



**N. L. Dalmia**

**Institute of Management Studies and Research**

*(A School of Excellence of N. L. Dalmia Educational Society)*

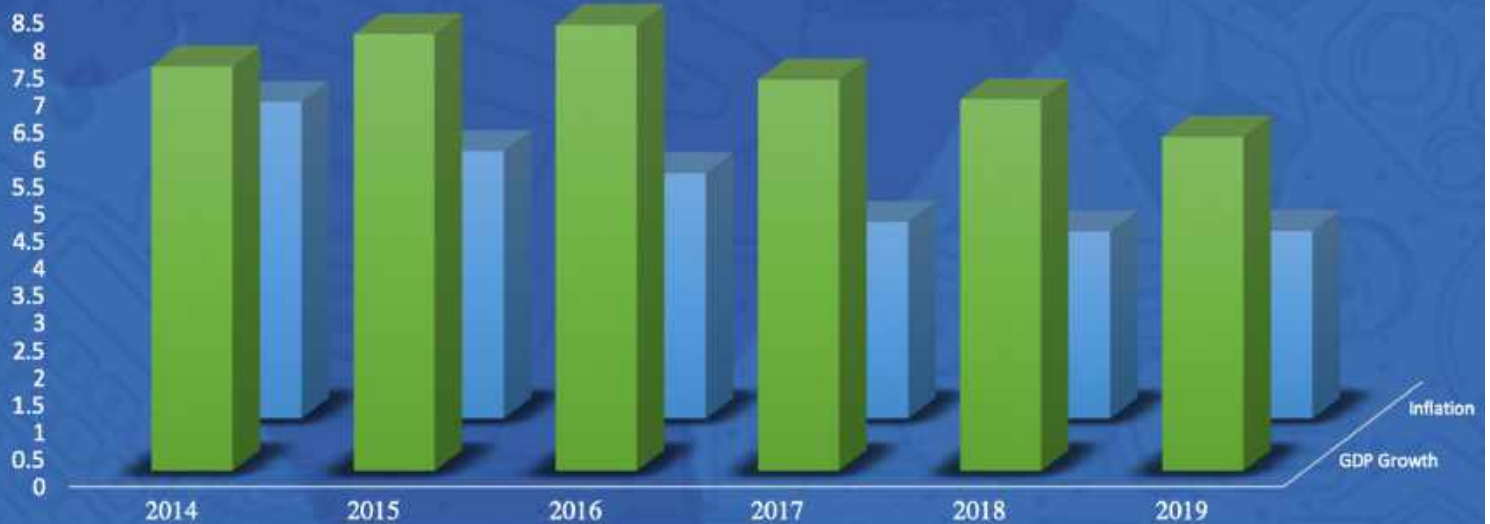
ISO 9001 : 2015

[NAAC Accredited "A" Grade]

*We Nurture. We Transform. We Create Global Business Leaders.*

# DELTA

ENVISIONING CHANGE



Source: tradingeconomics.com

■ GDP Growth ■ Inflation

**VOL 21**

**A MAGAZINE BY FINANCE FORUM**



# ABOUT NLDIMSR

*N. L. Dalmia Institute of Management Studies and Research (NLDIMSR) was established in the year 1995 by the Late Shri Niranjanlalji Dalmia with a vision to become a World Class Management Institute. Currently, N. L. Dalmia Institute of Management Studies and Research ranks among the top B-schools of India and is one of the most preferred business schools in Mumbai.*

*N. L. Dalmia Institute of Management Studies and Research commenced its academic programme in the year 1997.*

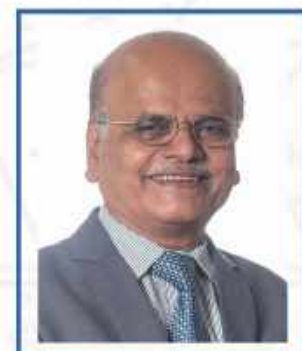
*NLDIMSR strives to achieve its mission, "To provide value based quality management education with a global outlook and social conscience" under the power-packed leadership of Hon. Secretary of N.L Dalmia Educational Society Shri Shailesh Dalmia. Our CEO Prof. Seema Saini has played an instrumental role in grooming the future leaders. Our Dean Academics Prof Dr. Dinesh Hegde encourages the students to strive for excellence imbibing knowledge and wisdom*



Shree Shailesh Dalmia  
Hon. Secretary  
N. L. Dalmia Education  
Society, Mumbai.



Prof. Seema Saini  
CEO  
N. L. Dalmia Education  
Society, Mumbai.



Dr. Dinesh Hegde  
Dean - Academics  
N. L. Dalmia Institute of  
Management Studies and Research,  
Mumbai.



# ABOUT FINANCE FORUM

*Finance Forum is an executive body of N. L. Dalmia Institute of Management Studies and Research managed by student representatives. It organizes and aims at inspiring students to participate in National Level B-School competitions. It also encourages them to undertake research and enhance their career prospects.*

*Apart from Mulyankan, a National Level B-school paper presentation competition, Finance Forum also organizes various Finance related events, workshops, guest lectures and seminars by prominent personalities from the finance industry.*

*It also publishes DELTA, a semi-annual financial e-magazine prepared by students of N. L. Dalmia Institute of Management Studies and Research.*

*The Finance Forum is currently headed by Prof. Dr. Anil Gor - Ph.D. (Mergers and Acquisition), LL.M, MFM, M. Com, FCS and CAIIB.*

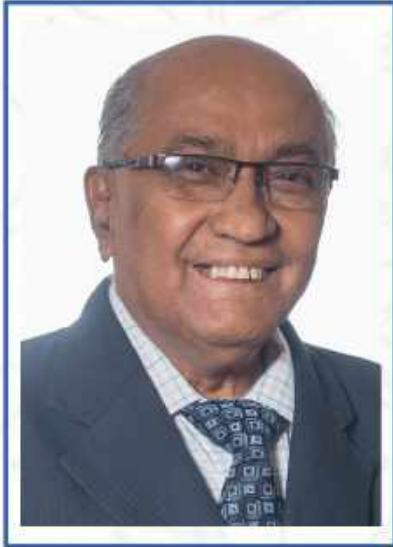


# IN THIS EDITION

<i>From the Desk of HOD - Finance</i>	01
<i>From the Desk of Co - Editor</i>	i
<i>Finance Faculty</i>	ii
<i>Editorial</i>	02
<i>CBS Option Trading - Wealth creation through hedging</i>	03
<i>Green GDP - Need of the hour</i>	05
<i>Hedge funds- An Introduction statistics &amp; facts</i>	07
<i>PMC Crisis &amp; its aftermath</i>	09
<i>Blockchain in banking sector</i>	14
<i>Planning Your Financial Portfolio</i>	16
<i>Black Swan</i>	18
<i>Are Derivatives Truly weapons Of Mass Destruction</i>	20
<i>Sovereign Gold Bond</i>	22
<i>Whar Are US Sanctions ? How Can it Affect India</i>	24
<i>Measures taken to revive the economy and the way forward</i>	26
<i>Operation Twist: RBI's new strategy</i>	28
<i>Economic Slowdown</i>	30
<i>Impact Of US Iran War</i>	32
<i>Capital Market</i>	34
<i>Insights of Budget 2020-2021</i>	37
<i>Students Achievements</i>	40
<i>Finance Forum Events</i>	41



# FROM THE DESK OF HOD FINANCE



*It is a matter of great pleasure that the 21st Volume of Delta- an E-magazine of Finance Forum, is being released on the occasion of Vishleshan, 2020 on 8th February 2020. The zeal and consistency with which our Delta Team of Finance Forum publishes Delta E-magazine deserves compliments. The underlying theme of Delta is to encourage the students to think and write. The entire process of writing, editing and publishing work is done by the students. The articles selected in this magazine are written by the students reflecting their thought process on various topics*

*The Editors of Delta are also recognized as Campus Reporters for Business Standard and many of the events of the Institute reported by these campus reporters have been published in Business Standard under the column "Campus Talk." Apart from writing of articles by the students, Finance Forum- an Executive Body of Finance students, has been very active in organizing various events the details of which have been covered in this issue, which will be sent to all the students and alumni as well as placement partners via email.*

*I wish all of you a very happy reading.*

With regards,

Dr. Anil Gor

M.Com, LL.M. M.F.M, Ph.D.FCS, CAIIB

Chairman Placements / H.O.D. (Finance)

N. L. Dalmia Institute of Management Studies & Research

Sector-1, Shristi, Mira Road , Mumbai 401104

Dir :+91 22 42990054 / 80 / 81 /82

Mobile + 91 9322242439 / 9930230374

E mail: [placements@nldalmia.in](mailto:placements@nldalmia.in) / [anil.gor@nldalmia.edu.in](mailto:anil.gor@nldalmia.edu.in)

# FROM THE DESK OF CO-EDITOR

*Mr. Raju Ramanathan did his Post Graduation (M.M.S.) with specialization in Finance from NLDIMSR in the years 1999-01. He then joined TATA Finance as Executive – Marketing working in areas of Product Management, Budgeting, Sales, Credit Risk etc.*



*He then worked at numerous other organizations like: -*

- ICICI Bank Limited (Area Credit Manager),*
- HDFC Bank Limited (Area Credit Manager),*
- Indiabulls Credit Services Ltd (Regional Credit Manager),*
- Mphasis Ltd (Senior Business Analyst)*
- Pershing Ltd (Product Analyst)*
- Lombard Risk (Business Analyst)*

*After working as, a Business Analyst at Lombard Risk, London, United Kingdom, he joined Nomura, London in September 2014 as Vice President – BA/PM. During the same time, he also completed his Masters in Finance from London Business School. He holds a total of 15 years of Industry Experience.*

*The whole Delta Team is glad and privileged to have him on board as our Co- Editor.*



# FINANCE FACULTY



DR. ANIL GOR  
HEAD OF  
DEPARTMENT



PROF. S NARAYAN  
MURTHY  
FACULTY



PROF. VIJAY  
KANCHAN  
FACULTY



DR. JYOTI NAIR  
FACULTY



DR. CHIRAG SHAH  
FACULTY



DR. CHETNA ASBE  
FACULTY



DR. SASMITA SINGH  
FACULTY



PROF. KHUSHBOO  
VORA  
FACULTY



DR. RUCHIKA  
AGARWAL  
FACULTY



# EDITORIAL

*Welcome to the twenty-first edition of the bi-annual e-magazine DELTA, comprising contributions from young leaders in the making, esteemed faculties, students achievements & industry expert seminars and expert views on the finance industry from our experienced faculties.*

*Heartfelt appreciation to Professor Dr. Anil Gor, Head of Finance Forum, for his constant guidance and support. We would also like to extend our gratitude to Professors Dr. Jyoti Nair, Dr. Chirag Shah, Prof Narayan Murthy, Dr. Sasmita Singh & Prof Prakash Rathod for their insightful articles, and the entire Finance Forum team for their help in making this magazine a success. Special acknowledgments to Dr. Anil Gor, Prof. Ruchika Agrawal Dr. Jyoti Nair, Dr. Chetna Asbe, Prof. Narayan Murthy, Prof. Khushboo Vora and Prof. Vijay Kanchan for reviewing and shortlisting the articles.*

*The magazine hopes to facilitate the students in their journey of discovering knowledge through pieces on not only current events and trends. Editors of the Delta magazine were awarded certificates from Business Standard for their articles published in the newspaper.*





# CBS OPTION TRADING STRATEGY – WEALTH CREATION THROUGH HEDGING

Non linear payoff, multiple strike prices, different time based contract expiries are some of the unique characteristics of options. This allows a trader to create multiple strategies based on different views. By default, every retail investor is perpetually bullish on the market. She never takes a short trade. A futures trader may take advantage of short trades but an options trader can take multiple views. She may have a view that the underlying asset price will go up. In that case she can buy call, sell put, create a bull call spread, bullish ladder, bull call diagonal spread and many more. If she has a bearish view she can buy puts, sell calls, buy bear put spreads, buy put ladders or buy put diagonal spreads. Over and above these basic views an option trader can take two more views. She can bet on events whose outcomes can create huge volatility in prices with long straddles and long strangles. Alternatively she can set a range for the asset price movement and short strangles of out of money options.

When tested on a long term time frame, few strategies have been found to be profitable. Since leverage is very high in case of options, the return on investment seems very lucrative. One such long term strategy is the CBS strategy.

The CBS strategy is a cumulative of 3 independent self profitable strategies. One for each type of view- bullish, bearish and sideways. The strategy is best practiced on Nifty options. The reason being that one can be perpetually be bullish on Nifty. The components of nifty are revised every 6 months and the laggards are replaced with better promising companies.

The bullish strategy comprises of buying ATM call of weekly expiry, of the same strike price every week. If the prices go below the strike price, one should change the strike to the new ATM strike. If the prices go above the strike price, one should stick to buying calls of the same strike every week. There will be initial outflow of premium but as the Nifty moves up, the call starts working as the future. If the price of Nifty moves up too high, and the call becomes too much ITM, one can alternatively buy a synthetic call (long future + long put).

The bearish strategy comprises of diagonal spreads between two weekly expiries. It is initiated every week and held till the expiry. One should buy ATM put , 100 points OTM put and 200 points OTM put of the current expiry. Along with this, 3 puts of 100 points OTM of the second week should be shorted. This looks like a bearish strategy but also gives profit if the Nifty moves up a lot.



**Dr. Chirag Shah**  
**Faculty - Finance**



The third strategy which profits from sideways price movement is buy a ATM call of 2nd week and sell an ATM call of current week, thus making a calendar spread.

When all the 3 strategies are combined to look like a single options trading strategy, it results in all of them working independently and generating profits by themselves in the long run (about 2 years). All three strategies have the potential to make money in the long run because they make more profits and comparatively less losses.

The strategy is a strictly long term strategy and hence one should not get carried away by short term gains or losses. CBS strategy has been tested from the time weekly options started on Nifty. This strategy aims at creating a 5-6% alpha on a consistent basis.

# GREEN GDP – NEED OF THE HOUR

As India continues with its obsession of making the nation a 5 trillion economy, it is threatening the very lives of people for whom it dreams of prosperity, by rampant abuse of environmental wealth. GDP may measure economic wealth but social well-being is ignored while determining GDP. To quote Robert F. Kennedy reference to GDP: “It measures everything, in short, except that which makes life worthwhile.”

India, like every developing nation faces the tough choice of development over environment protection. The economic well-being of the nation is a priority but not at the cost of depletion of its rich natural wealth. It has been reported that India has lost more than half of its forests and wetlands. Innumerable plant and animal species have become extinct. Pollution of air, soil and water have increased drastically. Effects of climate change is being

experienced by nations across the globe in the form of floods, fire, extreme temperatures. Environmental damage of this proportion has to be measured. The costs of environmental degradation do not form part of determination of economic growth of a nation though GDP. Today we need better macro-economic indicators to measure the well-being of population.

International bodies like United Nations, World Bank, International Monetary Fund, European Commission and Organisation for Economic Corporation and Development have advocated incorporating environmental costs in National Income Accounting by including the value of natural resources consumed, damaged and destroyed in creation of economic goods. India's natural resources are very susceptible to damage on account of its growing population. A green accounting policy is needed to create a sense of awareness and responsibility in government and citizens alike. It can help the nation by accounting for depletion in natural resources so that appropriate measures can be taken to protect and sustain resources. Mr Jairam Ramesh, the former environment minister, had encouraged policy makers to recognise the trade-off between policies aimed at economic development and the cost of resource depletion.

If we take the example of water scarcity in India. As per reports, 44% of our population faces extreme water scarcity. More than 70% of water is unfit for drinking. The Apart from acute health hazards, water scarcity leads to increase in urban poverty, illiteracy. Experts estimate that if this trend continues, India can lose 6% GDP by year 2050. The economic costs of air, water, soil pollution and forest cover reduction annually is estimated at 10 per cent of India's GDP. Cost of damage to environment is estimated at Rs.340000 crores annually. These statistics signal for a more holistic framework to measure national growth. However lack of data is a hindrance to adopt such measures. But it cannot be an excuse to avoid such measurement. Some frameworks that seeks to incorporate social and environmental change along with economic change are:



**Dr. Jyoti Nair**  
**Faculty - Finance**



1. System of Environmental-Economic Accounting (SEEA): Developed by UN Statistical Division with IMF, World Bank, OECD, this method measures physical value of natural resources along with National Income.
2. Wealth Accounting and Valuation of Ecosystem Services (WAVES): This framework was developed at Convention of Biological Diversity, 2010. It constructs a nation's Balance Sheet with:
  - (i) Manufactured assets,
  - (ii) Social and human capital like innovation, entrepreneurship and education and
  - (iii) Natural Capital like forests and water bodies

As per this framework a nation's y-o-y economic growth is seen by GDP whereas its sustainable growth prospects is shown by values calculated in (ii) and (iii). Together, it indicates the future prospects of a nation.

3. Inclusive Wealth Accounting: This method measures nation's wealth by including manufactured, human and natural capital. It is based on the principle that 'a nation's wealth is its social value and not the monetary value of its capital assets.'

Many countries have adopted holistic accounting methods along with National Income Accounting. Australia, Canada, New Zealand, Columbia, Brazil, China, France, Phillipines to name a few countries. Adoption of holistic measures of national income may not arrest natural resource depletion immediately, but it will provide enough fodder to policy makers to take steps for sustainable growth.

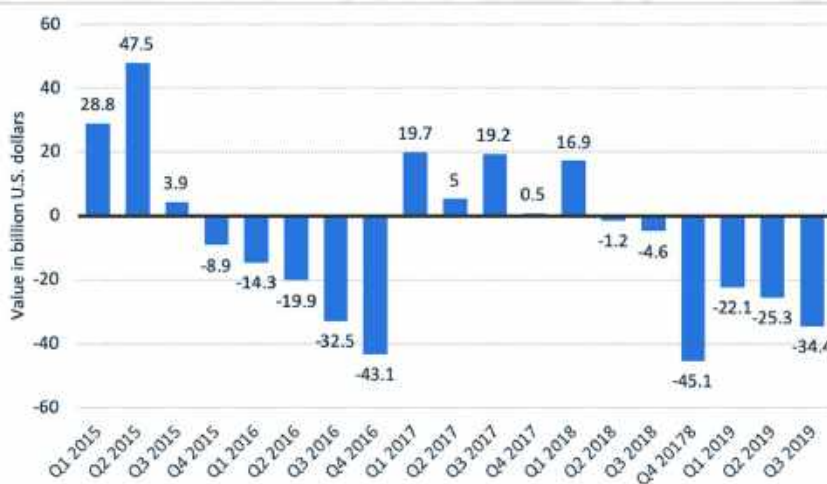
It is thus imperative that we, as a nation need to think beyond GDP numbers to measure our progress. In the long run, development cannot be at the cost of ecological damage. Government and all stakeholders should work towards a green GDP for its survival and well-being. It is encouraging to note that the government has commenced a five-year exercise to compute district-level data of the country's environmental wealth in 2018. The pilot project with 54 districts is being planned. The data will be used to calculate every State's 'green' Gross Domestic Product (GDP) which will help in formulating policy for land acquisition, climate mitigation etc.

# HEDGE FUNDS – AN INTRODUCTION STATISTICS & FACTS

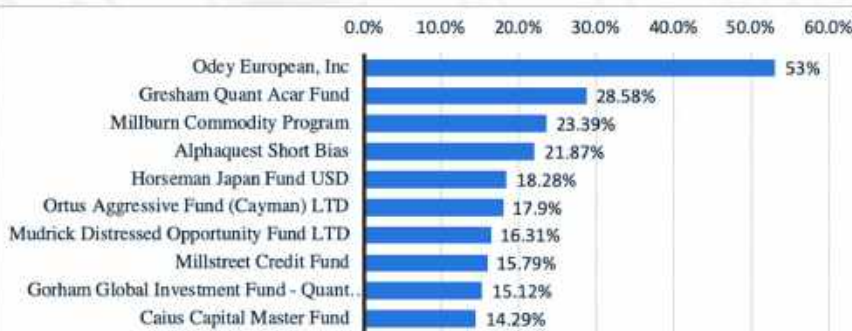
Hedge funds are a type of alternative investment in which a manager chooses a wide range of investment strategies, typically not available to traditional mutual fund managers. Hedge funds are characterized by active management which attempts to provide higher returns than the market. As such, there are differences in funds management styles, ranging from higher risk strategies for more aggressive investors to safer and more modest strategies for pension funds and other conservative investors.



**Prof. Prakash Rathod**  
Faculty - Finance



Value of flows of hedge fund assets worldwide from 1st quarter 2015 to 3rd quarter 2019(in billion U.S. dollars)

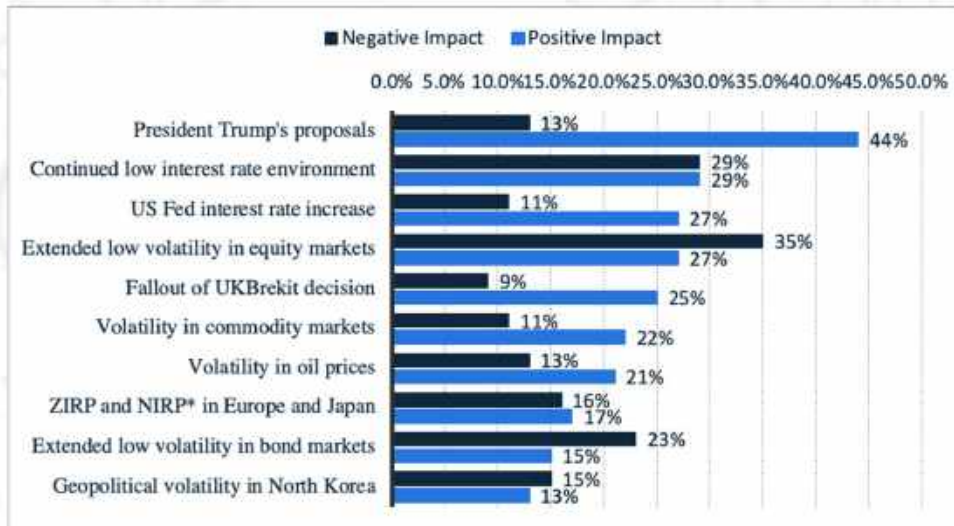


Leading hedge funds worldwide in 2018, by return

The worldwide value of assets managed by hedge funds amounted to nearly three trillion U.S. dollars in 2017, with hundreds of new hedge funds launched worldwide each year. The leading hedge funds can generate returns in excess of 30 percent in good year. For more conservative investors, such as insurance companies or pension funds, 5 to 7 percent average return expectations are more realistic. Hedge funds are not susceptible to tight regulations as in case of mutual funds. They can therefore access markets and instruments not available to traditional investment vehicles. Due to risky nature of hedge funds, fewer financial advisors recommend them with clients in comparison to safer

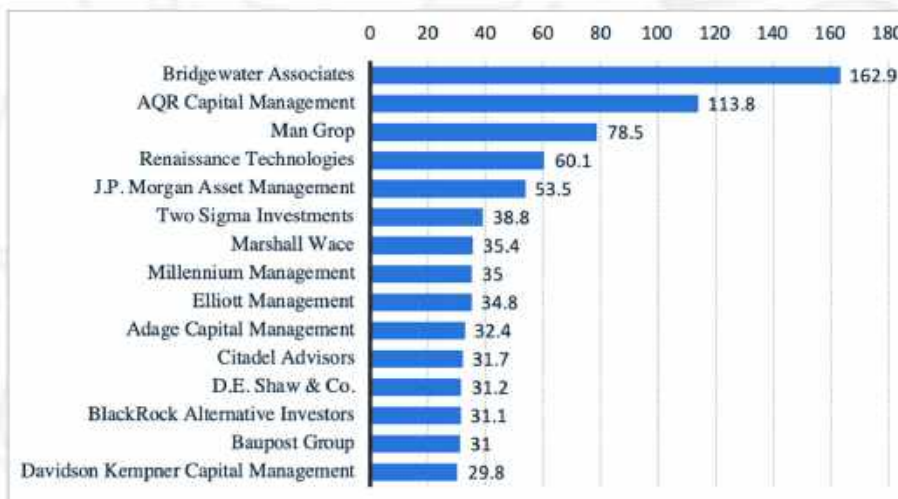
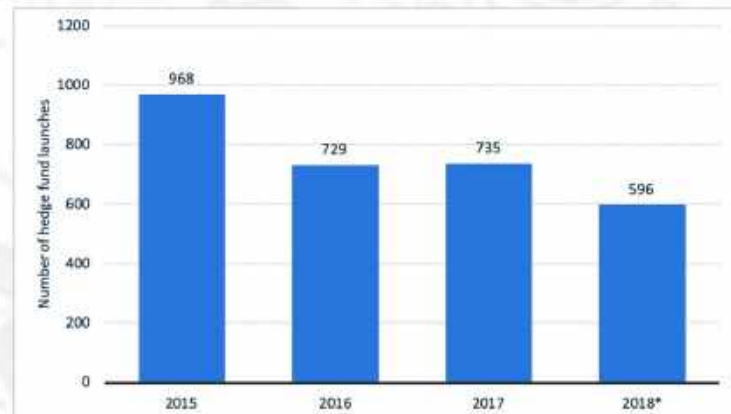


investment products. Investor confidence can also be shaken by the returns of the worst performing hedge funds, which show that the wrong strategy can leave investors very exposed. Even within a certain hedge fund strategy, there can be a high performance spread. In spite of such hurdles, hedge funds will continue to evolve and develop. The recent hedge fund asset flows show that investors have an appetite for a variety of strategies, and that this appetite is dynamic. The recent rise of crypto currency hedge funds speaks to both the flexibility and continued relevance of hedge funds. While they may not remain the vehicle of choice for pensioners, hedge funds will continue to be a part of the investment landscape.



Positive and negative influence of selected factors on hedge fund performance according to hedge fund managers worldwide in H2 2017

Number of hedge funds launched worldwide from 2015 to 2018



Assets under management of the largest hedge fund firms worldwide in February 2019 (in billion U.S. dollars)

Source: Bloomberg / Statista



# PMC CRISIS & ITS AFTERMATH

Abhijit Banerjee is the ninth Indian to win the prestigious Nobel Prize for the year 2019. He got this celebrated award along with his disciple and wife Mrs. Esther Duflo for the stream 'Economics'. One of his quotes is, 'The banking crisis is frightening. We should worry about it. . . .One day the bank is fine and then suddenly it is in crisis... We should be able to stop the crisis much ahead before it happens'

To support his statement, I give below the financials of the Punjab & Maharashtra Co-operative Bank (PMC) as of 31st March, 2019:

As on 31/03/2019	(in Crores of rupees)
Capital & Reserves	977.19
Net Profit	99.69
Deposit	11,617
Advances	8,383
Gross NPA	3.76%
Net NPA	2.19%
Capital Adequacy Ratio (CAR)	12.62%

(Source PMC Web site)



**Prof. Sathinarayan Murthy**  
Faculty - Finance

- PMC Bank is a multi-state scheduled urban cooperative bank with operations in Maharashtra, Delhi, Karnataka, Goa, Gujarat, Andhra Pradesh, and Madhya Pradesh. Started in 1984 as a single branch bank, it now has 137 branches.
- The bank has made a net profit of ₹99.69 crore in 2018-19 as compared to ₹100.90 crore in the previous year.
- The deposit base of the bank was ₹11,617 crore as of end-March 2019, with a growth of 17% a year, while advances growth was 13% to ₹8,383 crore.
- Capital Adequacy Ratio (CAR)– 12.62% (This ratio is better than the benchmark CAR of 11.50% stipulated by RBI under its Basel III guidelines)

If one looks at the above financials, it is very impressive and when compared to the NPA figures of Public Sector Banks (PSBs), PMC's figures are exciting.

## How did the fraud come to the surface?

Suddenly, what Abhijit Banerjee said came true about this bank in September, 2019 and went into serious financial crisis. In the same manner, the third quarter results (December, 2017) of Punjab National Bank was very good, but the Nirav Modi scam came out of blue and surfaced in the month of February, 2018. This scam took away Rs. 13,500 crores of the bank. PNB could come out of this loss and turned the corner only in the first quarter June, 2019.

The PMC issue came to light when a whistleblower from the bank wrote to the RBI on September 17, 2019 warning about the bank's hidden exposure to a real estate conglomerate called - HDIL group. The whistleblower's complaint had detailed the massive under-reporting of the bad loans by the bank, and its heavy exposure to troubled real estate group HDIL.

Subsequently, the then, Managing Director (MD), Joy Thomas and a few officials of the bank met RBI executive director requesting for some time extension to get their books to be



brought back to order. RBI's Inspection team conducted its audit of the bank on September 20, 2019 and thereafter on 23 September, 2019; RBI curbed all activities of PMC Bank and appointed an administrator to take over the management of the bank.

Soon after, PMC suspended its MD who in a "confession letter" to RBI admitted that the actual exposure to HDIL is about ₹6,500 crore, a whopping 73% of its entire assets of ₹8,800 crore. In this context, RBI exposure norms states that:

- For any individual, Bank should not lend more than 15% of its capital funds, which is called as single counterparty exposure.
- For a group, Bank should not lend more than 40% of its capital funds, which is called as credit exposure to borrowers belonging to a group.

Assuming HDIL falls under the group, taking into the capital of PMC as on 31st March, 2019 at the level of Rs. 977.19 crores, the maximum exposure, the Bank can take on any one group is Rs. 390.87 crores but the lending made by the bank to this group is Rs. 6,500 crores, which is approximately more than 16.67 times, a clear violation. Based on the above charge, the Economic Offences Wing (EOW) of the Mumbai Police registered an FIR against officials of the bank as well as the HDIL group and subsequently arrested the MD of the bank as well the directors of HDIL group. Thereafter, the Enforcement Directorate, too, registered a separate offence under the Prevention of Money Laundering Act, 2002.

The directions imposed by the RBI in September, 2019 under sub-section (1) of Section 35A of the Banking Regulation Act of 1949, also barred the bank from extending any new loans or making any investments, except in government securities. This action of RBI is called as 'narrow banking', since any investment in government securities is called as Sovereign exposure, on which bank runs no default risk and hence does not require capital also to support this exposure. The bank was allowed to pay salaries to the staff and also rent, as well as renew term deposits of customers on maturity. PMC is the largest urban co-operative bank to be placed under RBI watch since the 2001 Madhavpura Mercantile Co-operative Bank crisis that was linked to Ketan Parekh's stock market scam. While Madhavpura had a large exposure to a single stock broker, PMC Bank had given two-thirds of its loans to a real estate developer group —HDIL— whose creditworthiness was already under a cloud.

### **Role of the auditor:**

The annual report audited by Lakdawala and Co. shows that PMC Bank had, as on March 2019, reported a healthy financials as stated above. Hence, the regulator never suspected the operations of the bank and also it had no idea to the fact that HDIL (Wadhawan group) exposure, which was around ₹500 crore till 2006-07, had grown to a whopping ₹6,500 crore. Further, in his letter, the MD wrote that the statutory auditors were checking only incremental advances and not the entire operations in all accounts, due to time constraints. "Auditors validated the incremental loans and advances, and scrutinized the accounts which were shown by us," he wrote. One more interesting revelation is that RBI missed these stressed legacy accounts during inspections as these loans extended to HDIL were replaced with "dummy accounts to match the outstanding balances in the balance-sheet".

One more serious violation undertaken by the bank is that Bank of India was among the lenders that initiated bankruptcy proceedings against HDIL before the Mumbai bench of the National Company Law Tribunal in 2018, still PMC took over the HDIL's NPA exposure of Rs. 96.50 crores from Bank of India, in order for the group to escape the time bound insolvency actions under the recently introduced Insolvency and Bankruptcy Code.

## **PMC Bank and HDIL:**

It is reported that the relationship between PMC Bank and HDIL dates back to the mid-eighties, having an age-old relationship. In 1986, just two years after it began operations, PMC was on the verge of a financial collapse after its net worth eroded. The late Rajesh Kumar Wadhawan, erstwhile director of Land Development Corp. and many other companies run by the Dewan family (and subsequently promoter of HDIL), infused ₹13 lakh into the bank during 1986-87. So the contention of the bank MD is that since the group relation is long-standing and also saved the bank several times in the past, the Bank has shown its reciprocity and loyalty in turn when the group presently came under financial problems.

The Bank MD further stated that “The loans outstanding were huge and if these were classified as non-performing assets, it would have affected the profitability of the bank, and the bank would have faced regulatory action from RBI also. Further, this would have created a reputational risk for the bank. As the HDIL group had a good record of clearing their dues with certain delays, we continued to report all the accounts as standard accounts,” The board of the bank was not aware of this matter, confessed the MD.

## **The road ahead:**

RBI Governor made a statement on 4th October, 2019 maintaining that the central bank is looking into all aspects of the PMC crisis. He further said that RBI acted swiftly as soon as it was made aware of the PMC crisis and assured, ‘We will not allow a co-operative bank to collapse. Every such incident is an experience. Based on this experience we will give a fresh look at the regulatory framework in existence. One incident should not be used to generalize about the health of the co-operative banking system’.

The statement of RBI Governor gave a confidence to the public at large and as well as for the banking system.

### **Steps taken by RBI:**

1. As expected, RBI’s restrictions triggered a huge public outcry as customers were unable to withdraw their savings. This prompted RBI to gradually increase the withdrawal limits. On September 26, 2019 the deposit withdrawal limit was increased to ₹10,000 from the initial level of Rs. 5,000, and on October 3, to ₹25,000. On October 14, 2019 the limit was raised to ₹40,000, and on November 5, 2019 further to ₹50,000. With withdrawal limits raised to ₹50,000, 78% of the depositors of the bank can now withdraw their entire account balance.

2. In its bi-monthly monetary policy committee meeting held on 5th December, 2019, RBI expeditiously took two major decisions:

a. "Primary (Urban) Co-operative Banks (UCBs) having total assets of Rs 500 crore and above as on March 31 of the previous financial year shall report credit information,



including classification of an account as Special Mention Account (SMA), on all borrowers having aggregate exposures of Rs 5 crore and above with them to Central Repository of Information on Large Credits (CRILC) maintained by RBI" the central bank said in its notification. This step would arouse the RBI and auditors to scrutinize such big transactions thoroughly.

b. RBI has also come out with its draft guidelines on 31st December, 2019 requesting for public comments. One of the recommendations of the guidelines is that the Urban Co-operative Banks like PMC should constitute a Board of Management (BOM) by making suitable amendments in their bye-laws in order to infuse professionalism in the operations. Its gist is:

i. The BOM shall comprise of persons with special knowledge and practical experience in banking to facilitate professional management and focused attention to the banking related activities of the UCBs.

ii. While constituting the BOM, the Board of Directors of UCB should carry out a process of due diligence to determine the suitability of the person for appointment as the member of the BOM, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria as set out.

iii. Similar process of due diligence shall be carried out for determining the suitability of a candidate for appointment as CEO. The process of due diligence shall also be undertaken at the time of renewal of appointment.

iv. UCBs with deposit size of Rs.100 crores and above shall constitute BOM which will also be a mandatory requirement for allowing such banks to expand their area of operation and open new branches.

v. UCBs with a deposit size less than Rs.100 crores and Salary Earners' Banks are exempted from constituting BOM. However, for having good governance practices, such banks may also constitute BOM, if they so desire.

### **Scam at the Macro Angle:**

The crisis at PMC Bank is a symptom of a deeper malaise plaguing around 1,500 co-operative banks in the country. Typically, these banks are loosely monitored as they fall under the dual regulation of both the Registrar of Co-operative Societies, of respective state government and RBI. While the central bank is responsible for supervision, other activities like bank management are monitored by the Registrar of Co-operative Societies.

The involvement of local politicians in the running of these institutions is reportedly the significant reason for the failure of these co-operative banks. The politicians hold sway over the boards of these banks and have a say in the appointment of management and board members. Under the Co-operative Societies Act, the board of directors in these banks is appointed through an election by the members and hence vested interest continues in the appointment of board members who is responsible for running the bank. Finally, the bank is not professionally run as expected to be run and hence their

decisions definitely lack professionalism which is a must for taking big corporate exposures out of depositors' money.

As reported in Business Line (Article dated 9th February, 2019), Transparency International, an international organization bring out annual Corruption Perception Index for 180 countries. India's position in this Index for the year 2018 is 78 (2017 it was 81). The small country Singapore occupies No. 3 position. Our bad position is due to thriving and ever-increasing corruptions in the form of frauds and scams. The article attributes the main reason for such a hapless situation is the risk: reward ratio is which in favor of fraudsters. These bad people are pinning their hopes on our judiciary and its rickety processes which takes unduly long time to punish the culprits. In the course of legal battle, they also find loopholes in the system to evade their punishment. In the end, they continue to enjoy their ill-gotten money/wealth.

The article further states that both India and Singapore became Independent in the year 1947 and the comparison for 2018 is given below:

- Singapore's per capita income based on purchasing power parity index is \$98,000 (3rd in the world rank) and ours is \$ 7,800 (112 in the rank).

The article ends with a recommendation that protection to scamsters has to stop. This can be done only by speeding up the judicial process and punishing the fraudsters severely. Such a thing will have demonstrative effect on others so that they fear to undertake such illegal activities.

### **Conclusion:**

In his book *The End of Alchemy*, former Bank of England governor Mervyn King makes a bold argument – 'No matter how fine-tuned our regulations, no matter how sophisticated our risk management, they cannot properly address the hazards that the financial system in its current form presents'.

What Mervyn King argues is that regulators are not in a position to address the financial system hazards since the fraudsters and scamsters think and act better than the regulators or preempt the supervisory processes efficiently.

What Abhijit Banerjee maintains is that – 'We should be able to stop the crisis much ahead before it happens'. This can be addressed only when banks and financial institutions possess a robust risk management systems supported by highly skilled personnel. So, banks should improve their capacity building process.

Finally, the systemic risk as stated above is always a challenge for the regulators world over. They should continuously and tirelessly evolve their supervisory processes in tune with the changing time.

To end this article, I am reminded to give a quote of 19th Century Victorian Banker and Economist Walter Bagehot who had written in his book '*Lombard Street*', published in 1873 as - "A well-run bank needs no capital. No amount of capital will rescue a badly run bank".



# BLOCKCHAIN IN BANKING SECTOR

Blockchain technology came into limelight with the popularity of Bitcoins, but now there are other industries exploring the potential use of this technology. The banking and financial sectors are focusing on utilising this technology for reduced costs, with or without going for cryptocurrency. This technology is believed to not only disrupt but completely transform the banking sector in future.

Blockchain is nothing but decentralised ledgers which are highly secure. In other words, the blockchain is a database of transactions in detail which allows different distrusting parties that may be hailing from different geographical locations to have concurrent access to a constantly updated digital ledger that cannot be altered. Usually known as a “public ledger,” the log contains metadata about when and how each transaction took place. Since there are numerous copies of this ledger at multiple locations it is practically impossible to hack and make changes in every copy of the ledger in every location which makes it immutable.

With current global banking industry worth around \$ 134 trillion, blockchain could impact key banking services that banks provide. World over, various banks and financial institutions such as BNP Paribas, NASDAQ OMX Group Inc., Goldman Sachs Group, Banco Santander, Barclays, etc. have already started taking note and showing interest in deploying blockchain in their systems.

Let's look at how the financial and banking industry could benefit from blockchain. This technology can help banking and financial sector save a huge amount of costs spent in maintaining records and processing various transactions. In areas such as KYC, syndicated loans, trade finance, payments, clearing and settlements, etc. blockchain technology can prove to be a boon by eliminating high processing fees, slow processing time, risks of fraud or theft and other legal and tax issues. Distributed ledger technology can prove to be better at tracking the transactions than existing protocols like SWIFT by allowing the transactions to be settled directly. Which means instead of relying on a network of custodial services and correspondent banks, transactions could be settled directly on a public blockchain. Also, blockchain allows the transactions to be cleared and settled as soon as the payment is made, as against the existing system where the same takes place one day after the payment. Banks have estimated that blockchain technology can help cut short minimum \$ 20 billion worth of cost of processing due to its efficiency. It is also expected that moving securities on blockchain could save \$ 17 billion to \$ 24 billion per year in global trade processing costs by cutting out the middlemen such as custodian banks.

The most important issue in turning blockchain's prospect into reality is a concerted endeavour among banks to create the basic indispensable supportive network for payments all over the world. Banks need to have an extensive perspective and work collectively with non-banks, to help define the foundation that can fortify a globally accepted, omnipresent global payment system that can completely change the way banks work.



**Dr. Sasmita Singh**  
**Faculty - Finance**

This change won't take place overnight. The blockchain technology is still in a very nascent stage. It still needs lots of improvement to attain the desired perfection. Whether it will replace the traditional banking system completely or it will become supplementary system in banking sector, only time will tell how blockchain evolves, but one thing looks to be certain today. Status quo will no longer be an option, change is inevitable.



# PLANNING YOUR FINANCIAL PORTFOLIO

In today's world managing your financial portfolio is more difficult than earning it. Because there are "n" number of factors which are to be considered before you plan to invest your hard-earned money and this is because not every person is from a finance background or has good knowledge about how to invest and where to invest. So when a common man with no or very little knowledge plans to invest his income to build a big fortune for his future goals he requires the help of a Financial Planner to plan his finance for him.

A Financial Planner is a person who has both theoretical and practical knowledge about when, where and how to invest. In today's changing economy it is very important to keep a track of what is going on in and around the world because as the Indian economy is an open economy it is affected because of different events that take place across the globe.

So talking about financial planning, individual finance planning includes namely:

- Risk Analysis and Insurance Planning
- Investment Planning
- Tax and Estate Planning
- Retirement Planning

Starting with Risk Analysis and Insurance Planning, it is a very basic and the initial step to start planning any person's finance. This is because when there is a single earning member in a family then his life becomes most important for family survival. So there is always a risk attached to life and such risk is to be analyzed and life insurance is to be taken accordingly. There are also different options in a life insurance policy, few of them are Endowment Plan, Term Plan, Whole Life Plan, etc. In this way, it is the first step of securing the life of an individual and even securing the lives of family members in the event of the death of the earning member.

Investment Planning is an important part of financial planning because once you have funds you need to plan about how and where to invest the same. There are different options available for investment like equity shares, mutual funds (by SIP or onetime investment), real estate, gold, derivatives, government bonds, bank FDs, etc. But to invest in the above-mentioned options a sound knowledge and experiences are required. This is very important because until and unless you don't start investing your money it won't grow and hence it will lose its value over the period and you won't be able to build your assets. Also, the rate of return that you earn on your investments is to be considered as an important factor because if you are earning below the inflation rate prevailing in your economy then you are at loss, for example, if the inflation rate is 4% then your investments must be giving you a return of over and above 4% on the minimum end. Age and risk appetite is an important factor to be considered while investing because it varies from individual to individual.



**Jinesh Chheda**  
**PGDM - Finance**

Some people are risk-averse and some are not also if a person is in his 20s or 30s then this is the time to take more risk and invest in stock market and mutual funds in small or midcap schemes on the other end if a person is at his retiring age or already retired then he should not go for risky options and instead choose for bank FDs or stocks of blue-chip companies. In a normal scenario, it is always advised to save a minimum of 20% of your income.

Tax and Estate Planning goes hand in hand with Investment Planning because you are liable to pay taxes on your earnings on investments. Also, the salary or business income that you are earning annually is chargeable to taxation (Direct Tax). There are various heads of income under which the income is classified namely Income from House Property, Income from Salary, Business Income, Capital Gains and Income from Other Sources. But there are numerous exemptions and deductions available to an individual under Income Tax Act, 1961. So a good knowledge of taxation helps in saving your taxes and also helps in better planning your investments.

Last but not least is Retirement Planning. It is said that if an individual has 1 child then he should consider the post-retirement life as a second child. Because even after retirement a steady inflow of money is required to fulfill the need necessities. Not only the necessities but also to achieve future goals like child education expenses, child marriage expenses, build trust for your child, buy a house, plan world tour, etc. All these are to be taken care of while you are still earning. So taking into the consideration time value of money the expenses related to these above-mentioned goals are calculated and an amount is derived which will be required on retirement which is known as retirement corpus which has to be accumulated before the individual reaches his retirement age. It is very important to build your retirement corpus because if you don't do so then you will not have a steady inflow of money to cover your expenses and maintain the same standard of living as it was before retirement.

To sum up, everything one should not only keep earning his annual income but also look forward to investing it and make his money earn more money for him and not just fulfill his basic needs but build a greater and bigger fortune for him and to do so he needs to plan his financial portfolio wisely.

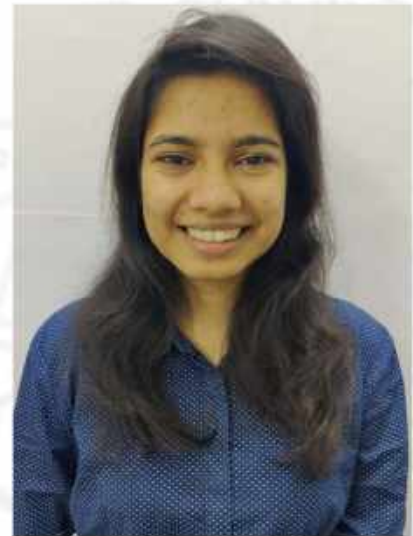


# THE BLACK SWAN

*"No amount of observations of White Swans can allow the inference that all swans are white, but the observations of a single black swan is sufficient to refute that conclusion."*

-John Stuart Mill

With the uncertainty that exists, it is impossible to predict the moves in the financial market. While all the factors are cog wheeled with each other, any adverse event leads to a chaotic and inconceivable scenario in the economy and financial markets. It is impossible to predict the future of financial markets, good can be expected and to some extent scope of inherent risk can be measured, but events that are beyond imagination, expectation, and control as coined by Nassim Nicholas Taleb are called **THE BLACK SWAN** events. Is black swan another word to say "Crisis"? No, the black swan is not always negative; it is happening of an event that is unexpected and whose magnitude is huge. Many such Black Swan events took place has shocked the traders and affected them badly. Few of them are:



**Vatsala Jajoo**  
**PGDM - Finance**

- 1) **The Black Swan Event 2000: The Dot-Com Crash-** In the 1990s with the introduction of internet services, many new companies were set up, and some were overvalued. In 2000-2002, many companies crashed and ultimately resulted in huge losses.
- 2) **The Black Swan Event 2001: Crash of 9/11-** The fatal crash on Twin tower of New York's World Trade Center affected the closure of NYSE and NASDAQ. This resulted in a \$1.4 trillion loss on the stock exchange that was seen in just one week.
- 3) **The Black Swan Event 2008: Global Financial Meltdown-** \$10 Trillion was wiped out from the equity stock market. The bankruptcy of Lehman Brothers made many people jobless and its value plummeted by more than \$46 billion.
- 4) **The Black Swan Event 2009: European Sovereign Debt Crisis-** After the 2008 crisis, which impacted many countries, many banks in European countries like Portugal, Italy, Ireland, Greece, and Spain failed to pay the public debt. Just like the US, the European Central Bank had to step in to bail them out.
- 5) **The Black Swan Event 2014: Crude Oil Crisis-** With the development of economies, the demand for oil increased. The US and Canada pump their own oil. But in 2014 there was a slowdown in the overall economy which increased the supply of oil barrels and a decrease in demand which resulted in a fall of price from \$110/barrel to \$50/barrel.

6) The Black Swan Event 2015: Black Monday China- Like the US, Chinese companies were also allowed to borrow money from banks at a lower interest rate, but in return, the growth was not as expected, resulting in a major downturn. Hence this resulted in a plunge of Shanghai stocks to -8.5%. China stock index lost 30% of its value.

7) The Black Swan Event 2016: BREXIT - Britain's decision to exit from the European Union left everyone stunned, which resulted in the pound to drop to a 31-year low against the US dollar.

All these events have impacted the economy worldwide intensely. Not only stock markets of the particular country have been affected but its impact can be seen in other country's financial markets too. The stock market has fluctuated badly and many other industries have been affected. Is the black swan event a one-day process or it has a cumulative effect of a series of events?

Of course, it is not just a day process, it occurs over time, but still, it cannot be predicted. Although with the help of hedging, arbitrage and using various strategies and models we might mitigate our risk up to some extent but some such black swan events can nullify all such modeling. This doesn't mean that we stop predicting, it just means a portfolio should be more risk-averse, crisis-proof as possible. With some modeling and strategic planning combination of intuition, common sense and simplicity are required.

As per Taleb, attributes that define the black swan events are:

- These events are unpredictable.
- It has widespread consequences.
- After the event, people will argue this was predictable.

So can Stagflation in India: To be beginning, which some economic analyst predict can be black swan event? A decrease in GDP, an increase in unemployment, a decrease in investments and consumption, an increase in inflation, a decrease in growth, etc., which can easily be identified and if no step is taken in near future it will lead to stagflation in India. Since everything is known hence it is not a black swan event, but proper strategies and models can be made to protect oneself from losing out wealth in the future.

Since we know a black swan event can have negative as well as a positive impact, it is majorly dependent on the perception of the person affected by it. However, such events are random, but an investor, country, or company must prepare themselves by identifying the rarest catastrophic event that can be possible and minimize it.



# ARE DERIVATIVES TRULY WEAPONS OF MASS DESTRUCTION?



**Gaurav Arjun**  
PGDM - Finance

Almost every financial nerd out there in the market has heard of the biggest money-maker, Warren Buffet.

One amongst his many famous quotes is derivatives are financial weapons of mass destruction, carrying dangers that, while latent, are potentially lethal. He had warned that investments in such financial instruments were like investing in a ticking time bomb which would have devastating consequences once it exploded for the world economy as a whole. However, it's been approximately 18 years since that quote has been given but the world and the financial market exchanges are yet to see any such catastrophic events. There have been no such meltdowns, and global financial markets have blissfully avoided systemic apocalypse.

While certain investors buy and sell these complex instruments and don't fully understand the risks involved while trying to make a quick buck these instruments can be a very helpful instrument to manage and hedge risk and reduce exposure if traded after undertaking proper research and knowledge. There are mainly four types of derivative contracts- Forwards, Futures, Options, and Swaps. Out of the above, Swaps are not currently traded in the Indian stock market.

The chart below depicts the current position of derivatives in India:

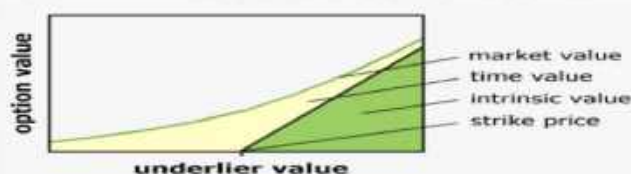
Year	Total Contracts	Total Turnover	Premium Turnover
2019-2020	8,00,437	82,789.49	11,691.39

Contracts	Value	Avg. Daily Turnover	Trading Days
1,512	150.47	398.03	208



A futures contract has many similarities to a forward contract. The similarity lies in the fact that they involve the sale of an asset or commodity at a future date; and the price of this contract is pre-decided. A futures contract, however, is a standardized contract listed on the exchange which makes it less customizable in comparison to a forward contract but at the same time is a more secure instrument.

Options are the most important type of derivatives contract and very popular amongst the traders and provide an investor the option to either buy or sell the right to the underlying asset at a quoted rate. In either case, the investor either pays a premium (if he buys the right) or receives a premium (if they sell the right). The premium value of any option contract generally depends on the number of Open Interest contracts, Implied volatility (i.e. expected volatility), its intrinsic (the difference between the strike price and underlying price) and extrinsic value (Implied Volatility and Time decay) of the stock in the underlying market. If the Implied Volatility is high, the option value will be higher and vice versa.



Generally, the Implied volatility is high ahead of any important event or announcement and falls after the same and hence option prices may not move the same way as the stock/contract does due to the change in the Implied volatility.

If a speculator desirous of making a quick buck in the derivatives market had purchased significant lots in NTPC banking on the rumours that government would be increasing its public expenditure on the budget day (Feb 1st, 2020) as had been the trend in the past years he would be staring at huge losses because there was no uptick in the share price of the stock and if that speculator had entered the trade with just sufficient margin money and had no further cash balance to meet short term exigencies then he would be forced to liquidate his position by the exchange and suffer huge losses though in the long term his stock might actually give a positive yield at the time of expiry.

An Investor while listening to the budget would have immediately placed his bets on the pharma sector and specifically on good stocks like Divis Laboratories as there were no significant negative news on either the sector nor the stock and the company had also been cleared recently by the USFDA for the Chippada unit. The company is currently on a high growth path with zero debt and major expansions in new markets. A prudent investor would select such type of stocks which have a rising price trend backed by positive outcomes and not merely speculative reasons.

As these instruments are complex financial instruments they should be traded upon only after attending some workshops and practical classes provided by experienced traders who have a clear understanding on derivatives to understand the intricate details and correlations between various factors to be considered before locking in their contracts at a specified price. Such training would make investors more familiar with how to look at various aspects in a Bhav Copy and make suitable decisions. Also, it is high time that practical knowledge and workshops with trainings are imparted to commerce graduates and students interested in pursuing a career in the financial markets as there is a dearth of both financially prudent investors and the necessary market to provide the information on the same.

Hence, if sound and market proficient knowledgeable investors trade in derivatives they can discover a goldmine as such individuals realise the simple rule that we win some and lose some and there's never a 100% win-win situation all the time. As has been said by Warren Buffet, 'Unless you can watch your stock holding decline by 50% without becoming panic stricken, you should not be in the stock market.'



# SOVEREIGN GOLD BOND

As per RBI, Sovereign gold bonds are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank of India on behalf of the Government of India.



**Hardik Jain**  
**PGDM - Finance**

The benefits of buying an SGB are:

1. The buyer will own gold in paper form. SGBs are said to be purely for investment and not for consumption as the owner doesn't hold gold in physical form.
2. Usually while purchasing physical gold, the owner pays a higher amount than the actual market price of the gold in the form of making charges, etc.
3. Bonds shall be transferable by the execution of an Instrument of transfer following the provisions of the Government Securities Act.
4. Bonds will be tradable on stock exchanges within a fortnight of the issuance on a date as notified by the RBI.
5. The capital gains tax arising on redemption of SGB to an individual has been exempted.

## ELIGIBILITY:

Persons residing in India as defined under the Foreign Exchange Management Act, 1999 are eligible to invest in SGB. Eligible investors include individuals, HUFs, trusts, universities and charitable institutions. Individual investors with subsequent change in residential status from resident to a non-resident may continue to hold SGB till early redemption/maturity.

## LIMIT FOR INVESTMENT:

The minimum limit for investment is 1gm.

The maximum limit for investment for Individuals, HUF is 4kg and for trusts and similar entities is 20kg.

## RATE OF INTEREST:

2.50% is the annual interest on these bonds which will be semi-annually credited to the bank accounts of the bondholders.

The last interest will be paid to the bondholders along with the principal amount on maturity.

## LOCK-IN PERIOD:

The period of the bond is of 8 years with a lock-in period of 5 years. A bondholder can sell his bond after the lock-in period.

### PRICE OF BONDS:

The nominal value of the bond will be decided based on the simple average of the closing price of gold of 999 purity published by the India Bullion and Jewellers Association Limited, for the last 3 business days of the week preceding the subscription period.

The redemption value of the bond is calculated based on a simple average of the closing price of gold of 999 purity of the previous 3 business days from the date of repayment.

### CONCLUSION:

The Sovereign Gold Bond is an effort by the government to reduce the dependence of individuals on physical gold as a form of saving. These bonds will be issued without additional charges which are paid by individuals in the form of making changes. Like physical gold, even these are transferable. However, there is a risk of investing in these bonds as the gold rates can go down in the future.



# WHAT ARE US SANCTIONS? HOW CAN IT AFFECT INDIA?



**Yash Bhansali**  
**MMS - Finance**

US sanctions are derived by the law of CAATSA (Countering America's Adversity Through Sanctions Act 2017)

In literal English Adversity means your opponent, someone against you or someone who will be engaging in an activity that will hurt your strategic interest.

CAATSA has been legislated to disallow the entities which help in destabilizing the US. In CAATSA US has banned some organization which engages in substantial engagement with the other countries that can hurt its strategic interests. America's Adversity is nations like North Korea, Iran, and Russia. This CAATSA was targeted mainly in these three countries.



This act includes a provision where if you buy any defense equipment from these countries then sanctions will be imposed on the buying country as well.

This act targets various economy sectors such as the oil and gas industry, defense and security sector and financial institutions.

## SANCTIONS MEASURES



travel bans



assets freezes



arms embargoes



bans on export of luxury goods



commodity bans, like diamonds



bans on items, materiel, equipment, goods and technology related to nuclear ballistic missiles and other weapons of mass destruction programmes



## Why has the US Imposed Sanctions on Russia?

- It has been confirmed that Russian hackers interfered (meddling) in the 2016 US Presidential Elections.
- Also, Donald Trump has been accused of accepting Russian help to win elections.
- Due to this investigation, Donald Trump was forced to impose CAATSA on Russia. If he would have not, then the people would have thought that Donald Trump has some relations with Russia.

How do these US Sanctions affect India?

India imports more than 60% of defense equipment. In the last 5 years, the US has been one of the biggest suppliers of defense equipment to India. India has balanced its defense deals by having equilibrium projects with the US and Russia.

### US VERSUS RUSSIA IN INDIAN ARMS MARKET

RUSSIA		THE US	
India's biggest arms supplier for decades. Sales worth \$65 billion since early-1960s	MIG fighters & Sukhoi-30MKI jets to Kilo-class submarines, Talwar/Tabar-class frigates & aircraft carrier INS Vikramaditya	Overtook Russia in bagging Indian deals over last 3/4 years. Sales worth \$15 billion since 2007	C-17 Globemaster-III strategic airlifters, C-130J Super Hercules aircraft & P-8I maritime patrol planes to M-777 ultra-light howitzers, Apache attack & Chinook heavy-lift helicopters
FUTURE PROJECTS		FUTURE PROJECTS	
<ul style="list-style-type: none"> <li>▶ Lease of 2nd nuclear-powered submarine (after first one, INS Chakra) for around \$1.5 billion</li> <li>▶ Five S-400 Triumf air defence systems for around \$5.5 billion</li> <li>▶ Four Grigorovich-class stealth frigates (2 to be built in India) for around \$4 billion</li> <li>▶ Joint production of 200 Kamov-226T light utility helicopters (140 in India) for \$1 billion</li> </ul>	<ul style="list-style-type: none"> <li>▶ US pushing F/A-18 "Super Hornet" or F-16 fighter production line in India to supply 110 jets for IAF for \$20 billion</li> <li>▶ In contention for 57 multi-role fighters to operate from aircraft carriers</li> <li>▶ Also for 111 armed naval light utility helicopters (Rs 21,738 crore)</li> <li>▶ Also 24 multi-role helicopters with anti-sub warfare capabilities (Rs 12,000 crore). Another 123 such choppers later</li> </ul>		
			



Why Russia is important for India and will the US impose sanctions on India?

India cannot disengage itself from Russia because:

- 1) Military set up in India (Defense engagement India has with Russia) which allows India State of the Art and Defense equipment.
- 2) Also for repair India has to constantly engage with Russia
- 3) Joint ventures India has with Russia such as Bramhos and fifth-gen fighter Aircraft.
- 4) All the future projects India has committed with Russia as shown in the above image.

The main question which arises here is India buying Defense equipment from Russia weaken India's relation with the US? What will happen to all these projects will India cancel all deals due to sanctions or India will continue its projects with Russia or will India get a waiver from the US!



# MEASURES ARE TAKEN TO REVIVE THE ECONOMY AND THE WAY FORWARD

The current state of the Indian economy does not give a favorable picture. The Central Statistics Offices data has come out with the advance GDP numbers and they are disturbing. The first-quarter growth of the economy is estimated to be 4.5%, 2nd Quarter 5% and 3rd quarter 5.25%. The average nominal GDP is estimated to be 7.5%. This means that the demand for various products will be less thus the production will be less and the private consumption will be measured. Indicating that many people are still going to be unemployed and the target of becoming a \$5 trillion economy by 2024 seems far fetched. Forbes has said that India has the lowest employment rate of 42 years. As of 14th January 2020 unemployment rate is 7.67%. Recently government and RBI have made changes in the fiscal and monetary policies to increase the supply of funds in the hands of the people. There was a need to increase the liquidity as the banks were adversely affected by the NBFC crisis.



**Ankit Bajaj**  
**PGDM - Finance**

Also, the NPAs of the banks were increasing which lead to a reduction in credit supply in the economy. Thus, RBI has reduced the lending rates by 135 basis points in the hope that the loans are distributed to the lenders at a lower rate. However, this effect is yet to be seen as public banks have reduced their lending by 45 basis points and private banks have reduced it by just 12 basis points. On the other hand, the government reduced the corporate rate tax by 10%, gave ₹70,000 crores to the banks, has provided a ₹25,000 crores fund to the real estate sector. These steps taken are yet to bear fruit though some nascent signs of recovery are there the demand needs to pick up. The government spending will reach an all-time high in this decade to 11.3%. The core inflation rate is 3.7%, retail inflation is 7.35%, food inflation is 14% as per the latest data, which means that RBI cannot reduce the lending rates further to keep the inflation in check. Another concern for the government is the US-Iran conflict, which may adversely affect the oil prices in India and this may act as a catalyst for the increase the inflation. Hence, the hands of RBI are tied but still, it is doing its part by carrying out operation twist similar to that of the federal Bank. The RBI is buying long term government securities and selling short term securities, an open market operation. Now all the eyes are on the government to increase its expenditure to increase the demand to kick start the economy. It's easier said than done as the tax revenue growth is not at par with that of what the government had estimated and the government has already spent more than 15% of the amount it had budgeted to spend in this fiscal year and is set to miss the 3.3% deficit target by a fair margin. Increasing the expenditure to spur demand will further increase the fiscal deficit of the country and international

rating agencies might downgrade the countries ratings. Hence the government needs to be careful with its fiscal policy and the RBI with its monetary policy. The way forward is to make structural changes and set the right policies in place. To make India a lucrative destination for foreign investors major labor reforms are needed. Also, the trust of the people needs to be gained back and a major infrastructure push needs to be in the pipeline to revive the economy. The residential housing part of the real estate sector needs to be looked at as the earliest and must be revived. Many core industries revolve around infrastructure as it increases the demand for various materials thus spurring demand and hence leads to more production thus providing employment. India has seen the weakest employment growth in the past 45 years and this is because of a lack of job opportunities. Sudipto Mundle, former chairman of the National Statistical Commission suggests that the government should trim the concessions and exemptions by 2%, the government will have 2% extra potential spending without any increase in the deficit.

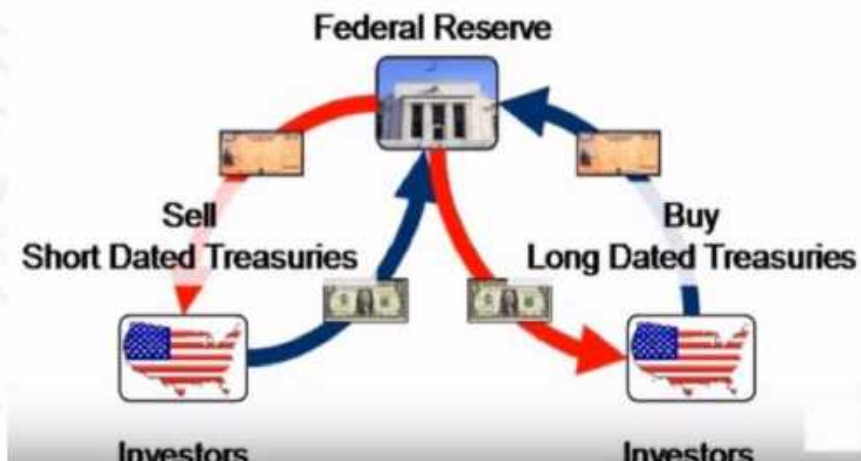
The budget is in sight and the government must focus on putting more money in the pockets of people at the bottom of the pyramid on a priority basis. This means that the government must spend more on rural infrastructure, road construction, affordable housing and MGNREGA. Secondly, the government should think of invoking the escape clause as suggested by the FRMB Review Committee which will allow the government to increase the fiscal deficit target by 0.5% points of GDP. A conducive environment is needed for producer and the consumer which can be ensured by supporting the private companies to increase the demand and make the goods available to the consumers at a desirable cost.



# OPERATION TWIST: RBI'S NEW STRATEGY



**Anjaney Singh**  
**MMS - Finance**



Operation Twist is the name given to the US Federal Reserve (USA central bank) monetary policy operation. The Central bank tries to push the economy by bringing down long-term interest rates by purchase and sale of government securities. This concept was introduced in 1961, post the Korean war as the USA was recovering from a recession. President John F Kennedy administration proposed a method to revive the economy through lower longer-term interest rates while keeping short term interest rates unchanged. The term 'Operation Twist' is taken from a dance of 'Chubby Checker' which became very famous in the year 1961.

Why Operation Twist now?

Now, the Reserve Bank of India decided to conduct its Indian version of "Operation Twist" through simultaneous purchase and sale of G-sec under OMOs for Rs 10,000 crore. RBI realized to flattened the yield curve from short term to long term by doing this. The government is trying to increase the bond prices as its demand is high, it leads to a decrease in its yield.

- The RBI slashed the Repo rate by 135 basis points to 5.15% this year but banks didn't pass the benefits to consumers.
- RBI wants to bring down the long-term rates to revive the economy. When the long-term interest rate comes down, the investor will invest more in the economy and it increases production, employment generation will increase the demand, increase in GDP will increase the growth rate of the economy.
- The idea is that business investment and housing demand are primarily determined by longer-term interest rates and not by the short-term interest rates.

RBI Plans

- RBI has decided to purchase long term Rs 10,000 crore worth of security at 6.45% and the maturity of G-sec is 2029. This is a long term 10-year bond.
- As RBI purchases the bond at 6.45% the demand is expected to rise, leading to lower long term yield.

● On the sell side, It has proposed to sell four short term securities which will mature in 2020 for a total of Rs 10,000 crore at 6.65% G-sec 2020, 7.80% G-sec 2020, 8.27% G-sec 2020 and 8.12% G-sec 2020.

How does it affect investors?

- Fixed-income investors with more exposure to long term debt will benefit from easing the yield of long-term bonds.
- Consumers/borrowers will also get benefit from 'Operation Twist' as the retail loans will now get cheaper.
- Previously banks were forced to price their retail loans at higher rates owing to high yields on long-term government borrowings.
- Cheaper retail loans mean a boost in consumption and spending in the economy which in turn will revive growth.

Benefits of Operation Twist

- The interest rate for the long-term investment will come down and the investor will take more loans for long term investments.
- Address the concern of lack of transmission of repo rate cuts.
- The flow of money will increase in the country, and the aggregate demand in all sectors of the economy will increase.
- The overall increase in productive activities will further result in the creation of jobs in the economy.



# ECONOMIC SLOWDOWN IN INDIA

India is one of the world's fastest-growing economies. It had been touted as an economic and geopolitical counterweight to China but recently growth rate fell to its slowest pace in six years. Investment has weakened, and unemployment has risen. Since the turn of the century, India's economy has grown at a rapid rate helping transform the country. Between 2006 and 2016, rising incomes lifted 271 million people out of poverty, meaning the proportion of Indians still living in poverty has fallen dramatically from around 55% to 28%. Access to electricity has also improved. In 2007 just 70% of the population had access to power. By 2017, that grew to nearly 93%. More recently, the Indian government constructed around 110 million toilets - a huge step towards better sanitation designed to prevent the use of open defecation.

All this development has been supported by a booming economy, but as of late, that expansion has begun to run out of the stream. In the third quarter of 2019, India's economic output grew by 4.5% - making it the first time the country's growth dipped below 5% since 2013. For context, 4.5% growth is still higher than that of developed economies like the U.S., but with 12 million Indians entering the workforce every year, economists say the country needs annual growth rates to stay above 9% to ensure there are enough jobs.



**Aashish Bansal**  
**PGDM - Finance**

## **Where was the rush?**

Well, government officials argue turbulence in international markets is at fault. Political uncertainty and US-China trade tensions mean confidence levels among investors and consumers everywhere have sunk. The United Nations has even warned that a global recession in 2020 is now a "clear and present danger". But in India, the growth problems are also self-inflicted. One obvious culprit is the NBFC Sector. During the 2000s, India saw an investment boom. It was fuelled by state banks dishing out a load of loans for big infrastructure projects. but some of the companies taking advantage of these loans couldn't keep up with the repayments. That meant the state banks weren't paid back and struggled to give out new loans. NBFC then took their place as the lender to such projects and eventually made up an estimated third of all new loans nationwide. These loans played a pivotal role for the millions of small businesses and consumers who would otherwise have no access to credit. But in 2018 IL&FS on its debt repayments. Its collapse sent shockwaves through the economy and shook up more traditional banks that had supported the sector. This had a ripple effect. It became harder for people to buy expensive items like cars. which hurt India's automotive industry, which is one of the country's biggest sectors which employs about 35million people and makes up about 7% of India's GDP. Last summer, the industry suffered its worst sales performance in nearly 19 years, and reports suggest that over a lakh workers have been laid-off. The agriculture and construction sectors have also been hurting, with small and medium businesses being hit the hardest. The country's employment rate has been an overall upward trend since July 2017. Rising several

percentage points to 7.7%. Higher unemployment means consumers are buying less, leading to the unfortunate cycle of slower manufacturing, production, investment, and job creation. A survey from RBI found consumer confidence has fallen to its lowest level in 5 years. But Indians still have a positive outlook for the future, with most consumers expecting to feel more optimistic during the year. However, if things don't improve, debt would become another issue. Expecting better days ahead, many households have continued to spend, with a dip in savings.

Household savings as a proportion of GDP has fallen from 23.6% to 17.2%. Meanwhile, debt has surged to 10.9% during the same period. RBI's former governor Raghuram Rajan blamed the lack of significant reforms and a slowdown in the investments since the global financial crisis. Chief economic advisor of India recently admitted reforms are needed to make India more friendly to investors following which India has cut its corporate tax rates, but labor and land laws are still extremely strict.

Time has come for India to become pro-market, rather than just pro-business, to avoid costly government bailouts of failing sectors. If India wants to be part of the world's largest supply chains, it will need low and consistent tariff levels for the long term. Our shifting export policy has harmed several of its largest industries. A well-explained economic vision can help with long term investment, better-skilled labour and improvements to infrastructure.

Let's see what 2020 has in its box for India.



# IMPACT OF US IRAN WAR

It is known that the impact of any major struggle between two or more countries have a devastating effect not only on belligerents but on the whole world and the major cause of this is:

Globalization that started in the late twentieth century led to not only interconnectedness but also interdependency and hence due to this, the fall of any country could destabilize the whole equilibrium.

A recent sudden rise in the US - IRAN struggle would have led to full-scale war if rising tension was not contained. Its impact must be studied and analyzed.

## World Economy

The economic impact of the US - Iran war could hurt not only the belligerents but the entire world, initials of this were shown when news of US assassination of Iranian Commander came first.

Financial markets reacted negatively, oil prices spiked nearly by 10% and equities too dropped by several percentage points. Although after US sanctions, Iran's share in global crude oil export has decreased significantly it is still the seventh-largest exporter of crude oil-controlling 4.5% of global oil export. Iran is the second-largest country in the Middle East region after Saudi Arabia and has huge stakes in ongoing conflicts in IRAQ and SYRIA. Iraq is the third-largest exporter of crude oil controls 8.1% of the global oil export.

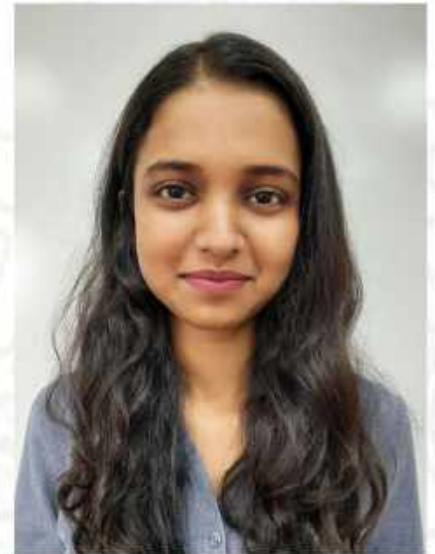
Any further escalation of struggle with Iran could disrupt crude oil supply from the entire middle eastern region which in turn could result in a disproportionate rise in crude oil prices.

Iran has greater control over the Strait of Hormuz, from where almost 25% of total global oil consumption passes. Any blockade of this could drive up oil prices significantly, which would have a disastrous impact on oil import-dependent countries like India, Japan, China, South Korea and any negative effect of this war on these large economies could result in disruption of the global trade cycle. The end impact of this could be another oil-driven recession.

## US Economy

Though there is a limited direct impact of war with Iran on the US economy. But because of its dominance in the world economy and trade activity, any disruption in the world economy would certainly impact it negatively too.

With the decadal rise in oil output from US energy producer (from 5 million barrels a day in 2008 to 14 million barrels a day now), the US is now the eighth largest exporter of crude oil-controlling 4.3% of global oil export.



**Rupam Singh**  
**MMS - Finance**

## **Iran Economy**

After the US president repealing US-IRAN nuclear deal and imposing sanctions on it in 2018, Iran's economy is already struggling. Any further escalation would have led to a war that would have taken its economy to ruins.

After sanctions, Iran's crude oil export has decreased from 2 million barrels a day to 300 thousand to 500 thousand barrels a day.

Iran's economy is not entirely crude oil export-dependent. Manufacturing is one of the most important areas, currently, it accounts for one-fifth of overall employment in the country. Its export of Oil products such as LPG and Fuel Oil is still the same and rising. Iran also has a well-integrated relationship with its neighboring countries who are its major trading partners and are beyond the reach of US sanctions.

Though the Iranian economy is diverse enough to somehow survive, any further escalation would bring its economy to its knees.

Beyond direct economic impacts there are several indirect impacts:

Any war does not only have societal and developmental damages indirect ways such as the killing of combatants and civilians, damaging infrastructure and environment, impoverishing population, collapsing economies, but it also leaves long-lasting damage to human and social development.



# CAPITAL MARKET

The capital market provides support to the system of capitalism of the country. The Securities and Exchange Board of India (SEBI), alongside the Federal Reserve Bank of India, are the 2 regulatory agency for Indian stock exchange, to guard investors and improve the microstructure of capital markets in India. With the increased application of data technology, the trading platforms of stock exchanges are accessible from anywhere within the country through their trading terminals.

India features a justifiable share of the planet economy and hence the capital markets or the share markets of India form a substantial portion of the planet economy. The capital market is significant to the economic system. The capital markets are of two main types. the first markets and therefore the secondary markets. during a primary market, companies, governments or public sector institutions can raise funds through bond issues.

Also, Corporations can sell new stock through an initial public offering (IPO) and lift money through that. Thus within the primary market, the party directly buys shares of a corporation, the method of selling new shares to investors is named underwriting.

In the Secondary Markets, the stocks, shares, and bonds, etc. are bought and sold by the purchasers, samples of the secondary capital markets include the stock exchanges like NSE, BSE, etc. In these markets, using the technology of the present time, the shares, and bonds, etc. are sold and purchased by parties or people.

## Broad Constituents

### **Fund Raisers**

Fund Raisers are companies that raise funds from domestic and foreign sources, both public and personal. The subsequent sources help companies raise funds.

### **Fund Providers**

Fund Providers are entities that invest in the capital markets. These are often categorized as domestic and foreign investors, institutional and retail investors. The list includes subscribers to primary market issues, investors who stock the secondary market, traders, speculators, FIIs/ sub-accounts, mutual funds, risk capital funds, NRIs, ADR/GDR investors, etc.

### **Intermediaries**

Intermediaries are service providers within the market, including stockbrokers, sub-brokers, financiers, merchant bankers, underwriters, depository participants, registrar, and transfer agents, FIIs/ sub-accounts, mutual Funds, risk capital funds, portfolio managers, custodians, etc.

### **Organizations**

Organizations include various entities like MCX-SX, BSE, NSE, other regional stock exchanges, and therefore the two depositories National Securities Depository Limited (NSDL) and Central Securities Depository Limited (CSDL).



**Devki Parekh**  
**MMS - Finance**

Market Regulators include the Securities and Exchange Board of India (SEBI), the Federal Reserve Bank of India (RBI), and therefore the Department of Company Affairs (DCA).

### **Role and Importance of Capital Market in India**

The capital market features a crucial significance to capital formation. For speedy economic development, adequate capital formation is important. The importance of the capital market in economic development is explained below:

#### **Mobilization of Savings and Acceleration of Capital Formation:**

In developing countries like India, the importance of the capital market is self-evident. During this market, various sorts of securities help to mobilize savings from various sectors of the population. The dual features of reasonable return and liquidity available exchange are definite incentives to the people to take a position in securities. This accelerates capital formation within the country.

#### **Raising Long-Term Capital**

The existence of a stock market enables companies to boost permanent capital. The investors cannot commit their funds for a permanent period but companies require funds permanently. The stock market resolves this dash of interests by offering a chance to investors to shop for or sell their securities, while permanent capital with the corporate remains unaffected.

#### **Promotion of commercial Growth**

The stock market may be a central market through which resources are transferred to the economic sector of the economy. The existence of such an establishment encourages people to take a position in productive channels. Thus it stimulates industrial growth and economic development of the country by mobilizing funds for investment within the corporate securities.

#### **Ready and Continuous Market**

The stock market provides a central convenient place where buyers and sellers can easily purchase and sell securities. Easy marketability makes an investment in securities more liquid as compared to other assets.

#### **Technical Assistance**

An important shortage faced by entrepreneurs in developing countries is technical assistance. By offering advisory services concerning the preparation of feasibility reports, identifying growth potential and training entrepreneurs in project management, the financial intermediaries in the capital market play a crucial role.

#### **Reliable Guide to Performance**

The capital market is a reliable guide to the performance and financial position of corporate and thereby promotes efficiency.

#### **Proper Channelization of Funds**

The prevailing market value of a security and relative yield are the guiding factors for the people to channelize their funds during a particular company. This ensures the effective utilization of funds within the public interest.



### **Provision of sort of Services:**

The financial institutions functioning within the capital market provide a spread of services like a grant of long-term and medium-term loans to entrepreneurs, provision of underwriting facilities, assistance within the promotion of companies, participation in equity capital, giving expert advice etc.

### **Development of Backward Areas**

Capital Markets provide funds for projects in backward areas. This facilitates the economic development of backward areas. Long-term funds also are provided for development projects in backward and rural areas.

### **Foreign Capital**

Capital markets change to get foreign capital. Indian firms are ready to generate capital funds from overseas markets by way of bonds and other securities. the government has liberalized Foreign Direct Investment (FDI) within the country. This not only brings within the foreign capital but also foreign technology which is vital for the economic development of the country.

### **Easy Liquidity**

With the assistance of the secondary market, investors can unload their holdings and convert them into liquid cash. Commercial banks also allow investors to withdraw their deposits, as and once they are in need of funds.

# INSIGHTS OF BUDGET 2020-2021



**Shruti Tiwadi**  
Global MBA

February 1st 2020.

It was an unusual day when everyone, got their chorus sorted beforehand and placed themselves in front of their television sets or laptops; the announcement of budget 2020-2021 was a serious business for the country.

Nirmala Sitharaman, Minister of Finance of India delivered the longest budget speech in six years of the Narendra Modi government, wherein she announced many important reforms to the country budget in Social & Economic aspects. The Prominent theme that budget 2020-2021 has followed cover three namely, Aspirational India, Caring Society & Economic Development.

Let's Understand Budget 2020-2021 and its effects in brief;

## **Income Tax: Middle Class India gets a boost**

The Narendra Modi government have offered an relief to individual taxpayers considering the flagging economic growth. Taxpayers will now be able to pay a lower income tax rate on various slabs This regime will be optional and those who want the deductions will be allowed to do so.

The new income tax slabs and rates are as under:

- Rs5-7.5 lakh per annum: 10 percent from 20 percent earlier.
- Rs7.5-10 lakh per annum: 15 percent from 20 percent earlier.
- Rs10-12.5 lakh per annum: 20 percent from 30 percent earlier.
- Rs12.5-15 lakh per annum: 25 percent from 30 percent

## **Real Estate: Benefits For Buyers And Makers Of Affordable Housing**

In order to boost affordable housing in India and government's 'Housing for All' initiative, Finance Minister has proposed to extend the date of loan sanction for availing additional deduction of Rs1.5 lakh by one year to March 31, 2021.

Property developers will enjoy a tax holiday on the profit earned on affordable housing projects approved by March 31, 2020. The finance minister also proposed to extend the date of approval for



affordable housing projects for availing this tax holiday by an additional year.

### **Big Jump In Bank Deposit Insurance Cover - PMC Bank**

Budget 2020-2021 has proposed a hike in bank deposit insurance cover to Rs5 lakh from the current Rs1 lakh, which is to protect depositors in the situation of a lender's collapse.

"There is a robust mechanism to monitor the health of all scheduled commercial banks and we want to assure depositors that their deposits are absolutely safe," Sitharama said during her budget speech.

The decis

ion came after the collapse of PMC Bank that led to restrictions on deposit withdrawals. According to the Reserve Bank of India's Financial Stability Report, the Deposit Insurance and Credit Guarantee Corporation has received total claims of about Rs14,100 crore across defaulting cooperative banks in the country

### **Dividend Distribution Tax Abolished**

In a move that will offer some relief to India Inc, Budget 2020 eliminated the dividend distribution tax that's levied on dividends issued by companies. So far, companies were required to pay DDT at 15 percent, though including surcharge and cess put the effective rate at 20.56 percent.

### **100 New Airports, 5 New Smart Cities, 10,000-Km Gas Grid**

In her Budget 2020, Sitharaman allocated Rs1.7 lakh crore for a National infra Pipeline that aims "to improve ease of living for every citizen of our country" and provides huge opportunity for employment.

She Stated "I propose to set up a project preparation facility for infra projects.

This programme would actively involve young engineers, management graduates and economists. It is also proposed to divert all infrastructure agencies of the government to involve youth power and start-ups,". A national policy will soon be released.

### **Fiscal Deficit Target For 2020-21**

Finance Minister Nirmala Sitharaman said- India's fiscal deficit settled at 3.8 percent in 2019-20 and is targeted at 3.5 percent in 2020-2021. Importantly, the government has decided to remove the 'escape clause' provided for in 2018 amendments to the Fiscal Responsibility and Budget Management Act. For 2019-20, the fiscal deficit was estimated at 3.3 percent in Budget 2019. For the next fiscal year too, the government will change from an earlier set fiscal path and target a fiscal deficit of 3.5 percent.

### **Government's Disinvestment Target Doubled To A Big Rs2.1 Lakh Crore**

India has set itself the highest-ever disinvestment target for 2020-21 even as it missed its previous goal. The central government aims to garner Rs2.1 lakh crore through divestments in 2020-21 Of this, it expects to earn Rs90,000 crore by selling stake in public sector banks and financial institutions, while the balance Rs1.2 lakh crore will come by selling stake in central public sector enterprises. The government plans to sell its remaining stake in IDBI Bank Ltd., which was bailed out by Life Insurance Corporation of India last year.

"In the last few years, the government has taken concrete steps to bring our banking system to be robust," Union Finance Minister Nirmala Sitharaman said "However, there's a need for greater private capital." She added.

Accordingly, it is proposed to sell the balance holding of Government of India-owned IDBI Bank to private, retail and institutional investors through the stock exchange. The government, which has already sold 51 percent stake in the lender to India's largest insurer, owns 47.11 percent shareholding in it, according to information available on the Bombay Stock Exchange. Following last year's stake sale, the Reserve Bank of India reclassified IDBI Bank as a private lender.

### **LIC Listing Proposed Via An IPO**

The government has proposed to sell a part of its stake in Life Insurance Corporation of India through an initial public offering, Sitharaman said in her budget speech.

### **FPI Limit In Corporate Bonds proposed to hike**

The government plans to increase the investment limit of foreign portfolio investors in corporate bonds from 9 percent to 15 percent. The finance minister said certain government securities will be open for foreign investors.

### **Vivad Se Vishwas**

Budget 2020-2021 announced the 'Vivad Se Vishwas' scheme for tax litigation under which only the disputed tax amount will have to be paid on or before March 31, 2020. No interest or penalty will be charged. People who pay after this deadline, but before June 30 will have to pay some charges.

#### **Key Highlights Of The Vivad Se Vishwas Scheme**

- 'Vivad Se Vishwas' scheme to reduce direct tax litigation.
- To amend the Income Tax Act to enable faceless appeal.
- Under the scheme, assessee to pay only tax amount, not interest, penalty.
- March 31 deadline for paying tax claim, avoid interest, penalty.
- Those who avail after March 31 but before June 30 will have to pay some extra amount.

#### **Other Miscellaneous highlights were as follows:**

The budget aims policy to enable private sector to build data-centre parks, Fibre-to-home through Bharat Net to link 1 lakh gram panchayats, Provided Rs6,000 crore to Bharat Net. Also Proposed to initiate two national level science schemes, More Tejas-like trains to connect iconic tourist destinations, about 100 more airports to be developed by 2024. The speech also included plans to provide 20% equity, external assistance for metro projects, Rs22,000 crore for power, renewable energy in FY21. Budget 2020-2021 plans to expand national gas grid to 27,000 km from 16,200 km, To monetise 12 lots of highway bundles by 2024.

Indian Railways commissioned 550 Wi-Fi facilities. Railways has small operating surplus. Solar power capacity to be set-up alongside rail tracks. Four station redevelopment projects to be done through PPP mode. National infra pipeline of Rs106 lakh crore addresses country's needs. It also included a proposition to set up project preparation facility for infrastructure projects. National logistics policy to be released soon. Logistics policy to create single-window e-logistics market. Delhi-Mumbai Expressway to be completed by 2023.

**From the above announcements we can realise the prominent sectors to Budget 2020-2021 were Transport infrastructure, Electronics manufacturing, Rural India, Telecommunication sector, Water Supply, Online education, IT Firms, Urban gas suppliers. And the Loosing sectors were Insurance, State banks, Real Estate, Fertilizers, & Logistics.**



# STUDENTS ACHIEVEMENTS

## TEAM N. L. DALMIA WINS ALL INDIA INTER-COLLEGIATE DEBATE COMPETITION AT JBIMS



Jamnalal Bajaj Institute of management studies (JBIMS,Mumbai) organized 'Debate It Out' a national level B-School Debate competition as a part of their Annual Inter-collegiate Management Festival "PRATYAKSHA 13.0" on 19th of October, 2019. The event was sponsored by SBI. The judging panel included Ms. Renu Jha and Dr. Stephen D'Silva.

More than 50 teams from different management institutions across the country participated in the event. The preliminary screening included submitting an essay after which 8 teams were shortlisted for Campus rounds which were held at Dr. K. S. Basu memorial auditorium at JBIMS, Mumbai. The first round saw Oxford Union style debate which eliminated half the teams. The second round was the semi-final which had a traditional debate. Needless to say the third round was the final. The final had a twist when it was declared a tie. As there can be only one winner, the Judges decided to have another session of debate to declare the winner. Students from N. L. Dalmia Institute of Management Studies and Research, Adwait Rode and Anmol Bhat aced the competition with their impressive debating skills and appropriate use of facts and data. The eventful debate competition ended with enlightening words from JBIMS faculty Dr. Stephen D'Silva.



# FINANCE FORUM EVENTS

## MULYANKAN 2019



NL Dalmia Institute organized its flagship event Mulyankan, the National Level Paper Presentation Competition for B-School students, on 4th October 2019. Four teams representing NMIMS, NLDIMSR, Welingkar, and JKSHIM competed to win the coveted trophy of Mulyankan 2019. The topic for the competition was “Sectoral Rotation of Investment Portfolio for Wealth Maximization”.

The panel of honorable judges included Partner and Portfolio Manager, SilverArch Investments, Mr. Vinayak Kanvinde; CIO, Edelweiss Tokio Life Insurance, Mr. Ritesh Taksali and Director, Keynote Financial Service, Mr. Uday Patil. The teams researched and came up with presentations on the various sectors. The judges assessed each team’s performance, posed questions, and suggested areas of improvement.

The judges gave their insights on the topic and added value to the event with their significant experiences. The winner of the esteemed Mulyankan 2019 trophy was NMIMS, followed by NLDIMSR and Welingkar teams as the first and second runner up respectively.

## FINANCE CONCLAVE 2019

NL Dalmia Institute organized Finance Conclave, a daylong event where three panels comprising of experts from different sectors of the stock market spoke of their experience dealing with such sectors. The event started with the speech of Keynote speaker Mr. Swanand Kelkar, MD, Morgan Stanley. He cited examples of HUL



and L&T to explain how different sectors performed as per the phases of the economy. The first panel was hosted by Mr. Gaurav Jain, Senior Vice President, Motilal Oswal Financial Services. Mr. Prasanna Pathak and Mr. Vinit Bolinjar were the panellists. The panel said that investing in an industry with constant disruptions brings down investor confidence.

The second panel comprised of industrial honchos from the Equity Research and Portfolio Management industry. Mr. Mayuresh Joshi, Mr. Bharat Lahoti and Mr. Dhaval Gala believed that the Life Insurance sector was highly underpenetrated and a potential target market in the BFSI sector.

The last panel comprising of Mr. Mitul Shah and Mr. Deepak Pareek narrated how the gloom in the auto sector was a temporary phenomenon besides forecasting full recovery by 2022.



# FINANCE FORUM EVENTS

## SESSION ON MUTUAL FUNDS



N. L. Dalmia Institute organized a Seminar on Mutual Fund delivered by Mr. Shyam Sahu, Chief Manager and Cluster Head at HDFC AMC Ltd. on 11th October 2019.

The session started with Mr. Shyam Sahu explaining to us the various asset classes available for an investor.

Further, Mr. Sahu explained the concept of Mutual Fund and how the funds are allocated in the different sectors which leading to diversification. Returns in the mutual fund are more because of the compounding effect depending upon the type of investment. He also discussed about the different types of funds i.e. Equity, Debt or Hybrid fund.

Further, he also explained the different options which are available for an investor to invest in Mutual Funds i.e. either through SIP (Systematic Investment Plan) or through a Lump sum. Further, he also explained how an individual can save the tax by investing in Equity Linked Saving Scheme) tax scheme option available in a mutual fund, that provide us deduction up to Rs.150000 u/s 80C.

The session ended with an interactive Q&A between the students and the speaker making it an engaging and knowledgeable session.

## SESSION ON INVENTORY PSYCHOLOGY



N. L. Dalmia Institute organized a Seminar on Investor Psychology delivered by Mr. Arun Thakural, MD and CEO at Axis Securities Ltd. on 12th October 2019.

Mr. Thakural started the session by describing us the various asset classes like Physical gold, Real estate, Fixed deposit, Equity, etc.

Sir further explained to us how an Indian herd mentality of investments, invest in traditional asset classes like physical gold and real estate. Further, sir went on to explain the difference between real return and nominal return.

He then further elucidated us the Financialization of investing through the Mutual fund route. The insights provided by him about the impact of compounding, the benefits that one can reap if one invests into mutual funds via SIP (Systematic Investment Plan) were very beneficial in understanding the correct route for investment.

Mr. Thakural's immense knowledge about the market and its behaviour gave us a wide insight into investors' psychology and things we can learn and avoid doing if we want to be a wealthier investor. The session ended with an interactive Q&A between the students and the speaker making it an engaging and knowledgeable session.



# FINANCE FORUM EVENTS

## SESSION ON CERTIFICATION OFFERED BY AIWMI



A Seminar was organized by N.L. Dalmia Institute of Management Studies and Research on certifications offered by Association of International Wealth Management of India (AIWMI) on 16th November, 2019.

Mr. Aditya Gadge, CEO of AIWMI, was the keynote speaker for the day.

Mr. Gadge began the session discussing apprenticeships as a student he gathered over a period of time as a high school biology student who was good at sports but bad at mathematics did Masters in Personal Management at HR and eventually landed in finance.

He defined the certifications offered by AIMWI called Certified Credit Research Analyst (CCRA), Certified Alternative Investment Manager (AIM) and Certified Investment Research Analyst (CIRA), which seek to advance financial education through courses, certifications, award, workshops and benefits that students may gain from them.

He talked about financial planning, including risk management, retirement planning, and tax planning. He has concentrated more on CCRA certification as there is an enormous NPA happening so it becomes important to provide some unique credit qualifications. He also spoke of family wealth management offices that were formed by Patnis and Ambanis to effectively manage their funds.

The session ended with an open Q&A that made it an enjoyable and informative conversation between students and speaker.



# FINANCE FORUM EVENTS

## SESSION ON DATA ANALYTICS

N. L. Dalmia Institute of Management Studies and Research organized a session on Data Science Learning delivered by Mr. Rajesh Jakhotia, Founding member of K2analytics on 12th January 2020.

The session began with Prof. Dr. Anil Gor Sir felicitating the guest with a floral bouquet and a token of appreciation.

Further, Mr. Jakhotia explained how Data Analytics is changing the world around us. In the business world, Data Science Analysis is playing a major role. Nowadays, a lot of systems and algorithms are based on data science which is bringing a lot of convenience in doing business and helps in providing quick services.



This field of data science is so vast in providing various opportunities to upcoming professionals from all the specialization that it has become the need of the hour to start a programme for all the fellow students of N. L. Dalmia Institute of Management Studies and Research. The first batch of this programme will undergo a certification programme of data science by K2analytics. The students will be learning the languages like R, Python for business application and also Machine learning and Artificial Intelligence.

The programme was very interactive with Mr. Jakhotia and his colleague Himanshu Ghelot clearing all the doubts of the students making it an engaging session.



**F I N A N C E F O R U M**  
**N.I.DALMIA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH**  
**[WWW.FACEBOOK.COM/FINANCE-FORUM](http://WWW.FACEBOOK.COM/FINANCE-FORUM)**