

FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM



FINARITHA

THE FINANCE CLUB OF MDIM

WEEKLY
FINANCIAL
MAGAZINE
FOR THE
STUDENTS
OF
MDIM



**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.



FINARATHA



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INDEX

- SENSEX **60067.62**
- NIFTY 50 **17916.80**
- NASDAQ **15971.59**
- DOW JONES **36327.95**

CURRENCY

- USD/INR **₹ 74.22**
- GBP/INR **₹ 100.00**
- YEN/INR **₹ 0.65**
- EURO/INR **₹ 85.77**

LATEST BY:
Nov 6, 2021

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Eicher Motors	2521.85	2661.60	5.54	2696.25/2551.00
M&M	849.00	872.85	2.81	875.00/853.00
ITC	222.45	226.55	1.84	227.30/224.00
Bajaj Auto	3698.40	3759.35	1.65	3764.90/3718.50
IOC	132.55	134.65	1.58	135.00/133.55

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
Hindalco	478.30	472.60	1.19	482.00/470.00
ICICI Bank	785.95	782.10	0.49	789.00/779.00
Asian Paints	3170.65	3159.25	0.36	3190.00/3145.00
JSW Steel	680.25	678.65	0.24	685.00/677.15
Cipla	912.65	910.70	0.21	914.25/908.85

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
Reliance	BUY	2500	2700	2800	2400
Kotak Mahindra	BUY	2050	2250	2300	2000
Lupin	BUY	930	995	1078	910

Market Watch

- Nifty faces strong resistance at 18000
- Nifty Bank may continue in downward trend.
- Rupee slightly strong against US Dollar.
- NIFTY PHARMA may see a upside.

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?

INDIA'S REVENUE SURGE TO FUND WELFARE, NOT FISCAL GAP

India will utilise a big bump in revenue collection to fund welfare programmes instead of trying to beat its fiscal deficit target or lower borrowing, two government officials told Reuters. The country is set to exceed its revenue collection target of 15.45 lakh crore, the first beat in four years, but a big chunk of the extra cash will go to a rural job programme and to provide free cereals to the poor. The Centre is also likely to lose 550 billion to 7600 billion in revenue after cutting fuel taxes this week. "Even after the cut in fuel taxes we should be able to exceed the tax collection target for the year but will use the funds for rural job programme and subsidies," said one of the officials, both of whom declined to be identified talking about market sensitive figures. "Fiscal deficit and borrowing will be at the budget estimate levels." Many economists had predicted India bettering its fiscal deficit target of 6.8% by 30-50 basis points for the year that ends on March 31. Market participants had also expected the government to review its budgeted borrowing of 12.05 lakh crore before starting discussions on its next budget to be presented on February 1. Prime Minister Narendra Modi's administration is planning to top up its rural job-guarantee effort by up to 100 billion, said the second official, having used up 2730 billion allocated for the current fiscal year. The government will also have to provide an additional - 2500 billion each for its free food drive and an incentives programme for exporters, said the officials. It has also approved 2400 billion extra in fertiliser subsidies.

MUSK'S STARKLINK TO EXPLORE TELCO TIE-UP FOR BROADBAND

Elon Musk-led SpaceX's satellite broadband arm Star link is planning explore collaboration with telecom companies in India to expand broadband services in the country with a focus on rural areas, a top company official said on Friday. Starlink country director India at SpaceX Sanjay Bhargava told PTI that discussions with broadband service providers will start once the 12 Phase-I aspirational districts are identified by the NITI Aayog and the company will see the interest levels of the various players and the Universal Service Obligation Fund. "I am hoping we will get a time-bound 100% broad band plan that can serve as a model for other districts but the devil is in the details. There may be many good reasons why one or more broadband providers do not want to collaborate, though to me that seems unlikely."

GAIL CAN BUY IL&FS'S STAKE IN OTPC: NCLT

The National Company Law Tribunal (NCLT) has approved State-owned gas utility GAIL (India) Ltd's acquisition of bankrupt Infrastructure Leasing and Financial Services' 26% stake in ONGC Tripura Power Company (OTPC), GAIL said on Friday. "NCLT has granted approval for the acquisition of 26% equity stake of Infrastructure Leasing & Financial Services (IL&FS) Group by GAIL (India) Ltd. in OTPC, GAIL said in a stock exchange filing. The stake, it said, is being acquired from IL&FS Group companies.

GOYAL URGES FIVEFOLD BOOST TO EXPORT OF TECHNICAL TEXTILES

The annual growth rate of the technical textiles sector in the country should be in the 15%-20% range in the next five years, from the current 8%, said Union Minister of Textiles, Commerce and Industry, Consumer Affairs and Food and Public Distribution Piyush Goyal. It is time to target a five times' increase in export of technical textiles in three years, he told representative of the Indian Technical Textile Association (TTA) in New Delhi on Friday. The world market for technical textiles is \$250 billion and India's share is \$19 billion. In January 2019, the government issued 207 HSN Codes for technical textiles and in less than two years, India had become a net exporter of technical textiles. It also unveiled the National Technical Textiles Mission in February last year. In FY21, India's major share of technical textile exports was in PPES, N-95 and surgical masks, and fabric for PPES and masks.

Road of VALUE CAPTURE FINANCE(VCF) to financial inclusion

Over the last two years a lot of major missions by *Ministry of Urban Development, Government of India* has been launched for improving the quality of urban services and to bridge the gap of urban infrastructure deficit. But one of the key challenges faced by the cities is the limited revenue and their limited capacities. To overcome this challenge, Value Capture Finance comes as a innovative fiscal revenue generation tool to fund the urban infrastructure.

To simplify the concept, we can understand **Value Capture** as a widely practiced tool across nations which works on the principle that private land and buildings benefit from public investments in infrastructure and policy decisions taken by the Government. Thus appropriate VCF tools can be deployed to capture a part of increment in the value of land and buildings happened because of the Government. In turn, the revenue can be used in the projects set up for the public by the Central and State Governments and Urban Local Bodies. This generates a *virtuous cycle in which value is created, realized and captured and used again for the project investment.*



Some of the VCF tools and methods that are being implemented through the recent framework are-

1. **Premium on relaxation of rules or additional FAR (Floor Area Ratio)**- Government allows additional developmental rights beyond the permissible limits and for that it charges money/fee which can be a source of revenue for further infrastructure development.
2. **Land Pooling System**- Private people give land to government which then develops the public infrastructure and due to this development in the form of roads, parks, drainage etc, the value of private land increases. Whatever will be the land left after the development is returned to the public thus fetching equal or more money because of the surrounding development.
3. **Transfer of Development Rights**- It is the zoning technique that conserves land by redirecting development that would otherwise occur on the sending area land to a receiving area suitable for denser development.
4. **Fees for changing land use**- Government charges fee for conversion of agricultural land for non-agricultural use.

The vision to develop comprehensive frameworks is to make efficient and optimal use of VCF across the country as a method of financing the ongoing Urban Transformation. Ministry of Urban Development has also come up with this policy framework for an innovative resource mobilization through VCF. It will work as a guide for the governments (city and state) in assessing the scope and optimizing resource mobilization, and identifying the area of influence of proposed projects.

In addition to the policy framework, a Guidance Note on one of the VCF tools – Impact Fees – has also been prepared to highlight the practical aspects of successfully implementing impact fees. The ultimate goal of Value Capture Finance is to gain financial sustainability, and thereby *bridge the gap between narrowing resources and increasing demand for infrastructure from an increasing urban population.*

IPO WATCH: DELHIVERY

ABOUT THE COMPANY:

Delhivery is an e-commerce and logistics supply chain company. Sahil Barua, Mohit Tandon, Bhavesh Manglani, Suraj Saharan, and Kapil Bharati created it in 2011. The Gurgaon-based firm employs 50,000 people and operates 85 packaging warehouses, 24 automated sort centres, 75 hubs, 7,500+ partner centres, and 85 hubs. Delhivery currently has the capacity to process over 15 lakh (1.5 million) parcels per day. For the first few months after its creation, it was conceived as a hyperlocal express delivery service provider for offline retailers, delivering flowers and food locally in Gurugram. Urban Touch, an online fashion and beauty retailer, became Delhivery's first e-commerce client in June 2011. By August 2011, Delhivery had totally shifted its focus to providing logistics services to a number of e-commerce firms. The company offers warehouse, transportation, and freight services, as well as order fulfilment. Reverse logistics, rapid package shipping, cross-border, LTL and FTL freight, B2C and B2B warehousing, and related technological services are also available. Since its inception, Delhivery claims to have completed over 850 million transactions. It has a direct customer base of over 10,000 people. Delhivery also touts a vast list of investors, including Nexus Ventures, SoftBank, CPP Investment Board, and a number of others. According to RedSeer Report, as of Fiscal 2021, Delhivery was India's largest and fastest-growing fully-integrated logistics services company by revenue.



FINANCIAL HIGHLIGHTS

	<u>2019</u>	<u>2020</u>	<u>2021</u>
TOTAL ASSETS	4,062.54	4,357.31	4,597.80
TOTAL REVENUE	1,694.87	2,988.63	3,838.29
PAT	(-1,783.30)	(-268.93)	(-415.74)

All values are in Rs. Cr.

IPO DETAILS:

The Securities and Exchange Board of India (SEBI) has received a draft red Herring prospectus (DRHP) from Delhivery Limited for an initial public offering (IPO) of INR 7460 crores on November 1, 2021. The offer includes a fresh issue of INR 5,000 crores worth of value equity shares, as well as an offer for sale (OFS) of 2460 crores worth of value equity shares from the shareholders listed in the DRHP. In this issue, they are not looking for any pre-IPO placement. China Momentum Fund (Deli CMF) is selling Rs 400 crore, Carlyle is selling Rs 920 crore, SoftBank is offering Rs 750 crore, and Times Internet is selling Rs 330 crore in the IPO. The company's potential IPO valuation forecast is around \$5.5 billion, depending on the demand-supply scenario closer to listing. The bookrunning lead managers for the IPO are Kotak Mahindra Capital, Morgan Stanley India, BOFA Securities, and Citigroup. The date for IPO listing and subscription details are yet to be announced. The listing will be done on the BSE and NSE. Delhivery had planned to list on the stock exchange in 2019. However, due to the 2019 general elections, it had to put its preparations on hold.

OBJECTIVES OF THE IPO:

The IPO proceeds will be used to fund organic growth efforts worth Rs 2,500 crore, inorganic growth through acquisitions and other strategic initiatives worth Rs 1,250 crore, and general corporate purposes worth Rs 1,250 crore.



MODULE 48.2: SWAPS AND OPTIONS

Swaps are agreements to exchange a series of payments on periodic *settlement dates* over a certain time period (e.g., quarterly payments over two years). At each settlement date, the two payments are *netted* so that only one (net) payment is made. The party with the greater liability makes a payment to the other party. The length of the swap is termed the *tenor* of the swap and the contract ends on the termination date.

Swaps are similar to forwards in several ways:

- >Swaps typically require no payment by either party at initiation.
- >Swaps are custom instruments.
- >Swaps are not traded in any organized secondary market.
- >Swaps are largely unregulated.
- >Default risk is an important aspect of the contracts.
- >Most participants in the swaps market are large institutions.
- >Individuals are rarely swaps market participants.

There are swaps facilitators who bring together parties with needs for the opposite sides of swaps. There are also dealers, large banks, and brokerage firms who act as principals in trades just as they do in forward contracts.

In the simplest type of swap, a **plain vanilla interest rate swap**, one party makes *fixed-rate* interest payments on a notional principal amount specified in the swap in return for *floating-rate* payments from the other party. A **basis swap** involves trading one set of floating rate payments for another. In a plain vanilla interest rate swap, the party who wants floating-rate interest payments agrees to pay fixed-rate interest and has the *pay-fixed* side of the swap. The counterparty, who receives the fixed payments and agrees to pay variable-rate interest, has the *pay-floating* side of the swap and is called the *floating-rate payer*. The payments owed by one party to the other are based on a **notional principal** that is stated in the swap contract.

Options

An **option contract** gives its owner the right, but not the obligation, to either buy or sell an underlying asset at a given price (the **exercise price** or **strike price**). While an option buyer can choose whether to exercise an option, the seller is obligated to perform if the buyer exercises the option.

The owner of a **call option** has the right to purchase the underlying asset at a specific price for a specified time period.

The owner of a **put option** has the right to sell the underlying asset at a specific price for a specified time period.

The seller of an option is also called the **option writer**. There are four possible options positions:

1. Long call: the buyer of a call option—has the right to buy an underlying asset.
2. Short call: the writer (seller) of a call option—has the obligation to sell the underlying asset.
3. Long put: the buyer of a put option—has the right to sell the underlying asset.
4. Short put: the writer (seller) of a put option—has the obligation to buy the underlying asset.

The price of an option is also referred to as the **option premium**.

American options may be exercised at any time up to and including the contract's expiration date.

European options can be exercised only on the contract's expiration date.

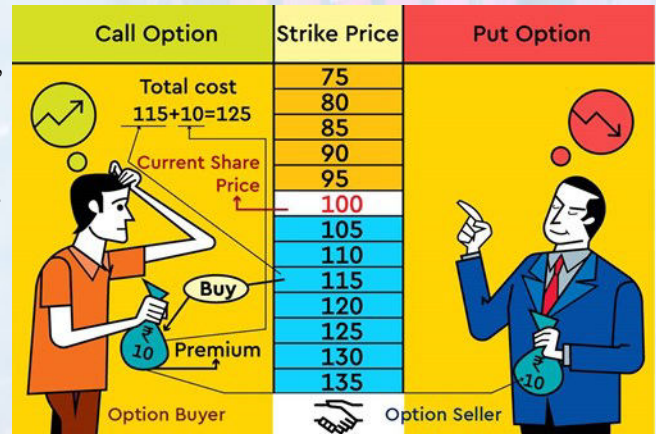
PUT OPTION TRADING

An **OPTION** is a contract that is written by a seller that conveys to the buyer the right — but not an obligation to buy (for a call option) or to sell (for a put option) a particular asset, at a specific price (strike price/exercise price) in future.

A **PUT OPTION** (or “put”) is a contract giving the option buyer the right, but not the obligation, to sell—or sell short—a specified amount of an underlying security at a predetermined price within a specified time frame. This predetermined price at which the buyer of the put option can sell the underlying security is called the strike price.

How does a put option work?

As the price of the underlying stock or investment falls, a put option becomes more valuable. A put option, on the other hand, loses value as the price of the underlying stock rises. As a result, they are frequently utilised for hedging or to speculate on price activity on the negative. Put options are frequently employed in a risk management strategy known as a protective put, which is a type of investment insurance or hedge that ensures that losses in the underlying asset do not exceed a predetermined amount. The investor uses this method to hedge downside risk in a stock held in the portfolio by purchasing a put option. The investor would sell the stock at the put's strike price if and when the option is executed. A short position in the stock is created if the investor does not own the underlying stock and exercises a put option.



Factors Affecting the Price of a Put.

Because of the influence of time decay, the value of a put option diminishes as the time to expiration approaches. As the time to expiry of an option approaches, time decay accelerates since there is less time to profit from the trade. When the time value of an option expires, the intrinsic value remains. The difference between the strike price and the underlying stock price is the intrinsic value of an option. In the money refers to an option that has inherent value (ITM). Put options that are out of the money (OTM) or at the money (ATM) have no intrinsic value because there is no incentive to exercising them. Rather than exercising an out of the money put option at an unfavourable strike price, investors might short sell the stock at the current higher market price. Short selling, on the other hand, is usually riskier than buying put options outside of a bad market.

Example:

An investor buys one put option on the **SPDR S&P 500 ETF (SPY)**, which is currently trading at \$445, with a strike price of \$425 expiring in one month. For this option, they paid a premium of \$2.80, or \$280 (\$2.80 × 100 shares or units). If units of SPY fall to \$415 prior to expiration, the \$425 put will be “in the money” and will trade at a minimum of \$10, which is the put option’s intrinsic value (i.e., \$425 - \$415). The exact price for the put would depend on a number of factors, the most important of which is the time remaining to expiration. Assume that the \$425 put is trading at \$10.50. Since the put option is now “in the money,” the investor has to decide whether to (a) exercise the option, which would confer the right to sell 100 shares of SPY at the strike price of \$425; or (b) sell the put option and pocket the profit. We consider two cases: (i) the investor already holds 100 units of SPY; and (ii) the investor does not hold any SPY units. (The calculations below ignore commission costs, to keep things simple). Let’s say the investor exercises the put option. If the investor already holds 100 units of SPY (assume they were purchased at \$400) in their portfolio and the put was bought to hedge downside risk (i.e., it was a protective put), then the investor’s broker would sell the 100 SPY shares at the strike price of \$425. The net profit on this trade can be calculated as:

$$\text{Profit} = [(\$425 - \$400) - \$2.80] \times 100 = \$2,220$$

TEAM FINARTHA

The **FINANCE CLUB OF MDIM**

BATCH 2020-22 & 2021-23

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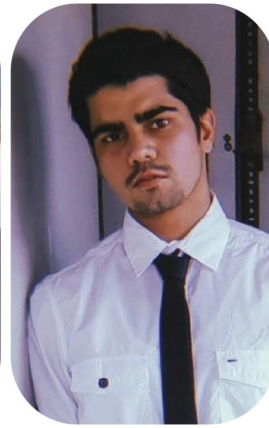
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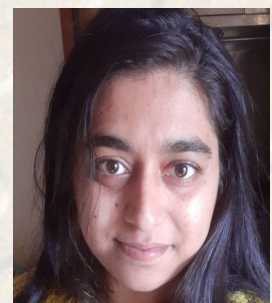
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