FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM

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.

FINA₹THA

MDI MURSHIDABAD Management Development Institute

FIN-O-DATE THE FINANCE MAGAZINE

JANUARY 30, 2022

ISSUE– 114

INDEX

- SENSEX 58175.21
- NIFTY 50 17398.15
- NASDAQ 13770.57
- DOWJONES 34725.47

CURRENCY

- USD/INR ₹ 74.68
- GBP/INR ₹ 100.31
- YEN/INR ₹ 0.65
- EURO/INR ₹ 83.40

LATEST BY:
Jan 30, 2022

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Tech M	1410.65	1481.95	5.05	1487.60/1431.50
BPCL	382.50	398.95	4.30	399.80/387.95
Tata Motors	497.30	517.70	4.10	518.50/498.20
Wipro	552.15	573.55	3.88	574.40/562.55
Infosys	1686.20	1748.20	3.68	1749.50/1715.35

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
IndusInd Bank	903.55	872.55	3.43	927.45/866.65
Kotak Bank	1898.30	1858.15	2.12	1938.90/1841.00
UPL	790.25	780.35	1.25	812.70/776.65
Coal India	161.65	160.65	0.62	163.40/160.55
HUL	2283.55	2275.05	0.37	2311.85/2275.00

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
HDFC Bank	BUY	1420	1500	1520	1400
Ramco Cement	BUY	850	1000	1050	820
Wipro	BUY	570	650	670	540

Market Watch

- FIIs & DIIs both sold stocks in Indian Stock Market in last week.
- Nifty Pharma could be bullish for next week.
- High Liquidity in Stock Market.
- NIFTY forms DOJI which shows indecision.

WHAT'S BREWING IN THE MARKET?

SWISS GOLD EXPORTS TO CHINA AND INDIA HIT MULTI-YEAR HIGHS

Swiss gold exports rose last year to their highest since 2018 as demand for bullion in China and India, the biggest consumer markets, recovered from a collapse early in the COVID-19 pandemic, Swiss customs data showed. The corona virus crisis upended the bullion market in 2020, hammering jewellery sales while triggering a rush among investors to stockpile gold, which is traditionally seen as a safe place to store wealth. Switzerland is the world's largest gold refining centre and transit hub. Its trade data showed a 2020 plunge in exports to Asia, where most gold is sold as jewellery, and huge shipments to the U.S. and Britain, where investors cluster. In 2021, exports to India surged to 507 tonnes, up from 148 tonnes in 2020 and the most since 2015. Shipments to mainland China reached 275 tonnes, up from 30.5 tonnes in 2020 and the highest since 2018. Exports to Hong Kong rose to 79 tonnes, up from 27 tonnes in 2020 and the highest since 2018. The data suggests a weaker demand recovery in China than in India. Between 2012, when Swiss figures became available, and 2019, Switzerland exported 400 tonnes of gold a year on average to India and about 600 tonnes a year to mainland China and Hong Kong combined. Swiss shipments to the U.S. fell to 113 tonnes in 2021 from 508 tonnes in 2020. Exports to Britain declined to 76 tonnes from 130 tonnes.

BOUNDS, RUPEE WEAKEN AS FED TONE SPARKS OUTFLOW CONCERNS

Indian bond yields spiked while the rupee struck a one-month low on Thursday on concerns of potential out flows after the Federal Reserve delivered a more-hawkish-than-expected update, saying a U.S. interest rate in was likely in March. The Fed also reaffirmed plans to end its bond purchases around the same time, calling time on a long phase of easy money. India's benchmark 10-year bond yield raised 7 basis points to 6.73%; it's highest since December 19, 2019. Bond yields rise when prices fall. So far in January, foreign investors have dumped $2.2 billion of Indian shares after having bought a net $3.76 billion in 2021. They had bought $23.29 billion worth shares in 2020 and $14.23 billion in 2019. They are still; net buyers of $575.35 million worth debt so far this month after having sold $3.66 billion in 2021. The rupee depreciated by 31 paise to close at a more than four-week low of 75.09 against the dollar. High global oil prices have added to bearish pressure on the rupee, as India imports more than two-thirds of its oil needs, and rising fuel costs will spur domestic inflation. "The concerns around oil are still very much alive and we now have Fed tightening up," a senior trader at a private bank said. Markets are likely to stay jittery, he added, as the Centre is set to deliver its annual budget of February 1, while the Reserve Bank of India's monetary policy committee will meet on February 7-9. Economists at HDFC Bank expect volatility in the rupee-dollar exchange rates to continue through early February.

INDIA SEEN BOOSTING BUDGET SPENDING ON INFRASTRUCTURE

India plans to rise spending on infrastructure in its annual budget next week to set the economy on a firmer footing, but fiscal constraints leave little chance of concessions for households hurting from the pandemic, officials said. Asia's third-largest economy is estimated to expand 9.2% in the fiscal year that ends in March, following a contraction of 7.3% in the previous fiscal year. Yet private consumption, which makes up almost 55% of GDP, is below pre-pandemic levels amid rising household debt, while retail prices have swelled almost a tenth since the COVID-19 outbreak in early 2020. The Feb. 1 budget comes days before the start of elections in five States, which could spur Finance Minister Nirmala Sitharaman to promise higher rural spending and subsidies on food and fertiliser. Yet these are likely to be overshadowed by spending to beef up transport and healthcare networks, which analysts estimate could raise between 12% and 25% in the next fiscal year. Will focus on reviving the economy through higher investments, while individual and corporate taxes will be kept steady," one official, who sought anonymity, told Reuters, adding that reviving growth would be a priority. To attract investments that create jobs and spur growth, Ms. Sitharaman could also boost incentives tied to production. "Continuing on its capex push, we expect another 25% increase in capital expenditure by the central government ,we expect budgetary allocations for roads, highways and railways to rise," Nomura analyst Sonal Varma said in a note.

“Market Scenarios: What is really Safe and Risky?”

The markets are behaving strangely right now. The valuation of risk-free assets has completely shifted out of whack. Despite the fact that Sri Lanka is in debt, its stock market has increased by more than 60% in the last year. The US Federal Reserve is preparing to raise its policy rate of interest in order to combat excessive inflation in the United States, and the higher interest rates travel, the lower stock prices should be. The S&P 500 index in the United States has fallen in recent weeks, but it is still up more than 20% over the last year.

Rate hikes in the United States are especially dangerous for emerging markets, which are already facing significant headwinds. Despite this, emerging-market funds are up 25% since the pandemic began. The yields on low-quality BBB-rated bonds are less than the rate of inflation. And now celebs can't stop talking about cryptocurrency investments. All of this demonstrates how distant our perception of risk has grown from reality—or, more specifically, how the value of safety has become warped.

Financial markets exist primarily to price and disperse risk. The price of safety, which is simply the yield on risk-free assets like government-issued bonds, is the most significant asset price. The question of whether something is truly risk-free is crucial and existential. To be practical, we'll call an asset 'risk-free' if you know you'll get your money back plus a return on your investment. Common examples include the US government's 3-month Treasury bills and other close alternatives, such as money-market funds, because they guarantee a specific return, the US government is very unlikely to default, and there is a deep and liquid market for them. And because these are short-term loans, their prices will not alter significantly even if interest rates fluctuate.

We are interested in how to value 'risk-free' assets because they are the most systemically significant assets available in financial markets. They set the value of almost everything, including equities, loan collateral, other bond yields, and investment allocations. The risk-free rate is the underpinning of asset pricing; if it is off, markets are off as well.

In theory, the risk-free rate should reflect how much you need to pay investors to postpone spending today until tomorrow. In practise, however, the rate is governed by policy, which has grown even more true since the pandemic. The government both provides and purchases risk-free bonds. The US Federal Reserve's strategy aims to reduce the risk-free rate (to stimulate investment) in difficult times by buying a lot of bonds, and to raise the rate by selling bonds when the economy overheats.

Risk-free bond yields are influenced by factors other than the US Federal Reserve. Over the previous 25 years, countries all over the world have purchased a large number of safe assets, driving up their prices, in order to manage their currencies. During the pandemic, the Fed was the largest buyer of treasuries and corporate bonds, dominating the market for inflation-linked bonds and driving the risk-free rate substantially lower than it should have been.

The actual (inflation-adjusted) risk-free rate has been constantly negative since the 2008 financial crisis, and it is currently significantly lower. Dips below zero are common, but it's difficult to explain why the risk-free rate has been in the negative for so long. This is why it's risky: Investors desire bigger returns from riskier assets to meet their investing goals, hence lowering the risk-free rate is thought to encourage excessive speculation. Furthermore, it distorts investors' risk exposure: Because the risk-free rate is used to determine the value of less-safe assets, they can have more or less than they know. Perhaps this explains why stock markets around the world are so high and why crypto assets are so valuable despite providing so little value. This may all work out in the end, with strong growth and earnings keeping stock prices high. Perhaps inflation will decrease to manageable levels, central banks will maintain their negative-rate policies for another decade, and celebrities will continue to proclaim that cryptocurrency is the future.

However, if interest rates rise unexpectedly, whether due to persistent inflation, Fed policy, or debt concerns, markets may be jolted back to reality. Stocks may collapse and stay low, bond prices may rise, and credit prices may soar to heights investors haven't seen in decades. Cryptocurrencies, which are extremely hazardous, will likewise fall, demonstrating that they do not hedge anything. The risk-free rate has become a major threat as a result of the price of safety being distorted. And when that happens, everything becomes more dangerous than it appears.

IPO WATCH: VEDANT FASHION LTD.

ABOUT THE COMPANY

Vedant Fashions Limited has a varied array of products that serve to the Indian celebration wear market. Customers can visit their stores for a one-stop shop with a vast range of product selections for any special event. Manyavar, Mohey, Mebaz, Manthan, and Twamev are some of the company's brands. In terms of sales and profit after tax for the Financial Year 2020, Vedant Fashions was the largest in India in the men's Indian wedding and celebration wear market. It is a one-stop-shop destination with a diverse range of product options for every special occasion, with an asset-light business strategy that outsources the majority of manufacturing activities and generates a significant portion of revenue through franchisee-owned EBOs. It has a retail footprint of 1.2 million square feet as of September 30, 2021, encompassing 535 EBOs (including 58 shop-in-shops) in 212 cities and towns across India, as well as 11 EBOs overseas in the United States, Canada, and the United Arab Emirates, all of which have a strong Indian diaspora. As of FY20, CRISIL reports that its 'Manyavar' brand is the category leader in the branded Indian wedding and celebration clothing industry, with a pan-India presence.

VEDANT FASHIONS
— PRIVATE LIMITED —

FINANCIAL HIGHLIGHTS

	2021	2020	2019
TOTAL ASSETS	1625.65	1591.55	1318.51
TOTAL REVENUE	625.02	947.98	819.80
PROFIT AFTER TAX	132.90	236.64	176.43

All values are in Rs. Cr.

IPO DETAILS:

The company intends to raise Rs 3,149.2 crore by selling 3,63,64,838 equity shares to investors and promoters, which is totally an offer for sale. Rhine Holdings has offered 1,74,59,392 equity shares, Kedaara Capital Alternative Investment Fund-Kedaara Capital AIF 1 has offered 7,23,014 equity shares, and promoter Ravi Modi Family Trust has offered the remaining 1,81,82,432 equity shares for sale. The offer will be available for subscription on February 4th, with a deadline of February 8th. On February 3, 2022, the Anchor Book will be open for a day. The IPO's price range has been set at Rs 824-866 per equity share. The IPO revenues will not go to Vedant Fashions since all of the money will go to the selling stockholders. Other than anchor investors, investors can bid for a minimum of 17 equity shares and multiples of 17 equity shares after that. As a result, ordinary investors can invest as little as Rs 14,722 per lot and as much as Rs 1,91,386 for 13 lots. Qualified institutional purchasers will receive half of the total offer, non-institutional investors would receive 15%, and retail investors will receive the remaining 35%. The company will complete the IPO share allotment on February 11 after concluding the public offering on February 8. By February 14, funds will be reimbursed to failed investors, and equity shares will be credited to qualifying investors' demat accounts by February 15. On February 16, equity shares will be listed on the BSE and the National Stock Exchange of India. The company's promoters include Axis Capital, Edelweiss Financial Services, ICICI Securities, IIFL Securities, and Kotak Mahindra Capital Company, with Kfin Technologies serving as the registrar.

OBJECTIVES OF THE IPO:

The company said in its prospectus that the objective of the offer is to "obtain the benefits of listing equity shares on stock exchanges" and to "carry out the offer for sale of 3.6 crore equity shares by the selling shareholders holding."

TYPES OF BOND AND ISSUERS

Global bond markets can be classified by several bond characteristics, including type of issuer, credit quality, maturity, coupon, currency, geography, indexing, and taxable status.

Type of issuer. Common classifications are households, nonfinancial corporations, governments, and financial institutions. In developed markets, the largest issuers by total value of bonds outstanding in global markets are financial corporations and governments. In emerging markets, nonfinancial corporations are the largest issuers.

Credit quality. Standard & Poor's (S&P), Moody's, and Fitch all provide credit ratings on bonds. For S&P and Fitch, the highest bond ratings are AAA, AA, A, and BBB, and are considered *investment grade bonds*. The equivalent ratings by Moody's are Aaa through Baa3. Bonds BB+ or lower (Ba1 or lower) are termed high-yield, speculative, or "junk" bonds. Some institutions are prohibited from investing in bonds of less than investment grade.
Original maturities. Securities with original maturities of one year or less are classified as **money market securities**. Examples include U.S. Treasury bills, commercial paper (issued by corporations), and negotiable certificates of deposit, or CDs (issued by banks). Securities with original maturities greater than one year are referred to as **capital market securities**.

Coupon structure. Bonds are classified as either floating-rate or fixed-rate bonds, depending on whether their coupon interest payments are stated in the bond indenture or depend on the level of a short-term market *reference rate* determined over the life of the bond. Purchasing floating-rate debt is attractive to some institutions that have variable-rate sources of funds (liabilities), such as banks. This allows these institutions to avoid the balance sheet effects of interest rate increases that would increase the cost of funds but leave the interest income at a fixed rate. The value of fixed-rate bonds (assets) held would fall in the value, while the value of their liabilities would be much less affected.

Currency denomination. A bond's price and returns are determined by the interest rates in the bond's currency. The majority of bonds issued are denominated in either U.S. dollars or euros.

Geography. Bonds may be classified by the markets in which they are issued. Recall the discussion in the previous topic review of domestic (or national) bond markets, foreign bonds, and eurobonds, and the differences among them. Bond markets may also be classified as **developed markets** or **emerging markets**. Emerging markets are countries whose capital markets are less well-established than those in developed markets. Emerging market bonds are typically viewed as riskier than developed market bonds and therefore have higher yields.
Indexing. As discussed previously, the cash flows on some bonds are based on an index (**index-linked bonds**). Bonds with cash flows determined by inflation rates are referred to as inflation-indexed or inflation-linked bonds. Inflation-linked bonds are issued primarily by governments but also by some corporations of high credit quality.

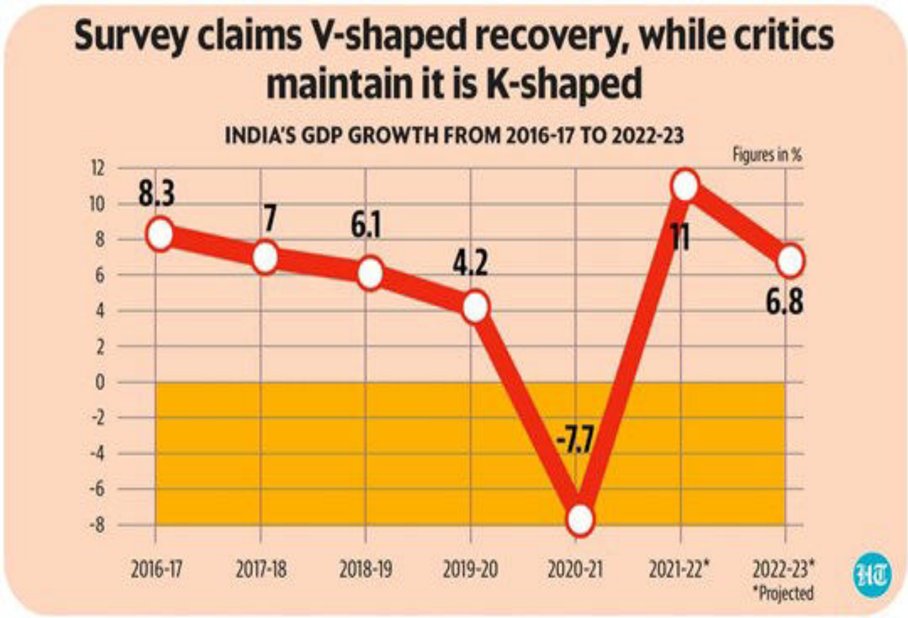
Tax status. In various countries, some issuers may issue bonds that are exempt from income taxes. In the United States, these bonds can be issued by municipalities and are called **municipal bonds**, or **munis**.

FALL AND RISE OF INDIAN ECONOMY

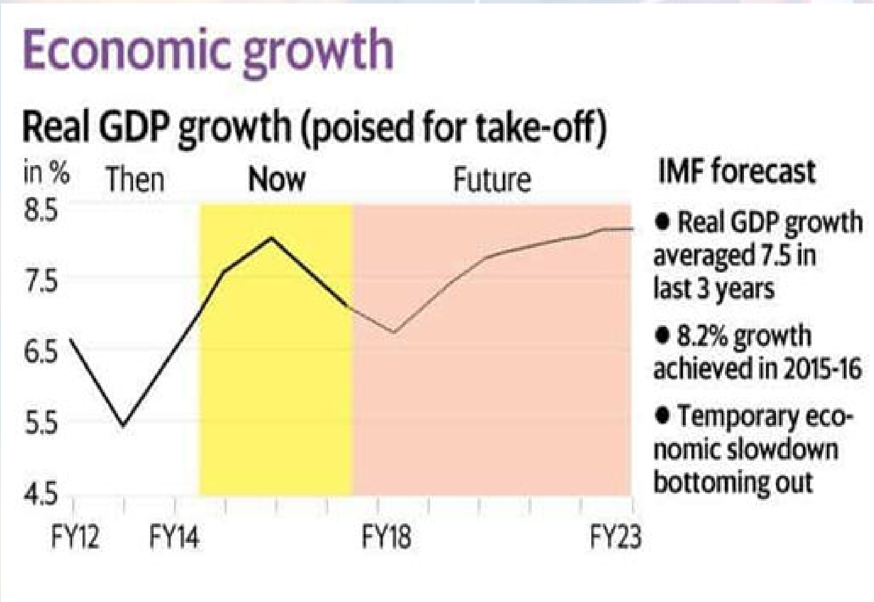
When growing inflation and massive unemployment are factored in, the real state of the Indian economy is far more perilous.

The Indian economy is expected to grow at a rate of roughly 9% in the next years, according to current predictions. According to official authorities, these are indicators of a tremendous recovery in the shape of a 'V.' The nation's fixation with macroeconomic growth rates diverts attention away from more important macroeconomic developments. All deep drops in production, as Raghuram Rajan has pointed out, are followed by a V-shaped recovery.

As a result, the recovery's shape is irrelevant. Indeed, several economists have pointed out that the recovery is more in the shape of the letter K if you dig a bit deeper. The bottom arm's drop indicates that the poor have fared badly, whilst the upper arm's rise indicates that the wealthy have prospered. Furthermore, the two arms are considerably different in size. According to the newest Oxfam report, 84 percent of all households would face a decrease in income by 2021, while the number of billionaires will increase from 102 to 142 during the same period. Other data reveal a callous government's budget management, with healthcare spending decreased by 10% from updated expectations for 2020-21. The education budget was slashed by 6%, and spending on social security programmes was reduced from 1.5 percent of the entire Union budget to 0.6 percent. The wealth of India's top 100 persons reached a new high of Rs 57.3 Lakh crores.



At the same time, the bottom half of India's population owned only 6% of the country's wealth. According to UN predictions, 4.6 crore Indians will fall below the poverty line and into extreme poverty by 2020. According to a comprehensive poll performed by a Mumbai think group, the poorest 20% of Indians have seen their incomes fall by 53% in the last five years. In the same time period, the lower middle 20% of the population lost 32.4 percent of their income. The top 20%, on the other hand, have witnessed a 39 percent increase in wealth and income, according to the report.



When one considers the rising rate of inflation and the high incidence of unemployment, particularly among the youth, the real state of the Indian economy is far more ominous. The worst feature of the current situation, in my opinion, is that the poor and underprivileged appear to have lost their voice – a voice that is important in the operation of a democratic system based on mass politics.

TEAM FINARTHA

The FINANCE CLUB OF MDIM

BATCH 2020-22 & 2021-23

ISSUE - 114| DATE - 30 January 2022

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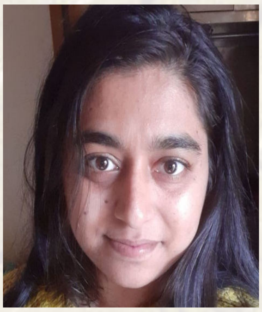

SHIVANI TRIPATHI