CHRIST
(DEEMED TO BE UNIVERSITY)
BANGALORE · INDIA

CHAANAKYA

ISSUE 22 | August 2019

INSTITUTE OF MANAGEMENT

……for Social Change

Table of Contents

Editor's Note

Greetings readers!

It is our pleasure to bring to you the contributions of the first year Finance student writers for the month of August 2019. The writers have put in their effort on different topics and laced it with their creativity to put forth a variety of content ranging from highlighting the achievements of financial leaders and companies to noting the recent financial innovations and economic numbers. The issue also offers a brief overview of the recent regulatory announcements and actions as well as the unfortunate frauds that happened. We believe that this newsletter will provide you with a quick and balanced insight of the recent financial activity as well as a peek into the students' co-curricular activities held through the Finance Club.

Team Chaanakya expresses sincere gratitude to our Dean, Dr. Jain Mathew, Head of Specialisation, Prof. Mareena Mathew, Faculty co-ordinator Dr. Priyanshi Gupta, our expert specialisation mentors and all the contributors whose active co-operation made this issue possible and fruitful.

Wishing our readers, a happy reading.

Best wishes,

Team Chaanakya

Regulator Speaks

IRDA (Insurance Regulatory and Development Authority of India) mulls 5-year third party insurance for vehicles; what it will mean for you.

In India close to 60% of two wheelers and 30% of cars are uninsured, in case of unfortunate accident it may not be possible for uninsured owner of vehicle to compensate the victim and his family therefore having at least a third-party insurance is mandatory. The Supreme Court committee on road safety wants insurance companies to give an option for 5 and 3 years for two wheelers and cars respectively. Following the same IRDA has asked insures to file these products and offer these options to the customers

In India close to 60% of two wheelers and 30% of cars are uninsured, in case of unfortunate accident it may not be possible for uninsured owner of vehicle to compensate the victim and his family therefore having at least a third-party insurance is mandatory. The Supreme Court committee on road safety wants insurance companies to give an option for 5 and 3 years for two wheelers and cars respectively. Following the same IRDA has asked insures to file these products and offer these options to the customers

Long term insurance will not only increase insurance penetration due to reduction in hassle of renewing insurance, but will also protect customers from increase in insurance premium.

RBI (Reserve Bank of India) new loan pricing norm may put banks in a fix

From 1st October as per new regulation of RBI banks have to link their retail and SME loans to an external benchmark for a faster transmission of rates. Currently banks are using Marginal Cost of Lending Rate (MCLR) which is quite constant in nature. But this regulation may lead to Assert liability mismatch (ALM risk) in banks book if they are not able to address interest rate risk between fixed deposit rate and floating rate loans. In such scenario bank can enter into interest rate swap for their rescue. However, one sided swap market in India is another challenge in this regard. ("RBI's new loan pricing norm may put banks in a fix," n.d.)

During recent period RBI has taken various measures in order to boost economic

RBI's new loan pricing norm may put banks in a fix. (n.d.). *Money Control*. Retrieved from https://www.moneycontrol.com/news/business/rbis-new-loan-pricing-norm-may-put-banks-in-a-fix-4418511.html

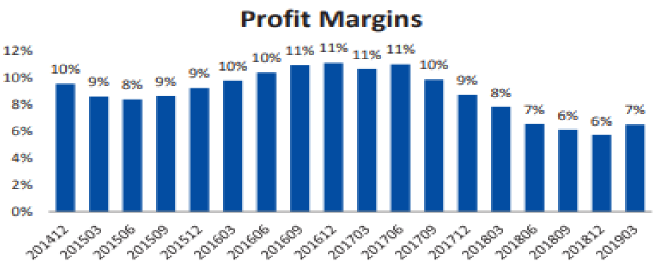
Utkarsh Bajaj

Top Indian Stock of the Month- Ultratech Cement

Call for HOLD at CMP of 4000 (expected 15% upside) Target 4800

Party despite the slowdown in the Indian economy, which has created barriers to the performance of sectors, cement industries are mostly doing well. Demand for cement is anticipated to achieve 550-600 million tons per annum (MTPA) by 2025 backed by housing pick-up and greater expenditure on infrastructure. Currently, the sector produces 280 MT to meet national demand and 5 MT to meet export requirements.

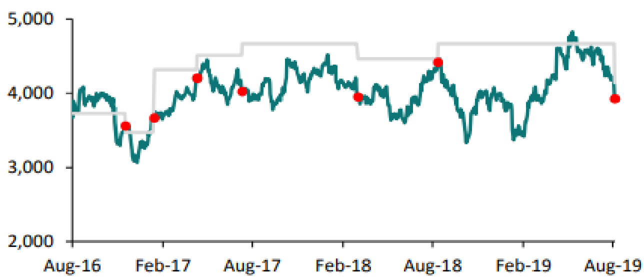
Strong Quarter Updates:



- Ultra Tech Cement is component of the Aditya Birla Group and the biggest producer of gray cement in India with a capability of 102.75 (MTPA) gray steel. This half, the inventory has had a nice outcome. This half saw the initial indications of uptick in Profit. The cement industry as a whole provided excellent figures this half, with Ultratech cement guiding the mix. The inventory is the outperformer in the Cement basket and it trades at an all-time high.

- Premium Consolidated income increased 12.8 per cent of Yoy in Q1FY20, prompted mainly by greater realizations (+ 10.4 per cent Yoy) and slightly silent volume growth (+ 2.2 per cent) in the midst of restrained supply.
- EBITDA rose 61.1 per cent to Rs. 2.839cr as the profits increased to 840bps Yoy to 27.9 per cent, supported by stronger sales, reduced expenses and beneficial effect from the implementation of Ind AS 116.
- As a result, PAT increased by 91.1 per cent to Rs. 1.208cr. Given the difficult request environment and res tricted advantage, we retain our HOLD score at the updated target price of Rs. 4.140 centered on ~13x FY 21E EV / EBIT

Key highlights.



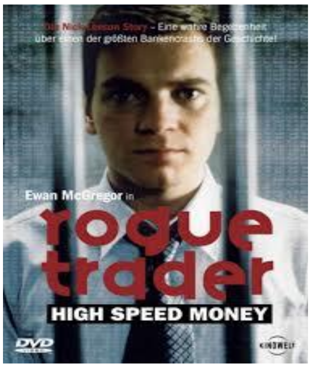
During the semester, the firm finished the refurbishment of UltraTech Nathdwara Cement factories (run at a 60% usage rate in Q1FY20) which is now completely incorporated with UltraTech. The company accomplished a break-even at the operational level with Jaypee Cement's 21.2 mtpa capability investments purchased previously in 2017. Management intends to order the development of 15-20mtpa capability in FY20, with the Bara processing facility planned to start in Q3FY20. Company obtained an offer from NCLT to approve the acquisition of Century Textiles. Cement Company, bringing the complete working ability of the company to 109,4mt in India. Focusing on deleveraging, the company reduced its net debt by Rs. 1,022cr, with a consolidated net debt to EBITDA ratio of 2.2x (vs. 2.7x at the end of FY19). As an extra consideration, the firm has placed on hold the building projects for its Greenfield project in Pali

Key Risk:

- Availability and closeness of raw materials
- High price of transport
- Higher tariffs levied in India, much greater than in other Asia-Pacific countries
- Demand demand mismatch owing to delayed execution of initiatives

Shubham Choudhari

MOVIE REVIEW- ROGUE TRADER



Rogue Trader is a British biographical drama movie released in 1999 with Evan McGregor in the lead role. The plot of the movie revolves around the life of Nick Leeson who was a former derivatives broker and the movie also centers around the collapse of Barings bank which was a famous merchant bank in London and the world's second oldest merchant bank. This movie is based on a real incident. A book of the name 'Rogue Trader: How I Brought down Barings Bank and shook the Financial World' was also written by the real life Nick Leeson

In the movie Nick Leeson is an ambitious employee of Barings bank which is based in London. He is offered a position in the Singapore branch of the bank with a job of setting up the futures options trading operation.

He makes large profits for the bank in his first year of trading even after breaking the trading rules illegally and covering up of the losses secretly. Due to greater freedom given to him as an employee, more money and being unchecked he starts making losses and even after that makes several attempts to trade out of them leading to bigger losses to the bank caused by his illegal trading. The total losses incurred comes up to over £800 million. After another tragedy in his family he loses control and gambles using other people's money leading to a total financial breakdown and bankruptcy of Barings bank.

KEY LEARNINGS FROM THE MOVIE:

- Follow a logical and disciplined investment plan: Barings bank could have avoided the big loss if it had better policies for risk management and control and Nick Leeson's blunders could have been avoided if he had a well thought out trading plan in place and followed a stop loss strategy.
- Transparency is the key in transactions and dealings. Hence the Rogue Trader is an eye opener which teaches the need for ethical trading practices.

Megha K Kumar

Asset Based Lending

Meaning-

Asset-based lending is the company of borrowing cash in a collateral-based contract. Inventory, receivable accounts, machinery, or other assets held by the borrower may secure an asset-based loan or credit line.

Business provides the asset-based lending industry, not customers. It is also regarded as commercial finance or asset-based funding. Interest rates on asset-based credits are smaller than levels on unsecured loans because if the borrower defaults, the lender can recover most or all of his losses.

How does that work?

Many companies have to carry out borrowing or acquire loan lines to satisfy regular requirements for cash flow. For instance, a company could acquire a line of credit to ensure that it can cover its payroll costs even if it hopes to receive a short delay in payments. If the credit seeking business is unable to display sufficient cash flow or money resources to cover a mortgage, the lender may give to approve the loan as collateral with its physical resources. A fresh restaurant, for instance, could only receive a credit by using its machinery as collateral. An asset-based loan's terms and conditions rely on the sort and value of the resources provided as safety. Loans are regarded riskier to use the liquid assets, so that the total loan will not exceed the book value of the acquisitions. Lenders prefer extremely liquid collateral such as securities that are easily convertible into money if the payment is defaulting.

Features:

Enhanced liquidity

More easy than loans and credit lines

More flexible than other funding kinds

Can be rapidly acquired

Fewer agreements

Can be used as a pillar for other products

Lower costs compared to similar alternatives

Cost for the borrower with higher rates and fees

Lenders can take control of collateral

Saksham Solanki

Parameters	Features
Nature of Facility	Dropline Overdraft. Both FB & NFB (LTV: 50% of realizable value)
Purpose	For build-up of current assets and fixed assets needed for business purpose, capacity expansion, modernization, short term working capital (including shoring up of Net Working Capital, etc).
Target Group	All Business Units who want to avail loan facility for manufacturing and services activities along with self-employed and professional individuals covered by MSMED Act 2006, wholesale/retail trade.
Eligibility Criteria	• Existing Customer already availing credit facilities from us. • New units with marketable assets to offer as security. • Takeover of existing units from other Banks/ FIs with satisfactory track record.
Quantum of loan (Min/Max)	• Minimum loan amount: > Rs 10 lacs • Maximum loan amount: Rs. 20 crores
Margin (%)	Minimum 25% cash margin for NFB facility
Pricing	Competitive Interest Rate Linked to MCLR
Collateral Security	Immovable property in the form of Equitable / Registered Mortgage of land & building, by way of first charge. • Industrial property both leased & freehold/land/plot cannot be taken as security for ABL. • Leasehold property can be taken subject to the conditions mentioned above under the head "Eligible Security". • No Second Charge or Pari-Passu charge will be extended for other Bank/FI.
Repayment Period	Dropline OD: Limits can be sanctioned for periods ranging from 12 months to 180 months with either equated reduction in limit or customized reduction in limit, depending upon the cash accruals. Moratorium under the scheme should not be more than 18 months based on activity. Interest to be serviced monthly during the moratorium period. The drawing power shall be reduced monthly so as to have the overdraft liquidated at the end of the period
Processing Fee/Upfront Fee	1% of the limits (Upper Cap: Rs.10 Lacs)

Source: https://www.sbi.co.in/portal/web/sme/abl-abl-cre

CFO Corner- Ralph Mupita

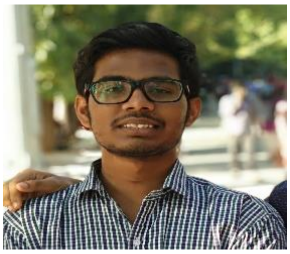
Ralph Mupita, Chief Financial Officer of Mobile Telecommunications Company MTN, was named South Africa's CFO of the Year at the 2019 CFO Awards.

As the telecommunications industry continues to expand rapidly in South Africa, MTN has continuously been the country's leading mobile network. Ralph Mupita has been CFO of MTN for both of the years. Mupita holds a degree in engineering and an MBA from the University of Cape Town and has also finished a Graduate Management Program at Harvard Business School. His career spanned more than two decades.

Mupita began his profession as a civil engineer before joining Old Mutual, South Africa in 2001. His period at Old Mutual covers more than 16 years, during which period he served numerous roles including Strategy Director, Managing Director and, most recently, Chief Executive Officer of Emerging Markets.

Mupita entered MTN as their Chief Financial Officer in 2017 and is now recognized for his successful decisions and guidance at the company over his two years. At the CFO Awards banquet, following an international gala for economic managers hosted by worldwide skilled healthcare company Deloitte, Mupita was awarded as CFO of the Year 2019.

Mupita has been fully engaged in the creation and execution of MTN's fresh policy and has pursued a modified capital allocation approach centred on enhancing profitability and yields, as well as holding company's de-gearing to enhance the balance sheet. His management strategy is formed by inspirational peers to perform their utmost, achieve team-based achievement, and in all circumstances remain modest and rooted. His leadership skills, perseverance, determination towards the job title made him the best CFO of 2019



Rajashekar Murthy

The Millionaire Next Door: The Surprising Secrets of America's Wealthy

- Thomas J. Stanley, William D. Danko

The premise of this book revolves around the lifestyle of the different millionaires from the America. The author took interview for the several people who are known as millionaires to analyse who is the actual millionaire on the basis of their age, worthiness and their living standards. With this comes the idea of Personal finance; if one wants to become a millionaire then they need to have an idea about the individual financial planning.

According to the author, these millionaires also used to be the person like us roaming around on the street, the only difference is how they understood the market, and invested right money at the right place. For all the millionaires, time, money and energy are the three major resources which should be used efficiently. Their simple living standards shows that instead of displaying high status in society one should preserve their money to create wealth from it, in other words we can say, financial independence is more important rather than a display of high standards. This book explains the correlation between the financial planning of a person and consumption of personal wealth. It has also been highlighted by the author that these millionaires lack financial support from their parents where they realized the importance of money, so that's why they seem to very specific in targeting market opportunities and choosing right occupation. This book provides major insights for those who wants to understand the wealth accumulation and who wants to take the necessary steps to become a millionaire.

Though the book is helpful for every single person who wants to do individual finance planning, the research done by the author is focuses more on the millionaire families rather than the millionaires in particular. The data shown by the author in books says that the millionaires alone cannot stand the chance of remaining a millionaire without taking help from their families.

Another flaw that this book has is that it has a strong anti-youth Bias, author defines the net worth of a millionaire as "*multiply your age times your realized annual income and divide by ten."* It didn't focus on the challenge's youth faces in these days, for example the student loans, managing their living standards within their incomes. The only reason behind this bias can be that all the people who were interviewed by the author were of middle age and doing well financially and accumulated their wealth since a very long time. Also, it says that people who wish to instil good financial sense in their children, do not provide them with any financial support.

References

thomas J. Stanley, W. D. (n.d.). the millionaire next door. In t. J. stanley, *the millionaire next door.*

www.thesimplerdollar.com/review-the-millionaire-next-door/. (2006, november 11). Retrieved from www.thesimplerdollar.com.

Surbhi Dhama

Future of Banking-Open Banking

The most succinct way of unfolding the concept of Open Banking would be with an example: The shift of retail industry from brick and mortar stores to the online platform. It would not be very wrong to say that Open Banking is the e-commerce of the Banking world. It is a system which uses APIs (Application Programming Interface) to bring together a network of the financial information to the users. In simpler terms, this system would give a user access to all his financial records across various financial institutions and also provide easy access to a variety of financial products provided by these institutions. Just like e-commerce, open banking would not only benefit its consumers by bringing in new levels of transparency but would also bring a paradigm shift in the roles of banks by way of innovations and new areas of competition.

There are two ways of looking at this forthcoming concept: The Customer way and The Bank way.

The Customer Way. *Why should consumers switch to open banking?* Having access to a whole network of financial data in a single interface will make it easier for consumers to compare various financial products that one is using to a variety of financial products available in the market and thereby making an informed decision. With Open APIs customers will not only have access to their data at a single touch but will also have the choice to share their financial information with other service providers. This would take personal finance management to a whole new level as consumers will be able to track their incomes and expenditures across accounts and investments on a real-time basis. Open Banking would also serve as a debt management tool as it can notify customers about overdrafts and payment dues.

On the flipside of this whole concept is the security threat. When a customer shares his data with a range of start-ups and third parties there always exists the risk of data tampering, theft and fraud. Awareness amongst the mass with regard to where to share their data would be imperative.

The Bank Way. *What is in it for the banks?* The biggest advantage that open banking provides to banks is the increase in market share and revenue. As the banks open up their data to third parties, they would be providing their products and services to a wider and more accurately targeted market. Along with that they have an added scope for development of customised products and services that fit the need of their consumers more accurately. This allows the banks to collaborate with third parties and fintech companies to provide a whole new market to their customers along with a new experience.

Additionally, this system would also ensure reduction of credit defaults by allowing financial institutions to have a more transparent background check before providing loans and also by preventing consumers to hide any financial records from their lenders.

On the opening up of personal financial data to third parties, there are two different anticipations emerging in the market. One argues that Fintechs are going to be the biggest threats to the Banks and their market shares. According to a survey by Bain & Co., 63% of the customers of the Banks in UK who used to be loyal to their service providers are willing to share their financial information with competitors and aggregators in search for better products. The other anticipation is that the larger banks, who hold maximum market share are powerful enough to acquire or merge with the third-party providers and fintech companies. This would only make the strong stronger and lead to extinction of smaller banks and financial institutions.

With the dawn of Open Banking and the spread of Internet and Smartphones in the country, this could be the best chance to fight one of its biggest challenges of Financial Inclusion. It would allow the financial institutions to reach out to the remote crowd with customised products at cheaper prizes.

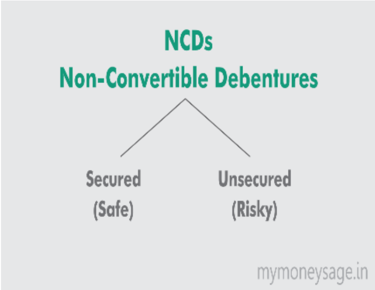
References:

- https://www.bain.com/insights/coping-with-the-challenge-of-open-banking
- https://www.smartcompany.com.au/startupsmart/news-analysis/budget-2018-open-banking-a-step-closer/
- http://fintechnews.sg/25333/openbanking/open-banking-top-banks-asia/

Selina Sourya Patnaik

8.85% Tata Capital Financial Services Ltd NCD – August 2019:

Tata Capital Financial Services Ltd. has come out with public issue of non-convertible debentures (NCD) offering up to 8.85% interest rate. The issue opens on August 13 and closes on August 23, 2019.



NCD: Non-convertible debentures are used as tools to raise long-term funds by companies through a public issue. To compensate for this drawback of non-convertibility, lenders are usually given a higher rate of return compared to convertible debentures. Besides, NCDs offer various other benefits to the owner such as high liquidity through stock market listing, tax exemptions at source and safety since they can be issued by companies which have a good credit rating as specified in the norms laid down by RBI for the issue of NCDs. In India, usually these have to be issued of a minimum maturity of 90 days. Companies often favour issuing secured bonds because they can pay a lower coupon rate. Nonconvertible debentures are unsecured bonds that cannot be converted to company equity or stock.

Features of NCDs:

1. Liquidity:

This is the important feature as highly liquid assets are the need of the hour. In case of emergency, one should be able to readily encash the asset.

2. Interest rates:

The returns are higher compared to FDs and NCDs offer high flexibility in terms of tenure as well. Since some of the debentures are unsecured, the rates of returns are quite high.

3. Ratings:

Any company which wants to raise capital by means of NCD has to approach credit rating agencies such as CRISIL, CARE, ICRA, etc. for ratings.

NCDs face default or credit risk. The company may fail to pay the creditors. In case of unsecured NCD, the investor has no option to get back his money.

5. Taxation:

If NCDs are sold within a year, short term capital gains will be applicable as per your tax slab.

6. Tenure:

NCD is highly flexible with a minimum tenure of 90 days to a maximum of 10 or more years.

References: https://www.apnaplan.com/tata-capital-financial-services-ncd-august-2019/

Vijayaraghavan V

Top Indian Stock of the Month-July

Despite Budget sessions and FPI out flows, Infosys Steadily plunged more than 10% and stand out to be the best stock of the month. In July Infosys has announced their result with Double digit positive growth in sales. It directly impacts the share price.

Fundamentals (Financial Highlights)

- Prior to the June Quarter result value of scrip was undervalued due to various reasons, but result beats estimations of Dalal street
- In June quarter Net sales of Infosys has increased to 21,803crs from 19,128 crore in June 2018 With up of 13.98%

- EBITDA accounted 5888.crs in June 2019 up 8.45% from June 2018 and Quarterly PAT has increased to 3798 in June with a growth of 5.15% from June 2018.

Technical Analysis

Prior to the result scrip was undervalued with down trend and reached near to 200 days moving average, But company beats Dalal street expectation with double digit growth In sales. While analysing the technical aspects of the Infosys, it is found that it showing upward trend in the market.

Candle stick: On 11th July Scrip has formed Hammer pattern, It indicates that Prior down trend is going to be reversal (Uptrend)

Volumes: Sudden increment in volumes also supports the upward direction

RSI: Relative strength index also moving upwards and it crossed 50, that means it is giving the buy signal to the investors

MACD: In MACD graph we can see that convergence of 12 days MA (blue) has crossed the 26 days MA (Red) and breached the signal line (Histogram) that implies buy signal for the positional traders.

Willey% change: Prior to 11 July scrip had oversold. Below the range that leads to supports the uptrend

After considering above all the points we can come to conclusion saying that it showing upward trend

Siva Ranga Reddy P

ECONOMIC NUMBERS SPEAK-JULY

Economic Indicator	July 8th, 2019	August 7th, 2019	% Change	Analysis
Sensex	38,720.57	36,690.50	-5.24%	Sensex has been drastically fallen in the last month because the Modi 2.0 Government presented its first budget and it has failed to motivate the markets. By putting a higher tax surge on individuals and trusts earning more than 2 crores and 5 crores annually and increasing the minimum public shareholding value to 35% from 25% for all the public listed companies
Nifty50	11558.60	10855.50	-6.08%	Nifty has fallen by around 700 point because of the Foreign Institutional Investors sell off (Around 12000 crores has been removed till July), Trade war between US and China, Global Market Fall, and FM proposal of increasing the Minimum Public shareholding value to 35% from 25% for all the public listed companies
S&P500	2975.95	2883.98	-3.10%	S&P 500 was down by 3.1% in the last month after the Donald Trump criticizing China's handling of trade talks between two countries. Because of that there was continuous sell off by technology, utilities and consumer discretionary sectors.
Gold	34853.00	38219.00	9.65%	It seems that bull market for the yellow metal has begun after a long pause. It is because gold is considered as the safest asset as increases in geo-political tensions, fed rate cuts, Rupee Depreciation and Decrease in the global growth rate.
Crude Oil	4002.00	3647.00	-8.87%	Oil prices are trading at low prices because of shrinkage of the demand, increase in the geo political tensions, and the heavy loss in the US crude Stockpiles. As of now the market is only concerned about how demand is going to increase for the next one year.

INR TO USD	68.56	71.14	4.14%	Indian Rupee Has depreciated by 4.14% in the last month it is mainly because of the fall of Chinese Yuan as US president Trump imposed and additional 10% on Chinese imports. So, Decrease in the Chinese yuan would affect the Indian exporters there by depreciating Indian rupee and Apart from that the Indian government passing a bill on the abrogation of Article 370.
GDP	7% (Forecast)	6.9% (Forecast)		RBI in its recent monetary policy committee meeting has reduced the GDP growth rate to 6.9% for the FY20 compared with the previous estimation of 7%. As the economy is growing at its slowest so to help the economy RBI has reduced the repo rate by 35 basis points.
Inflation	3.18%	3.1%		The retail inflation touched eight months high of 3.18% in July. The main reason for increase in the inflation rates is because of increases food prices and fuel prices. The increase in the food price is because of the monsoon deficit. And the reason for increase in the oil prices are because of increase in the geo political tensions. The central bank of the country forecasted inflation rate at 3.0-3.1% for the next quarter.

Soma Sai Kumar

ECONOMIC NUMBERS SPEAK-AUGUST

Economic Indicator	August 01, 2019	August 30,2019	% Change	Analysis
Sensex	37018.32	37332.79	0.84%	After huge selling in the market last month sensex has remained flat in the month of August and the problems of weak corporate earnings has kept sensex remain flat
Nifty 50	10980	11023.25	0.39%	The nifty too has remained flat and has seen a huge correction after the budget dropping from the 12000 level to 11000.
S&P 500	2980.3	2926.4	-1.84%	Due to trade war the U.S stocks has got the beatings and the trade talks between the two countries has not ended up well and the market looked real sluggish.
Gold	34810	35011	0.57%	The price of gold has been in steady rise in the month of august and there is strong buying interest on gold and also slightly indicates the investors settling for gold instead of equities.
INR to USD	69.4050	71.68	3.17%	The INR has become even more weaker as Chinese Yuan depreciated because of ongoing trade war between U.S and China
FTSE 100 Index	7584.87	7207	-5.24%	The sluggish performance of Index has increased the level of pressure on CEOs from fund managers to perform, since they in turn are under growing pressure from investors
India 10year bond rate	6.42%	6.56%	2.13%	The bond market has rallied because of the rate cut by RBI and also rate softening by U.S Federal reserve.There is also expectation of fiscal deficit trimming and borrowing of money by sovereign bonds
US treasury yields	2.11	2.10	-0.48%	Due to a lot of pressure in Short term lending market the US is going for the rate cut and led to negative yield in the month of august

GDP growth rate	5%	6.8%(expected)		The domestic GDP growth has been growing at very slow rate and the nominal GDP rate is at 8% which is lowest in a decade

Guruprasad D

The Newsletter Team

Head Of Specialization

Dr. Mareena Mathew

Faculty Coordinator

Dr. Priyanshi Gupta

Amulya Anand

Chandana N

H Krishnan

Rohini N Sharma

Zeba Ayesha

Sherin Varghese