FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM

MDI MURSHIDABAD | Management Development Institute

FINA₹THA

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.

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TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Reliance	1955.00	2029.15	3.58%	2040.00/1978.15
Bajaj Finsv	6055.15	6286.45	3.48%	6350.00/6025.00
IndusInd Bank	714.40	738.65	3.09%	747.00/707.00
HDFC Bank	1269.20	1307.65	3.06%	1310.00/1265.00
Kotak Bank	1675.45	1718.05	2.30%	1725.00/1650.00

INDEX

- **SENSEX** 41893.06
- **NIFTY 50** 12263.55
- **NASDAQ** 11895.23
- **DOWJONES** 28323.40

CURRENCY

- **USD/INR** ₹ 73.98
- **GBP/INR** ₹ 97.34
- **YEN/INR** ₹ 0.72
- **EURO/INR** ₹ 87.85

LATEST BY:
NOV 7th, 2020

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
Maruti	7092.80	6907.60	2.72%	7135.00/6890.00
GAIL	87.45	85.80	1.89%	87.70/85.50
Bharti Airtel	457.30	449.90	1.54%	460.35/448.75
Asian Paints	2238.30	2209.05	1.49%	2248.00/2202.50
Grasim	804.40	794.35	1.29%	809.00/791.50

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
ICICI Bank	BUY	451.00	490.00	520.00	430.00
Cadila Health	BUY	428.00	455.00	489.00	415.00
Muthoot Fin	BUY	1285.00	1400.00	1500.00	1195.00

Market Watch

- Nifty registered highest daily in 190 session.
- Nifty Index formed a bullish candle in the daily as well as weekly time frame.
- India VIX fell 2.21% suggesting a absorption of volatility for the coming session
- Formation of higher high suggest bullish momentum for the upcoming session.

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

What's Brewing in the market ?

1. Private banks shed Covid woes, profit rises by 159%
   NII jumps 15% as provisions fall 4%, shows analysis of 17 listed private lenders

Indian private banks seem to have weathered the severe economic shocks inflicted by the Covid-19 pandemic, at least for now. Backed by a steady rise in net interest income (NII) and contraction in provisions, private banks posted 159 per cent growth (year-on-year) in net profit at Rs. 18,814 crore in the second quarter (Q2) ended July-September 2020-21 (Q2FY21). While the asset quality held up during Q2, the real picture is masked by the Supreme Court's (SC's) directive that accounts not declared non-performing assets (NPAs) as of August 31 should not be classified as such until further orders.

The NII in the September quarter rose 15 per cent to Rs. 52,101 crore in Q2FY21, while provisions and contingencies declined 4.2 per cent to Rs. 18,414, according to a Business Standard analysis of 17 listed private lenders.

All lenders posted a profit after tax (PAT) in Q2FY21, while the two large lenders — Axis Bank and IDBI Bank — had reported losses in Q2 of 2019-20 (FY20), dragging down the profit performance. Sequentially, PAT grew 33.2 per cent over the first quarter (Q1) of FY21.

SWIFT RECOVERY

Private banks (Quarter ended Sep 2020)

	₹cr	QoQ %	YoY %
NII	52,101	2.1	15.3
Other income	21,429	8.0	0.5
Operating profit	43,548	-0.4	17.3
Provisions & contingencies	18,414	-26.5	-4.2
PBT	25,134	34.4	41.0
Net profit	18,814	33.2	159.0
Gross NPA	179,803	-6.5	-3.6
Net NPA	36,569	-18.9	-37.9
Deposits	4,214,395	3.4	10.9
Advances	3,570,535	2.6	5.7

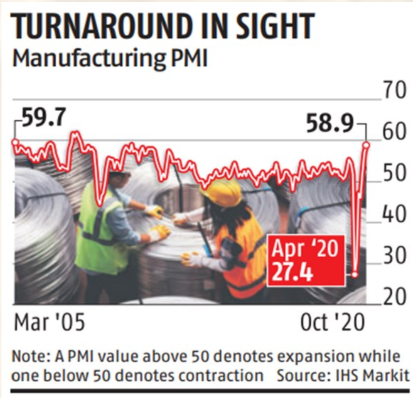
Sample of 17 listed private banks
Source: Capitaline
Compiled by *BS* Research Bureau

Domestic broker Motilal Oswal Financial Services (MOFSL) in a review said that private banks had beaten expectations handsomely, with higher collection efficiency, uptick in loan growth, and healthy provision coverage ratio (PCR). Seconding brokerage assessment, Prakash Agarwal, director and head financial institutions, India Ratings and Research, said the banks' results as well as the managements' guidance has been encouraging, factoring in the intensity of impact of measures on gross domestic product. The September quarter marked the gradual reopening of the economy after sharp contraction in the April-June quarter. The Indian economy has shrunk 23.9 per cent in Q1FY21. The performance is better than what was expected during the early part of the nationwide lockdown. The top banks seemed to have managed their portfolio reasonably well till now, said Agarwal. NII growth was aided by various factors, including improvement in collection efficiency levels in September, after the six-month moratorium ended in August.

2. Manufacturing PMI rises to decade high

Index stood at 58.9 in October as companies raised their output at fastest pace in 13 years

India's manufacturing may be back on track, rebalancing itself from the Covid19 impact, the purchasing managers' index (PMI) data, released by IHS Markit on Monday, shows. The country's manufacturing PMI rose to 58.9 in October, the highest it has achieved in more than a decade. Driven by robust sales, the pace gathered by manufacturing output, one component of the index, was the quickest since October 2007, contributing to the PMI's gains, the monthly report by IHS Markit said. It went past 56.8, seen in September, which was an eight-year high, according to Reuters. A PMI value above 50 indicates that activity expanded in a month over the previous one. But it should be noted that the PMI is a month-over-month indicator, showing improvement over the previous month, and not over the previous year. In addition, manufacturers spent more on buying inputs in October too. The reopening of sectors took overall confidence to a 50-month high. But on employment, the payroll numbers are still low, and in fact, lower than in the previous month, due to pandemic-related restrictions on firms.



3.India Inc gets margin boost in Q2

Falling input cost, lower expenses pushed firms' operating margins to record high of 28.6%

Aggressive cost-cutting and sharp declines in commodity and energy prices helped India Inc post record operating margins in the second quarter of financial year 2020-21 (Q2FY21), despite falling sales and revenues, because of the pandemic. The combined operating expenses (excluding interest, depreciation and taxes) of 490 listed companies in Business Standard's sample were down 12.4 per cent year-on-year (YoY) in the quarter, as against a 5.6 per cent YoY decline in net sales, and 2.9 per cent YoY decline in revenues.

This resulted in a jump of 780 basis points (bps) in Ebitda (earnings before interest, taxes, depreciation, and amortisation) margins to a record 28.6 per cent of revenues in Q2, from 20.8 per cent a year ago. One basis point is one-hundredth of a per cent. Gains from the collapse in global commodity and energy prices were most visible in the results of manufacturing companies.

The combined raw material costs for such firms in the sample were down 10.8 per cent YoY in Q2, while power and fuel costs were down 12 per cent and employee expenses down 2.1 per cent YoY.

Companies were proactive in cutting overheads such as advertising, promotion, and travel. These other expenses reduced by 12.8 per cent YoY in Q2. However, the firms' net sales were down 8.3 per cent YoY in Q2, indicating a contraction in per unit manufacturing cost. Companies in process industries and energy-intensive products — such as cement, chemicals and tyres — were also beneficiaries and reported high double-digit growth in earnings despite flat or low single-digit growth in volumes.

WhatsApp Pay: Here's all you need to know about India's latest payments player

WhatsApp has finally been allowed to roll out its payments service in India. It was under test in the country — WhatsApp had been offering the service on a trial basis in India since early 2018. The approval comes after a lot of court battles and regulatory hurdles.
As per the new rules, WhatsApp pay can go live using the multibank Unified Payments Interface (UPI), which is operated by the National Payments Corporation of India (NPCI). It has been allowed to begin with a user-number cap, and then gradually increase its UPI base.

How does it change things for you?
You can now send money to someone as easily as you send a message. The service will be available in 10 Indian languages. It will use a multi-bank model with one of the payment service providers banks being private lender ICICI Bank. The cap will be enforced on the backend by regulated players like State Bank of India, HDFC Bank and Axis Bank.
How much will it cost to send money?
Zero, says Mark Zuckerberg. There is no fee for using this service. It will be supported by 140 banks.

What things does one need to get started?
"All you need is a debit card with a bank that supports UPI and you can set it up straight away. You can find it in the latest version of WhatsApp," Zuckerberg said and because it's WhatsApp, it's secure and private too, the Facebook boss added.

How is the initial user response likely to be?
NPCI has capped the number of users that can avail the payments feature to 20 million in the first phase. Another cap is that WhatsApp Pay can carry out to 30% of the total volume on the UPI network — a new rule for all third-party apps.

What is the rationale behind this cap?
This is designed to allay Reserve Bank of India's apprehensions over potential monopoly risks. Currently, Walmart-owned PhonePe and Google Pay are estimated to have more than 30% of the market share, and they have been given time till 2023 to bring it down.

Who are the current leaders in the business in India?
Most figures put PhonePe at the top of the India payments leader board. It is as of now the most used UPI app in the country. It processed about 835 million transactions in October — a market share of nearly 40%. Google Pay comes second, with the corresponding number standing at about 820 million.

Who are the other players in the scene at the moment?
The market is already crowded with players like Paytm, Google Pay, PhonePe and Amazon Pay, besides a fair few of other local start-ups.

How will it change the industry in India?
According to industry insiders, WhatsApp joining the payments fray will further raise UPI volumes in India, where the consumer economy is already sharply pivoting towards digital payments. The industry expects WhatsApp Pay's entry to bring down the volumes of PhonePe and Google.

BASIC FRAMEWORK TO CHOOSE A STOCK FOR LONGTERM VALUE INVESTING

1.A thorough analysis of business model should be done initially where we should identify the following:

- How do the business earn money?
- Which is/are the industries the business is engaged into? Is it a booming industry or struggling?
- Does the business have any competitive advantages?
- What are the products/services that the business makes? Do you use yourself? Do you think

2. Next the most important. Do a detailed research on the management. Here is what we should look for in a management analysis:

- Who are the owners of company? What is their academic qualifications? What are their prior experiences? Did they done well before there? Is there any allegations against them?
- What are the Promoter, Foreign Institutional Investor (FII), Domestic Institutional Investor, Mutual Fund holdings? What does the holding trends suggest? Has it increased over time or decreased? (generally, reduction in holdings is a negative sign for a company with exceptional cases where there might be economic downturn or expansion plans)
- Is there any pledging?(getting loans against shares by promoters)
  What is the remuneration charged by CEO, COO and others in major positions? Is it too much as compared to other companies?
- Look for sudden change in management. This is not a positive sign for a company.

3. Now the everyone's favourite Fianacial Analysis. This is a vast section. But if the above mentioned two analysis is taken care of then this would be like a cherry on top. While doing Financial analysis it should be done on the basis of the industry they belong. But here are the following things that you should look out for generally:

1. Look for profitable companies with strong cash flow with zero or minimum debt (external funds). However, it is okay if some heavy industries company, Manufacturing companies have debt for example ONGC. But technology company, Banking companies should not have a high Debt.

2. Look out for the ratios like : PE,PB,PEG,SALES GROWTH%,PROFIT GROWTH %,PAT/CASHFLOW,EPS,ROE,ROCE,ASSET TO EQUITY,INTEREST COVERAGE RATIO,CASH COVERAGE RATIO,DEBTORS TURNOVER,CREDITORS TURNOVER, ASSET TURNOVER ,Debt to equity ratio etc.

3. Thoroughly analyze the 3 financial statements that is : Income statement ,Balance Sheet , Cash Flow Statement. It might often seem that there is high revenue(sales) growth which the company will highlight in the Annual reports but until you dug in deep you won't find the true reality behind it. It might be possible that the company is running on high debt draining its profit in the form of interest payments.

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

Ruja Ignatova was born in 1980 in Sofia, Bulgaria, before moving with her family to Germany when she was eleven. She received a doctorate of law from the University of Konstanz in 2005. She went on to work in their eastern European office with management consultancy McKinsey & Co. Ignatova set up OneCoin in 2014, which she claimed was a cryptocurrency that would become a "bitcoin killer" and at large public conferences around the world, including one at Wembley Stadium, began promoting the currency.

Ruja Ignatova

What was the scam?

Ignatova asked investors to purchase "packages" that would provide tokens to the owner that could be used to "mine" OneCoin. The OneCoin price was displayed on a website. While this website shows the value of the currency rising from £0.43 in January 2015 to over £ 25 in 2019, this was not based on any actual transactions, but rather decided by the individuals who operate OneCoin. Ownership of the currency, rather than the blockchain (digital ledger) underpinning most digital currencies, was held on an ordinary database. Many that wished to withdraw their cash were compensated out of cash pouring in. In other words, it was a Ponzi scheme in action.

What happened next?

OneCoin created controversy with regulators around the world almost immediately after it launched, who warned it might be a fraud. Despite this, the charisma of Ignatova continued to attract large sums of cash. The group was compared to a cult by others. In 2017, just before she was due to give a chat, it was not until she abruptly vanished that the scheme began to unravel. The US Department of Justice still needs Ignatova. Last year, her brother Konstantin was convicted of fraud and money laundering, along with a number of other individuals linked to the system.

Lessons for investors

Overall, the US authorities estimate that OneCoin took in at least $4 billion of investor money between 2014 and 2017; others think the final sum may be as much as $12 billion. Investors are unlikely to get much of it back. The use of multi-level marketing tactics was one major red flag, where investors were allowed to attract friends and family into the system by giving them a small commission based on the extra money invested. In OneCoin, several of these commission payments were reinvested.

TEAM FINARTHA

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BATCH OF 2019-21 & BATCH 2020-22

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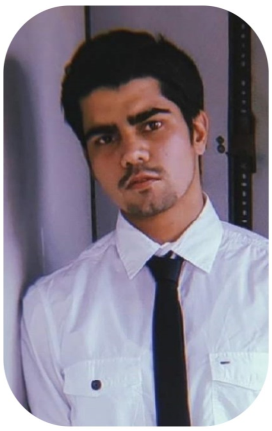

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