FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM

MDI MURSHIDABAD | Management Development Institute

WEEKLY FINANCIAL MAGAZINE FOR THE STUDENTS OF MDIM

FINARTHA
THE FINANCE CLUB 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

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NOVEMBER 22, 2021

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INDEX

- SENSEX 58,465.89
- NIFTY 50 17,416.55
- NASDAQ 16057.44
- DOWJONES 35601.98

CURRENCY

- USD/INR ₹ 74.35
- GBP/INR ₹ 99.97
- YEN/INR ₹ 0.65
- EURO/INR ₹ 83.86

LATEST BY:
Nov 22, 2021

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
BHARTIARTL	714.35	741.35	3.78	755.95/733.10
JSWSTEEL	650.55	661.25	1.64	663.50/645.05
ASIANPAINT	3226.85	3263.35	1.13	3308.35/3215.05
POWERGRID	192.50	193.80	0.68	197/192
HINDALCO	440.30	442.50	0.50	447.70/432.90

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
BAJFINANCE	7,484.95	7065.70	-5.60	7,514.50/6,990.05
BAJAJFINSV	17,921.25	17059	-4.81	18,140.00/16,830.05
TATAMOTORS	509.70	486.40	-4.57	512.25/ 478.40
RELIANCE	2473.30	2365.65	-4.35	2,449.00/2,351.00
NTPC	135.30	130.00	-3.92	136.90/129.70

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
Vedanta	BUY	335	340	350	330
HDFC	BUY	2915	2950	2975	2900
Bajaj Finance	BUY	7140	7280	7400	7050

Market Watch

- Market has shown consolidation phase
- Markets are at a range, probable retracement could happen.
- Market might move sideways for couple of days
- NIFTY Media, NIFTY Metal can be bullish for the upcoming week.

WHAT'S BREWING IN THE MARKET?

Financial bids for six CPSESs to be invited by January: DIPAM

The Centre will invite financial bids for privatising as many as many as six CPSES, including BPCL, BEML and Shipping Corp., by January, a top government official said on Wednesday. Tuhin Kanta Pandey, Secretary, Department of Investment and Public Asset Management (DIPAM), also invited private players to bid for the CPSEs that are up for privatisation, along with transfer of management control. "After 19 years, we will see 5-6 (instances of) privatisation this year. BPCL is in the due diligence stage. BEML, Shipping Corp., Pa wan Hans, Central Electronics, NINI financial bids can take place in December-January so that we can close it by this year itself," he said. Last month, the government had accepted an offer for Air India by Talace Pvt. Ltd., a unit of the Tata group, to pay t2,700 crore cash and take over $15,300 crore of the airline's debt. Mr. Pandey said that post the experience of the Air India sale, going forward, the privatisation of CPSES could be accomplished faster. Co-operation from the private sector was also required; they too had a role to play by bidding for CPSES that were on sale, he added.

SEBI unveils investor charter

Markets regulator SEBI on Wednesday came out with an investor charter aimed at protecting the interest of investors in the securities market. The vision of the investor charter is "to protect the interests of investors by enabling them to understand the risks involved and invest in a fair, transparent, secure market, and to get services in a timely and efficient manner." The rights include getting fair and equitable treatment, and expecting redresssal of investor grievances filed in the SCORES portal in a time-bound manner. "This also includes get- ting quality services from SEBI-recognised market infrastructure institutions and SEBI-registered intermediaries, regulated entities and asset management companies," the charter said.

Do's and don'ts

SEBI has also laid out responsibilities, and do's and don'ts for investors.

"Redressal of investor grievances is an important measure towards investor protection, the regulator - said. SEBI said it now publishes a status report about the disposal of investor grievances received on SCORES portal on the website, on a monthly basis. "A mechanism has been established whereby all SEBI regulated intermediaries/entities will have to disclose the average time taken for redressal of investor grievances received by them, on their respective websites in a format specified by SEBI starting from January 2022," the regulator said. SEBI said it has put in place an alternate dispute redressal mechanism for grievances against brokers, depository participants at the level of stock exchanges and depositories.

Gold demand soft in top Asian hubs as prices soar

Physical gold demand in major Asian hubs softened this week with prices near multi-month peaks, although Indian dealers looked to the upcoming wedding season for renewed interest in bullion. "Jewellers have taken a pause. They are waiting for prices to correct," said a Mumbai-based bullion dealer with a private bank. Local gold futures closed at *49,059 per 10 grams on Thursday, after rising to *49,610 earlier this week - the highest since June 3. Dealers were this week offering a discount of up to $2.5 an ounce over official domestic prices - inclusive of the 10.75% import and 3% sales levies - up from the prior week's discount of $2. Buyers are now postponing their purchases for wed dings, said a bullion dealer. In China, the world's top consumer of gold and Japan, retail demand continued to struggle due to higher prices. Premiums of $1-$4 an ounce in China were charged over bench mark spot prices compared with last week's $2-$5 an ounce premium.

Higher GST rates disappoint textiles, clothing industry

The Centre's notification on higher GST rates for several textile and apparel items from January next has come as a blow to micro, small and medium-scale textile and clothing units with industry groups asserting the move will push up prices for consumers and spur inflation. In an industry where al- most 80% of the units are in the MSME segment, fixing 12% for fabrics and garments will only lead to higher price common man, said Sanjay K. Jain, chairman of the Committee on Tex- tiles, Indian Chamber of Commerce. "The industry and the market can absorb 3% to 4% hike," he remarked. "But 7% is too steep and sudden. It is the MSME units that make the low-cost garments mostly and these units may suffer from drop in demand."

RBI panel moots law to regulate digital lending

A Reserve Bank of India (RBI) Working Group (WG) on digital lending, including lending through online plat forms and mobile apps, has recommended a separate legislation to oversee such lending as well as a nodal agency to vet the Digital Lending Apps. The group 'set up in the backdrop of business con duct and customer protection concerns arising out of the spurt in digital lending activities' has also mooted a Self-Regulatory Organisation for participants in the digital lending ecosystem. Besides a separate law to prevent illegal digital lending activities, the group has proposed development of certain baseline technology standards and compliance with those standards as a pre-condition for offering digital lending solutions.

It has also suggested that disbursement of loans be made directly into the bank accounts of borrowers and servicing of loans be done only through the bank accounts of the digital lenders.

Paytm shares tumble 27%, high valuation cited

Shares of One97 Communications Ltd., Paytm's parent company, made a weak market debut, tumbling more than 27% from the issue. Price of 2,150. The stock opened at 1,955, and ended with a 27.3% decline at 1,564.15 on the BSE. "Paytm, the biggest IPO in India so far, debuted in the secondary market on a weaker note as compared to our expectations of a flat listing," Santosh Meena, head of research, Swastika Investmart, said.

Ant Group-backed Paytm's 18,300-crore IPO was subscribed 1.89 times. Last week. The offer size was greater than miner Coal India's 15,000-crore IPO a decade ago. The subscription that Paytm commanded was "much lowers compared to the other recently listed companies," said Parth Nyati, founder, Tradingo. He added that it was likely the company had sought a high valuation due to its brand value.

Will India have to abolish Equalization Levy once the Global Minimum Corpotae Tax kicks in?

G-20 countries unanimously decided to bring in the transformative Global Minimum Corporate Tax which conditions the member OECD countries to do away with any kind of unilateral tax measures aimed at multinational companies to roll out the OECD tax regime.

What is Global Corporate Minimum Tax?

Big Technology companies shift their profits to such countries where corporate tax rate is less. The companies do not shift the actual business but mostly financial transactions are involved. As the competition among the countries is increasing to attract more business/investment, so countries also resort to reduction in corporate taxes. This has led to the loss of tax revenue to the home country Govt. That is why countries have agree to implement a Global Minimum Corporate Tax. So, let us say there is a company XYZ in US where corporate tax is 20%, and the company shifts its business revenues to another country say Mauritius where corporate tax is 5% then US Govt. will have the authority to collect tax from XYZ = GMCT (let us say 15%) - 5%. This means that now if the companies shift their business revenues to tax heavens then also they will have to pay a minimum tax.

The Global Minimum Corporate Tax Framework that the countries have agreed has two-pillar package:

Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest Multi National Enterprises (MNEs), including digital companies. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there. (So, because of this pillar, Equalization Levy will not be required anymore)

Pillar Two seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases.

What is Equalization Levy that is existent in India?

In simpler terms, we can understand through the example of Google. Google does not have any establishment/physical presence in India but earning revenue from India (Indian residents) through advertisements on its websites. And Google does not book/calculate any profit from its India operations and hence was not paying tax as per Income Tax Act 1961. For these type of companies Govt. of India brought Equalization Levy (in 2016) to tax such income. So, Equalization Levy of 2% was imposed on the Revenues of such companies (and not profit as they were not calculating profit) which they were earning from Indian residents.

The two pillar solutions ought to be reckoned as enduring overhaul of the century old international tax regime, that's here to change the rule of the global profit allocation amongst taxing jurisdictions completely. A consensus on Pillar 1 and Pillar 2 are key to secure a more certain and stable tax regime for multinationals and governments. While the fine print is awaited, India is balancing its interests both as an importer and an exporter of capital, goods and services. The Multilateral Convention to be implemented will be developed and opened for signature in 2022 and will come into effect from 2023.The Global Digital Tax deal would only cover companies with 20-billion-euro revenues and a profit margin above 10 per cent. These largely cover the top 100 companies.

IPO WATCH: PENNA CEMENT

ABOUT THE COMPANY:

Penna Cement Industries is one of India's largest privately held cement firms and a major integrated cement player in terms of production capacity, with a high brand recognition in the country's southern and western regions. (According to the CRISIL report) With over 25 years of experience, the firm has been able to effectively develop its business in substantial parts of India, as well as in Sri Lanka, by leveraging its brand, strategically positioned integrated production facilities, and wide distribution network. The company, which was founded in 1991, has established itself as one of the most trusted cement brands in India, with substantial presence in southern and western India. Their clients vary from individual homeowners to large real estate developers, as well as state governments and worldwide construction corporations. It has expanded organically over the previous two decades by establishing in-house expertise and skills across the full cement value chain. Their cement factories are all equipped with cutting-edge technology, allowing them to produce high-quality goods. The company has an installed cement capacity of 10 million tonnes per annum & the capacity is said to reach at 16.5 million tonnes by FY24.

FINANCIAL HIGHLIGHTS

	2019	2020	2021
TOTAL ASSETS	37,218.40	37,522.27	37,744.29
TOTAL REVENUE	21,591.22	21,762.53	25,993.50
PAT	851.33	230.24	1,520.73

All values are in Rs. Cr.

IPO DETAILS:

Penna Cement has filed a draft red herring prospectus for an IPO for Rs 1,550 crore with the Securities and Exchange Board of India in May 2021 and got approval in October 2021. The IPO comprises of a Rs 1,300 crore new issue and a Rs 250 crore offer for sale by the promoter PR Cement Holdings. PR Cement Holdings currently holds 33.41 percent of the firm. The price band of the IPO is not yet disclosed. The IPO allotment and listing dates are yet to be announced. The IPO is to be listed in the National stock exchange as well as Bombay stock exchange. The IPO's merchant bankers are Axis Capital, ICICI Securities, Edelweiss Financial Services, Yes Securities (India), and JM Financial. KFin Technologies Private Limited is the registrar to this initial public offering. P Prathap Reddy, Pioneer Builders, and P R Cement Holdings are the company's promoters. On account of infrastructure developments, a solid resurgence in housing demand, and other government initiatives, cement consumption in India is predicted to expand at a CAGR of 6-7 percent between FY21 and FY26.

OBJECTIVES OF THE IPO:

Penna Cements intends to use a portion of the new capital raised to repay Rs 550 crore in debt, as well as fund Rs 105 crore in capital expenditure requirements for its KP Line II Project. The company's Draft Red Herring Prospectus (DRHP) stated that "the firm will use Rs 80 crore to upgrade its raw grinding and cement mill in Talaricheruvu, Rs 110 crore to set up a waste heat recovery plant in Talaricheruvu, and Rs 130 crore to set up a waste heat recovery plant in Tandur, respectively."

FUTURES CONTRACTS

A **futures contract** is a forward contract that is standardized and exchange-traded. The primary ways in which forwards and futures differ are that futures are traded in an active secondary market, subject to greater regulation, backed by a clearinghouse, and require a daily cash settlement of gains and losses.

FUTURES CONTRACTS ARE SIMILAR TO FORWARD CONTRACTS IN THAT BOTH:

- Can be either deliverable or cash-settled contracts.
- Have contract prices set so each side of the contract has a value of zero value at the initiation of the contract.

FUTURES CONTRACTS DIFFER FROM FORWARD CONTRACTS IN THE FOLLOWING WAYS:

Futures contracts trade on organized exchanges. Forwards are private contracts and typically do not trade. Futures contracts are standardized. Forwards are customized contracts satisfying the specific needs of the parties involved. A clearinghouse is the counterparty to all futures contracts. Forwards are contracts with the originating counterparty and therefore have counterparty (credit) risk. The government regulates futures markets. Forward contracts are usually not regulated and do not trade in organized markets. A major difference between forwards and futures is futures contracts have standardized contract terms. For each commodity or financial asset, listed futures contracts specify the quality and quantity of assets required under the contract and the delivery procedure (for deliverable contracts). The exchange sets the minimum price fluctuation (called the tick size), daily price move limit, the settlement date, and the trading times for each contract.
The **settlement price** is analogous to the closing price for a stock but is not simply the price of the final trade of the day. It is an average of the prices of the trades during the last period of trading, called the closing period, which is set by the exchange. This specification of the settlement price reduces the opportunity of traders to manipulate the settlement price.

The settlement price is used to calculate the daily gain or loss at the end of each trading day. On its final day of trading the settlement price is equal to the spot price of the underlying asset (i.e., futures prices converge to spot prices as futures contracts approach expiration). The buyer of a futures contract is said to have gone long or taken a *long position*, while the seller of a futures contract is said to have gone short or taken a *short position*. For each contract traded, there is a buyer (long) and a seller (short). The long has agreed to buy the asset at the contract price at the settlement date, and the short has an agreed to sell at that price. The number of futures contracts of a specific kind (e.g., soybeans for November delivery) that are outstanding at any given time is known as the **open interest**. Open interest increases when traders enter new long and short positions and decreases when traders exit existing positions.

Speculators use futures contracts to gain exposure to changes in the price of the asset underlying a futures contract. In contrast, hedgers use futures contracts to reduce an existing exposure to price changes in the asset (i.e., hedge their asset price risk). An example is a wheat farmer who sells wheat futures to reduce the uncertainty about the price he will receive for his wheat at harvest time. Each futures exchange has a **clearinghouse**. The clearinghouse guarantees traders in the futures market will honor their obligations. The clearinghouse does this by splitting each trade once it is made and acting as the opposite side of each position. The clearinghouse acts as the buyer to every seller and the seller to every buyer. By doing this, the clearinghouse allows either side of the trade to reverse positions at a future date without having to contact the other side of the initial trade. This allows traders to enter the market knowing that they will be able to reverse or reduce their position.

The guarantee of the clearinghouse removes counterparty risk (i.e., the risk that the counterparty to a trade will not fulfill their obligation at settlement) from futures contracts. In the history of U.S. futures trading, the clearinghouse has never defaulted on a contract.

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

PAYTM IPO PERFORMANCE

Paytm, formerly known as One 97 Communications, had a bad day as its stock plummeted 27.25 percent, the greatest one-day drop in a decade for any scrip. Furthermore, it was locked in a 20% lower circuit than the pre-opening price of Rs 1,955 on the BSE. The stock ended the day at Rs 1,564.15, down 27.25 percent from the issue price of Rs 2,150 a share, after opening 9.1 percent lower and failing to break through the Rs 2,000 barrier. The broader equities market's downturn, expensive valuations, repeated losses in the previous financial years, predicted severe competition in the digital payments area, and lower-than-expected subscription to Paytm's IPO are just a few of the factors that harmed the Paytm IPO. Despite the massive excitement created before the issue was issued, Paytm's Rs 18,300-crore offer was only 1.89 times subscribed to.

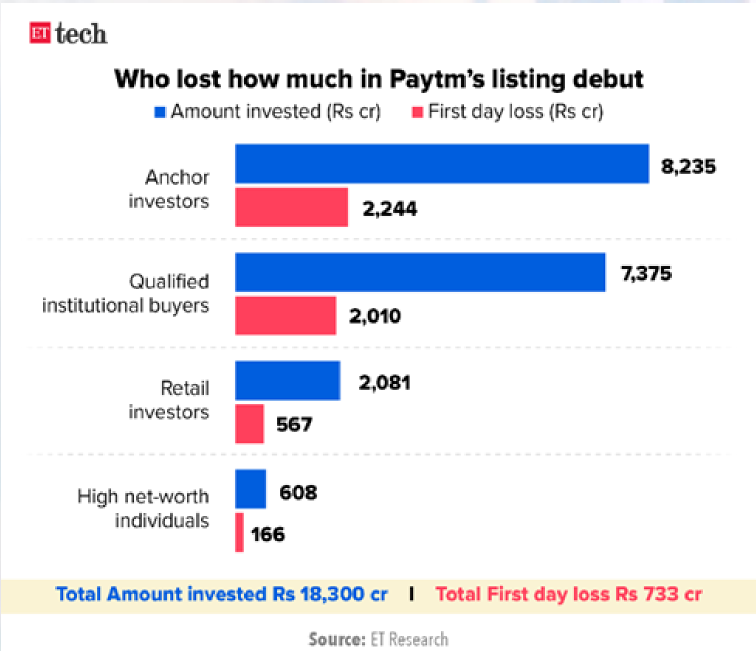
ET tech

Poor debuts after Rs 5,000-crore-plus IPOs

IPOs	Issue size (Rs cr)	Premium/discount (%) On listing	Premium/discount (%) On listing day close
Paytm	18,300	-9.30	-27.25
Reliance Power	11,700	21.73	-17.22
Cairn	5,261	-12.50	-14.06
ICICI Prudential Life	6,057	-1.50	-10.88
SBI Cards	10,341	-12.85	-9.51
New India Assurance	9,467	-6.39	-9.37
Nuvoco Vista	5,000	-17.37	-6.79

Source: ET Research

Non-institutional investors showed little interest in the offer, as their portion was only 24 percent subscribed. Qualified institutional investors acquired shares only 2.79 times the reserved amount, and retail investors' portion was only 1.66 times the reserved portion.



Macquarie Capital Securities (India) Ltd. commenced covering on the firm before the IPO with a "underperform" rating and a price target of Rs 1,200, meaning a more than 40% drop from the IPO price. Analysts Suresh Ganapathy and Param Subramanian noted in research released before the trading debut, "We believe Paytm's business model lacks concentration and direction." "Paytm won't be able to generate much money as a distributor unless it lends." As a result, we have doubts about its capacity to grow at a profit."
Paytm lost Rs 382 crore in the quarter ended in June, compared to Rs 284 crore the year before. A source familiar with the subject told Reuters in July that the firm aims to break even by late next year or early 2023, despite the fact that its IPO prospectus said that it will continue to lose money for the foreseeable future. Paytm might become profitable, if it didn't have to invest "so much more" in order to fuel growth potential. "That will be the breakeven quarter," he explained. "However, just because we've broken even doesn't mean we'll keep saying the same thing."

TEAM FINARTHA

The FINANCE CLUB OF MDIM

BATCH 2020-22 & 2021-23

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