

FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM



FINARITHA

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.



FINARATHA



MDI | Management Development Institute MURSHIDABAD



FIN-O-DATE THE FINANCE MAGAZINE

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INDEX

- SENSEX **40509.49**
- NIFTY 50 **11914.20**
- NASDAQ **11579.94**
- DOWJONES **28586.90**

CURRENCY

- USD/INR **₹ 73.13**
- GBP/INR **₹ 95.23**
- YEN/INR **₹ 0.69**
- EURO/INR **₹ 86.26**

LATEST BY:

OCT 10th, 2020

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Wipro	359.45	374.00	4.40%	376.10/357.25
ICICI Bank	387.50	401.50	4.06%	403.50/386.90
Axis Bank	451.90	468.05	3.74%	469.80/450.15
SBIN	191.50	198.30	3.68%	198.80/190.55
HDFC Bank	1191.80	1233.55	3.64%	1237.00/1191.65

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
Grasim	770.35	745.10	2.69%	772.90/742.25
Hindalco	174.25	170.00	2.53%	181.45/169.25
UPL	509.40	497.30	2.35%	513.20/495.90
Sun Pharma	524.10	512.90	2.12%	529.30/511.05
SBI Life	821.05	805.90	2.08%	827.30/803.50

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
Bharti Airtel	BUY	448.00	470.00	490.00	420.00
TVS Motors	BUY	503.00	525.00	549.00	480.00
Aarti Drugs	BUY	1045.00	1105.00	1120.00	980.00

Market Watch

- US Stimulus package has been pushed back till January-February 2021 but Dow and European stocks rise on hope.
- Nifty is approaching its resistance level at 12050 therefore probability of a pullback is higher.
- Nifty 50 is moving along the channel hence traders are suggested to buy on dips.
- Markets will be reacting to various quarterly results declared in October.

Disclaimer: Futures, stocks and options trading involves substantial risk of loss and is not suitable for every investor. You are responsible for all the risks and financial resources you use and for the chosen trading system. You should not engage in trading unless you fully understand the nature of the transactions you are entering into.

Amazon, Flipkart in expansion mode to tap festive sales

The Covid-19 pandemic has accelerated the shift to e-commerce, as an increasing number of consumers are shopping online in greater frequency, throwing huge opportunities for these players. Amazon India has expanded its network in Karnataka with the launch of a new specialised fulfilment centre — the largest in India. With the storage capacity of more than 1.2 million cubic feet, the new fulfilment centre is specialised to store and manage customer orders from the large appliances and furniture category.

With this infrastructure expansion, Amazon.in will now offer a storage capacity of more than 4 million cubic feet across four fulfilment centres to its 35,000 sellers in Karnataka. The company has increased its storage capacity by more than 40 per cent to support these sellers.



“We’re launching the biggest specialty fulfilment center in the country. It is going to have large appliances, furniture, televisions, and all other electronic goods for the festive season,” said Abhinav Singh, director, Amazon Transportation Services.

Singh said Amazon was encouraged by the emergence of e-commerce as a safe channel for shopping. He said the company was helping thousands of small and medium businesses to get back on their feet by enabling them to do business safely online and reach out to millions of customers across the world.

Amazon is also wooing the government for scaling up its expansion plans. “E-commerce companies like Amazon have complemented government’s efforts in not only meeting the needs of customers by safely delivering essentials but also MSMEs (micro, small and medium enterprises) which moved online to grow and expand their businesses during the pandemic,” said Chief Minister of Karnataka B S Yediyurappa, who unveiled the facility virtually.

“The fresh investment by Amazon in India will create more job opportunities for local youth.” The expansion in Karnataka is a part of Amazon’s plans to add 10 new fulfilment centers and expand seven existing sites across India. Amazon is hosting the ‘Great Indian Festival’ which will commence from October 17. The retail sector is steadily recovering post ‘unlock’ to reach over 80 percent of pre-Covid levels that is about \$780 billion in 2020, while e-commerce is booming and is expected to grow at 40 percent with a gross merchandise value of \$38 billion this year, according to research firm RedSeer Consulting.

“In midst of this Covid disruption, there are multiple indicators that point to the fact that we have entered a sustained growth phase for Indian e-commerce,” said Mrigank Gutgutia, director at RedSeer.

“The best is yet to come, as e-commerce rises to solve the structural challenges faced by India’s retail, which still has inefficiencies vs other markets.” Ahead of the festive season, Amazon’s rival Flipkart has significantly expanded its supply chain across the country. The firm has increased its last-mile reach with more than 3,000 facilities across the country. Overall, Flipkart has added over 3.4 million square feet (sq. ft) space across its supply chain assets, including fulfilment centers, mother hubs, and delivery centers throughout the country.

The total warehousing space for Flipkart now totals to over 18 million sq. ft in addition to hundreds of thousands of sq. ft of assets from partner brands. This has been further strengthened with the onboarding of over 50,000 kiranas.

Flipkart is conducting ‘The Big Billion Days’ (BBD) sale event that will start from October 16. This year, Flipkart said its BBD event has created over 70,000 direct and millions of indirect seasonal jobs.



DHFL CRISIS

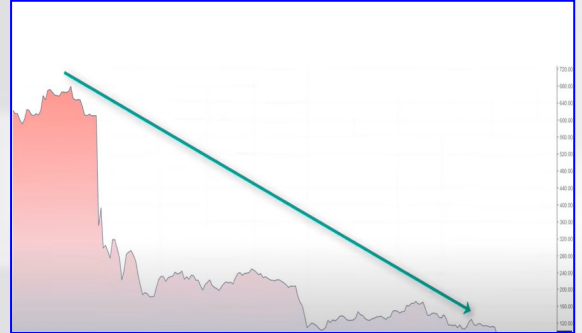
Dewan Housing Finance Ltd (DHFL) delayed interest rate payments on June 4, which has hit the net asset values (NAVs) of debt funds.

What is the business model of DHFL?

DHFL lends housing loans to Corporates and retail population in tier 2 and tier 3 cities. They borrow money from mutual funds at a cheaper rate which they raise through commercial papers to be paid within a year. They lend at a higher rate to their customers for 10-15 years.

So how do they repay loans?

Every subsequent year DHFL borrows money from Mutual Funds via CP and use this money to repay their last year's loan. This cycle goes on.



What was the fault that caused the company to collapse?

- On 14th September 2018, ILFS, a big infrastructure lending company defaulted payment on their due date. Whether its DHFL or ILFS their business model is same i.e. they borrow at a cheaper rate and lend at a higher rate. When ILFS defaulted on a huge loan, the Mutual Fund Industry was shaken. They lost faith in housing Finance companies. They feared when a company as big as ILFS can default then other housing companies may default too. Hence Mutual Fund Houses refrained from lending which caused a liquidity crisis. There was a clear Asset liability Mismatch.
- On Jan 2019, Cobra Post exposed DHFL's management that they have been siphoning money off of DHFL into some shell companies which were nothing but their private banks. Allegation was that DHFL promoters have taken investor's money for private news.
- On May 21, 2019 DHFL stopped acceptance of new deposits and also stopped premature withdrawals of existing deposits. The Customers felt betrayed. This signalled Distress in the company.
- On June 4 2019, DHFL missed payment of 960 Crores to its lenders. Market doesn't take that kindly. Therefore, Credit rating companies like CARE and ICRA had downgraded the bonds of DHFL to default status (Grade D)- which means that there is no belief that the company will repay back its loan.

All these negative News caused the Government to issue a "LOOK-OUT NOTICE" against the promoters of the company. It means that the Promoters can't leave India.

All these events led to the fall in the price of DHFL from Rs 700 to Rs 12.

Today the total debt of the company is Rs One Lakh Crore including secured loans, unsecured loans, deposits from Banks, Mutual Funds, Insurance companies and retail investors.

165 Mutual Funds are affected. They are taking a huge loss on the lending that they have done to DHFL. Their current Net Asset Value is below 50% of their previous value.

What is DHFL doing now to survive?

They have been selling off Assets to survive.

Looking for Strategic Investors who will take the company into a new direction.

Recently a lot of big Companies have shown interest in DHFL like – KKR, Adani, Piramal Group, Kotak etc.

Major Issues with India's Public Sector Banks and their possible solution

PROBLEMS: India's credit to GDP ratio remains low, even by the standards of emerging markets, at less than 60%. Although it might appear as if Banks are not lending enough and only relatively high quality borrowers are given but this isn't actually the case. It has one of the highest Gross NPA ratio in the world with majority of loans being extended to Infrastructure, Power, and steel.

- Gross NPA for overall Banking sectors are 8.5%
- Gross NPA for Public Sector Banks is 11.3%
- Gross NPA Private Sector banks is 4.2%
- The recent RBI'S Financial stability report states post Covid Gross NPA may shoot Upto 12.5-14.7%
- Loan recovery stands at 40-45% under Insolvency and Bankruptcy Code

Since 2010, close to INR 4 trillion has been injected to recapitalize public sector banks. While banks have financed a considerable number of large projects in the past two decades, loan losses have become huge. Ideally, more of these losses should have been absorbed by risk-absorbing financing from corporate bond markets and from equity markets. It seems, however, that many of corporate India's risks still end up on bank balance sheets, especially public sector ones. As low-risk enterprises migrate to financing from the markets, these banks are left both with very large risky infrastructure projects and with lending to medium, small, and micro enterprises (MSME). The alternative to taking these risks is to plunge into highly competitive retail lending where private banks have a strong presence.

In the past, PSBs also had the best talent. But past hiring freezes have decimated their middle-management ranks, and private banks and multinationals have also poached talented personnel from PSBs. New entry-level hiring is constrained by court requirements that hiring be done through open exams, which makes it hard for PSBs to attract candidates from elite educational institutions, who have little desire to sit for yet another exam.

DEALING WITH BAD LOANS:

- Online distressed sales will bring transparency in loan sales.
- Private players could aggregate and recover on loans in sectors where government intervention isn't necessary

Improving the Performance of Public sector Banks

- Creating a holding company structure for government stakes. The holding company should make professional and diverse board appointments to each bank. Thus bringing in operational independence for board and management can be a possible measure.
- Payment by the government to banks for achieving its mandated goals so that both

REPO RATE	4.00%
REVERSE REPO RATE	3.35%
Marginal Standing Facility Rate	4.25%
Bank Rate	4.25%
Cash Reserve Ratio	3.00%
Statutory liquidity Ratio	18.00%

Revising the Ownership Structure of Public Sector Banks:

- State-linked banks where the government brings down its stakes to below 50%, creating distance from operations of banks
- Re-privatization of select PSBs can then be undertaken bringing in private investors who have both financial expertise as well as technological expertise
- Dilution of government's stake through raising of fresh capital whenever the government is unable to inject the capital required to meet regulatory requirements.

Making Better Loans :

1 For project finance greater promoter equity may be mandated and eventual loan sales to long-term investors

		Market Capitalisation(in crore)	CASA	NIM	CAR	Gross NPA	Net NPA	Cost to Income	ROE	ROCE	Profit Growth %
Private Bank	HDFC	6,55,986.50	42.23%	3.82%	18.52%	1.26%	0.36%	38.64%	16.40%	15.27%	22.87%
Public Bank	SBI	1,70,906.31	44.23%	2.71%	13.13%	6.15%	2.23%	52.46%	7.16%	6.26%	5.63%

Important Terminologies related to Banking sector :

REPO –Repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds. Repo rate is used by monetary authorities to control inflation.

Reverse Repo Rate : Reverse repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) borrows money from commercial banks within the country. It is a monetary policy instrument which can be used to control the money supply in the country.

Marginal Standing Facility Rate : Marginal Standing Facility (MSF) rate refers to the rate at which the scheduled banks can borrow funds overnight from RBI against government securities

Bank Rate : Bank rate is the rate charged by the central bank for lending funds to commercial banks.

Cash Reserve Ratio - Cash Reserve Ratio (CRR) is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank

Statutory Liquidity ratio - Proportion of deposits in the form of liquid assets, excluding the CRR is called the Statutory Liquidity Ratio (SLR).



MSME Prerana scheme

MSME sector is considered as the backbone of Indian economy that has contributed substantially in the socio-economic development of the nation. It generates employment opportunities and works in the development of backward and rural areas. As per the Government's annual report 2018-19, there are presently 6,08,41,245 MSMEs in India.

Public sector lender Indian Bank has come out with 'MSME Prerana', an online Business Mentoring Program for MSMEs. It is the first-of-its-kind initiative by a bank in the country for the (MSME) sector. The activity was officially dispatched by Union Minister of Finance and Corporate Affairs, Nirmala Sitharaman.

MSME Prerana is for engaging business people through skill improvement and limit building workshops in the local language. The program is in collaboration with Poornatha & Co, a firm that designs Entrepreneurial Development Programs in vernacular using online web-based interactive sessions and case studies.

MSME - Merged Criteria: Investment and Annual Turnover			
Sector/Enterprise Type	Micro Enterprise	Small Enterprise	Medium Enterprise
Manufacturing & Services Sector, Both	Investment less than Rs. 1 crore	Investment less than Rs. 10 crore	Investment less than Rs. 50 crore
	Turnover less than Rs. 5 crore	Turnover up to Rs. 50 crore	Turnover up to Rs. 250 crore

Problem areas which this scheme will target:

The main barriers these MSMEs face is language, confusion about what the bank looks for when they approach for loans, how to manage cash flows, which government schemes are available and suitable for them and how to register themselves for these schemes. Other than that the problems of under utilization of capacities is a problem which should be tackled tactfully.

Key highlights of the programme:

- 1.The 'MSME Prerana' activity is in a joint effort with Poornatha and Co, a firm that plans pioneering advancement programs in vernacular dialects utilizing online web-based interactive sessions and case studies.
- The initial two projects will be in Tamil for the Coimbatore branches of Indian Bank. It will at that point be scaled up the nation over in Hindi, Telugu, Kannada, Bengali and Gujarati.
- Spread over 12 sessions, the program enables MSME entrepreneurs to acquire expertise in handling finance and managerial skills, capacity to handle crises in business, understand the dynamics of credit rating and risk management.
- While the meetings on managerial and financial skills will be led by Poornatha and Co, the banking related themes will be dealt with by Indian Bank.
- MSME Prerana is the push to overcome this issue in the ranges of abilities. It is a business tutoring program that gives contributions to basic terms and in the neighborhood vernacular.
- On effective finish of the online program, all members would get an certificate, given mutually by Indian Bank, Poornatha and Co and MADE (Michigan Academy for Developing Entrepreneurs), USA.

TEAM FINARTHA

The **FINANCE CLUB OF MDIM**

BATCH OF 2019-21 & BATCH 2020-22

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Devansh Chokhani | Abhishek Satpathy | Neha Kedia | Puneet Agarwal | Jitendra Kumar (Secretary)



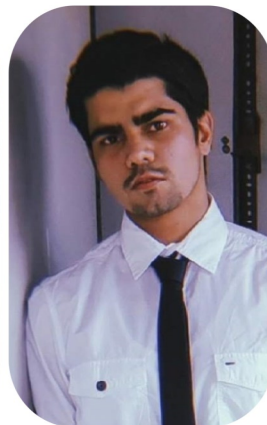
Shubham
Bhattacharya



Joy
Dutta



Megha Poddar



Rahul
Dhankhar



Navin
Srivastava