

FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM



MDI
MURSHIDABAD

Management
Development
Institute



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



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INDEX

- **SENSEX** 39982.98
- **NIFTY 50** 11762.20
- **NASDAQ** 11671.56
- **DOWJONES** 28606.31

CURRENCY

- **USD/INR** ₹ 73.44
- **GBP/INR** ₹ 94.85
- **YEN/INR** ₹ 0.70
- **EURO/INR** ₹ 86.04

LATEST BY:
OCT 17th, 2020

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
JSW Steel	291.55	311.05	6.79%	312.45/290.75
Tata Steel	373.90	393.85	5.32%	395.90/375.20
BPCL	326.65	339.95	4.39%	343.40/327.50
Hindalco	173.65	179.80	3.66%	180.55/172.35
Divi's Lab	3111.40	3222.70	3.63%	3232.90/3114.90

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
UPL	506.55	466.95	7.66%	490.00/458.25
HCL	860.00	827.15	3.48%	877.00/820.60
M&M	617.30	606.65	1.67%	623.95/602.05
Reliance	2206.50	2175.80	1.29%	2232.50/2172.65
Asian Paints	2090.45	2061.20	1.27%	2090.00/2055.55

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
JSW Steel	BUY	304.00	340.00	360.00	292.00
TCS	SELL	2730.00	2555.00	2430.00	2810.00
LIC Housing	SELL	268.00	238.00	220.00	286.00

Market Watch

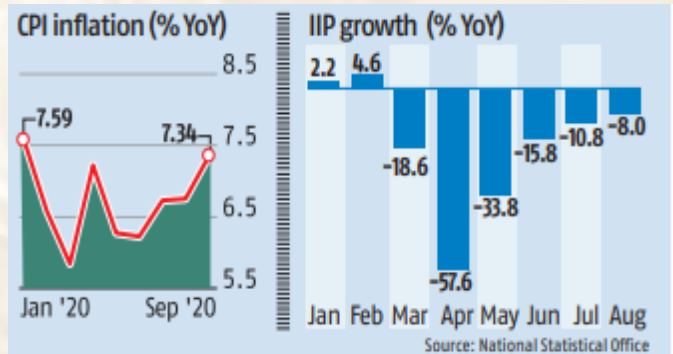
- Nifty tested 12000 resistance level multiple times but then sharply dropped off 2.4%.
- Nifty had formed strong bearish candle depicting negative sentiment.
- India VIX fell by 1.88% but volatile may increase due to US election.
- Markets will be reacting to various quarterly results declared in October.

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.

What's Brewing In The Market?

- **Inflation at 8-month high, IIP contracts 8%**

Days after the central bank predicted gradual easing of retail inflation, consumer price index-based inflation for September came in at 7.34 per cent (from 6.69 per cent) on account of rising food prices. This marks the highest level recorded in eight months, and well above the RBI's target range of 2-6 per cent. Another key barometer of the economy, the Index of Industrial Production declined 8 per cent in August. Industrial activity bore the brunt of localised lockdowns and work restrictions in August, chipping away nearly a tenth of the factory output.



- **Paul Milgrom, Robert Wilson win Nobel in Economics**

Awarded for improvements to auction theory and inventions of new auction formats




Meet the winners
Paul R. Milgrom (left), a professor at Stanford University, and **Robert B. Wilson**, professor emeritus at Stanford

TEXT SOURCE: NYT



Why did they win?
 Wilson developed a theory for auctions of items with a common value, explaining why bidders will offer less than they think the object or service is worth because they are afraid of overpaying — the winner's curse. Milgrom came up with a theory in which private values vary from bidder to bidder in an auction.

Why is the work important?
 Wilson and Milgrom have invented new formats for auctioning off many related objects at the same time — formats that have been used by governments to sell radio frequency. The pair "started out with fundamental theory and later used their results in practical applications, which have spread globally", said Peter Fredriksson, chairman of the prize committee.

- **Covid-19 school closure may cost India over \$400 bn: World Bank**

The prolonged closure of schools due to the Covid-19 pandemic in India may cause a loss of over \$400 billion in the country's future earnings, besides substantial learning losses, according to a World Bank report. South Asia region stands to lose \$622 billion from the school closures in the present scenario or up to \$880 billion in a more pessimistic scenario, it said, adding while the regional loss is largely driven by India, all countries will lose substantial shares of their GDP. The report titled "Beaten or Broken? Informality and Covid-19 in South Asia" claims that South Asia is set to plunge into its worst-ever recession in 2020 as the devastating impacts of Covid-19 on the region's economies linger. "Temporary school closures in all South Asian countries have had major implications for students. They have kept 391 million students out of school in primary and secondary education, further complicating efforts to resolve the learning crisis," said the report.

- **Google tries to turn YouTube into major shopping destination**



Every toy, gadget and good you see on YouTube could soon be for sale online — not on Amazon, but right on YouTube itself. The world's largest video site recently started asking creators to use YouTube software to tag and track products featured in their clips. The data will then be linked to analytics and shopping tools from parent Google. The goal is to convert YouTube's bounty of videos into a vast category of items that viewers can peruse, click on and buy directly, according to people familiar with the situation. The company is also testing a new integration with Shopify for selling items through YouTube.

WHAT IS ARBITRAGE?

Arbitrage is the process of buying stocks or shares in one market and selling it in another market to exploit the price difference such that we generate risk-less profit without any commitment of Capital. Whenever there is mispricing of a particular stock or underlying asset there is an arbitrage opportunity.

How does arbitrage work?

If there are two stocks with the same payoff (i.e. same return) there is an arbitrage opportunity.

For example-

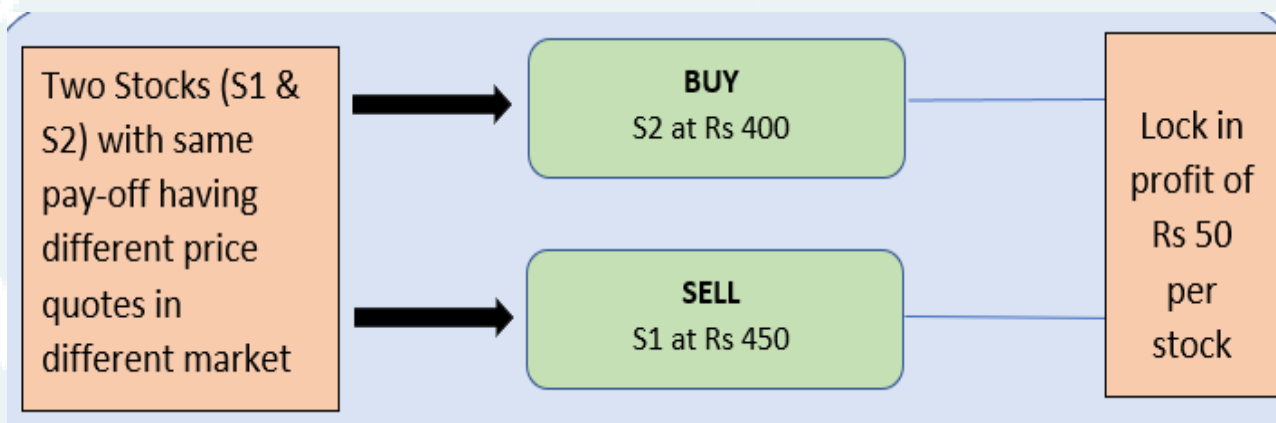
Stock 1 (S1) costs Rs 450 and Stock 2 (S2) costs Rs 400.

We can see there is a clear mispricing although the return generated is same.

Arbitrageurs will go long on (i.e. buy) S2 and short on (sell) S1.

So, the cash inflow is $\text{Rs } 450 - \text{Rs } 400 = \text{Rs } 50$

So, we have riskless profit of 50 without investing any capital. This is called arbitrage profit.



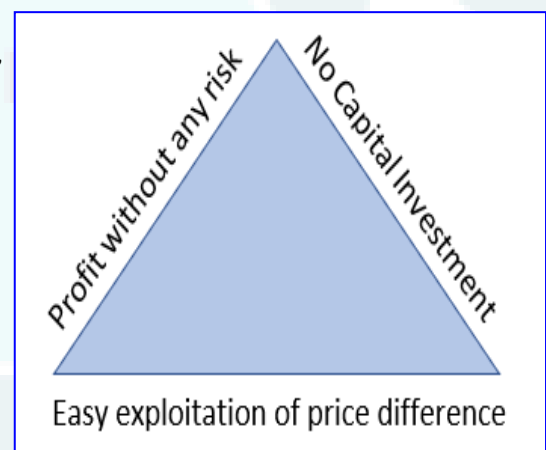
Benefits of Arbitrage:

Arbitrage is sort of a “Free Lunch” and this is not possible if markets are efficient. So, if there is an arbitrage opportunity, it will get eliminated in a fraction of second as algos will get triggered and eat away the opportunity. Hence arbitrageurs promote market efficiency.

How does the arbitrage opportunity get eliminated?

- Everyone starts buying Stock 2 (S2). Hence price of stock 2 goes up
- Everyone starts selling Stock 1 (S1). Hence price of stock 1 goes down

This goes on and ultimately arbitrage is eliminated when price of S1 = price of S2.



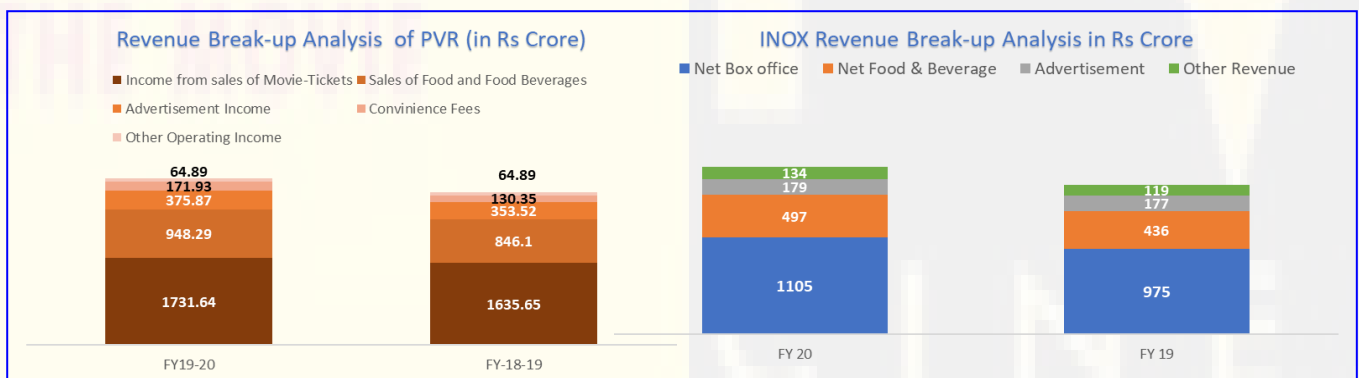
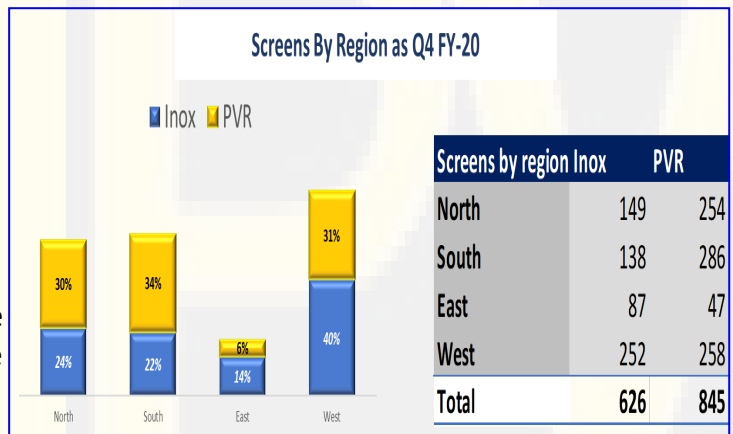
INOX VS PVR

The next month will be a little challenging but the movie business will bounce back by Diwali as filmmakers start releasing new films”, PVR Ltd Joint Managing Director Sanjeev Bijli said . With the advent of COVID – 19 if any industry that is worst hit after Tourism it is Entertainment distribution industry popularly known for multiplex. The last two quarter has been worst for the sector . With cinemas shut for seven months, many filmmakers chose to premiere their new films on OTT platforms. So the OTT platforms are putting stiff competition and can act as future threat However as per recent guidelines Multiplex are allowed to operate at 50% capacity . So let us now see two companies from this sector and their quantitative analysis

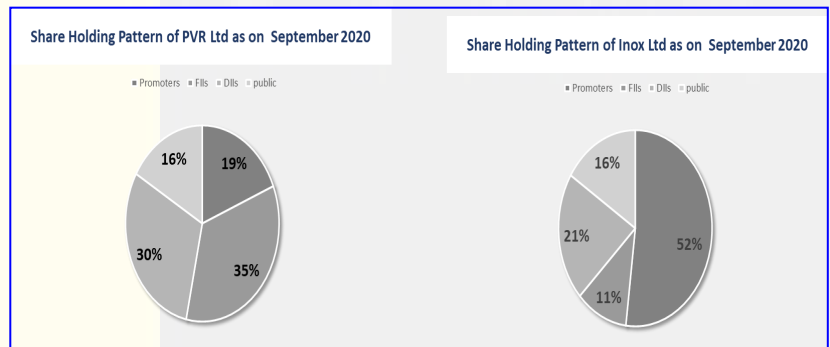
In Rs Crore As on March -2020				
	PVR		INOX	
	2020	2019	2020	2019
Sales	3284.36	2746.69	1897	1692.18
EBIT	532.42	384.57	349	227.74
Net profit	30.16	172.75	15	133.47

- PVR LTD is much larger in comparison to INOX leisure in terms of market capitalisation
- When we analyse both the companies we find Net profit has come down drastically this is majorly due to large amount of borrowings to continue operations .

INOX Leisure Limited Since its inception in 1999, has been active in exploring acquisition and / or expansion opportunities on continuous basis with a view to consolidate its position in the multiplex industry. INOX kicked off the consolidation phase in the multiplex industry by acquiring Calcutta Cine Pvt. Ltd. (CCPL) in 2007. As on Q4,2019 INOX had 6.25 crore footfalls, the highest for Inox till date Records highest average ticket price of Rs 197 Spend-per-head comes at Rs 74 Opened 85 screens



PVR, incorporated in 1995, is engaged in business of film exhibition. The company operates other business such as providing content, film distribution and entertainment park through its subsidiaries. In fiscal year 2019, PVR cinemas saw an occupancy rate of around 36 percent. This was an increase compared to the previous year when the occupancy rate was just over 30 percent.





FIN-SCAMS: This series will cover some major scams which occurred in the financial market and significantly affected the economy.

The Ketan Parekh scam was the second most significant scam that shook the Bombay Stock Exchange after the Harshad Mehta scam. Parekh was known as the Bombay Bull or the pied piper of Dalal Street, it was believed he was single-handedly driving the securities exchange. Ketan Parekh had made a 200% yearly profit for some stocks. He was a chartered accountant by professional training and had started managing his family's brokerage business.

He was said to be a believer of the Information, Communication and Entertainment sector i.e. the ICE sector. This was nothing exceptional given the way that late 90's and mid 2000's were the point at which the IT blast occurred and these were the stocks which were really developing significantly worldwide. Hence, it seemed to appear that the stocks Ketan Parekh was picking were growing because of their fundamentals. The gigantic 200% growth in his offers was hence not as surprising and didn't draw in as much consideration as Harshad Mehta's trick did.



Ketan Parekh

Ketan Parekh controlled the market to suit his needs and released one of the most twisted scenes in India's budgetary history, but his picks continued to deliver regardless of their master's demise. On March 1, 2001, two days after the Union Budget, the BSE Sensex smashed 176 points, inciting the then government to set up an investigation into the market response. Around then, the Madhavpura Mercantile Bank scam broke on Dalal Street, leading to a massive erosion in wealth and confidence, compounded by the so-called dot com bubble.

Technique used by Parekh:

- **PUMP AND DUMP SCHEME:**— He purchased major shares (20–30%) of new companies for increasing their price to a certain level just to attract other investors. When the price was quite high, he would sell his stake in those companies, and churn huge profit out of those.
- **CIRCULAR TRADING:**— We usually buy shares by calculating its **volume (total number of shares of a particular company purchased or sold during a day)** on a particular day. If the volume is high, the share is pretty active in the market and has probability of making profit. So to manipulate the volume, some tricksters continuously purchase and sell shares between themselves to make that share active throughout the day.
- He used to create companies to **"Pump and Dump"** stocks in the end. His top 10 stocks were usually referred to as 'K-10 stocks.' Gullible investors fell prey to his stock picks and ended up losing money as well as losing trust in the whole financial system.

He used to take huge measures of money from the Madhavpura Mercantile Commercial Bank (MMCB) as collateral, he would pledge the shares as collateral with a maturity period of 70 days. He was believed to have bribed the officials of the said bank to persuade them to lend against shares to a greater extent than was permitted by law. From the outset, the bank crossed its prescribed limit to loan against market protections as it stretched out credit to Ketan Parekh. At that point, the bank essentially began making unstable credits to him. The loans would be sanctioned first and the collateral would be collected a few days later making the loans unsecured for the interim duration. Ketan Parekh used this modus operandi repeatedly for 10 stocks which he had picked. These stocks came to be known as the K-10 stocks and the market always seemed to be bullish about the future of these stocks.

On 1 March 2001, just after the Indian Union Budget had been presented, the **BSE Sensex crashed 176 points**, prompting the then NDA government to set up an inquiry into the market reaction. Subsequently the RBI refused to clear pay orders (POs) that had been given by Parekh as collateral for loans to BOI (Bank of India), as they found them to be suspicious. The RBI commenced an investigation against Parekh. Around the same time, a bear cartel of brokers in Mumbai opposed to Parekh tried to dump their shares of K-10 stocks. Ketan Parekh found himself locked out of cash. The MNCB bank was also not able to lend out credit and bail out Mr Parekh. As a result, the brokers that were holding positions on his behalf in the Calcutta Stock Exchange were forced to liquidate too causing a massive sell-off in the market.

Ketan Parekh was immediately arrested and tried in court. He was prohibited from trading in the Bombay Stock Exchange for 15 years i.e. till 2017. Also, he had been sentenced to one year rigorous imprisonment for his economic crimes.

Steps taken by SEBI after the scam

1. It suspended all the broker member directors of BSE'S governing board
2. SEBI banned naked short sales
3. SEBI allowed banks for collateralised lending only through BSE and NSE.
4. RBI started inspecting accounts and sub accounts.

K-10 STOCKS	
1. Global Tele-systems	<p>➤ These stocks seemed to be actively traded because of high volume of stocks and thus it created an image that many investors are interested in buying the stocks.</p> <p>➤ Some of the Institutional investors also started investing in these stocks which caused the demand and price of the stocks to rise.</p> <p>➤ This further made the retail investors to invest.</p>
2. Zee Telefilms	
3. HFCL	
4. Silverline	
5. Satyam Computers	
6. Atek Infosys	
7. DSQ Software	
8. Pentamedia Graphics	
9. SSI	
10. Ranbaxy	

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)



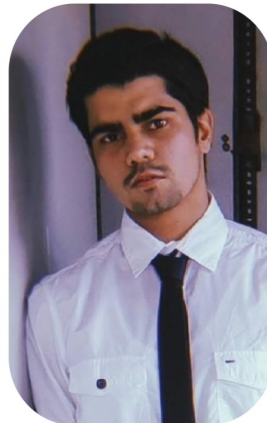
Shubham
Bhattacharya



Joy
Dutta



Megha Poddar



Rahul
Dhankhar



Navin
Srivastava