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

MARCH 20, 2022

ISSUE– 120

INDEX

- SENSEX 57292.49
- NIFTY 50 17117.60
- NASDAQ 13826.80
- DOWJONES 34646.98

CURRENCY

- USD/INR ₹ 76.26
- GBP/INR ₹ 100.61
- YEN/INR ₹ 0.64
- EURO/INR ₹ 84.17

LATEST BY:
Mar 20, 2022

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
COAL INDIA	176.55	182.30	3.26	186.35/177.50
HINDALCO	576.80	589.95	2.28	600.95/582.55
UPL	761.60	775.90	1.88	777.75/760.00
ONGC	170.30	172.55	1.32	175.00/170.30
HDFC BANK	1480.05	1486.50	0.44	1493.65/1472.80

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
BRITANNIA	3355.95	3237.55	3.53	3350.00/3230.00
TATA CONSUM	772.30	747.80	3.17	773.85/745.30
POWER GRID	211.55	204.90	3.14	216.00/204.50
GRASIM	1619.85	1569.45	3.11	1614.45/1556.45
SHREE CEMENTS	24090.20	23390.30	2.91	24188.05/23333.30

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
HDFC BANK	BUY	1420	1500	1540	1380
KOTAK BANK	BUY	1765	1900	1950	1700
SBIN	BUY	470	520	540	450

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.

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 .

EDITED BY: ADARSHA NAMAN | MDIM | PGDM 2021-2023

WHAT'S BREWING IN THE MARKET?

FOREX RESERVES DECLINE $9.65 BILLION TO $622.27 BILLION

According to the latest figures from the RBI, the country's foreign exchange reserves fell by USD 9.646 billion to USD 622.275 billion in the week ending March 11. The reserves increased by USD 394 million to USD 631.92 billion in the week ending March 4. In the week ending September 3, 2021, it reached a new all-time high of USD 642.453 billion. According to the Reserve Bank of India's (RBI) weekly statistics issued on Friday, the loss in reserves was attributable to a drop in foreign currency assets (FCA), a key component of overall reserves, during the reporting week. In the week ending March 11, FCA fell by USD 11.108 billion to USD 554.359 billion. The effect of appreciation or depreciation of non-US units held in foreign exchange reserves, such as the euro, pound, and yen, is included in the foreign currency assets when expressed in dollar terms. The statistics revealed that gold reserves climbed by USD 1.522 billion to USD 43.842 billion in the reporting week. The International Monetary Fund's (IMF) special drawing rights (SDRs) fell by USD 53 million to USD 18.928 billion, according to the RBI. According to the statistics, the country's reserve position with the IMF fell by USD 7 million to USD 5.146 billion in the reporting week.

FISCAL POLICY TO BOOST DEMAND BY 0.3% OF GDP IN FY23, RBI STAFF SAY

According to a paper authored by Reserve Bank of India (RBI) personnel, the Centre would continue to boost demand in FY23 via the 2022 Budget, despite efforts to repair its finances and reduce the budget deficit to 6.4 percent of GDP. According to the report, the next fiscal year's budget will deliver a net fiscal stimulus of 0.3 percent of GDP. The fiscal impulse is a measurement of how much fiscal policy increases or decreases demand. A positive fiscal impulse indicates that fiscal policy is being used to stimulate the economy. The budget data, according to RBI employees, show "resolute strategic steps by the budgeteer to accomplish true consolidation." The article was authored by staff of the RBI's Department of Economic and Policy Research under the supervision of Deputy Governor Michael Patra and released on March 17. It does not necessarily reflect the central bank's views. According to RBI staff estimates, the total fiscal stimulus was 2.7 percent of GDP in FY21 and 0.6 percent in FY22.

ADVANCE TAX COLLECTIONS JUMP 41%; NET DIRECT TAX MOP-UP SOARS 48%

India's tax revenue from personal and corporate income increased by more than 48% in the current fiscal year, owing to a 41% increase in advance tax payments, indicating persistent economic growth in a year marked by two waves of coronavirus infections. According to an official release, net direct tax receipts were Rs 13.63 lakh crore to March 16, 2022 in the fiscal year that began on April 1, 2021, compared to Rs 9.18 lakh crore in the same time a year before. The current fiscal's net direct tax collections, which include income tax on individual income, corporation tax on earnings of corporations, property tax, inheritance tax, and gift tax, are 35% more than the pre-pandemic year's collection of Rs 9.56 lakh crore (April 2019 to March 2020). Advance tax receipts increased by 40.75 percent to Rs 6.62 lakh crore, with the fourth instalment due on March 15.

INDIA'S OIL DEMAND LIKELY TO JUMP 8% IN 2022

As the economy recovers from the pandemic's damage, India's oil demand is expected to rise 8.2 percent to 5.15 million barrels per day in 2022. In its most recent monthly oil market report, the Organization of Petroleum Exporting Countries (OPEC) predicted that the world's third-largest energy consumer will increase crude oil consumption by 0.39 million barrels per day (bpd) in 2022. India's oil demand increased by 5.61 percent from 4.51 million barrels per day in 2020 to 4.76 million bpd in 2021. However, this was still lower than pre-pandemic levels. Oil demand was 4.98 million barrels per day in 2018, rising to 4.99 million barrels per day the next year before the pandemic. However, this was lower than pre-pandemic levels. Oil consumption has risen this year as governments lift COVID-19 rules in response to a drop in new cases. As India's average driving activity grew, mobility continued to improve.

“This is my Fight Now: Ukraine and WAR BONDS”

As Ukraine and Russia battles making the entire world gasp. Ukraine has taken the bull by its horns with its exercise of WAR BONDS to fund military operations. Ukraine has pulled out a financial move which was until now unthinkable in the modern world. The government promises the investors a 11% return, the uncertainty of the situation poses a major risk. However risk involved might not be the major concern for most investors supporting the cause of the nation. While making money of it is the bonus attached. The $277 million raised in the war bond auction is the equivalent of 8.14 billion Ukrainian hryvnia..

Just as Americans were rallied to purchase U.S. war bonds — also known as Liberty Bonds — issued during World Wars I and II as a show of patriotism, the Ukraine government is using war bonds to obtain urgent financial support from international investors. The going rate on 10-year Ukrainian government bonds is more than 30%. The 11% interest rate the country is willing to pay investors for the war bonds is about a third of that. Thus the investors paying for War Bonds are doing out of sheer patriotism.

But before we understand the scenarios where Ukraine war bond will lose its value. Lets look into the definition and a little bit history of War Bonds.

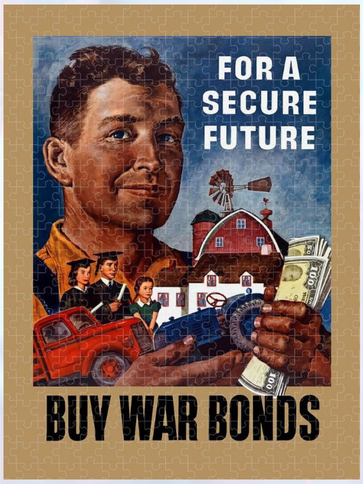
WHAT IS WAR BOND?

A war bond is a debt security issued by a government to finance military operations during times of war or conflict. Because war bonds offered a rate of return below the market rate, investment was achieved by making emotional appeals to patriotic citizens to lend the government money.

Although war bonds do not typically pay interest/coupon, they are sold at a discount that mature to face value giving some positive return. The war bonds are one of a number of crowdfunding measures by Ukraine to raise money for both its armed forces and civilians as the country faces down a vastly bigger military force.

HISTORY OF WAR BOND

To assist fund its participation in World War I, the United Kingdom notably offered National War Bonds. They paid a 5% yield, and the sale was accompanied by a massive advertising effort designed to elicit patriotic passion. They were still owned by 120,000 investors when they were redeemed over a century later. During World War I, the United States sold "liberty bonds," and during World War II, it sold "defence bonds." Following Japan's bombing of Pearl Harbor, which prompted the United States to enter the war, the latter were recast as war bonds, which were purchased by more than 84 million Americans.



WAR BONDS: CONTROVERSY OR BLESSING

War Bonds are controversial as they're notoriously volatile because they're frequently sold at a time when a country's economic and political fortunes — or even its very existence — are at their most precarious. When dealing with such scenarios, investors must increasingly be conscious of environmental, social, and governance rules.

Ukraine's war bonds provide an opportunity to contribute money directly to the country's beleaguered government while also potentially earning a large return. Some retail investors were combing investment forums like Reddit to see if they could grab a piece of the action.

SCENARIOS WHERE WAR BOND WILL LOSE OR REDUCE ITS VALUE

1. The first risk is that Ukraine would default on the bonds
2. The second risk is that their currency comes out on the other side of this war almost worthless. Therefore, they pay back the debt, but the currency value is greatly diminished.
3. The third risk is that Russia wins the war

War bonds are sold for a fraction of their face value. When a bond matures, the buyer receives the full face value plus interest. WWII war bonds, also known as Series E bonds, were scheduled to mature in ten years, but they were given an interest extension of up to 30 or 40 years, depending on the value of the bond.

Series E war bonds can be redeemed for cash at a bank by investors who still own them. Antique paper bonds, on the other hand, can be more valuable if sold to a collector.

IPO WATCH: ARCHEAN CHEMICAL

ABOUT THE COMPANY

Archean Chemical Industries Ltd. is a prominent specialty marine chemical company specialising in the production and export of industrial salt, bromine, and potassium sulphate. Its manufacturing hub is in the Rann of Kutch, where it has established brine deposits. The location is on Gujarat's seashore. The production, on the other hand, takes place in a plant near Hajipir in Gujarat. This firm manufactures essential initial level bromine, which is used in a variety of industries including agro-chemicals, pharmaceuticals, additives, water treatment, oil and gas, flame retardants, and energy storage. Archean Chemical Industries Ltd. also produces industrial salt, which is used in the chemical industry as a raw ingredient. It is used by the chemical industry to make various compounds and other chemicals. Potash sulphate is also used to manufacture fertilisers and has a variety of medicinal applications. According to Frost & Sullivan, Archean Chemical Industries Limited would be India's leading exporter of bromine and industrial salt in Fiscal 2021, with production costs among the lowest in the world in both bromine and industrial salt.

FINANCIAL HIGHLIGHTS

	2021	2020	2019
TOTAL ASSETS	1432.42	1428.6	1260.51
TOTAL REVENUE	754.79	617.00	572.91
PROFIT AFTER TAX	66.61	36.24	39.97

All values are in Rs. Cr.

IPO DETAILS:

The Securities Exchange Board of India has given Archean Chemical Industries Ltd permission to seek funds through an initial public offering. The IPO comprises of a Rs 1,000 crore new issuance and a 19.07 million share offer-for-sale by existing shareholders and promoters. Chemikas Speciality LLP (CS LLP) will hold up to 5.30 million shares, India Resurgence Fund Scheme I (IRF I) will hold up to 3.73 million shares, India Resurgence Fund Scheme II (IRF II) will hold up to 6.30 million shares, and Piramal Natural Resources Pvt Ltd will hold up to 3.73 million shares in the OFS (PNRPL). CS LLP owns a 41% share in the business. IRF I owns 7.46 percent of the company, IFR II owns 12.19 percent, and PNRPL owns 7.46 percent.

The issue's lead managers are IIFL Securities, ICICI Securities Ltd, and JM Financial.

The issue opening , allotment and listing date are yet to be disclosed by the company. The stock will be listed at BSE and NSE.

OBJECTIVES OF THE IPO:

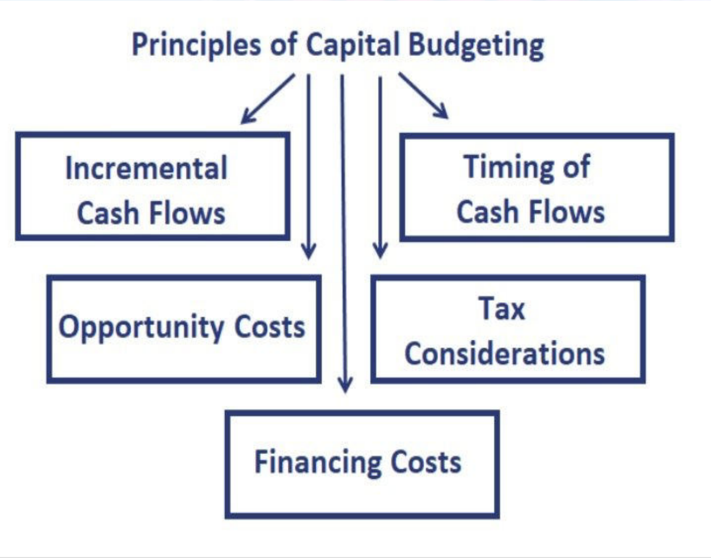
The proceeds from the offering would be utilized to completely or partially redeem non-convertible debentures. The corporation will profit from a lower debt-to-equity ratio, lower debt service costs, and lower outstanding debt. Aside from that, the corporation will be able to use internal accruals for future investments, resulting in increased overall growth and expansion.

CAPITAL BUDGETING PRINCIPLES

The capital budgeting process involves five key principles:

1. *Decisions are based on cash flows, not accounting income*. The relevant cash flows to consider as part of the capital budgeting process are **incremental cash flows**, the changes in cash flows that will occur if the project is undertaken.
Sunk costs are costs that cannot be avoided, even if the project is not undertaken. Because these costs are not affected by the accept/reject decision, they should not be included in the analysis. An example of a sunk cost is a consulting fee paid to a marketing research firm to estimate demand for a new product prior to a decision on the project.

Externalities are the effects the acceptance of a project may have on other firm cash flows. The primary one is a negative externality called **cannibalization**, which occurs when a new project takes sales from an existing product. When considering externalities, the full implication of the new project (loss in sales of existing products) should be taken into account. An example of cannibalization is when a soft drink company introduces a diet version of an existing beverage. The analyst should subtract the lost sales of the existing beverage from the expected new sales of the diet version when estimated incremental project cash flows. A positive externality exists when doing the project would have a positive effect on sales of a firm's other product lines.



A project has a **conventional cash flow pattern** if the sign on the cash flows changes only once, with one or more cash outflows followed by one or more cash inflows. An **unconventional cash flow pattern** has more than one sign change. For example, a project might have an initial investment outflow, a series of cash inflows, and a cash outflow for asset retirement costs at the end of the project's life.

2. *Cash flows are based on opportunity costs*. **Opportunity costs** are cash flows that a firm will lose by undertaking the project under analysis. These are cash flows generated by an asset the firm already owns that would be forgone if the project under consideration is undertaken. Opportunity costs should be included in project costs. For example, when building a plant, even if the firm already owns the land, the cost of the land should be charged to the project because it could be sold if not used.

3. *The timing of cash flows is important*. Capital budgeting decisions account for the time value of money, which means that cash flows received earlier are worth more than cash flows to be received later.

4. *Cash flows are analyzed on an after-tax basis*. The impact of taxes must be considered when analyzing all capital budgeting projects. Firm value is based on cash flows they get to keep, not those they send to the government.

5. *Financing costs are reflected in the project's required rate of return*. Do not consider financing costs specific to the project when estimating incremental cash flows. The discount rate used in the capital budgeting analysis takes account of the firm's cost of capital. Only projects that are expected to return more than the cost of the capital needed to fund them will increase the value of the firm.

WHY DID INDIA'S FOREIGN EXCHANGE RESERVES DROP BY ROUGHLY $10 BILLION?

The rupee declined against the US dollar amid rising crude oil prices and capital outflows due to continued selling by foreign portfolio investors, reducing India's foreign exchange reserves by $9.64 billion to $622.275 billion in the week ending March 11, 2022. (FPIs). This is the largest drop in reserves in over two years, following a $11.98 billion drop in the week ending March 20, 2020, when India was rocked by the Covid-19 outbreak and FPIs withdrew cash.

WHY HAVE THE RESERVES DECLINED?

Following the intensification of the Russia-Ukraine conflict and a spike in crude oil prices, the RBI sold dollars to avoid the rupee from falling further in value. When the rupee crossed the 76-level and was heading for the 77-mark, the RBI intervened by selling dollars through PSU banks. On March 8, the RBI sold $5.135 billion to banks while also agreeing to buy the dollars back at the end of the swap-settlement period. When the central bank sells dollars, it withdraws the same amount in rupees, diminishing rupee liquidity in the economy. Dollar inflows into the market bolstered the rupee, which on March 8 surpassed the 77-mark against the dollar. On March 17, the rupee soared by 41 paise to close at a record high.

WHAT CAUSED THE RUPEE'S DEPRECIATION?

Foreign investors withdrew Rs 41,617 crore in March, putting significant pressure on the rupee. After withdrawals of Rs 45,720 crore in February and Rs 41,346 crore in January, this outflow has occurred. Since October 1, 2021, FPIs have withdrawn out Rs 225,649 crore (excluding FPI investments in IPOs), primarily in anticipation of a rate hike by the US Federal Reserve. Furthermore, as the Russia-Ukraine conflict escalated, Brent crude prices rose to a near 14-year high of $140. Because India imports roughly 80% of its domestic needs, high crude oil prices would have resulted in a significant increase in the dollar demand.

WHY DID THE VALUE OF FOREIGN CURRENCY HOLDINGS PLUMMET?

Foreign currency assets (FCA), gold holdings, and International Monetary Fund SDRs (special drawing rights) are the major components of forex reserves. To boost the currency, the RBI sold dollars from its FCA kitty, which was held in global central banks, foreign banks, and foreign securities.

The value of India's SDRs with the International Monetary Fund (IMF) fell by $53 million to $18.928 billion. According to RBI data, India's reserve position at the IMF fell by $7 million to $5.146 billion in the week ending March 11. The value of gold reserves, on the other hand, soared in tandem with the week's significant rise in gold prices. During the week under review, gold reserves increased by $1.522 billion to $43.842 billion.

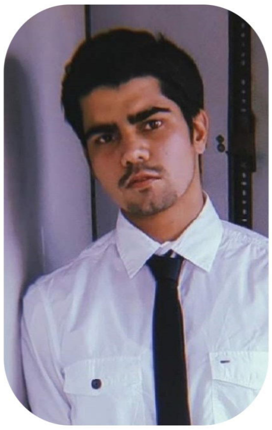
TEAM FINARTHA

The FINANCE CLUB OF MDIM

BATCH 2020-22 & 2021-23

ISSUE - 120 DATE - 20 March 2022

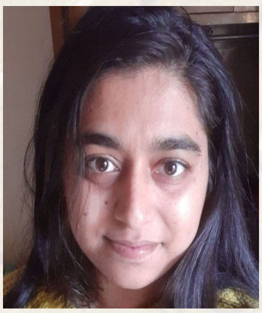



Shubham Bhattacharya | **Joy Dutta** | **Megha Poddar** | **Rahul Dhankhar** | **Navin Srivastava**







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