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

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INDEX

- SENSEX 59306.93
- NIFTY 50 17671.65
- NASDAQ 15498.39
- DOW JONES 35819.56

CURRENCY

- USD/INR ₹ 74.93
- GBP/INR ₹ 102.54
- YEN/INR ₹ 0.66
- EURO/INR ₹ 86.57

LATEST BY:
Oct 30, 2021

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
UltraTech	7446.65	7636.05	2.54	7690.00/7343.00
Dr Reddys Labs	4569.95	4659.20	1.95	4917.85/4526.05
Shree Cements	28193.05	28635.25	1.57	29000.00/27705.00
Maruti Suzuki	7369.70	7482.40	1.53	7550.00/7294.85
Cipla	891.75	905.05	1.49	917.00/885.25

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
Tech M	1533.30	1477.85	3.62	1542.75/1467.80
NTPC	137.35	132.65	3.42	136.90/128.55
Kotak Mahindra	2098.50	2031.15	3.21	2096.95/2015.00
IndusInd	1176.00	1140.20	3.04	1182.00/1123.60
Larsen	1814.25	1766.65	2.62	1824.90/1735.80

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
Reliance	BUY	2500	2700	2800	2400
Bharti Airtel	BUY	685	715	730	660
Cipla	BUY	880	920	940	860

Market Watch

- Nifty may take support in the range of 17200-17300
- Nifty Bank may continue downward shift.
- Rupee weakens against US Dollar.
- NIFTY IT may see a downside.

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 .

Edited By: ADARSHA NAMAN | MDIM | PGDM 2021-2023

WHAT'S BREWING IN THE MARKET

Core sector growth decelerated to 7-month low of 4.4% in September

Output from India's eight core sectors grew 4.4% in September, the slowest pace of year-on-year growth in seven months. That reversed two months of accelerating production, with August logging an expansion of 11.5%. On a sequential basis, September saw the second successive monthly decline in the Index of Eight Core Industries compiled by the Department for Promotion of Industry and Internal Trade (DPIIT). The index, which stood at 134.7 in July, slid al- most 1% in August and slumped 5% in September. In September 2020, when the economy had largely opened up after the national COVID-19 lockdown, core sector output had grown 0.6%. While five sectors posted distinct year-on-year growth last month, crude oil output shrank 1.7% and fertilisers and electrical barely remained in positive territory, with growth rates of0.02% and 0.3%, respectively. Natural gas production surged 27.5% in September after a 10.6% contraction in 2020, while cement output rose 10.8% after suffering a 3.4% fall a year earlier.

Fiscal deficit 35% of annual budget target

The union government's fiscal deficit has worked out to be t5.26 lakh crore or 35% of budget estimates at the end of September, as per the data released by the Controller General of Accounts (CGA) on Friday. The deficit figures in the current fiscal appear better than the previous financial year when it had soared to 114.8% of the estimates mainly on account of a jump in expenditure to deal with the COVID-19 pandemic. In absolute terms, the fiscal deficit or gap between expenditure and revenue was 25, 26,851 crores at the end of September, the CGA said. For the current fiscal, the government expects deficit at 6.8% of GDP or 215, 06,812crore. As per the data, the Centre's total receipts stood at t10.99 lakh crore or 55.6% of corresponding budget estimates (BE) FY22 up to September. Total receipts were 25.2% of the BE a year earlier. Of the total receipts, tax revenue was 29.2 lakh crore or 59.6% of BE, compared with 28% a year earlier.

Apple doubled business in India in FY21: Cook

Technology major Apple doubled business in India during fiscal 2021, said chief executive officer Tim Cook. "During fiscal 2021, we earned I nearly one-third of our revenue from emerging markets and doubled our business in India and Vietnam," Mr. Cook said during the company's fourth-quarter earnings conference call on Thursday.

The CEO said that the company had achieved more than 20% growth across all product categories and in every geographic segment. "This fiscal year, we reported $366 billion of revenue, which represents: 33% annual growth," he said. According to a report by Counterpoint Research released on Thursday, Apple emerged as the fastest growing brand in the July September 2021 quarter in India, with 212% y-o-y growth, and led the premium smartphone market with a 44% share.

Rupee, bonds gain on global oil price decline

The rupee and bonds strengthened on Thursday as a drop in global crude oil prices helped calm investor worries over sustained imported inflationary pressures in the economy. India imports about 80% of its oil requirements and high global prices percolate through the economy and hurt consumers, while also widening the country's cur- rent account deficit. Oil prices dropped to their lowest in two weeks after data showed a jump in U.S. inventories, and rising cases of COVID-19 in Europe, Russia and outbreaks in China dented hopes for an economic recovery.

Traders said bond yields too dropped, tracking the fall in U.S. Treasury yields and oil prices with the 10-year expected to be rangebound between 6.25% and 6.40% in the absence of major triggers. The 10-year bond yield was trading at 6.33%, down 1 basis point on the day after having touched 6.31% earlier in the session. The central bank on Wednesday announced a 28-day variable rate reverse repo auction for 250,000 crores on November 2; a move some said is another step towards liquidity normalisation.

BASICS OF BANCASSURANCE

Bancassurance, a french term is a relationship between a bank and an insurance company that is aimed at offering insurance products or insurance benefits to the bank's customers. In India, the process of Bancassurance began in 2000. IRDA came up with regulation on registration of Indian companies. Government of India also issued a Notification specifying 'Insurance' as a permissible form of business that could be undertaken by banks under Section 6(1)(o) of the Banking Regulation Act, 1949. However it was clarified that any bank intending to take up the business would have to take specific approval from RBI

FEATURES

1. Bank cannot pay a premium on behalf of the customer.
2. It can use only two insurance companies in one bank.
3. All commissions are disclosed in the annual accounts report.
4. A bank always focuses on its banking business.
5. For an insurance company, the network of a bank is useful for the sale.
6. It improves profitability.
7. It increases customer lifetime value.
8. It can offer all the financial facilities under one roof.
9.

TYPES

Full Integration Model: This model entails a full integration of banking and insurance services. The bank sells the insurance products under its brand acting as a provider of financial solutions matching customer needs.

Joint Venture Model: The bank participates in product and distribution design. Joint decision making and high system integration for infrastructure utilization is also one of its aspect.

Strategic Alliance Model: There is a tie-up between a bank and an insurance company. The bank becomes the marketer of products of the insurance company. No other insurance activity is carried out.

Financial Service Group: All kinds of facilities of financial activities are under one roof

BENEFITS

1. Customized solutions to the right customer at the right time and all at one place which gives customers the convenience to opt for the overall financial experience.
2. As banks hold all the data of its customer in the real time, this reduces the turnaround time thus better percolation of the policies and timely management of the benefits.
3. In the EY survey, 52% of insurance customers from banks stated their willingness to renew their policies. This was against a dismal 19% of insurance customers from non-bank channels, willing to renew.
4. The propensity to buy insurance products from the banks is higher as there is a factor of trust associated.
5. Banks already have a relationship with their customers selling them an amalgamation of financial products. With Bancassurance, insurance is added to the banks' product mix, diversifying their customer portfolio and increasing their penetration in the market.
6. Positive impact on the bank's profitability.
7. Integrated financial services strengthens customer relationships and builds better customer loyalty and retention levels.
8. Market coverage of Insurance is increased due to the already built image of the bank.
9. With the increased market penetration, insurers are motivated to extend the upper bar of the premium.

DISADVANTAGES

Problems of data security comes in picture, thus need the high ethical and structural standards to maintain that.

Conflict of interest arising out of the different bank products and insurance services.

Bad Customer service is a reality in India so need designated behavioural changes to heighten customer satisfaction.

It is interesting to know that Birla Sun Life was the first bancassurance policy to be sold in India.

Edited By: SHIVANI TRIPATHI | MDIM | PGPM 2021-2023

IPO WATCH: STAR HEALTH & ALLIED INSURANCE

ABOUT THE COMPANY:

Star Health is the largest private health insurer in India with a market share of 15.8% in the Indian health insurance market in Fiscal 2021. They had a total gross written premium (GWP) of Rs. 93,489.50 million in Fiscal 2021. The firm has expanded from being the first standalone health insurance ("SAHI") company created in India in 2006 to becoming the largest SAHI company in the total health insurance market in India. In Fiscal 2021, their comprehensive health insurance product suite insured 20.5 million people in retail health and group health, accounting for 89.3 percent and 10.7 percent, respectively, of its total health GWP. The firm has regularly ranked no. 1 in the retail health insurance industry in India based on retail health GWP during the previous three fiscal years. The company offers excellent services in health, personal accident, and international travel insurance, among other things. Their efforts have always been focused on service quality and product innovation, with the goal of providing the greatest possible service to our consumers. Star Health provides fantastic goods for everyone, whether they are individuals, families, or corporations. They work both directly and through other channels such as agents, brokers, online, and so on. Star Health now employs over 12800 people and has 640+ branch offices across India. The company's Chairman and CEO is Venkatasamy Jagannathan. Subbarayan Prakash & Anand Shankar Roy are the managing directors of the company. The company is based in Chennai, Tamil Nadu.

FINANCIAL HIGHLIGHTS

	2019	2020	2021
REVENUE	2262.54	4619.61	9077.76
EXPENSE	440.07	485.36	1381.74
PAT	1282.26	2680.02	8255.81

All values are in Rs. Cr.

IPO DETAILS:

The IPO consists of a Rs 2,000 crore new issuance and an offer for sale of up to 6,01,04,677 equity shares by existing selling shareholders, including promoters. The offer for sale consists of Safecrop Investments India LLP selling 3,06,83,553 equity shares, Konark Trust selling 1,37,816 equity shares, MMPL Trust selling 9,518 equity shares, Apis Growth 6 Ltd selling 76,80,371 equity shares, Mio IV Star selling 41,10,652 equity shares, University of Notre Dame Du Lac selling 41,10,652 equity shares, ROC Capital Pty Ltd selling 25,09,099 equity shares. Employees' equity shares are reserved as part of the offer. Safecrop Investments India, Konark Trust, and MMPL Trust would sell their stakes among the promoters and promoter group shareholders. Rakesh Jhunjhunwala, the Big Bull, will not sell his shares. The global co-coordinators and book running lead managers for the IPO are Kotak Mahindra Capital Company, Axis Capital, BofA Securities India, Citigroup Global Markets India, and ICICI Securities. The issue's book running lead managers are CLSA India, Credit Suisse Securities (India), and Jefferies India. The issue's co-book running lead managers are Ambit Pvt Ltd, DAM Capital Advisors (previously IDFC Securities), IIFL Securities, and SBI Capital Markets. The company is yet to share IPO's subscription and listing details.

OBJECTIVES OF THE IPO:

The net proceeds of the new offer will be used to expand the company's capital base and maintain solvency standards. The proceeds from the offer for sale will be distributed to the selling shareholders.

FORWARDS AND FUTURES VALUATION

For most risky assets, we estimate current value as the discounted present value of the expected price of the asset at some future time. Because the future price is subject to risk (uncertainty), the discount rate includes a risk premium along with the risk-free rate. We assume that investors are **risk-averse** so they require a positive premium (higher return) on risky assets. An investor who is **risk-neutral** would require no risk premium and, as a result, would discount the expected future value of an asset or future cash flows at the risk-free rate.
In contrast to valuing risky assets as the (risk-adjusted) present value of expected future cash flows, the valuation of derivative securities is based on a **no-arbitrage condition**. *Arbitrage* refers to a transaction in which an investor purchases one asset or portfolio of assets at one price and simultaneously sells an asset or portfolio of assets that has the same future payoffs, regardless of future events, at a higher price, realizing a risk-free gain on the transaction.
While arbitrage opportunities may be rare, the reasoning is that when they do exist, they will be exploited rapidly. Therefore, we can use a no-arbitrage condition to determine the current value of a derivative, based on the known value of a portfolio of assets that has the same future payoffs as the derivative, regardless of future events. Because there are transactions costs of exploiting an arbitrage opportunity, small differences in price may persist because the arbitrage gain is less than the transactions costs of exploiting it.
In markets for traditional securities, we don't often encounter two assets that have the same future payoffs. With derivative securities, however, the risk of the derivative is entirely based on the risk of the underlying asset, so we can construct a portfolio consisting of the underlying asset and a derivative based on it that has no uncertainty about its value at some future date (i.e., a hedged portfolio). Because the future payoff is certain, we can calculate the present value of the portfolio as the future payoff discounted at the risk-free rate. This will be the current value of the portfolio under the no-arbitrage condition, which will force the return on a risk-free (hedged) portfolio to the risk-free rate.
The value of an asset combined with a short forward position is simply the price of the forward contract, F0(T).
Thus, with a time 0 value of an asset of S0, and a forward price of F0(T), it must be the case that F0(T) / S0 = (1 +Rf)T.
A riskless transaction should return the riskless rate of interest. Because the payoff at time *T* (settlement date of the forward contract) is from a fully hedged position, its time *T* value is certain. The asset will be sold at time *T* at the price specified in the forward contract. To prevent arbitrage, the above equality must hold.
Another way to understand this relationship is to consider buying an asset at S0 and holding it until time *T*, or going long a forward contract on the asset at F0(T) and buying a pure discount bond that pays F0(T) at time *T.* Both have the same payoff at settlement. They both result in owning the asset at time *T*. The proceeds of the bond, F0(T), are just enough to buy the asset at time *T*. Because both strategies must, therefore, have the same value at time 0, we can write F0(T) = S0 × (1 + Rf)T, a rearrangement of our previous relationship.
F0(T) is the no-arbitrage price of the forward contract. If the forward price is greater than S0 × (1 + Rf)T, we could buy the asset and take a short position in the forward contract to receive an arbitrage profit of F0(T) – S0 × (1 + Rf)T at time *T*, the settlement date of the forward contract. If the forward price is less than S0 × (1 + Rf)T, we could sell the asset short, invest the proceeds in a pure discount bond at Rf, and take a long position in the forward contract. At settlement of the forward contract we could use the proceeds of the bond to buy the asset at F0(T) (to cover the short position) and retain the bond proceeds in excess of the forward price, S0 × (1 + Rf)T – F0(T), as an arbitrage profit.

Article By: ADARSHA NAMAN | MDIM | PGPM 2021-2023

SHARE SPLIT

	Pre-Split	Post-Split
2-for-1		
# of Shares	10M	20M
Shares Price	$10	$5
Market Cap	$100M	$100M
3-for-1		
# of Shares	10M	30M
Shares Price	$10	$3.33
Market Cap	$100M	$100M
3-for-2		
# of Shares	10M	15M
Shares Price	$10	$6.66
Market Cap	$100M	$100M
Reverse Split		
1-for-10		
# of Shares	10M	1M
Shares Price	$1	$10
Market Cap	$10M	$10M

What is share split?

When a company declares a stock split, the number of shares of that company increases, but the market cap remains the same. Existing shares split, but the underlying value remains the same. As the number of shares increases, price per share goes down.A reverse stock split is also an option for businesses. A one-for-ten split means you get one share for every ten shares you possess.

Stock splits are used to increase liquidity and make shares more accessible to investors who previously couldn't afford to buy the company's stock due to high prices.Bonus shares are frequently confused with stock splits. Bonus share distribution only affects the company's issued share capital, but a stock split affects the company's authorised share capital.

Are Stock Splits good or bad?

Stock splits generally occur when a company's share price is high. This can be an indication that the company is in good health. Stock splits don't add any actual value to a stock, but they do increase liquidity and affordability, which are both good for investors.

Market activity generally increases after a stock split. While that can sometimes lead to increases in share price, it can also lead to greater volatility.

Recent Share Split

Shares of Indian Railway Catering and Tourism Corporation (IRCTC) rallied 15 per cent to Rs 949.65 on the BSE in Thursday's intra-day trade after the scrip turned ex-stock split (sub-division of equity shares) in ratio of 1:5.

The stock of IRCTC had hit a record high of Rs 1,279 (adjusted to stock split) on October 19, 2021. In the past three months, it has zoomed 105 per cent, as against a 16 per cent gain the S&P BSE Sensex.

IRCTC has fixed Friday, October 29, as the record date to ascertain the name of shareholders entitled to the subdivision/split of equity shares of Rs 10 each into five equity shares at a face value of Rs 2 each. The board of IRCTC had approved a stock split on August 12.

IRCTC was trading 12 per cent higher at Rs 921.20 on the BSE, as compared to a 0.64 per cent decline in the S&P BSE Sensex. A combined around 15 million equity shares had changed hands on the counter on the NSE and BSE.

IRCTC

TEAM FINARTHA

The FINANCE CLUB OF MDIM

BATCH 2020-22 & 2021-23

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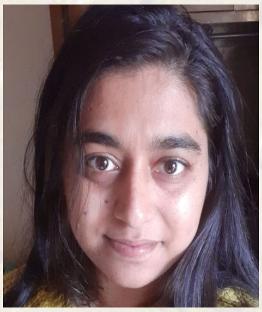
Shubham Bhattacharya

Joy Dutta

Megha Poddar

Rahul Dhankhar

Navin Srivastava



SHREYAS TEWARI

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