

FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM



MDI
MURSHIDABAD

Management
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Institute



FINARATHA

THE FINANCE CLUB OF MDIM

WEEKLY
FINANCIAL
MAGAZINE
FOR THE
STUDENTS
OF
MDIM



**LET BUSINESSES OWN THE WORLD
YOU BE THE RULER**

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.



TOP GAINERS

INDEX

- **BSE** 37877.34
- **NSE** 11178.40
- **NASDAQ** 11019.30
- **DOWJONES** 27931.02

CURRENCY

- **USD/INR** ₹ 74.85
- **GBP/INR** ₹ 97.96
- **YEN/INR** ₹ 0.70
- **EURO/INR** ₹ 88.65

Latest By AUG 15th, 2020

Securities	Prev closing	Closing Price	Percentage increase	High/Low
JSW Steel	258.55	256.35	2.61%	267.20/257.55
Coal India	128.95	131.85	2.25%	134.20/129.05
Sun Pharma	520.80	531.35	2.03%	536.00/522.95
Cipla	760.40	771.80	1.52%	787.55/753.30
NTPC	87.20	88.40	1.32%	89.85/86.85

TOP LOSERS

Securities	Prev closing	Closing price	Percentage decrease	High/Low
Eicher Motors	21671.00	20144.15	7.05%	21740/20070.95
Tata Motors	131.10	124.60	4.99%	132.60/123.75
Axis Bank	448.05	435.85	2.73%	451.10/425.75
M&M	631.30	614.45	2.69%	637.50/609.10
SBI	201.85	196.50	2.67%	204.00/194.65

Top market news

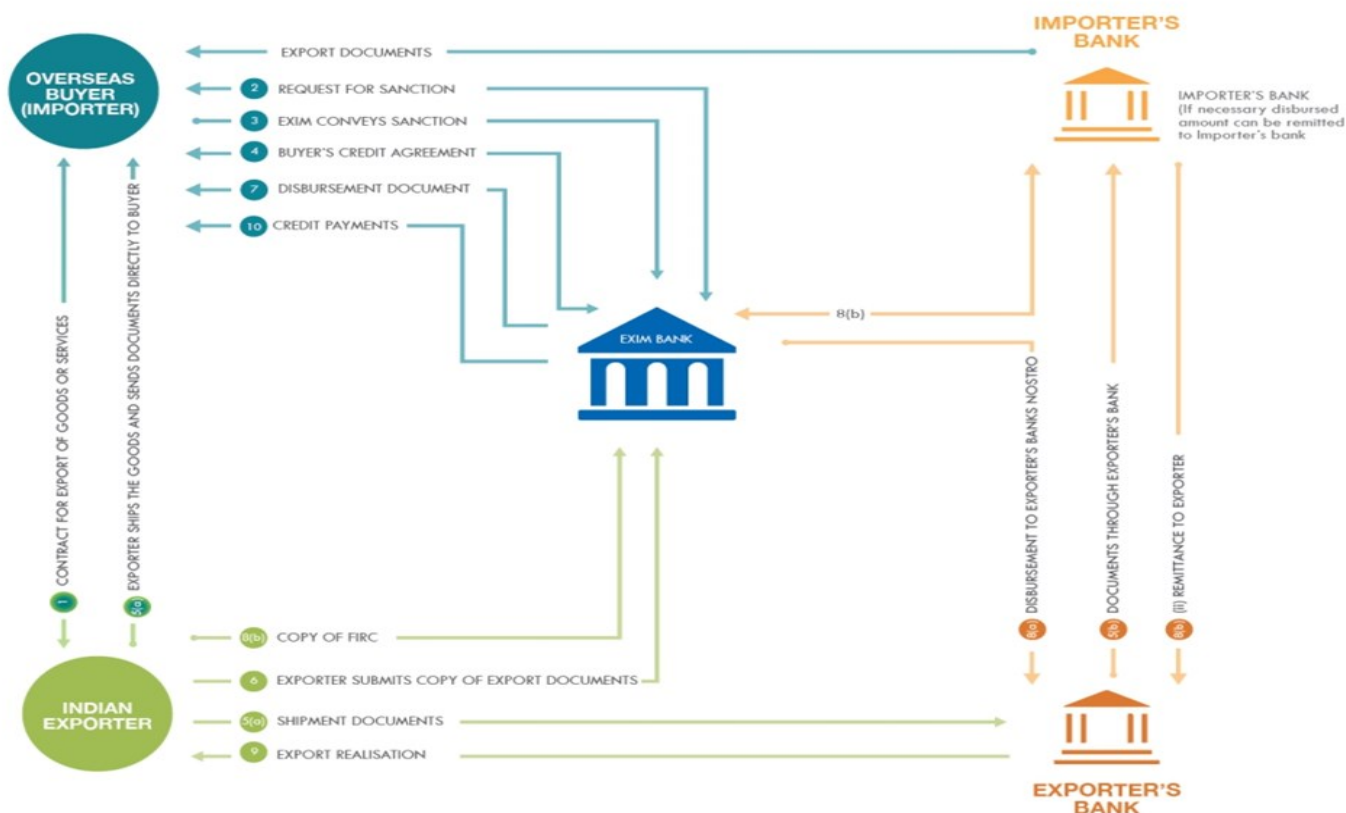
- Wipro on August 15 said it has completed the acquisition of Brazilian IT firm IVIA Servicos de Informatica Ltda. IVIA is a provider of IT solutions including system development, maintenance, consulting and project management services to clients in Brazil.
- ICICI Bank raises Rs 15,000 crore through Qualified Institutional Placement (QIP), the proceeds of the issue will be used towards strengthening the capital adequacy ratio, improving competitive positioning and general corporate requirements.
- Electric utility firm NTPC reported a 5.9 percent year on year fall in consolidated net profit at 2,948.94 crore in Q1 FY21 against Rs 3,132.73 crore in the corresponding quarter a year ago.
- MRF share price shed 3 percent intraday on august 14 after the company posted weak numbers for the quarter ended June 2020. The company's consolidated net profit went down 95 percent year on year to Rs 13.5 crore against Rs 273.3 crore.

EXIM BANK – Export Import Bank of India

The Exim Bank of India was established in 1981, under the Export Import Bank of India Act 1981, an Act of Parliament, as a principal financial institution for providing financial assistance and services and for coordinating the functions of institutions engaged in financing of export import trade in the country, especially on a long-term basis. It arranges lines of credit to other Governments, for promoting exports of goods made in India.

It has a number of functions. The present focus of Exim Bank is on export finance. The Bank finances export of Indian machinery, manufactured goods, and consultancy and technology services on deferred payment terms. Exim Bank finance is also available at export production stages. Exim Bank undertakes co-financing with global and regional development agencies and assists Indian exporters in their efforts to participate in such overseas projects. The Bank has diversified into all stages preceding export of goods, on credit terms. Exim Bank provides information, advisory services to enable exporters to evaluate the international risks, export opportunities and competitiveness. These include country studies, merchant banking services, advice on international marketing and data to enable effective participation in opportunities offered by projects of multilateral institutions. Exim Bank through its wide network of alliances with financial institutions, trade promotion agencies, information providers across the globe assists externally oriented Indian companies in their quest for excellence and globalisation.

Buyer's Credit is one of its unique credit facility programme that motivates Indian exporters to explore new geographies. Through this programme, the overseas buyer can open a "letter of credit" in favour of the Indian exporter and can import goods and services from India on deferred payment terms. While on the one hand, the exporter enjoys reduced transaction costs and complexities of international trade transactions.



Air India needs a turnaround to soar high again

Tata Group is reportedly considering bidding for takeover of ailing national carrier Air India. Considered as the changemaker for Air India, J R D Tata, pioneered civil aviation in India, and he did make Air India world class in its palmy days in the 1950s. It is significant that the government is seeking 100% divestment of Air India, including its real estate assets. Of its high debt overhang of over ₹58,352 crore, as much as 60% is to be transferred to a special purpose vehicle, Air India Assets Holding Ltd, retained by the government, and only about ₹23,286 crore has to be absorbed by the winning bidder.

Air India has important two-sided rights and landing spaces, in addition to specialist time allotments and code shares. Moreover, it claims as much as 56% of its huge fleet size, including the long haul aircraft which recommends alternatives like deal and leaseback for the new proprietors, to proactively cut down obligation levels. Further, there would be a lot of extension for brand cooperative energy of the Tata Group, with its quality in very good quality friendliness. There would be chance to use the intrigue of Air India's maharajah mascot, as the weak transporter has a low income per km travelled and low, paid for the business class occupancy. The path ahead



for Air India is to support practicality in activities and lift administration quality with artfulness, much the same as the days of yore. Air India has skilled and experienced pilots and architects, quit worrying about the ongoing mishap in Kozhikode. Concentrated consideration on improving the flying experience would deliver rich profits rapidly.

Note that Air India's local piece of the overall industry has plunged generally. An intensive corporate redo is obviously justified. It can well be said that in the midst of the coronavirus pandemic, driving business bunches should step up new speculations instead of reflecting first-class takeovers. Be that as it may, as financial recuperation accumulates energy, as it must when the pandemic subsides, aviation is scheduled to continue its high-development flight way, and it would definitely be worth the while for Tata to be in the cockpit of Air India indeed.

Upper Circuit is the limit above which a stock price cannot trade on a particular trading day. On the other hand, the lower circuit is the limit below which a stock price cannot trade on a particular trading day. These are also called circuit limits

Lower circuit is the lower limit/lower end of the price band of the stock which means the price of the stock cannot be traded if it breaches the stipulated upper limit on that particular day.

RISK | MY BON APETITE!

According to many, risk is perceived as threat or a disadvantage of doing something i.e. possibility of something bad happening. Though I take risk as an opportunity cost of losing something small to gain something big. From the time we are born we start assessing risks in different ways, like we crumble at our first walk and sense to fall at every step. Risk assessment has been a popular concept amongst financial and marketing analysts as they determine the fate of portfolio or a product. Though the fact is every human being does risk assessment before taking any decision, 'didn't you took the possibility of threats while you started driving, like accidents, insurance etc.' hence threats are everywhere but assessing it to accuracy has become a subject to specialize in.

In this article I am going to talk about high risky decisions that could have been averted, if averted then might have been loss of an opportunity. I am here to assess some businesses and risk entail by them but before jumping into conclusions we need to understand basic concepts of risk involved in any business.

The word "Risk" can be traced to the Latin word "Rescum" meaning Risk at Sea

or that which cuts. Risk is related with vulnerability and reflected by method of charge on the major/essential for example on account of business it is the Capital, which is the pad that ensures the risk holders of an organization.

The likelihood that an organization will have lower than foreseen benefits, or that it will encounter a misfortune instead of a benefit. Business chance is impacted by various components, including numerous factors, including sales volume, per-unit price, input costs, competition, overall economic climate, and government regulations. An organization with a higher business hazard ought to pick a capital structure that has a lower obligation proportion to guarantee that it can meet its money related commitments consistently.

The term business chance alludes to the chance of lacking benefits or even misfortunes because of vulnerabilities e.g., changes in tastes, inclinations of shoppers, strikes, expanded rivalry, change in government strategy, obsolescence and so on. Each business association contains different hazard components while doing the business. Business risks infers vulnerability in benefits or peril of

misfortune and the occasions that could represent a hazard because of some unexpected occasions in future, which makes business come up short.

For instance, a proprietor of a business may confront various risks like in production, risks because of unpredictable gracefully of crude materials, apparatus breakdown, work agitation, and so forth. In advertising, risks may emerge because of various market value vacillations, changing patterns and designs, mistake in deals determining, and so on. What is more, there might be loss of advantages of the firm because of fire, flood, seismic tremors, uproars or war and political agitation which may cause undesirable breaks in the business tasks. In this way business risks may occur in various structures relying on the nature and size of the business.

Business risks can be grouped by the impact by two significant risks: inside (risks emerging from the occasions occurring inside the association) and outer (risks emerging from the occasions occurring outside the association).





Risks of doing businesses in India is that market is huge and not saturated but its unorganized. Due to which followings risks can be entailed.

- Corruption, Bribery & Corporate Frauds – Vijay Malya Scam of 9000 Crore in 2016
- Strikes, Closure & Unrest – A strike in the Maruti’s Marnesar plant in Haryana cost the company a loss of 1 Billion INR and 10% decline in its operations
- Political Governance Instability – Consistently changing Taxation norms by the Government, Demonetization etc. are the examples of irregularity in operations and a hurdle for business advancements
- Information and Cyber Security – Ban of 59 applications due to cyber terror threat. No doubt it was a strategic move, but it also led to many unaccounted losses



What can be done to avert such risks for this potential market ?

By Altering the Business Model

Deutsche Bank, for example, introduced their credit cards in India in 2006 but sold the business to an Indian bank five years later. Huge losses from cardholder debt and reputation-damaging media stories of rough local debt collectors forced the strategy change. Today, Deutsche Bank issues only debit cards. Similarly, American manufacturer Gillette’s first attempts to market razors in India were

disappointing until the company innovated razor design and adjusted their marketing efforts to suit Indian men and local conditions.

By being more of worth than cost

Like just after Global Financial Crisis, Uday Kotak, MD of Kotak Mahindra Bank, determined that banking in India would require Prudence with no excessive leverage, to provide simple derivative products and humility from customers.

By developing a thought process

If I am optimistic about the opportunity more than the gain or loss of the risk then that risk is no more a risk (just like giving a board exam in 10 or 12 were everyone is optimistic to at least pass, which students really do).

Atmanirbhar Campaign by Indian Government during this pandemic can be a change in thought process from being job seekers to job providers.

Here, I am sharing few great works of many great minds who made risk their BON APETITE!

Mysore Deep Perfumery House

Director and Partner Prakash

Agarwal started with selling soaps but ended selling agarbatti or incense sticks with increasing job opportunities for women from 0 to 75% is currently functioning with a net worth of 1 Billion INR

Solar Industries

Founder, Satyanarayan Nan-

dal Nuwal with an initial investment of 1 crore in 1995 is currently running at a worth of 2461.6 Crore.



Even though there was COVID 19 but still few Businesses could afford to take potential risks to stabilize their business.

Reliance Industries

This Company was running on debt but as this pandemic started it has been listed in top 10 profitable companies. By simple process of Disinvestment or selling of shares or equity of the company, Reliance not only cleared out its debts but also made strategic alliances given the future after pandemic. Jio Platform Stakes Sale involves, On April 22, 2020 Facebook took 9.99% stake, Silver Lake 2.08% stake on 5th May, 2020, Vista Equity at 2.32% on 8th May, General Atlantic at 1.34% on 18th May, KKR at 2.32% on 22nd May, Mubadala at 1.85% on 5th June, ADIA at 1.16% on 7th June, L Catterton at 0.39% and TPG at 0.93% on 13th June, PIF 2.32% on 18th June. Total Money issued from Jio was approximately INR 115600 crores and from rights issue of Reliance Shares worth of INR 54000 crores made Reliance Debt Free. All these stakes had different strategic goals as these investors are successful Digital Businesses which can help JIO to rise in future.

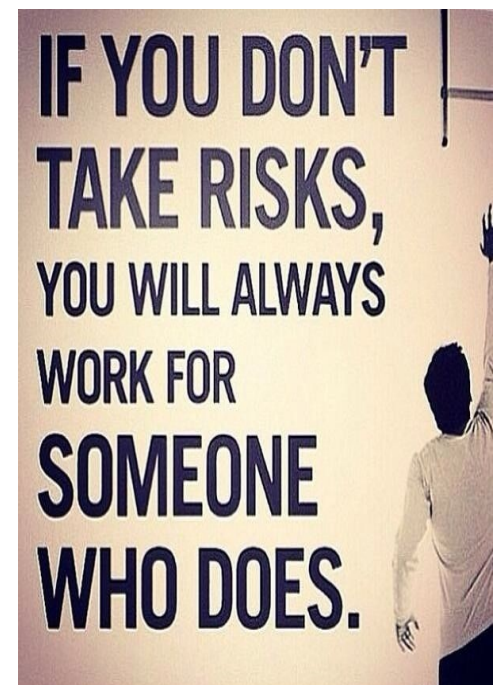
DeHaat Startup Funding of \$12Million is an Indian Startup with an online platform that offers full stack agricultural services to farmers. With increasing demand in the ne-

cessities, prerequisites for the economy must be done otherwise with this lockdown India could run off necessities in no time. Hence to increase the reach to farmers and scale of network Sequoia Capital India invested in DeHatt given the priority of the situation and bright future of the idea. This was a risk entailed from both the parties and they averted it due to essence of the situation economy was in.

Take over of Whitehat Jr by Byju's

- This was another strategic move given the proximity of situations. This sale was to align the synergies of the two companies i.e. Byju's providing online education except coding and White Hat Jr, teaching coding online to students hence making it a win-win situation for customers and both the companies. The pandemic has constrained a huge number of youngsters to go online to learn and the new national training strategy places critical accentuation on advanced learning. Instruction is a major business in India and parents are glad to burn through cash on getting their youngsters a 'conventional' training. Byju's is a quickly developing organization with a clever advertising motor and incredible unit

financial matters in a hot part where bigger contenders are saturated with an exceptional land snatch. In the event that one doesn't procure the organization, another might. This sale was to align the synergies of the two companies i.e. Byju's providing online education except coding and White Hat Jr, teaching coding online to students hence making it a win-win situation for customers and both the companies.



Why Gold is Rallying?



The eye candy of every Indian, Gold is rising and that too at a pace never seen before, but is it coupled with right fundamentals or do the fundamentals even exist? Well, in my point of view, there definitely exists some reason behind the upsurge of our beloved gold.

NEGATIVE REAL RATES:

The USA has seen a negative real rate of -1.3% for 5 Year bond therefore motivating investors to park/invest the money in gold, hence increasing the demand day by day.

US-CHINA Tension:

The US-China tension is casting a negative effect on the value of the dollar therefore allowing other currency to buy dollar at a much cheaper rate than before.

The infamous COVID-19:

With companies requiring capital for future growth prospects it becomes very clear that the federal banks can any day release a stimulus package for the economy therefore devaluing the dollar further.

Also with growth prospects of the country looking slim, it is quite evident that interest rates would remain low, thus people having surplus devalued dollar in hand.

So what would happen in the future?

It does look like that the price of gold would make several new highs in the near future, but the sustainability of it has to be questioned.

Gold has always been considered as one of the best hedges against the capital markets, but with Nasdaq making new highs, gold has raised some questions about being the best hedge.

The Nasdaq 100 is making a new high, but one reversal in the price and there is a big chance that investors would look for the bargain in the price of listed equities therefore increasing the sentiments about the market, hence there is a very high chance that dumping of gold might take place in the future thus panic selling.

For a short period of time it might act as an "investment" but for a longer time frame it casts some serious doubts about its potential as an investment. It is more of a positional holding.

So is it good to invest in gold right now?

My answer to that question would be yes, but in a very controlled manner. Instead of gold it would be better to start a SIP in index funds, allocating 75% of the capital towards it and the rest 25% can be used to purchase gold, which would act as a hedge and would also give the needed thrust in the portfolio until the rally last.

TEAM FINARTHA

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