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.

FINARTHA

MDI MURSHIDABAD | Management Development Institute

FIN-O-DATE
THE FINANCE MAGAZINE

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ISSUE– 117

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Kotak Bank	1841.75	1899.40	3.13	1905.00/1852.90
Titan	2450.10	2501.00	2.08	2525.00/2452.00
Asian Paints	3227.15	3285.70	1.81	3296.90/3235.05
IndusInd Bank	939.10	953.50	1.53	958.65/943.15
TATA Consum	715.20	726.00	1.51	729.50/714.10

INDEX

- **SENSEX** 57581.85
- **NIFTY 50** 17170.15
- **NASDAQ** 13381.52
- **DOWJONES** 33596.61

CURRENCY

- **USD/INR** ₹ 74.62
- **GBP/INR** ₹ 101.44
- **YEN/INR** ₹ 0.65
- **EURO/INR** ₹ 84.49

LATEST BY:
Feb 20, 2022

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
ONGC	164.95	161.30	2.21	166.40/161.05
HERO MOTO	2731.00	2702.80	1.03	2762.45/2691.10
LARSEN	1844.45	1829.15	0.83	1852.00/1826.35
ICICI BANK	751.30	745.95	0.71	756.40/744.40
GRASIM	1684.15	1673.00	0.66	1704.00/1670.00

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
Reliance	BUY	2300	2500	2550	2200
Ramco iNDIA	BUY	250	300	310	220
HCL Tech	BUY	1080	1200	1250	1050

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?

INDIA'S GDP LIKELY GREW 5.8% IN Q3, SAYS SBI'S ECONOMICS TEAM

India's gross domestic pro duct (GDP) likely grew by 5.8% in the third quarter of fiscal 2022, SBI's economics researchers projected. The economy expanded by 8.4% in the second quarter of 2021-22, to cross pre pandemic levels. However, GDP growth in the July-September period was slower than the 20.1% expansion in the preceding quarter. The National Statistical Office (NSO) will release the GDP estimates for Q3 FY22 on February 28. "As per SBI Nowcasting Model, the forecasted GDP growth for Q3 FY22 would be 5.8 %, with a downward bias," the researchers said in the Eco wrap report. "The full year (FY22) GDP growth is now revised downwards to 8.8% from our earlier estimate of 9.3%," they added. The Nowcasting Model is based on 41 high frequency indicators associated with industry activity, service activity, and global economy.

FM BATS FOR MORE SUPPORT TO LOW, MIDDLE- INCOME NATIONS

Finance Minister Nirmala Sitharaman on Thursday made a strong pitch for a multilateral initiative to support low-income and middle-income nations in meeting pandemic and climate change risks, backed by an independent and transparent governance structure. Speaking at the first G20 Finance Ministers and Central Bank governors' meeting this year, Ms. Sitharaman said a common pool of funds, with increased funding from multilateral development banks, must be made available for global public goods. The key, she said, would be to ensure that low-income countries are neither denied basic simple needs like PPE kits, nor should they be excluded from more expensive or complicated technological solutions. Invoking former UN Secretary General Kofi Annan's observation that global public goods is the one missing term in all parleys about global co-operation, Ms. Sitharaman said that the criticality of such goods has now been recognized in the con text of the health and cli mate crisis facing the world. "The crisis for mobilizing resources is acute in low-income and middle-income countries as their own fiscal space for generating that kind of increased spending on healthcare and climate change is very limited," she said. India, she noted, had put aside $29 billion to bolster healthcare infrastructure and provide insurance to the poor and the lower -income groups in the country through the pandemic.

NESTLE INDIA Q4 PROFIT DIPS 20% TO 387 CRORE

Nestle India reported a 20% decline in net profit to 386.66 crore for the fourth quarter ended December 31, as the FMCG major faced inflationary headwinds on raw material inputs. The company, which follows a January-December financial year, had posted a profit of ₹483.31 crore in the same period a year earlier, Nestle India said in a regulatory filing. However, revenue from operations increased 8.93% to 3,739.32 crore, from *3,432.58 crore in the corresponding period of the last fiscal, the company said. Total expenses in the October-December quarter were up 8.23% to 3,022.97 crore, as against *2,793.01 crore in the corresponding year-earlier period. Domestic sales rose 9.17% to 3,559.78 crore, from *3,260.70 crore in the October-December quarter of 2020. Exports were down 6.63% to 146.42 crore, as against 156.82 crore in the corresponding quarter.

VEDANTA TO INVEST UP TO $20BN IN SEMICONDUCTOR, DISPLAY UNITS

Indian conglomerate Vedanta has earmarked $15 billion for its foray into the electronic chip and display manufacturing space, and plans to scale up the investment to as much as $20 billion (about 1.5 lakh crore), a senior company official said. It expects to roll out dis play units, for use in mobile phones and electronics dev ices, by 2024 and electronic chips from Indian manufacturing plants by 2025, Vedanta Group's global managing director of Display and Semiconductor Business Akarsh Hebbar told PTI on Friday. "Semiconductor is a long-term business. We are looking at about $10 billion on display. Right now, we are looking at $7 billion in semiconductors that may also go up by another $3 billion... First 10 years, we have engaged to invest up to $15 billion. We will evaluate further -investment at a later stage." He is also MD of Avanstrate, which handles the display manufacturing business of the group. Vedanta Group has applied for setting up a semiconductor plant and a display manufacturing unit under the Centre's incentive scheme. Mr. Hebbar said the firm expected to start commercial supply of electronic chips in the 28-nanometre category by 2025. "We will focus on local de mand but 25-30% may go for export," he said, adding that electronic components import in India was about $100 billion, out of which semiconductors accounted for $25 billion. The group has signed an MoU with electronics manufacturer Foxconn to form a joint venture to make semiconductors in India.

“The Biggest Banking Fraud of India– Where we went wrong?”

The Enforcement Directorate (ED) is planning to initiate a money laundering investigation into ABG Shipyard's management and directors under the Prevention of Money Laundering Laws (PMLA) for allegedly diverting "substantial monies" from the total fraud amount of Rs. 22,842 crore.

This week, the federal agency is likely to file an enforcement case information report (ECIR) for violations of anti-money laundering laws. The agency is concentrating on ABG Shipyard's transfer of loan funds to related parties and subsequent adjustment entries, as well as the trail of major investments made in its foreign business and whether monies were diverted to tax havens.

SHIPWRECKED

- **Banks to involve** CBI, EOW
- **No additional provisioning** as account has been classified as NPA
- **Firm was among the ‘dirty dozen’** identified by RBI to be taken up under IBC
- **In terms of ticket size, ABG Shipyard** is in the same league as the Nirav Modi case
- **Final resolution** of the company comes under more stress
- **RBI’s Financial Stability Report says cases of fraud over ₹1,000 cr** increased to 22 in H1FY20, worth a cumulative ₹44,951 cr, up from four cases in FY19, worth ₹6,505 cr, cumulatively

How Big Is the ABG Shipyard?

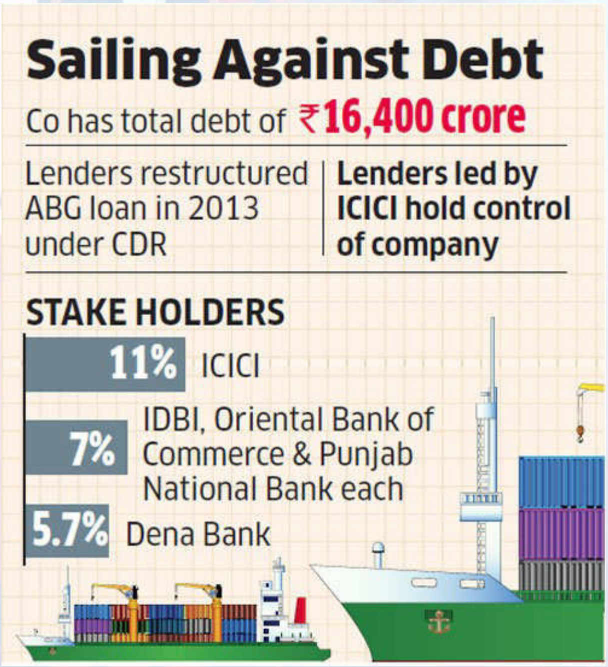
Since its incorporation on March 15, 1985, the company has been a major player in India's shipbuilding and repair industry. Gujarat's Dahej and Surat are home to their shipyards. Newsprint carriers, self-discharging and loading bulk cement carriers, floating cranes, interceptor boats, dynamic positioning diving support vessels, pusher tugs, and flotilla are some of the company's most well-known products for top Indian and international corporations.

Where the problem began?

- The problems began during the economic slump that followed the global financial crisis of 2007-08, which resulted in the shipbuilding industry's demise.
- A forensic audit discovered that the corporation broke rules and diverted money from stated end users, resulting in a loss of orders, inventory build-up, and lastly, financial fraud.
- Banks offered to recast loans as part of the corporate debt restructuring programme.

What did the Forensic Report states?

Ernst & Young's forensic analysis for the period April 2012 to July 2017 found indications of fund diversion. The company has paid out Rs 603 crore to One Ocean Shipping and Rs 812 crore to ABG Engineering and Construction to linked parties. ABG Shipyard had transferred monies to both in past years, according to the transfer entries. The audit raised concerns regarding investments made through an overseas company and revealed that properties were purchased by associated parties using ABG Shipyard cash.
The assets purchased with these monies were not recorded in the company's accounts as fixed assets.



How it Impacts the Banking Sector?

1. Banks have already classified the ABG Shipyard account as bad and made provisions for it, so any additional impact on the balance sheet is doubtful.
2. According to CH Venkatachalam, general secretary of the All India Bank Employees' Association, banks are expected to sacrifice around 92 percent of the amount owing to them throughout the resolution procedure before the National Company Law Tribunal. There won't be much left to recover. This also demonstrates how negatively the deal affects banks.

Amidst all the political fares springing from the scam, one major decision that need to be taken is to make regulations stricter and transparent so that the financial systems don’t crash down with similar incidents.

IPO WATCH: FUSION MICROFINANCE

ABOUT THE COMPANY

Fusion Micro Finance Limited was founded with the objective of expanding opportunities for women at the bottom of the economic pyramid, and they do so by providing financial services to unserved and underserved women in rural and peri-rural India. They believe that their network and services have extended access to formal credit at reasonable rates, improving the lives of their consumers in rural India. Since their inception in 2010, they've focused on organic geographic expansion, with a strategic focus on reducing state concentration risk by expanding into neglected rural areas with significant development potential. As a result, they have built a significant presence in India as of March 31, 2021, servicing 2.12 million active borrowers through a network of 725 offices and 6,351 permanent personnel spread over 326 districts and 18 states and union territories in India. Because of their broad and geographically diverse distribution network, they can give "last-mile" connectivity to their clients in isolated rural areas. They were placed second among the top ten NBFC-MFIs in India in terms of least portfolio density from the largest state for the financial year 2021. According to CRISIL, they had the smallest total loan portfolio per district and per customer among India's top 10 NBFC-MFIs, indicating better expansion and lower risk per client.

FINANCIAL HIGHLIGHTS

	2021	2020	2019
TOTAL ASSETS	5837.93	4239.99	3610.52
TOTAL REVENUE	873.09	730.31	497.05
PROFIT AFTER TAX	43.94	69.61	50.67

All values are in Rs. Cr.

IPO DETAILS:

Fusion Microfinance, funded by Warburg Pincus, filed a draft red herring prospectus in mid-August 2021. It received SEBI clearance in November 2021. Fusion Microfinance's IPO would include a fresh offering of Rs.600 crore as well as an offer to sell 2,19,66,841 equity shares. The final size of the offer will be determined by the IPO's price band. Devesh Sachdev and Mini Sachdev, the two promoters, would sell 13 lakh and 2 lakh shares, respectively, out of the 2.197 crore shares being offered as part of the OFS. Those who were among the first to invest In the OFS, Creation Investment will sell 40 lakh shares and Honey Rose Investment will sell 63.21 lakh shares. Oikocredit, Ecumenical Development, and the Global Financial Inclusion Fund are among the other selling stockholders in the OFS. Fusion Microfinance's promoter group owns 85.5 percent of the firm, while the other two selling shareholders own a combined 12.03 percent. Fusion Microfinance may alternatively explore a Rs.120 crore pre-IPO placement, in which case the IPO size will be proportionately decreased. Closer to the IPO date, anchor placement will be considered. The retail portion of the IPO would be 35 percent, while the QIB portion would be 50 percent. The book running lead managers or BRLMs for the issuance will be ICICI Securities, CLSA India, IIFL Securities, and JM Financial. The issue opening, allotment and listing date are yet to be announced by the company. The shares will be listed at both National stock exchange as well as Bombay stock Exchange.

OBJECTIVES OF THE IPO:

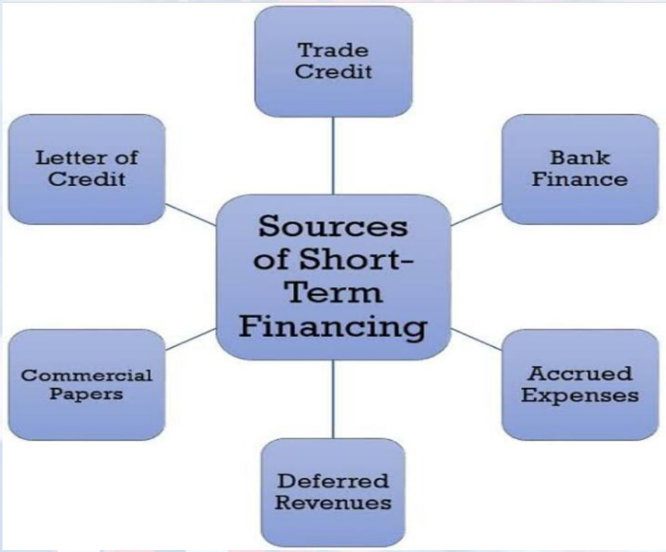
The Rs.600 crore raised in the offer would be utilized to strengthen the company's capital basis and increase its capital comfort, allowing it to expand its book.

Sources of Short-Term Funding From Banks

Lines of credit are used primarily by large, financially sound companies. *Uncommitted line of credit*. A bank extends an offer of credit for a certain amount but may refuse to lend if circumstances change.

Committed (regular) line of credit. A bank extends an offer of credit that it "commits to" for some period of time. The fact that the bank has committed to extend credit in amounts up to the credit line makes this a more reliable source of short-term funding than an uncommitted line of credit. Banks charge a fee for making such a commitment. Loans under the agreement are typically for periods of less than a year, and interest charges are stated in terms of a short-term reference rate, such as LIBOR or the U.S. prime rate, plus a margin to compensate for the credit risk of the loan. Outside the United States, similar arrangements are referred to as *overdraft lines of credit*.

Revolving line of credit. An even more reliable source of short-term financing than a committed line of credit, revolving lines of credit are typically for longer terms, sometimes as long as years. Along with committed lines of credit, revolving credit lines
can be verified and can be listed on a firm's financial statements in the footnotes as a source of liquidity.



Companies with weaker credit may have to pledge assets as collateral for bank borrow-ings.
Fixed assets, inventory, and accounts receivable may all serve as collateral for loans. Shortterm financing is typically collateralized by receivables or inventory and longer-term loans are secured with a claim to fixed (longer-term) assets. The bank may also have a *blanket lien* which gives it a claim to all current and future firm assets as collateral in case the primary collateral is insufficient and the borrowing firm defaults. When a firm assigns its receivables accounts payable average day's purchases annual purchases 365
to the bank making a loan, the company still services the receivables and remains respon-sible for any receivables that are not paid.

Banker's acceptances are used by firms that export goods. A banker's acceptance is a guarantee from the bank of the firm that has ordered the goods stating that a payment will be made upon receipt of the goods. The exporting company can then sell this acceptance at a discount in order to generate immediate funds.

Factoring refers to the actual sale of receivables at a discount from their face values. The size
of the discount will depend on how long it is until the receivables are due, the creditworthiness of the firm's credit customers, and the firm's collection history on its receivables. The "factor" (the buyer of the receivables) takes on the responsibility for collecting receivables and the credit risk of the receivables portfolio.

MORTGAGE-BACKED SECURITIES

MBS (mortgage-backed securities) are bonds backed by mortgages and other real estate debts. They are generated when a number of these loans are pooled together, usually with comparable qualities. For example, a bank that provides home mortgages would round up $10 million in mortgages. The pool is subsequently sold to a federal government agency, such as Ginnie Mae, or a government sponsored enterprise (GSE), such as Fannie Mae or Freddie Mac, or to a securities business, to serve as collateral for the new MBS.
The bulk of MBSs are issued or guaranteed by government agencies such as Ginnie Mae or GSEs such as Fannie Mae and Freddie Mac. MBS are supported by the issuing institution's promise to pay interest and principal on their mortgage-backed securities. While Ginnie Mae's guarantee is backed by the US government's "full faith and credit," GSE guarantees are not.
Private companies issue a third type of MBS. These "private label" MBS are issued by subsidiaries of investment banks, financial institutions, and homebuilders, and their creditworthiness and ratings may be significantly worse than government agencies and GSEs.
Use caution when investing in MBS due to the general complexity of the product and the difficulty in determining an issuer's trustworthiness. Many individual investors may find them unsuitable.
Unlike traditional fixed-income bonds, most MBS bondholders receive interest payments monthly rather than semi-annually. This is for a very excellent cause. Homeowners (whose mortgages form the MBS's underlying collateral) pay their payments monthly rather than twice a year. These mortgage payments are the ones that end up with MBS investors.

Mortgage-Backed Securities Snapshot

Issuer	Agencies of the federal government, GSEs and private financial organizations
Minimum Investment	Varies—generally $10,000
Interest Payment	Generally paid monthly with payments varying each month
How to Buy/Sell	Through a broker
Bond Interest Rate	Determined at origination and varies by bond
Price Information	Issue price and secondary trade data available through a broker and data vendors
Risk Profile	Credit and default risk are real for MBSs issued by GSEs: The federal government is under no legal obligation to save a GSE from default. Prepayment risk that acts much like call risk: You get your principal back sooner than the stated maturity, but the reinvestment opportunities are limited due to the inconsistent prepayment rates. There is also the risk that interest rates will go up, lengthening the estimated maturity (but not the stated maturity) of your MBS and creating more holding-period risk. And if interest rates rise, the value of a mortgage-backed security on the secondary market will likely fall.

There's another distinction between MBS and Treasury bond proceeds for investors. The Treasury bond pays you solely interest, and when it matures, you receive a lump-sum principal amount, such as $1,000. A MBS, on the other hand, pays you both interest and principal. The majority of your cash flow from the MBS comes from interest at first, but as time goes on, more and more of your earnings come from principle. When your MBS matures, you won't get a lump-sum principal payment because you'll be getting both interest and principal instalments. You've been getting it in monthly instalments.
Because the original "pass-through" structure reflects the fact that homeowners do not pay the same amount each month, MBS payments may vary from month to month.
There's one more thing to note about the portions you've been receiving: they aren't the same every month. As a result, investors who prefer a predictable and constant semiannual payment may be concerned about the volatility of MBS.

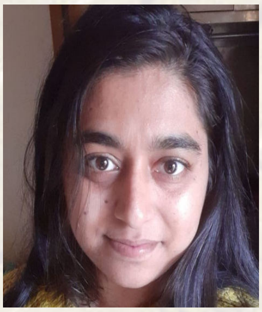
TEAM FINARTHA

The FINANCE CLUB OF MDIM

BATCH 2020-22 & 2021-23

ISSUE - 117 DATE - 20 February 2022

Shubham Bhattacharya | **Joy Dutta** | **Megha Poddar** | **Rahul Dhankhar** | **Navin Srivastava**



SHREYAS TEWARI | **ADARSHA NAMAN** | **MOHAMMAD TABISH** | **SHUBH TANEJA** | **SHIVANI TRIPATHI**