00	14,430.80	13,769.31
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	4,080.00	3,968.00	3,165.00	2,717.80	2,640.94
Intangible Assets	367.00	370.00	12.00	22.03	24.12
Capital Work-In-Progress	461.00	229.00	408.00	516.30	364.90
Intangible Assets Under Development	0.00	0.00	0.00	0.00	7.70
Fixed Assets	4,908.00	4,567.00	3,585.00	3,256.13	3,037.66
Non-Current Investments	2.00	6.00	32.00	323.90	380.19
Deferred Tax Assets [Net]	302.00	170.00	168.00	199.79	179.55
Long Term Loans And Advances	184.00	168.00	0.00	587.24	530.52
Other Non-Current Assets	725.00	542.00	583.00	0.46	0.70
Total Non-Current Assets	6,202.00	5,534.00	4,449.00	4,448.70	4,209.80

Conducting a Fundamental Analysis for the Indian FMCG Sector

CURRENT ASSETS					
Current Investments	2,871.00	3,788.00	2,560.00	2,701.18	2,457.95
Inventories	2,513.00	2,541.00	2,726.00	2,848.79	2,939.83
Trade Receivables	1,310.00	1,085.00	1,264.00	1,011.18	1,031.09
Cash And Cash Equivalents	3,485.00	1,828.00	3,009.00	2,689.49	2,516.03

Short Term Loans And Advances	4.00	0.00	0.00	646.79	534.52
Other Current Assets	1,477.00	930.00	786.00	84.67	80.09
Total Current Assets	11,660.00	10,172.00	10,345.00	9,982.10	9,559.51



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Total Assets	17,862.00	15,706.00	14,794.00	14,430.80	13,769.31
OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	183.00	273.00	161.00	1,157.69	900.13
BONUS DETAILS					
Bonus Equity Share Capital	131.69	131.69	131.69	131.69	131.69
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value	0.00	0.00	0.00	0.02	408.72
Non-Current Investments Unquoted Book Value	2.00	6.00	6.00	323.89	6.78
CURRENT INVESTMENTS					
Current Investments Quoted Market Value	2,871.00	3,788.00	1,264.00	1,792.03	2,482.54
Current Investments Unquoted Book Value	2.00	6.00	1,296.00	933.69	0.00

Conducting a Fundamental Analysis for the Indian FMCG Sector

EQUITY SHARES: 2,16,45,28,777 (2018), 2,16,43,49,639 (2017), 2,16,39,36,971 (2016), 2,16,34,64,851 (2015), 21,62,696,292 (2014)

Table 3: Company ALPHA Profit & Loss Statement

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
INCOME					
Revenue From Operations [Gross]	35,571.00	35,061.00	33,891.00	33,130.67	30,102.39
Less: Excise/Sevice Tax/Other Levies	693.00	2,597.00	2,430.00	1,930.95	1,563.41
Revenue From Operations [Net]	34,878.00	32,464.00	31,461.00	31,199.72	28,538.98



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	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
Other Operating	667.00	698.00	725.00	772.47	694.30
Total Operating	35,545.00	33,162.00	32,186.00	31,972.19	29,233.28
Other Income	384.00	369.00	423.00	566.65	570.98
Total Revenue	35,929.00	33,531.00	32,609.00	32,538.84	29,804.26

EXPENSES					
Cost Of Materials Consumed	12,927.00	11,946.00	11,812.00	12,459.95	11,785.28
Purchase Of Stock-In Trade	3,875.00	4,223.00	3,972.00	3,549.82	3,151.63
Changes In Inventories Of FG,WIP And Stock-In Trade	-72.00	144.00	83.00	57.04	-172.47
Employee Benefit Expenses	1,860.00	1,743.00	1,680.00	1,723.87	1,575.79
Finance Costs	26.00	35.00	17.00	17.70	40.68
Depreciation And Amortisation Expenses	520.00	432.00	353.00	322.39	295.54
Other Expenses	9,456.00	8,766.00	8,619.00	8,767.78	8,151.37
Total Expenses	28,592.00	27,289.00	26,536.00	26,898.55	24,827.82
Profit/Loss Before Exceptional, Extra Ordinary Items And Tax	7,337.00	6,242.00	6,073.00	5,640.29	4,976.44
Exceptional Items	-33.00	237.00	-31.00	679.22	238.74
Profit/Loss Before Tax	7,304.00	6,479.00	6,042.00	6,319.51	5,215.18
Tax Expenses-Continued Operations					
Current Tax	2,216.00	1,947.00	1,879.00	1,929.03	1,403.44
Deferred Tax	-137.00	30.00	-4.00	-19.46	12.97
Tax For Earlier Years	0.00	0.00	0.00	34.43	-156.97
Total Tax Expenses	2,079.00	1,977.00	1,875.00	1,944.00	1,259.44
Profit/Loss After Tax & Before Extraordinary Items	5,225.00	4,502.00	4,167.00	4,375.51	3,955.74
Profit/Loss From Continuing Operations	5,225.00	4,502.00	4,167.00	4,375.51	3,955.74
Profit Loss From Discontinuing Operations	2.00	-13.00	-6.00	0.00	0.00



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	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
Total Tax Expenses	0.00	-1.00	1.00	0.00	0.00
Discontinuing Operations					
Net Profit Loss From Discontinuing Operations	2.00	-12.00	-7.00	0.00	0.00
Profit/Loss For The Period	5,227.00	4,490.00	4,160.00	4,375.51	3,955.74

Table 4: Company Beta Balance Sheet

	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	96.42	96.42	96.42	96.42	96.42
Total Share Capital	96.42	96.42	96.42	96.42	96.42
Reserves and Surplus	3,324.17	2,917.28	2,721.42	2,740.79	2,272.33
Total Reserves and Surplus	3,324.17	2,917.28	2,721.42	2,740.79	2,272.33
Total Shareholders Funds	3,420.59	3,013.70	2,817.84	2,837.21	2,368.75
NON-CURRENT LIABILITIES					
Long Term Borrowings	35.14	33.15	16.79	15.46	1,189.48
Deferred Tax Liabilities [Net]	121.96	154.21	172.93	222.72	215.47
Other Long Term Liabilities	0.60	0.00	0.00	0.00	0.00
Long Term Provisions	2,291.59	1,972.21	1,597.17	1,388.66	1,193.39
Total Non-Current Liabilities	2,449.29	2,159.57	1,786.89	1,626.84	2,598.34
CURRENT LIABILITIES					
Short Term Borrowings	984.64	0.00	0.94	4.11	0.01
Trade Payables	314.02	799.16	743.54	728.71	633.04
Other Current Liabilities	106.59	512.84	465.93	409.57	500.25
Short Term Provisions	87.46	320.70	265.32	213.06	213.88
Total Current Liabilities	1,492.71	1,632.70	1,475.73	1,355.45	1,347.18
Total Capital And Liabilities	7,362.59	6,805.97	6,080.46	5,819.50	6,314.27
ASSETS					



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NON-CURRENT ASSETS					
Tangible Assets	2,616.18	2,729.46	2,897.85	3,176.64	3,369.31
Capital Work-In-Progress	94.16	188.17	230.79	244.78	294.71
Fixed Assets	2,710.34	2,917.63	3,128.64	3,421.42	3,664.02
	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14
Non-Current Investments	585.28	474.31	341.78	304.46	224.12
Long Term Loans And Advances	46.35	135.04	130.43	129.95	123.94
Other Non-Current Assets	83.23	0.00	0.00	0.00	0.47
Total Non-Current Assets	3,425.20	3,526.98	3,600.85	3,855.83	4,012.55
CURRENT ASSETS					
Current Investments	1,393.59	1,275.04	983.14	507.36	626.96
Inventories	902.47	943.18	820.81	844.10	735.93
Trade Receivables	88.97	97.93	78.42	99.10	84.27
Cash And Cash Equivalents	1,457.42	880.00	499.55	445.82	749.36
Short Term Loans And Advances	28.80	57.02	82.97	52.07	101.36
Other Current Assets	66.14	25.82	14.72	15.22	3.84
Total Current Assets	3,937.39	3,278.99	2,479.61	1,963.67	2,301.72
Total Assets	7,362.59	6,805.97	6,080.46	5,819.50	6,314.27

OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	32.24	81.44	111.92	43.53	72.68
CIF VALUE OF IMPORTS					
Raw Materials	0.00	291.91	301.03	354.42	299.44
Stores, Spares And Loose Tools	0.00	14.58	12.76	14.91	14.98
Trade/Other Goods	0.00	46.21	40.38	35.87	30.21
Capital Goods	0.00	77.16	14.85	25.76	69.86
EXPENDITURE IN FOREIGN EXCHANGE					
Expenditure In Foreign Currency	1,429.10	476.95	402.28	473.02	462.58



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REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS					
Dividend Remittance In Foreign Currency	-	354.01	257.18	381.24	293.50
EARNINGS IN FOREIGN EXCHANGE					
FOB Value Of Goods	-	477.32	482.78	489.84	486.72
Other Earnings	662.66	178.40	150.66	151.30	136.40
BONUS DETAILS					
Bonus Equity Share Capital	73.41	73.41	73.41	73.41	73.41

	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value	589.32	478.76	304.46	270.19	97.51
Non-Current Investments Unquoted Book Value	31.88	51.88	51.88	51.88	126.61
CURRENT INVESTMENTS					
Current Investments Quoted Market Value	1,393.46	1,281.13	987.09	510.28	630.21

EQUITY SHARES: 96,415,716 (2018), 96,415,716 (2017), 96,415,716 (2016), 96,415,716 (2015), 96,415,716 (2014)

Table 5: Company BETA Profit & Loss Statements

	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14
INCOME					
Revenue From Operations [Gross]	10,135.11	9,491.72	8,430.44	10,129.50	9,379.87
Less: Excise/Sevice Tax/Other Levies	182.58	332.44	307.17	323.23	317.97
Revenue From Operations [Net]	9,952.53	9,159.28	8,123.27	9,806.27	9,061.90



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Other Operating Revenues	57.07	64.52	52.04	48.57	39.15
Total Operating Revenues	10,009.60	9,223.80	8,175.31	9,854.84	9,101.05
Other Income	176.92	149.39	110.09	87.32	83.09
Total Revenue	10,186.52	9,373.19	8,285.40	9,942.16	9,184.14
EXPENSES					
Cost Of Materials Consumed	4,231.66	3,775.09	3,358.87	4,482.54	3,906.99
Purchase Of Stock-In Trade	174.76	115.38	98.07	108.85	110.04
Changes In Inventories Of FG,WIP And Stock-In Trade	-79.56	-10.78	11.97	-67.43	105.32
Employee Benefit Expenses	1,017.45	1,073.36	912.75	819.74	741.50
Finance Costs	91.90	3.51	3.29	14.23	36.51



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	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14
Provisions and Contingencies	87.65	180.30	63.46	61.38	62.05
Depreciation And Amortization Expenses	342.25	353.62	347.26	337.54	329.95
Other Expenses	2,481.11	2,379.03	2,175.26	2,409.45	2,227.57
Total Expenses	8,347.22	7,869.51	6,970.93	8,166.30	7,519.93
Profit/Loss Before Exceptional, Extraordinary Items And Tax	1,839.30	1,503.68	1,314.47	1,775.86	1,664.21
Exceptional Items	0.00	-62.14	-500.84	7.00	13.81
Profit/Loss Before Tax	1,839.30	1,441.54	813.63	1,782.86	1,678.02
Tax Expenses-Continued Operations					
Current Tax	649.17	533.71	289.89	582.41	507.50
Deferred Tax	-35.06	-18.71	-39.53	7.25	53.39
Total Tax Expenses	614.11	515.00	250.36	589.66	560.89
Profit/Loss After Tax And Before Extraordinary	1,225.19	926.54	563.27	1,193.20	1,117.13
Extraordinary Items	0.00	0.00	0.00	-8.51	0.00
Profit/Loss From Continuing Operations	1,225.19	926.54	563.27	1,184.69	1,117.13
Profit/Loss For The Period	1,225.19	926.54	563.27	1,184.69	1,117.13



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Table 6: Company GAMA Balance Sheet

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	1,220.43	1,214.74	804.72	801.55	795.32
Total Share Capital	1,220.43	1,214.74	804.72	801.55	795.32
Revaluation Reserves	0.00	0.00	0.00	56.93	99.31
Reserves and Surplus	51,289.69	45,198.19	41,874.80	30,877.01	26,342.33
Total Reserves and Surplus	51,289.69	45,198.19	41,874.80	30,933.94	26,441.64
Total Shareholders' Funds	52,510.12	46,412.93	42,679.52	31,735.49	27,236.96
Minority Interest	334.47	294.74	260.90	225.11	203.03



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NON-CURRENT LIABILITIES					
Long Term	11.50	18.40	26.66	60.68	76.40
Deferred Tax Liabilities	1,923.02	1,878.77	1,880.00	1,642.77	1,306.99
Other Long Term Liabilities	109.98	59.00	50.92	42.67	42.74
Long Term	149.63	158.42	135.42	124.16	131.75
Total Non-Current Liabilities	2,194.13	2,114.59	2,093.00	1,870.28	1,557.88

CURRENT LIABILITIES					
Short Term Borrowings	17.35	19.11	43.95	195.39	150.24
Trade Payables	3,496.18	2,659.33	2,339.29	2,020.47	2,106.25
Other Current Liabilities	5,672.81	4,381.41	4,203.82	3,782.04	3,673.10
Short Term Provisions	63.80	61.16	71.40	6,162.01	5,956.47
Total Current Liabilities	9,250.14	7,121.01	6,658.46	12,159.91	11,886.06
Total Capital And Liabilities	64,288.86	55,943.27	51,691.88	45,990.79	40,883.93
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	15,863.68	15,262.27	14,459.36	14,648.38	12,556.00
Intangible Assets	457.75	428.68	444.74	423.98	73.83
Capital Work-In-Progress	5,499.60	3,684.20	2,528.97	2,671.55	3,081.29
Intangible Assets Under Development	8.73	45.69	30.75	28.65	36.08
Other Assets	0.00	0.00	0.00	-1.05	-5.67



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Fixed Assets	21,829.76	19,420.84	17,463.82	17,771.51	15,741.53
Non-Current Investments	11,483.79	6,693.99	5,125.81	807.68	798.52
Deferred Tax Assets [Net]	47.98	44.95	40.54	38.57	35.52
Long Term Loans And Advances	9.69	8.54	12.96	1,565.47	1,428.92
Other Non-Current Assets	4,321.49	3,303.32	3,983.72	1.24	1.24
Total Non-Current Assets	37,895.24	29,674.17	26,829.38	20,416.44	18,302.87

CURRENT ASSETS					
Current Investments	10,569.07	10,887.39	6,621.78	6,135.09	6,485.50
Inventories	7,584.53	8,186.15	9,062.10	8,586.87	8,255.24
Trade Receivables	2,682.29	2,474.29	1,917.18	1,982.07	2,439.21
Cash And Cash Equivalents	2,899.60	2,967.40	6,063.30	7,896.22	3,490.19
Short Term Loans And Advances	5.84	6.78	8.07	568.67	816.20
Other Current Assets	2,652.29	1,747.09	1,190.07	405.43	1,094.72
Total Current Assets	26,393.62	26,269.10	24,862.50	25,574.35	22,581.06
Total Assets	64,288.86	55,943.27	51,691.88	45,990.79	40,883.93
OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	3,196.46	3,815.01	2,888.85	1,272.77	510.96
BONUS DETAILS					
Bonus Equity Share Capital	1,113.13	1,113.13	710.47	710.47	710.47
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value	11,276.13	6,502.72	4,929.80	1,215.76	847.16



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Non-Current Investments Unquoted	205.45	210.27	5,125.81	70.26	67.23
CURRENT INVESTMENTS					
Current Investments Quoted Market Value	2,394.82	2,743.52	2,942.01	1,230.72	4,248.28
Current Investments Unquoted Book Value	8,351.52	8,148.08	3,680.28	4,905.49	2,380.87

EQUITY SHARES: 12204294911 (2018), 12147383071 (2017), 8047206991 (2016), 8015519541 (2015), 7953182950 (2014)

Table 7: Company GAMA Profit & Loss Statement

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
INCOME					
Revenue From Operations [Gross]	47,362.51	58,287.95	54,673.17	52,759.08	52,759.08
Less: Excise/Sevice Tax/Other Levies	4,239.61	15,927.91	15,868.98	14,325.77	14,325.77
Revenue From Operations [Net]	43,122.90	42,360.04	38,804.19	38,433.31	38,433.31
Other Operating Revenues	326.04	416.57	387.91	401.50	401.50
Total Operating Revenues	43,448.94	42,776.61	39,192.10	38,834.81	38,834.81
Other Income	1,831.86	1,761.53	1,530.80	1,256.51	1,256.51
Total Revenue	45,280.80	44,538.14	40,722.90	40,091.32	40,091.32
EXPENSES					
Cost Of Materials Consumed	11,943.75	11,979.03	11,168.68	11,089.10	11,089.10
Purchase Of Stock-In Trade Changes In Inventories Of FG,WIP And Stock-In	2,883.97	3,477.56	2,595.20	3,918.80	3,918.80
	1,027.76	592.57	-195.38	-235.72	-235.85



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Employee Benefit Expenses	3,760.90	3,631.73	3,440.97	2,772.28	2,768.98
Finance Costs	89.91	24.30	53.60	68.12	67.48

Depreciation And Amortisation	1,236.28	1,152.79	1,077.40	1,027.96	1,027.96
Other Expenses	7,349.60	7,659.81	7,731.78	7,088.73	7,092.80
Total Expenses	28,292.17	28,517.79	25,872.25	25,729.27	25,729.27
Profit/Loss Before Exceptional, ExtraOrdinary Items	16,988.63	16,020.35	14,850.65	14,362.05	14,362.05
Exceptional Items	412.90	0.00	0.00	0.00	0.00
Profit/Loss Before Tax	17,401.53	16,020.35	14,850.65	14,362.05	14,362.05



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	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
Tax Expenses-Continued					
Current Tax	5,893.19	5,546.16	5,150.37	4,228.21	4,251.34
Deferred Tax	23.24	2.93	207.84	368.21	352.56
Tax For Earlier	0.00	0.00	0.00	0.00	-7.48
Total Tax	5,916.43	5,549.09	5,358.21	4,596.42	4,596.42
Profit/Loss					
After Tax And					
Deferred	11,485.10	10,471.26	9,492.44	9,765.63	9,765.63
Profit/Loss From					
Continuing	11,485.10	10,471.26	9,492.44	9,765.63	9,765.63
Profit/Loss For The					
Period	11,485.10	10,471.26	9,492.44	9,765.63	9,765.63

Table 8: Company DELTA Balance Sheet

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	24.01	24.00	24.00	23.99	23.99
Total Share Capital	24.01	24.00	24.00	23.99	23.99
Reserves and Surplus	3,382.22	2,672.42	2,067.68	1,217.55	769.84
Total Reserves and Surplus	3,382.22	2,672.42	2,067.68	1,217.55	769.84
Total Shareholders Funds	3,406.23	2,696.42	2,091.68	1,241.54	793.83
Government/Other Grants	0.00	0.00	0.00	3.57	4.28
Minority Interest	13.14	2.60	2.46	2.43	2.38



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NON-CURRENT LIABILITIES					
Long Term Borrowings	84.57	31.40	37.68	43.33	28.42
Deferred Tax Liabilities [Net]	0.00	0.00	0.00	0.00	8.88
Other Long Term Liabilities	27.14	25.36	25.42	19.96	19.03
Long Term Provisions	8.87	7.62	6.83	5.65	3.93
Total Non-Current Liabilities	120.58	64.38	69.93	68.94	60.26
CURRENT LIABILITIES					
Short Term Borrowings	93.65	84.31	86.13	96.88	119.76
Trade Payables	994.09	757.31	769.08	703.42	556.69



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Other Current Liabilities	381.26	321.32	299.60	259.45	241.53
Short Term Provisions	178.97	182.46	175.03	417.12	328.14
Total Current Liabilities	1,647.97	1,345.40	1,329.84	1,476.87	1,246.12
Total Capital And Liabilities	5,187.92	4,108.80	3,493.91	2,793.35	2,106.87
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	1,209.43	1,020.54	821.00	720.63	724.65
Intangible Assets	7.97	11.61	13.33	12.76	15.93
Capital Work-In-Progress	202.82	30.07	90.07	48.37	107.09
Fixed Assets	1,420.22	1,062.22	924.40	781.76	847.67
Non-Current Investments	222.48	312.00	372.64	77.06	35.02
Deferred Tax Assets [Net]	22.57	23.11	44.40	23.35	0.00
+Long Term Loans And Advances	134.24	45.92	195.22	90.35	58.95
Other Non-Current Assets	108.93	198.47	117.22	37.17	12.12
Total Non-Current Assets	2,036.64	1,769.56	1,769.79	1,120.37	1,060.77
CURRENT ASSETS					
Current Investments	856.80	174.85	415.74	440.88	162.85
Inventories	652.79	661.45	440.65	404.04	420.27
Trade Receivables	304.60	179.16	170.61	135.81	108.70
Cash And Cash Equivalents	186.42	120.76	87.65	226.33	109.07
Short Term Loans And Advances	844.34	829.10	459.28	465.92	245.21
Other Current Assets	306.33	373.92	150.19	0.00	0.00
Total Current Assets	3,151.28	2,339.24	1,724.12	1,672.98	1,046.10
Total Assets	5,187.92	4,108.80	3,493.91	2,793.35	2,106.87



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OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	242.47	303.84	314.34	192.05	75.29
BONUS DETAILS					
Bonus Equity Share Capital	21.94	21.94	21.94	21.94	21.94
NON-CURRENT INVESTMENTS					
Non-Current Investments	220.47	309.81	257.24	52.06	6.85
Unquoted Book Value					

CURRENT INVESTMENTS					
Current Investments	856.80	174.85	415.74	440.88	162.85
Unquoted Book Value					

EQUITY SHARES: 6,08,72,896 (2018), 1,20,000,815 (2017), 119,975,815 (2016),
 119,925,815 (2015), 119,925,815 (2014)

Table 9: Company DELTA Profit & Loss Statement

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
INCOME					
Revenue From Operations	9,905.63	9,232.30	8,554.36	7,944.18	6,945.52
[Gross]					
Less: Excise/Sevice Tax/Other Levies	76.11	270.02	228.92	169.09	116.20
Revenue From Operations	9,829.52	8,962.28	8,325.44	7,775.09	6,829.32
[Net]					
Other Operating Revenues	84.47	91.81	71.79	83.33	83.39
Total Operating Revenues	9,913.99	9,054.09	8,397.23	7,858.42	6,912.71
Other Income	166.37	150.54	124.35	87.96	33.59
Total Revenue	10,080.36	9,204.63	8,521.58	7,946.38	6,946.30



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EXPENSES					
Cost Of Materials Consumed	4,906.08	4,839.57	4,331.49	4,119.97	3,657.40
Purchase Of Stock-In Trade	1,194.72	803.31	685.50	602.24	525.13
Changes In Inventories Of FG,WIP And Stock-In Trade	6.30	-54.20	-4.27	-30.40	-11.51
Employee Benefit Expenses	401.60	352.61	341.36	280.58	262.66
Finance Costs	7.59	5.45	4.87	3.86	8.29
Depreciation And Amortisation Expenses	142.07	119.27	113.41	144.48	83.18
Other Expenses	1,903.64	1,834.62	1,828.76	2,022.12	1,851.83
Total Expenses	8,562.00	7,900.63	7,301.12	7,142.85	6,376.98
Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	1,518.36	1,304.00	1,220.46	803.53	569.32
Exceptional Items	0.00	0.00	0.00	146.06	0.00
Profit/Loss Before Tax	1,518.36	1,304.00	1,220.46	949.59	569.32
Tax Expenses-Continued Operations					

Current Tax	513.68	401.87	396.66	293.28	179.88
Less: MAT Credit Entitlement	0.00	0.00	0.00	6.13	2.42
Deferred Tax	0.54	17.80	-0.56	-26.04	-3.88
Total Tax Expenses	514.22	419.67	396.10	261.11	173.58
Profit/Loss After Tax And Before ExtraOrdinary Items	1,004.14	884.33	824.36	688.48	395.74
Profit/Loss From Continuing Operations	1,004.14	884.33	824.36	688.48	395.74
Profit/Loss For The Period	1,004.14	884.33	824.36	688.48	395.74

