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# CHANAKYA

SCHOOL OF BUSINESS AND MANAGEMENT

MBA - FINANCE SPECIALIZATION

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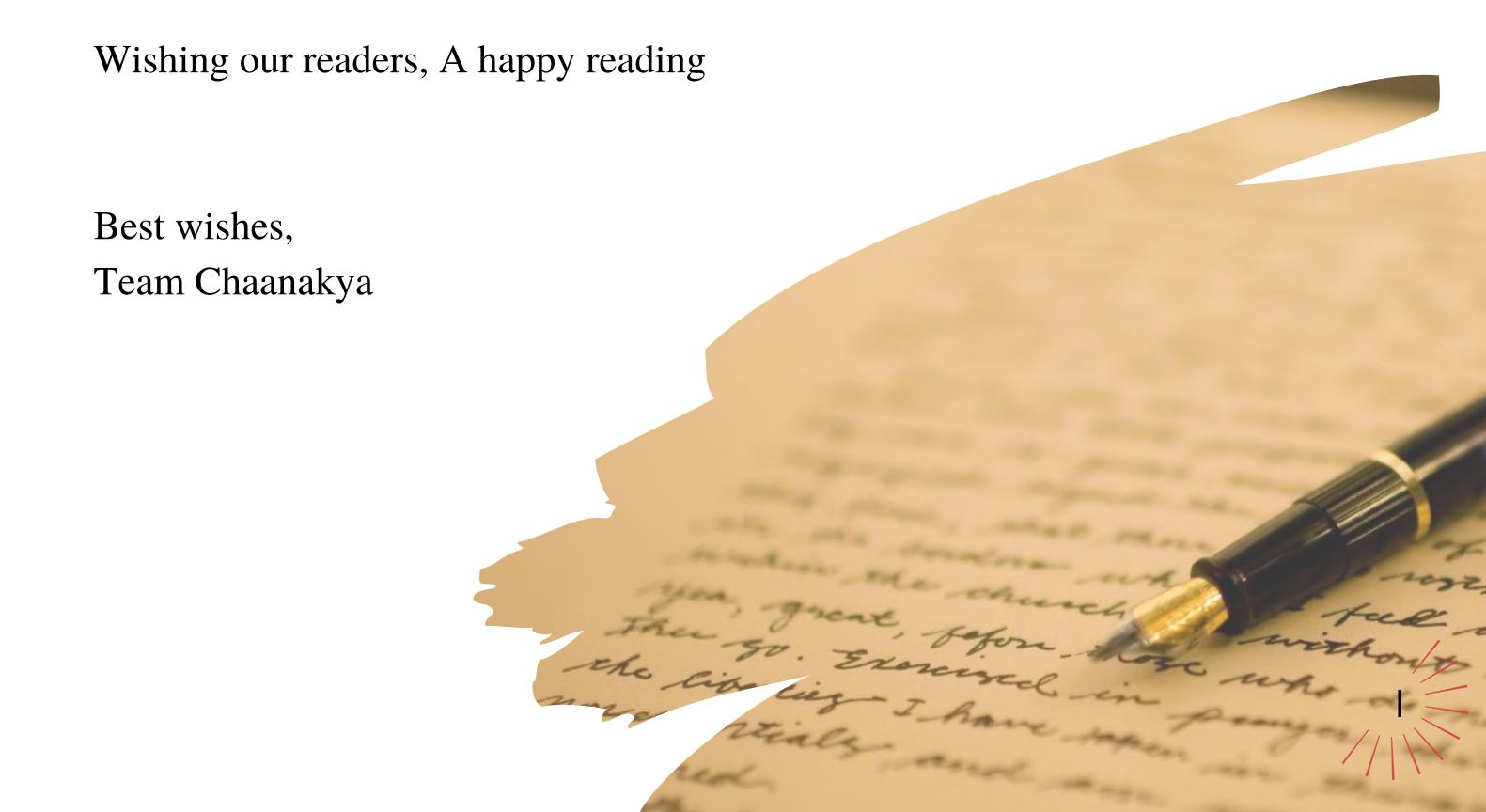
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### EDITOR'S NOTE

#### Greetings readers!

It is our pleasure to bring to you the MBA Finance Students' contributions for August 2021. This issue is presented by **Team Lakshmi**, which is a group of students under the mentorship of **Dr. Latha Ramesh** from the MBA Finance Specialization. This is a special issue focusing on **Corporate Governance** where the writers have explored the fundamental concepts of Corporate Governance, recent developments in it, Corporate Governance scams, and the role it will play in the future. The section titled "Creative Corner" showcases the passion students have for photography and art. We hope that the Newsletter will help the readers get an overview of the recent financial news. Along with every article, a "Snapshot" has been provided, which summarizes the entire article.

Team Chaanakya expresses sincere gratitude to our Dean. Dr. Jain Mathew and the entire leadership team, Head of Specialization, Dr. Mareena Mathew, Faculty Coordinator of Chaanakya, Dr. Nisha Shankar, our expert specialization mentors, and all the contributors for their cooperation and active participation.



### This issue is presented by team

# LAKSHMI



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# OUR DISTINGUISHED SBM ALUMNI – MARIA AQUILLIN B. JOHN



An alumna from School of Business and Management, Christ (Deemed to be University). She is from the 2017 batch of MBA Finance Specialization. She is currently working as a client Financial Management Analyst for 2 years at Accenture.





## INTERVIEW WITH MARIA AQUILLIN B. JOHN

### Q1. Briefly explain your professional career after the MBA at Christ University?

I am currently working as a client financial management analyst for Accenture. It's been a journey of almost 2 years in the financial planning and analysis sector.

### Q2. According to you, what is corporate governance and what should be its prime objective?

Corporate Governance is a guiding principle for a healthy, long-lasting, and transparent business. It helps to define where the decision-making power lies and ensures integrity is maintained.

The prime objective of corporate governance should be to:

- Inculcate a sense of trust for the stake and shareholders
- Responsibility the corporate has towards the society and environment

### Q3. What are the most critical ethical issues in business today?

The most critical ethical issue in business today is the privacy of data. All business has a bulk load of data they have gathered from not only their customers but also their employees. There needs to be transparency on that data that gets stored by a business.

### Q4. What would you say are the most common corporate governance risks or challenges that the companies face?

Conflict of interest is one of the most common issues with corporate governance.

It usually occurs when a person/ group is in power conflict with the objectives/ mission of the company

# Q5. From your career experience, could you please mention some of the benefits you identified of having good corporate governance?

The major benefit I have seen with corporates that have strong corporate governance is that the employees stay loyal and committed to the organization. The have a feeling to trust which in turn helps the organization with lower attrition rates.

The true financial pictures projections help the shareholders to trust the company over a long period of time.

The strong core values of the company such as focusing on diversity staying committed towards social responsibility help to enhance the overall credibility the company has and shareholders will stick to the company even in dire situations.





## INTERVIEW WITH DR. ANIRBAN GHATAK

### Q1. What would you say are the most common corporate governance risks that companies must address?

Risk comes only when you are in a problem that means issues.

The first risk related to corporate governance is the removal of independent directors. Accountability of the stakeholders, compensation, succession planning, privacy and data protection, and the board's approach towards CSR. If you look at the nutshell of a risk, I think today all the companies have the same problem of one risk, which is very important as we have observed in the case of Nestle, i.e., Brand Reputation.

### Q2. According to you, what are the most critical ethical issues businesses are facing today?

According to me, ethical issues can be harassment at the workplace, Gender discrimination, Health and Safety at the workplace, which we have to be very concerned about, whistleblowing which is one of the parts of corporate governance which talks about the protection to the whistleblowers, Ethics in accounting practices, non-disclosure, technology and privacy protection practices. For example, look at Facebook and other social media companies.

### Q3. Which rewards does good corporate governance reap?

According to my 3 P's and 1 S are necessary for good governance. 3 P's are Policies, Practices and Procedures, and 1 s is Systems. The reward at the end of the day will be having good policies, good practices, reasonable procedures, and a good system for both managers and stakeholders. I think there is a benefit everywhere if you look at very governance policies, clear sound organizational management, good risk awareness and compliance with the regularity requirement. These are some of the benefits. If you look at the external benefits could be better marketing of the corporation products and service, improved access to the capital etc.



### Q4. How does corporate governance affect the value of shareholders?

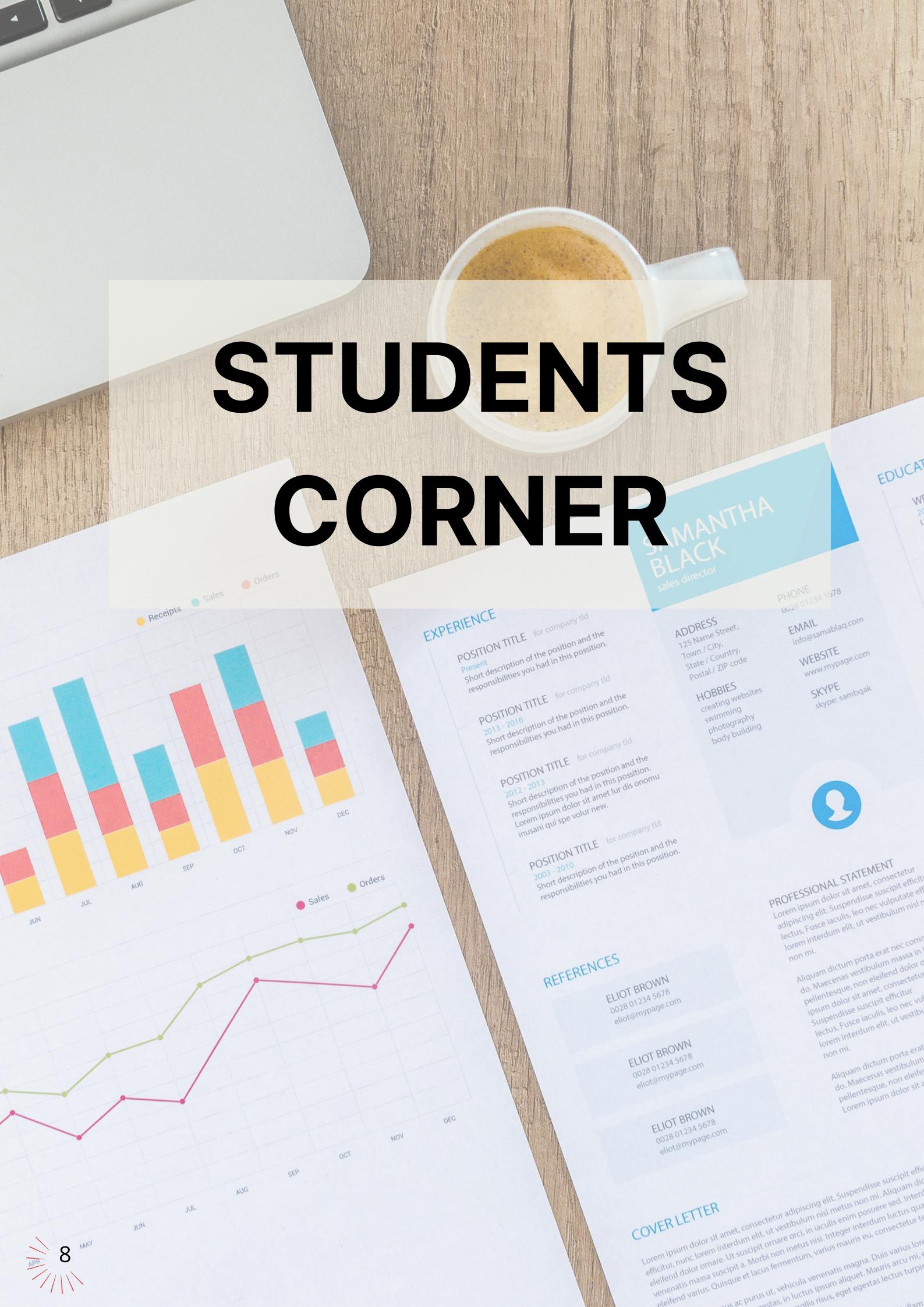
Good corporate governance increases the value of the company, ultimately increasing the value of the shareholders. Research says that adopting one governance proposal increases shareholders value by 2.8%.

### Q5. What does corporate governance mean for small and medium enterprises (SME)?

In India, small business doesn't have good governance. Suppose you look at the research; most researches are always based on large publicly owned companies. Good governance increases its long-term value and growth potential; it reduces the risk and builds the reputation. What we can say in a nutshell is that many of the drivers of corporate governance in smaller enterprises could be funding, enhancements of the management system, internal process, risk management and planning and future growth. This could be the reason that we should consider corporate governance in small enterprises.

Previously, we didn't have rating agencies for small and medium enterprises, but now we have SMERA (Small and Medium Enterprises Rating Agencies). The government also should think about establishing good corporate governance in SME's. At least policies should be done. There are lots of benefits if they go for good governance.





## ELEMENTS OF CORPORATE GOVERNANCE



Corporate governance, in simple words, is the system in which companies are directed and controlled. Considering how corporate governance generally works, the problem arises when the shareholders do not engage with the organization daily. Hence, this job is delegated to the directors. Directors are agents of the shareholders who look after the company's assets.

#### **Key Elements of Corporate Governance:**

#### Direction:

Corporate governance includes guiding the business, leaders, and employees. This element's technique is to make strategic decisions that address the company's current and future difficulties. This, by effect, gives the company a feeling of direction and demonstrates the company's principal goal.

#### **Independence of Directors:**

As mentioned earlier, the directors are the agents of the shareholders who look after the company's assets. For these directors to act impartial, they should not include people who would be in favor of them while making organizational decisions (friends and family members). Having a non-executive director will help the management have a difference of opinion, making the strategy even better. Hence, they tend to act in the best interest of the company.

#### Transparency:

Leaders occasionally keep their lips sealed about some internal information, restricting the information from reaching the employee. Corporate governance contributes to the organization's unity. Employees have a better understanding of their role within the firm when they understand management's strategies and can monitor the company's success. Transparency is also crucial to the general public since they tend to trust an organization.

#### Auditor's Independence:

Independence is nothing but a situation where your opinion is not a command of someone who appointed you. It is bounded by honesty and demands the auditor to perform their duties independently and objectively. This is necessary to ensure that any relationship between them has no bearing on the audit opinion. The auditors are required to provide shareholders with an unbiased and honest professional assessment of the financial accounts.

B NIVEDHA KRISHNAN 2027756



## IS IT TIME FOR AN INTERNATIONAL CORPORATE GOVERNANCE CODE?



With the advent of globalization in the 1970s, 1980s and 1990s, corporations expanded their international footprint and began operating in multiple countries across the globe. They had to navigate a maze of regulations, laws, and procedures unique to each country.

Since corporate governance codes in the West were deep, structured, and comprehensive, corporations still in the nascent stages of global operations were forced to deal with various regional and country-specific yardsticks. Nevertheless, investors, activists, and regulators would not have been concerned if this were the only requirement.

global firms corruption, With could confidently claim that they were not infringing any laws regarding their home nations' legal rules. Many engaged in shady business practices, especially in countries where corporate governance had not matured and regulations were slack. Many corporate scandals occurred in the last two decades because of corporate mismanagement, which increased vigilance on the operations of multinational firms worldwide,

prompting calls from regulators and activists for global corporations to be subjected to a uniform, consistent corporate governance standard around the world.

However, unless a worldwide corporate governance code governs global firms, they are more prone to fall prey to shortcuts in regions where regulation is lax. An international code of corporate governance requires global firms to follow global rules and regulations, adapt, and modify to local laws and regulations in a global manner, thereby boosting the code's viability.

Corporations can progress toward implementing global rules tailored to local situations, resulting in a win-win situation for both. By guaranteeing that markets do their best when confronted with a challenge, capitalism may find a way ahead to address the issue of varying corporate governance standards around the world. As a result, there can be convergence in adopting universal codes of governance wherever practicable, and variances can coexist with accords.

The article probes into the need for formulating implementing an international corporate governance code. This would help companies solve the heightened challenges of understanding and implementing the codes formulated by different countries across the globe.

KRITIKA SAHAY 2028240



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## ILFS- A CORPORATE GOVERNANCE SCAM



Infrastructure Leasing and Financial Services (ILFS) is a non-banking financial company (NBFC) also known as "Shadow Bank." The ILFS scam is known as the biggest scam in India. It caused a showdown in the Indian Economy as it is a major contributor to the Indian Infrastructure Industry. The fraud occurred despite some of the significant major shareholders like LIC, SBI, HDFC, etc. The main crisis started with the company's debt being around Rs. 94,000 crores.

ILFS fell short of cash. Though the company's infrastructure projects have dried up, the construction costs have flared up in between the delays in land acquisition and approvals. The scam was perpetrated mainly because the funds borrowed by the company were being diverted to the members of the top management, issuing overpriced invoices from vendors, unwise lending of loans to non-credit worth parties, Non-disclosure of subsidiaries, joint ventures, etc.

The majority of the mutual funds and insurance companies have invested in the debt issuance of ILFS because of its high credit rating. This is due to the negligence

of the credit rating agencies, which have not downgraded the score despite the clear signs of the company's financial distress. The rating was downgraded after the company failed to repay its debt. The company was run by the same top management for years who are treating ILFS as their personal property and no subordinate challenged their decisions because of the management's overpowering persona.

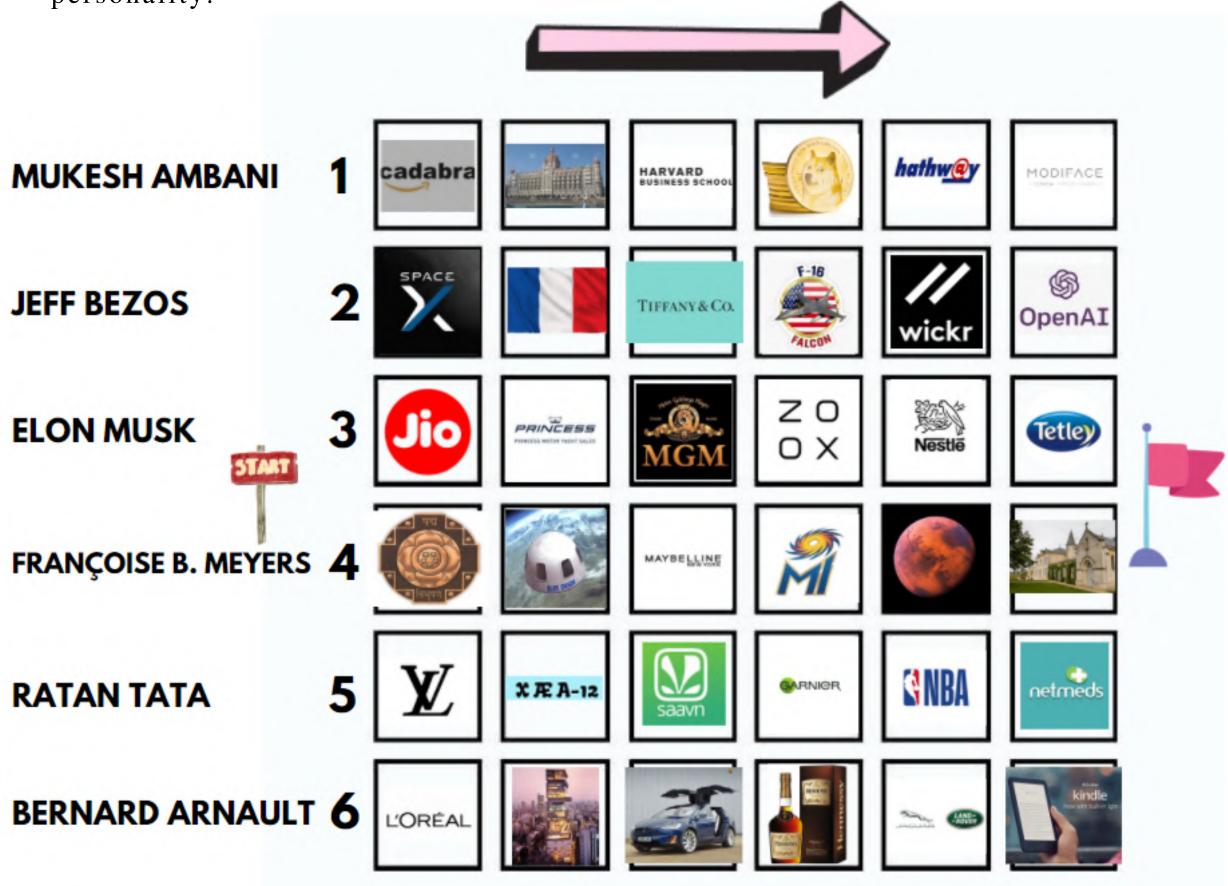
#### REDDYVARI SRAVYA 2027758





# FINANCE GAME INSTRUCTIONS

- There are 6 popular personalities that are named on the left side of the sheet, and participants need to make a road map for each personality from starting position to the red flag (from left to right).
- For making a road map they need to guess the picture which is related to the personality, it could be his/her company, company they have acquired or merged, their achievements, etc.
- For a particular personality, there could be continuous right answers/guesses in a row, but there will be only one right answer/guesses for one personality in one column.
- All the pictures are jumbled randomly.
- For a better view, participants can zoom in the grid sheet.
- Participants need to find out the connection between the picture and the personality.



SCAN TO VIEW THE ANSWERS



HARSHIT KHARE 2027807





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# RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

In recent years, a greater emphasis has been placed on corporate control in compliance with social and environmental norms, as well as reducing negative externalities, which are the social and environmental costs that businesses impose on society that are not factored into their costs. Corporations must be socially and environmentally sensitive and order responsible in prevent to inconveniencing society as a whole. This is the notion of corporate social responsibility highlighting significance (CSR), the companies following sustainable business practices.

In the context of corporate governance, CSR indicates that businesses must consider society and the environment as stakeholders and cater to their needs rather than seeking profits at the expense of all else.

The argument is that corporate governance must consider social and environmental concerns, which is where CSR comes in. Corporations will be able to self-regulate and be held accountable for their social and environmental effects if CSR is incorporated into corporate governance. Corporations will be held more accountable to society and the environment if corporate governance is expanded to incorporate CSR.

Companies like Samsung, Hyundai, Unilever, and P&G (to name a few) publish CSR reports alongside their annual reports to demonstrate how CSR has improved corporate governance. This is a direct effect of the effort to broaden corporate governance's scope by incorporating CSR. Furthermore, many companies now openly disclose the costs they inflict on society (negative externalities) as well as their efforts eliminate them. to Corporate governance is also no longer restricted to the openness and accountability of the business framework. Instead, it has been broadened to the full range of social include environmental challenges that affect business.

Multilateral organizations like the United Nations and the World Trade Organization (WTO) have recently established normative rules of conduct under classifications like the UN Global Compact, which bind corporations to social and environmental responsibility and formulate a set of guidelines that they can follow. Even though the UN Global Compact is voluntary, many firms have signed it, and it is anticipated that they would follow the principles as part of their sustainability efforts.

Finally, as part of their social responsibility related to corporate governance, firms must adhere to a mix of voluntary and mandatory conduct and behavior norms. As a result, if voluntary standards fail to work, multilateral organizations such as the United Nations must enforce them so that society as a whole benefit. It is a good thing that social and environmental concerns are included in a corporate governance agenda. However, there must be a system in place to ensure that these principles are followed.

To summarize, corporate governance is no longer solely concerned with the ethical conduct of commercial processes. Instead, the goal for corporate governance has been expanded to encompass social and environmental principles.

**ARPITA TOMY 2027948** 





#### PRINCE PIPES- PIPING UP THE RETURNS



#### PRINCE PIPES AND FITTINGS LIMITED

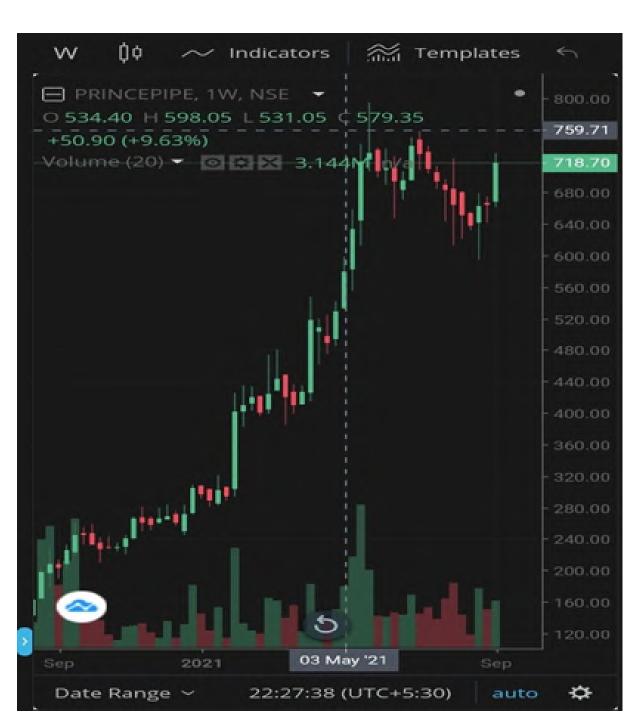
Prince Pipes manufactures polymer pipes and fittings for plumbing, irrigation, and sewage disposal. Prince Piping Systems and Trubore Piping are the two brands under which the company sells its products. To ensure that it is always accessible to meet their needs, the company is continually expanding its pan-India distributor base. In India, the company has seven manufacturing plants, eleven depots, and over 1500 channel partners.

The company's objective is to transform the plastic piping business by developing creative solutions to provide economic development while benefiting end-users and society

Companies 52week high is 794.40 & companies 52week low is 201.65, LTP is 718.70 on NSE. as of 9th September 2021.CompaNIE PE Ratio is 35.65, and Sector PE Ratio is 59.13, Making the company attractive for the investor. Finance Ministry Approves Rs 13,885 cr for Rural Drinking water supply as of 31st August 2021, pushing the company to a new height and raising demand of PVC pipes for the Swatch Bharat Abhiyan contributing to the sector.

Prince Pipe & Fitting is, although a small-cap having Market Cap 7907 but has a lot of potentials giving a return on investment of 238.11% in a year to the investor's investment.

Keeping every perspective in mind, my call will be BUY and stay invested for the target of 1000+, Specially for the investors searching for the multi-bagger as the fundamental of the company is sound and working for the innovation in the field as compared to other competitors



AAYUSH RAJAGARIA 2027705





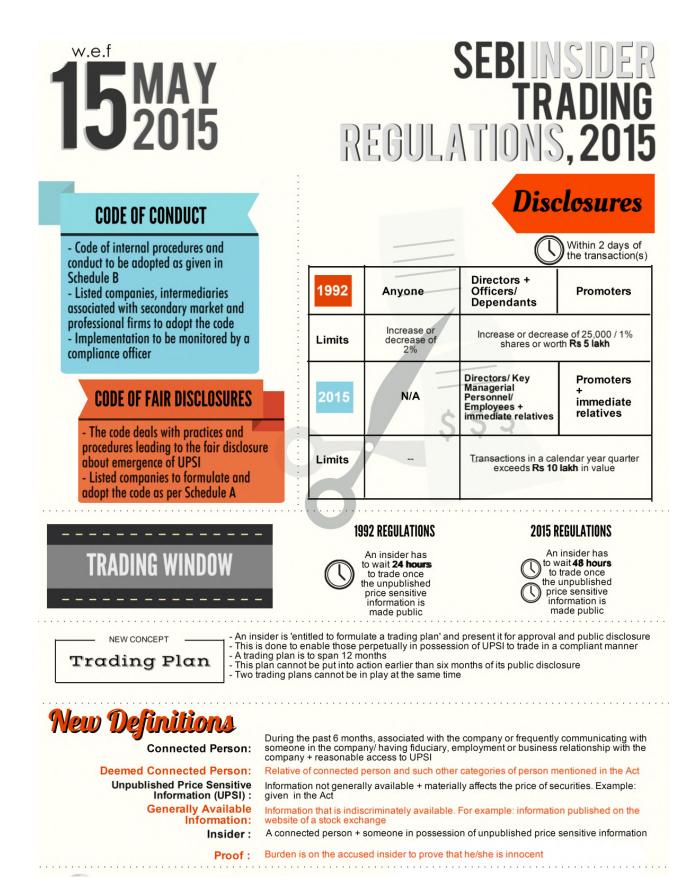
## INSIDER TRADING AND CORPORATE GOVERNANCE



When employees are given stock options and when directors, officers, and employees of a company are advised to invest in their own company's shares, why is trading on the stocks of that company illegal? The one thing that differentiates insider trading from the rest is 'information'; acting upon non-public available information is considered a crime and a violation of SEBI regulations.

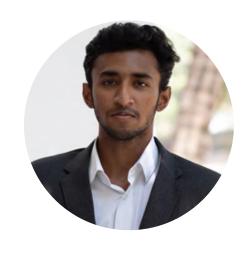
The important law governing this act is the SEBI (Prohibition of Insider Trading) 1992 act, and it was amended in 2015; later on, in 2019, it was again amended and got much stricter. Insider trading cases in India were first reported in the 1940s. Directors and other officers of companies have been found price-sensitive information use to securities of their speculate in own companies profitably. To implement good governance and make the market better for stakeholders, Indian the government continuously strengthens trading laws and regulations.

On January 15, 2015, a SEBI committee was formed under Judge NK Sodhi's chairmanship, who made a great attempt in this direction and notified SEBI by replacing India's two decades older insider trading standards. One of the recent examples of interference by SEBI on this grounds is the Infosys case, where two employees who were involved in insider trading made Rs.3 Crores were suspended from the capital market.



The article briefly sheds light on how corporate governance is closely related to insider trading and the law that governs such actions.

DOMINIC BEJOY M 2027625





## MOVIE REVIEW- THE WOLF OF WALL STREET

The Wolf of Wall Street is one of the most hilarious and terrifying films ever made based on the true story of Jordan Belfort. Scorsese Martin creates a fascinating depiction of Wall Street, the American symbol for ability and greed, that will leave your head spinning with its fury. Leonardo DiCaprio is in the front and center, offering fresh-faced-with-wicked-eyes and a cocktail kick. Jordan, a middle-class lad dreaming of money, arrives on Wall Street in 1987, coached by stock guru Mark Hannah (McConaughey), who teaches him how to 'move money from your client's pocket into yours.'

To summarize, Jordan Belfort transformed penny stock trading into a profitable business by breaking the law and made millions as a result. Belfort explains how he reached the heights of Wall Street before collapsing and landing in prison.

Many people have probably seen the film, and Leonardo DiCaprio was fantastic. He is, however, portraying a character. Belfort, unlike him, had experienced it firsthand. And his story is much more bizarre than the film. With all the drugs, money, criminality, and crazy and unlikely climb to stardom, Belford was living like he was in a movie. But, as with all Hollywood films, the film must come to a conclusion, and it must be a huge one. It's incredible to hear Belfort's story of how it all came falling to pieces. Belfort would have gotten away with it if it weren't for his drug addiction and a weird childhood mate.

In this movie, a lot of popular stereotypes about Wall Street are disproved. But, in the end, we must remember that Belfort came from poor circumstances and sought to make a life. He couldn't say no when he came across a sure-fire way to make money fast.



The nice thing about this movie is that we can all judge whether Belfort is entirely to blame or whether the system in place is to blame. Belfort isn't the first individual to break Wall Street's laws, but his bravado and recklessness prompted the FBI (Federal Bureau of Investigation) to intervene. Hearing his story illuminates what goes on Wall Street while also providing a fascinating read.

Like many others, I first saw the Martin Scorsese-directed film and became interested in learning more about Jordan Belfort. Though the film isn't entirely factual, the novel focuses more on Belfort's past and how he came to lose everything.

PAWAN KUMAR HR 2028112





## CORPORATE GOVERNANCE POST THE GLOBAL FINANCIAL CRISIS

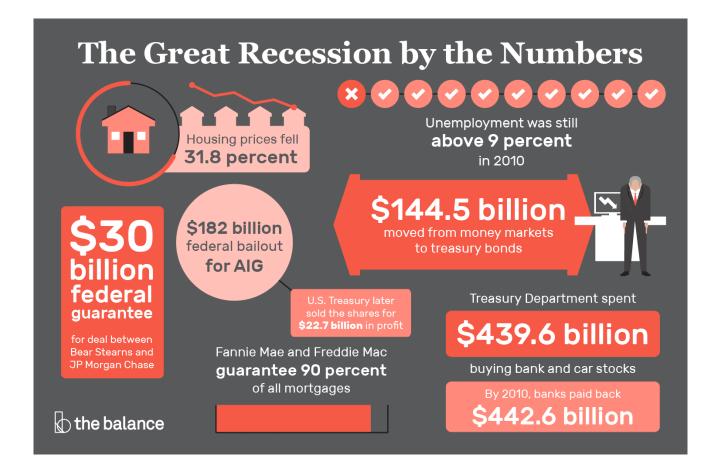


Failures and inadequacies in corporate governance can be blamed for a large part of the financial crisis. Accounting standards and regulatory requirements have also been found to be insufficient in some sectors, prompting standard setters to conduct a review. Last but not least, pay schemes have not always been well linked to the company's strategy and risk appetite, as well as its long-term interests.

The post-2008 market demanded the most from corporate governance arrangements: boards needed to be clear about the company's strategy and risk appetite, as well as respond quickly, necessitating effective reporting systems. They also had to supervise risk management and payment systems that were compatible with their goals and risk tolerance. Technical assumptions caused risk models to fail, but the corporate governance dimension of the problem was how their information was used inside the organization. Internal controls linked to financial reporting have received a lot of attention, but not enough in the larger context of risk management.

In recent years, there has been a significant amount of regulatory action aimed at enhancing transparency and enabling shareholders enforce/improve to their position as principals. They largely adhere to methodology of the Principles. the Governments have lately started to limit compensation and bonuses at financial firms receiving public recapitalization, and there have been efforts to expand direct controls to other industries.

effect, the government serves controlling stakeholder. Tax arrangements are critical should be examined. also and Depending on the nature of the firm, the pay and incentive systems that should be the focus (and occasionally regulatory) of board monitoring must be examined generally and not only for the CEO and board members. Supervisory, regulatory, and enforcement bodies play an important role in maintaining good corporate governance.



The article aims to describe the journey corporate governance has made post the global financial crisis of 2008 highlighting the importance of it in the operations of every organization.

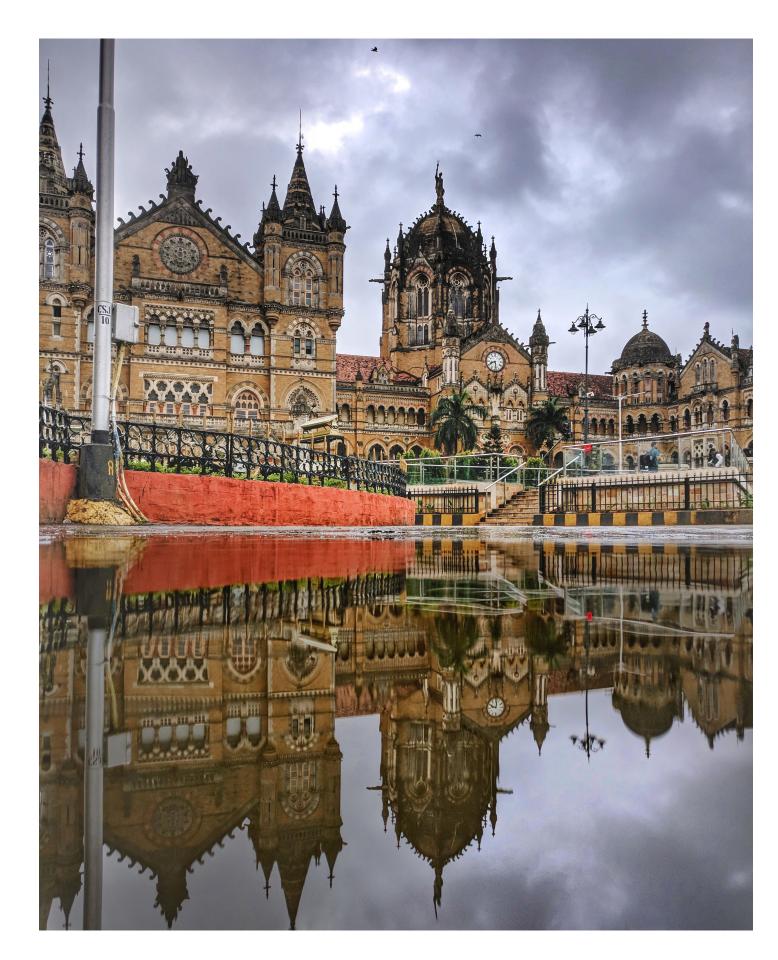
#### DIPTI MISHRA 2027835

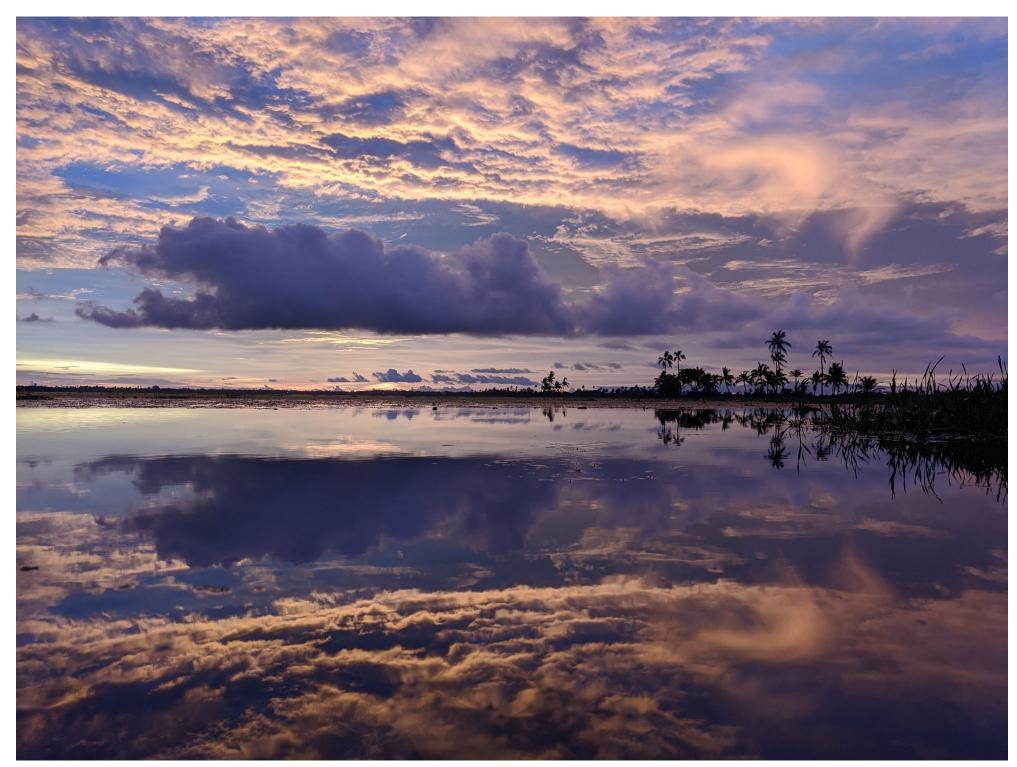






### REFLECTIONS





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#### MYSORE PALACE



Photograph By: **Dipti Mishra** 

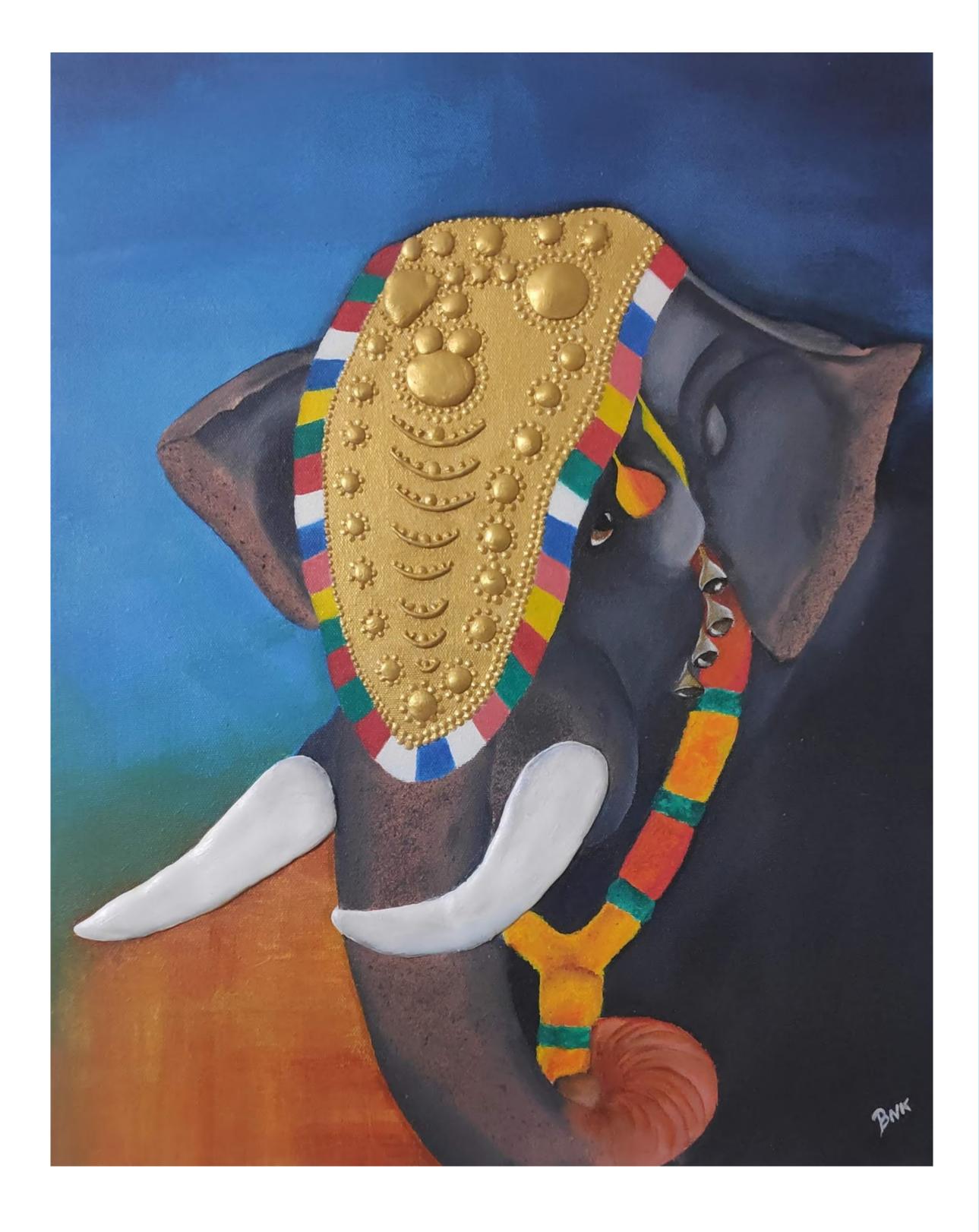
The Mysore Palace, commonly known as the Amba Vilas Palace, is one of seven palaces in Mysore's royal capital. The structure was formerly the palace of the Wodeyar Dynasty and the headquarters of the Kingdom of Mysore, which reigned over the city via a sequence of 25 kings from 1399 until India's independence in 1947. Although the previous palace was erected in the 14th century in the same area, the current structure was completed in 1912 and was commissioned to Henry Irwin, a British architect who also created other buildings in India's south. Irwin was assigned the task of designing "an exotic palace," which I am sure he accomplished. The Mysore Palace is sometimes referred to as a Gothic structure, but it is actually an excellent example of Indo-Saracenic architecture that incorporates aspects of Hindu, Muslim, Rajput, and Gothic architecture. Regardless of which of the four cardinal points you approach it from, the palace can already be seen from afar. The four arched gates lead to a vast garden area that encircles the palace. The Durbar Hall, the Ambavilasa, the royal howdah (elephant throne composed of 84kg of gold), the Kalyana Mantapa, a portrait gallery, and the various artifacts on exhibit are the most prominent features of the Mysore Palace. From the exterior, the structure is magnificent, especially at night on Sundays and public holidays when it is illuminated with 97,000 lights.

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