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CHAANAKYA

SCHOOL OF BUSINESS AND MANAGEMENT

MBA - FINANCE SPECIALIZATION

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TABLE OF CONTENTS

EDITOR'S NOTE

Greetings readers!

It is our pleasure to bring to you the MBA Finance Students' contributions for July 2021. This issue is presented by **Team Plutus**, which is a group of students under the mentorship of **Prof. Shrinivas Pralhad Tadakod** from the MBA Finance Specialization. The writers have shed light on a wide variety of topics ranging from Cognitive Computing to How to Reduce our Fiscal Deficit. The section titled "Creative Corner" showcases the passion students have for poetry. This time we also have Mandala Painting by Dr. Latha Ramesh. 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.

Wishing our readers, A happy reading

Best wishes,
Team Chaanakya

This issue is presented by team

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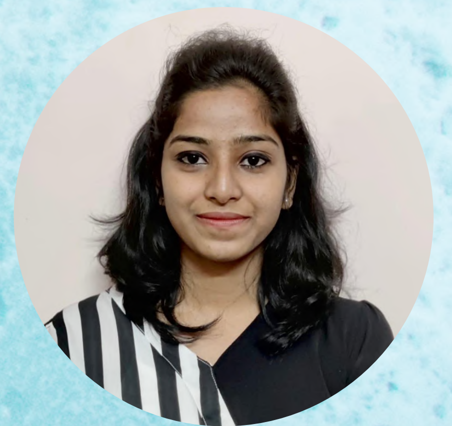


Treesa Thomas

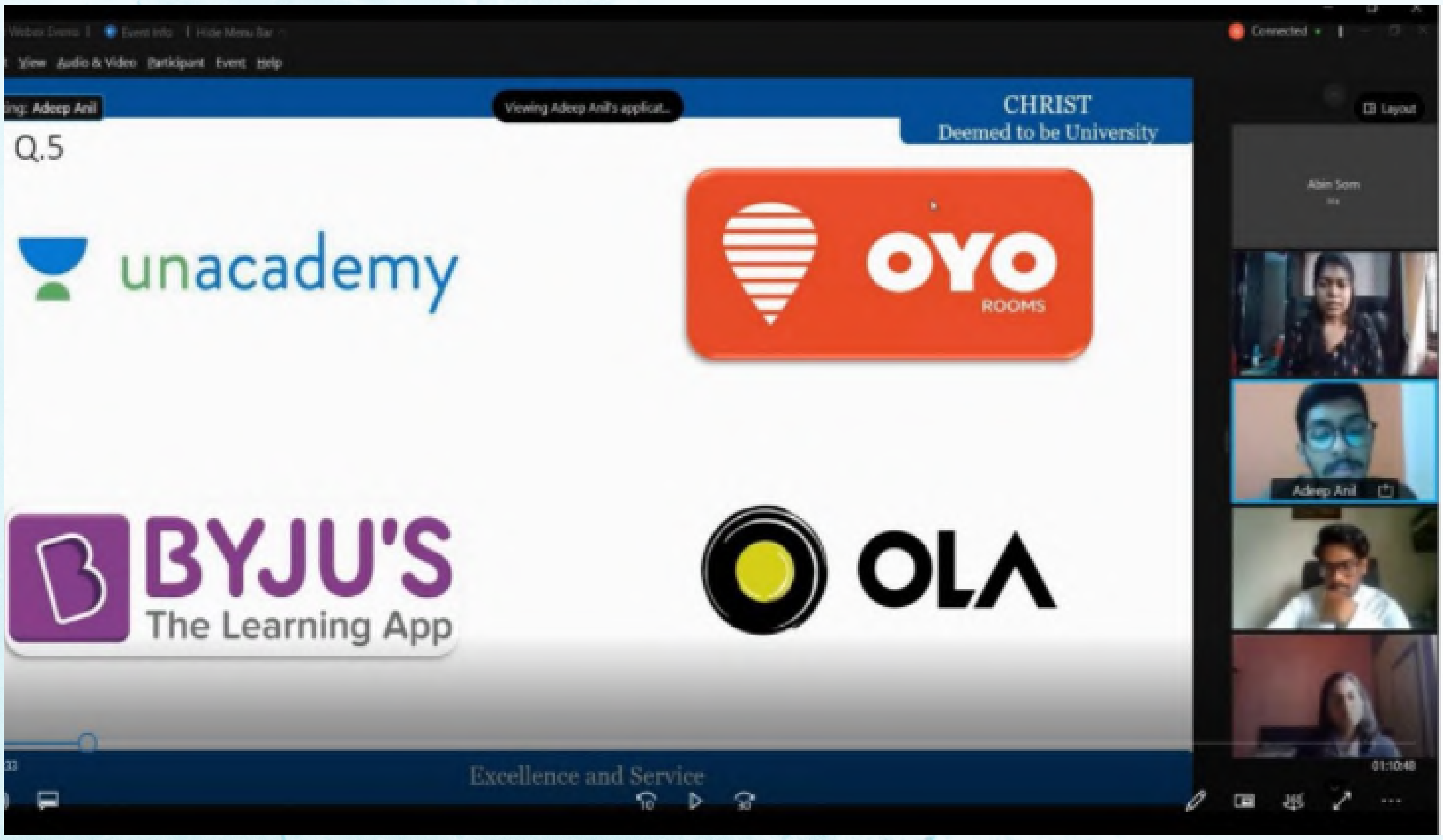
Vaishnav Anil

CLUB ACTIVITIES AT A GLANCE

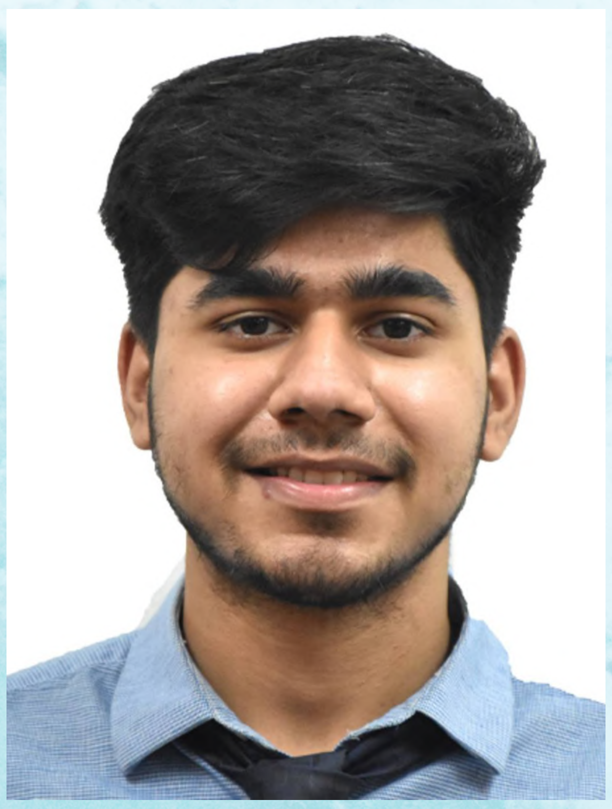
CLUB ACTIVITIES - JULY 2021

UDAAN- Let Your Knowledge Fly High

Udaan was a two-phase quiz competition conducted by the finance club. The first elimination round was on the 14th of July from which seven students progressed to the Finale, which was held on the 16th of July.
After four grueling rounds, the results were announced. Abhigyan Shrivastava stood as the runner-up, and the winner of the event was Adithya Maheshwari. The competition was close with a difference of just ten points!



Winner
Adithya Maheshwari



Runner Up
Abhigyan Shrivastava

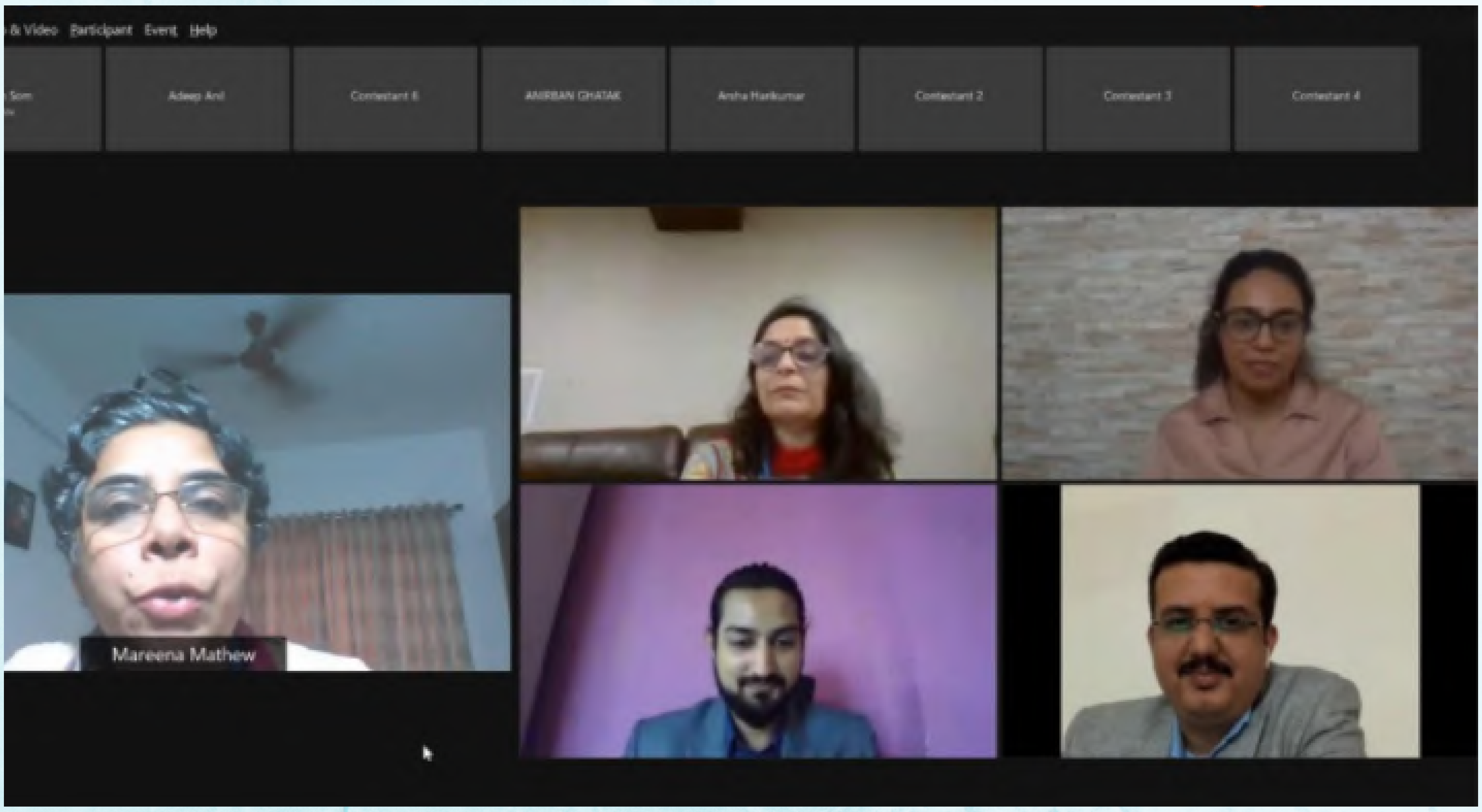
CLUB ACTIVITIES - JULY 2021

Best SIP Competition – ANUBHAV – Embracing Ingenuity

Six finalists were selected among a gargantuan number of 286 students from 22 separate mentoring teams through a rigorous screening process consisting of presentations and blind report reviews.

The six finalists were Praveeth Shetty (Hedge Equities), Ronit Choudhury (Delloite Consulting US India Pvt Ltd), John Jacob (Mindtree Ltd), Sandhya Girishkumar (VMware, Inc.), Abhishek Karthick. K (Vardhan Consulting Engineers) and Anagha.S (Goldman Sachs Group, Inc.).

After a rigorous finale of a twenty-minute presentation followed by a Q&A round, the winners were declared. Ronit Choudhury was the runner-up and Sandhya Girishkumar was the winner.



Winner
Sandhya Girish Kumar

Runner Up:
Ronit Choudhury

ALUMNI SPEAK

OUR DISTINGUISHED SBM ALUMNI – MR. FEROZ SAYYED

An alumnus from School of Business and Management, Christ (Deemed to be University). He is from the 2017 batch of MBA Finance Specialization. Before pursuing his post-graduation, he completed his BBA from Rosary College of Commerce and Arts. Currently, he is working as a Functional Business Analyst at Infosys. Before joining Infosys, he was associated with Wipro Limited as an Associate Consultant and HDFC Bank as an Executive Trainee for Wealth Management. During his time at Christ University, he was a member of the Finance Investor Information Cell and also volunteered for social services at Om Ashram.

INTERVIEW WITH MR. FEROZ SAYYED

Q1. Tell us about your journey before and after your MBA in Finance at Christ University.

I did my BBA (General Management) and worked for around 2 yrs. before pursuing my MBA. After doing my MBA (Finance) at CU, it made me a professional with practical and theoretical knowledge of Financial Management.

Q2. What role do you play as a Business Analyst for your organization?

I work as an Implementation Consultant for the Banking Product- Finacle of Infosys.

Q3. Impact of COVID-19 as a Business Analyst.

COVID has impacted the IT Industry in a positive way by accelerating the pace of digitization because of remote working culture being adopted by almost all companies across the globe.

Q4. Latest requirements and qualities for a successful Business Analyst in the current scenario.

Being knowledgeable and aware about the domain (industry) in which you are working.

Q5. What are the future opportunities and growth as a Business Analyst?

Business Analyst can become a Product Owner or a Project Manager or move into Management Consulting

Q6. What is the role of a Business Analyst in the Finance field?

Business Analyst has a major role in IT Development of Finance Department. They serve the employees of the Finance Department or Companies by developing Finance Products as per their requirements.

Q7. What is the demand in the market for jobs and opportunities available?

With many successful companies coming around there is a broad demand and scope for talented employees with particular skills in their respective domains.
We saw a demand in jobs after the first wave but stopped in between due to 2nd wave.

FACULTY SPEAK

SNIPPETS ABOUT INDIAN BANKING 2020 AND THE ROAD AHEAD – BY PROF. SOUMIK BHUSAN

Q1. What is the "twist" in Operation Twist?

The term "Operation Twist" is a code used for Open Market Operations (OMO) conducted by RBI to fuel economic growth during extreme situations. The RBI, through routine OMO, makes outright purchases or sales of Government Securities (G-Sec). While under "Operation Twist," there is a back-to-back purchase and sale of G-Sec of the same value but with different maturities. In general, price falls with an increased supply and rises with increased demand. The Cost of G-Sec is inversely related to expected interest rates. As RBI sold short-term securities, the supply increased, prices fell, and yields increased. The reverse happened when it purchased long-term securities. Demand for long-term securities increased, prices rose, and yield decreased. For economic growth, long-term investments are needed. Through Operation Twist, RBI aimed to revive the growth by lowering the interest rate for long-term investment.

Q2. How do RBI's move to conduct Special Long Term Repo Operations (SLTRO) to help Small Finance Banks?

Small Finance Banks (SFBs) are set up towards building financial inclusion and are a conduit for supplying credit to individuals and small businesses. Two mandatory operating requirements as an SFB are (1) to provide 75% of the credit to sectors eligible under priority sector lending, and (2) a minimum of 50% of the loan portfolio be up to Rs.25 lacs. SFBs have created infrastructure, including technology platforms, to reach out to many small players.
The RBI's Governor announced in May 2021 a special three-year long-term repo operation (SLTRO) of INR10,000 crore at repo rate (currently at 4%) with the specific end use of the credit line provided by the RBI.

The amount taken by the SFBs has to be deployed for fresh lending of up to INR10 lakh per borrower. This will give lifeblood to small businesses.

These businesses covering small business units, micro and small industries, and other unorganized sector entities have been severely hit by the pandemic. The adverse impact led these borrowers to avail the moratorium given by RBI during Wave 1 of the pandemic. According to research reports, SFBs and microfinance institutions had the highest share of moratorium seekers across the board. 70% of loan books for SFBs worth INR 66,443 crore came under the moratorium, out of total outstanding credit of INR 94,919 crore.

Given the long-term nature of SLTRO (3 years), SFBs will not face the challenge of managing the maturity profiles between the source and deployment of these funds. RBI has not called out any restriction on the loan tenor for the directed lending under this scheme. This credit line will provide an impetus to the small business units et al. who are battling business uncertainty. However, SFBs must have a mechanism to ensure correct utilization and avoidance of evergreening (reviving possible bad loans) through this particular line of credit.

Q3. The RBI's decision on May 05, 2021, to step up the purchase of Government securities (G-Secs) under the G-SAP led to the yield on the benchmark 10-year bond falling below 6 percent. What does this signify?

In May 2021, RBI announced an open market purchase of Government securities (G-Sec) of Rs 1 lakh crore under G-SAP 1.0.Government Securities Acquisition Program (G-SAP) will be in addition to the normal OMO conducted by RBI. This intervention through G-SAP was needed on two counts, first to soften the yields, which had surpassed 6%, and second to reduce the interest burden for the Government borrowings.

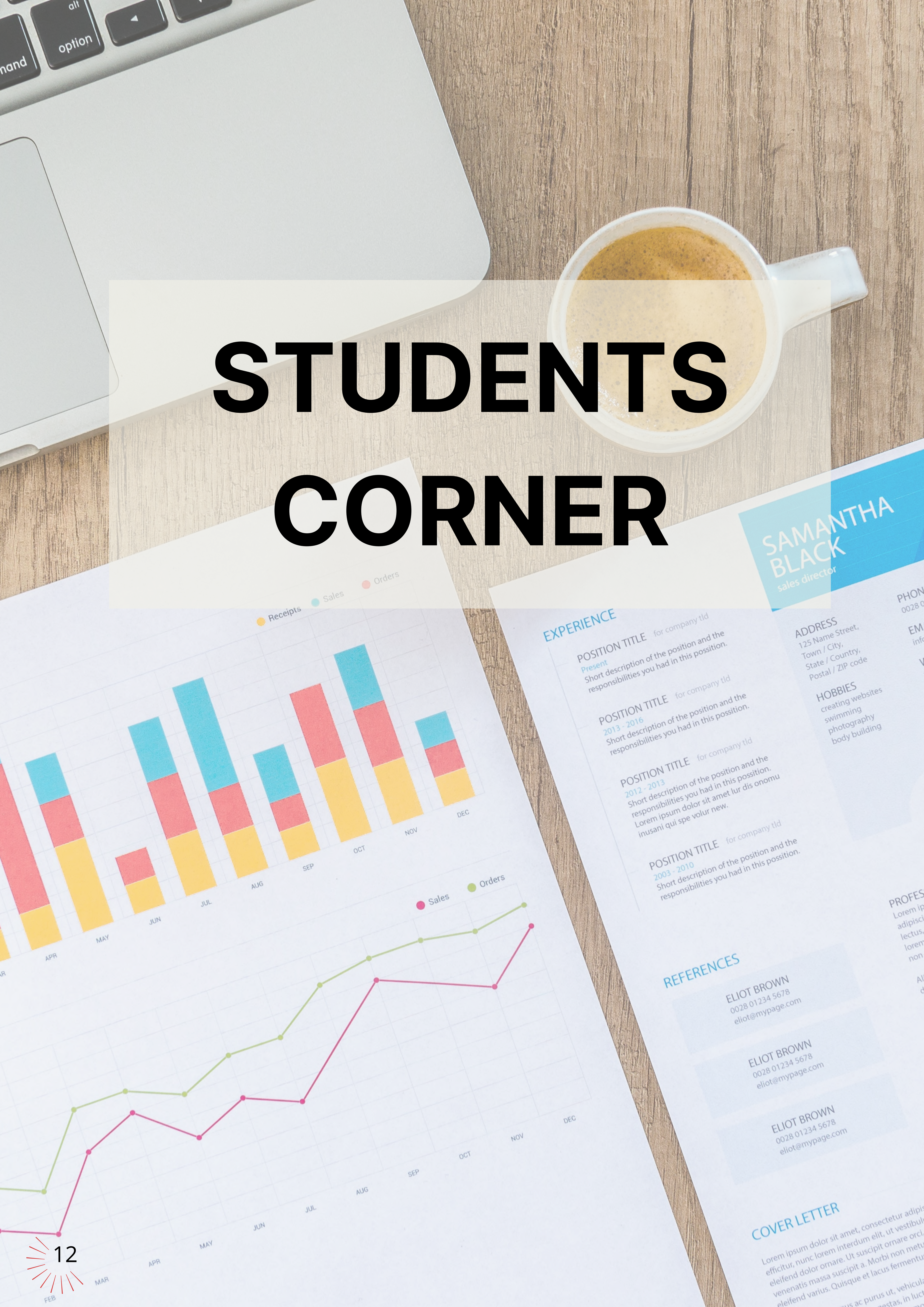
Government raises borrowing by issuing G-Sec, which are bonds or debt instruments. The price of G-Sec varies with the prevailing interest rates (yield). In principle, prices of G-Sec are inversely related to the currently expected interest rates (yields). If the overall interest rates rise, prices of G-Sec fall, making the existing G-Sec less attractive to buyers. Since the new G-Sec will be issued at a higher interest rate (coupon), buyers will have an apparent demand for these.

Yields affect the market in two ways, it causes a change in the expected return from equity and indicates the expected return of the bond market. RBI intervenes to manage the yields indirectly. When yields or the prevailing interest rate expectations go up, it directly affects the Cost of equity. This risk-free rate is linked to the G-Sec yield. If G-Sec yields go up, the Cost of equity goes up, which directly bears on the stock prices. Stock prices are the present value of the future cash flows expected from the stock. Keeping the future cash flows constant, with higher G-Sec yields, we must discount these cash flows with a higher cost of equity. This will lead to the theoretical prices of the stock falling and selling pressure in the market as investors will suddenly start looking at the shares being over prices.

The reverse is also true; when G-Sec yields decrease, Cost of equity decreases, the theoretical price of the stock goes up, and there is a buying pressure that keeps the equity market bullish. Thus G-Sec yields play a critical role in the performance of the equity markets.

The expected return from the bond market has been trending upwards. In the current scenario, interest rates have to be kept low for the economy to grow. RBI's decision to purchase G-Sec under the G-SAP program has led to an increase in the demand for these instruments. As demand for G-Secs increased, the price of these instruments increased, which automatically resulted in lower imputed yields. Rising interest rates are not a good sign given the current scenario, leading to lower credit offtake. At the same time, with the Government also looking for more borrowing to stimulate the economy, lower yields will reduce the interest burden.

Through G-SAP, theoretically, both equity and bond markets will be favorably impacted. Equity markets reacted positively with the G-SAP announcement, and bond yields also fell. While G-SAP, on the one hand, solves the borrowing problem of the Government through lower interest spending, it also has a flipside. If interest rates fall, but inflation keeps rising (and crosses 6%), we will be at an adverse real interest rate scenario. RBI has to strike a delicate balance to ensure positive real interest rates – in the event the nominal interest rates go lower than the inflation rate.



STUDENTS CORNER

COGNITIVE COMPUTING: A DISRUPTOR TO THE FINANCIAL SERVICES SECTOR?

The use of computer models to replicate the human thought process in complicated, ambiguous, and unclear circumstances is known as cognitive computing. Across sectors, cognitive computing is set to alter organizational structures. It uses computational models and combines machine learning, natural language processing, voice, vision, and a human-computer interface to replicate the human cognitive process.

Following are the ways in which cognitive computing can disrupt the financial services sector:

- **Risk reduction**
  Cognitive computing systems use massive amounts of organized and unstructured data from multiple sources. It then allows banks to take a deeper look at potential risks and more accurately anticipate weaknesses while supporting customers and staff via simple, human interfaces. This can be useful in determining credit risk. By analyzing behavior and identifying when it is out of the ordinary, cognitive computing may effectively predict fraud before it occurs.

- **Development of products and services**
  Cognitive computing systems can enhance product and service development because they combine artificial intelligence, neural networks, machine learning, natural language processing, and many other technologies to tackle business challenges. The financial services industry may help banks and other financial services providers better understand their clients' interests and preferences. Customers can benefit from personalized goods and services due to cognitive computing's use of context and evidence-based information.

- **Personalization**
  Financial companies can provide consumers with unparalleled customized services by utilizing cognitive technologies. Banks will be able to intelligently target individuals with the correct product using cognitive computing, improving the likelihood of sales and favorably benefiting both banks and consumers. Because this technology learns and imitates the human brain process, it allows businesses to analyze data more quickly and accurately.

- **Operational Efficiency and Agility**
  Financial services firms are looking for a single solution for prospecting and maintaining customer interactions. They uncover new trends, patterns, and tactics with the help of cognitive systems, which impact their decision-making more thoroughly and consistently. As cognitive computing solutions attempt to imitate human intellect and wisdom by analyzing various criteria, such systems can also assist in making informed and timely judgments.

Many banks are being compelled to experiment with innovative techniques primarily due to rising client demands, rising expenses, and the emergence of FinTech firms posing a threat to financial institutions.

> Cognitive computing has empowered banks to keep expenses in check, with excellent cost-cutting choices made accessible by automation and cognitive tools. It has also enabled banks to improve customer experiences and increase value.

NANDHUNATH VG
2027721

FINANCE PHRASEOLOGY

Ankle Biter

Ankle biter is a slang term used to refer to stocks with a market capitalization of less than 500 million dollars. Such stocks are also referred to as small-cap or micro-cap stocks. The term is also used to refer to startups that challenge big behemoths in similar industries. The ankle-biter economy emerged with the internet ecosystem, which allowed the startup ecosystem to scale up faster with lower investment and compete with large and established companies and brands faster. E.g., Amazon was once an ankle-biter compared to the retailing giant Walmart.

Furthermore, the news from the markets has now encouraged investors to perceive investments in micro-cap and small-cap securities as lower risk than in the past due to the steady performance of these securities.

Dead Cat Bounce

Dead Cat Bounce is based on the notion that a dead cat will bounce if it falls fast and far enough. Most frequently, market downtrends are interrupted by a small rally of recovery during which the prices go up; this short-lived recovery of prices is a dead cat bounce and is temporary. It is fundamentally unsupported and technically called a continuation pattern followed by a downtrend. These patterns are difficult to identify, usually identified at a later stage.

Source: investopedia.com

Garbatrage

Also known as rumortrage results from a change in sentiment due to a takeover in a segment with an increase in trading volume and prices in that particular sector of the economy.

Example: The cash-rich player, Jio, entering the market led to the merger of Idea and Vodafone. This led to a garbatrage in investors' minds that many more companies would merge to survive, leading to an adverse impact in the telecom sector

Pecking order theory

This theory states that the company, through retained earnings, should fund itself first before financing through debt and only as a last resort should it issue equity shares. Pecking order theory is useful for shareholders to hold seniority to claim assets over debtholder at the time of bankruptcy. Therefore, retained earnings are the cheapest, second is debt, and third is equity.

Anti-takeover measures

Lobster Trap

A defensive strategy designed to protect small companies against a hostile takeover by large companies. Companies pass anti-takeover measures by blocking shareholders with more than 10% shares from converting into voting shares. This prevents large shareholders from using their large stock position to facilitate a takeover.

White Knights

If ever a takeover is inevitable, most companies prefer to be taken over by a friendly company (white knight) rather than a hostile one. The white knight takes over the company to rescue it from the clutches of the unfriendly black knight thereby trying to protect the integrity of the business without sweeping changes.

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CHAANAKYA

MAMMOTH GAINS BY JSW STEEL

Year of incorporation: 1994
Sector: Metals- Ferrous
Market Capitalization: INR 171,018.35 crores

With a consolidated total income of INR 27,095.00 crore for the quarter ended 31/03/2021, it witnessed an increase of 23.13% from the previous quarter's consolidated total income of INR 22,006.00 crores. The numbers also indicated a 50.45% increase with respect to the corresponding figures recorded in the same quarter in 2020. A net profit of INR 4179.00 crore showed very high profitability for the previous quarter, indicating that the pandemic has not deeply impacted the operations of the company.

In comparison to a Nifty 100 gain of 43.76 percent and a Nifty Metal Index gain of 45.35 percent, JSW Steel gained 108.52 percent over three.

A CAPEX deployment of approximately INR 48,000.00 crores over the past three years has led to a capacity production increase by 50%. Such capital infusion has been made through organic and inorganic routes without increasing the debt component in its capital structure to avoid rising fixed interest costs. The company is also looking towards shifting R&D from a process-oriented to a product-oriented approach.

An INR 6.50 per share dividend declaration by the Board of Directors, the highest in the history of the company, has given more reasons for enhanced investor confidence.

The promoters hold approximately 44.07% of the equity in the company and have been reasonably stable in the past three years, indicating stable growth and no detrimental impact due to the dilution of shareholding by the promoters. It provides solid grounds for investment in the shares of JSW Steel for investors who are looking to invest for the longer term.

The stock is also showing a one-year predictive return of 271%. Moreover, technical indicators such as Bollinger band (combined with nine moving averages) as well as super trend indicate that within the month, the stock for JSW Steel will start moving in an uptrend. Currently, the stock is in a downtrend. However, as per the super trend, the stock is close to reaching a buy signal, as the price below the red line, which indicates the sell signal is reaching the point where it will convert to a green line and the price will be above the green line, indicating an uptrend.

VAISHNAV ANIL
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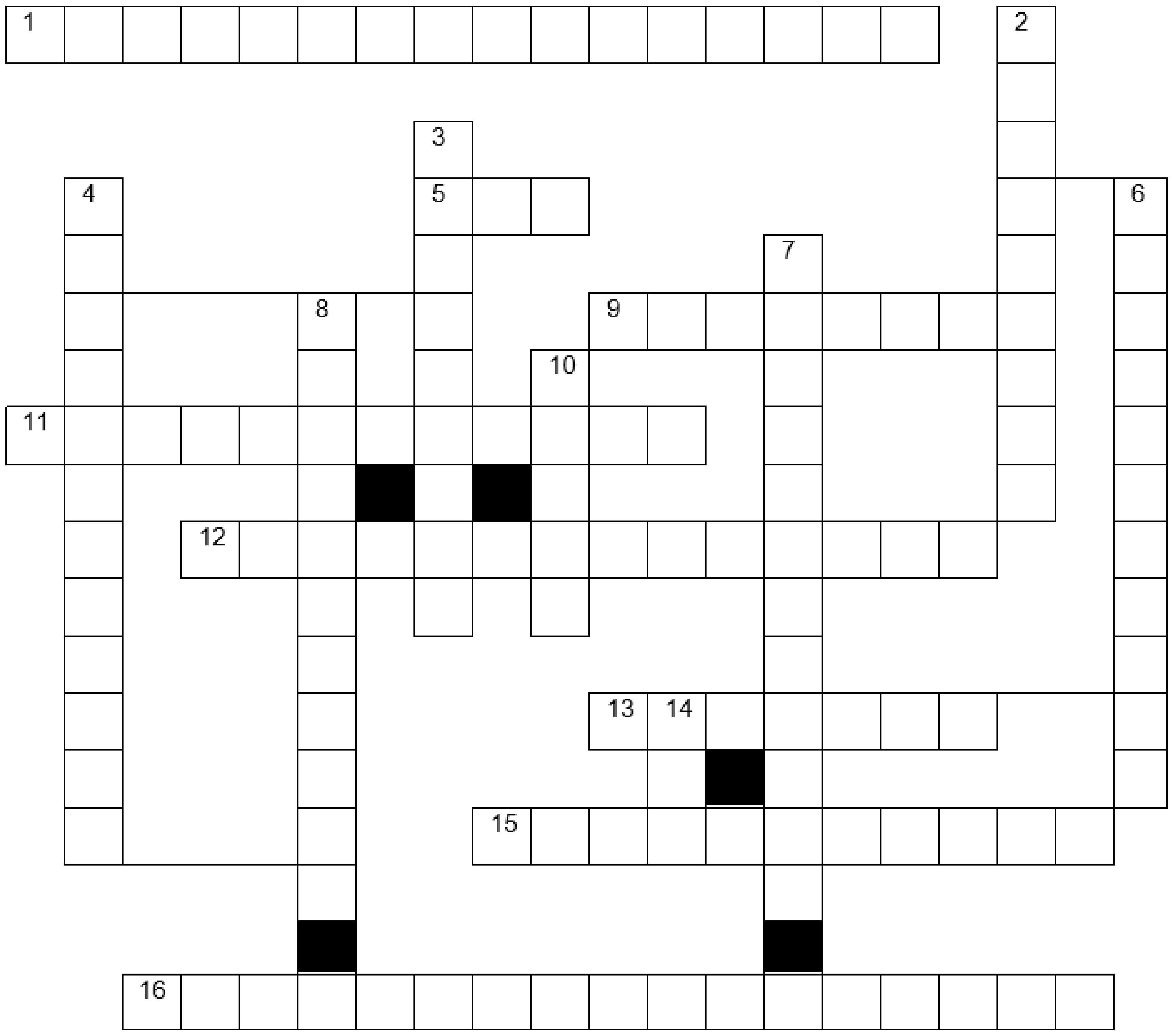
CROSSWORD PUZZLE



Across

1. Money spend after all the required taxes and deductions

5. Units issued by mutual funds to the public for the first time

9. Money received in advance for the services that are required to be provided in the future and reported in the balance sheet as deferred revenue

11. Used as management incentive by companies

12. Amount received on canceling an insurance policy

13. Income received by someone from a bank account

15. Security that shows ownership in a company, exercising control by electing the board of directors and voting policy

16. Policy that provides additional liability coverage beyond motor and home insurance.

Down

2. Extra days provided by insurance companies to the policyholders to pay insurance are called

3. Investment contracts exchanged by investors to receive a sum of money for a series of payments over time

4. Process of allocating the cost of the intangible asset to expense over its period of useful life

6. Scheme of mutual funds that allows investing in debt and equity in equal proportions

7. Increase in the value of an asset/investment, like stock above its original purchase price

8. Higher percentage of tax charged from high-income groups know as

10. Commonly referred to as fixed-income securities

14. A kind of mortgage where the interest paid on outstanding balance rises and falls based on a specific benchmark.

RADHIKA AGARWAL
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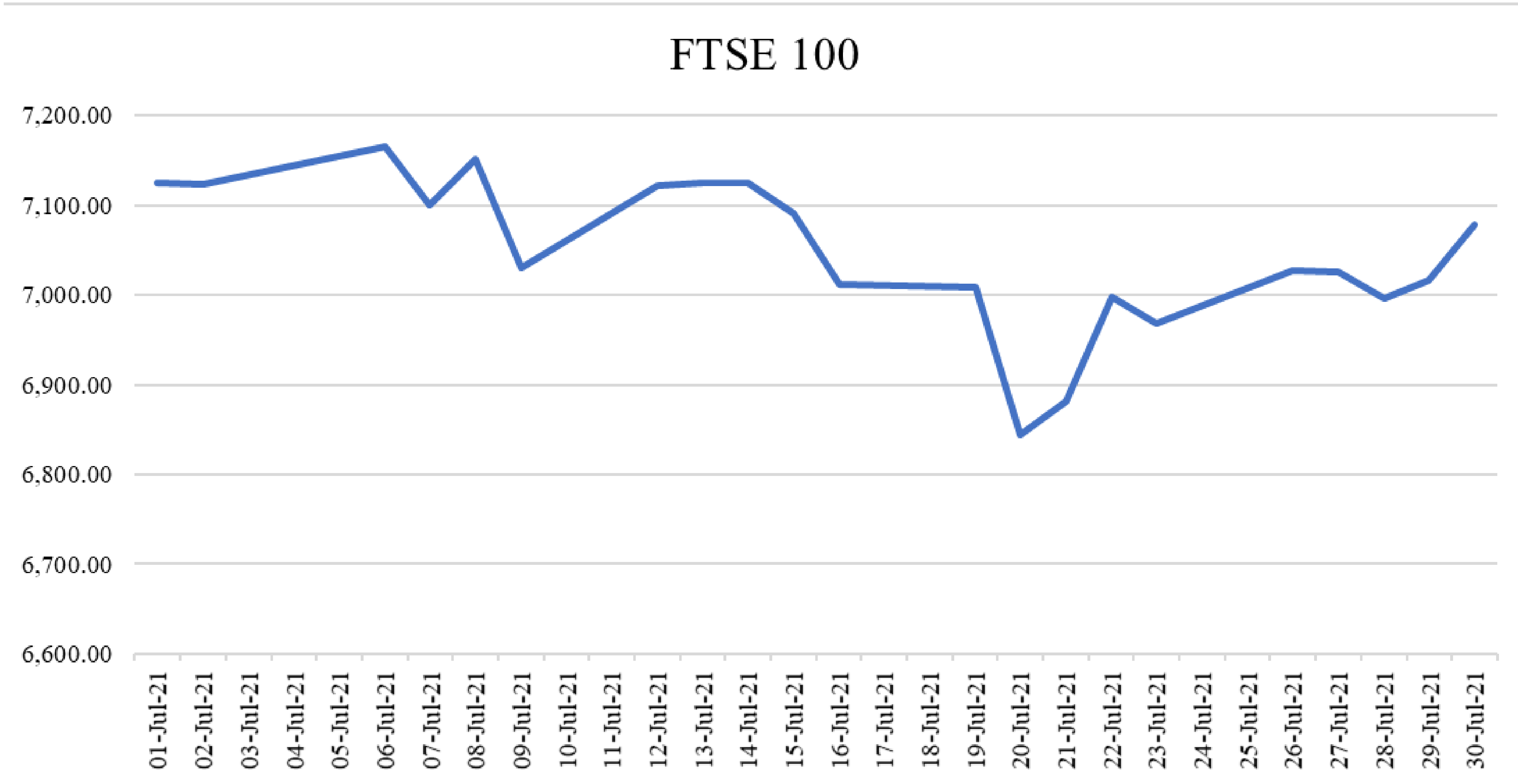
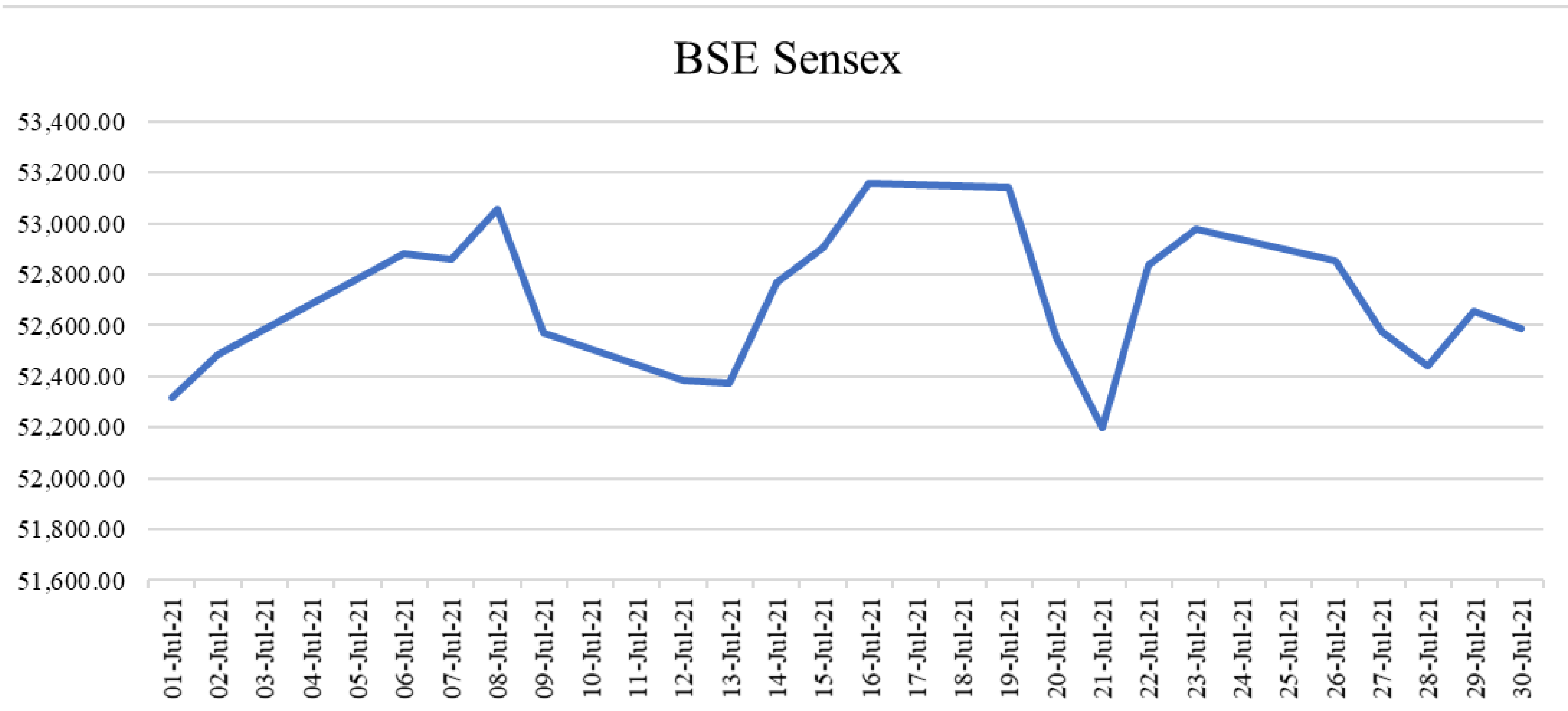
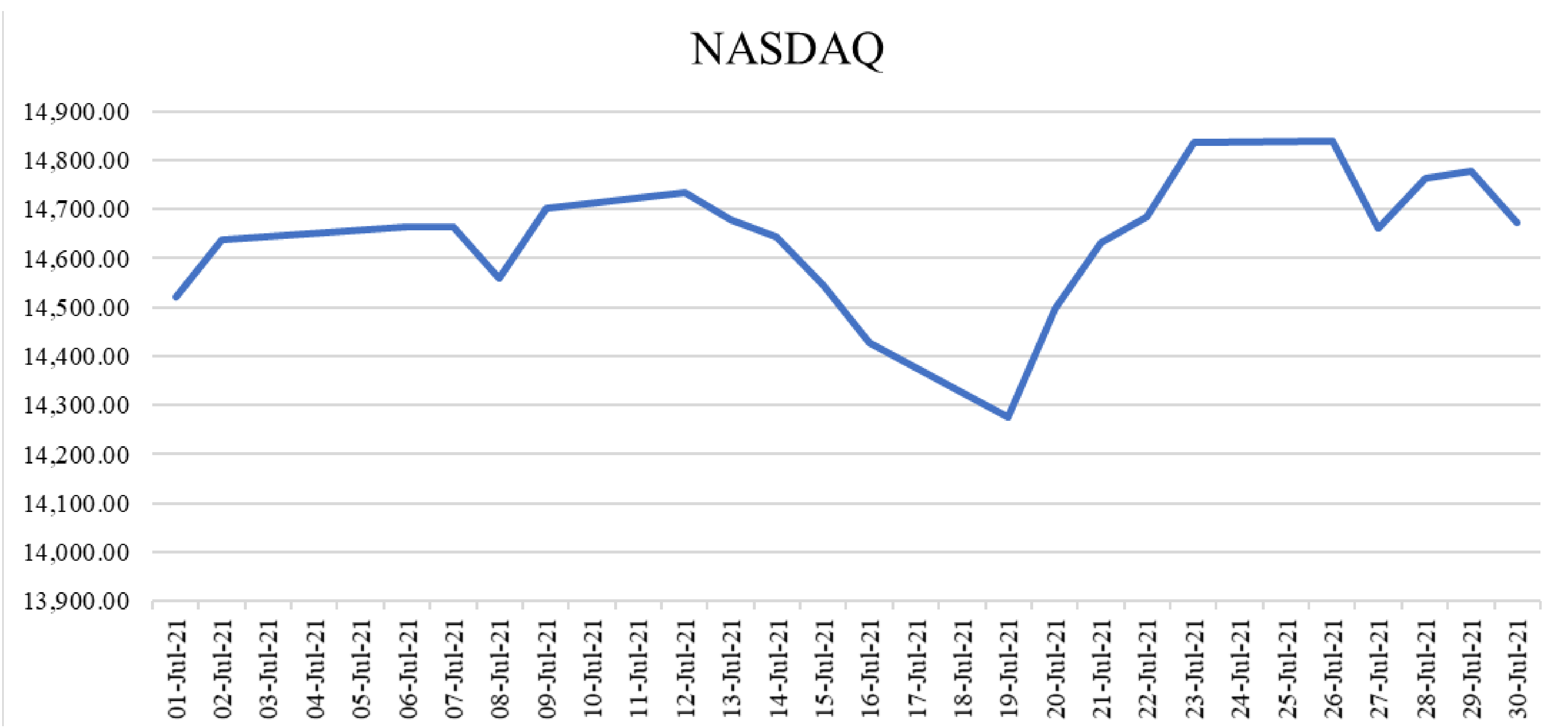
GAUGING THE ECONOMY - JULY 2021



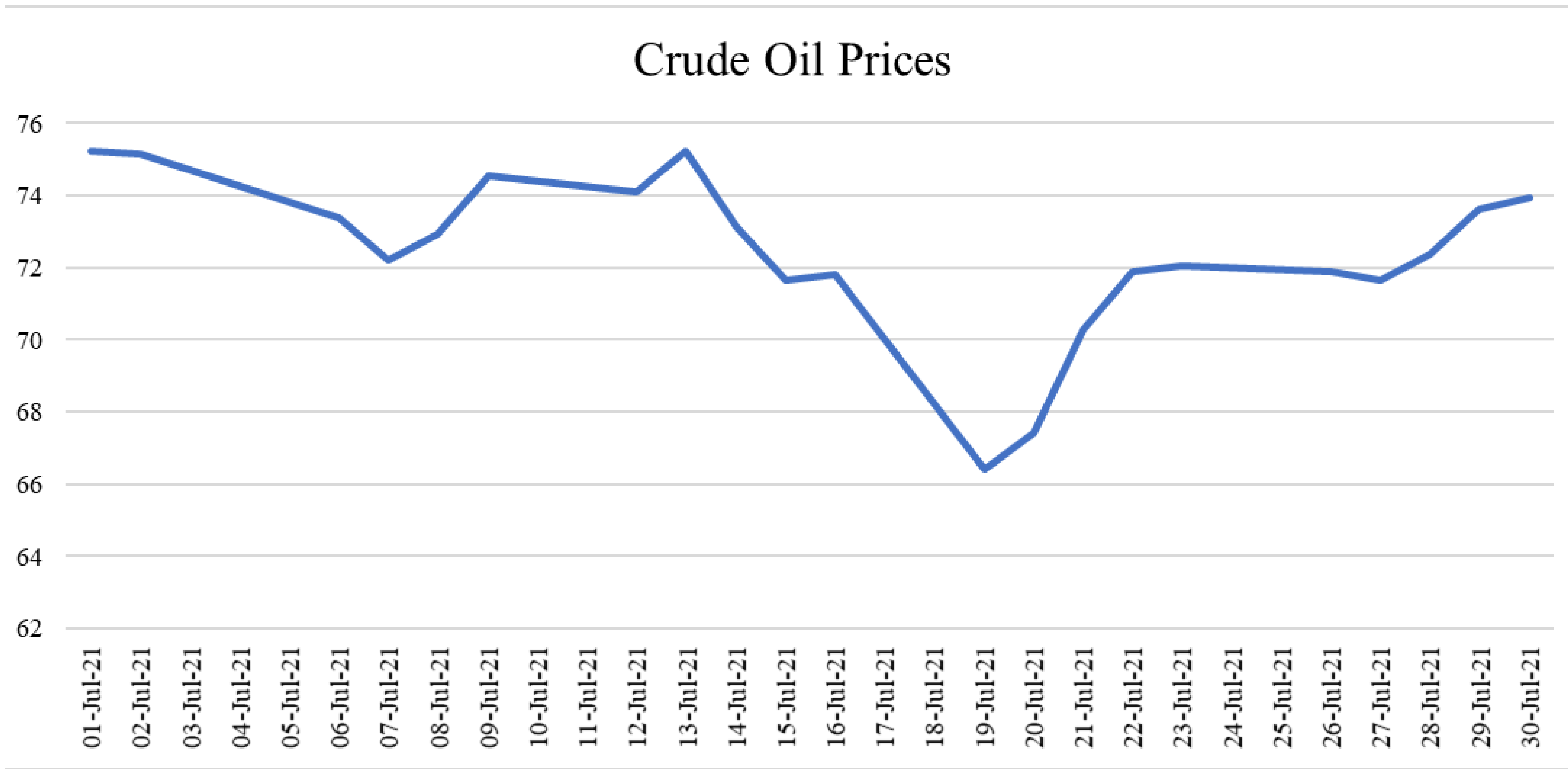
FTSE 100 saw a drop in performance mostly due to a decline in return/risk ratio of some large constituent companies by 10% to going as far as 44.7% causing many participants to withdraw pretty heavy holdings.



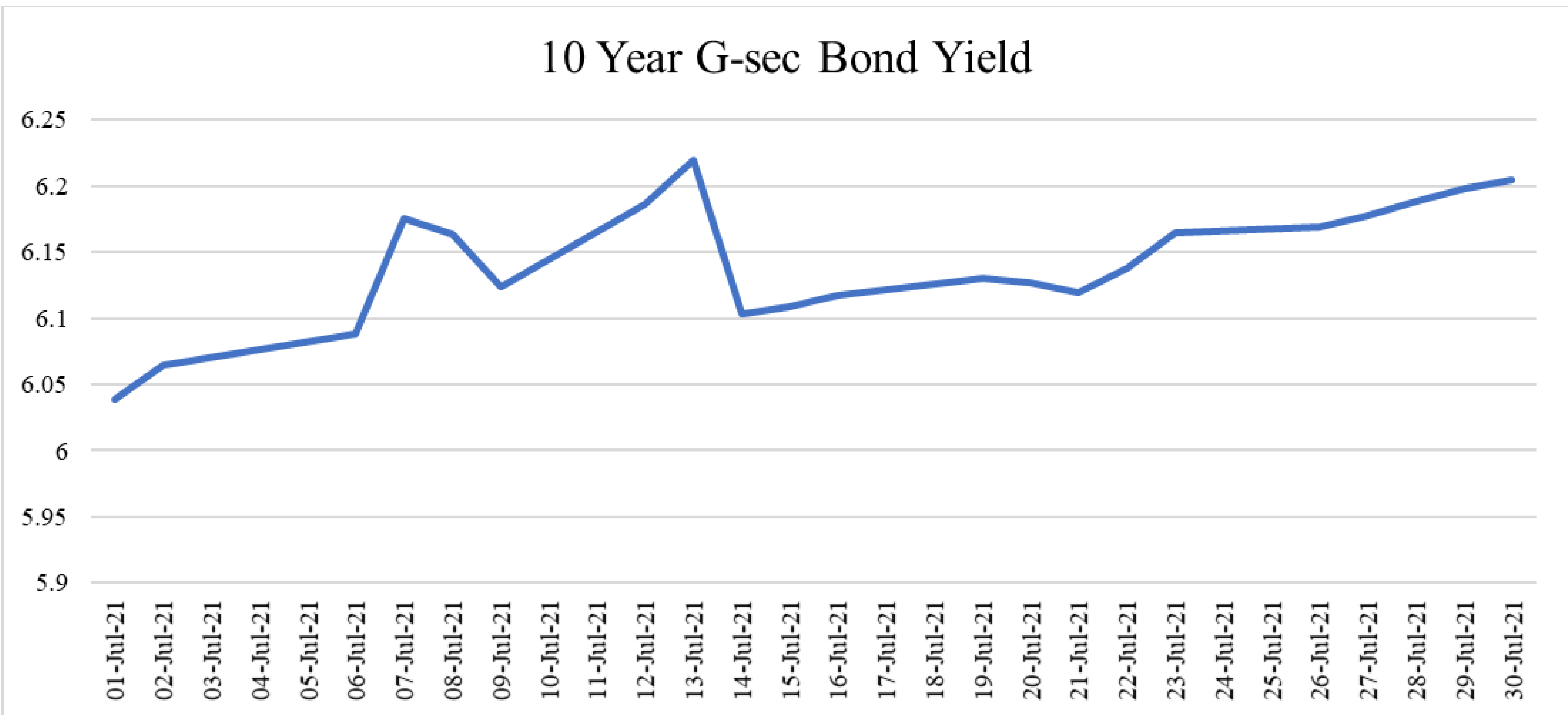
For July the performance and positive rallies of BSE Sensex were led by Small and Mid-Cap companies along with real estate and material companies. Longer dated funds finished with quite a decline.



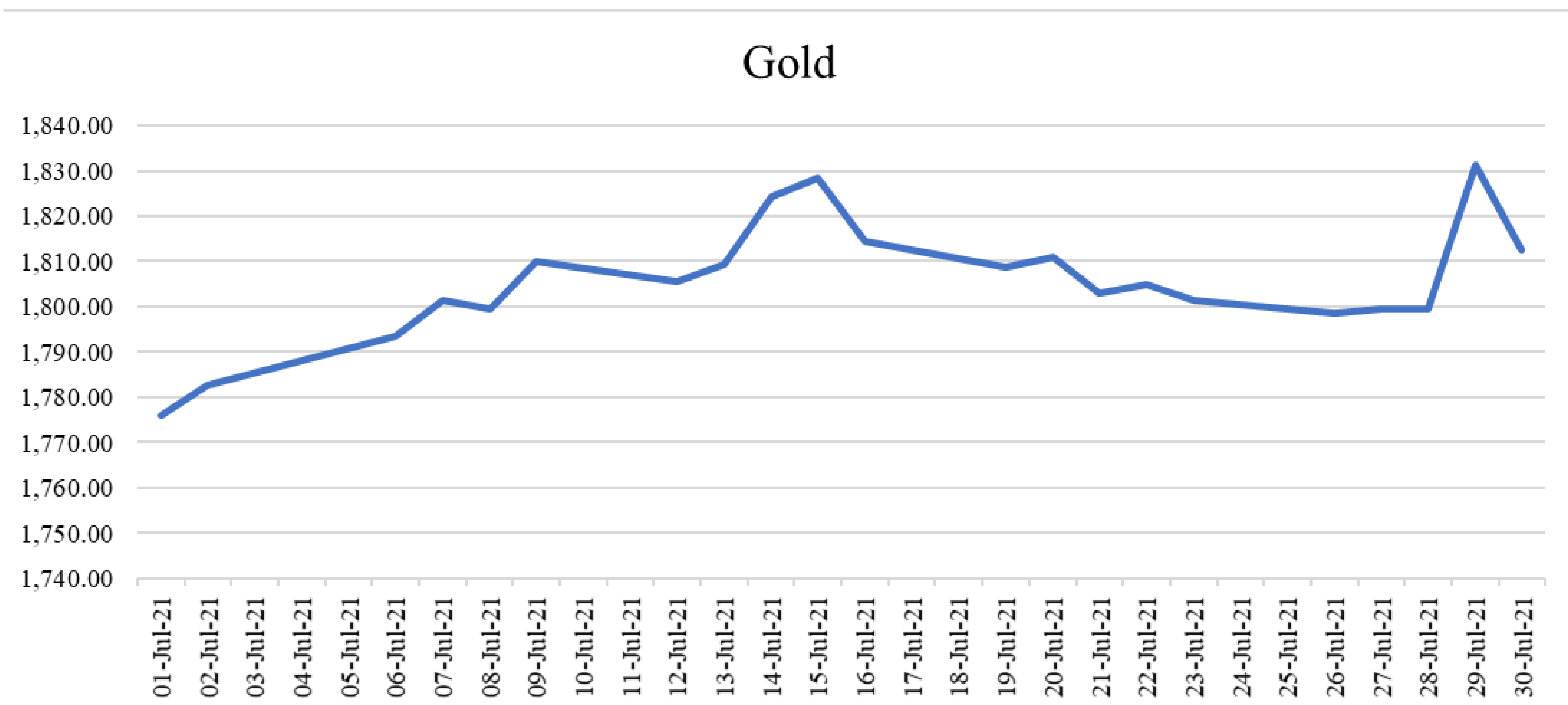
Large-cap growth constituents of NASDAQ outperformed small and mid-cap companies that saw a lag in performance. Adding to that 10-Year Treasury Notes saw a decline in performance leading to better performance of growth stocks.



Crude oil prices saw a dip in the month of July due to weak spot demand and a decrease in prices (4%) after the global Covid surge.

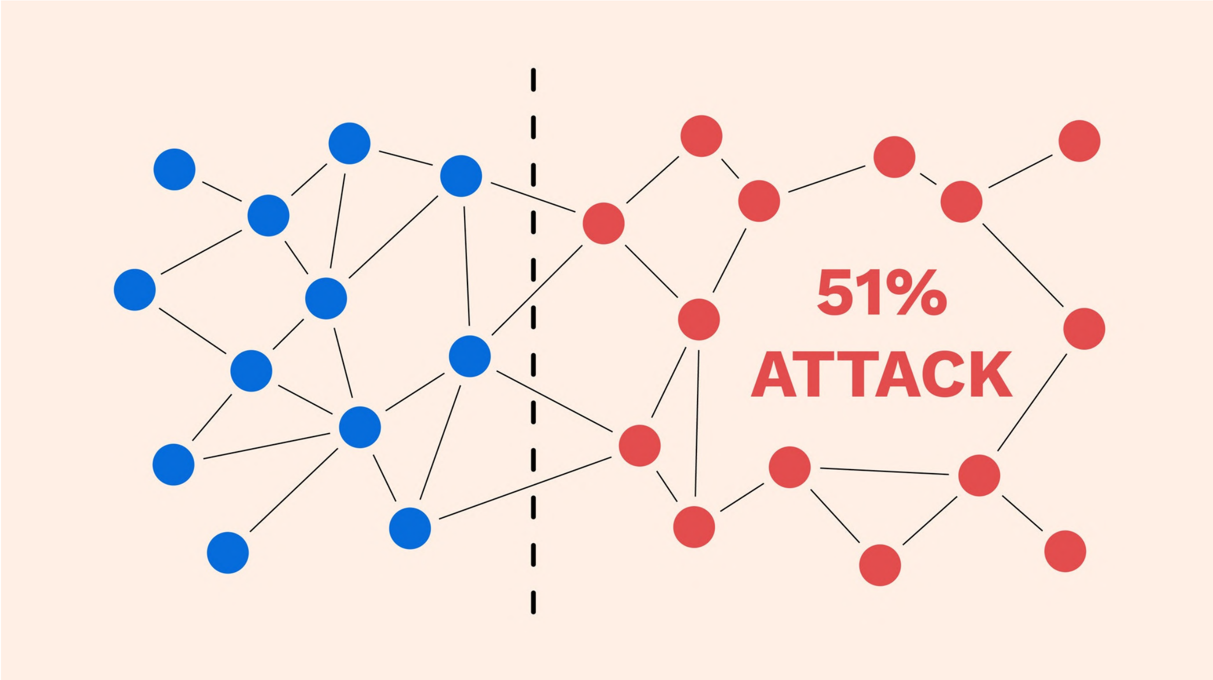


July saw an increase in 10-year bond yield as RBI is aligning the same with market realities keeping in mind the upcoming monetary policy roll-out.



The opportunity cost of investing in gold saw an increase at the start of July but saw a rally as the middle of the month drew near seeing a decrease by 3% however it is estimated to gain positive momentum with a net long positioning.

51% ATTACK



51% Attack is basically an attack on bitcoin that can be of a hypothetical situation in which a group of bitcoin miners controlling more than 50% of the network's mining rate or computing power.

The attackers will be given the opportunity to hold new exchanges from acquiring assertion, allowing them to end installments between a few or all clients. They would moreover have the choice to alter trades that were wrapped up whereas they were in charge of the organization, which implies they might twofold spend coins. They would certainly not be able to form unused coins or change ancient squares. A 51% attack would likely not destroy bitcoin or another blockchain-based money through which is found to be damaging.

How does a 51% Attack works?

Bitcoin and other such digital currencies depend on blockchains, these computerized documents record each exchange made on a digital money's organization and are accessible to all clients and the overall population for auditing processes. Accordingly, nobody can spend a coin twice which results in "private blockchains" allowing permissions to prevent certain users in the general public from accessing all the data that is available on the blockchain.
In the mining cycle, a set of individuals called miners utilize well-advanced software to run complex computations to settle a condition produced by the framework, whose degree of trouble expansions in relation to the hash rate, or the rate at which the software's are attempting to figure the answer for the framework's condition.

The miners with the majority of control over the soft wares than the other miners can solve the equation/framework faster, which helps them to reverse the past transactions and prevent new transactions to occur.

51% Attack Real-World Examples

The Ethereum Classic (ETC) network experienced three significant 51% assaults last month, the first brought about the deficiency of roughly US$5.6 million, reigniting the discussion around such assaults and their suggestions on the block chain.

TREESA THOMAS
2028038

REVIVAL OF DEMAND FOR INDIAN GOODS

Exports remained above $30 bn for the fifth straight month; previous peak was in March at $34.5 bn. **(Photo: Bloomberg)**

Exports play an important role in a country's development. On the brighter side, there has been an increase in the demand for Indian products in the Western Market. This indicates that the movement of foreign currency within the Indian economy will mobilize owing to the increased demand.

India has exported $35.2 billion worth of goods in July. According to preliminary data given, merchandise imports also shot up to $46.4 billion (the second-highest in history), leading to a trade deficit of $11.2 billion during the month.

Exports remained above $30 billion for the fifth consecutive month in July, with the previous peak in March at $34.5 billion. Also, exports posted a record shipment of $95 billion. However, there was a noticeable decline in exports to Malaysia, Iran, and Tanzania.

Coming to the imports, the maximum increase in imports was from UAE ($3.4 billion), Iraq ($2.7 billion), and Switzerland ($2.2 billion). Also, imports from France, Germany, and Kazakhstan declined the most in the month.

It is important to know the highest contributors to the movement in export and import figures. The top export items in the month were petroleum products, engineering goods, and gems and jewellery. On the other hand, top imports include crude oil, gold, precious stones and vegetable oil.

The honorable Prime Minister's vision for AATMANIRBHAR BHARAT can be attributed to being one of the main catalysts for recording such numbers.

Coming to gold (what Indians loved most), imports surged by $2.5 billion in July in comparison to the corresponding month in the previous year. Also, gold imports have crossed $12 billion in the first four months of the year.

The government has set an exports target of $400 billion for FY2022 and $1 trillion in the coming five years. This will significant improve India's share in global exports. However, due to the second wave of covid and the slow vaccination process, the growth rate of India was reduced to 9.5% by the International Monetary Fund putting a severe dent in India's aspirations for recovery.

The aims to briefly impact how the revival of demand for Indian goods in the Western market has impacted the import and export numbers leading to further mobilization of foreign currency.

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CHANAKYA

CHANAKYA

FISCAL DEFICIT AND WAYS TO REDUCE IT

A fiscal deficit is a situation when a government's revenue is lesser than or becomes lesser than its. spending. With a fiscal deficit, the government would be spending much higher than its limits. It is measured as a percentage of GDP, or simply as the total amount spent over revenue.

There are two negative implications to a large fiscal imbalance. First, it forces the government to borrow excessively from the market, causing the market interest rate to increase. An increase in the market interest rate tends to deter private investment. It also decreases the amount of money available for private sector investment.

Second, the extent to which a significant budget deficit is covered by borrowing from the Reserve Bank of India, which creates new currency for the government. This leads to a higher increase in the money supply through the money multiplier process, resulting in an inflationary condition in the economy. To keep inflation under control, the fiscal deficit must be lowered by increasing government revenue while also lowering government spending.

In a country like India, the following measures can be taken to curb the deficit and maintain it at the right levels. They are:

- First to keep government expenditure in control, cutting state spending on important subsidies such as food, fertilizers, exports, and power would be reduced to the extent possible. The central government spends a significant amount of money on substantial subsidies on food, fertilizers, and export promotion, totaling Rs. 20,000 crores as of FY2020. It will be impossible to reduce public spending to an acceptable level without a significant reduction in subsidies over time. But as there is a pandemic situation spread across the country, it can't be as effective as possible.
- Budgetary assistance for non-infrastructure initiatives in the public sector should be significantly decreased. Furthermore, public-sector businesses should be encouraged to seek funding from the market and banks.

Further to keep it in balance, government revenue needs to be spiked. Therefore

- When it comes to raising public income, it's worth noting that a policy of moderate taxes and a simple taxing system should be adopted. This will assist to boost rather than decrease government revenue. High marginal tax rates should be avoided because they act as a deterrent to working more, saving more, and investing more. Furthermore, high marginal rates of direct taxes encourage tax avoidance.
- As is generally known, the Indian economy has a large quantity of black money that has accumulated as a result of tax evasion. However, there is still a significant quantity of black money in the economy. Not only must current black money be accounted for, but tax evasion, which occurs every year, must also be avoided via strong enforcement of tax rules.

To summarize, the fiscal imbalance may be reduced to a safe level by implementing the above strategies of cutting government spending and increasing income. But as there is a pandemic situation all over the country, the concentration of reducing the fiscal deficit at this point of time is not advisable as the fiscal deficit for 2021 is estimated to be 9.5% and it's still marching beyond it. The above said measures can be implemented severely once this situation recovers, as the fiscal deficit is predicted to come to 4-5% levels only by 2026. Hence, it's wiser to concentrate on the health of the country for now than the macro-economic conditions.

NAGARAJAN N
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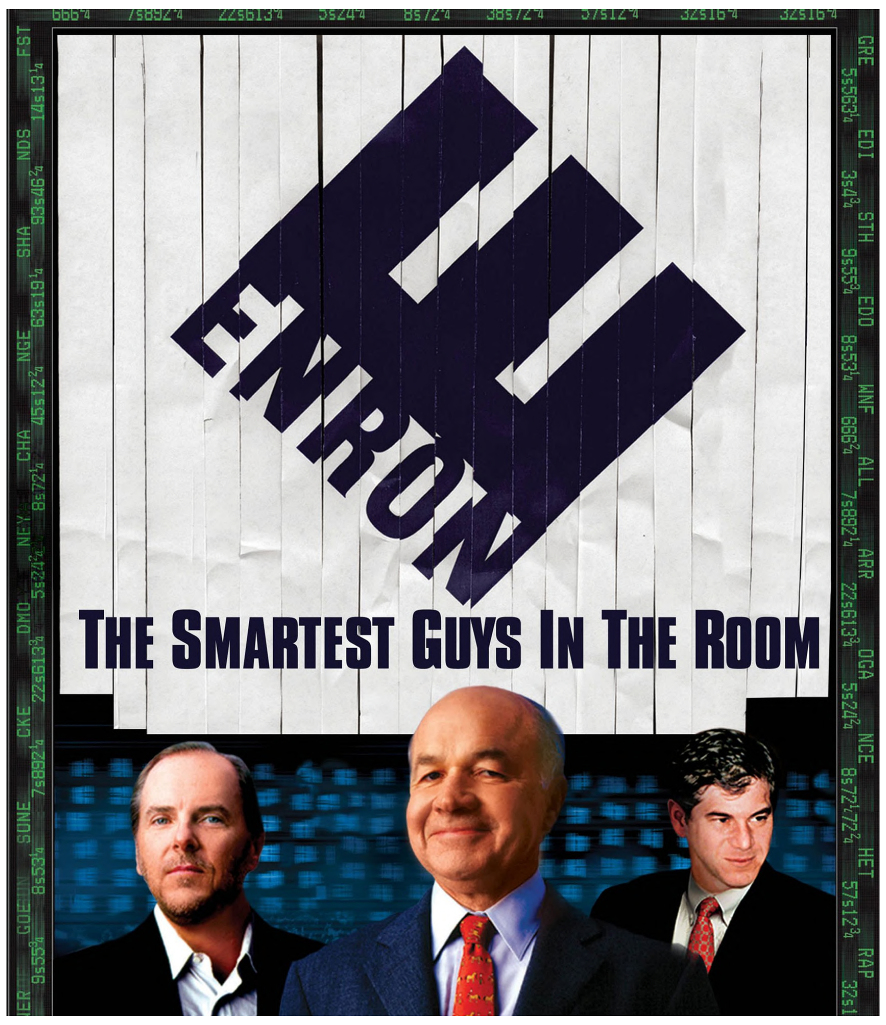
DOCUMENTARY REVIEW- ENRON: THE SMARTEST GUYS IN THE ROOM



The 2005 'Enron: The Smartest Guys in the Room' documentary film is based on the 2003 best-selling book 'The Smartest Guys in the Room' by Bethany McLean and Peter Elkind. The documentary tells us about the Enron scandal that brought down many top executives of the company. The story gives a description of how Enron managed to be the 7th largest company in America through a Ponzi scheme and looted the retirement funds of their own employees. The documentary examines the whole story of the Enron scam through testimonies, congressional hearings, and various interviews of Mike Muckleroy (the Enron executive) and the whistleblower Sherron Watkins. The entire documentary is narrated by Peter Coyote.

The documentary takes us through a detailed description of how it happened in a very impressive screenwriting and direction. Enron created quarterly returns based on fraudulent accounting practices to keep their stock prices rising. For this purpose, the company used the tactic 'Market-to-Market'. Skilling explains this concept to the Enron employees through an in-house skit where he introduced the idea of 'Hypothetical Future Value'. A primary tactic used by Enron was to start phony offshore corporate shells (M. Smart and M. Yass) to shift the losses from Enron to those companies. This was entirely off the books. The documentary acts as a map that traces the movement of debt to the shell companies.

The whole scam was first brought to the picture by Sherron Watkins, who questioned Enron's quarterly financial statements, which did not seem to add up. The documentary has used the in-house video made by Enron. From the video, we can see Lay and Skilling encouraging the employees to invest their retirement funds in the business at a time the company was not performing well. It has been found out that Lay and Skilling sold their $200 million worth of shares in the company. After this charade, Skilling resigned but was not able to escape from the fall of Enron. Skilling and Lay were both arrested and handcuffed, and walked, which is also shown in the film.

A notable incident in the documentary is the California energy crisis, which was a phony crisis created by Enron. There was never a power shortage issue in California. The film uses the tape recordings of phone calls between Enron traders and the plant manager where Enron asked the plant managers to "get creative" and shut down the plant for "repair". This led to 30 to 50 percent of California's energy industry being shut down, and the company increased the price of electricity nine-fold. During this time, the company fired around 20,000 employees. This resulted in the employees losing their pension and their shares in the company becoming worthless. The company later faced charges of $6 billion worth of refunds for raising a phony crisis.

Learnings:

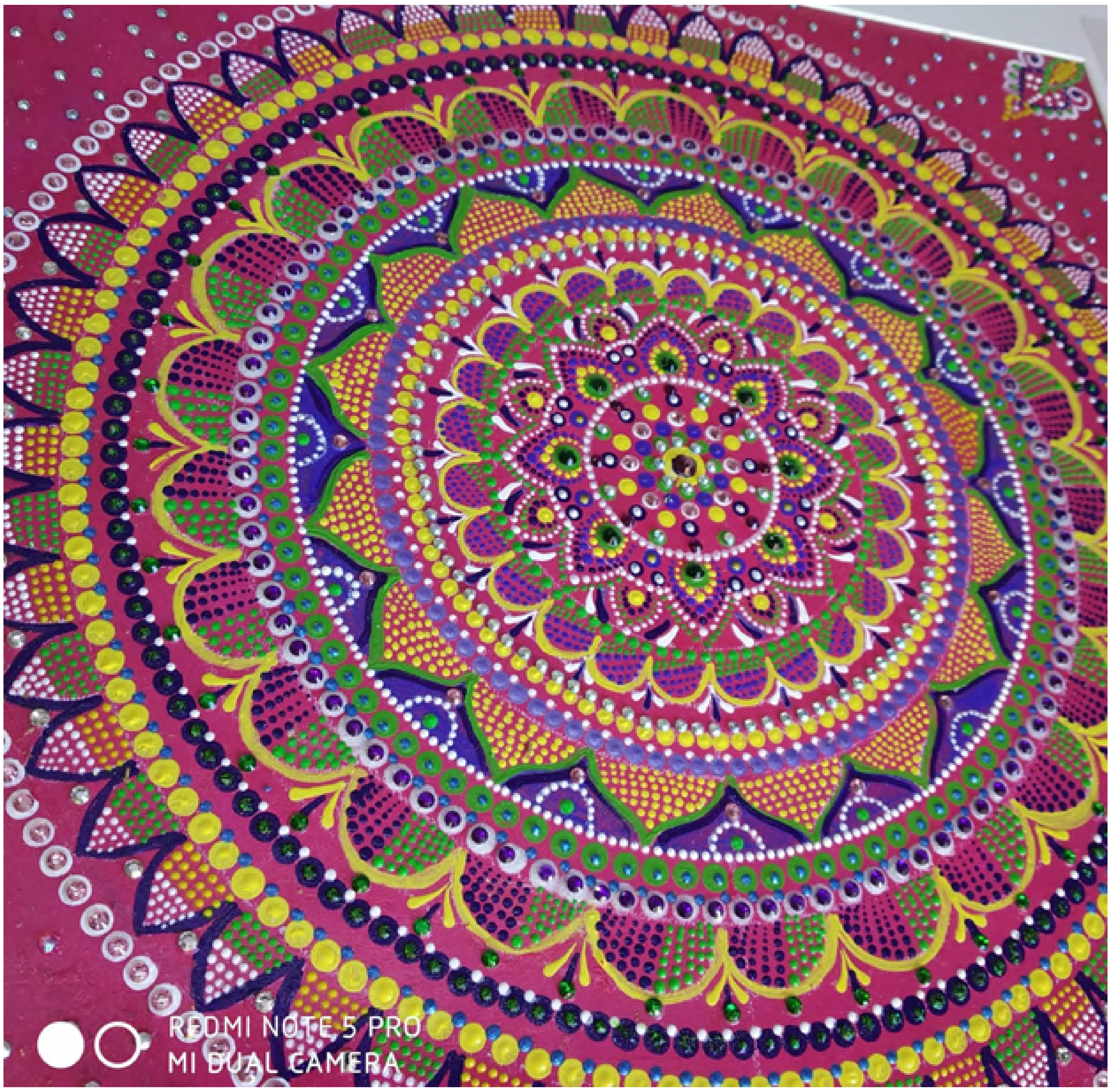
The Enron scandal portrays the lack of morals and absence of ethical leadership in an organization, consequently showing that focusing on the profit growth at the cost of employees will lead to an inevitable fall of the company.

ROSE DAIZE
2027745

CREATIVE CORNER

FACULTY CORNER

MANDALA PAINTING



"This is a mandala art made using Acrylic paint and a dotting tool on a canvas board. My sister is an expert mandala artist and this is the one she taught me and helped me complete with her magical hands. The very nature of creating a mandala is therapeutic and symbolic. The shapes and colors we create in the mandala art therapy will reflect our inner self at the time of the creation. While I am not sure if I will be able to do one more all by myself, I will strongly recommend people with artistic hands to try out this wonderful art." - Dr, Latha Ramesh

DR. LATHA RAMESH

THE SKY MEET

THE SKY MEET

I speak to the sky,
Running clouds I see,
Playing hide and seek with the sun,
Flying birds set free.

I talk to the sky,
Expressing emotions I feel,
Response of no words,
Yet manages to heal.

I listen to the sky,
With the flowing air,
Inhaling the cold breeze,
A silent bond of care.

I can hear the sky,
Taking away parts of me,
The ones with pain,
And setting this bird perhaps free.

KAMBHAM KAVYA
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