FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM

MDI MURSHIDABAD | Management Development Institute

FINARTHA

THE FINANCE CLUB OF MDIM

WEEKLY FINANCIAL MAGAZINE FOR THE STUDENTS OF MDIM

FIN-O-DATE

THE FINANCE MAGAZINE

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.

FINARTHA

MDI MURSHIDABAD Management Development Institute

FIN-O-DATE THE FINANCE MAGAZINE

October 31, 2020

ISSUE– 68

INDEX

- SENSEX 39614.07
- NIFTY 50 11642.40
- NASDAQ 10911.59
- DOWJONES 28335.57

CURRENCY

- USD/INR ₹ 74.55
- GBP/INR ₹ 96.50
- YEN/INR ₹ 0.71
- EURO/INR ₹ 87.05

LATEST BY:

OCT 31st, 2020

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Adani Port	342.70	359.85	4.46%	362.70/343.20
BPCL	341.80	354.45	3.51%	359.45/343.50
Coal India	110.85	114.20	3.43%	115.20/111.05
NTPC	86.50	87.60	2.14%	88.75/86.30
Sun Pharma	456.35	465.75	2.14%	469.00/455.85

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
Bharti Airtel	450.80	433.75	4.00%	454.90/430.50
Hero MotoCo	2894.00	2799.80	3.08%	2928.50/2787.00
Maruti	7117.70	6965.15	2.52%	7110.00/6881.00
Eicher Moter	2136.85	2085.60	2.43%	2147.40/2070.55
Bajaj Finance	3380.05	3309.00	2.37%	3391.00/3252.85

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
Kotak Mahindra	BUY	1610.00	1720.00	1800.00	1500.00
ACC	BUY	1705.00	1800.00	1880.00	1630.00
Muthoot Fin	BUY	1285.00	1400.00	1500.00	1195.00

Market Watch

- Nifty retained 11500 therefore could act as strong support in November series.
- FII covering their shorts and turning them to long.
- But FII have more shorts in Index Futures than longs for the November series before US election.
- India VIX up by 35% from October 22 stating that markets can be very volatile in the November series .

Edited By: RAHUL DHANKHAR | MDIM | PGPM 2020-2022

What's Brewing In The Market?

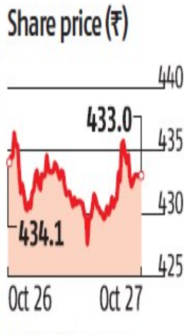
Airtel cuts loss by 97%, logs record quarterly revenue

Bharti Airtel said the firm's consolidated net loss for the July-September quarter (Q2) has narrowed sharply to Rs.763 crore, a decline of 97 per cent year-on-year (YoY). The company had posted a consolidated net loss of Rs.23,045 crore in the same quarter last year, after provisioning for the adjusted gross revenues (AGR) dues. The telco posted the highest ever quarterly revenue, mainly on account of customer addition and higher data consumption. Revenues increased 22 per cent YoY to Rs.25,785 crore compared to Rs.21,131 crore a year ago. While revenues were ahead of expectations, net profit fell short of estimates. A *Bloomberg* poll had pegged revenues at Rs.24,572 crore and net profit at Rs.121.6 crore. The stock closed at Rs.433, down 0.24 per cent on BSE on Tuesday.

REVENUE RISES 22%

Consolidated figures in ₹ cr

	Q2FY20	Q2FY21	% chg
Revenues	21,131	25,785	22.0
Total Exp	43,005	14,235	-66.9
PBIDT	-21,212	11,699	LTP
Interest	3,187	3,760	18.0
PBT	-31,334	518	LTP
Net profit	-23,045	-763	Loss



Source: Bloomberg
Compiled by *BS* Research

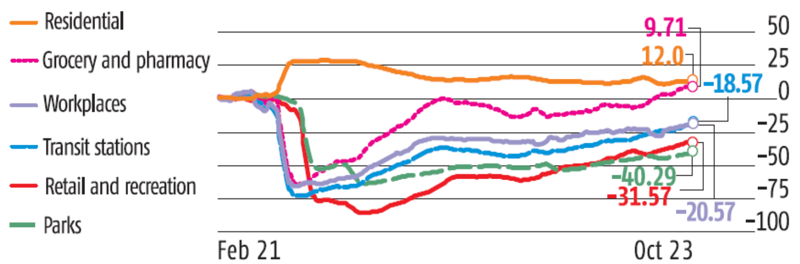
The results were announced post market hours. Gopal Vittal, managing director and chief executive, India & South Asia, said: "Despite being a seasonally weak quarter, we delivered a strong performance. In the mobile segment, we added over 14 million 4G customers and grew (India) revenues by 26 per cent.

Data consumption grew by 58 per cent YoY, which reflects strong engagement of customers on our network." In India, revenues rose 22 per cent YoY to Rs.18,747 crore. Ebitda (earnings before interest, taxes, depreciation, and amortisation) margin was up 366 basis points (bps) YoY at 46 per cent — the highest in at least five quarters. EBIT margin improved by 768 bps YoY at 17.1 per cent. In the India business, monthly average revenue per user (ARPU), an important matrix to gauge the telco's performance, rose to Rs.162 from Rs.128 a year ago and Rs.157 in the June 2020 quarter.

Analysts at Motilal Oswal Securities were expecting ARPU to remain flat sequentially. Voice minutes increased 5 per cent sequentially and 20 per cent YoY, while data consumption was up 5.5 per cent sequentially and 58.5 per cent YoY, in the India mobile services business. Operationally, the quarter was good. Consolidated BIT at Rs.4,412 crore (up 121 per cent YoY) was much ahead of analysts' estimates of Rs.2,616 crore. Likewise, cash profit from operations (before derivative and exchange fluctuations) surged 32 per cent YoY to Rs.8,048 crore. Airtel also announced its exit from Ghanaian telecom market, selling its 49.95 per cent stake to the Government of Ghana. Consequently, it took an impairment charge of Rs.184 crore. Pursuant to the AGR judgment of the Supreme Court (SC) on October 24, 2019, the group provided for Rs.36,832.2 crore for the periods up to March 31, 2020, on the basis of demands received and the period for which demands had not been received. Consolidated net debt, including the impact of leases, stood at Rs.1.38 trillion crore as on September 30, and net debt-Ebitda ratio (annualised) and including the impact of leases was at 2.91 times as compared to 3.30 times a year ago and 2.74 times in the previous quarter.

Economic indicators improve from last week, still short of highs

WORKPLACE VISITS MARGINALLY DOWN



Latest data is as of October 23, based on location data as processed by the company. The percentage change is compared to a baseline value for the same day of the week, calculated on a median basis during the 5-week period Jan 3–Feb 6, 2020. The chart shows a seven-day rolling average of visits to each category. Residential data refers to change in time spent at home. Source: Google LLC "Google COVID-19 Community Mobility Reports", *Business Standard calculations*

Key indicators of economic activity trended higher for the latest week, but remained below the levels seen earlier in the month — reflecting the challenging environment for growth in gross domestic product (GDP), which the Reserve Bank of India's Monetary Policy Committee (MPC) referred to earlier in the month. "Both private investment and exports are likely to be subdued, especially as external demand is still anaemic. Taking into consideration the above factors and the uncertain Covid-19 trajectory, real GDP growth in 2020-21 is expected to be negative… with risks tilted to the downside," stated the minutes of the MPC meeting on October 7-9.

Electricity generation and goods that the Indian Railways carried were higher than the previous week, though short of early-October levels. Numbers such as GDP are often released with a lag. Analysts globally have been using such indicators to understand the fast-changing situation on the ground amid the Covid-19 pandemic. Power, traffic and emissions data is as of October 25 (Sunday), while the railway data is as of October 24. Since Google releases location data with a lag, the latest numbers for last week are as of October 23. Indian Railways carried 10.6 per cent more goods than in the same period last year. The figure stood at 21.3 per cent for the week ending October 10, when earnings from goods carried were also higher than the 5.1 per cent seen in the latest week. Power generation numbers were 9.7 per cent higher than 2019. For the week ending October 4, the figure was 16.1 per cent more. The current levels are better than last week's.

Other indicators showed limited signs of improvement. Google uses anonymised location data to check how people are moving during the pandemic. Shopping for essentials such as grocery and pharmacy visits are now 9.71 per cent higher than before the pandemic, while workplace visits are down marginally over the previous week. Data from global location technology firm TomTom International shows traffic levels are around 75 per cent of the levels seen in 2019.

Where do debt mutual funds invest?

Debt Market is a market place for borrowers to borrow money and lenders who are willing to lend. Timely payment of interest and principal is crucial.

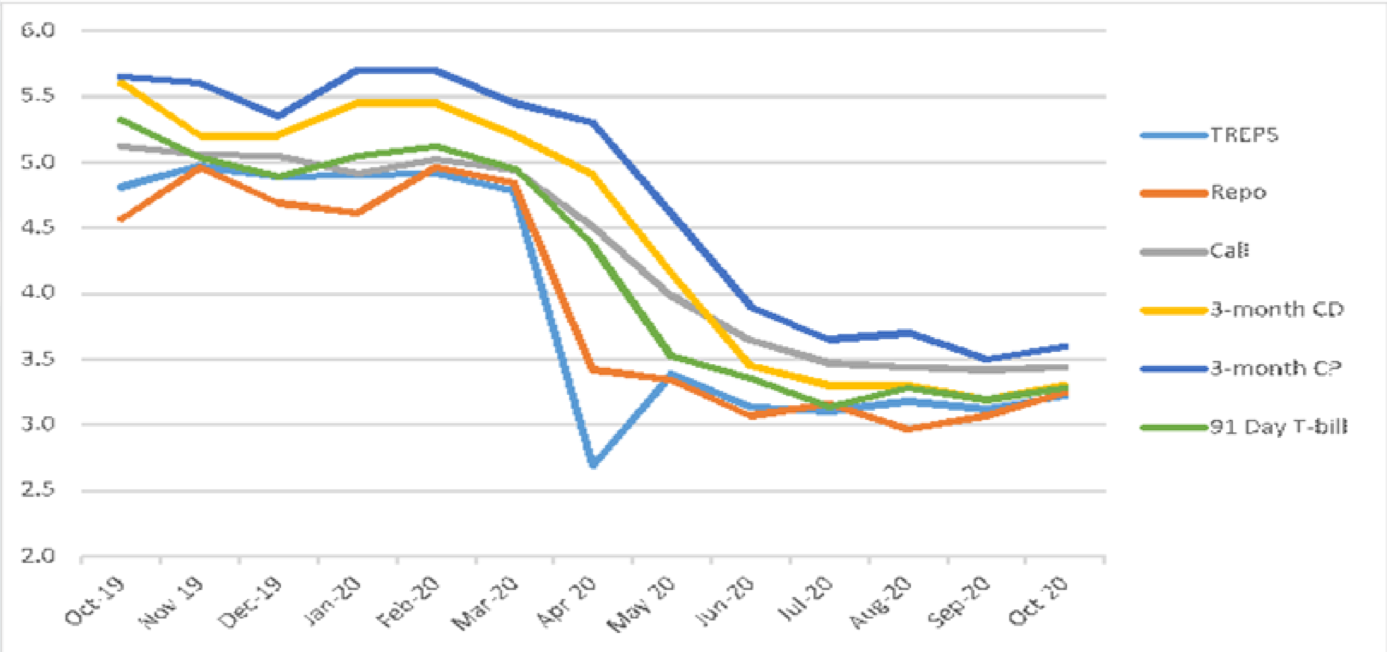
Investment of short-term debt funds

Typically, such funds invest in instruments that mature within a year. They include TREPS (Tri-Party Repo), repurchase agreements (repo), Certificates of Deposits (CDs), Commercial Papers (CPs), T-bills and so on. Banks, Non-banking finance corporations (NBFCs), PSUs, corporates and the Government issue such money market instruments to meet their short-term funding requirements.

Repo and TREPS are the instruments used to provide loan for the very short term of, say, overnight or up to a year. Repo allows institutions such as banks and NBFCs to borrow funds by putting up government securities as collateral. These firms can also lend in the repo market. Interestingly, mutual funds can only lend in the repo market (barring extreme conditions).
Short-term debt funds also invest in CDs, CPs and T-bills. These are also instruments that allow the borrowers – banks and corporates – to borrow for their short-term needs. Banks issue CDs, corporate firms issue CPs and the government issues T-bills through the RBI. Typically, CDs are rated higher than CPs and come with better credit quality. That is also why CPs come with slightly higher interest rates to compensate for their sometimes-lower credit rating.

But short-term debt instruments give far lower returns, as can be seen from the chart.

Movement of short term rates over the last one year (in %):



Investment of long-term debt funds

Government securities: Since these instruments are backed by sovereign guarantee, they are the safest and most liquid. Government securities (g-secs) can come with maturities as long as 40 years. The central government needs funds to run its day-to-day operations and finance the fiscal deficit. Apart from other avenues such as tax, it also borrows money from the debt markets, through the RBI, its banker, by issuing g-secs. State governments, too, borrow by issuing State Development loans (SDLs).

Bonds and Debentures: When companies need to borrow money for their long-term requirement, they issue bonds and debentures. These come with tenors of 1-15 years. But since corporate bonds do not come with a government guarantee (unlike g-secs and T-bills), they carry higher credit risk. To compensate, they also pay higher interest rates. Therefore, bonds also come with credit ratings.

Securitised debt: Securitized debt instruments are securities that are created by securitizing individual loans. Simply put, a bank has a car loan portfolio worth Rs 1000 crore. To free up the capital, the bank creates debt instruments (which are called pass-through certificates or PTCs) backed by the asset, which is the car loan portfolio here, and sells to the mutual funds and others.

Malaysia Proposes taxonomy to become a green economy

Climate change is one of the key issue of the decade as it presents both risk and opportunities for the entire financial systems. If funds are provided to business which indulges in activities affecting the environment , can prove to be detrimental for the entire economy as the country may face sanctions by other countries and less Foreign Investments as investors now are also conscious regarding ESG factors (Environmental Social and Governance). One the other hand it also provides a lot of opportunities for Financial institution to introduce innovative financial instruments for renewable energy , green building , environmentally sustainable infrastructure projects. But the major question arises how do Financial Institution decide what is sustainable or environmentally friendly ? The answer to the question is Green Taxonomy, a classification of activities or investments that helps bank to distinguish project qualifies as environment-friendly or not. Now let us look into Malaysian economy and its proposal to adopt taxonomy.

In the year 2004 Malaysia became third in the Southeast Asian region for carbon emissions of eight metric tonnes per capita, it shook the economy. The emissions were almost double the world average, and then it became a clear indication that the country's commitment to a sustainable future needs to be solid.

Most of the major economies in the world are now conscious in regards to the possible environmental impact along with the economical impact of a decision undertaken. Last year, Bank Negara ,the central bank, said that financial institutions will have to report their exposure to climate risks and the information gathered from those reports can be realised to set up regulatory standards. The country has pledged to reduce the intensity of greenhouse gas emissions by 45 percent by 2030 as part of the famed Paris Agreement.

Bank Negara is working closely with World Bank to develop principles that would support Malaysia's green taxonomy and help bank to classify green assets consistently and transparently. This is a matter of high significance as the adoption of the system will have a large impact in the overall economy. This is where the expertise of World Bank comes handy . World Bank launched a global guide on how to develop a national green taxonomy. In Malaysia, specifically, the World Bank facilitated the issuance of the first green sukuk in the world.

CHALLENGES – Although Malaysia's banks have been trying to adopt ways to extend loans to companies who are conscious of ESG factors but study showed that Maybank, CIMB and RHB Bank continue to finance new coal-powered projects in the region on a large scale. The banks have provided nearly $5 billion in loans and bonds for new coal projects in the country over the last decade, observed a report published by Market Forces.

First: CIMB is recognised to be the country's biggest coal funder which has made advancements in fossil fuel on the back of $2.6 billion investments between 2010 and 2019. Second: Maybank followed suit by providing $1.8 billion in coal projects while RHB invested $435 million for the same purpose during that period.
The greater problem identified here is that even if the established global banks pull out from investing in coal projects, smaller banks step in to buck the trend in decarbonization.

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

Sudipto Sen

India has been flooded with various Ponzi schemes that take advantage of innocent investors looking for alternate banking options. Because of the lack of the access to formal banks, low-income Indians often rely on informal banking. These informal banks invariably consist of money lenders who charge interest at inflated rates and were soon replaced by more sophisticated methods of conning people through disguised Ponzi schemes.

Fundraising is done through legal activities such as collective investment schemes, non-convertible debentures and preference shares, as well as illegally through hoax financial instruments such as fictitious ventures in construction and tourism.The rapid spread of Ponzi schemes, especially in North India, has various causes, not the least of which include the lack of awareness about banking norms, steadily falling interest rates, lack of legal action against such activities, and the security of political patronage

The Ponzi scheme run by Saradha Group collected money from investors by issuing redeemable bonds and secured debentures and promising incredulously high profits from reasonable investments. Local agents were hired throughout the state of West Bengal and given huge cash payouts from investor deposits to expand quickly, eventually forming a conglomerate of more than 200 companies. This syndicate was used to launder money and confuse regulators like SEBI. In April 2013, the scheme collapsed completely causing a loss of approximately US $5 billion and bankrupting many of its low-income investors.

SEBI first detected something suspicious in the group's activities in 2009. It challenged Saradha because the company had not complied with the Indian Companies Act, which requires any company raising money from more than 50 investors to have a formal prospectus, and categorical permission from SEBI, the market regulator. The Saradha Group sought to evade prosecution by expanding the number of companies, thus creating a convoluted web of interconnected players.

This created innumerable complications for SEBI, which labored to investigate Saradha in spite of them. In 2012, Saradha decided to switch it up by resorting to different fundraising activities, such as collective investment schemes (CIS) that were disguised as tourism packages, real estate projects, and the like. Many investors were duped into investing in what they thought was a chit fund. This, too, was an attempt to get SEBI off its back, as chit funds fall under the jurisdiction of the state government, not SEBI. However, SEBI managed to identify the group was not, in fact, raising capital through a chit fund scheme and ordered Saradha to immediately stop its activities until cleared by SEBI. SEBI had previously warned the state government of West Bengal about Saradha Group's hoax chit fund activities in 2011 but to no avail. Both the government as well as Saradha generally ignored SEBI until the company finally went bust in 2013.

After the scandal broke, an inquiry commission investigated the group, and a relief fund of approximately US $90 million protected low-income investors. In 2014, the Supreme Court transferred all investigations in the Saradha case to the Central Bureau of Investigation (CBI) amid allegations of political interference in the state- ordered investigation.

The schemes run by Saradha were primarily aimed at low-income people who did not have access to formal banking. Unsurprisingly, these low income investors were hit hardest by the scam. When the Ponzi scheme collapsed, it caused severe financial loss to its 1.7 million investors, but the poorer population of West Bengal bore the worst brunt. Many were bankrupted, and a great number resorted to suicide.

TEAM FINARTHA

The FINANCE CLUB OF MDIM

BATCH OF 2019-21 & BATCH 2020-22

ISSUE - 68 | DATE - 31st October

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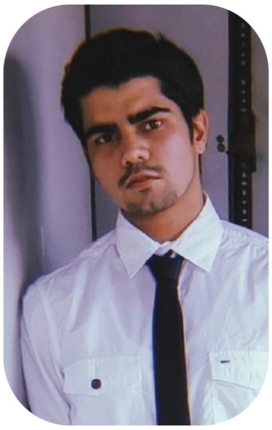
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