

FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM



MDI
MURSHIDABAD

Management
Development
Institute



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



MDI | Management Development Institute MURSHIDABAD



FIN-O-DATE THE FINANCE MAGAZINE

JANUARY 2, 2022

ISSUE- 110

INDEX

- SENSEX **59194.65**
- NIFTY 50 **17625.85**
- NASDAQ **15644.97**
- DOWJONES **36338.30**

CURRENCY

- USD/INR ₹ **74.34**
- GBP/INR ₹ **100.51**
- YEN/INR ₹ **0.65**
- EURO/INR ₹ **84.37**

LATEST BY:
Jan 2, 2022

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Coal India	146.05	155.10	6.20	155.40/147.00
Eicher Motors	2591.90	2724.45	5.11	2733.60/2620.10
Bajaj Finserv	16406.20	16406.20	3.32	16999.00/16406.50
Tata Motors	482.40	482.40	3.30	500.85/492.00
Bajaj Finance	6977.30	6977.30	3.29	7219.90/6975.00

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
Cipla	944.10	930.30	1.48	947.90/925.80
Dr Reddys Labs	4907.00	4850.00	1.16	4930.30/4848.00
M&M	837.15	829.35	0.93	840.00/826.30
Divis Labs	4678.20	4653.05	0.54	4708.75/4642.00
Tech Mahindra	1790.55	1784.65	0.33	1818.00/1783.00

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
Kotak Bank	BUY	1800	1950	2000	1750
Indusind Bank	BUY	900	1050	1100	850
GAIL	BUY	130	145	150	125

Market Watch

- Any up move will be sell on rise as it would be short covering.
- Sentiments of India market is Bearish as Central Banks might raise interest rates.
- Low Volume might be seen in this week.
- NIFTY BANK could be BULLISH for the upcoming week.

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-Australia interim FTA talks to close soon'

India and Australia are expected to complete negotiations for an interim free trade agreement (FTA) soon, a move aimed at boosting economic ties between the two countries, the Commerce Ministry said on Thursday.

It said that the final agreement, which is officially dubbed as the Comprehensive Economic Cooperation Agreement (CECA), is expected to be completed by the end of 2022.

The pact covers areas such as goods, services, investment, rules of origin, customs facilitation, legal and institutional issues.

The Ministry also said that a similar agreement with the UAE is likely to be signed in March 2022.

"This new strategic economic agreement is expected to increase bilateral trade in goods to \$100 billion within five years of the signed agreement and increase trade in services to \$15 billion," the Ministry elaborated.

On the export target of \$400 billion for this fiscal year, the Ministry said India's merchandise exports had reached 65.9% of the target till November.

Rupee surps 29 paise against dollar

The rupee surged 29 paise to close at a more than one month high of 74.42 against the U.S. dollar on Thursday following year end dollar selling by banks and exporters amid muted domestic equities.

Lower commodity prices and gains in Asian peers also supported the sentiment, analysts said. At the inter-bank forex market, the local unit opened strong at 74.56 against the greenback, and saw an intraday high of 74.38 and a low of 74.65. The rupee finally settled, at a level not seen since November 24

Current account slips to deficit in Q2

Foreign-owned assets in India increased by \$37.3 billion during the July-September quarter (Q2), according to RBI data.

Indian residents' overseas financial assets raised \$31.9 billion, almost three-fourths of which came from build up in reserve assets. This partly reflects the allocation of special drawing rights (SDRs) by the International Monetary Fund (IMF) in August 2021, the Reserve Bank of India (RBI) said.

The regulator on Friday released data relating to India's International Investment Position (IIP) at end September 2021.

The International Monetary Fund describes a nation's IIP as showing the value of financial assets of residents of an economy that are claims on non-residents, or are gold bullion held as reserve assets; and of the liabilities of residents to non-residents.

Reserve assets accounted for 68.5% of India's international financial assets in September 2021. The share of debt liabilities in total liabilities increased marginally to 47.8%. The ratio of international assets to international liabilities improved to 73.6% from 70.4% a year earlier. Net claims of non-residents on India increased by \$5.4 billion during July-September 2021.

'HFC applies for licence

Separately, the RBI also said that West End Housing Finance Ltd. had applied for 'on tap' licence to set up a Small Finance Bank in the private sector.

Fiscal deficit narrowed in April-Nov.

India's federal fiscal deficit in April-November, the first eight months of current fiscal year, narrowed to 46.2% of the full-year budgeted target, helped by a rise in tax collections, government data showed on Friday.

The fiscal deficit had surged to 135.1% of the full year target during the same period last fiscal year.

The fiscal deficit for eight months ended November 2021 stood at 6.96 trillion compared with the 15.07-trillion targets for the whole fiscal year, the data showed.

In April-November, net tax receipts were 11.35 trillion while total expenditure was 20.75 trillion, the data released by the government showed.

“Changing Dynamics of the New Development Bank”

The inclusion of Egypt recently to the league of the new entrants of the New Development Bank, expands the horizon of NDB. After a round of successful negotiations, NDB started expanding its membership in September 2021 with the admission of Bangladesh, United Arab Emirates (UAE) and Uruguay. Egypt is the fourth new member admitted into NDB, further expanding the Bank’s global outreach.

About New Development Bank (NDB)

1. NDB is a multilateral development bank. It was jointly founded by the BRICS countries in 2014, at the 6th BRICS Summit in Fortaleza, Brazil. But it was formally opened on July
2. The bank was set to support the infrastructure and sustainable development efforts in BRICS grouping and other underserved & emerging economies for a faster development through cutting-edge technology and innovation. Its headquarter is at Shanghai, China.
3. NDB had received observer status in the United Nations General Assembly, thus, it established a firm basis for active and fruitful cooperation with the UN.



NDB as a paradigm shift

The extent to which the NDB BRICS can be considered an alternative to the World Bank is analysed through first defining which criteria must be met for a Multilateral Development Bank to be effective in the current system, and then comparing how the two banks fulfill these criteria to measure their operational effectiveness. A qualitative approach allows an understanding of the ways in which the NDB BRICS differs from the well-established World Bank in terms of size, financial capabilities, organisational structure, and interaction with other development organisations. However, the differences, it is argued, are not as ground breaking as they may first seem. It is postulated that the NDB BRICS offers a continuation of the trends, shifts, and movements seen in the Multilateral Development Banks which came before. The NDB BRICS thus provides a substitute in choice to the World Bank, and plays a complimentary role in the system it so strongly objected to at its establishment. The BRICS countries account for 40 percent of the world’s population and have accounted for a large share of world economic growth mainly due to China’s and India’s high growth rates. It is also largely thanks to the economic rise of these two countries that absolute poverty has decreased globally. Today, BRICS accounts for around 23 percent of the world’s domestic product .

How this move will benefit Egypt?

1. The NDB will provide a new platform to Egypt, for fostering cooperation with BRICS countries on infrastructure and sustainable development.
2. NDB will also help Egypt in engaging with other emerging economies and developing countries.

Way Forward

Egypt is a very large market with ambitious development plans to expand urban development and infrastructure via projects in various fields. The big confidence in the strength and flexibility of the Egyptian economy and its ability to absorb shocks and achieve high growth rates, especially after the government's implementation of economic reform measures. Egypt has enormous investment opportunities in various fields, as well as a large and open market, not only at the local level, but it's also connected with the African, Arab and European markets.

IPO WATCH: LAVA

ABOUT THE COMPANY

Lava International, located in Noida, Uttar Pradesh, is the country's own mobile phone maker. Since its inception as an offshoot telecom business in 2009, the firm has expanded its activities to over 11 countries, including Nepal, Thailand, Sri Lanka, Indonesia, and the Middle East. It is a market leader in a number of nations and is presently increasing its footprint in Africa. Since its founding, Lava has been working to improve its mobile device design skills. It claims to be the first Indian brand that totally designs its gadgets and manufactures PCB (Printed Circuit Boards) in this nation utilizing SMT (Surface Mount Technology). In India, the firm has two production sites as well as an in-house research and development center. Lava offers a diverse product line that includes smartphones and tablets in a variety of models and pricing points. Currently, the handset manufacturer offers 15 phones, including nine feature phones and five smartphones. Despite having a production capacity of 42.52 million phones in Noida, Lava focuses on promoting goods from other manufacturers. Lava, for example, has license deals with Lenovo and Nokia to market their devices as well as manage after-sales maintenance.



FINANCIAL HIGHLIGHTS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL ASSETS	24735.49	23842.87	23808.03
TOTAL REVENUE	55236.78	52824.48	51287.48
PROFIT AFTER TAX	1726.08	1077.61	731.82

All values are in Rs. Cr.

IPO DETAILS:

Lava International had submitted draft documents to capital markets regulator Sebi in order to acquire funds through an initial public offering (IPO) in September 2021. According to the draft red herring prospectus, the IPO includes a fresh issue of equity shares worth Rs 500 crore and an offer for sale (OFS) component of 4,37,27,603 equity shares (DRHP). The OFS consists of Hari Om Rai selling 1.25 crore equity shares, Shailendra Nath Rai selling up to 31.35 lakh shares, Sunil Bhalla and Vishal Sehgal selling up to 78.38 lakh shares each, Unic Memory Technology selling up to 1.13 crore shares, and Tupperware Kitchenware selling up to 9.75 lakh shares. Among the merchant bankers to issue are Axis Capital, BOB Capital, DAM Capital, and SBI Capital Markets. The IPO issue, allotment and listing is yet to be disclosed by the company. The shares will be listed at both Bombay stock exchange as well as National Stock Exchange.

OBJECTIVES OF THE IPO:

The proceeds of the offering will be utilized to support marketing and brand building efforts, acquisition and other strategic initiatives, investment in material subsidiaries, and working capital requirements. Marketing and brand creation would receive Rs.100 crore, while inorganic acquisitions and strategic alliances will receive Rs.150 crore. Another Rs.150 crore would be invested in subsidiaries to fund their working capital.

Indexes representing alternative investments

Alternative assets are of interest to investors because of their potential diversification benefits. Three of the most widely held alternative assets are commodities, real estate, and hedge funds.

Commodity indexes represent futures contracts on commodities such as grains, livestock, metals, and energy. Examples include the Thomson Reuters/Core Commodity CRB Index (previously the Commodity Research Bureau Index) and the S&P GSCI (previously the Goldman Sachs Commodity Index).

The issues in commodity indexes relevant for investors are as follows:

Weighting method. Commodity index providers use a variety of weighting schemes. Some use equal weighting, others weight commodities by their global production values, and others use fixed weights that the index provider determines. As a result, different indexes have significantly different commodity exposures and risk and return characteristics. For example, one index may have a large exposure to the prices of energy commodities while another has a large exposure to the prices of agricultural products.

Futures vs. actual. Commodity indexes are based on the prices of commodity futures contracts, not the spot prices of commodities. Commodity futures contracts reflect the risk-free rate of return, changes in futures prices, and the roll yield. Furthermore, the contracts mature and must be replaced over time by other contracts. For these reasons, the return on commodity futures differs from the returns on a long position in the commodity itself.

Real estate indexes can be constructed using returns based on appraisals of properties, repeat property sales, or the performance of Real Estate Investment Trusts (REITs). REITs are similar to closed-end mutual funds in that they invest in properties or mortgages and then issue ownership interests in the pool of assets to investors. While real properties are quite illiquid, REIT shares trade like any common shares and many offer very good liquidity to investors. FTSE International produces a family of REIT indexes.

Hedge funds pool investor money and invest in nontraditional assets, using leverage (borrowed money or derivative contracts) and both long and short positions. Most **hedge fund indexes** equally weight the returns of the hedge funds included in the index. Hedge funds are largely unregulated and are not required to report their performance to index providers. Consequently, some funds will report to one index but not another. The performance of different indexes can thus vary substantially.

Furthermore, it is often the case that those funds that report are the funds that have been successful, as the poorly performing funds do not want to publicize their performance. Funds that have reported in the past but have recently had poor returns may stop reporting their performance. The result is an upward bias in index returns, with hedge funds appearing to be better investments than they actually are.



CREDIT DEFAULT SWAP

A credit default swap (CDS) is a type of credit derivative that offers protection against default and other risks to the buyer. Until the credit maturity date, the buyer of a CDS makes periodic payments to the seller. In the agreement, the seller promises to pay the buyer any premiums and interest that would have been paid up to the maturity date if the debt issuer defaults. A credit swap allows a buyer to reduce risk by transferring it to an insurance company in exchange for recurring payments. A CDS, like an insurance policy, allows investors to buy protection against an improbable event that could harm their investment. By the Masters of JP Morgan introduced credit default swaps in 1994, and they became popular in 1995. Credit default swaps were popular in the early 2000s, and by 2007, the total value of outstanding credit default swaps was \$62.2 trillion. The value of CDS was severely impacted during the 2008 financial crisis, falling to \$26.3 trillion in 2010 and \$25.5 trillion in 2012. There was no legislative structure in place to oversee swaps, and regulators were concerned about the lack of transparency in the market.

USES OF CREDIT DEFAULT SWAP

Speculation: An investor can acquire a credit default swap for an entity, believing it is too low or too high, and try to benefit from it by trading it. An investor can also acquire credit default swap protection to speculate that the company would default, because a rise in the CDS spread signals a drop in creditworthiness and vice versa.

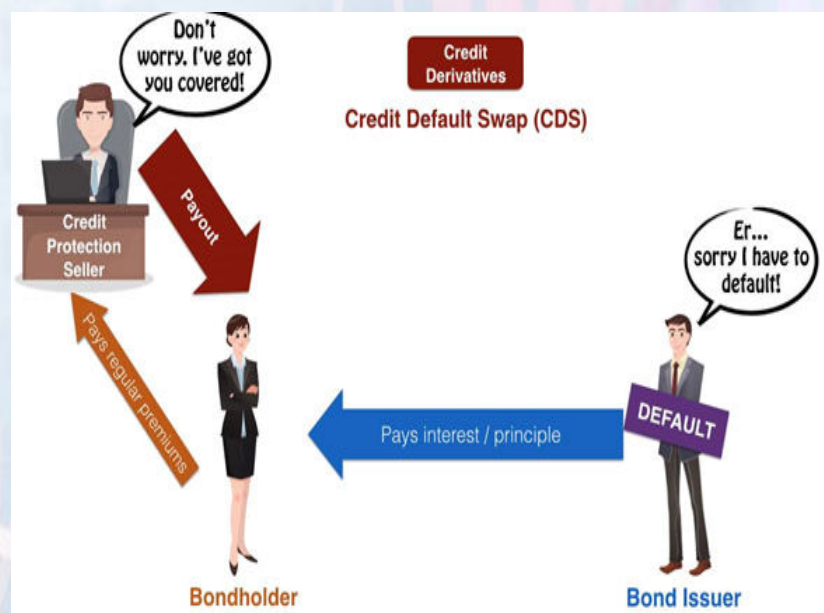
Arbitrage: Arbitrage is the process of buying a security in one market and simultaneously selling it in a different market at a higher price, taking advantage of a momentary discrepancy in stock prices. It is based on the concept that the stock price of a company and the credit default swaps spread should have a negative correlation. If the company's prospects improve, the stock price will rise, and the CDS spread will narrow.

Hedging: Hedging is a strategy for limiting the risk of price fluctuations that are unfavourable. Banks can use a CDS contract as the buyer of protection to protect themselves against the danger of a loanee defaulting. If the borrower defaults, the contract revenues are applied to the defaulted obligation. A bank may sell a loan to another bank or financial organisation if there is no CDS.

RISKS OF CREDIT DEFAULT SWAP

One of the hazards of a credit default swap is that the buyer will fail on the contract, depriving the seller of the anticipated money. As a risk mitigation measure, the seller transfers the CDS to another party, however this may result in default. In the event that the original buyer defaults on the contract, the seller may be required to sell a new CDS to repay the first investment. The new CDS, on the other hand, may sell for less than the original CDS, resulting in a loss.

A credit default swap seller is likewise exposed to a jump-to-jump risk. The seller may be receiving monthly premiums from the new buyer in the hopes that the original buyer will follow through on their obligations. However, if the buyer defaults, the seller is immediately obligated to pay the millions or billions owing to protection buyers.



TEAM FINARTHA

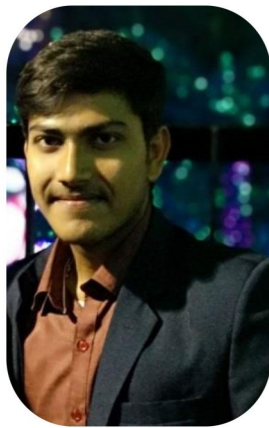
The **FINANCE CLUB OF MDIM**

BATCH 2020-22 & 2021-23

ISSUE - 110 | DATE - 2 January 2022



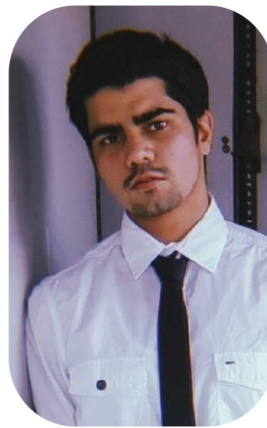
**Shubham
Bhattacharya**



**Joy
Dutta**



Megha Poddar



**Rahul
Dhankhar**



**Navin
Srivastava**



**SHREYAS
TEWARI**



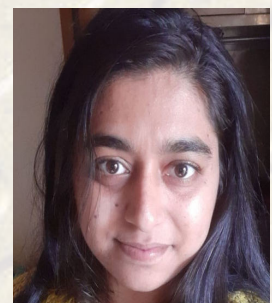
ADARSHA NAMAN



**MOHAMMAD
TABISH**



SHUBH TANEJA



**SHIVANI
TRIPATHI**