

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



MDI | Management Development Institute MURSHIDABAD



FIN-O-DATE THE FINANCE MAGAZINE

JANUARY 16, 2022

ISSUE- 112

INDEX

- SENSEX **61223.03**
- NIFTY 50 **18255.75**
- NASDAQ **14893.75**
- DOWJONES **35911.81**

CURRENCY

- USD/INR **₹ 74.39**
- GBP/INR **₹ 101.73**
- YEN/INR **₹ 0.65**
- EURO/INR **₹ 84.91**

LATEST BY:
Jan 16, 2022

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
TATA Consum	730.20	762.50	4.42	777.00/727.00
TCS	3897.90	3968.15	1.80	3977.00/3860.05
IOC	121.15	123.30	1.77	124.40/121.35
Infosys	1896.80	1929.35	1.72	1933.00/1881.00
Larsen	2018.40	2044.75	1.31	2049.95/2007.00

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
Asian Paints	3456.25	3364.40	2.66	3462.00/3346.00
Axis Bank	740.70	721.70	2.57	735.95/716.05
HUL	2414.20	2363.70	2.09	2421.00/2360.80
UPL	841.00	824.65	1.94	836.05/818.00
ONGC	163.95	161.05	1.77	163.30/160.20

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
SBI Card	BUY	890	1000	1080	850
Exide	BUY	170	190	195	165
IOC	BUY	120	135	140	115

Market Watch

- FPI invested 2000 Crore in Indian Stock Market in last couple of days.
- FIIs also started buying which boosted the market again.
- High Liquidity in Stock Market.
- 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?

TCS TO BUY BACK SHARES FOR 18,000 CR.

The board of directors of Tata Consultancy Services Ltd (TCS) has approved a proposal to buy back up to four crore equity shares for an aggregate amount not exceeding 18,000 crore, being 1.08% of the total paid-up equity share capital, at 34,500 each. The buy-back is proposed to be made on a proportionate basis under the tender offer route, the company said in a filing. As on January 7, promoter companies held 72.9% stake in the company.

TCS Q3 NET PROFIT RISES 12.3% ON CLIENT'S LONG-TERM INVESTMENTS

Tata Consultancy Services said consolidated net profit for the third quarter ended December grew 12.3% to *9,769 crore backed by strong broad-based growth across verticals and markets. Revenue grew 16.3% to *48,885 crore. TCS, India's largest IT services company, said it had hit the \$25-billion revenue mark on a calendar year basis on the back of strong growth over the last four quarters. The board recommended an interim dividend of 27 per share. It also approved a proposal for buy-back of shares amounting to 18,000 crore at 4,500 per share. "While mapping out [customers'] innovation and growth journeys, we are also helping them execute new age operating model transformations to support those journeys," said MD and CEO Rajesh Gopinathan. CFO Samir Seksaria said sustained investments in talent had helped power strong growth despite a challenging supply environment'. "We have exercised various operating levers in Q3 to mitigate the higher costs and manage our employee expense," he added. During the quarter, the company added net of 28,238 employees and attrition stood at 15.3%. All industry verticals grew in the 'mid to high teens'. Growth was led by the retail and CPG (20.4%), BFSI (17.9%) and the manufacturing vertical (18.3%) verticals. Among major markets, growth was led by North America (18%) and Continental Europe (17.5%).

INFOSYS Q3 PROFIT RAISES 12% FIRM RAISES REVENUE ESTIMATE

Infosys raised revenue growth estimates for the current fiscal to the 19.5-20% range on the back of a strong set of third quarter numbers, robust deal pipeline and a sound demand environment. This compares with the earlier projection of 16.5-17.5% revenue growth. The tech major reported a 12% rise in net profit to 5,809 crore from a year earlier. Revenue rose 23% to 31,867 crore. "[The] overall demand environment remains strong," said Salil Parekh, CEO and MD. "Our deal pipeline is larger than anytime we have seen in the past. We expect healthy technology spend to continue with large enterprises progressing on digital transformations." Infosys said it continued to see momentum in the large-deal space with total contract value at \$2.53 billion in the quarter. In the third quarter, the company reported an operating margin of 23.5%, 10 basis points lower than the previous quarter while it maintained operating margin guidance of 22-24% for the fiscal. "It seems Infosys is getting some pricing benefits," said Ashis Dash, research analyst, Sharekhan by BNP Paribas "The Company revised its revenue growth guidance, which is higher than our expectations." Infosys reported employee attrition of 25.5%, 540 basis points higher than the previous quarter.

'PRIVATE SECTOR DRIVES FRESH INVESTMENTS'

Private equity platform Recognize said it had raised about \$1.3 billion for its inaugural fund. The fund, led by former Cognizant CEO Francisco D'Souza, said it is focussed on the \$2-trillion technology services industry. "The technology services market is 3.5 [times] larger than the software industry, yet the sector has only attracted one-third of the amount of private equity capital," said Mr. D'Souza, who is managing director and co-founder. "This underscores the opportunity for focussed investors with a deep knowledge of the industry," he added. Recognize has closed on three platform investments with more than 4,000 employees.

“India and WTO: Sugar Subsidies”

Few days back, India lost a case at WTO regarding sugar subsidies. Now as per today's news (16th January 2022), India has filed an appeal in the WTO's Appellate Body against the judgement of the Dispute Settlement Body of WTO.

FRP/SAP is announced by the Centre/State at which Sugar Mill owners are bound to purchase sugarcane from the farmers. As FRP/SAP of sugarcane increases annually (like MSP), which is an INPUT to the sugar industry, but SUGAR, (which is the output) prices fluctuates means it can decrease also. As Indian sugarcane farmers are assured of FRP/SAP... so they produce more sugarcane and since sugar mill owners are bound to procure it at FRP/SAP, so production of sugar increases and prices of sugar dips in the market. This results into loss to the sugar mill owners. As this loss is because of Govt. regulated FRP/SAP, so Govt. tries to provide support to sugar mills in the form of:

- Interest free loan so that mill owners are able to pay the sugarcane dues of the farmers
- Govt. provides financial support to those mills who will export a minimum quantity of sugar
- Other support related to marketing and transportation
- When the sugar mills are not able to pay loans of Govt, then Govt. introduces loan restructuring schemes.
- Mandatory blending of ethanol with petrol and diesel. Here Govt. fixes the price of ethanol and generally Govt. keeps a higher price of ethanol so that, it helps the sugar mills to earn some revenue and more procurement of sugarcane

What is the issue at WTO ??

Australia, Brazil and Guatemala complain that these support/subsidies to the sugar sector are prohibited under WTO. But India in its appeal has said that all these above support/subsidy are not directly given to the agriculture farmers but are indirect support and hence does not break any WTO rule.

What is Peace Clause?

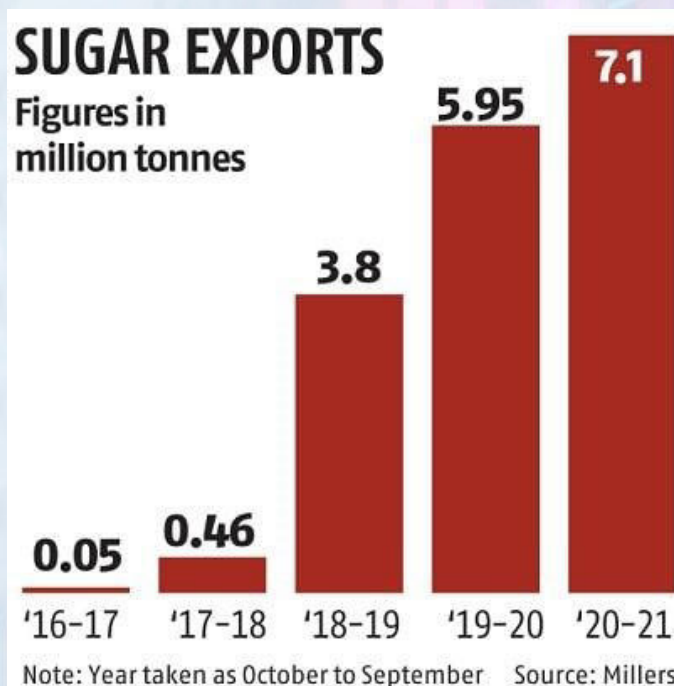
This clause says that even if the support/subsidy of Govt. crosses the 10% (of value of production) level, no member country can drag other member country to the dispute settlement body till WTO finds a solution to the problem. Earlier this peace clause was only till 2017 (starting from 2013) but now it's for indefinite time period till WTO finds a solution to the problem.

So, why cannot India take the protection of 'Peace Clause' under WTO?

Peace clause says that 'whatever support/subsidy was given in the year 2013, even if it's more than 10%, can continue. BUT no new/extra (amount of) support/subsidy should be given under peace clause. Now what I believe is the Govt. subsidy/support has increased from the year 2013 under various heads to the sugar sector.

WTO 'Appellate Body' do not have the minimum number of members required to hear an appeal. (This is another issue.)

So, the Appellate Body will not be able to pronounce any judgement and till then India can continue with the subsidy/support anyway. And if in future Appellate Body starts functioning and pronounces judgement against India and if India does not comply then the complaining countries can impose 'retaliatory' tariffs.





IPO WATCH: AROHAN FINANCIAL SERVICES

ABOUT THE COMPANY

Arohan, which was founded in 2006, is the largest NBFC-MFI in the eastern Indian area, with a gross loan portfolio of Rs 4600 crore in FY21. In February, it collected Rs 189 crore at Rs 210 per share from ASK Financial Holding, Kiran Vyapar Ltd, and Arohan ESOP Trust. With a Gross Loan Portfolio of Rs. 48.57 billion, it is the largest NBFC-MFI in Eastern India and the fifth largest NBFC-MFI in India. It works in low-income and underserved areas of the country. Twelve of India's 14 low-income states were among them. Its microfinance branch network had 710 locations in 11 states, while its MSME lending branch network included 10 locations in eight states. In 17 states, it services roughly 2.21 million borrowers. Arohan Financial Services provides credit and insurance services. Income-generating loans and other types of financial aid go under the first category, while life and health insurance fall under the second. It is concentrating on improving client sourcing channels, maintaining well-established loan origination, credit underwriting, and loan management procedures, and embracing and integrating technology to improve lending results and operational efficiency.



FINANCIAL HIGHLIGHTS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUE	935	652	328
TOTAL ASSETS	5281	3853	2304
PROFIT	127	128	30.97

All values are in Rs. Cr.

IPO DETAILS:

On February 14, 2021, Arohan Financial Services, a microfinance lender located in Kolkata, submitted a draft red herring prospectus with the capital market regulator, Sebi, for its initial public offering. Maj Invest Financial Inclusion Fund II K/S, Michael & Susan Dell Foundation, Tano India Private Equity Fund II, TR Capital III Mauritius, and Aavishkaar Goodwell India Microfinance Development Company II are part of the public offering, which includes a fresh issue of Rs 850 crore and an offer for sale of 2,70,55,893 equity shares. According to a market source, the issue size might be in the range of Rs 1,750-1,800 crore. According to the source, the business said in its DRHP that it may raise Rs 150 crore through a pre-IPO placement. If a pre-IPO takes happen, the company's fresh issue size will be lowered as a result. The issue's book running lead managers are Edelweiss Financial Services, ICICI Securities, Nomura Financial Advisory and Securities (India), and SBI Capital Markets. The IPO launch, issue and listing date are yet to be announced by the company.

OBJECTIVES OF THE IPO:

Arohan Financial, a prominent NBFC-MFI with operations in India's financially underserved low-income states, would use the proceeds from the new issuance to expand its capital base in order to satisfy future capital requirements, which are scheduled to be met in FY22.



Factor's affecting Market efficiency

Markets are generally neither perfectly efficient nor completely inefficient. The degree of informational efficiency varies across countries, time, and market types. The following factors affect the degree of market efficiency.

Number of market participants. The larger the number of investors, analysts, and traders who follow an asset market, the more efficient the market. The number of participants can vary through time and across countries. For example, some countries prevent foreigners from trading in their markets, reducing market efficiency.

Availability of information. The more information is available to investors, the more efficient the market. In large, developed markets such as the New York Stock Exchange, information is plentiful and markets are quite efficient. In emerging markets, the availability of information is lower, and consequently, market prices are relatively less efficient. Some assets, such as bonds, currencies, swaps, forwards, mortgages, and money market securities that trade in over-the-counter (OTC) markets, may have less available information.

Access to information should not favor one party over another. Therefore, regulations such as the U.S. Securities and Exchange Commission's Regulation FD (fair disclosure) require that firms disclose the same information to the public that they disclose to stock analysts. Traders with material inside information about a firm are prohibited from trading on that information.

Impediments to trading. Arbitrage refers to buying an asset in one market and simultaneously selling it at a higher price in another market. This buying and selling of assets will continue until the prices in the two markets are equal. Impediments to arbitrage, such as high transactions costs or lack of information, will limit arbitrage activity and allow some price inefficiencies (i.e., mispricing of assets) to persist.

Short selling improves market efficiency. The sales pressure from short selling prevents assets from becoming overvalued. Restrictions on short selling, such as an inability to borrow stock cheaply, can reduce market efficiency.

Transaction and information costs. To the extent that the costs of information, analysis, and trading are greater than the potential profit from trading misvalued securities, market prices will be inefficient. It is generally accepted that markets are efficient if, after deducting costs, there are no risk-adjusted returns to be made from trading based on publicly available information.

There are three forms of market efficiency. The difference among them is that each is based on a different set of information.

1. **Weak-form market efficiency.** The weak form of the efficient markets hypothesis (EMH) states that current security prices *fully reflect all currently available security market data*. Thus, past price and volume (market) information will have no predictive power about the future direction of security prices because price changes will be independent from one period to the next. In a weak-form efficient market, an investor cannot achieve positive risk-adjusted returns on average by using technical analysis.

2. **Semi-strong-form market efficiency.** The semi-strong form of the EMH holds that security prices rapidly adjust without bias to the arrival of all new public information. As such, current security prices *fully reflect all publicly available information*. The semi-strong form says security prices include all past security market information and nonmarket information available to the public. The implication is that an investor cannot achieve positive risk-adjusted returns on average by using fundamental analysis.

3. **Strong-form market efficiency.** The strong form of the EMH states that security prices *fully reflect all information from both public and private sources*. The strong form includes all types of information: past security market information, public, and private (inside) information. This means that no group of investors has monopolistic access to information relevant to the formation of prices, and none should be able to consistently achieve positive abnormal returns.

Given the prohibition on insider trading in most markets, it would be unrealistic to expect markets to reflect all private information. The evidence supports the view that markets are not strong-form efficient.

REPLACING INCOME TAX WITH EXPENDITURE TAX

An expenditure tax is a tax levied on an individual's total consumption expenditure. It can be a proportional or progressive tax, and its benefit is that it eliminates the personal income tax's ostensible negative impact on investment and saving incentives.

Every stimulus package aimed at boosting the economy comes with its own set of costs for the government. A boost based on tax reforms, on the other hand, will be more effective in instilling long-term economic resilience. In the run-up to finalising the annual budget for 2022-23, Finance Minister Nirmala Sitharaman is seeking feedback from stakeholders. On the front of personal income tax, it's past time to try something new. Direct tax reform in the form of a spending tax, which is a more sensible substitute for the income tax, presents an opportunity to offer stimulus.

About 6.32 crore people will be relieved of the hassle of filing annual income tax returns if personal income tax is abolished. Because young entrepreneurs and fledgling start-ups are not excluded from personal tax compliance, the ITR has a demoralising effect on their ability to thrive. People are required by income tax requirements to keep and submit certain records as well as file returns. Millions of returns are scrutinised by the Internal Revenue Service, which is followed by questions, clarifications, refunds, and lengthy correspondence. If there are any lawsuits, they can drag on for years, putting a strain on both residents and the government. If personal income tax is repealed, the numerous organisations that comply with TDS will be relieved of the burden of collecting, remitting, and filing multiple returns.

The income tax is primarily paid on salaried workers in the middle class. Dividends and capital gains, rather than salaries, are a key source of income for the wealthy. Only 8,600 people have declared an annual income of more than Rs 5 crore, according to data from the Income Tax Department. Around 42,800 people have declared annual taxable incomes of more than Rs 1 crore. Furthermore, in an economy with a tax-paying base of around 1.5 crore people, four lakh people with incomes exceeding Rs 20 lakh account for 63 percent of the income taxes collected from individuals, accounting for 1% of the tax base. As a result, 99 percent of India's tax-paying citizens are forced to file ITRs while paying a pittance in tax on some pretence.



The expenditure tax is similar to the income tax, with the exception that the tax base is one's expenditure rather than one's income. Rates of spending tax can be made highly progressive in order to substantially tax the wealthy. Even so, one would be better off because much of the spending by the wealthy is done with capital, which is often exempt from income tax.

India could consider replacing income tax with an expenditure tax. The move from an income-based to an expenditure-based income tax will not only alleviate the negative effects and injustices of a non-inclusive income tax, but it will also curb wasteful consumption and stimulate savings to a much greater extent than the current system promises. Another substantial benefit will be the imposition of a portion of personal taxation on a family basis rather than putting high marginal costs on working spouses' salaries. The expenditure tax will be a game-changing policy with enormous potential to boost the economy.

TEAM FINARTHA

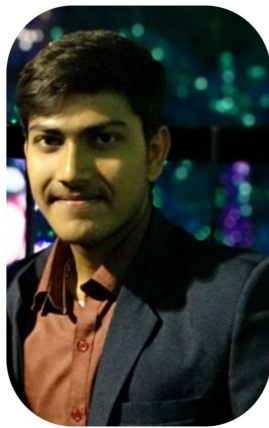
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BATCH 2020-22 & 2021-23

ISSUE - 112 | DATE - 16 January 2022



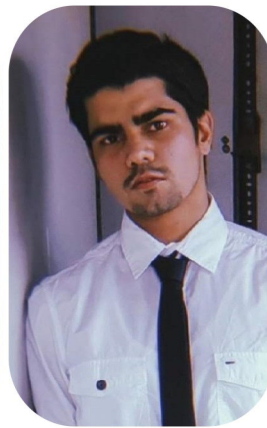
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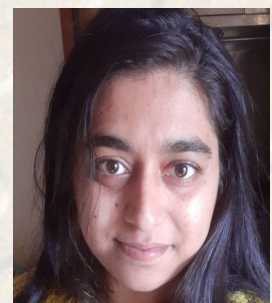
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