

From the Editor

Why did god create stock-market analysts? To make weather forecasters look good, runs the rather puerile joke. But seriously, company analysis is an earnest business – in much of the world, that is, except India. I remember in my wire-service days we used to have lively debates on how to report stock price movements in India caused by market rumours. Sometimes trading stocks seemed not far removed from placing bets in a casino, based on a hunch here or a whisper there. Things have changed more recently, and how. There are upwards of 20 million demat accounts, each one set up to enable trading in stocks. Average daily turnover on the Bombay Stock Exchange so far this financial year was ₹2,072 crore, and on the National Stock Exchange it was a hefty ₹10,100 crore. There is a lot of money sloshing around. Company and stock analysis has exploded; as our cover story notes, there are upwards of a thousand analysts' reports flooding the market every month.

Analysts' reports that are critical of companies are always contentious; company boards take analysts' meetings very seriously and with trepidation. In more sophisticated markets, the analysts' meetings can turn into very tough jousting matches. Many are simultaneously webcast or at the least broadcast on conference calls for analysts who cannot be present themselves. Over the years there have been several celebrity analysts famed for calling it right – and not so right sometimes. The redoubtable Meredith Whitney, for instance, was castigated by *The Wall Street Journal* for wrongly rubbishing the US municipal-bond market in December 2010. More recently, the *WSJ* reported Whitney has predicted darkly that Citigroup, which she terms the “incredible shrinking bank”, is beyond redemption even with a new CEO after the departure of Vikram Pandit. Closer to home, Canadian investment research firm Veritas has been cutting close to the bone with its withering reports on some of India's biggest companies, and it is now embroiled

in a legal dispute with Indiabulls. Senior Editor Suman Layak and Special Correspondent G. Seetharaman peel away the layers of commentary to get at the core of the story: most Indian brokerages do not really rock corporate boats with their reports, and “sell” reports are uncommon. There are honourable exceptions, of course, and many of them are the Indian arms of foreign banks and brokerages. Home-grown Ambit Capital, for instance, has issued a number of strong reports this year on banks and their books. Late last month it issued one titled “The debasing of RBI”. Read our gripping tale from page 48, embellished by exclusive conversations with Veritas's Michael Palmer and Neeraj Monga.

This issue we also run one of our marquee reports – our 19th Best Banks study, and the 16th survey conducted by global accounting firm KPMG, whose Head of Financial Services Akeel Master sets out the challenges facing the banking sector on page 94. The top three banks this year – Bank of Baroda, HDFC Bank and Axis Bank – have held their ranks for the second year running. The breadth and scope of banking activity in India is breathtaking, and although a lot remains to be done, there are many inspiring tales in the package pulled together in his usual inimitable fashion by Senior Editor Anand Adhikari with the help of a strong team of fellow writers who travelled to interesting places – including Thrissur in Kerala where three interesting banks are headquartered. We bring you rich material starting on page 62, including the second part of an exclusive interview with RBI Governor Duvvuri Subbarao, and a thoughtful commentary by ICICI Bank CEO Chanda Kochhar.

Also, in an elegant parenthesis for a very special issue, we are pleased to present the first of an exclusive series of interviews with CEOs running on our sister TV channel *Headlines Today*. This one, fittingly, is with veteran banker K.V. Kamath, Chairman of both ICICI Bank and Infosys (page 44).



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