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CHAANAKYA

SCHOOL OF BUSINESS AND MANAGEMENT

MBA - FINANCE SPECIALIZATION

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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 Misca**, which is a group of students under the mentorship of **Prof. Aniruddha Oak** from the MBA Finance Specialization. This is a Special Issue themed **Capital Markets** where the writers have shed light on various facets of the capital markets and its recent developments. The section titled "Creative Corner" showcases the passion students have for 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.

Wishing our readers, A happy reading

Best wishes,
Team Chaanakya

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ALUMNI SPEAK

OUR DISTINGUISHED SBM ALUMNI – MS. LIYA MATHEW

An alumnus from School of Business and Management, Christ (Deemed to be University). She is from the 2011 batch of MBA Finance Specialization. Currently, she is working as a consultant in Goodearth real estate development.

CHANAKYA

INTERVIEW WITH MS. LIYA MATHEW

Q1. What attracted you towards the stock market, and what is your investing/ trading strategy?

I would prefer investing over trading in stock markets. Investments in the stock market is actually a source of passive income. It can be a good source of income where money gets generated by itself. Instead of investing in savings or FDs, if you invest in the stock market it can give you more returns. Of course, there is risk involved in it, but you can invest in the indexes or in a particular stock by thoroughly looking into its financials, doing fundamental analysis, technical analysis, etc. If a company is fundamentally strong, then even if there are dips in between, it will grow for sure in the future. So, by understanding the sector, industry and the company better, you can be an intelligent investor and make lots of money.

I always wanted to start saving and investing quite early in my career. My objective was to define the goals; short term and long term and plan my investing accordingly. So, I currently invest in a combination of sip and mutual funds. Since I'm working I don’t get sufficient time to actually look into it. My risk will also be reduced by investing in mutual funds, and by investing a particular amount every month in sip, it averages your purchase cost and also maximizes the returns that you will get in future.

Q2. In this pandemic situation, according to you, what kind of stocks do you prefer?

I would prefer to invest in NBFCs (non-banking financial companies) and other financial service companies. It is always a good choice to invest in these companies if you are a value investor who looks for the stocks that are traded less than their intrinsic values.

Also, in this pandemic situation since a lot of people have lost their jobs or are working for less salaries, they are actually struggling to meet their day-to-day needs. So, there is less money supply in the economy as the rate of consumption is reduced. Hence, in order to increase the money-supply the Government reduces the repo rates, so that the banks will get the loan at low rate of interest and therefore, the NBFCs and others will get money at lesser interest rates which is actually good for them. So, the loans given out by them can also increase

Q3. What all things do you consider when you are entering a primary market?

In primary markets the securities are issued by the company for the first time and it may be for raising capital or for boosting their public profiles. Additional capital can be made by selling those shares as well to the public. Then the people who have invested in it can become its shareholder and earn dividends and capital appreciation.

So, before entering into primary markets, by investing in IPOs we should check the purpose for its public issue i.e., the future plan of the company, whether it is for expansion of the business or for putting more money in its research and development or for paying off its debts, etc. We should analyse its financials as well. Therefore, one should thoroughly read its prospectus before putting money into that particular company. Look at its potential to grow and to dominate within the promising growth industry.

Q4. What advice can you give to our potential investors about the current market situation?

Stock markets are riskier and volatile but offer higher returns. Everybody should start investing as early as possible because it gives the investors an opportunity to take more risks and also to earn better returns. They will also be able to identify what all decisions that they took went wrong, so they can actually recover from the wrong decisions that they made, without affecting their long-term financial goals.

One should invest in stock markets but always protect your capital.
In the last year due to lockdowns caused by the pandemic, there was a crash in the stock markets as the firms will be shut down, they will not be able to generate good sales and profits, most of the people pulled out their money. As a result, the index went down. So, the investors who had already invested lost their money. But it regained its power and crossed the previous level of nifty and Sensex. So, when you see these crashes, you should actually go and invest, because the stock markets will only go further, there will be corrections in between but it will overcome those corrections and reach new levels. Because, the next generation will always lead a

Q5. Do you always do fundamental analysis before investing in a particular stock? What are the specific ratios that you look into while selecting the stocks?

Yes. For making a long-term investment in the market, I will always prefer doing the fundamental analysis of the company. Because if a company is fundamentally strong, then its future is guaranteed.
First of all, I look into the price to earning (P/E) ratio of the firm because I should know how much I'm paying for earning one rupee in the market. It also gives an idea whether the share is currently trading in premium or discount. Then I will look into ratios like price to book value, debt to equity, accounts receivables turnover ratio, gross profit margin, operating profit margin, interest coverage ratio, return on earnings, its free cash flow/ sales ratio and fixed asset turnover ratio.
So invest wisely.

FACULTY SPEAK

TALK ON CAPITAL MARKETS WITH DR. V. HARSHITHA MOULYA

1. Primary and secondary markets complement each other. Comment.

A capital market is considered as an economic barometer of a nation as it gives an overview and depth of its economic performance. Capital market consists of primary and secondary markets. Primary markets facilitate capital formation for economic activities (includes all three sectors of business) and financial activities. The performance of secondary stock market indices indicate the level of economic development, financial stability and resilience of a nation. Both the markets complement each other in bringing together the investors with borrowers with their unique mechanisms and frameworks.

Primary markets enable corporates, PSUs (Public Sector Undertakings), Govt. to raise funds for operations or start-ups or expansion through issue of shares/debentures at a price decided through a book-building process. When a security (fully convertible debenture or partially convertible debenture to equity) is initially offered for sale, it becomes an IPO (Initial Public Offering). The securities may be issued to a selected number of investors on a pro-rata basis when it is overly subscribed through a private allotment. All the public issues are not available to everyone who subscribes to it. Alternatively, corporations may raise capital in the international markets through issue of ADR/GDR i.e. American Depository Receipts/ Global Depository Receipts or a plethora of other securities and bonds.

Secondary markets are stock exchanges. A stock exchange is an intermediate platform (OTC or electronic exchange or an algorithm) for trading of securities i.e. equities & bonds initially offered to the public in the primary market or that is already listed on the stock exchanges within the framework prescribed by the National Stock Exchange (NSE) and SEBI (The Securities and Exchanges Board of India). NSE lays down rules and regulations for listing/delisting of securities. SEBI regulates stock exchanges and majorly promotes interests of the investors.

2. What is the role of stock brokers and sub stock brokers in securities markets?

Stock trading is like a 'search problem'. Buyers will search for sellers and sellers will search for buyers to trade securities. Sellers want to sell securities at a higher price whereas buyers want to buy securities at a lower price. Therefore, sellers seek buyers willing to pay higher prices whereas buyers seek sellers willing to sell at lower prices. These buyers and sellers can be people or algorithms placing orders on behalf of buyers and sellers.

Brokers and Sub-brokers help people meet whomever they are seeking to meet to trade. Brokers are agents who arrange trades for their clients/sub-brokers. The clients/sub-brokers then find suitable traders who are willing to trade with them for a profitable bid-ask spread and commission. Therefore, brokers sell their trading problems to their clients/sub-brokers and they in turn try to solve those problems at a profit bid-ask quotations. Both brokers and sub-brokers protect traders from falling prey to the noise traders or the uninformed speculators or algorithms (slippage) vis-à-vis offering better bid-ask quotes for a marginal bid-ask spread. A known devil is better than an unknown angel!

3. How are the prices of stocks determined in the secondary market?

Price is a very tricky word! You don't have one price! Every market participant has his own ways of price determination. An economist or an academician is interested in the equilibrium price of a stock under the given assumptions. The market researchers use advanced econometrics and machine learning concepts to more accurately predict stock prices. The analysts issue price forecasts depending on their independent research and access to firms' information. The speculators take positions on securities having speculative prices in mind. The arbitrageurs look out for arbitraging opportunities out of mispricing of securities. The stock brokers quote bid-ask prices to earn a spread. An irrational investor or the noise traders trade on news or information to drive the stock prices up (below) an estimated equilibrium price resulting in stock overvaluation (undervaluation).

4.What are the types of issues in the primary market? Which one should an organization prefer and why?

To answer these questions, I will extend on the idea given in Q1. There are some known types of initial public offering, namely, book-building offering – where a company going for public offer offers a price band namely, floor price (lowest price for offer) and cap price/ceiling (the highest price for offer) and the final price for offer is determined later depending upon the number of shares subscribed for by the potential investors; rights issue – where securities are offered to the existing shareholders of a company preferring over the general public; QIP (qualified institutional placement) – where a listed company issues equities to a qualified institutional buyer (QIB). QIB are any SEBI-accredited investor, bank, pension funds, hedge funds etc., who has the privilege of lesser regulatory requirement than others, who has an asset under management (AUM) of more than 100 million USD or a registered broker with at least 10 million USD investment in non-affiliated securities; underwriting – where a firm hires one or more investment banks for handling

one or more investment banks for handling the IPO. This apart, a firm can also raise capital in the international markets through cross-listing of shares, issuing ADR/GDR, different foreign-currency denominated bonds, foreign currency convertible bonds etc.

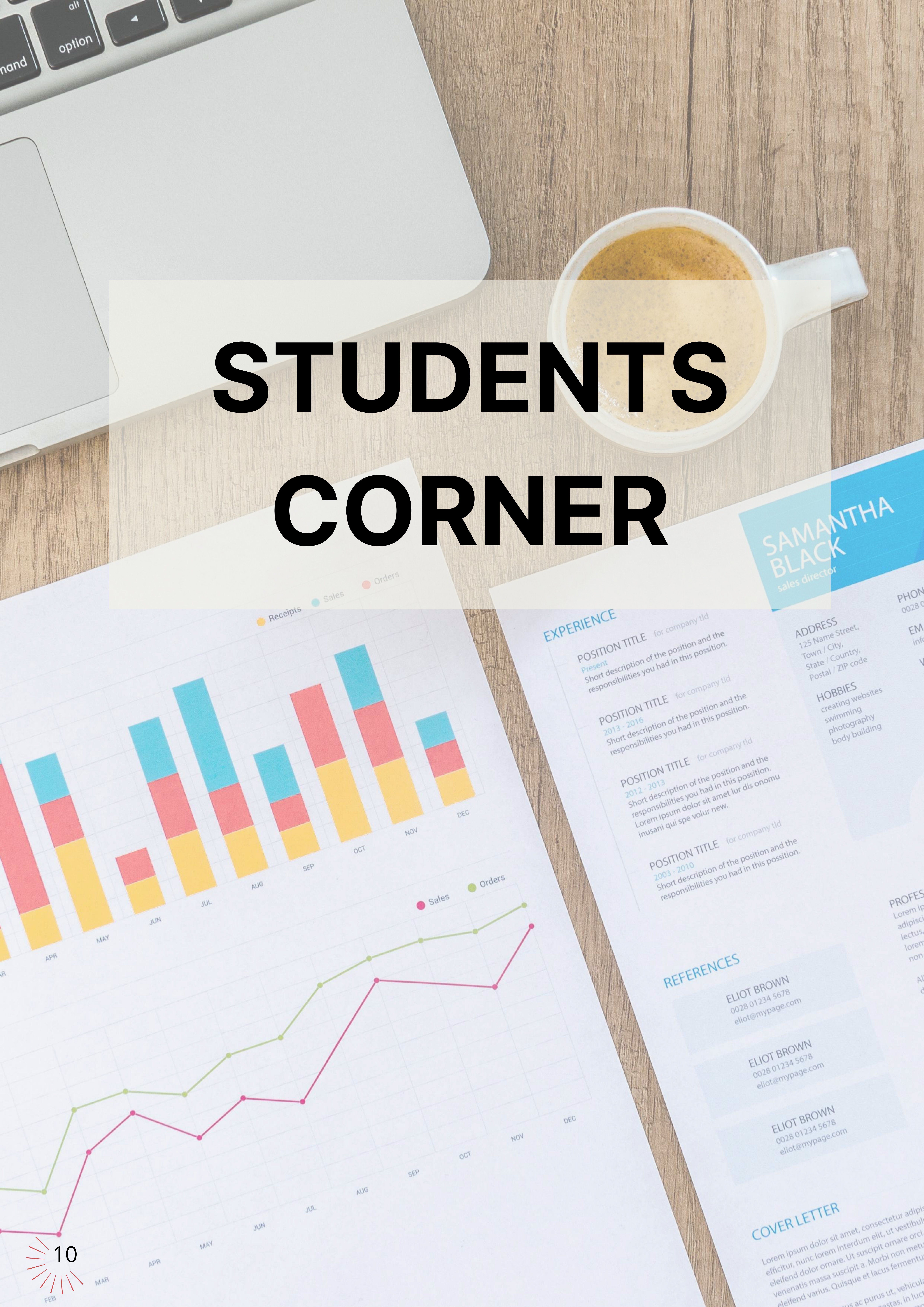
5.How a company deals with UPSI leakage?

Leak of unpublished sensitive information (UPSI) or insider trading is when a corporate manger withholds some material information about the value of a security that is not available to the general public and such information causes significant changes in the stock prices if it were known to the outsiders. Not all insider trading is illegal as long as the company's directors or employees or the management disclose their transactions to SEBI (Securities Exchange Board of India) or SEC (Securities Exchange Commission) in case of the US. Tracing an insider trading is a challenging job especially when an insider tips UPSI to confederates trading on his behalf. The laws for prevention of insider trading (PIT) of SEBI though puts onus on companies to report such insider trading, it has not been effective in pinning down the culprit due to lack of disclosures on trading on insider information.

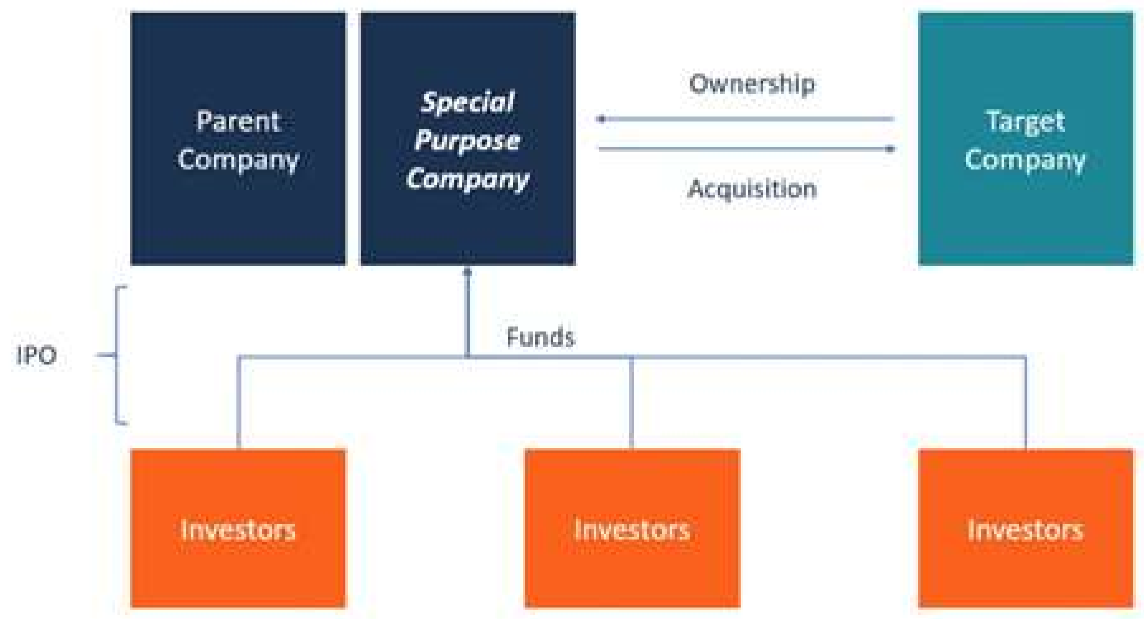
6. How does algorithmic trading impact stock markets?

Algorithmic trading, popularly known as, algo-trading, quantitative trading, automated trading or sometimes even wondered at as 'black-box trading', uses computer programs or the algorithms to place buy and sell orders at a lightning speed and frequency unmatched by any human trader to generate profits. While the limit-order traders wait for the right market prices for trading, the algorithms provide price movements for all types of orders to ensure best executions under any market conditions. Algo trading is a double-edged sword. It can boost market liquidity, price volatility required for trading, or price (in) efficiency to boost market returns. It can also put the manual traders at a disadvantage of price slippage or bid-ask bounce or price-time priority to fall prey to the market traps.

STUDENTS CORNER



SPAC-WALL STREET'S HOT TRENDS



Source: corporatefinanceinstitute.com

SPAC is an institution with no commercial operations, set up to raise capital through Initial Public Offering (IPO) to acquire an existing company. This type of structure is also known as a "blank-check" company. They have become drastically popular because they help companies go public a lot quicker (a few weeks to months) and less time leads to fewer expenses than the execution of an IPO.

SPAC Formation

A SPAC goes through the standard IPO procedure of filing a registration statement with the securities market authority, clearing the regulator's remarks, and putting on a roadshow before committing to underwriting. The funds from the IPO will be retained in a trust account until they are released to fund the business combination or may be utilized to redeem IPO shares.

Pros

- **More accuracy in execution than an IPO:** A SPAC merger generally occurs in 3–6 months, while an IPO typically takes 12–18 months
- **Upfront value discovery:** In a volatile market, an IPO price is determined by market conditions at the time of listing, whereas you negotiate pricing with the SPAC before the transaction closes, which is far more advantageous.
- **Lower marketing expenditures:** A SPAC merger doesn't need to generate interest from investors from public exchanges.
- **Access to operational knowledge:** Sponsors of SPACs are typically senior financial and industrial professionals. They can use their network of contacts and provide managerial assistance.
- **Possibility of borrowing more funds:** In addition to their actual worth, SPAC sponsors will raise loan money to cover the transaction and fuel growth for the combined firm. Even if confident SPAC investors redeem their shares, the backup debt and equity will ensure that the deal is completed.

Cons

- **Shareholding dilution:** SPAC sponsors usually own a 20 % stake in the SPAC through founder shares and warrants to purchase more shares. SPAC sponsors also benefit from a component, allowing them to receive more shares when the stock price achieves a specified target over a specific time frame, leading to further dilution.
- **The capital shortfall from potential redemption:** Initial SPAC investors may redeem their shares. If redemptions exceed expectations, then cash availability becomes uncertain and forces SPACs to raise PIPE financing to fill the resulting shortfall.

Legalities

As far as SPAC listing is concerned, currently, among the Asian countries, Malaysia and South Korea allow SPAC listings. In India, the capital market regulator, the Securities and Exchange Board of India (SEBI), has set up a group of expert panels to work and understand the prospects of launching SPACs in India. However, this would be a time-consuming and tedious process as the Companies Act of 2013 doesn't allow the creation of blank cheque companies in India.

SPAC is a company which is set up to raise capital from the market through IPOs, in-order to acquire an existing operating company.This process brings accuracy in raising funds for corporates, from public at a nominal expense.

MAHESH KUMAR D
2027963

ROBINHOOD AND ITS FILING OF AN IPO

Robinhood

Robinhood Markets, Inc. is a financial services firm based in the United States specializing in commission-free stock and exchange-traded fund trading through a mobile app launched in March 2015. Although the firm began with a mission to provide everyone access to the financial markets, it has been accused of transforming the stocks market into a casino and its failure to protect the retail investors.

Robinhood had offered a 0% commission revenue model, one of the main sources of revenue for other such platforms. In addition to this, they have offered gold members with its premium services like margin trading. Robinhood has been embroiled in many controversies in the past

Some of the key issues are:

- **Gamification and attraction of inexperienced investors:** They have a game-like interface with confetti popping up when someone purchases a stock and when stocks are sold at profits. Massachusetts securities regulator had filed a complaint against them, citing that this was an aggressive tactic to attract inexperienced investors.

  Young investors are allowed to participate in complicated and dangerous trading instruments such as derivatives. The company does not have systems in place to regulate trade. This was brought to light after Kearns (20) committed suicide after noticing a -$730,000 balance in his margin trading account. Later, he said that Robinhood had allowed him to take on too much risk.

- **Security Breaches:** A trading platform must ensure the security of its users. Recently the company acknowledged that almost 2000 Robinhood Market Accounts were hacked, and hackers siphoned off customer funds.

Despite these issues and controversies, millions of people still use this for the simple reason of it being easy for the users/layman to trade on it.

On 1st July 2021, Robinhood filed for one of the most anticipated IPOs of the year (under the symbol “HOOD” on NASDAQ). It revealed a rapid growth showing 18 million retail clients and more than $80 B in customer assets. The company had generated $522M in revenue in the first quarter of 2021 compared to $128M in the same quarter in 2020 (up by 309%).

Its prospectus has mentioned that the funded accounts, those with bank accounts linked to them, have grown from 7.2 million in 2020 to 18M in March 2021 (an increase of 151%). However, $1.4B was lost in brokerage in the first quarter of 2021 due to emergency fundraising-related losses during January’s GameStop trading mania. Monthly active users total to around 17.7 million. The company plans to allocate 20% - 35% of its IPO shares to its retail customers.The lead underwriters on this deal are Goldman Sachs, Citigroup and JPMorgan, among the other banks.

Robinhood is a trading app that is aimed at providing commission-free trading of stocks and other securities. They have been embroiled in many controversies in the past, but despite these, the company has shown growth in the 1st quarter of 2021. On 1st July 2021, they filed for one of the most anticipated IPOs of the year.

PRACHI BHANSALI
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HUGE STOCK PRICE CHANGE - AN INDICATOR OF FRAUD?

In January this year, Deutsche Bank was convicted of a stock market fraud they committed in 2013 and had to pay $130 million in total. Similarly, last year, JP Morgan and Chase were accused of stock market fraud when their traders were accused of price rigging in precious metals and treasury markets. Both the firms were accused of indulging in the malpractice of spoofing. What is spoofing?

Spoofing refers to a crime wherein communication is done by an unknown person, disguised as a trustworthy person, to gain trust and cheat the end-users. Spoofing aims to extort money from users or collect crucial data by leading users to certain malicious websites. Spoofing is generally seen in cybercrimes. The imposter calls a person on the pretext of being from a particular company and cheats the money users in return for rewards. How is spoofing done in stock markets?

Consider a stock is trading at ₹ 500. An investor (say M) places a sell order of large quantities of stock, say 1,00,000 stocks for ₹ 450. When this order is reflected on the trading screens, most investors would panic, considering it as an early signal of some large institution dumping the stock and would start selling the stock, and the price falls to ₹ 450.

At this time, M would immediately cancel his sell order and start buying the stock at ₹ 450. After buying enough stock at a deflated price, M would place a buy order of 100000 quantities at 500. It could send a message that a well-off investor is investing in the stock, thus leading to buying of stock and an eventual rise in the stock price. The buy order is canceled by M immediately, and he sells off the stock brought before. In short, M creates a false pessimism, cancels the order, and buys the stock. Later he creates a false demand, cancels the order, and sells the stock already brought. Although the profit margin will be minimal, the profit gained will be largely due to the large quantity of stock bought and sold.

Several such frauds were committed in the stock market, and the timeline spread across months and years. By the time the stock market regulator finds out, investors may lose millions. Therefore, to avoid such frauds, stock market regulators should keep a watch on unprecedented rise and fall in price. Investors should look into the price rise and fall and make decisions based on complete information and market analysis.

Spoofing in the stock market is mostly undetected and may cost investors millions due to losses.

NISHAD DAS C
2027815

FINANCE PHRASEOLOGY

Greater Fool Theory

This theory states that there is always scope for profit from investing as long as there is a greater fool in the market who decides to buy the same investment at a higher price. This theory takes place in scenarios where the investors are not so keen on the facts and reports of the company, and they ignore valuations and other relevant data, which play a crucial role in determining the market price of the share. So even if you buy an overpriced stock, you can gain profit as long as another person is willing to pay more than what you bought it for.

Elephants don't gallop

Here, elephants are blue-chip stocks. The idiom means that a company can grow much faster in their initial days due to their high innovative streak and low base; the growth rate slows down once the company accomplishes a certain revenue limit. Thus, the blue-chip stocks were once small stocks that rose to their height with time.

You need stomach and not brains to make money

To make money from the stocks in the long term, one must be capable of withstanding the market's volatility. Profits will only come to those investors who have a strong stomach and would not consider selling off the stocks in a panic, witnessing the overnight downfall of the market. The SENSEX rolling return table shows that the probability of both gain and loss is high in the short run, and the risk comes down with a higher holding period.

Prospect Theory

The Prospect Theory focuses on the skewness of the perception of investors regarding the gains or losses. Investors are more scared of losses than gains from the market. Given a choice, an investor will pick the prospectus from which they have minimum losses than extraordinary gains.

Buy when there is blood on the street, even if the blood is of your own

This theory states that you should do just the opposite of what the others are doing i.e., you should buy when they sigh and sell when they yell. Buying when there is blood on the streets means one should buy when there is a rough patch in the market. The theory assumes that plummeting of the valuations can be expected during a rough patch in the stock market. The investors who enter at this point of time have more chances of gaining profit, and it is better to exit to avoid losses when the market looks rosy.

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2027852

SUGAR STOCKS TURN SWEETER

The government of India is now looking onward to raising their ethanol production by 100%, blending ethanol with petrol, and hence reduce the strain of oil imports.
Food and public distribution ministry officials said they have planned to increase the ethanol production capacity from 3.55 billion litres to 9 billion litres in two years. Hence this action will help the government to meet its target of 10% ethanol blending by 2022.

How is ethanol blending a good alternative?
Ethanol comes from molasses generated from sugarcane. It can also be produced from cane juice as well as from B & C grade molasses. The GOI has put the price cap on ethanol from sugarcane juice, which is Rs 59.48 per litre, while ethanol from B & C grade molasses is Rs 54.27 per litre & Rs 43.75 per litre, respectively. It implies significance given that every dollar increase in the price of crude oil raises India's import bill by ₹10,700 crores on an annualized basis. India spent $101.4 billion on crude oil imports in 2019-20 and $111.9 billion in 2018-19.

How sugar stock reacted to the news?
Sugar stocks have rallied hard after the government of India set the target of ethanol blending of 20% from 2025 to 2023, which turns out to be positive for sugar companies who have excess production but stagnant demands. With Brazil being a pioneer in ethanol blending and having a lower output, several analysts expect higher exports from India and a resulting surge in global prices. So far in the current year, shares of Dalmia Bharat Sugar & Industries have increased to 100%, whereas Triveni Engineering & Industries shares soared to 92%, and Balrampur Chini Mills has advanced 77%.
Other sugar stocks Dhampur Sugar Mills, DCM Shriram Industries, Bannari Amman Sugars, and Bajaj Hindustan Sugar have also made notable growth.

There is always cyclicality in terms of prices and sugarcane production by the farmers in the sugar sector. Still, now the government's move to achieve 20% ethanol blending seems to be improving the industry's fortunes since the GOI wants to ensure the sugarcane farmers are paid without any significant arrears. Hence, both the government and the industry's effort to make this model more sustainable by improving ethanol blending is the key factor driving sugar stocks.

India is the largest importer of oil globally, where 80% of the oil needs are imported, and hence it accounts for one-third of the total import. If the consumption of oil can be reduced, this will help reduce the current account deficit by $9.2 billion, which is nearly 0.43% of the GDP, according to a report by Livemint.

RAGHAV AGARWAL
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OPTION PURCHASES - RISKY FOR RETAIL INVESTORS?

In the world of Indian Markets, it is known that a large percentage of Retail investors have suffered losses by investing in stock markets. There are several reasons to explain this situation. First, retail investors often have the mindset of making "Easy money" fast. This unreal expectation makes them blind to the risks associated with stock trading. The ideal tendency of such investors is to invest in one or two trendy stocks that they have seen/heard multiple times, only to find out that shares can show a high degree of fluctuations. Markets are known to be volatile, and it requires patience and knowledge to understand the flow since there are several cycles of bear and bull involved with almost every equity stock.

Shift to Options buying and trading

After realizing that their losses were due to the lack of experience and understanding of the stock market, it was observed that there was an alarming shift in purchases of retail investors to buying options from buying stocks. The CEO of Zerodha, Nithin Kamath, recently advised traders to be more aware of the risks that revolve around buying options. About 80% of all open buy options result in losses by the end of each day. The retail investors incur this loss because they seem to lack the knowledge of experienced investors on topics such as impact costs and risk of leveraging, which is crucial to know when investing in options.

The shift from buying stocks to options was seen due to the recent restrictions imposed on intraday trading under the newly adopted peak margin rules on stock options and futures. The blunder that the retail investors made again was that they traded options the way they traded stocks in the market.

Options Risk Management and Time Value

When there is the trading of leverages involved, investors are told to ensure that losses (if any) should not exceed more than 5% of their trading capital. The values of options go to zero at times, and hence investors should do options buying in small percentages of their total capital. To avoid huge losses, retail investors should concentrate more on understanding the contract value's exposure and not blindly look at the premiums gained.

Another way new, enthusiastic investors often end up with losses is by buying Calls when they see the market's trend being bullish and switching to buying Puts when they observe an ongoing bearish market. Unlike in stocks, where one can hold a stock forever, for options, it is advised that Retail investors trade in monthly expiries than weekly expiries since time value reduces slower in monthly. It gives investors time value and higher chances of profiting.

In recent times, there has been a significant shift from trading stocks to options by Retail Investors. Stocks and options are both traded with different checking parameters. With little knowledge of these particular markets, young investors have suffered huge losses and cannot find a reason behind them.

VIVEK A V
2027610

THE RECONSTRUCTION OF ANIL AMBANI'S EMPIRE

Reliance Anil Dhirubhai Ambani Group or popularly known as ADAG or Reliance Group, is an Indian conglomerate with its headquarters in Mumbai with six listed companies: Reliance Power, Reliance Infrastructure, Reliance Capital, Reliance Entertainment, Reliance Health, and Reliance Home Finance.

Reliance Power Limited (R-Power) is the sole distributor of electricity in Mumbai. It also runs transmission and distribution and power generation in Maharashtra, Andhra Pradesh, and Goa. R-Power has 50 subsidiaries and was ranked 176th in Fortune India 500 list with 9th rank in Power Sector category with one of the largest portfolios of power projects in the country with an operating portfolio of 5,945 megawatts.

Anil Dhirubhai Ambani Group (ADAG) expected to realize ₹1,500 crores by selling the Samalkot project to a similar project in Bangladesh. The company has also sold Module 1 equipment to a gas-based project developed by R-Power and JEERA of Japan. The total debt from the Samalkot project was ₹2,500 crore and out of which ₹1,500 will be cleared with the sale of Module 1. The sale of the remaining modules will generate sufficient funds for clearing the debt of ₹1,000 crores with additional funds remaining to the company.

The market capitalization of ADAG flashed more than 1000% in under three months. The market cap rose from ₹3,890 crores in May 2021 to ₹7,866 crores in June 2021.

The overall market cap of Reliance Power stood at ₹4,446 crores and Reliance Infrastructure at ₹2,767 crores and Reliance Capital at ₹653 crores which ascended more than 100% in the last 20 days.

The ascending stock price of Reliance Group is because of various advancements in the last three weeks wherein Reliance Infrastructure raised ₹550 crores from VSFI Holdings Pvt Ltd, which is an affiliate of Varde Investment Partners, and retail financial venture capitalists have been profited by purchasing an extra stake from MFs/FIIs and loan specialists in recent years. Hence, nearly 50 lakh retail investors have gained from the value creation of Reliance Power, Infrastructure, and Capital. Anil Dhirubhai Ambani Group (ADAG) shares of Reliance Power and Reliance Infrastructure's share price increased up to 5% on July 2nd, 2021. The rise in the share price is due to positive sentiments after Reliance transferring preferential shares into Reliance Infrastructure.

The company is on huge debts, which it is trying to repay, the process has already begun with the sale of its non-operational plant Module 1. Also as the plan is to sell its Module 2 and 3 and paying its full debts till Module 2 and 3 are sold. The US-EXIM institute has agreed to reduce the interest over the remaining amount to 2.56% pa. Also, reliance infra bagged the project in Mumbai metro, which will fetch a fruitful profit to the organization since positive sentiments outweigh negative, so it could be a good choice to invest in ADAG.

DIKSHA KAMAT
2027744

CAN MONSOONS IMPACT THE STOCK MARKET?

The monsoon season in India arrives during June or July and remains for four months till September. We often notice that an increase in the prices of several commodities always follows low monsoon. We can also see the Monsoon impact on the NSE Stock Market. Agriculture is the strength of India's economy and agriculture's performance matters in determining how healthy the stock market would be. Suppose, if the monsoon turns out to be below the expectations, then it certainly negatively hits the Indian economy. As a result, it also affects the Stock Market.

Around 60 percent of India's population is dependent on agriculture for their livelihood. Gross Value Added (GVA) by agriculture, fishing, and forestry was estimated at Rs. 19.48 lakh crores (US$ 276.37 billion) in the year 2020, whereas its actual share at current prices, stood at 17.8 %. Foodgrain production during 2019-20 reached a record of 296.65 million tonnes, and the country was targeting 298 million tonnes of food production in 2020-21.

Importance of Monsoon for stock market Growth

Insufficient rainfall leads to crop failure and a situation where sowing gets delayed, which in turn affects the production of essential crops such as pulses, cotton, rice, and oilseeds. When India receives insufficient rainfall, the output of such crops & production remains lower than the average amount that impacts the country's GDP.

A gain in foreign currency positively affects the GDP of the country. When the food items like pulses are produced in surplus amount, the government exports the surplus amount to foreign countries. India is among the fifteen leading exporters of agricultural products in the world. Agricultural exports from India reached US$ 38.54 billion in FY19 and US$ 35.09 billion in FY20. Many companies and industries are directly or indirectly related to the agricultural sector, such as pesticides, jute, edible oil, etc. So, when the performance of these companies is in a downtrend, investors hesitate to invest money in such company stocks.

The two most significant falls were observed in 2009, with a shortage of rains by 21.8 percent, followed by 2002 when monsoon fell short by around 13 percent. To check the Impact on the stock market, we divide the year into two parts—the first part from April- September & the second part between October-March. We can see the difference in the second part as the industries start showing the effects of having a poor monsoon on the economy.

The monsoon is vital to determine agricultural output, inflation, consumer spending, and overall economic growth in the Indian Economy and Share market.Since the Majority of the Indian Economy Depends on Monsoon, the Stock market trend can change depending on Changes in the monsoon season.

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CRYPTOCURRENCY AND LEGAL ETHICS

Cryptocurrencies are digital assets designed to serve as a medium of exchange for secure online transactions. The technology that allows cryptocurrencies to function is blockchain. Blockchain is a decentralized technology that handles and records transactions across many computers. The trading of Cryptocurrency is almost the same as trading in the stock market. The user needs a digital wallet to keep their Cryptocurrency if they want to invest in or buy it. Typically, one would open an account on an exchange and select a digital wallet to which Cryptocurrency would be credited after a real-money transfer. Cryptocurrencies have been criticized for many reasons, including their usage for unlawful operations, exchange rate volatility, and the vulnerabilities of the infrastructure underlying them. On the other hand, their mobility, divisibility, inflation resistance, and transparency have been praised. The main advantage of this digital currency is that it may be used for transactions worldwide without requiring a massive sum of money as fees.

More than 10,000 different cryptocurrencies are traded publicly through various platforms like Binance, Wazirx, MXC, Coinswitch, etc. The most popular and most valuable Cryptocurrency is Bitcoin. And it had volatile price moves this year, reaching nearly $65,000 in April before losing almost half its value in May.

Cryptocurrencies are appealing to criminals and terror organizations as they can be used anonymously to execute transactions between any account holders, anywhere and at any time around the world. They may use cryptocurrencies to buy or sell illegal goods like drugs or weapons. This is the major threat of cryptocurrencies.

The legality of Cryptocurrencies has yet to be confirmed in the majority of countries. Cryptocurrencies are accepted in many major and developed countries, including the United States, Canada, and the United Kingdom. Even some of the companies are also accepting Cryptocurrency. Other countries, like China and Russia, are opposed to the use of Cryptocurrency because of its volatility and decentralized character; essentially, they are seen as a threat to existing monetary systems.

In India, Cryptocurrency is not illegal. The Reserve Bank of India (RBI) issued a notification in 2018 instructing banks not to accept cryptocurrencies as legal money, but the Supreme Court of India approved the usage of virtual currencies and cryptocurrencies in March 2020.

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ARE NEO BANKS CAUSING DISRUPTIONS?

Since the financial crisis of 2008-2009, the banking system has suffered a significant loss of trust, particularly in industrialized countries, and it has been undergoing a major transformation ever since. The term "neobank" (or "digital bank") refers to a digital start-up competitor that has expanded globally in the previous decade, offering financial services such as checking accounts, savings accounts, and credit cards through internet channels rather than through physical branches. This institution could either operate under their own banking license or work for an existing bank, obtaining financial services wholesale and selling them to customers on a retail basis.

Two major causes have created an ideal ground for this transition towards digital-only banking. To begin with, the freedom from historical financial regulations and limits, as well as the exemption from the expenses connected with brick-and-mortar branches, has undoubtedly aided the development of these institutions, particularly in Europe. Second, consumers' (particularly millennials') rising dissatisfaction with traditional institutions' legacy, along with their increased willingness to move to digital solutions, has hastened the transition to digital-only banking. Indeed, these banks offer highly customizable services that can be perfectly tailored to customers' needs, such as an Internet space where people can communicate with one another and share their thoughts on how the banking service works. This form of socialization gives clients a strong sense of involvement.

Neobanks, on the other hand, face significant challenges when it comes to customer acquisition. In fact, one major issue is that of them are flooding the market, thereby boosting the competition.

To add to that, clients are still hesitant to leave the trusted traditional institutions and allow such start-ups to manage their wealth. Furthermore, the existence of neobanks could be called into question by state-imposed constraints. In some countries, the challenger banks could not even release the credit card without the support of the traditional banks, putting them at a competitive disadvantage.

Challenger banks are also having a significant impact on the revenue mix, indicating the diverse range of activities that established banks engage in. In actuality, around one-third of revenue came from services, one-third from insurance, and the last third came from credit. Since service margins are shrinking in this scenario, banks throughout the world are raising their credit lines in an attempt to reach out to smaller consumers who can bear a wider spread, while also investing in insurance branches to compensate for the loss of services.

To summarise, predicting the future of the neobank sector with certainty is difficult. Despite the fact that the number of such institutions is fast increasing each year, indicating a growing interest among both individuals and businesses, some experienced players are struggling to survive in the current environment, and traditional banks still have the largest penetration rate. As a result, while there is a chance that neobanks will overtake traditional banks as millennials grow older, the main forecast is that neobanks will struggle to thrive on their own and will continue to serve as an electronic appendix to traditional banks.

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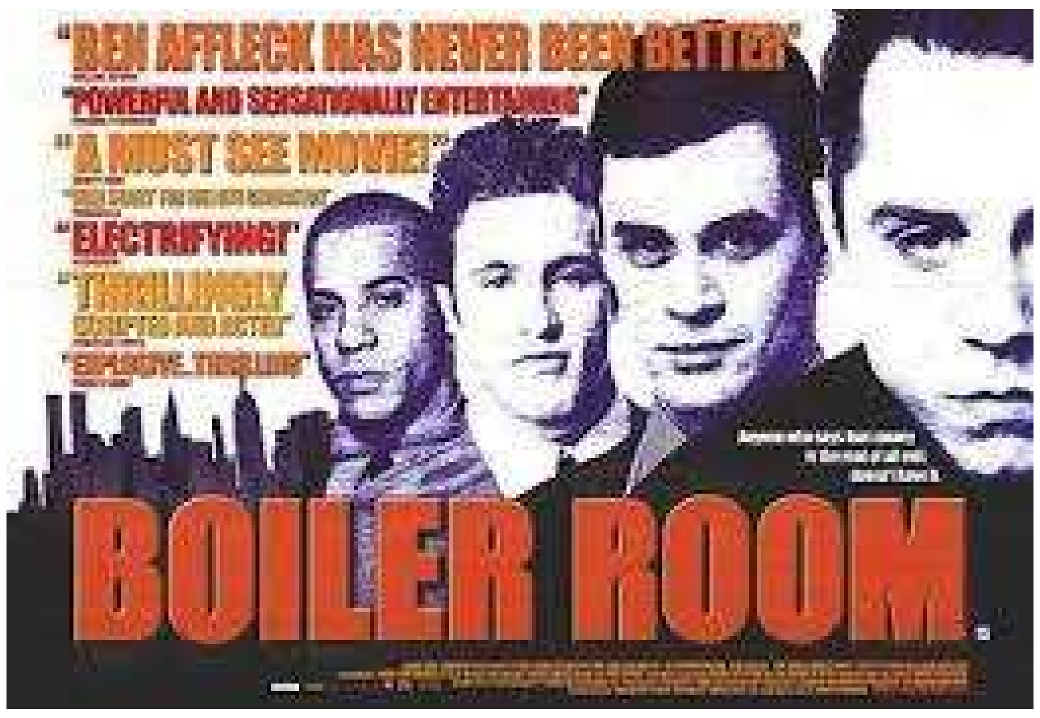
MOVIE REVIEW - BOILER ROOM



Director: Ben Younger

Writer: Ben Younger

Stars: Giovanni Ribisi, Vin Diesel, Nia Long

Boiler room's movie name refers to large-scale operations designed to attract as many investors to an investment scam as possible using high sales tactics—the movie based on financial crimes through various stock brokerage houses across the globe. Boiler room scheme operators may call investors through text messages, emails, social media. The move started by introducing Set Davis, a high school dropout from queen's college, to maintain casino illegally in his home and college students. When Seth's dad Marty Davis, a federal judge, finds out his son's mistake, he expresses disappointment. To get things right, Seth closed his casino joined a brokerage firm called J.T Marlin; the firm uses telephonic sale tactics by calling people to convince them to invest their money. Within three months, he joined Seth making a good living, wins his family's support, clears seven series exams, and closes 40 new clients, becoming a well-recognized broker in the firm.

Seth senses illegal nature of the firm has been carrying out the firm earning twice the legal limit as per SEC, the firm creating artificial demand for pumping and dumping the share values through many tactics.

Seth continues to land with new clients, but he ends up with cline name called Harry Reynard a purchasing manager at a gourmet food company harry purchase shares worth $50000 lose entire wealth and his family.

Seth's dad, Martin, finds about the illegal business of this brokerage firm and his son's involvement; meanwhile, Harry Renard exposes the scam done by J.T. Marlin. However, the FBI tapes all the conversations and arrest Seth. In return for complete immunity, he decides to help the FBI by providing all relevant information, and Seth also decides to help Harry.

Seth convinces the founder Michael Brantley to allot 10000 shares to harry the new IPO by falsely portraying Harry as a big client for brokerage. He gets a sale ticket signed by Chris, the senior broker in the firm, to authorize Harry to sell shares at an open market. Meanwhile, Seth loads all confidential data in a floppy disk for the FBI, the FBI surrounding the office building, and Seth leaving the office.

Learnings:

The concept of market news plays a crucial role in determining the authenticity of the hyped-up stock prices, and investors should focus on them to take correct positions. Emotions such as fear, greed, and euphoria should be kept at bay while investing in the markets to make effective decisions.

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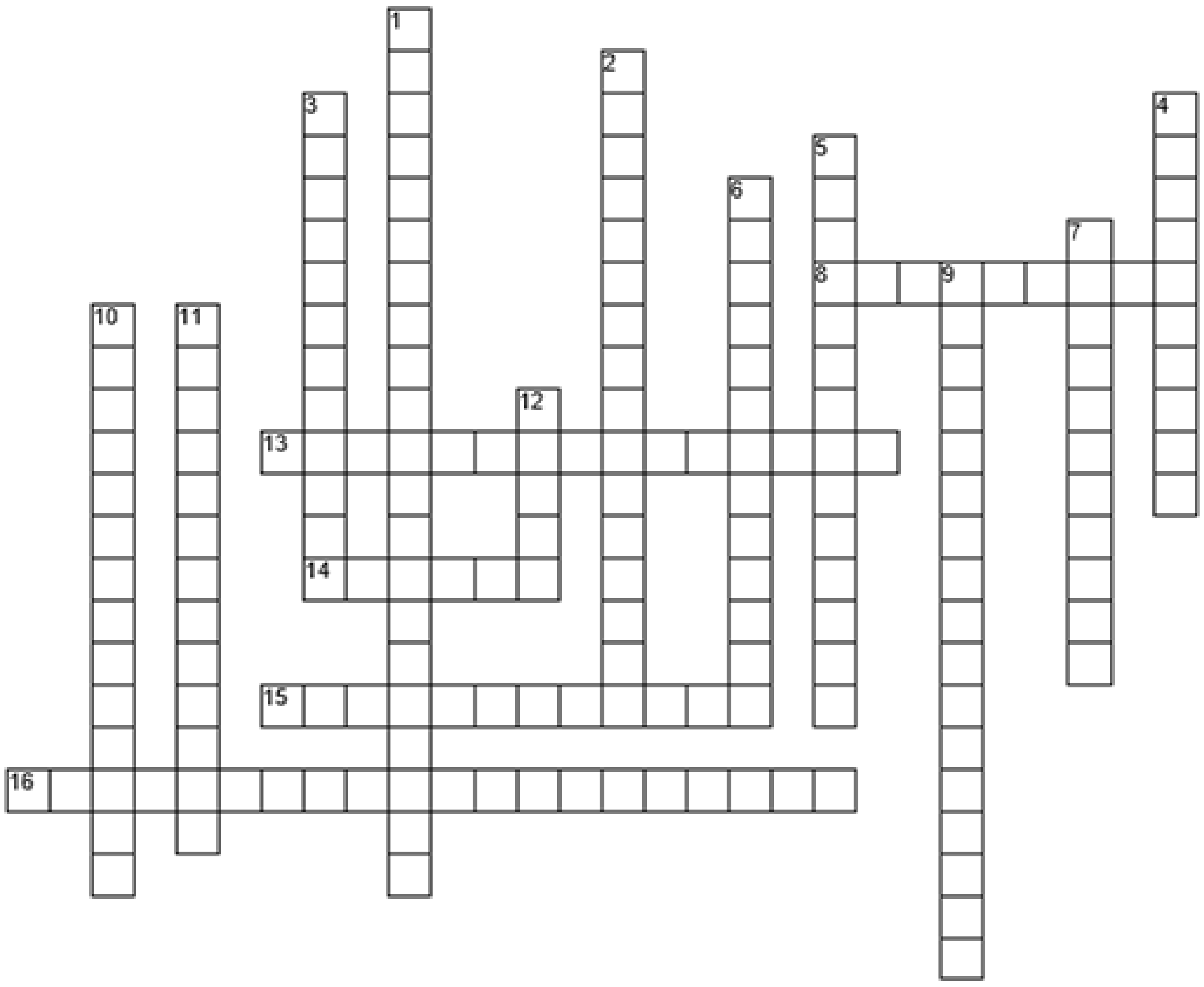
CROSSWORD PUZZLE



Across

8. Debenture holders for the company are its

13. The discount rate implied in the bond value is

14. These are also called equities or shares.

15. Specialists who promise to pick up that portion of an offer of securities which is not purchased by investors

16. This is one of the indicator used while investing in equity markets

Down

1. These are the first time issued shares to be publicly traded

2. Securities allotted to institutional investors & some selected individuals

3. These are used as management incentives by the company

4. It acts as a bank and keep securities in electronic form

5. When public-issue happens, each company enters into MOU with

6. These are also known as zero coupon securities.

7. Market for short term funds

9. It is a process of holding securities in electronic form.

10. A short term instrument used to finance credit sales of the firm.

11. This market provides long term funds

12. These are usually called fixed-income securities

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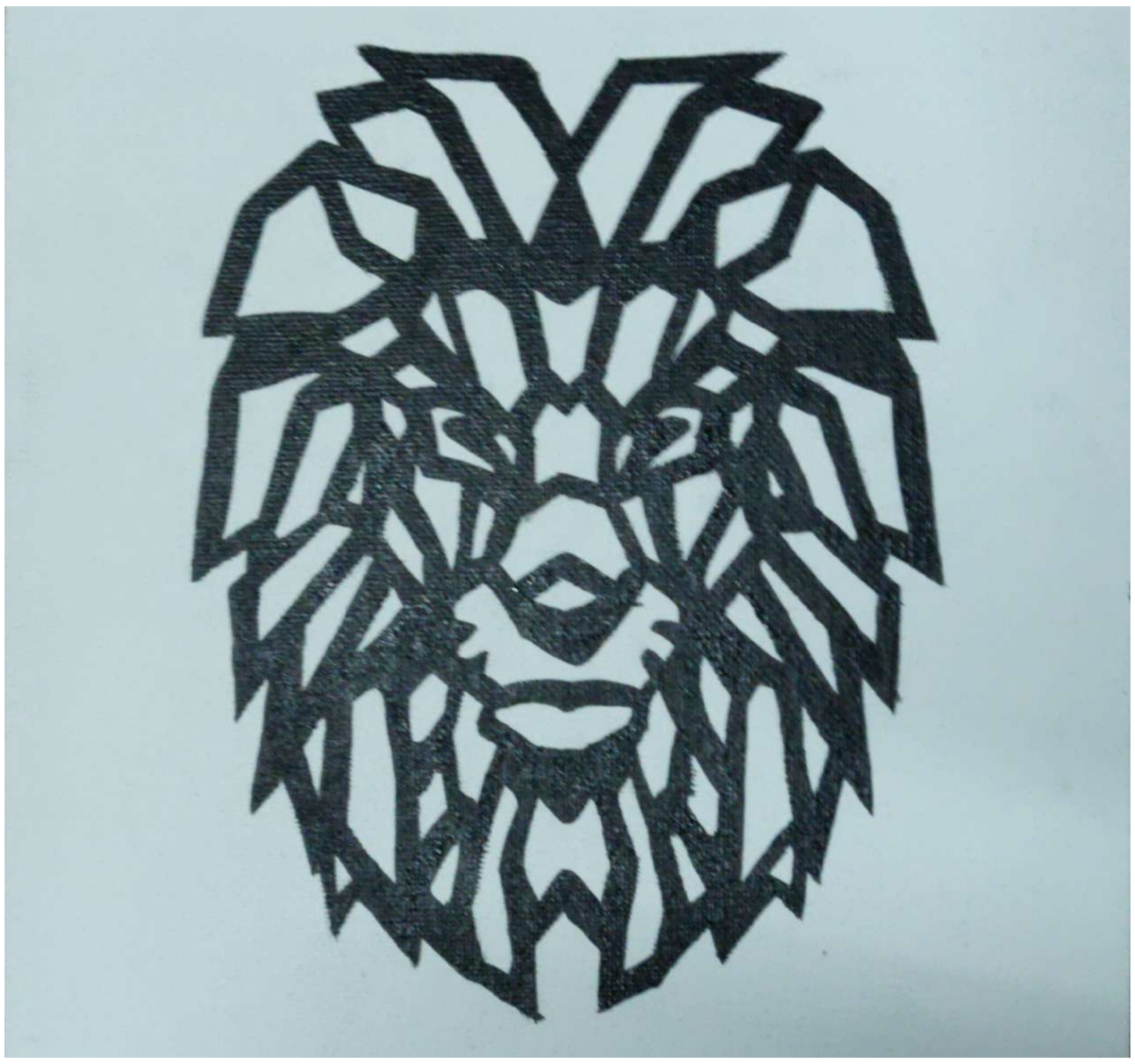
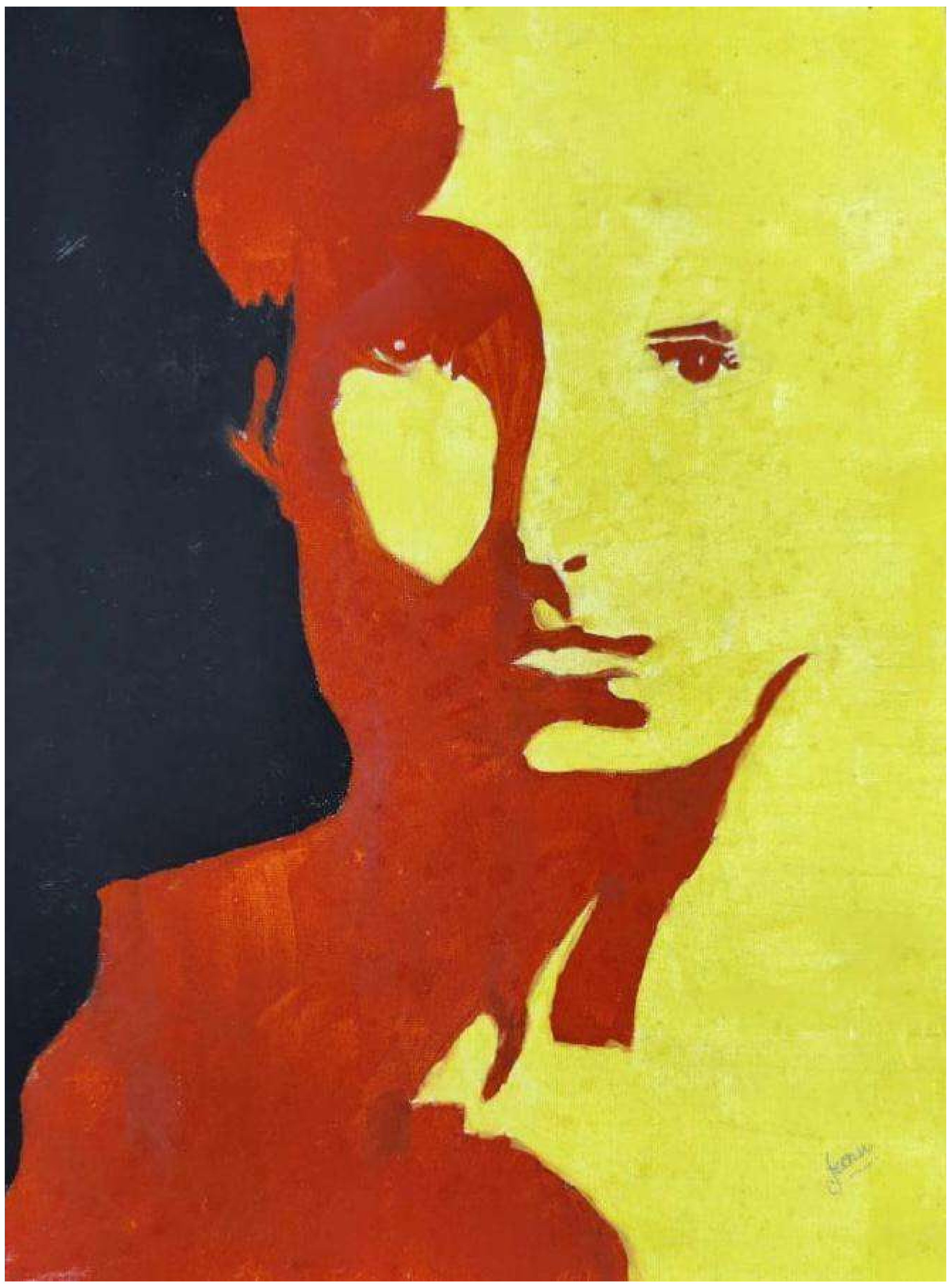
CREATIVE CORNER

ARTIST'S CORNER





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