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.

March 28, 2021

ISSUE– 89

INDEX

- **SENSEX** 49008.50
- **NIFTY 50** 14507.30
- **NASDAQ** 13138.72
- **DOWJONES** 33072.88

CURRENCY

- **USD/INR** ₹ 72.45
- **GBP/INR** ₹ 99.91
- **YEN/INR** ₹ 0.66
- **EURO/INR** ₹ 85.67

LATEST BY:
Mar 28th, 2021

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Tata Steel	723.15	765.25	5.82	774.90/725.20
Bajaj Finserv	9057.55	9460.00	4.44	9507.00/9140.00
Asian Paints	2402.20	2498.00	3.99	2513.95/2409.10
Hindalco	314.00	326.45	3.96	328.50/318.10
Tata Motors	285.55	296.75	3.92	301.40/290.50

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
UPL	595.65	587.35	1.39	606.00/581.00
Power Grid	216.40	213.70	1.25	222.00/212.15
Eicher Motor	2580.45	2561.90	0.72	2620.95/2551.05
ITC	211.60	210.90	0.33	214.45/210.35
IndusInd Bank	957.80	955.55	0.23	976.50/950.00

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 but the market took reversal in Friday closing
- Make sure you do not indulge in counter trend trading
- Sectors effect will shape the broader market
- Most Volatile sector are financials, banking and steel sector.

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 .

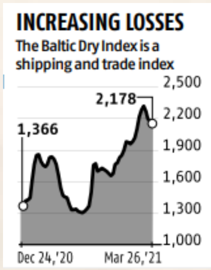
What's Brewing In The Market?

Suez jam will impact Indian trade: Experts

The blocking of the Suez Canal because of the stranded Ever Given hasn't been much of a worry for Indian shipping companies such as Great Eastern Shipping and Essar Shipping, but it is likely to impact Indian trade if the blockage continues beyond the weekend, say experts. "We are not impacted directly as all our vessels are around India and in the South East Asia region. We need to, however, wait and watch the indirect impact as shortage of vessels is likely, which will in turn push up freight," Ranjit Singh, executive director and chief executive officer of Essar Shipping. Essar Shipping has a fleet of 12 vessels with a total capacity of 1.12 million DWT (deadweight tonnage).

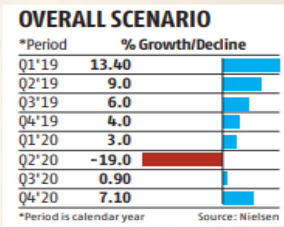
Great Eastern Shipping is still evaluating the impact, said a source close to the development. "It has had more of an impact on the Suezmax sector, where rates are starting to rise and a lengthy blockage will more quickly affect vessel supply balances. Some vessels in this segment ballast northward through the Suez Canal, after completing voyages in the East, to lift cargoes from the Black Sea or the Mediterranean to go to Asia again, so a sustained canal disruption would have a significant impact on this voyage chain," said Claire Grierson, senior director of tanker research at Simpson Spence Young (SSY). However, Indian trade is expected to take a hit going ahead, said industry officials.

"Vessels that are calling in India will not be affected as much at least in the short term. However, owing to the giant backlog, vessels carrying Indian export cargo that are east to west bound, heading from Asia to Europe will face delays," said Sanjay Bhatia, cofounder of Freightwalla. "In case of importers, the majority [of cargo] comes from China and the Far-East, but a significant amount of high value cargo such as high tech machinery comes from Germany, Italy, USA and other Western countries that are also expected to be impacted with their deliveries getting delayed," he added.



Some industry officials feel the trade shock can be absorbed if the issue is resolved by Sunday. "It's not the peak season at present, nor is there any important festival anytime around. So it will not be difficult for trade to come back to normal if the issue is resolved in next few days," said a former chairman of Shipping Corporation of India on condition of anonymity. Officials are of the view that since vessels will have to take a longer route because of the blockage, it would take 60 days instead of the usual 30 days for some vessels, leading to increased fuel consumption. The vessels would have to go all the way down to the tip of the African continent and journey around the Cape of Good Hope. "The Middle East Gulf clean tanker rates had already started to trend higher prior to the blockage and charterers are asking for voyage options with routing via the Cape of Good Hope and the Suez Canal. This could add as much as 20 days to a voyage from the Middle East Gulf to Rotterdam that would normally go via Suez," said Grierson of SSY. The impact on commodities extends beyond oil and gas, said industry experts.

Nielsen predicts revival of FMCG growth



The Rs.4.3-trillion fast-moving consumer goods (FMCG) market in India will revive this calendar year in line with the trend visible across Asia, market researcher NielsenIQ said on Thursday. The prediction was part of a broader outlook the agency released for the Asian region comprising China, India, Korea, Singapore, and Thailand. India witnessed a nationwide lockdown a year ago, hurting FMCG growth. While the January-March 2020 period saw the market grow 3 per cent, it contracted in April-June, reporting a 19 per cent fall. Since then, the market moved up, Nielsen said, growing 0.9 per cent in the September quarter and 7.1 per cent in the December quarter.

In an update last month, Nielsen said the January-March 2021 period also looked strong. "2020 was a challenging year with most Asian markets experiencing a decline or lower growth in FMCG. We believe the pace will pick up and normalise this year," Justin Sargent, president, retail intelligence, NielsenIQ Asia, said. But some firms differ with this view following a surge in Covid-19 infections in India. FMCG growth is not likely to be even if viewed category-wise." This trend was visible last year during the nationwide lockdown when pantry loading increased significantly. At the same time, in-home consumption also rose, pushing up growth of packaged foods and staples. Personal care and out-of-home categories, on the other hand, were hit hard. Sumit Malhotra, director, Bajaj Consumer Care, said discretionary spending would take a beating. "The focus will be on what is required urgently. So, discretionary spending of any kind will take a backseat. "FMCG company executives have admitted they've been wa - tching this trend closely, much like their counterparts in the consumer durables industry, since the April-June period is an important quarter for most consumer goods companies. Nielsen, meanwhile, said there was room for opportunity and growth this year. "Growth can be found in the right stores, right categories, right segments, right occasions, and right price tiers. Dynamics are still uncertain but those who are more agile will be the big winners in 2021," Sargent said. The market researcher has identified five key trends this year, including convenience, homebound, alternative, natural and blends that will shape the market. According to Nielsen, 62 per cent of Asians in a survey said convenient locations were a top reason to choose where they wished to shop. Around 76 per cent said services should offer more flexible options for lifestyles at home, while 69 per cent Asian consumers would switch to an eco-friendly brand with the same price and quality.

India to propose law banning cryptocurrency trading, mining and possession

Banning cryptocurrencies

India will propose a law banning cryptocurrencies and will fine anyone trading, mining or even just holding these digital assets, a senior government official told Reuters. It is a huge potential blow to millions of investors piling into the red-hot asset class. The bill, one of the world's strictest policies against cryptocurrencies, would criminalise possession, issuance, mining, trading and transferring crypto-assets, the report said, quoting an unnamed official.

Penalising possession

If the ban becomes law, India would be the first major economy to make holding cryptocurrency illegal. Even China, which has banned mining and trading, does not penalise possession. It would give holders of cryptocurrencies up to six months to liquidate, after which penalties will be levied, said the official, who asked not to be named as the contents of the bill are not public. The move is expected to hit millions of investors who've bet on cryptocurrencies amid a record-breaking rally in the price of Bitcoin, the oldest and most popular cryptocurrency.

Growing volumes

Despite government threats of a ban, crypto transaction volumes in India are growing, and eight million people in India now hold about Rs 10,000 crore ($1.4 billion) in crypto-investments, according to industry estimates. No official data is available. Meanwhile, the price of Bitcoin briefly rose above $60,000 (about Rs 43.5 lakh) for the first time last week.

Banking on blockchain

The Reuters report comes a day after Finance Minister Nirmala Sitharaman told a media house that India is "not shutting all options" when it comes to cryptocurrency or blockchain and fintech. "... from our side we are very clear that we are not shutting all options off, we will allow a certain amount of window for people to use so that experiments in blockchain, Bitcoin or whatever you may want to call it," Sitharaman said.

RBI's stand

Meanwhile, the Reserve Bank of India is sticking to its stand on cryptocurrencies and has conveyed to the government its decision to seek a ban on such instruments. RBI Governor Shaktikanta Das had earlier voiced "major concerns" about cryptocurrencies.

		PRODUCTS	
		EXISTING	NEW
MARKETS	EXISTING	**Market Penetration Strategy** *This is the core business; growth comes from market share gains*	**Product Development Strategy** *Growth comes from selling new products to existing customers*
	NEW	**Market Development Strategy** *Growth comes from selling existing products in new markets*	**Diversification Strategy** *Growth from selling new products in new markets*

Take the example of Nirma, makers of the popular detergent and soap brand. The founder of Nirma formulated a detergent powder in his backyard, and started selling it door-to-door. There is an obvious limitation in the size of the market one can cater to by selling door-to-door. The natural extension for Nirma was to then expand locally, then regionally and then nationally. This was Nirma's Market Development strategy, as represented in the bottom-left quadrant of the Ansoff matrix. They rapidly exploited the available growth opportunities in detergents, surpassing the market share of the then reigning leader, Surf. Nirma then adopted the Product Development Strategy (top-right quadrant), by venturing into bathing soaps and trying to exploit growth opportunities in the new segment

Let us take an example to understand how combining the Ansoff Matrix with the quantum of capital commitment can be useful in assessing capital allocation decisions. Consider Tata Steel's acquisition of steel companies in South East Asia in 2004/2005 (NatSteel and Millennium Steel) and in Europe in 2007 (Corus). In a span of 3-4 years, Tata Steel went from a 5 million tons per annum steel capacity in India to a 28 million tons per annum capacity across multiple countries in two continents.

What did these acquisitions achieve for Tata Steel? The company definitely got access to new markets for their products. However, given that the European markets it was entering were fairly mature, with per capita steel consumption 5-10 times that in India, would it not have been more prudent to allocate capital to capacity expansions in India? In the decade since the acquisition, steel consumption in India grew at a 7% CAGR compared to flat or negative growth in its new European markets. The acquisitions then do not seem effective from a Market Development point of view. How then would the acquisition have been from a Product Development strategy? This could have been a justified strategic move, especially considering that a developing country like India was likely to see increased use of high-value steel products, which the European entity was adept at making. In that sense product development scores over market development as far as the Corus acquisition goes.

Finally, let us juxtapose the strategy against the quantum of capital allocated. Between the three overseas acquisitions, Tata Steel spent approximately Rs58,000 crores over FY05-08, when its net worth as of March 2004 was about Rs4,500 crores and its market capitalisation was about Rs14,100 crores. Regardless of what strategic benefits could have been derived from the acquisitions, the quantum of capital allocation alone signifies a high degree of risk. Moreover, the acquisition was not funded from Tata Steel's free cash flows, but with borrowed money. A leveraged acquisition raises the risks even higher. In the five years following these acquisitions (FY09-13), Tata Steel earned an average RoCE of just 9.4%, compared to an average of 36.9% in the five years preceding the acquisitions (FY03-08). In fact, there has been a structural decline in RoCE for the company, with the average till date since the acquisitions at 8.7% (FY09-20), not even covering the cost of capital.

It is evident from the Ansoff Matrix that the riskiest strategy is 'new products in new markets', and the one that investors should be most wary about. Unrelated diversification not only requires large capital commitments, but also demands a disproportionate share of management bandwidth. The split focus could hurt even the core business, as competitors will exploit the opportunity to weaken the barriers to entry built over the years.

Mahindra & Mahindra, the market leader in tractors and one of the leading players in light commercial vehicles and sport utility vehicles, has ventured into businesses as diverse as financial services, IT services, timeshare holidays and logistics. The company's average consolidated RoCE for the past ten years (FY11-20) has been a reasonable 14%. On the other hand, Maruti Suzuki, focused purely on the passenger vehicles segment of the auto market, has recorded an RoCE of a much higher 21.6% over the same period.

CONGLOMERATES WITH DISASTROUS OUTCOME FOR SHARE HOLDERS

Company	Core/Original business	Unrelated diversifications	Outcome
Videocon Industries	Home appliances	Telecom, Oil, Media	Taken to NCLT under the Indian Bankruptcy Code
UB Group	Liquor	Airlines	Airline business under liquidation
Jaiprakash Associates	Construction	Cement, hydropower plants, BOT roads, real estate, hotels	Taken to NCLT under the Indian Bankruptcy Code
Alok Industries	Textiles	Retail, real estate	Taken to NCLT under the Indian Bankruptcy Code
Lanco Infratech	Construction	Power generation, BOT roads, real estate	Under liquidation

Fintech Startups: Emerging leader in the entrepreneurial domain

What are FinTech?

The term **Fintech** (Financial Technology) refers to software and other modern technologies used by businesses that provide automated and improved financial services. The fast and innovative progress such as Mobile Payments changed the way we manage our finances.

Trend

According to India Finch Report 2020 by MEDICI, between 2010 and 2015, India saw 1216 new FinTech startups founded in this period.

"In 2014–15, there was a massive uptick in the number of new FinTech startups; the numbers grew from 210 in 2014 to 454 in 2015—a 116% increase in growth. The period between 2015 to June end 2020 has seen phenomenal growth in new startups across Payments, Lending, Wealth, and others. India's evolution as a progressive FinTech nation is not a miracle."

Current count

India currently has around **2174** FinTech start-ups.

Bengaluru and Mumbai lead the energy in FinTech, and together, these urban communities address 42% of the startup base camp. Aside from the best five FinTech objections, which incorporate Mumbai, Bangalore, New Delhi, Gurugram, and Hyderabad, the remainder of India represents 738 FinTech new businesses.

Why is Fintechs growing in India?

MEDICI said a four-point framework has led India to a FinTech revolution.

- Solving for identity in the form of Aadhaar for formalization.
- Getting everyone a bank account or equivalents (PMJDY) to store money.
- Building scalable platform(s) to move money (IMPS, UPI, BBPS, etc.).
- Allowing banks and FinTech and wealth/insurance/lending players also to access platforms like UPI, GSTN & Digi Locker to innovate.

The segment-wise breakup of FinTechs

Payments	405
Lending	365
WealthTech	313
Personal Finance Management	173
InsurTech	111
RegTech + Cybersecurity	58
Other Segments	748

"**Demonetisation** end up being a surprisingly beneficial development for digital exchanges by and large and those FinTech organizations that had the option to exploit it specifically. Still, this FinTech revolution has to also become a financial inclusion revolution—and that is a much more difficult task. Small wins will not make much difference to improve the quality of life for underbanked or unbanked communities and people," it added.

The Reserve Bank of India, too, has been proactively examining and setting up regulatory frameworks across various FinTech verticals such as digital payments, P2P lending, and more.

In January 2020, the RBI gave its nod to video-based KYC as an alternative to physical verification. The video-KYC process allows due diligence of the customer and identifying documents via video chat.

SEBI and IRDA have also constituted committees to study the growing impact of FinTechs in the WealthTech & InsurTech in India.

The initiative for setting up regulatory sandboxes where startups can develop and experiment with innovative products in a controlled environment is a step in the right direction, added MEDICI.

The city-wise breakup of fintech domain startups

Kolkata	47
Hyderabad	13
Chennai	104
Pune	88
Bengaluru	447
Delhi	208
Ahmedabad	35

Article By: ASHUTOSH BARNWAL | MDIM | PGPM 2020-2022

Investment Decisions

Most investors want to make investments in such a way that they get sky-high returns as quickly as possible without the risk of losing principal money. This is the reason why many are always on the lookout for top investment plans where they can double their money in few months or years with little or no risk.
However, a high-return, low-risk combination in a investment product, unfortunately, does not exist. Maybe in an ideal world but not at present. In reality, risk and returns are directly related, they go hand-in-hand, i.e., the higher the returns, higher the risk and vice versa.

While selecting an investment avenue, you have to match your own risk profile with the associated risks of the product before investing. There are some investments that carry high risk but have the potential to generate higher inflation-adjusted returns than other asset class in the long term while some investments come with low-risk and therefore lower returns.

There are two buckets that investment products fall into and they are financial and non-financial assets. Financial assets can be divided into market-linked products (like stocks and mutual fund) and fixed income products (like Public Provident Fund, bank fixed deposits). Non-financial assets - many Indians invest via this mode - are the likes of physical gold and real estate.
Here is a look at the top 5 investment avenues Indians look at while saving for their financial goals.

1. Direct equity
Investing in stocks might not be everyone's cup of tea as it's a volatile asset class and there is no guarantee of returns. Further, not only is it difficult to pick the right stock, timing your entry and exit is also not easy. The only silver lining is that over long periods, equity has been able to deliver higher than inflation-adjusted returns compared to all other asset classes.

At the same time, the risk of losing a considerable portion or even all of your capital is high unless one opts for stop-loss method to curtail losses. In stop-loss, one places an advance order to sell a stock at a specific price. To reduce the risk to certain extent, you could diversify across sectors and market capitalisations. To directly invest in equity, one needs to open a demat account.

2. Equity mutual funds
Equity mutual fund schemes predominantly invest in equity stocks. As per current the Securities and Exchange Board of India (Sebi) Mutual Fund Regulations, an equity mutual fund scheme must invest at least 65 percent of its assets in equity and equity-related instruments. An equity fund can be actively managed or passively managed.

In an actively traded fund, the returns are largely dependent on a fund manager's ability to generate returns. Index funds and exchange-traded fund (ETFs) are passively managed, and these track the underlying index. Equity schemes are categorised according to market-capitalisation or the sectors in which they invest. They are also categorised by whether they are domestic (investing in stocks of only Indian companies) or international (investing in stocks of overseas companies).

3. Debt mutual funds
Debt mutual fund schemes are suitable for investors who want steady returns. They are less volatile and, hence, considered less risky compared to equity funds. Debt mutual funds primarily invest in fixed-interest generating securities like corporate bonds, government securities, treasury bills, commercial paper and other money market instruments.

However, these mutual funds are not risk free. They carry risks such as interest rate risk and credit risk. Therefore, investors should study the related risks before investing.

4. National Pension System (NPS)
The National Pension System is a long term retirement - focused investment product managed by the Pension Fund Regulatory and Development Authority (PFRDA). It is a mix of equity, fixed deposits, corporate bonds, liquid funds and government funds, among others. Based on your risk appetite, you can decide how much of your money can be invested in equities through NPS.

5. Public Provident Fund (PPF)
The Public Provident Fund is one product a lot of people turn to. Since the PPF has a long tenure of 15 years, the impact of compounding of tax-free interest is huge, especially in the later years. Further, since the interest earned and the principal invested is backed by sovereign guarantee, it makes it a safe investment. Remember, interest rate on PPF in reviewed every quarter by the government.

TEAM FINARTHA

The FINANCE CLUB OF MDIM

BATCH OF 2019-21 & BATCH 2020-22

ISSUE - 89 | DATE - 28th March

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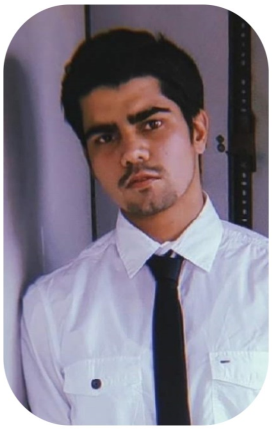

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