YOUR MONEY

Limited insurance cover options for adventure sports

It is easier if you are part of a group, as the policy can be customised

Adventure sports such as river rafting, long-distance biking, para-gliding, skiing, etc, are becoming popular with Indian tourists. For instance, biking in the mountain ranges is a popular holiday activity for many. Similarly, Hrishikesh is as well known for water sports like river rafting as it is for temples. But if you meet an accident while on an adventure-sport holiday, chances are your regular travel insurance will not cover you for the hospitalisation. In fact, if you look at the websites of general insurance companies, sporting activities are part of the exclusions for most. Some offer it as an add-on cover or for only group policies.

Bajaj Allianz General Insurance offers cover for any injury during adventure sports under a professional trainer/assistance as an amateur and not involved in as a professional. It is covered under medical sum insured limit of the comprehensive travel insurance, says Renuka Kanvinde, associate vice-president. "This is the normal cover under all travel policies. However, a claim under any professional sport will be excluded," she says.

The duration for the policy is 180 days and can be extended for a further 180 days. It covers the participation of the insured under supervision of a trained professional in winter sports, mountaineering (where ropes or guides are customarily used), caving or pot-holing, hunting or equestrian, sky diving or other underwater activity, rafting or canoeing involving white water rapids, sailing yachts or boating outside coastal waters (two miles). The premiums depend on the age of the policyholder, geographical coverage, duration of travel and plan opted, Kanvinde adds. For instance, for a travel policy having sum assured of $50,000, to the US and Canada, for 180 days, (approximately ₹31,50,000), the premium works out to ₹9,830 for those up to 60 years. While for the same policy for any other country, excluding the US and Canada, the premium works out to ₹5,060.

According to Naveen Kukreja, Group CMO, Policybazaar.com, "Usually, as a part of the base policy adventure sports aren't covered, these are part of add-on covers only. The issue is that all such add-ons can only be opted in offline policies." The additional cover for such policies can vary from 20-23 per cent of the base policy premium.

ICICI Lombard General Insurance's website says that sporting activities are not covered under travel insurance. But Sanjay Datta, chief underwriting & claims, says the company offers it as an add-on cover. "Insurance options for those who take part in adventure sports are limited. We offer it only as an add-on cover. Here, we insist that tour operators or organisers should be recognised and should follow all safety precautions," he says.

Since policies for adventure sports are customised, it is not feasible for insurance companies to offer these for small ticket individual policies, says Deepak Yohanan, chief executive officer, MyInsuranceClub.com. "Since it is not part of the standard travel policy the pricing is higher. But it is easier to get such a policy for a group, since premiums can be lower," he says.

The benefits for such policies are similar to those under a regular travel policy and include medical expenses inclusive of repatriation and emergency medical evacuation, personal accident-death, permanent total disability, permanent partial disability and others.

One reason why insurance companies shy away from offering insurance for adventure sports is because the underwriting is different in case of each sport. For instance, the risk in case of para-gliding is different from, say, river rafting or biking. This makes it difficult to structure the product.

In some cases, the organiser may offer insurance at the spot. For instance, if you sign up for para-gliding, the organiser may offer you a policy at the spot, which will cover hospitalisation in case of fractures or injuries. These are group policies customised for the particular organiser and buyers don't have much choice, Yohanan adds.

PRIYA NAIR

SME platforms on BSE, NSE poles apart

The platforms of the two major bourses seem to differ considerably in their respective progress but opinion on this and the reasons are not unanimous

N SUNDARESHA SUBRAMANIAN
New Delhi, 8 January

On Tuesday, Amsons Apparels listed after raising ₹3.25 crore. On a day when the BSE Sensex slid 850 points, the stock lost a fifth of value on debut and closed at ₹7.95 a share. The fabrics trader's annual revenue was close to the money it raised at ₹3.21 crore and it earned a profit ₹4.25 lakh in 2013-14. Companies such as Amsons are queuing at the BSE Small and Medium Enterprises (SME) Exchange.

Amsons was the 83rd entity to be listed on the bourse, launched in March 2012 and with a market capitalisation that recently touched ₹10,000 crore before cooling to ₹8,889 crore. On Thursday, 27 scrips were traded, of which 11 ended with gains. Total turnover was around ₹10 crore, with about 200 transactions.

A study in contrast is National Stock Exchange's (NSE's) Emerge, which commenced operations a few months after BSE SME. This platform has had six listings so far. The total market capitalisation of NSE Emerge is ₹430 crore. The stock prices on Emerge hardly see any movement. Trading is thin. On Thursday, only one scrip (14,400 shares of Momai Apparels) was traded, for ₹11.48 lakh. While the wide lead of BSE, which lags on the main board, over its larger rival in this new segment has surprised some, it has also raised questions over whether NSE's is a sleepy model.

Explanations

BSE attributes its hyperactivity to the groundwork it has done. In response to an email questionnaire, a spokesperson said, "BSE since the inception of its SME Platform has done continuous basis seminars across the country, along with various industrial associations, chambers of commerce, ICAI and ICSI to create awareness among the promoters and their consultants."

The bourse has also done several rounds of meetings with "promoters and their advisors". While BSE did not comment on where its rival lost out, it added, "We have done approximately 350 seminars and very effectively tried to present the benefits of listing and the capital market, and this has yielded a positive result and helped us stay ahead of the curve."

NSE maintains it is focusing on building a credible funding platform and creating more awareness among entrepreneurs. Ravi Varanasi, its chief of business development, said: "NSE is keen on encouraging quality SMEs to use the platform to raise risk capital from the market, with a view to establish a credible platform for SME funding.\"

Varanasi added the bourse was engaging both entrepreneurs and merchant bankers closely and that "creation of such a robust fund raising platform does take some time." But, we are committed to providing an alternative to the felt gap in the fundraising by SMEs, he added.

One parameter that can be comforting for NSE is the amount of capital raised. While the 83 companies on BSE have raised ₹670 crore, the six on NSE have raised ₹116 crore. That puts the average capital raised by the Emerge firms at ₹19.3 crore, more than double the ₹8.07 crore the average BSE SME company raised.

Some market participants attribute the lead to the head-start for BSE's platform. Mahavir Lunawat, managing director, Pantomath Advisory Services, a merchant banker which has listed companies on both BSE and NSE platforms, noted the former started in March 2012. "By the time NSE launched its platform towards the end of the year, BSE had already done a certain amount of work, internally and externally." BSE had initially appointed a former Indian Police Service officer turned executive, Lakshman Gugulothu, as chief executive. He did several roadshows across the country before moving out.

Lunawat, who has had stints in the Reliance group and ITC before turning entrepreneur, also suggested the call option mechanism, which NSE's first Initial Public Offer (IPO), of Thejo Engineering, followed was not appreciated by market participants. He added NSE took a long time in putting out its operational norms concerning migration of companies to the main board, etc.

Thejo Engineering is now valued at ₹68.7 crore on Emerge and reported a profit after tax of ₹8.7 crore, higher than the combined profits of the top six entities by market capitalisation on the BSE SME. Eco Friendly Food Processing, GCM Securities, Esteem Bio Organic, Channel Nine, HPC Bio Sciences and Sunstar Realty clocked a combined profit of ₹5.2 crore but were worth a little over ₹7,000 crore.

Kolkata-based Guiness Corporate Advisory and Guiness Merchant Bankers, which has acted as a merchant banker for five of these issues, faced regulatory action recently. In March 2014, Sebi had imposed a fine of ₹90 lakh on members of the Kothari family which promoted the Guiness group of firms for off-market deals that violated the takeover norms in Kwality Credit and Leasing, a company listed on the main board. GCM Securities, the sixth firm which itself was a Kolkata-based stockbroker, famously floated another IPO of its subsidiary, GCM Commodities & Derivatives, in July 2013 on the BSE SME bourse ,to raise funds to invest in products of the now defunct National Spot Exchange.

Significance

Such details allow NSE to take the higher moral ground of "quality." But Lunawat, who has worked on a dozen issues, feels the huge gap between the two exchanges might not be a significant factor. He feels the price movement of a few companies should not be overstated. "That might not be the complete picture. We have gone for (listing of) manufacturing companies. For example, we have listed Ultracab, which has a turnover of ₹30 crore. We are in the process of listing an aquaculture company with a turnover of ₹100 crore and in talks with another company with a ₹350 crore turnover."

The revenue and profit numbers of Emerge–listed firms are slightly better. While Opal reported the lowest profit number of ₹48 lakh among the Emerge companies, at least two of the top valued firms on BSE SME, GCM Securities and Channel Nine Entertainment had annual profits of less than ₹10 lakh. Yet, the market capitalisation of these companies have raced far ahead, due to the dizzying run in prices. Both GCM and Channel Nine were valued over ₹1,000 crore each.

Supporters of the BSE model note that even in the main board, a few companies account for the bulk of the value. A former regulator, who played a key role in the formation of the framework for SME bourses, said the price-earnings ratio can be an important indicator. "When the PE ratio gets into unjustifiable numbers, it is normally advised that the bourse should ask the company if there was any unpublished information that is leading to the spike in prices."

He expressed concern that the platform should not fall in the wrong hands. "The SME exchange is an important platform, devised to help the development of the country. The race for numbers should not lead to crooks taking over the platform. "

Ahead

Some bad apples can bring a bad name to the entire basket, says Pavan Vijay, managing director, Corporate Professionals, a Delhi-based merchant banker which has not done any SME business. According to Vijay, three kinds of companies come for listing. First, ones that want to raise money; second, those that want the listed company tag and are not interested in the money and, third, which come for managing taxes. "It is up to the merchant banker and the exchange to decide what kind of companies they bring to the market," he said.

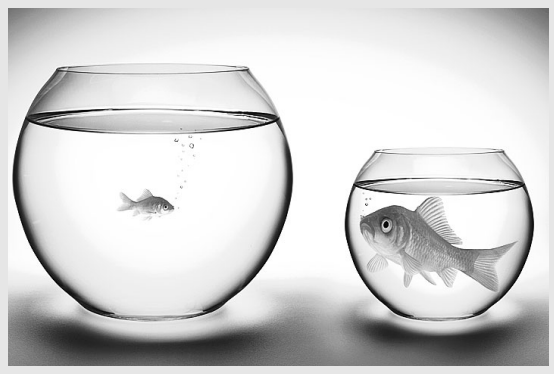
Under the SME framework, companies do not file their prospectuses with the Securities and Exchange Board of India (Sebi), leaving a lot of discretion with the exchanges.

BSE said it had received a few investor complaints but raised concerns about the latter's genuineness. "While working to resolve these queries in association with the complainant, we have understood that most of the complaints don't seem to have given a correct physical address or mobile numbers. Emails sent to complainants are also not replied to and the investor doesn't seem to be interested in resolving the query," a spokesperson said.

Lunawat of Pantomath, who is on the Sebi committee on SME exchanges, listed some areas such as the high ticket size of ₹1 lakh and the market making mechanism as needing the regulator's attention. The move to launch an institutional trading platform that allowed small firms to list without IPOs is also seen as a hindrance to the growth of SME bourses.

The BSE spokesperson said efforts such as introducing e-IPO, "which will cut various unnecessary costs and processes and make things smoother and faster", are on. Varanasi of NSE also sounded hopeful. "We see momentum building in this area and expect quality listings to happen in the coming quarter," he said.

FAT BOY AND LITTLE MASTER



SOME KEY CHANGES SOUGHT BY MARKET PARTICIPANTS

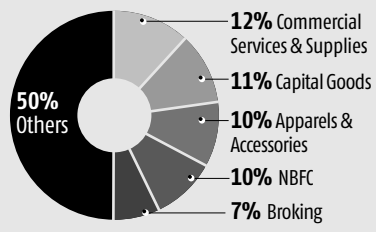
- Relaxation of minimum investment by anchor investor
- Selective reduction of lot sizes based on stock history
- Comfort and support for market makers
- Cross–listing on both NSE and BSE
- Better due diligence and surveillance

KEY NUMBERS

Particulars	BSE SME	NSE Emerge
No. of companies listed	83	6
Funds raised	₹667cr	₹116.32 cr
Market capitalisation	₹8,889 cr	₹430 cr
Companies that filed offer documents	19	1

Source: Exchanges

BSE SME SECTORAL DISTRIBUTION



Sebi proposes reduction in IPO timeline by half

Feedback sought on making ASBA mandatory for retail investors

BS REPORTER
Mumbai, 8 January

In a discussion paper — 'Revisiting capital raising process' — issued on Thursday, the market regulator suggested a timeline reduction would be possible if cheque payments are done away with.

Sebi has proposed to cut the timeline for IPOs – time taken between issue closing and listing – to seven days from 13 days at present

"...The post issue timelines will reduce from T+12 days to T+6 days. Once the process gets stabilised, timelines can be further curtailed to T+3/2 days. Further, on account of reduction in printing of application forms, the overall cost of public issues will also come down," said the Securities and Exchange Board of India (Sebi).

Further, the paper suggests making Asba (Application Supported by Blocked Amount) mandatory for retail investors, saying it would aid in reducing IPO timelines further by eliminating cheques from the process of bidding for an IPO. Asba is currently mandatory for all non-retail investors in an IPO.

A proposal to use mobile technology for making bids in public issues was under discussion, the paper said.

The paper proposed to ease the criteria for 'fast-track' approvals for follow-on public offerings (FPOs) and rights.

It suggested eligibility of companies with a market capitalisation of anywhere between ₹250 crore to ₹3,000 crore. Currently, the minimum market capitalisation requirement for fast-track IPOs is ₹3,000 crore.

"...Even if the public float criterion is relaxed to ₹1,000 crore, only 359 companies would be eligible. Hence, this may not serve the intended purpose of making large number of issuers eligible for rights issue through fast track route," said the paper.

In addition, the paper also suggested fast-track approvals for central public sector enterprises (CPSEs) for achieving 25 per cent public float.

"Also, in a case where a CPSE is not able to comply with any of these conditions, Sebi may, based on the merits of the case, consider granting exemption," said the paper.

Successful trading systems

INSIGHT

DEVANGSHU DATTA

Even experienced traders can be confused by similarities and differences between trend-following trading systems and momentum trading. Trend following is completely technical, while momentum systems rely heavily on price-volume analysis, while sometimes having fundamental components.

A big study in the early 1990s confirmed "persistence" was widespread. University of California, Los Angeles professors Jegadeesh and Titman published 'Returns to buying winners and selling losers: Implications for stock market efficiency'. They found US stocks which had outperformed over the past three to 12 months usually continued to outperform.

Researchers extended investigations across regions and timeframes and discovered persistent outperformance was true across many markets. Also, stock indices which were outperforming their own long-term returns tended to continue outperforming.

Persistence is the basis of both trend-following and momentum systems. (Both styles predate this study). Trend followers identify trends (up or down) and take positions in the direction of trend. All signals are based on price-volume. Trend followers prefer commodity futures or stock futures where either direction may be traded with equal ease.

Trends often fail. When a trend is profitable, it must be milked for the maximum return. So, effective trend-following systems use trailing stop-losses and maintain a position for so long as the trend is alive. Trend-following systems usually avoid being time-limited for the above reason. Many trend-following traders also avoid trading stocks (as opposed to trading in stock futures, or index futures) because of lack of leverage and long-bias.

A momentum trader identifies an asset is "relatively stronger" than the market, or stronger than its peers or outperforming its own historical returns. Relative strength could be purely technical, as in the study cited above. Or there could be some fundamental factor (such as relatively quick earning growth) or a combination of fundamental and technical factors involved.

Most momentum systems are long-biased. This is sensible in equity-focussed trading because shorting stocks is much more difficult than buying stocks. Momentum positions may be non-leveraged if delivery is taken for equity. Quite often, momentum trades are short-term, since it is popular for day traders.

Successful traders often use additional filters. Some trend followers will also not take trades "against the market". In a widespread bull market, a trend follower will not trade any short trend. Vice-versa, he will not be long in a wide bear market. This risks low diversification-the entire portfolio may be long or short if such filters are applied.

There are times when both types of systems select the same assets. There are also times when momentum systems and trend-following select totally different assets and times when they offer opposed signals on the same asset. A trending asset may not show up as a good momentum trade when it is not "relatively stronger". Vice versa, a high relative strength asset may not have a trending priceline.

The details of such systems vary. Some systems are simple, with single triggers. Other trading systems have multiple signals and filters. Timeframes also vary. Failure rates are always high, regardless of the complexity or lack of complexity. There are two essential elements in common to successful trading systems. One is that a good system picks up the big moves. Two, a good system will minimise losses when the trade goes wrong.

Right now, most long-term trend-following systems are signalling long Nifty. Short-term to intermediate term trend-following systems are neutral or long. Momentum systems with intermediate or long-term time frames are also long-Nifty. The consensus obviously suggests staying long. The trick is to set appropriate stop-losses to get the trader out, if persistence breaks down.

The author is a equity and technical analyst

FIIs, promoters pare stake in Infosys in Dec quarter

DEEPAK KORGAONKAR
Mumbai, 8 January

Foreign institutional investors (FIIs) and promoters reduced their holding in tech major Infosys during the December quarter.

The promoter holding declined by 300 basis points (bps) to 13.08 after four promoters sold stake worth $1.1 billion in December. FII holding also reduced by 109 bps to 41.58 per cent.

The reduction in holdings comes at a time when technology firms are facing cross currency headwinds due to volatility in the global financial markets.

On December 8, 2014, Infosys co-founders N R Narayana Murthy, Nandan Nilekani, Dinesh K and S D Shibulal's wife, Kumari Shibulal, along with their families, had sold 32.6 million shares in the country's second-largest information technology services company, for an overall amount of ₹6,484 crore.

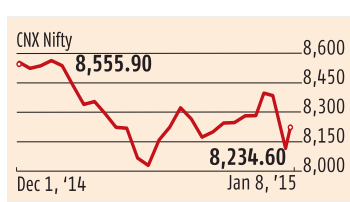
The decline in promoter holding was the highest in more than a decade. During the June 2004 quarter, promoters had reduced their holding by 4.5 percentage points to 22.02 per cent.

Among FIIs, Aberdeen and Europacific Growth Fund's holdings in Infosys have declined below one per cent.

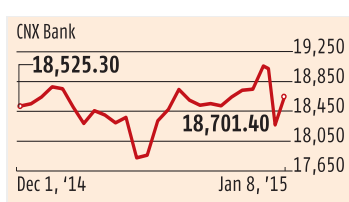
Meanwhile, mutual funds and individual shareholders have raised their stake in the company by around one percentage point each. Mutual fund and UTI holding increased to 5.42 per cent in December quarter from 4.75 per cent at the end of September quarter, while individual shareholders hiked their stake to 9.78 per cent from 9.06 per cent. Foreign portfolio investors raised their stake to 1.38 per cent against nil holding in the previous quarter.

Infosys is schedule to announced its October-December quarter earnings on Friday.

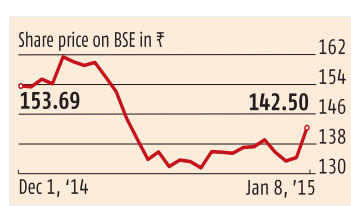
TODAY'S PICKS



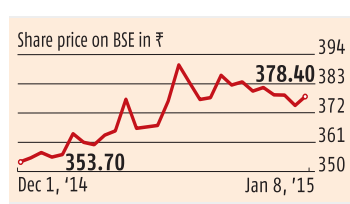
Nifty
Current: **8,234** (fut: **8,255**) Target: **NA**
Stop short positions at 8,325. Stop–long positions at 8,175. A long 8,400c (54) and short 8,500c (30) could gain 10–15 if the futures cross 8,300.



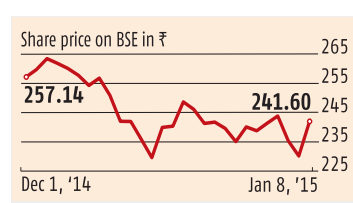
Bank Nifty
Current: **18,701.4** (futures: **18,779**)
Target: **18,500** (futures: **18,600**)
Keep a stop at 18,900 and short. Add to the position between 18,625 and 18,650. Book profits at 18,600.



DLF
Current price: **₹143**
Target price: **₹139**
Keep a stop at ₹144 and short. Add to the position between ₹140 and ₹141. Book profits at ₹139.



Coal India
Current price: **₹379**
Target price: **₹387**
Keep a stop at ₹375 and go long. Add to the position between ₹383 and ₹384. Book profits at ₹387.



Cairn
Current price: **₹242**
Target price: **₹236**
Keep a stop at ₹245 and short. Add to the position between ₹238 and ₹239. Book profits at ₹236.

Target prices, projected movements in terms of the next session, unless otherwise stated

DEVANGSHU DATTA