FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM

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.

FINA₹THA

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INDEX

- SENSEX 50792.08
- NIFTY 50 15030.95
- NASDAQ 13319.86
- DOWJONES 32778.64

CURRENCY

- USD/INR ₹ 72.69
- GBP/INR ₹ 101.22
- YEN/INR ₹ 0.67
- EURO/INR ₹ 86.89

LATEST BY:
Mar 14th, 2021

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
BPCL	445.50	459.10	3.05	464.00/451.00
IOC	98.85	101.40	2.58	102.30/100.20
PowerGrid	215.15	220.00	2.25	220.90/215.40
JSW Steel	414.00	417.75	0.91	428.45/414.00
Titan	1471.25	1483.00	0.80	1391.70/1370.05

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
Bajaj Auto	3867.55	3751.00	3.01	3878.00/3734.80
Adaniports	745.35	723.25	2.97	752.10/723.00
HDFC Life	731.35	711.80	2.67	739.80/710.00
SBI Life	940.75	915.70	2.66	936.30/905.00
Hindalco	340.35	331.50	2.60	345.00/327.45

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
Ambuja Cement	BUY	291.00	310.00	350.00	270.00
Emami	BUY	517.00	560.00	600.00	495.00
Sobha	BUY	500.00	550.00	623.00	482.00

Market Watch

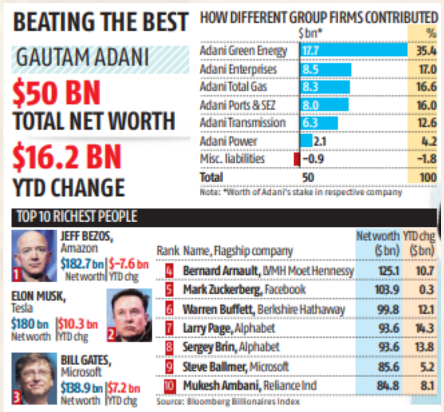
- Sensex is forming negative candle suggesting bearish momentum
- Make sure you do not indulge in counter trend trading
- Sectors effect will shape the broader market
- Market is undergoing major pullback, focus on Auto, Realty and Banking stocks.

What's Brewing In The Market?

Adani beats Musk, Bezos with biggest wealth surge

Gautam Adani's net worth has jumped $16.2 billion in 2021 to $50 billion

Gautam Adani has added more billions to his wealth than any one else in the world this year on the back of investor excitement around his portsto-power plants conglomerate. The net worth of Adani, a first-generation entrepreneur who rarely speaks publicly, has jumped $16.2 billion in 2021 to $50 billion, according to the Bloomberg Billionaires Index. This has made him the year's biggest wealth gainer, beating even Jeff Bezos and Elon Musk, who have tussled in 2021 for the title of world's richest. Shares of all Adani group stocks, except one, have rallied at least 50 per cent this year. The surge in wealth dwarfs the $8.1 billion added by Adani's compatriot and the richest person in Asia, Mukesh Ambani. It also underscores the rising heft of the self-made billionaire, who has lured investment from Total SA to Warburg Pincus. Adani has been rapidly expanding his conglomerate, adding ports, airports, data centers and coal mines in India, while doggedly proceeding with his controversial Carmichael coal project in Australia.



"Adani has been consistently expanding its business in areas that are resilient to market cycles," said Sunil Chandiramani, founder and chief executive officer at Nyka Advisory Services. "Now with the entry in data centers business, the group has also indicated its appetite for venturing into technology." Adani Enterprises signed a pact last month to develop 1 gigawatt of data center capacity in India. Adani Total Gas has jumped 96 per cent this year while the flagship Adani Enterprises has advanced 90 per cent. Adani Transmission is up 79 per cent. Adani Power and Adani Ports and Special Economic Zones have gained more than 52 per cent this year. Adani Green Energy, after rising over 500 per cent last year, is up 12 per cent so far.

NITI submits first list of 12 PSUs for privatisation

Banks, insurers part of the list as process kicks off

The government has kicked off its privatisation drive, with the NITI Aayog, a body headed by the prime minister, submitting its first list of about 12 public sector undertakings (PSUs) to be privatised. The organisation has submitted the list comprising PSUs in strategic sectors, which will be considered by the Department of Investment and Public Asset Management (DIPAM), and the Core Group of Secretaries on Divestment (CGD), headed by the cabinet secretary, said a top government official.

The list includes public sector banks and insurance companies, he added. In her Budget Speech, Finance Minister Nirmala Sitharaman had announced privatising two public sector banks and one general insurance company in 2021-22.

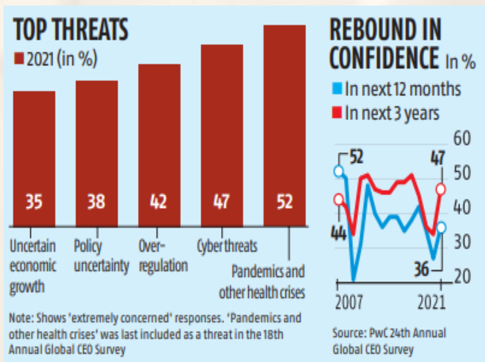
According to the new Public Sector Enterprise (PSE) policy for Aatmanirbhar Bharat, the NITI Aayog is mandated to recommend the names of PSUs in strategic sectors to be privatised, merged, or made subsidiaries of other PSUs. Strategic sectors — in which the government intends to keep a "bare minimum" presence — include atomic energy, space, and defence; transport and telecommunications; power, petroleum, coal, and other minerals; and banking, insurance, and financial services.

DIVESTMENT DRIVE

- **Suggestions by NITI Aayog to be considered by** DIPAM and Core Group of Secretaries on Divestment
- **Core group to make recommendations to the Alternative Mechanism (AM) on strategic divestment,** which comprises finance, highways and administrative reforms ministers
- **AM to give final nod on privatising PSUs before approval** by Cabinet Committee on Economic Affairs
- **Dipam to move proposal seeking Cabinet nod** for individual PSUs for privatisation

CEOs show 'record' optimism levels about growth in 2021: PwC survey

Chief executive officers (CEOs) are more confident of revenue growth than they have been in years. Close to 36 per cent of global CEOs see growth over the next year. Around 47 per cent are bullish on growth over a three-year period. One-year expectations are more bullish than before the pandemic. The three-year forecast is the most bullish since 2017. This comes even as there has been a reordering of risk after Covid-19. A pandemic and other health crises remain the top threats for companies in 2021, with over half of those surveyed being 'extremely concerned' about it as a threat to growth prospects.



The top threats in the previous year were over-regulation, trade conflict and uncertain economic growth. The data is based on tax and consultancy services network PwC's 24th Annual Global CEO Survey. It polled over 5,000 chief executives in over a hundred countries and territories in the first two months of the year. The majority of Indian chief executives expect to see stronger economic growth over the next twelve months, according to Sanjeev Krishan, chairman, PwC in India. Close to 76 per cent of global CEOs feel the same way regarding growth in the global economy. This is a record figure for the years that the survey has been conducted, according to the survey report.

Tech services: Evolution from business enablers to business innovators

By the very nature of its DNA, the technology industry has always been a step ahead of what's current and has guided the path to the next disruptive innovation. However, much of what has been seen so far — which helped the tech services businesses to scale to $190 billion employing over 4 million people — is about enabling businesses of global clients to run smoothly, maintain their back offices, manage legacy systems, remote management and so on. In the recent years there has been a change, albeit slow to begin with, which picked pace with the unprecedented pandemic of 2020.

While the industry was already heading towards the digital transformation journey with deeper client engagements, the pandemic further accelerated it with an array of digital technologies coming to the rescue. Customers wanted concrete business outcomes and not just service teams managing their technology resources. Technology service partners had to innovate to meet the changing requirements of global customers. This not only called for a change in mindset but has also ensured that large teams of engineers understood not only technology but businesses as well. They needed to think more like the customer, enabling better business outcomes.

In the post pandemic months, according to industry body NASSCOM, 28%-30% of the industry revenue was recorded for digital. With an increased focus on tech and business innovation, India witnessed more than 115,000 tech patents filed by companies in India in the last five years.

The business crust is clearly undergoing phenomenal tectonic shifts. For service companies, a customer is no longer simply a client with an arms-length relationship to manage tasks; but you have to be deeply embedded into their business growth. Today, re-tooling and preparing customers for the shifting market needs, analysing cost efficiencies, meeting the changing consumer expectations and so on, are some of the steps which service organisations are taking. In this era the physical and virtual worlds have seamlessly merged. Here, technology is not just an enabler of business, it is often the business itself!

For businesses today, using Artificial Intelligence, Machine Learning, Internet of Things (IoT), cloud, data science, automation, mobile and so on is very common. The adoption of these are tied to specific business goals—from better customer experiences, reducing cost of operations, preventing fraud to enabling higher business growth and impacting revenues directly. Traditional businesses like banking, insurance, healthcare, manufacturing, oil & gas are also using these technologies to transform and update their business models.

Enterprises are re-balancing their technology spends to prioritize this digitization-led innovation for business transformation. According to NASSCOM's recently released note, Strategic Review 2021, titled, "New World: The Future is Virtual", the industry saw an overall shift of 10% in outcome-based pricing; offshore witnessed more than 4% shift in 2020. The industry witnessed 146 mergers and acquisitions deals in 2020, 90% of which were focused on digital. Companies saw a significant rise of 80% in cloud adoption during H1 FY2021 Vs H2 FY2020.

These are contours of the seismic shift that the industry is witnessing—from `run' model of business—the basic IT processes which keep the lights on to `change' models of business, and to `grow' models of business where technology firms and clients co-create to grow overall business. This calls for a different thinking on parts of both the technology service providers and their customers. For the former, they must think about the business growth; and for the latter, they need to see more than just a partner in their tech service provider. Only a close collaboration between the two can ensure positive bottom-line impacting results.

Of course, even as organisations think on these lines, they have to re-train manpower so that they are aligned with the business goals and use various technologies from artificial intelligence (AI) to cloud, to achieve them.

Technology providers will need to upgrade their customers faster to the new ways of doing business, while using 'technology of tomorrow'—one that combines human and machine intelligence to deliver accelerated businesses performance.

Imagine a manufacturing company wants to build a new plant. The company needs about INR 800 Crores to commission this plant. How can they raise this money? There are two ways the company can raise this money –

Approach a bank and seak a loan, pretty much like the apartment case we discussed

Instead of a bank, the company can choose to raise a smaller amount of money from several people (investors). Say in multiples of 20Crs. The company, instead of paying interest to the bank, now pays the interest amount to multiple investors.

If the company takes the 1st approach and seeks a loan from the bank, then the binding agreement is called the 'loan agreement'. On the other hand, if the company decides to raise this money from multiple investors (multiple lenders), then the binding agreement is called '**bond**'. Think of a bond as a promissory note from the company to its investors/lenders promising to repay the principal amount at the end of the tenure and a periodic interest amount, also called a coupon.

Most Important **DEBT FUNDS :**

1. Liquid funds - The debt-oriented, liquid, and overnight funds together constitute nearly 50% of the 27 lakh crore assets under management (AUM) in the mutual fund industry (as of Jan 2020)
2. Overnight funds
3. Ultrashort term funds
4. Medium duration
5. Dynamic bonds
6. Corporate bond
7. Credit Risk
8. Banking & PSU

GILT funds (2 different types)

LIQUID FUND : liquid fund by regulation can invest in debt which has a maximum maturity of 91 days. When a corporate entity borrows for such short term basis, they do so by issuing something called as a '**commercial paper**' or CPs. If you are looking at parking money for lesser than a year, stick to a liquid fund instead.

So if you are investing in Liquid funds, you need to be aware of a few things –

Invest only to park your spare cash

Expect a return slightly higher to your SA account

Liquid fund is not risk-free, you can lose money when you invest in it

Choose a fund which has relatively less default risk – meaning the liquid fund portfolio should have a higher concentration of Government securities.

The Government too borrows on a short term basis to fund its short term financial needs. However, when the Government borrows, it does not issue a CP but instead issues a **treasury bill**. The Government has three variants of t-bills –

1. 91-day T-Bills, the maturity of 91 days
2. 182-day T-Bill, the maturity of 182 days

365 day T-bills, the maturity of 365 days

OVERNIGHT FUNDS : the overnight loan happens to an RBI regulated money market instrument called 'Tri party Repo' or the 'TREPS'. overnight fund invests in TREP instrument, there is no difference between the overnight fund A and overnight Fund B. They all tend to put up the same performance. The only difference is because of the difference in the expense ratio. This is an ideal fund for anyone looking at parking funds for a short term duration. By short term, I mean for less than three months. Remember, if you want to park funds for more than three months or 90 days, you are better off looking at a liquid fund.

ULTRA SHORT DURATION FUND : SEBI specifies this at a portfolio level and not restricted to an individual bill or CP. What this means is that the fund can buy CPs with a maturity of fewer than 90 days or maybe more than 180 days, they can even invest in TREPS, but at an overall portfolio level, the fund has to ensure that the Macaulay duration of the entire portfolio falls within 3 to 6 months. this is a good fund for anyone looking to park money for 1-2 years, plus they are ok to take a wee bit of risk on the parked capital. On the return side, I think it is reasonable to expect a return close to the bank's fixed deposit.

Low duration : The low duration fund is just like the ultra-short duration, only that the low duration fund, the Macaulay duration at the aggregate portfolio level varies between **six to twelve months**. The modified duration is 289 days. I can convert this to years by dividing this by 360 –

= 289/360

= 0.802

This means to say for every 1% increase or decrease in the interest rate, and the NAV is likely to decrease/increase by 0.802%, which as you can imagine is not much.

Money Market Fund : A low duration fund can invest in both money market instruments and bonds but ensure at the aggregate portfolio level the duration is between 6-12 months. The money market fund, however, can invest only in money market instruments. The money market instruments usually consist –

'Commercial Papers' or CPs, issued by companies. CPs are unsecured

'Certificate of Deposits' or CDs. Banks issue CDs to entities depositing money

T-Bills, issued by the Government, carries a sovereign guarantee.

The money market fund is exposed to credit risk. ratings can change. So credit risk exists in a money market fund.

the modified duration will be under one year for a money market fund, which implies that the interest rate risk for these funds is low.

Short Duration Fund : The Macaulay's duration of the short duration fund has to range **between 1 and 3 years macaulays duration.** Invest in these funds only if you have an investment horizon of at least three years in perspective

Key takeaways

Bond yields and bond prices are inversely proportional

Interest rate and bond prices are inversely proportional

Modified duration helps us understand the change in NAV of the fund (in the context of debt fund) for every 1% change in interest rate

Low duration fund has credit risk, but low-interest rate risk

Money market fund has credit risk, but low interest rate risk

Short and medium duration fund has both credit and interest rate risk

Debt investors have to factor in liquidity risk along with credit and interest rate risk

All about Fundamental Analysis

Fundamental analysis of a stock is used to assess a company's financial and operational health. If you're looking to make a long-term investment, it's always a good idea to do a thorough fundamental analysis of the stock first. This is because you need to stay invested in a stock for a long time to get several times returns (say 5x or 10x). You must be assured that the stock will continue to rise and have good returns in the future and avoid short-term underperformance.

How to do fundamental analysis on stocks?

Step 1: Use the financial ratios for Initial Screening

The Indian stock exchange has over 5,500 stocks listed. It could take years to read all of these businesses' financial statements (balance sheet, profit-loss statement, etc.). Most organisations' annual reports are between 200 and 300 pages long. It's also not worth your time to read every single company's report. Shortlisting a few good companies based on a few parameters is a smarter strategy. Then you'll have to go through each of the screened companies one by one to find the one that best fits your needs.

For the initial screening of the stocks, you can use various financial ratios like Price to Earnings (PE) ratio, Price to Book Value (PBV) ratio, ROE, CAGR, Current ratio, Dividend yield, etc.

Step 2: Understand the company

Once you've tested the companies using the above guidelines, you'll need to examine them further. It is important that you comprehend the business in which you are investing. And if you don't, you won't be able to say if the company is doing well or poorly, if it is making the right decisions against its long-term goals, if their rivals are doing well or poorly in contrast to them, and, most importantly, if you can purchase or sell the stock.

Therefore, it is essential that you understand the company. Questions like what are its products/services, who are leading the company (founders/promoters), management efficiency, competitors, etc should be known to you.

Step 3: Study the financial results of the company

After you've learned about the company and find it attractive, you'll want to look at its financial statements, such as the balance sheet, profit and loss statements, and cash flow statements.

As a general rule, rising revenue/sales, net profit, and margin over the last five years is considered a positive sign for the company. After that, you must examine other financials such as operating costs, expenditures, assets, liabilities, and so on.

Step 4: Check the Debt and Red Flags

One of the most important considerations to consider before investing in a stock is the overall debt of the company. If a corporation has a large debt, it would be unable to perform well and reward its shareholders. Before they can do something else, they must repay the loan and pay interest on the borrowed funds. In a nutshell, stay away from businesses that have a lot of debt.

Investing in businesses with a debt/equity ratio of less than one is a smart idea. This ratio can be used in the initial screening of stocks or when reading a company's financial statements.

Other warning flags in the business could include a consistently decreasing profit/margin, low liquidity, and stock pledging.

Step 5. Find the company's competitors

It's always good to study the peers of a company before investing. Determine what this company is doing that its competitors aren't.

Further, you should be able to answer the question that why you are investing in this company and not any of its competitors. The answer should be convincing one like Unique selling point (USP), Competitive advantage, Low-cost products, Brand Value, future prospects (upcoming projects, new plant), etc.

Step 6: Analyze future prospects

The majority of successful investments are focused on the company's future prospects/potential rather than its current state. Investors want to know how much money they will make in the future from their savings. As a result, always invest in a business that has a bright future. Only invest in businesses whose products or services will continue to be used in twenty years from now.

TEAM FINARTHA

The FINANCE CLUB OF MDIM

BATCH OF 2019-21 & BATCH 2020-22

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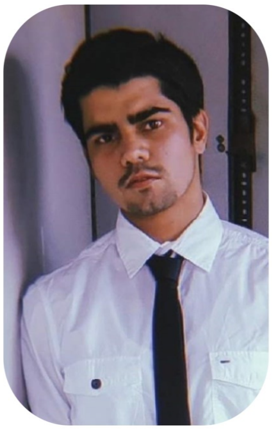

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