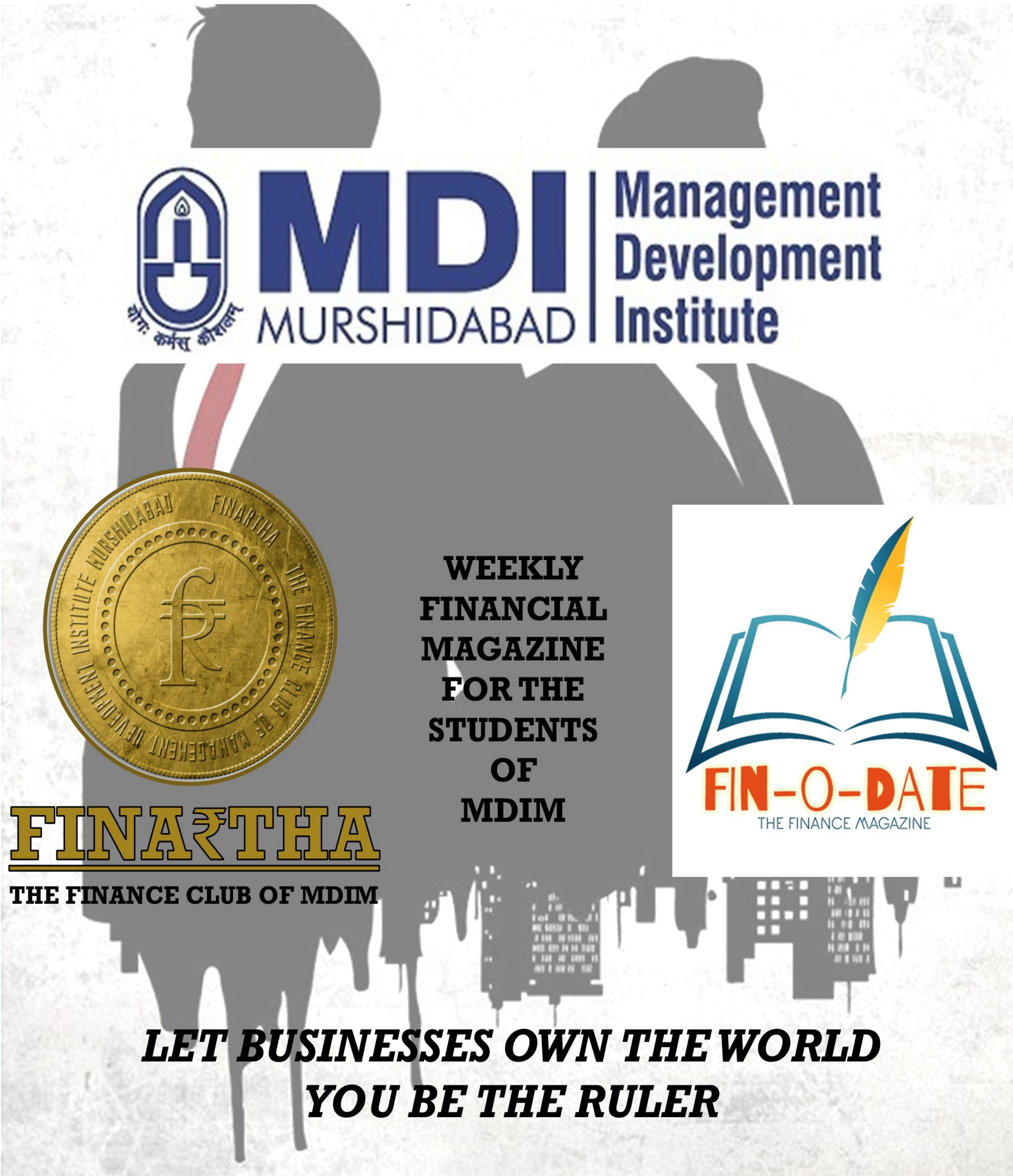
FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM



ABOUT US

Finartha, the finance club of Management Development Institute Murshidabad formed with the ambitions of bridging the gap between the academic and professional worlds. As a student-run organization, the club brings together students with a shared interest in Finance to enjoy presentations from industry professionals, competitions, quizzes, finance-related discussions, casual and formal networking events as well as a variety of social events. It provides the platform for interactive discussions and orients oneself towards the world of business and commerce. The club plans to get into media through social as well as print media to update the students, academic professionals and industry veterans about its various activities. It thrives on providing the students with additional resources needed to develop themselves into strong candidates for the prospective job market. If one is zealous enough for the activities which go into finance and its substrates then 'Finartha' is the platform to quench that zeal.

Dr. PINKU PAUL

Assistant Professor, Accounting & Finance

Mentor FINARTHA

Dr. Pinku Paul is MBA, M.Com, PhD. in Business Administration. She is UGC NET qualified. She has over 11 years of teaching and research experience. Her research interest is in the area of behavioral finance, financial services, banking and insurance industry. She has authored several papers, which have been published, in national and international journals. She has also worked as Management Trainer in the World Bank Second India Development Market-Place (IDM) 2007 project on "Capacity Building of Rural Women on Production and Marketing of Cashew Apple Juice".

FINAARTHA

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INDEX

- BSE 41945.37
- NSE 12352.35
- NASDAQ 9362.54
- DOWJONES 29315.49

CURRENCY

- USD/INR ₹ 71.05
- GBP/INR ₹ 92.41
- YEN/INR ₹ 0.65
- EURO/INR ₹ 78.85

Latest By JANUARY 19th, 2020

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Bharti Airtel	473.90	500.05	5.52%	503.80/475.10
Dr. Reddys Labs	2937.45	3034.35	3.30%	3049.00/2940.00
Reliance	1537.90	1581.00	2.80%	1584.95/1553.20
Grasim	756.05	768.25	1.61%	772.00/711.00
Sun Pharma	449.05	454.60	1.24%	456.25/446.00

TOP LOSERS

Securities	Prev closing	Closing price	Percentage decrease	High/Low
Bharti Infratel	243.05	218.25	10.20%	228.60/210.25
Induslnd Bank	1386.45	1352.25	2.47%	1377.00/1317.05
GAIL	128.75	126.35	1.86%	127.40/122.75
Yes Bank	39.95	39.25	1.75%	39.55/37.00
BPCL	461.80	453.90	1.71%	465.25/452.00

Top market news

- US stock indexes marched to new highs at open on Friday, driven by optimism over corporate earnings, upbeat economic data and indicators of resilience in china's economy.
- Jayshree Tea Industries share price rose 10 percent intraday on January 17 as the company decided to sell stake in two of its tea estates in Africa.
- State run Power Finance Corporation Ltd on January 17 said it has raised $750 million through issuance of overseas bonds to fund business expansion plans.
- Market regulator SEBI on January 16 imposed a fine totaling Rs 9 lakh on Zee Media Corporation and its promoter entity 25FPS Media for shareholding disclosure lapses.
- The Directorate General of Trade Remedies has notified that an anti dumping probe has been initiated into the imports of Dimethyl Formamide from China.
- Primal Enterprises share price rose 7 percent intraday on January 17 after the board approved selling of stake in the healthcare insights and analytics business.

The UPI effect: Why Indian banks need to up their cloud game in 2020

We live in a world of 'Insta-Everything'. Finance platforms have become so effortless and interoperable that it is easy to innovate and disrupt with a simple idea.

Banks today are under strong pressure to both perform and stay relevant in the market at the same time, thanks to rapid innovations in the sector. UPI (Unified Payments Interface), the buzz in the market, has simplified and democratized payments to such an extent that the entry point for anyone to build a brand-new UPI payments app is very low.

What is the huge problem?

While a front-end and user experience can be built, owned, and facilitated by a third-party app like Whatsapp Pay or PhonePe, it is the banks that have to invariably do the heavy lifting for UPI transactions. Contrary to popular belief, QR code scans, VPA verifications, and fund transfers have to be processed by banks instead of third-party apps to ensure user data security. The third-party apps therefore tie up with sponsor banks (or PSP) to enable this for customers.

This is a huge problem for banks. On the one hand, they need to act as the middleman to securely forward and route the traffic; on the other hand, they need to process fund transfers in real-time using their core banking systems. Digital transactions using UPI at a local saloon or a pani puri down the street add to unprecedented transaction volumes that is difficult for banks to size/scale for and plan ahead.

A bank's dilemma: The need to pay for play

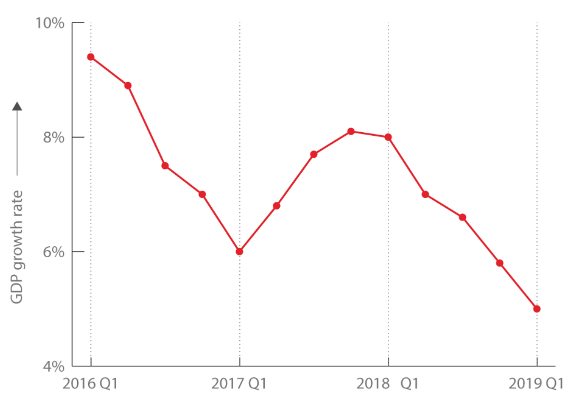
The real killer is that cost per transaction remains high even for low-value transactions. Topping this, there is no room for errors as banks are shamed and their competencies are questioned when UPI transactions fail. For a bank, this leaves them with no incentives to participate because most transactions carry no margins and the ones that do are in the order of less than a rupee, because of MDRs (Merchant Discount Rates). This wasn't the case with other payment instruments like debit cards or credit cards. UPI, the cards killer, is unlike any system that banks have witnessed before.

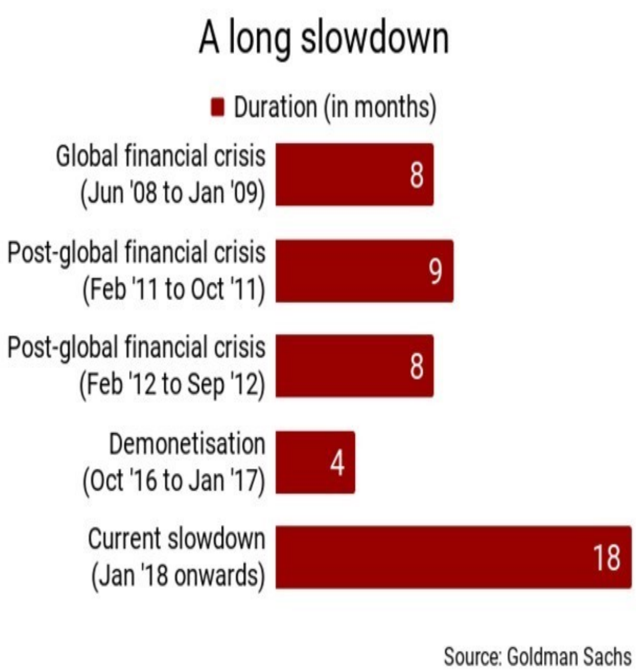
Steepest India yield curve in nine years is set to rise further:

India's yield curve rose to its steepest in nine years as bets mounted on further monetary easing and fiscal stimulus following the country's deepening economic slowdown.

The yield spread between the most-traded 10-year notes to two-year debt is at its highest since 2010 on concerns the government will expand record bond sales. Firstrand Bank Ltd. expects the difference to widen by as much 20 basis points from Monday's 115.

GDP growth rate from 2016 onwards





MEASURES:

Policy makers have taken multiple measures to arrest the slowdown in recent months, while leaving much of the stimulus burden to the Reserve Bank of India. Authorities now have to make the difficult choice between slipping on the deficit target of 3.3% of GDP this fiscal year to boost growth or prolong the pain by cutting expenditure.

Data on Friday evening showed gross domestic product grew 4.5% in the September quarter from a year earlier, the first time it's been below 5% since 2013. The weak GDP print will likely pave the way for a sixth interest-rate cut of the year later this week, helping to anchor yields on the short -end of the curve.

Meanwhile, growing skepticism about the government meeting its budget targets means long-tenor bonds are under pressure despite and more than ₹2 trillion ($28 billion) of excess liquidity in the banking system. The yield on 10-year notes was little changed at 6.47% on Monday.

Current scenario of India's pharmaceutical sector

In FY19, the companies in the pharmaceutical sector were bogged down by the economic malaise of our country. For the past few months , the businesses of the pharma industries have been buffeted by an over 50% increase in the cost of raw materials imported from china, which led the businesses hobbled by shrinking margins and questioned the long term viability.

The price for both the bulk drugs and the market price of the final products are set by the regulators, leaving little leeway to build profitable businesses. The list of price controlled drugs, by the ministry of health and family welfare, has swelled from 74 in 1995 to almost 860 in 2019.

This is not a good sign for the pharma companies, because no doubt the companies have learnt to maximize efficiency from this system by restricting the price increase. But with slim margins, they have little incentive to modernize and upgrade their manufacturing capabilities and capacity.

An estimated 50% of drugs still fail in phase 2 and phase 3 of the development cycle due to lack of efficacy or safety signals. Using artificial intelligence (AI), drug-makers could identify better compounds four times faster, with the potential to reduce the late-stage drug failure rate by as much as 20%.

Recently the pharma industry has begun to belatedly embrace new technologies such as mobile , cloud, analytics, and the internet of things. In India, a rethink is needed as to the way the pharma business is done. Today, medicines are manufactured using a batch process that is wasteful and inefficient. Firms need to consider shifting to a process of continuous manufacturing, which shaves valuable startup capital costs and helps pharma companies build sounder businesses. The onset of new age technologies, especially AI and IOT, has allowed companies to build factories of the future ready to compete on the world stage.

Traditionally, once a company decides to commercially manufacture a drug, it discards hundreds not thousands of trial batches, before it can zero in on what is termed a 'golden batch'. The use of these emerging technologies will also help to enable equipment efficiency and better utilization of existing capacities. In many companies, the facilities are so underutilized that there is scope to even double production and, therefore , tap effectively into the large volume game.

Budget 2020 should cut income tax slabs, offer tax breaks to boost investment.

We have recently seen a notable reduction in the corporate tax rates and rationalisation of the Goods and Services Tax (GST) rates. While such measures to turn the tide in the downward spiralling economy has been well-received by the industry, it has also called for a reduction in personal tax rates from all sectors.

When we look at the income threshold limits on which tax is levied for individuals, the last change was made in 2014 when the Modi government presented its first Union budget. We saw the highest tax rate applicable to an individual being raised to 42.744 per cent in July 2019 when the full budget for FY 2019-20 was presented. The erstwhile maximum tax rate was 35.88 per cent - this jump of nearly 7 per cent has hurt even the super-rich.

The interim Budget presented by the government in February 2019 extended the full tax rebate to resident individuals with total income up to Rs 5 lakh. As per the government's statistics for AY 2018-19, this income category accounts for 63 per cent of the total individuals who file income tax returns (ITRs). The remaining 37 per cent have not had much to cheer about and in fact, have ended up paying more tax by way of surcharge in case the total income exceeds Rs 50 lakh.

As per reports, the Indian economy is growing at around 5 per cent in FY 2019-20, which is the lowest in the past 11 years. Investment-linked schemes that allow a deduction from taxable income needs to be introduced to encourage and boost investment in the economy. Moreover, long-term capital gains from listed shares and equity-oriented mutual funds which were totally tax-free earlier, have been brought under the ambit of tax in the Union Budget of 2018. The government could consider increasing the threshold limits to encourage investment which will ultimately infuse more capital into the economy.

> The intelligent investor gets interested in big growth stocks not when they are at their most popular – but when something goes wrong.

Given the state of the economy, this is perhaps the most crucial budget under the Modi regime. The taxpayers' wish list may continue to run long year after year, however, the government also needs to strike a balance between dreams and reality so that the pocket of the exchequer does not run dry and fiscal deficit does not go out-of-hand.

OUR TEAM

ISSUE NO. 57 | JANUARY-FEBRUARY | FINODATE

MEMBERS

Senior Finartha Committee

Salil Mishra - General Secretary
Arif Jamal
Subhodip Kundu
Nishu Gupta
Prerna Sharma

Junior Finartha Committee

Jitender Kumar
Abhishek Satpathy
Devansh Chokhani
Neha Kedia
Puneet Agrawal