## SPM MIRROR

Volume-2|Issue-25|February 2014



### **Highlights**

- Strategic Petroleum Reserves
- Political Start up challenges
- Smart Loans

### From the Editorial Board

Farewell, fair cruelty.

-William Shakespeare

February has been a fulfilling month for SPMites; juggling with midterm examinations and the massive preparations for the SPM Annual Fest 2014 held on 21-23February, 2014. Participants from all over the country competed in various events, which led to recognition of talent as well as fruitful discussions and establishment of new relationships.

As we complete our SPM Annual Fest with historic success, it is the time to bid a goodbye to our friend-guide-philosopher assembly: The Senior Batch-PGP12. As the SPM family bids adieu to the trained lot, it has also geared up to include a set of raw and eager minds aboard.

Rigorous GD-PI sessions have been scheduled from March19-March 22, 2014 at 5 centers throughout India as the admission procedure for PGP-14 MBA batch.

In this issue of SPM Mirror, we have elucidated a wide range of topics: ranging from a panoramic view on Smart Loans to Strategic Petroleum Reserves in India. A detailed coverage of the SPM Annual Fest 2014 is included inside the issue as well, along with the brain storming in SPM: Voice Your opinions segment.

This newsletter offers a platform for students to express their experiences and views. We hope that it drives this process of partaking of knowledge and becomes a name to reckon with.

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### **Director's Message**

While winning gives a rewarding feeling in itself, the joy is and should actually be enjoyed in the playing. The biggest festival at SPM – the Annual Fest 2014 ended with mixed feelings of joy and sadness. The joy of successfully organizing the largest event in the history of the institute combining four mega events; Management quest event **Catalyst-'14**, Sports extravaganza **Energy cup-'14**, Cultural enthusiasm **Reprise-'14** along with the stellar Alumni meet of SPM at **Zephyr-'14** was not at all diminished in the face of the fact that Team TCS took away the Energy Cup as best performing team overall in sporting event.

Year 2014 saw a grand SPM Annual Fest with participation from over 50 B-school and more than 15 corporate teams at various events organized from 21<sup>st</sup>-23<sup>rd</sup> February 2014. SPM Annual Fest 2014, a truly national event now, was rich with academically oriented contests and quizzes and teasers, management strategies and decision-making etc. The combination of highly spirited performing arts, and nail-biting competitive sports events made for great moments of glory.

The highlight of Reprise, a cultural event which included various events, was Short film making contest on the theme 'Road Side Safety'. Zephyr, the alumni meet too was an enchanting and nostalgic experience for all alumni lost in remembering their good old days. Zephyr was even more special as Shri D.J Pandian, Additional Chief Secretary; Government of Gujarat addressed the gathering with words of encouragement to all the participating and organizing students. The contribution of Faculty and PDPU administration made this event a smoothly orchestrated magnificence.

I wish to put on record the benevolence of some of the leading organizations such as GSPC, GSPL, Amul, Gujarat Energy Development Agency, The Indian Express, GERMI, Corporation Bank, National Insurance, ICICI Securities, The Indian Economist, etc. in supporting the event in cash and kind that added to the grandeur of the event.

Fests are indeed an integral part of every B-school. They provide an opportunity to the students to exhibit their talents that would otherwise never come out in their routine and busy schedules. Three days of fun, happiness and victory are indeed memorable ones. SPMites strive harder each day to make their lives memorable at SPM and take SPM to newer and greater heights. My students believe in the best and they exhibit it in everything that they do.

With these words I wish adieu for this financial year as also the academic year at SPM-PDPU. We take a break for the summer to rejuvenate ourselves to take on greater challenges next year.

### Regards!



### Dr. Hemant Trivedi

Director,

School of Petroleum Management, PDPU,

Gandhinagar (Gujarat)

# ENERGY AND INFRASTRUCTURE WORLD

### The Curious Case of India's Strategic Petroleum Reserves

Manish Vaid\*
Observer Research Foundation

With the likely commissioning of Vishakhapatnam Strategic Petroleum Reserves (SPR) in January 2014, India will be starting its journey towards further strengthening of its energy security, when it will start stockpiling the crude, to deal with supply disruptions of various kinds. This would be the first of the three SPRs which India has planned to complete in its Phase I. India, however, still lags far behind. Projections have put China miles ahead of India's strategic storage plans as China states SPRs to the tune of 500 million barrels by the end of its Phase 3. Though this figure falls short of the actual estimates i.e. 2,500 million barrels, by five times and may be inaccurate, there is still a word of caution for India's lethargic SPR plans. Keeping in mind the sustainability factor in terms of quality, quantum and safety of these reserves, India should not waste further time in struggling to find suitable models and financiers for the SPR projects.

It has been about a decade since the decision to build the SPRs (Strategic Petroleum Reserves) was taken by the Union Cabinet in January 2004. But it was in 1998 that the project was conceived followed by its formal announcement in 2003.

India's journey towards the creation of the first SPR can be broadly classified in two periods. First, during the regime of National Democratic Alliance (NDA), as a reaction to US-Iraq war and second when United Progressive Alliance (UPA) government decided to revisit SPR plans of NDA government, immediately after it came to power in May 2004.

### **India's Evolving SPR Strategy**

Around the time of the US-Iraq war, India already had an operational storage capacity of 15-19-days crude reserves and 45 days stock of petroleum products with various refineres, meant only for commercial purposes. Hence, the need was felt to make a clear distinction between a strategic and a commercial storage. The refineries were advised to formlate suitable proposals for additional storage capacity for imported crude oil

for 45 days cover, over and above the existing reserves. But they were not incentivised to build crude oil tankage and maintaining a stock beyond their minimum operational requirement owing to the cost.

Consequently, only 15 days of strategic reserve for crude oil was planned initially in Phase I in order to avoid the huge investments needed in putting up the 45 days reserve. The proposed 15 days of strategic reserve necessitated putting up gross tankage of 5.00 million metric tones (mmt). As per this decision, while the Government, would own crude stocks in SPRs, its implementation would be done by Indian Strategic Petroleum Reserves Limited (ISPRL), a wholly owned subsidiary of Oil Industry Development Board.

On December 1998, the Petroleum Ministry had set up a Committee for 'Preparation of DFR for Strategic Storages' to oversee its preparation. Thereafter the same was prepared and approved by yet another Committee set up by the Ministry in 2001. This was followed by acquiring clearances from related Ministries, and prompting the

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This article was published in India China chronicle

http://www.icec-council.org/india-china/upload/Publication/Jan%202014.pdf

Cabinet of the Union Government of India to decide on building a strategic storage of 5 mmt of imported crude oil by January 7, 2004 (1.5mmt at Mangalore near MRPL Refinery, 1.0 mmt at Vishakhapatnam near Dolphin's nose and 2.5 mmt at Padur in Udipi District).

By this time the NDA governmentestimated the cost of the first two projects at Mangalore and Vishakhapatnam to the tune of Rs. 700.08 crore and 658.75 crore respectively and thereby calculated at an exchange rate of US\$ = Rs.45.41 (June 2004 rates), while the details for the Padur project was awaited as preparation of DFR was under process.

For financing these projects, the government planned to enact a law to levy a surcharge on the domestic consumption of petroleum products after the same was approved for implementation. Funds so created, would have been used both for capital investment for putting up storage and allied facilities as well as for procuring crude oil for strategic cover. But soon after the UPA government came to power in May 2004, it scrapped some of the strategies of the petroleum sector of the previous NDA regime and sought the Planning Commission to review NDA's plan of creating strategic oil storages.

### **Comparing Chinese Experience**

Both India and China being amongst the top three energy consuming countries in the world rely heavily on crude imports from the Middle East. As for India, the Middle East accounted for approximately 64 per cent of its total crude import in 2012 while China imported around 60 per cent of its crude oil needs from the Middle East in 2011. Further, as India continues to struggle while commissioning its first ever SPRs in January 2014, and is still mulling different models for financing its SPR capacities and filling of crude, China has taken a giant leap in this regard. Both

these countries are already competing with each other in securing hydrocarbon assets oversees, and China is miles ahead in its strategic crude reserve plans and implementation from India.

China took the decision of stock build-up only in its 10th Five Year Plan in 2001 and is already eyeing 500 million barrels of SPR in three phases where its Phase 1 has already covered 103 million barrels in 2009. According to analysts at China International Capital Corp. (CICC), China is likely to add 210 million barrels and 310 million barrels in its next two phases by 2020, thereby accounting for 623 million barrels, or equivalent of 90 days of China's net imports.

### **Deciphering China's SPR Model**

China, which imitates Japan's stockpiling system, has dual oil reserve strategy, comprising both government and private strategic oil reserves. Besides having government-managed SPR, the government has urged large oil companies to build their own commercial oil reserves. But it is the nascent State Oil SPR office and State Oil Stockpiling Center, established by the National Development and Reform Commission (NDRC), which has taken the responsibility of managing SPRs instead of Chinese state-oil companies. Though China's Phase I SPR was state controlled, NDRC divided its Phase II SPR into three categories namely, national SPR, commercial petroleum storage by state oil companies and commercial storage by local governments or companies.

China therefore goes much beyond its stated SPR plans of 623 million barrels if its commercial reserves are accounted for. China's major oil companies; namely, Sinopec and CNPC have combined accounts for other 300 million barrels of these reserves, holding share of 50 per cent and 40 per cent respectively. This clearly shows China's much robust strategy of stockpiling, which is primarily driven from its rising energy needs and

an apprehension arising out of supply disruptions occurring from events like the Gulf War and Arab uprisings of recent times. Besides, China is also sensitive to global crude oil price rise and

with the expectation of further price rise it will accelerate the pace of tankfilling, as stated by K.F. Yan, director at energy consultants CERA in Beijing. Interestingly, China already has strategically filled its SPRs in Phase I when



the crude prices were low and averaged at \$58 per barrel. Based on Brig. Mandip Singh's analysis at Institute for Defence Study and Analyses (IDSA), and CICC's estimates of China's SPR projection of 2020, China is expected to have 295 days of oil reserves by 2020.

### **Visible Challenges for India in the Future**

An inadequacy of existing revenues to meet the requirements of the oil industry remains the most obvious challenge. The impact of this is also being felt on SPR projects. The same was highlighted by one of the officials stating that, 'the Vishakhapatnam storage is to be commissioned in January 2014. But we don't yet have an agency which will buy crude oil, store and operate the facility'. Though, government has offered Hindustan Petroleum Corporation Limited (HPCL) the responsibility to manage Vishakhapatnam storage having 1.3 mmt capacity, it has only taken 0.3 mmt capacity on rent for storing crude oil that it imports for processing at the nearby Vizag re-

finery. As for the rest 1mmt capacity, it did not have money to buy crude for storing and instead sought the government's support.

As the approximate cost of filling up the storage

would be around Rs. 3,000 crore per annum for three years after the storage facilities get ready.

Though earlier, the government has planned to fund this cost from the existing OIDB

cess collection and in case the same is inadequate, then to consider an incremental cess of Rs. 1,000 crore per tonne. Alternatively, 2 per cent increase in custom duty could have also generated the amount equivalent to the cost of filling up the crude, assuming crude cost at \$55 dollar a barrel. Therefore, given the increase of both currency exchange rates as well as global crude oil prices, it remains to be seen if this option is sustainable.

India, while learning from its own experience should explore other models practiced world-wide so as to seek some possibility of adaptability not only in terms of its geological conditions and but also considering the financial constraints of Oil Marketing Companies. Though recently, India has increased its efforts in exploring the combination of strategic-cumcommercial model, it should now look for an optimum and sustainable solution for strategic storage plans in events of unforeseen circumstances causing disruption.

### **Background to the Reserve**

The common argument given for creating SPR is the 1973 Arab oil embargo, where this was used as one of the measures to deal with supply disruption by the US Administration. This oil crisis which lasted for five months from October 1973 to March 1974 prompted the US to become the first country to build such reserves which soon created the world's largest stockpile. According to the US Department of Energy, the capacity of such stockpile is of 727 million barrels or nearly 99 million tonnes and since then it has been the first line of defence for the US Government, should there be a disruption in commercial oil supplies threatening its economy.

International Energy Agency (IEA) too reacted to the oil embargo of 1973 and set up an emergency response mechanism under the 1974 agreement on International Energy Program(I.E.P. Agreement). Under this agreement, all member countries are required to hold oil stocks equivalent to at least 90 days of net oil imports and release stocks besides other means like restraining demand, fuel switchover, augmenting domestic production and sharing of available oil, if necessary. IEA's response action is to offset an actual physical shortage, without reacting to the price movements.

IEA's preparedness towards dealing with supply disruption got tested mostly during Iranian Revolution of 1979 and Gulf War during Iraq's invasion of Kuwait in 1990-91. The gross peak supply loss during these two historical events was to the tune of 5.6 million barrels per day (mb/d) and 4.3 mb/d respectively. Since the creation of IEA, it came to action, thrice, in bringing additional oil to the market – first during 1991 Gulf War, second during 2005 Hurricanes Katrina and Rita and lastly in June 2011when oil supply to Europe got disrupted due to civil unrest in Libya. In the case of India, it will almost be a decade before its first SPR in Vishakhapatnam can be commissioned, in January 2014.

### The Dawn of Strategic Petroleum Reserves

Strategic Petroleum Reserves was recognised as a policy tool in the aftermath of the first oil shock in 973. Consequently, major industrialised nations integrated to form IEA, which was charged with the task of coordinating the purchase of oil during a future shock and drawdown of reserves during the crisis period. According to the IEA guidelines, the member nations are required to hold strategic stocks of about 90 days of net imports. India's Integrated Energy Policy of 2006 followed the same suit and recommended maintenance of a strategic reserve, equivalent to 90 days of oil imports for strategic-cumbuffer stock purposes. India regarded the oil reserves as one of the effective means to deal with supply risk, thereby ensuring energy security as it could help in minimising the economic cost of interrupted supplies and high oil prices.

In India, in 2011, it was decided that the authorisation for release or sale of strategic crude oil will rest on a competent authority which jointly comprises of Inter-Ministerial Empower Committee. The Committee, chaired by the Secretary, Ministry of Petroleum & Natural Gas will also include Secretary, Department of Expenditure, Ministry of Finance (MoF) as well as Secretaries of Home, Defence and Shipping ministry, along with secretaries of Planning Commission and National Security Council.

### **Existing State of Affairs and Future Course of Action**

In order to deal with disruption of oil supplies during a war like situation, the Government of India has planned strategic oil reserves of 5.33 million metric tonnes (mmt) in three locations, viz., Vishakhapatnam in Andhra Pradesh and one each in Mangalore & Padur in Karnataka under Phase I, with the support of Engineers India Limited (EIL).

For Phase II, work relating to the preparation of DFR for creating SPR has again been handed over to ISPRL by OIDB in February 2011 in Padur (Karnataka), Bikaner (Rajasthan), Rajkot (Gujarat) and Chandikhol (Orissa). ISPRL has engaged EIL for conducting the DFR studies, and at present it is under progress.

Previously, the Integrated Energy Policy (IEP) had recommended the creation of a reserve equivalent to 90 days of imports latest by 2012-13, but it has already been delayed. According to the Approach Paper prepared by the Working Group constituted by MoPNG in December 2009, India's tappable storage capacity for holding commercial stocks as on September 1, 2009 was 22.20 mmt. It was further estimated that by 2014 an additional capacity of 8.62 mmt would be added to the capacity thereby making it 30.82 mmt, which is sufficient to provide a cover for 70 days. Therefore, to cover the remaining 20 days, the Phase II SPR projects have been approved.

### **Misdirected Strategies**

UPA government soon found itself in a position where it was seemingly getting difficult for it to continue with the SPR plans of the previous government, as it thought that rising global crude oil prices coupled with increasing inflation could hamper the growth of the country. Therefore, despite getting close to implementation of the project, the government planned to forge different approaches in dealing with oil supply disruptions, which included buying future options, securing more equity oil overseas, augmenting domestic crude production and encouraging the use of alternative fuel sources.

All these confusion and ambiguity in policies resulted in both cost and time overrun of the projects and despite a Standing Committee recommending the Government to develop a perfect mechanism for creating SPR in the shortest possible time, it continued to show a casual approach inherited from the previous government. But amidst consistent push by the Standing Committee, the Congress led Government, finally came out with a proposal similar to that of the previous NDA regime, consequent to which India can witness its first SPR coming live in January 2014.

Thus, so far, misdirected strategy coupled with politics of ambiguity, has marred India's progress towards the SPR goal.



### IS AAP following the Subhiksha model?

Bhargav Bhatt, Siddhartha Bhatnagar, Vishal Nadgir, PGP13

Gandhi topi is back, back with a bang! The slogan 'Main Aam Aadmi Hoon' injects a spirit of unity and revolt. The 'AamAadmi' has all of a sudden donned the caliber of a superman, breaking the shackles of political captivity. The credit of this revolutionary cultural movement goes to the Aam Aadmi Party. Who imagined that a topi and a broom would topple the strongest contenders! But ironically this topi and the broom fuelled the imaginations by propelling the feeling of hope to a realizable pedestal. AAP concentrated

We all remember the great episode of Subhiksha, a retail chain which when collapsed was the largest retail chain in the country (no. of outlets). This was an episode which did hit the business world but was entirely muffled by the Satyam saga. R Subramanian, Founder, Promoter, and Managing Director of Subhiksha Trading Services an IITian, and IIM Ahmedabad gold medalist, never thought this big when he started Subhiksha in 1996. It started from a single outlet at





on the most important yet always unattended issues – Swaraj, electricity, water, women's security, sanitation and education. Their crystal clear ideology clearly depicts that a little 'common sense' with a hint of intellect is all you need to tackle people's problems. But the bigger looming problem that AAP may be ignoring is the lucid political intervention. Concentrating on the thing that clicked for AAP is their belief in *involving* people in the process of decision making. "Great power comes with great responsibility"; gives people the marginal power and in turn you're making them *realize* the irresponsibility simple enough but equally tough to execute.

Chennai with an investment of 4-5 lakhs. In the next two years it had around 150 outlets in Tamil Nadu. In 2004-05, they decided to have around 450 stores in places like Gujarat, Delhi, Mumbai, Andhra and Karnataka by 2006. It had around 2000 retail outlets and above 15000 employees in 2008. This enormous expansion was credible due to the huge funds poured in by ICICI venture, it bought 24% stake in the company. Premji invested, another private equity firm, bought 10% of the stock. But then, the bubble did burst. A company which claimed a sale of 2300 cores the previous year went bankrupt with absolutely no cash

in its HSBC and Standard Chartered accounts. Subhiksha could not even leverage the ECBs and the FIIs, thanks to the worst recession since the great depression in the 30s. A robust management and detailed footsteps could have helped the company trajectory into totally new direction.

Both the above scenarios have one thing in common. The small success and bubble burst expansion lead to the vast network. Similarity of the two models depicts that AAP may be following the similar footsteps of Subhiksha and looking at the credibility issues of AAP, the bubble may burst in the political arena as well. Allegations, Ruthless slogans and agitations have created a common ideology among the cattle class that AAP is more into awakening and disruptions rather than clean concentration of the systematic functioning of the government. AAP decision to jump to Lok Sabha elections after the superb debut in the Delhi elections creates a knee jerk reaction among two schools of thought. One School of thought feels that it is pretty early to jump to the gear box rather than they should have concentrated more on working for 5 years in Delhi and proving the credibility. Other school of thought believes in the slogan "Go with Wind "and with the momentum, it is better to capitalize the moment and projects itself as a national party. Their approach has already seen a dip in the popularity of the party.

The time will be the best judge in the deciding the fate of the AAP. A party with straight forward ideology should not be a game spoiler in the coming elections. No one would like to see AAP falling similar to the Subhiksha footsteps.

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### **Preference for Smart Loans**

Nisarg Dave, PGP13

From years, secured loans have been the best way; rather the only way for one to obtain a large sum of money. Any lender in the world would not lend money if he/she is not sure of the repayment of that particular sum. Thus it is beneficial for both, the one who is lending and the one who is borrowing. This type of loan, the secured loan, is preferable because the asset, be it a home or a car, will be used as collateral. The lien is placed on such items means the asset will be in the possession of the lender until and unless the loan is not repaid fully.

Mortgage, Home equity line of credit, Auto loan,

Boat loan, Recreational Vehicle loans are some of the examples of the Secured loans.

Out of which the home loans have secured the highest share in the secured loan segment.

To meet the requirement of each customer they provide loans in variety, such as fixed rate loans, floating rate loans, fixed-floating rate loans, etc.

But there is another type of providing such loan through which you can link your surplus funds to reduce the calculated EMI you pay.

And that is: The Smart Loan.

### So exactly how does the process start?

At the initial stage you got to have the linkage of your current or savings account with your home loan at the same bank. Here you have the facility that if you deposit any additional funds in this account the will automatically deduct it from your principle amount of which you have taken the loan.

This will have an additional benefit of interest on the outstanding amount of your loan. But the interest on such interest-saver-loans here differs from the normal loans interest. The interest rate on normal loan is less than that of the interest rate on the smart loan by a margin of 0.5-1.0 percentage. But this margin differs from bank to bank.

State Bank of India, IDBI Bank, HSBC, Citibank and Standard Chartered Bank are some of the players which are currently providing such facility.

Some banks even facilitate the transfer of the loan: from existing conventional borrowing to smart loan borrowing. There is some transfer fees associated with it which again ranges from 0.5 to 1.0 percentage.

This facility helps you to reduce your tenure of payment. Using this facility you can not only save on interest but also on time.

But every coin has two sides. This smart loan also has some backlogs.

- ⇒ As discussed earlier there is a cost implication associated with the transfer in loan, the customer should always calculate the interest saved and the interest paid in the process.
- ⇒ The smart loan saves you some interest but some investors still believe that rather than linking your current and saving accounts with the loan account, customer should invest in avenues or some other property

- which should be more profitable than the former option.
- ⇒ The smart loan concept is more useful for those high-balance-profile customers who have sufficient cash balance in their bank account which will help them reduce the interest charged in comparison to the interest benefit gained.
- ⇒ One more obstacle in such practice is that not all banks offer such facility and so to take the benefit of that the customer must have their bank account: current or savings in those banks who offer such facility.

### Illustration

Smart home loan lets you make use of your deposit in the account associated with the home loan.

For example, suppose your current account or savings account is linked with smart home loan.

You have Rs 10 lakh (Rs 1 million) deposited in your current or saving account. Suppose that your loan outstanding at a specific point of time is Rs 15 lakhs (Rs 1.5 million).

In case of normal home loan, the interest will be charged on the loan outstanding, i.e. Rs 15 lakhs.

On the other hand, in case of smart home loan, the amount on which interest will be charged is just 500,000 (15 lakhs loan outstanding minus 10 lakhs deposit).

Over the years, this saving becomes bigger and saves you a lot of money.

Let's take a look at the working below.

In the example below, the borrower has taken a loan of Rs 20 lakhs (Rs 2 million) to buy a house.

The tenure is 20 years and the rate of interest is 10 per cent.

He also has Rs 10 lakhs deposit in his account.

Let's see how the interest outgo looks in both the cases (normal home loan versus smart home loan).

DATA	Normal Home Loan	Smart Home Loan
Loan Amount	2,000,000.00	2,000,000.00
Original Tenure (in months)	240	240
Interest Rate	10.00%	10.00%
Average Bank Balance	0	1,000,000.00
EMI	19300	19300
Repayment completed (in months)	240	72
Total repayment	4,632,000.00	2,389,600.00
Interest Payment	2,632,000.00	389,600.00
Savings on interest pay- ment	2,242,400.00	

You can see there is huge savings in case of smart home loan.

In this example, the borrower has to keep Rs 10 lakhs in the account for 20 years or simply prepay the loan at the end of 72 months by paying the outstanding 10 lakhs.



Since all of us do not have Rs 10 lakhs to deposit after taking home loan, some borrowers want to deposit smaller amount in their savings or current account every month to take advantage of the scheme.

In such cases, the interest will be calculated on the loan outstanding minus the amount available in the account at any point in time.

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### **SPM Annual Fest 2014**

Fests are indeed an integral part of every B-school. They provide an opportunity to the students to exhibit their talents that would otherwise never come out in their routine and busy schedules. It also provides a platform for interacting with students from varied places, backgrounds, knowledge base and B-schools. Continuing with the legacy of organizing flagship event of SPM, year 2014 saw a grand SPM Annual Fest with participation from over 50 B-school and more than 15 Corporate at various events with relish.

SPM Annual Fest 2014 organized from 21st-23rd February 2014 was a conglomerate of four mega events; management quest event of Catalyst-'14, the sports extravaganza Energy cup-'14, the cultural enthusiasm Reprise-'14 along with the stalwart alumni of SPM at Zephyr-'14.

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SPM Annual Fest 2014, a national event was a rich blend of academics, and anthem of high adrenaline rush and performing arts, a tussle of management strategies and decision-making. The three days mega event was a confluence of future business leaders, industry experts and sports enthusiasts from the length and breadth of the country. Students of SPM participated with full zest and in best of their capacities to make it Never like before event at SPM. The organizing body of students enhanced the event by associat-



some of the leading organizations such as GSPC. GPCL, AM-UL, Gujarat Energy Development Agency, The Indian Express, GER-MI, Corporation Bank, National Insurance, The Indian Economist etc "

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Catalyst comprised of nine competitive managerial events where students from across the country took part. Energy Cup too had various sports both indoor and outdoor such as Volleyball, Throw ball, Chess, Carom, Table Tennis, Cricket etc. This saw the presence of both students and corporate from renowned organizations of the

Pandian, Additional Chief Secretary, Government of Gujarat apprised the gathering with his presence and words of encouragement to all the participating and organizing students. The contribution of Faculties and PDPU management in making this an upscale event cannot be ignored. The faculties were a guiding light at each stage of the



country such as GSPC, GSPL, TCS and many more. Reprise, a cultural event included various events such as Dance, Drama, Short film making on the theme 'Road Side Safety' etc. Zephyr, alumni meet too was an exuberating and nostal-gic experience for all alumnus who were a part of it and were taken a back in their good old days. Zephyr was even the more special as Shri D.J

process and enthusiastically took part in every event in various ways.

The three days of fun, happiness and victory are indeed memorable ones. SPMites strive harder each day to make their lives memorable at SPM and take SPM to newer and greater heights. We believe in the best and we exhibit it.

### **Voice your opinions!**

"In December 2013 quarter, Indian airline industry is expected to report collective loss of \$175-250 million, excluding one-off adjustments."

"In financial year 2013, Indian carriers lost an average of Rs. 1,500 (\$24.40) on every passenger carried."

-Centre for Asia Pacific Aviation (CAPA)

Price Wars in the Aviation industry isn't new to us. Yet this conflict has taken an all new Avatar in the past few months and might take more surprising and customer friendly form in time to come as well.

All the leading domestic players SpiceJet, Jet Airways, IndiGo, GoAir, Air India as well as new foreign entrants are all charged to make the maximum. This move makes air travel more accessible to the Aam Aadmi, along with maximum capacity utilization for the companies.

Yet the already ailing Airline Industry is speculated to make further losses as the current dollar-rupee exchange rate is still Rs.61-62. Airport and fuel charges will also continue to increase, adding more problems to airlines. And this might also be threatening to our economy as a whole as it destabilizes the entire market scenario. Stakeholders' losses and degraded onboard service also count as drawbacks.

### Rationality in pricing, Return on Investment, LCC revenue models... A lot to give a thought upon!

We asked SPMites their opinions on this. Here we present the best answers:

**Nisarg Dave, PGP13:-** Spice jet, on February 24<sup>th</sup> took the plunge and had been an initiator for the price decrement in the airline sector. This is a very smart move in terms of period which they selected. Having made the compulsion of booking the tickets at least 60 days ago they chose the period when maximum Indian families take the advantage of low fare price by the means to enjoy the summer vacation. But with so many competitors and the airline sector make such huge losses they should always have introspected the forth coming scenario before taking and implementing such huge decision.

Maharshi Vyas, PGP13:- "Price War" has always been a haunting word for any marketeer. And in the case of Aviation Industry, it has been a black hole. Already reporting record losses, a price war would have been the last option for airline companies. Their motive might be to increase seat occupancy but this has led the entire industry to suffer losses due to unnecessary price war. Addition to this can be the new low cost airlines entering into the Indian market seeing the opportunity to fight based on prices which can lead them to a situation from where they may not return to their normal price structure.

### Charity begins at Home!!!

With excelling in academics, being at the forefront at extra-curricular activities and yet contributing to the society in little ways they can, Yes, SPMites make their presence feel everywhere. Taking a step forward to being a part of a noble cause, SPM saw the presence of Mr. Sunil Desai, a well known expatriate residing in India along with Ariana Rabindranath, and Kayla Bakshi who have been pioneering figures in undertaking "The Bindi Project," an NGO that works for well-being and safety of women especially girl child in the country. It grew from a passion to reverse the injustice and immorality of gender-based violence, discrimination, and exploitation as well as a steadfast belief that the enormous magnitude of the problem is itself a threat to global security. SPMites have taken a leading role to help the cause in every possible way. We are proud to have such noble human beings.



### **ICMI**

Various eminent and distinguished thought leaders from around the globe gathered together to discuss the core issues on Infrastructure Management in India at the event "International Conference on Management of Infrastructure", organized by UPES Dehradun. Apart from these eminent key speakers, many scholars from various institutes from across the India participated and presented their papers on varied subjects.

A total of 13 papers by 30 students from SPM were presented in the event. These papers covered varied topics under the domain 'Energy, Transport & Infrastructure'. The paper titled "Road to recovery for Debt Ridden Power Sector" by Dhaval Shah, Raman Shahi & Vikas Gupta won the best paper prize in Infrastructure domain.

The paper discusses about the various steps taken by the Govt. of India under the Electricity Act 2003, National Electricity policy and National Tariff Policy to revive the loss making State Electricity Boards. It also talks about how the Govt. of Gujarat has transformed it's SEB from a loss making entity to a profit making one. The paper covers the various steps that can be taken to turn around the grim state of State Electricity Boards across India.



### **MDP Programme for GSECL**













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