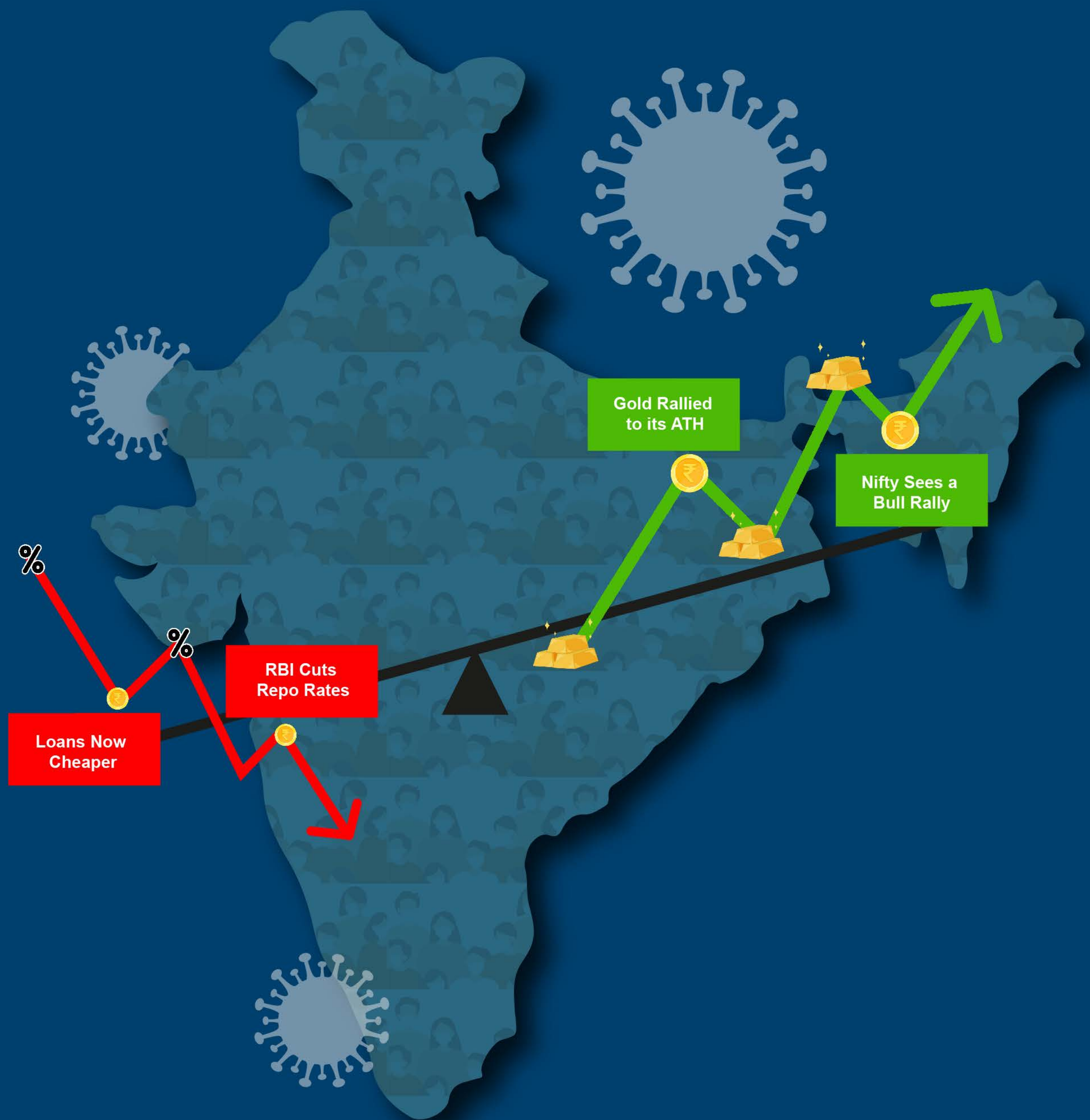
Volume 22 | 2020-21

DELTA

ENVISIONING CHANGE

A Magazine by Finance Forum

- Alumni Testimonials
- Faculties Articles
- Students Articles
- Students Internship Experience



SHIFTING LANDSCAPES

N. L. Dalmia Institute of Management Studies and Research

From

Finance Department's Desk

It is said that adversity brings out the best from a human being. Our students have proved it by ensuring that all academic activities and events planned for the year are conducted successfully irrespective of the fact that we are going through one of the worst crisis faced in human history. We are proud of all our students who have not only accepted the challenges of online -learning but also used every opportunity to build their Knowledge, their Skillset and their Attitude (KSA). We are sure that this experience will stand in stead for them for a very long time to come. They would emerge as stronger individuals and better managers.

I, on behalf of Finance Department, congratulate the Delta Team for the release of 22nd edition of our iconic magazine – Delta. This also coincides with the Department's Annual Conclave - Mulyankan. The magazine continues to inspire our young minds to pen their thoughts on contemporary topics in the world of business and finance. Kudos to the team and to all the contributors of the magazine. The Finance Forum has once again proved their commitment to fulfillment of the Forum's objective of value addition through co-curricular activities like organizing Conclaves, guest lectures and events. I am sure that our new members would carry the baton forward with equal zeal and enthusiasm.

Best wishes,

Dr. Jyoti Nair

PhD (Finance), CA, M. Com, Associate Professor – Finance and Program Head – PGDM

N. L. Dalmia Institute of Management Studies and Research.

CHIEF EDITOR

Devesh Advani
Gaurav Arjun

ASSISTANT EDITOR

Grishma Sawant
Urvashi Sharma

TEAM MEMBER

Yash Shah
Riddhi Rungta
Sidhesh Kadam
Kush Sampat
Rakhi Narula
Deepshikha Yadav
Sarvesh Thakurdesai

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From **Editorial**

We want to express our sincerest gratitude to all those who have contributed to develop the 22nd Edition of DELTA. The young and brilliant students, respected faculty members, Alumni's, and Marketing Team.

Our heartfelt gratitude to Professor Dr. Jyoti Nair, Prof. Vijay Kanchan and Prof. Khushboo Vora for their immense support and assistance in making this magazine a success. Special Acknowledgements to Prof. Tapas Mitra and Prof. Harsh Maheshwari for reviewing and shortlisting the articles.

This magazine is about everything knowledgeable what upcoming leaders in the finance industry should read. We hope that the readers find this issue interesting and enriching. We have tried to give importance to each and every category respectfully. We strive to live up to our expectation each and every time.

Meet the Editorial Team

Devesh Advani

Chief Editor

BMM (Journalism) -Mumbai University
MA English Literature -Mumbai University
PGDM Finance -NLDIMSR
Worked as a Finance Intern with Broadcast Audience Research Council (BARC) India.

Gaurav Arjun

Chief Editor

B.Com (Honours) - Delhi University
KPMG - 1.2 years experience as an Audit Associate.
PGDM Finance -NLDIMSR
Worked as an Investment Intern in a Renewable Energy Fund- Eversource Capital in the Buy Side.

Grishma Sawant

Assistant Editor

B Com - Mumbai University.
10 months Internship with Jeet Financial Servive
PGDM Finance -NLDIMSR
Worked as a Summer Intern with National Commodities and Derivatives Exchange (NCDEX).

Urvashi Sharma

Assistant Editor

B.E. (I.T.) - Mumbai University
2 years of work experience as a Software Engineer at L&T Infotech
MMS Finance - NLDIMSR
Worked as a Summer Intern with IIFL Securities Limited.

Faculty Articles

DOES FREE CASH FLOW THEORY OF TAKEOVER "HOLD" IN "THE" 21ST CENTURY "-" A REVIEW OF JENSEN (1986) RESEARCH PAPER

Agency costs arise because managers are the agents of shareholders running a firm for shareholders. Managers may act in ways that are detrimental to interest of shareholders. A research stream in finance, suggests that when firms have excess cash, agency costs increases. For e.g. managers will undertake unprofitable acquisitions through excess cash, because it boosts a manager's ego when business under their supervision expand.

Secondly, acquiring businesses through excess cash can lead to higher bonuses and pay raise in cases where manager's compensation is linked to higher overall sales. But iconic managers like Steve Jobs (Apple) maintained higher cash balances. Such cash balances are especially essential in recent unusual times of Covid pandemic. Excess cash balances allow buffer to undertake expensive long-term R&D projects which is not considered in the theory. The theory limitation is it fails to consider societal impacts of excess cash held by firms. Excess cash allows the buffer to take up risky innovation by managers. Though competition does act as a check against excess cash hoarding by encouraging investments and innovation in competing firms. The impact of monopoly on cash hoarding behavior is not fully considered in the theory.

Debt is suggested an effective means to reduce agency costs as future cashflows are bound to debt repayments as per the research paper. But this assertion, fails to consider bankruptcy risks arising from debt, which a greater risk for shareholders than agency risk even after considering tax advantages of debt in capital structure. Many efficient managers like Bill Gates (Microsoft) never took debt for the same reasons. Further, reduction in cash balances forces the firm to engage in capital raising activities that are costly in nature. The additional costs of raising capital needs to be considered as well, before substantially reducing cash balances to reduce agency costs. To compare debt raising announcement effect on share market returns (21.9% increase in share prices in 2 days (MC Jensen,1986), to equity raising announcement (-9 %,) (MC Jensen, 1986) is misleading. Since equity raising leads to dilution of interest for existing shareholders, that may lead to immediate fall in share price.

Certain theories that were true more than 3 decades ago, do not necessarily hold true today. Such is Free Cash flow Takeover theory given by Jensen.

Moreover, as signaling theory, suggests raising funds externally than through internal accruals may suggests existing firm's lack of earning power. A number of benefits attributed to leverage buyouts due to reduction in excess cash under management fails to consider that transaction is structured so that all debt is on the balance sheet of the firm taken private but not on the parent or the investment firm that takes it private. Thus, if there is default the firm taken private files for bankruptcy. The investment firm taking it private does not have any repercussions. Often increased cashflows of oil industry in 1970s and subsequent increased investment in exploration and development of oil fields is cited as an example of agency costs.

The increased exploration and development made sense in view of 10-fold increase in oil prices due to oil shock at that time. At that time in 1970s, there was no close substitute of oil (like renewables and electric cars available). Hence as a managerial decision it made sense to increase exploration and development expenses in 1970s referred in the research paper. Though clearly unprofitable diversification by oil industry like buying retailers (E.g. Marcor by Exxon) could be an evidence of excess cash used unproductively i.e. an agency costs indicator. Thus, theory is partly justified by evidences. It is also suggested in theory that reduction in excess cashflows reduce incentive to take risky low profitable opportunities.

But in a fast-changing technological scenario of 21st century, an excess cash is a necessity to take up risky technology enhancing projects (like SpaceX and Tesla). A highly leveraged car company or aerospace company cannot take such projects. Since such innovative projects will tend to have numerous failures before a success (E.g. SpaceX failed in first 3 launches before succeeding) a higher cash buffer is needed to undertake such innovations. Since technology has become one of the most important differentiators in current era.

It is important to acknowledge that high debt may inhibit technological risk taking by managers which may have more harmful effects than agency costs on firm's long-term prospects. In conclusion, free cash flow theory provides good evidence of unprofitable investments due to excess cash flow in 1960s and 1970s. But in changed technological paradigm, of 21st century, excess cash may be a necessary for undertaking risky technology advancing projects. This may explain excess cash and still a highly efficient managers of big tech-companies of today. Also, most tech companies are headed by founder managers, thus increased agency cost due to excess cash-flows may not hold in some of these companies' cases.

References:

- *Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. The American economic review, 76(2), 323-329.*

By Prof. Harsh Maheshwari

E-LEARNING – IS INDIA READY?

Covid-19 pandemic has affected all sectors across the nation and education sector is no exception. With schools and colleges shut indefinitely, with no immediate government plans of reopening, ensuring minimum learning losses became important and critical. With support from technology. Education sector's response was in the form of online teaching. Classrooms shifted to living rooms, laptops and mobile phones became the new blackboards. This experiment seemed to work albeit with challenges faced by students and teachers alike. E-Learning suddenly gained momentum with a plethora of online platforms made available. Zoom, Google Classroom, Google Meet, Microsoft Teams to name a few. Joining the bandwagon were online courses offered by many Universities and private bodies. These courses were attractively designed and economical. Suddenly geographical boundaries became fluid with a teacher from Europe teaching students in India and clearing their doubts. You could learn from leading Universities across the globe sitting at home. Learning opportunities increased exponentially for students, though this trend was witnessed more in post graduate professional programs than undergraduate colleges and schools. Indian Government has also added

- E learning gained momentum as an effect to the current pandemic with a plethora of online platforms available.
- Learning opportunities increased exponentially for students with the Indian government promoting e-learning for students through programs like Swayam, E-Pathshala, Diksha among others.
- There is a geographical divide when it comes to access to technology along with the divide in the rural and urban households citing technological infrastructure, power supply and non-conducive atmosphere as some of the barriers.

their bit to promote e-learning through programs like Swayam, PM e-Vidya program, Virtual Labs, E-Pathshala, Diksha, National Repository of open educational resources (NROER) etc. Just as e- commerce platforms were a major disruptor for retail sector, will online teaching learning revolutionise education sector? The trend which began as a short-term response to the pandemic is here to stay. Can Indian education system, with its limited focus on application-based teaching, especially in government and university run schools and colleges, take it as an opportunity to leverage the availability of skill-based courses online?

However, statistics on basic technological infrastructure, key to success of e-learning, is not very encouraging. As per National Sample Survey report for 2017-18, only 4% of rural households and 23% of urban households possessed computers and laptops. Internet access is available to only 24% of households in the country. Nationwide survey done by the Ministry of Rural Development reveals that only 47% of rural households received electricity for more than 12 hours a day. Apart from urban rural divide, there is also a gender divide in use of internet. According to the Internet and Mobile Association of India's (IAMAI) India Internet 2019 report, only 33% women have access to the internet whereas 67% men have access to the internet. Connectivity issues, low internet bandwidth aggravates the problems. Hence it remains to be seen as to how India can leverage this e-learning boom. There is also a geographical divide when it comes to access to technology. The proportion of households with access to a computer varies from 4.6% in Bihar to 35% in Delhi. States like Kerala, Maharashtra, Punjab, Himachal Pradesh have more internet access as compared to Uttarakhand, Madhya Pradesh, Jharkhand.

The readiness of educators and students alike to accept online platforms for teaching and learning is very important for the success of this model. Teachers also need to be equipped to conduct online classes effectively. It is observed that teachers are also not trained to use online platforms for teaching and evaluation.

According to a survey done by National Council of Educational Research and Training (NCERT) with students, parents, school Principals, poor internet connectivity, disruption in electric supply and non-availability of laptops and mobile phones are the main reasons affecting students' online learning. With 37% of Indian households possessing a one room dwelling, it is difficult to expect a conducive and undisturbed environment for students to study.

E-learning is here to stay, at least a blended model of face to face and online teaching would become the new norm. It provides an opportunity to increase the spectrum of knowledge and improve the skills of participants. India cannot afford to miss it. With focus on development of necessary infrastructure, much can be achieved. As emphasised by Late Dr. Abdul Kalam, "India will need 300 to 500 million employable skilled youth and there's a need to completely change the university education syllabus and secondary school education syllabus". E-Learning can provide the impetus to increase the reach of relevant education and skills amongst Indian youth.

By Prof. Jyoti Nair

As emphasised by Late Dr. Abdul Kalam, "India will need 300 to 500 million employable skilled youth and there's a need to completely change the university education syllabus and secondary school education syllabus".

BORROWING, LENDING AND MANAGING ASSET FAILURES

India has witnessed quite a few business failures, especially in the airlines, auto, financial services, retail, mobile telephony and other industries and startups, from which the economy and the stakeholders such as, financial investors, customers, suppliers, employees, communities, have been reeling under significant economic losses. It has been seen in many cases that the lenders who are an important and an integral part of the team working for success of the project, take a defensive approach. In the next few pages the endeavour is to bring out the significance of the role of lender in financing a project and making success out of it.

Project plans: A company selects a project with a lot of hope on performance; and stakeholders make available resources for the project in expectation of returns that would energise most, to make investments without hesitation. At the beginning such energy is derived from the thoughts and capabilities expressed in the form of a Project feasibility Study. The project looks very attractive when on paper and desk. It seems there happens to be deliberations of primarily three parties who are taking the project forward. In these deliberations, the group of people who sponsor the project are the most enthusiastic about the project's capabilities. So, they are on one side. On the other side, stand the investors (includes lenders) who would decide to put in their money for primarily developing the project and may be, for running the project, thereafter. The third set of people are those who are necessarily contractors and would do work in accordance with what needs to be done in exchange of agreed payments. This group does necessarily carry little of business or financial risk of the project.

Even though the sponsors who would put in their money - may be only the initial capital which is not

enough for a financial closure, looks to be ready to take a plunge towards developing a successful project while taking substantial risks, the lenders are expected to put in larger amounts in order to provide a complete financial closure. Additionally, the sponsors could push for taking the benefit of higher return on equity emerging out of higher leverage in their financing plan. No doubt, lenders would carry high stakes.

While plans are drawn, the lenders are the ones who need to depend significantly on the capabilities of the sponsors who drive the project to success. It's a highly demanding and risk assigned need on the lenders. If the capabilities of sponsors are misjudged by the lenders, then there would be difficult days with the project going forward. It is important to note that if the sponsors are a wrong choice, the project is likely to be a failure and there goes the lenders money along with quite a few of others. Difficulty is, that one does not come to know easily whether sponsors are a wrong choice, before the project has gone into substantial development work picking up significant liabilities on the way. So, capabilities of sponsors have to be deciphered on hard facts. In addition, the lenders will need to assess the sponsors' truthful intentions in the success of the projects.

In India, there have been many cases where businessmen playing the sponsors' role got their projects financed by lenders, having hardly any intentions to repay the loan amounts. The lenders will need to gauge this behaviour at the earlier stages of releasing funds for the projects. The earlier it is sensed, the better.

Accountability : It is set as the maximum for sponsors because they are supposed to be the deliverers of the project performance. Responsibilities at every level of performance roll up to the project sponsors. And in that event the risks are placed to the maximum with maximum returns for the sponsors. So, if the sponsors fail, it is quite likely the project fails, and the lenders fail.

Commitments: The accountabilities are converted into commitments on paper through various agreements in case the funds are being raised through a "Project Financing" mode. Otherwise also, quite a few of these accountabilities are put in the loan agreements between the project company and the lenders.

A status review of the project assets and collaterals must be done in order to find what value can be derived in case these have to be used for value realization.

It is usual to come across security clauses specifying the asset coverage required against the loan provided. Such asset coverage will need to be maintained by maintaining in reality from time to time, the expected asset values of the category of assets provided as security. Normally, the loans drawn for investments in the assets would be a fraction of the value of such assets. It is normal to find a security coverage of 1.6x of the amount drawn, to be the asset value required to be maintained from time to time.

Apart from this, if there is a default in making payments towards interest and principal the lender will keep the right to access and charge other assets of the company and private properties of sponsors, in addition to the asset providing the security for the loan, for realizing the amounts payable by the project. This charge on other assets and properties of the sponsors is frequently known as collaterals. This type of clause is a general one and is normally available in agreements where "Direct Financing" route is taken which allows the lenders to take recourse of project assets as well as the collaterals for realizing their claims.

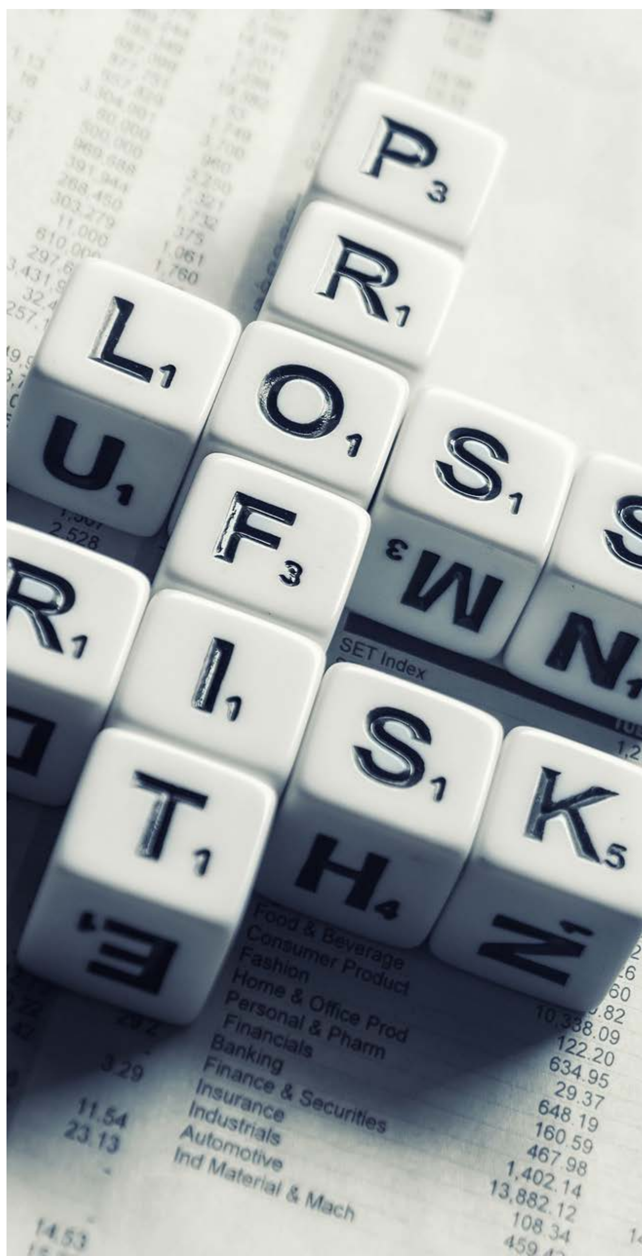
In addition, there is always a convertible clause stating that the lender reserves the right to convert the loans into a class of equity of the company to attain substantial voting powers. The purpose of this is to let the lender take decisions on the project as and when necessary, particularly when sponsors

and the project have not been performing. But this clause needs to be triggered in order for it to apply.

Reviewing performance and role of lender

When the performance of a project is evaluated, the lender has a significant role to play. In order for lenders to play a substantial role, the loan agreements would have a clause for the project company to agree to have representation on their Board of Directors, as nominated by the lender from time to time. Such nominated directors are empowered to play constructive role in each board meeting to (i) review performance against plans; and (ii) to establish the viability of the project towards returning their money along with interest.

In this area, the lenders (banks, financial institutions and other lenders) in India, so far, have been found to have failed to play any constructive role for the survival of the project. Whether it is drawing the correct conclusions from the analysis of performance against plans submitted at the time of raising finances for the project or in taking appropriate actions deriving from the powers they are entitled to, in both areas, most lenders have failed to perform favouring survival of the project.



If a project misses performance targets, it affects the financial balance agreed among all stakeholders. All of the financial claimants will have impacts, small or large, to bear. Because lenders would bring in substantial amount of money, their loss could be substantial. Questions to be answered are (i) whether the nominated directors capable enough to understand where the business is going; (ii) do the lenders really understand the business, its technology, its ability to recover missed performance targets in the near future, and the like.

The more we see businesses going bust, the more we get to understand that here our lenders lack significance. Not only the lenders need to have specialists in their employment rolls to strengthen the Advances and Recovery processes in banking and asset management, as also possess the attitude and ability to understand the minds of the sponsors. It is normal that the sponsors would provide enough rationale for the project missing performance targets at each such occasion and would guide that the future would look essentially good. And if this non-performance continues **- what should the lenders do? Should it not be proactive and turn course?**

Legal framework with respect to avoiding misuse of money: As per the Companies Act, 2013, Independent Directors being members of the Board of Directors (BoD) of a company must exercise controls that are necessary for the business to perform. An independent director has been assigned a specific role by the law. This has been brought in favour of strengthening the BoD of companies and making it run with professional management. These Independent Directors have significant role to play and are professional achievers in their own fields of work. A minimum of 1/3rd of the number of directors in the board should be independent directors as required for a public company limited by shares.

These positions have been brought in by the law in order to avoid and reduce fraudulent transactions

undertaken by companies. Money laundering is a part of this. Almost all cases of project failures have found traces of money laundering – meaning the sponsors have drawn money from lenders for one project but using it for some other. This type of cross financing has been quite a few, to say the least, in the financing business.

Additionally, section 134 (5)(e) of the Companies Act, 2013 specifies the role the directors need to play with respect to developing and maintaining operational and financial controls in the company from time to time. Also, it mentions that any fraud or the likelihood of it, needs to be brought to the notice of the BoD by the directors.

The companies, in addition, will need to report a fraud in excess of Rs. 1 crore to the Central Government. Auditors also, have been given enhanced role and responsibilities in this regard.

Enforcement of accountability and commitments of borrowers: In India, laws are there to guide law abiding citizens, but law enforcement can be termed as weak. Improving though in current times, but not as much, so that bringing all relevant commitments on paper and getting into a contractual relationship, will reduce the risk of non-performance. So, continuous improvement in enforcement and increased consciousness of businessmen towards respecting laws of the country will be of need for all times to come.

Business Failures: A business failure is defined as the one business that has failed from getting success in its development and commencement of operations and/or in running and operating at a sustainable level. Every project or business carries these risks. Successful implementation of these milestones makes the business live and contribute for long term to bring in economic benefits to the various stakeholders including the lenders.

If a business fails, then the stakeholders' claims fail. Like we have equity shareholders for whom the concept of residual amounts, which could be "nothing", is permitted against their claim, we have others who have contractually agreed claims will also lose money, substantially. While equity shareholders may not get anything, other claimants may get something out of the assets of the business that has failed, in accordance with the list of preferential creditors. The loss will vary according to the stakeholder rank in the list of preferential creditors when assets are monetized.

Question is, does a business fail suddenly, always? Does it not give indications of failure early enough through non-performance? If so, how do we then track a non-performance? If the failures are studied, it will bring out the details of how each non-performance has been treated and what decisions have been taken by lenders there and then.

If the nominated director and/or the independent director has not brought out his/her concern in the board meetings they were present, then how would the executive directors who are the performers of the business, should behave. They are likely to have a free hand in destroying value in the business/project, in favour of their vested interests.

On the other hand, the lenders in all likelihood, will not recognize the non-performance of the project in the decisions their financial organizations they represent, would take. They would look at the commitments made by the sponsors and be happy passing on all the responsibility of performance to the executives of the project basing their behaviour

primarily on the commitments obtained through written agreements. Also, in their books the lender will continue to create provisions for the interest income irrespective of the performance of the project for that period and also without reviewing the recovery possibility of such interest income, simply assuming better than normal performance from the business next time. Whether the business/project has the ability to return next time, better than normal performance, is the sponsor's guess. And when they turn Non-Performing Asset (NPA), the lender only needs to provide for it as per the lending norms established by the banking regulator.

Status of asset quality

While a project/business is turning into a failure, which it does over a period of time only, the lenders can play a very significant role to bring about and restrict loss of their principal amounts and some interest as well. The lenders will need to play a role as the circumstances would have demanded for. However, if the lenders get into the political dilemma, as they are under pressure to continue to support the sponsors and not take corrective actions, they would, in all probability, join the bandwagon towards business failure and in fact nurture it.

Lenders must come in contact with the independent directors, who, in addition to being independent, are supposed to be experts in their fields, and help them drive the discussions in the BoD meetings to arrive at feasible decisions for survival of the project. This may bring out solutions.

Negotiations through constructive discussions with the sponsors of the project, which is not performing, is a must. In the negotiations the lenders must find out what are the possibilities of saving the business from going dumps. While they seek a feasibility study from the sponsors to understand the revival possibility of business, the lenders should take count of the assets which have been provided as securities by the borrowers. A status review of the project assets and collaterals must be done in order to find what value can be derived in case these have to be used for value realization. If the revised feasibility does not work in favour of repaying all the operational liabilities, then the lenders must agree to negotiate with the sponsors to use the assets and collaterals for repayment. The lenders may have a scope for a better deal negotiated with the sponsors and windup the business.

Referring to the Insolvency and Bankruptcy Code, 2016 (IBC) is a last resort. Normally, substantial value of business is lost when it goes for the IBC process. Though IBC allows somebody to purchase the business at a value based on a tendering mechanism which takes time and effort to make it good for the lenders. In fact, in case of business failures, IBC may not be able to bring life to the business. If the lender is able to strike a deal without having to go through IBC process, it is likely that the claimants of the project including the lender would get a better deal.

Conclusions

Lending is not an easy affair. Both the lender and the borrower get tied up into creating substantial value for certain stakeholders as well as the economy. The lenders will need to be in continuous sync with the borrowers (project company) throughout the period of project development and running & operating the project so as to be able to attain returns for their investment.

While being in continuous sync with the borrowers,

the lenders must always play a constructive role in guiding the sponsors, supporting the sponsors wherever necessary, stop sponsors from taking any decision that undermines the project's viability and taking their own decisions with respect to an exit plan.

In order to perform the above, the lenders would need, from time to time,

a) capable people who are professional experts in their fields to work on behalf of the lenders; these people may have a contractual relationship with the lender to do proper due diligence of the project plans and critical analysis of performance of the project from time to time;

b) senior management people to have unhindered authority to make appropriate decisions from the time to time;

c) proactively initiate focused discussions through their nominated directors at the BoD meets (of the project company) for bringing out solutions to sustain the project's economic viability; and

d) a clear intent with clarity of purpose and its application during the project life, to make the project a success.

By Prof. Tapas Mitra

PRIVATE EQUITY AND VENTURE CAPITAL OUTLOOK IN INDIA – (2014 TO 2018)

Private equity is an alternative investment class and consists of capital that is not listed on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity. Institutional and retail investors provide the capital for private equity, and the capital can be utilized to fund new technology, make acquisitions, expand working capital, and to bolster and solidify a balance sheet.

A private equity fund has Limited Partners (LP), who typically own 99% of shares in a fund and have limited liability, and General Partners (GP), who own 1% of shares and have full liability. The latter are also responsible for executing and operating the investment.

Indian Private Equity & Venture Capital Association

IVCA is the oldest and most influential PE/VC Industry body in India, with the sole focus to promote the AIF asset class within India and overseas. IVCA's mission is to promote a healthy environment for the growth of private equity and venture capital, which is needed to support economic growth, good governance, entrepreneurship, innovation and job creation in India. IVCA stands for the values of good governance, environment protection and poverty reduction through growth of the private sector. It helps establish high standards of governance, ethics, business conduct and professional competence. We reach out to the far-flung areas of India and also stand ready to assist on a global scale to contribute significantly. IVCA is a nonprofit organization powered by its members. The members are influential firms from around the world, including private equity and venture capital venture capital, which is needed to support economic.

How Does Private Equity Work?

Private equity firms raise money from institutional investors and accredited investors for funds that invest in different types of assets. The most popular types of private equity funding are listed below.

• Distressed funding: Also known as vulture financing, money in this type of funding is invested in troubled companies with underperforming business units or assets. The intention is to turn them around by making necessary changes to their management or operations or make a sale of their assets for a profit. Assets in the latter case can range from physical machinery and real estate to intellectual property, such as patents. Companies that have filed under Chapter 11 bankruptcy in the United States are often candidates for this type of financing. There was an increase in distressed funding by private equity firms after the 2008 financial crisis.

• Leveraged Buyouts: This is the most popular form of private equity funding and involves buying out a company completely with the intention of improving its business and financial health and reselling it for a profit to an interested party or conducting an IPO. Up until 2004, sale of noncore business units of publicly-listed companies comprised the largest category of leveraged buyouts for private equity. The leveraged buyout process works as follows. A private equity firm identifies a potential target and creates a special purpose vehicle (SPV) for funding the takeover. Typically, firms use a combination of debt and equity to finance the transaction. Debt financing may account for as much as 90% of the overall funds and is transferred to the acquired company's balance sheet for tax benefits. Private equity firms employ a variety of strategies, from slashing employee count to replacing entire management teams, to turn around a company.

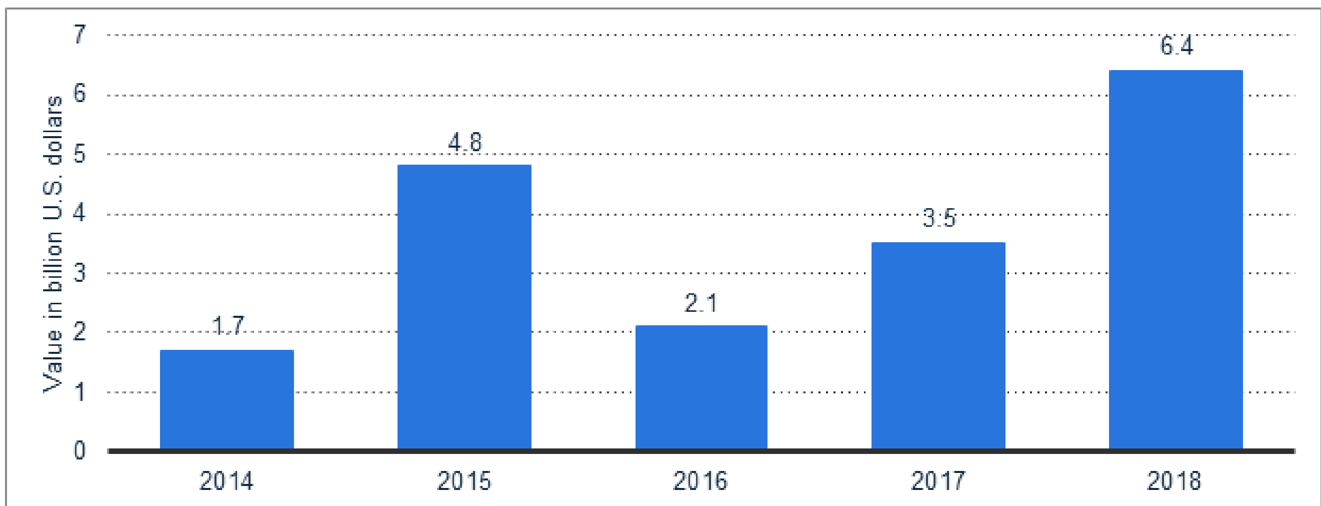
• Real Estate Private Equity: There was a surge in this type of funding after the 2008 financial crisis crashed real estate prices. Typical areas where funds are deployed are commercial real estate and real estate investment trusts (REIT). Real estate funds require higher minimum capital for investment as compared to other funding categories in private equity. Investor funds are also locked away for several years at a time in this type of funding. According to research firm Prequin, real estate funds in private equity are expected to clock in a 50 percent growth by 2023 to reach a market size of $1.2 trillion.

• Fund of funds: As the name denotes, this type of funding primarily focuses on investing in other funds, primarily mutual funds and hedge funds. They offer a backdoor entry to investor who cannot afford minimum capital requirements in such funds. But critics of such funds point to their higher management fees (because they are rolled up from multiple funds) and the fact that unfettered diversification may not always result in an optimal strategy to multiply returns.

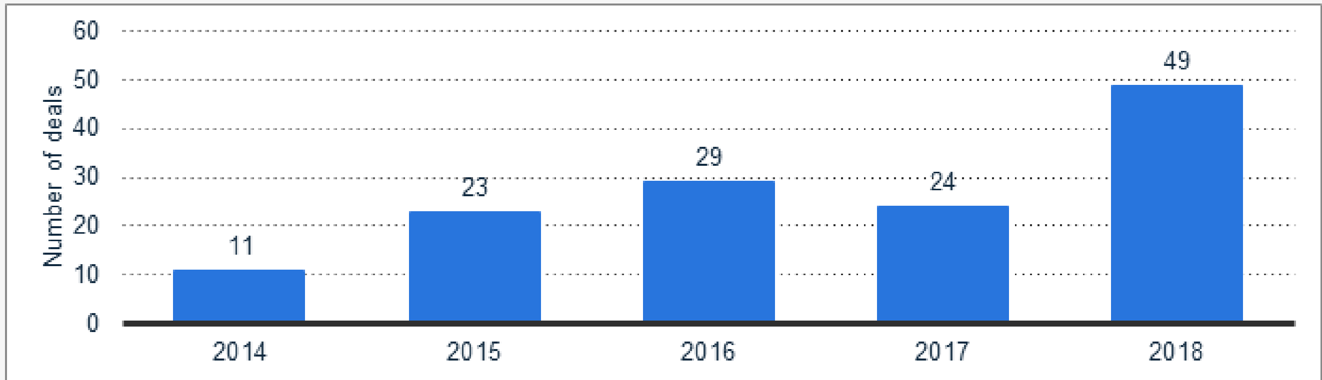
• Venture Capital: Venture capital funding is a form of private equity, in which investors, also known as angels, provide capital to entrepreneurs. Depending on the stage at which it is provided, venture capital can take several forms. Seed financing refers to the capital provided by an investor to scale an idea from a prototype to a product or service. On the other hand, early stage financing can help an entrepreneur grow a company further while a Series A financing enables them to actively compete in a market or create one.

Private equity and venture capital outlook in India – 2014 to 2018

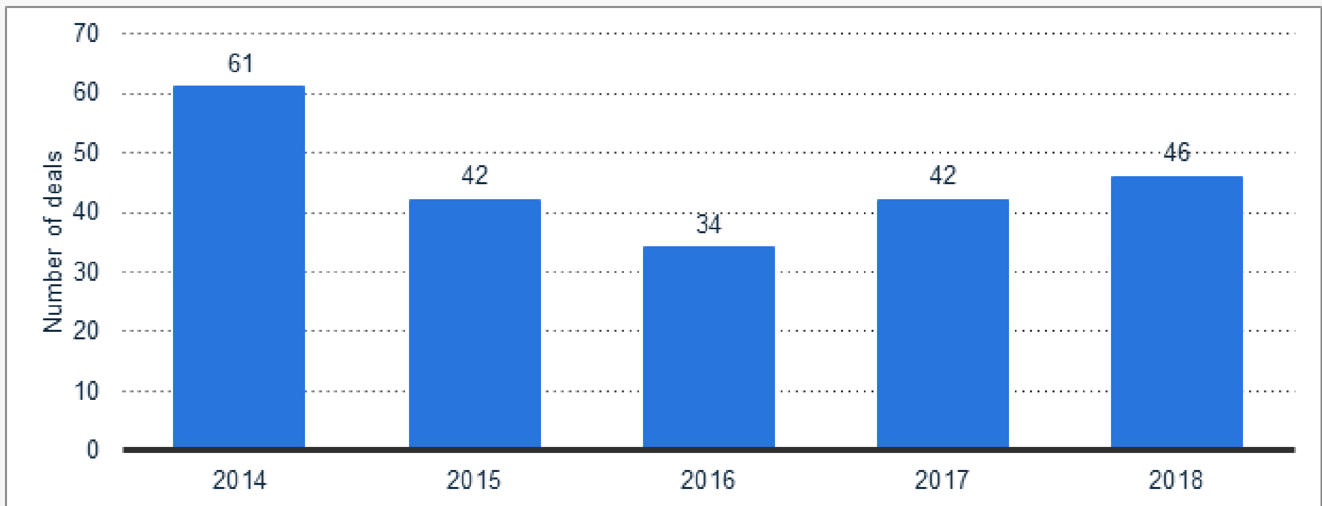
Value of private equity and venture capital investments in start-ups across India from 2014 to 2018 (in billion U.S. dollars



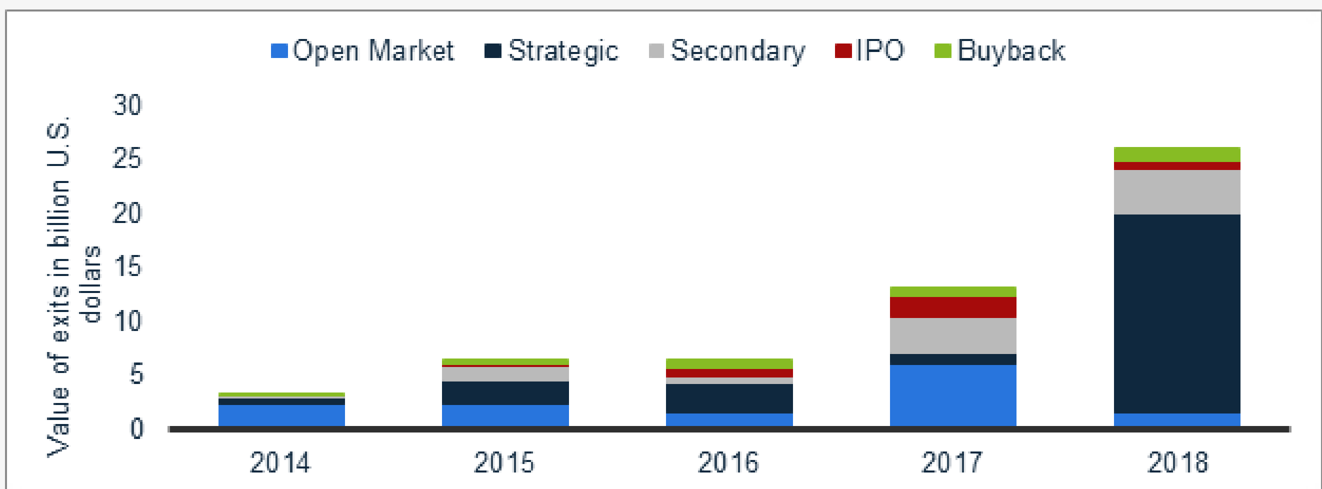
Number of private equity and venture capital buyout deals across India from 2014 to 2018



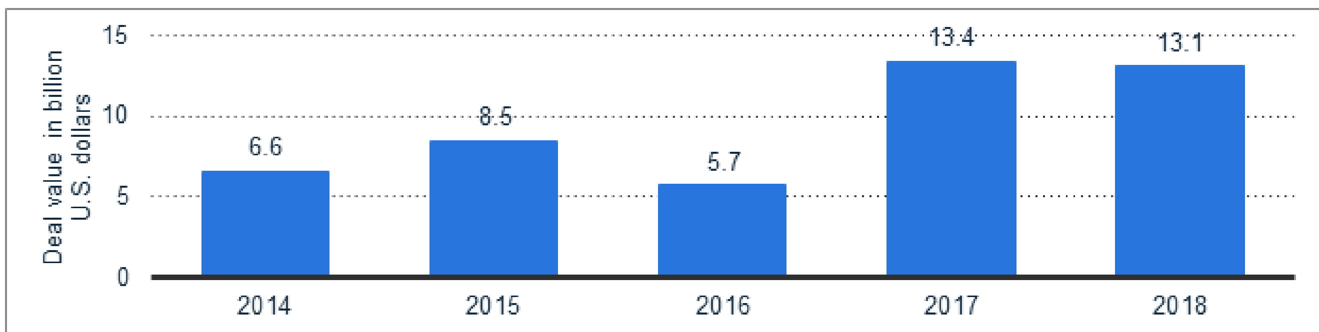
Number of private investments in public equity (PIPE) deals across India from 2014 to 2018



Value of private equity and venture capital exits across India from 2014 to 2018, by mode of exit (in billion U.S. dollars)



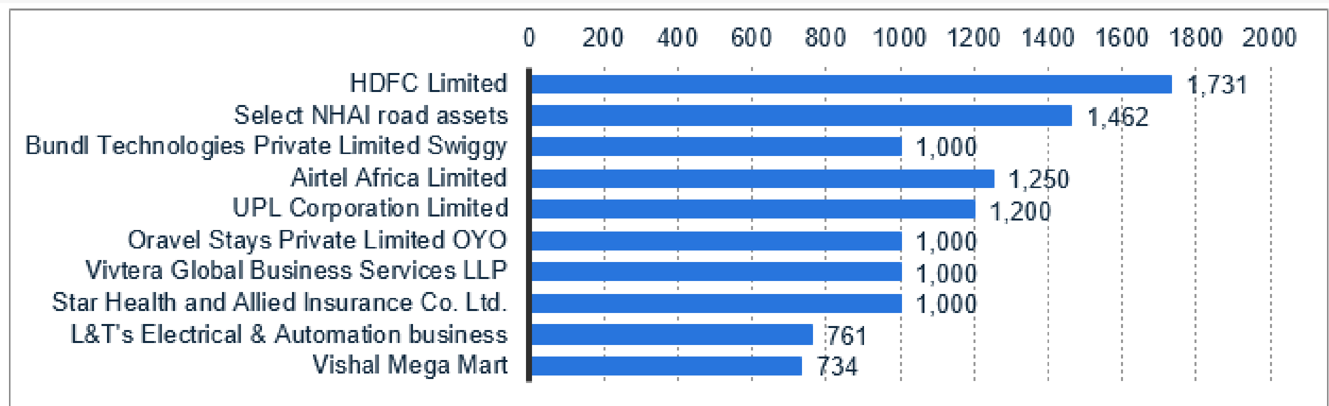
Value of growth capital investment deals in private equity and venture capital across India from 2014 to 2018 (in billion U.S. dollars)



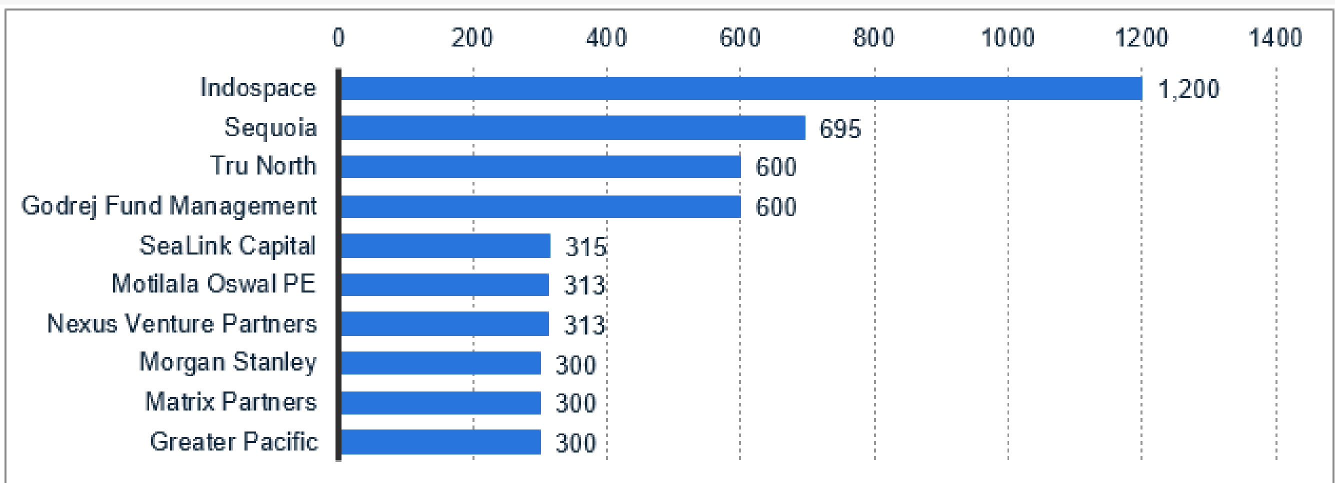
Looking back at 2018 (A record year): Private equity in India enjoyed an excellent year in 2018. Growth momentum continued, with investment value reaching the second-highest level of the last decade. While the usual sectors such as banking, financial services and insurance (BFSI) continued to grow, investments also spurted in varied sectors like consumer/retail, healthcare and energy. Consumer technology investments backed winners in both horizontals and specific verticals, while BFSI continued to see investments in nonbanking financial companies (NBFCs). Average deal size remained stable overall, even as deal size in consumer tech declined almost 30%. This was largely driven by the scarcity of consumer tech megadeals like the ones we saw in 2017, such as SoftBank's $2.5 billion investment in Flipkart. While local and global PE firms are still super active in the country, sovereign wealth funds (SWFs) and pension funds also continue to invest in a variety of sectors. New asset classes, which include alternative investment funds (AIFs), also continue to scale. One primary way to assess investor confidence in a market is to look at exit momentum and how it is trending. In that regard, the Indian PE market performed very well, with the highest exit values in the last decade. This was led by the $16 billion Flipkart sale to Walmart, but exit momentum was high even excluding that event. Consumer technology, IT and IT enabled services (ITES), and BFSI drove most of the exit values in the last year. These are also the sectors in which investments have grown during the past four to five years. Consumer tech and IT and ITES (including SaaS companies) have been relatively attractive sectors for funds and have demonstrated the highest returns (multiple on invested capital) over the last five to six years. Public-market sales were the most preferred route of exits, although strategic sales spiked in 2018, driven largely by consumer tech exits. Overall, exit momentum highlights investors' confidence in the Indian ecosystem and the public markets, and signals an overall maturation of the Indian PE landscape. We believe there is sufficient India-focused dry powder to ensure high-quality deals don't lack capital. Our surveyed funds identified BFSI, consumer/retail and healthcare as attractive investment sectors in the future. Consumer tech will also continue to see investments into scaled players. Going forward, funds believe that cost improvement and capital efficiency will become an even more important driver of returns. While most surveyed funds believe that returns will remain about the same, they continue to be concerned about high (and increasing) valuations and rising interest rates.

"Our surveyed funds identified BFSI, consumer/ retail and healthcare as attractive investment sectors in the future. Consumer tech will also continue to see investments into scaled players."

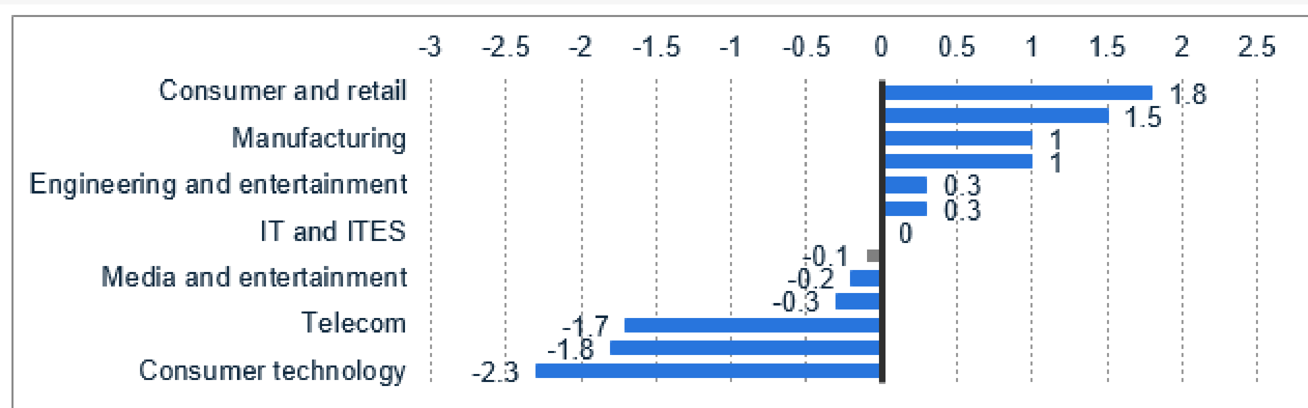
Top ten private equity (PE)/venture capital (VC) investment deals across India in 2018 (in million U.S. dollars)



Value of top ten private equity (PE)/venture capital (VC) fund raises across India in 2018, by company (in million U.S. dollars)



Value of private equity deals across India in 2018, by sector (in billion U.S. dollars)



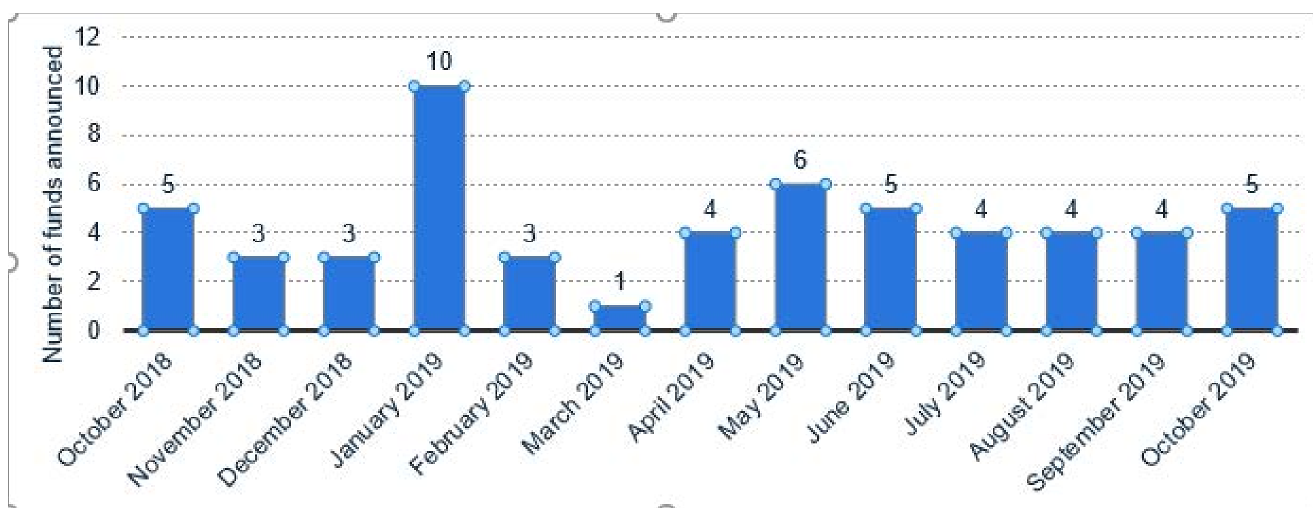
Investments: Continued momentum

India remained a hotbed for deal making in 2018. Investment momentum was robust for a second consecutive year, with total investment of $26.3 billion from approximately 793 deals during the year. While the deal volume was higher than in 2017, the average deal size was flat. The result was a small decline in total investment value, which still was the second-highest in the last decade.

Consumer tech and BFSI remain the largest sectors for investment by value, and contributed about 40% of the total deal value in the year. While consumer tech investment was still large at $7 billion, it shrank from more than $9 billion in 2017. This is typical of the sector, where investment values have fluctuated over the last five to six years. After a boom in 2014–15, when India saw a flurry of investments in early-stage Internet and e-commerce companies, investment value declined in 2016 as consumer tech companies struggled to find the right product-market fit and a path to profitability. Over the last couple of years, the sector has staged a resurgence of sorts, with clear winners emerging in such subsectors as horizontal e-tailing (Flipkart), vertical e-tailing (Bigbasket, Lenskart, Pepperfry), food (Zomato, Swiggy) and travel/hospitality (OYO Rooms, Ola). As a result, over the past few years, we are seeing fewer but higher-quality deals in consumer tech, with investors backing winners to scale further.

The other sector to remain dominant is BFSI, which attracted almost $5 billion of investments in 2018.

Number of private equity (PE)/venture capital (VC) funds announced across India in 2018 and 2019, by month (in million U.S. dollars)



Key Barriers for Private Equity in India

Foreign Direct Investment – Venture Capita:

Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provisions of the Foreign Exchange Management Act (FEMA) 1999. Under the FDI Scheme, investment (Equity, Compulsorily Convertible Preference Shares, Compulsorily Convertible Debentures, ADR /GDR, etc.) can be made by a non-resident in the Indian Company, under the following routes:

Procedure under Automatic Route

FDI in sectors/ activities to the extent permitted under automatic route does not require any prior approval either by the Government or RBI.

Procedure under Government Approval

FDI in activities not covered under the automatic route, requires prior Government approval. Such proposals are considered by the Foreign Investment Promotion Board (FIPB). With the new master circular on FDI being issued by the RBI, SEBI registered FVCI are allowed to invest in domestic venture capital undertakings and domestic venture capital funds through the automatic route subject to the SEBI regulations, RBI Regulations and FDI Policy (sector specific caps). However, in case the entity undertaking venture capital fund activity is a trust registered under the Indian Trust Act, 1882, FDI would be permitted with approval.

Taxation – Venture Capital

Indian VCFs are entitled to tax benefit under Section 10(23FB) of the Income Tax Act. Any income earned by a SEBI registered VCF (established in the form of trust or company) set up to raise funds for investment in a VCU is exempt from tax. “venture capital undertaking” means such domestic company whose shares are not listed in a recognized stock exchange in India and which is engaged in the

(i) business of:

- Nanotechnology;
- Information technology relating to hardware and software development;
- Seed research and development;
- Bio-technology;
- Research and development of new chemical entities in the pharmaceutical sector;
- Production of bio-fuels;
- Building and operating composite hotel-cum-convention centre with seating capacity of more than three thousand; or developing or operating and maintaining or developing, operating and maintaining any infrastructure facility as defined in the Explanation to clause (i) of sub-section (4) of section 80-IA; or
- Dairy or poultry industry

By Prof. Prakash Rathod

Alumni Articles

ARGENTINA DEBT CRISIS – A BRIEF OVERVIEW

Argentina is one of the most awe-inspiring countries in the world, with beautiful glacial landscapes, origin of tango performances, impressive wine and food scenes, and of course, known for football (all hail Messi). Recently it has been again in news for its debt crisis. Here's everything you need to know about how Argentina got to this point, and its current situation

Let's look at how it all started:

Argentina is classified as a frontier market across capital markets around the globe. Argentina was under many years of military dictatorship until 1983 when democracy was restored with the election of President Mr. Raul Alfonsin. The economy was in tatters, afflicted by the corrupt rule of military dictatorship. The Falkland war in 1982 subsequently led to $45 bn in debt (interest charges alone was exceeding trade surplus) in 1983.

Though the new government under Mr. Raul's presidentship had an intent to stabilize the economy by undertaking various policies aimed to reduce government budget deficits majorly focusing on servicing the huge outstanding debt in the books of the Argentinian government. The government also introduced Argentinian Austral as its new currency. And the common question which arises is, why was the Argentinian Peso replaced by Austral, in 1985? This change was incorporated to curb the hyperinflation in the country, which triggered and began rising before the 1980s. Along with the debt crisis in 1982 which added fuel to it, thus resulting in Argentina printing more money & this eventually led to an average annual inflation rate of more than 300% in 1982, causing a severe depreciation to the Peso's value.

However, all these measures went in vain because the fiscal policy was discoursed by massive off-budget spending and loose monetary policy, and this, combined with a crash in commodity prices in the 1980s, ended with the failure of the Argentinian Austral. When the Austral was introduced in 1985, ARS(Austral)/USD was 0.875, but the Austral depreciated to such an extent in the next six years that by Dec 1991, one had to pay 10,028 Austral to buy $1 (ARS/USD was 10,028).

ARS/USD Exchange Rate

Argentina-Currency Type	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Argentina Old Peso	1975	22.65	23.45	28.35	36.45	47.00	53.00	66.50	76.00	110.00	142.50	132.50	127.50
	1976	196.00	270.00	325.00	255.00	245.00	247.50	250.00	263.00	247.00	245.50	273.00	276.00
	1977	297.50	332.50	342.50	364.50	372.50	390.00	411.50	437.50	468.50	510.50	550.50	599.50
	1978	636.50	679.50	717.50	759.50	765.50	783.50	797.50	832.50	861.50	911.50	956.50	998.00
	1979	1,048.50	1,098.50	1,151.50	1,202.50	1,257.50	1,310.50	1,365.50	1,414.50	1,463.50	1,515.50	1,567.50	1,611.50
	1980	1,659.50	1,698.50	1,745.50	1,782.50	1,819.50	1,854.50	1,872.50	1,910.50	1,932.50	1,946.50	1,972.50	1,997.50
	1981	2,038.50	2,267.50	2,485.50	3,200.00	3,625.00	7,050.00	7,200.00	7,300.00	7,590.00	9,050.00	11,100.00	10,400.00
	1982	10,300.00	10,000.00	11,850.00	14,800.00	21,250.00	24,250.00	38,500.00	49,000.00	47,500.00	55,000.00	63,500.00	68,000.00
	1983	69,250.00	80,000.00	93,250.00	93,500.00	98,500.00	11.50	14.75	19.30	25.90	24.10	24.15	25.65
	1984	35.25	44.85	52.85	58.40	65.65	73.65	82.25	108.50	121.80	139.25	180.50	205.00
From June 1985 Australes (Highlighted in green)	1985	266.00	356.00	464.00	557.50	673.00	0.86	0.95	0.95	0.90	0.93	0.87	0.88
	1986	0.89	0.87	0.93	0.91	0.89	0.88	0.93	1.17	1.21	1.27	1.43	1.67
	1987	1.61	1.72	2.04	2.07	2.06	2.15	2.55	3.08	3.63	4.05	4.36	5.10
	1988	5.50	6.18	6.48	7.35	9.21	11.32	12.65	14.40	14.96	15.08	15.60	16.41
	1989	17.72	28.20	41.00	65.00	167.00	470.00	665.00	665.00	650.00	723.00	920.00	1,350.00
	1990	1,870.00	4,150.00	4,875.00	4,925.00	5,005.00	5,310.00	5,465.00	6,305.00	5,730.00	5,570.00	5,170.00	5,820.00
	1991	7,120.00	9,720.00	9,630.00	9,833.00	9,923.00	9,993.00	9,973.00	9,973.00	9,903.00	9,913.00	9,909.00	10,028.00
From Jan 1992 Argentina Pesos- Till now (Hughlighted in blue)	1992	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99

Source-: https://www.argentina.gob.ar/economia

Series of Default Started in the 1980s

In the 1980s series of defaults started, the first in 1982 when the Latin American debt crisis happened as these countries had taken a lot of loans (from US and British banks), and Paul Volcker in the US raised the effective fed fund rate (policy rate) to 20% to tame the inflation in the US, leading to depreciating the US and Argentinian currencies (Argentinian Peso before 1985). This ballooned the interest payment in US dollars, and by 1982 one had to pay 68,000 Argentinian Pesos (ARS(Peso)/USD in 1982 Dec was 68,000) to buy $1, resulting in a default.

The next default happened in 1989 when the series of measures to curb inflation didn't produce the intended results, causing an inflation rate of around 5000% in that year.

Market Reforms in the 1990s & Economic crisis 1998-2002

Various Market reforms were introduced in 1991, to make Argentina a free market economy. The first major reform introduced was to replace the Austral with the Peso at a rate of 10,000 Austral for 1 Peso in Jan 1992, which helped stabilize the exchange rate thereafter. Here, the new currency was fixed at par to the dollar (Argentine Currency board) in an attempt to eliminate hyperinflation and stimulate economic growth, which initially served the purpose. Along with this, massive privatization and labor deregulation laws encouraged foreign investments and infused the country with cash to finance its fiscal deficit.

But many internal and external factors led to the economic crisis in 1998-2002 and subsequent series of defaults. The major factors contributing to the economic crisis were the devaluation of the brazil real in Jan 1999 (one of the major trading partners of Argentina), low prices for agricultural commodities, and appreciation of the US dollar (to which the Peso was pegged at par) were few of the major reasons.

The board currency concept had some major flaws, like the unlimited convertibility between its notes, coins, and the currency against which they are pegged at a fixed rate of exchange with no restrictions on current account or capital account transactions (fully convertible). Besides this, the other major limitation was that it did not allow complete control of credit flow and monetary policy in an economy as interest rates and inflation are aligned to the country against whose currency the peg is fixed.

All these limitations led to the abandonment of the peg in January 2002 to allow the Peso to float freely, resulting

in the depreciation of Pesos by almost 75% against the US dollar in a matter of months and subsequently stabilized in 2003 at a rate of 2.9 Pesos per dollar.

Series of Default started in the 2000s fueled by economic crisis & subsequent restructuring of debt

In 2001, the recession triggered by the economic crisis (1998-2002) wiped out about 2/3rd of the nation's GDP, the country had 5 presidents in 2 weeks and declared the largest default by any sovereign government at that time in history. Payments of $95 billion worth bonds were halted, creating subsequent restructuring of deals with creditors in 2005 and 2010. Although most of the creditors agreed to take 30 cents on the dollar offered, few hedge funds led by billionaire Paul Singer (owner of Elliott Management Corp) demanded full repayment.

As Singer and other holdout creditors were not agreeing, Argentina's economy default again in 2014, but there was a legal dispute which was resolved in 2016 by president Macri, who paid Argentina's holdout creditors so Argentina could regain access to international debt markets.

What is Argentina's current situation?

Recently in May 2020, Argentina again defaulted to payout around $500 mn in interest payment and was negotiating to restructure its loans with creditors. They were successful in negotiating to restructure $65bn debt with creditors, where the creditors will be paid 54.8 cents on the dollar with additional offers, to avoid its 9th default (since the country's independence-1816) and 4th default since 2000.

Overall, Argentina needs to better manage its fiscal policies (as of 2020, the fiscal deficit is 10% of GDP) with a stable government and an intent to reduce public spending. At the same time, they should fuel economic growth through private equity investments by instilling the confidence of the investors to get out of the vicious cycle of defaults.

By Sachin Sharma

Argentina needs to manage its fiscal policy better by reducing public spending. At the same time, economic growth should be fuelled through private equity investments

MENTAL HEALTH IN TIMES OF A CRISIS.

Depression, stress, anxiety and worry, we all have experienced at least one of these emotions at some point of time in our lives. Sadly speaking, amidst the crisis that we are facing today, this has increased noticeably. This is my attempt to share how as an individual you can effectively deal with these emotions and not allow them to overpower you. Firstly, you need to understand that you alone have the choice and power to reconstruct yourself in a proactive way with optimism and energy, no one else can do it for you even if they are willing to. If you are suffering from any pain of loss and change, it will not disappear completely, but it will definitely fade away. History is replete with examples that many a greater person has emerged after experiencing the unexpected. Below are some steps that will help you combat these emotions in an effective way.

Recognize: Recognize that you are emotional, and just like weather, emotions come and go and are not controllable. Emotions are strong and very tempting to act on. Relax. Don't act on them. Search for truths and facts and apply logic and reason to solve an issue. If you can't recognize when you have been emotional, think of a time when you felt compelled to act on your emotions and how you felt about yourself after that. Always have an end in mind and take steps to ensure that the end is positive.

Inhale and Exhale: Before you take a big, deep breath, try a thorough exhale instead. Push all the air out of your lungs, then simply let your lungs do their work inhaling air. Next, try spending a little bit longer exhaling than you do inhaling. For example, try inhaling for four seconds, then exhale for six. Try doing this for two to five minutes.

Accept and Act: Accept that emotions are a part of life. You will never be able to control someone else's behavior or attitude towards you, all you will be able to control is your response, work on that. Imagine or remember a time when someone you really cared for felt really bad about themselves. Overcome with guilt and difficult to console. Imagine you at your best self, what would you say to them? Do with them? Do for them? Treat yourself as you would a loved one.

By Bushra Shaikh

Alumni Articles

THE DARK TRUTH OF MONEY LAUNDERING

INTRODUCTION

Money laundering is the process by which large amount of illegally obtained money is given the appearance of having originated from the legitimate source. In simple terms it is the conversion of black money into white money. At times people also refer to it as a victimless crime but the reality is that it is not a crime against a particular individual, but it is a crime against nations, economies, rule of law and world at large. Money laundering has become a worldwide menace. As per IMF reports the turnover of this industry could be somewhere around $1.5 trillion making it world's third largest industry.

Money laundering has gained increasing significance in the recent times. It has potentially devastating economic, security and social consequences. It has been recognized as a source of funding for terrorist activities and other serious crimes to expand their criminal enterprises. The process of globalization has led to the high integration of capital markets, here money laundering can adversely affect currencies and interest rates as the laundered money ultimately flows into the global financial systems undermining national economies and currencies. Further, the communications revolution has made crime increasingly international in scope, and the financial aspects of crime have become more complex due to rapid advances in technology. The spread of international banks all over the world has facilitated the transmission and the disguising of the origin of funds. This may have devastating social consequences and poses a threat to the security of any country.

IMPACT

The impact of money laundering can be summed up into the following points:

- Potential damage to reputation of financial institutions and market.
- Weakens the "democratic institutions" of the society.
- Destabilizes economy of the country causing financial crisis.
- Give impetus to criminal activities.
- Discourages foreign investors.
- Encourages tax evasion culture.
- Results in exchange and interest rates volatility.
- Provides opportunity to criminals to hijack the process of privatisation.

LAWS

Prevention of Money Laundering Act, 2002 (PMLA) was passed in 2002 to prevent money laundering and to provide for confiscation of property derived from money laundering and matters connected therewith. It forms the core of the legal framework put in place by India to combat money laundering. PMLA and the rules notified there under came into force with effect from July 1,2000.

In November 2004, in an effort to meet international recommendations, the Indian Government established the Financial Intelligence Unit (FIU-IND) an independent body reporting directly to Economic Intelligence Council (EIC) headed by the Finance Minister. At the same time, the PMLA provides the FIU-IND with the authority to access financial, administrative and law enforcement information from a variety of sources for analyzing suspicious transaction reports.

Money laundering is not a crime against a particular individual, but it is a crime against nations, economies, rule of law and world at large

FIU's prime responsibility is to gather and share financial intelligence with the regulatory authorities including the Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority (IRDA).

The Act also provides that every banking company, financial institution and intermediaries shall maintain a record of all transactions, the nature and the value of which may be prescribed and furnish this information when required to do so. They are also required to verify and maintain the records of the identity of all its clients in the prescribed manner. Such records shall be maintained for a period of 10 years from the date of the transactions between the clients and the financial institution. Further, where a registered company is found to have committed an offence under money laundering, every person who, at the time when the contravention was committed was in charge of, and was responsible to the company, for the conduct of the business of the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

CASE

In October, 2012, in a first-of-its-kind move, Enforcement Directorate (ED) attached bank accounts in Switzerland in a money laundering case against Sayed Mohammed Masood, chairperson

of City Limouzines and other companies of City Group. Masood was booked under several provisions of Prevention of Money laundering Act (PMLA), 2002 in a multi crore Ponzi scheme. ED claims to have found $1.25 million stacked in several overseas bank accounts.

ED claims to have unearthed huge money laundering involving Masood in India and abroad. The agency said it had issued as many as 14 orders attaching moveable and immoveable properties in India with a market value of over 130 cr. in the names of City Group of Companies owned by Masood, his wife Chand Masood Sayed, daughter Masood Sayed, son Jibran Masood Sayed and other directors.

CONCLUSION

We can refer that Money Laundering is global problem and must attract global concerns. Without international cooperation money laundering cannot be controlled. The criminals outsmart the enforcing agencies and deploy a team of experts like chartered accountants, attorneys, banker's mafia, to disguise their illicit money and masquerade it as legitimate income. The nexus between white-collared criminals, politicians, enforcing agencies and mafias cannot be ruled out. Bankers play the most prominent role and without their connivance the operation cannot be carried out. Development of new high-tech coupled with wire transfer of funds has further aggravated the difficulties to detect the movement of slush funds. The international nature of money laundering requires international law enforcement cooperation to successfully investigate and prosecute those that instigate these complex criminal schemes. Last but not the least it is vitally important to keep in mind that simple enactment of Anti-Money Laundering Laws is not enough, the law enforcement community must keep pace with the ever-changing dynamics of money launderers who constantly evolves innovative methods which helps them to stay beyond the reach of law.

By Snehal Brid

Money Laundering is a global problem and must attract global concerns. Without international cooperation money laundering cannot be controlled.

Alumni Talks

Alumni Talk

For me structuring deals & doing issuance of newer products for instance CB repo, MLD's has been an enriching & rewarding experience so far

Mr. Sachin Sharma
(MMS – Finance, 2015-17 Batch)

"People who graduate from B-schools and move into the real world are associated with unique stories." A place where knowledge is not the only factor which determines the worth of an individual. Attitude, personality, soft skills, hobbies, confidence and abilities also do take a pivotal role once one moves beyond the security of being a student. The talk ahead focuses on the perspective of an alumni of N. L. Dalmia Institute of Management Studies and Research, who has shared his memories and talked about his achievements and challenges that he has faced in his journey so far.

How a Business degree from NLDIMSR set us apart from your other colleagues?

NLDIMSR alums, faculty & quality education are of a really good repute, and this helps to get an edge in the industry. In a very short span of time the alumnus of the college had made their mark in the industry, especially in the fixed income space. It is the practical knowledge taught inside the classroom from the industry experienced faculty which has really helped me understand the basics & the further build-up of financial concepts. These concepts have helped make us ready for the industry & also helped speed up our learning when your basics are clear, building up concepts doesn't take much that much effort & time.

Where I work, I have seen fund managers in AMC's, research heads, and bankers who are our alumnus across various roles and doing really well. Certainly, this has helped recent graduates to get better roles in the industry. Our alumnus has created goodwill in the market through their work & knowledge. Additionally, it also creates a sense of responsibility that recent graduates like should continue the legacy with excellence by doing good work in whichever organization & roles we are working in.

How has been your journey after graduating from NLDIMSR ?

I joined as a Treasury dealer – Market Desk at L&T Financial services - that was an enriching experience as it gave me a decent perspective of how the FI market works in India. Subsequently,

"I slept and dreamt that life was joy. I awoke and saw that life was service. I acted and behold, service was joy."
– Rabindranath Tagore

I joined as a valuation controller in JP Morgan for their linear rates trading desk, specifically for their interest rate delta positions, it gave me a strong understanding of how large OTC derivatives are traded in international markets & various aspects related to the valuations risk. So, the combination of the above two profiles (front office + risk & control) provided me with a holistic view as to how dealing desks along with the risk & control units work in an IB.

I feel the most common hurdle an individual face is understanding about human dynamics within a team/organization, as learning work will not be a challenge, but the most important part is how well you work with the team or the people by avoiding the noise which might affect your work. Understanding these dynamics is tacit knowledge, and it comes with time & experience.

Presently, I am working in the Fixed Income valuations team at NSE, where we primarily construct the yield curves on various parameters like sectors, ratings etc. & includes various aspects related to valuation models for finalizing the yield curves, which is subsequently consumed by various stakeholders for the purpose of the valuation.

For me structuring deals & doing issuance of newer products for instance CB repo, MLD's etc. has been an enriching & rewarding experience so far.

What message or advice would you like to give to juniors pursuing Business Administration Studies and are ready to take the big steps in their career?

Ans. Being aware, in general, about what is going around not only in India but also in the world really helps & gives perspective. Balance sheet and P&L numbers are always the result of human decisions & being aware will really help to understand the rationale behind these decisions.

The most important thing which I learned was time management which I would like the young leaders to follow. I would like to share an instance from my college days as it was the first time I was going to commute on regular basis from the local train (Churchgate to Mira Road), and I realized that 1 hour is your own time & honestly I have learned a lot during those transits.

I'm also sharing a quote which is really close to my heart.

"I slept and dreamt that life was joy. I awoke and saw that life was service. I acted and behold, service was joy." – Rabindranath Tagore

"The major hurdle is to select your career path and decide where you want to stand in the coming years"

Ms. Aditi Gupta
(MMS Finance, 2015-2017)

Being a student is one of those experiences you would most likely never forget, from the first day you step unto campus grounds, through to post-graduation. For many NLDIMSR graduates, the future lies beyond the walls of their alma mater. Alumni of this institute have made significant strides from establishing start-ups, working in the corporate world to impacting the community through social projects.

Nevertheless, there are a few who have found their niche contributing to the community in a variety of ways and being a source of inspiration and guidance to many students. Below is one of our alumni who is sharing how his journey as student began and what keeps him up with everyday challenges in the corporate world.

How have the skills you learned both inside and outside of the classroom translated to your current role?

A: The classrooms at Dalmia was always full of ideas and important questions. It was about those discussions with friends a few days before exams where we could clear all the doubts, whether silly or important.

While within the 4 walls of the classroom I learnt all the theoretical fundamentals about business and finance. It was only outside of those 4 walls that I got my people skills while interacting with batch mates, juniors and seniors. While inside the classroom professors taught us all the formulae of finance. It was in the library while discussing projects that we discovered how to use those formulae to make something meaningful. A well balanced in-classroom teaching and outside-classroom mentoring made me into a fine investment analyst that I am today.

One major differentiating factor was the Bloomberg lab that NLD has which sets us apart from others. The teaching faculty of Finance focused on teaching from CFA books which definitely was an added advantage in terms of the syllabus being taught.

How has been your journey so far and what challenges have you faced in the meantime and how did you conquer them?

A: I got placed in CARE Ratings Ltd. from campus as a Rating Analyst in the BFSI sector.

I worked there for almost 3 years. Currently, I'm working as a Credit Analyst in PGIM India Asset Management Pvt. Ltd. The knowledge and management skills learned during the MMS course were practically applied in the corporate job. The major hurdle is to select your career path and decide where you want to stand in the coming years. The major thinking goes into deciding when is the time to shift from your current role and what you want to get into.

While working at my job, there was once a situation where I had to deal with a big client and the exercise went for more than a year. At times, it got frustrating at work, but what I realized from this experience is that the kind of learning I got from working at such a high profile case was not otherwise possible. It was rewarding at the end of the exercise, when you know you have done the job right and gained appreciation from the seniors and the industry.

How do you keep yourself motivated?

A: Setting short term goals for yourself and working towards achieving them is the way you remain motivated. By doing so, you are automatically setting path for your long term plans. One more way of keeping yourself motivated is by not comparing yourself to others instead have a comparison with the older you to the current you.

'The Secret' by Rhonda Byrne is an excellent book which I would recommend for everybody to read. It is a self-help book which teaches you the 'Law of the Universe' and gives you a reason to think positive and believe in yourself. It motivates you to achieve your goals.

What advice would you like to give to young students pursuing Business Administration Studies and are prepared to take the big steps in their career?

A: This year is no doubt difficult due to the pandemic and the new normal of virtual studies, however take it as an opportunity to learn the syllabus well and also analyse the economy in these times of recession. Do not worry about your placements, and currently focus on making the most of this course and the faculty. Opportunities will definitely knock the door of those who have done their hard work on a consistent basis.

What was your favourite memory from NLDIMSR?

A: The festivals like Aakarshan and others during the first year of college were great fun and they also helped in knowing the classmates and the seniors. They were a great source of entertainment along with team building activities and a great start to an academic course for a newbie.

The major hurdle is to select your career path and decide where you want to stand in the coming years. The major thinking goes into deciding when is the time to shift from your current role and what you want to get into

"I'm not only ensured upgrading my knowledge but also aimed at improving my social and interpersonal skills to upscale myself as an individual."

Mr. Tanmay Rawal
(PGDBM Finance -2008-10)

Education from NLDIMSR gives our students the confidence to master anything they want to accomplish in life. Our Alumni's have made significant leaps from establishing start-ups, working in the corporate world to impacting the community through social projects. A real example of the same is an Alumni who has shared how his journey from Mumbai to abroad and what drives him to face his obstacles in the corporate world.

What would you say is the most beneficial thing you learned and experienced whilst at NLDIMSR? How do you use that in your current role?

A: First few things that come to my mind - Curriculum wise, gaining theoretical knowledge of finance and economics and understanding its practical implications on the global markets; from a personal attribute point of view, I believe it made me an 'analytical crackerjack' and helped me in enhancing my social skills which knowingly or unknowingly helps me sail through in my current role or for that matter any role that I have performed.

I wouldn't say it set me apart or maybe I do not look at it that way - but the cushion of knowledge that the Institute provided, certainly made me more confident in the corporate world.

How has been your journey so far and share with us any of your favourite memory from NLDIMSR?

A: Not much of a hurdle but as a journey - I was campus recruited by J.P Morgan as a fresh graduate from Mithibai College; back then to be honest, I did not have much of an idea as to what a Financial Institution is but was very curious to be a part of the corporate world.

Then, as every young professional, there was always a tussle between further studies and work. So, at one point, along-with broadening my horizons in the corporate world, I pursued my Masters in Commerce and started preparing for B-schools. After spending a tad bit over 2 years, I saw my-self through in NLDIMSR – a top notch institute that checked all my requirements.

During my course, I not only ensured upgrading my knowledge but also aimed at improving my social and interpersonal skills to upscale myself as an individual. I was then fortunate enough to be amongst the first few students who were recruited by the first broking firm that hit the campus. After spending some time as a 'Wealth Manager' in one of country's top broking firm, I got an opportunity to start my second stint with J.P. Morgan, this time as a 'Financial & Markets Controller' for Investment Banking clients across Asia Global Emerging Markets; post which I explored my opportunities within the bank and in no time was called to Singapore to be a part of the banks Compliance framework. I then, for a brief period, was associated with Standard Chartered Bank working on regulatory tax reforms across the globe before I decided to move back to what's called my second home 'J.P Morgan', this time as part of Risk & Compliance catering to Asset & Wealth Management clients.

As a far as Dalmia is concerned I had many cherish able memories - daily interaction with professors which gradually became more open and candid, studying and hanging out with fellow mates, dancing in Aakarshan, participating in inter b-school events and the list goes on…. but the one thing that I cherished the most was winning marketing events like 'Ad-mad' and 'Marketing Warfare' despite being a finance student, it just explains how well the course was all rounded despite specializations.

What was the motivating factor behind going abroad and how does the work culture abroad differ from the Indian context?

A: Well, I'll be very honest here – when the opportunity hit, my first thought was "hey, I guess with this I can re-pay my home loan really quick". Now, it's been over 7 years and the multi-cultural bustling city gave this young 'mumbaikar' good enough exposure and challenges that keeps him motivated and gets him to explore more. It certainly is very different as on a daily basis you have face-to-face interactions with people across geographies and cultures. Trust me, it does play a big role in the way things get done as you need to be more sensitive and adaptive. Although, I hate to say this and hope it changes in due course of time – but the location still does matter and plays a very important role in the way global conglomerates function.

Studying at NLDIMSR made me an 'Analytical Crackerjack' and helped me in Enhancing my Social Skills to sail through on my current role.

What has been your most challenging or rewarding experience so far?

A: During my stint at J.P Morgan, Mumbai, I was nominated to work on a pilot project mandated by the 'Reserve Bank of India' and 'Ministry of Finance'. At first, it was highly challenging as it was the very first year that any foreign financial institution with a Derivatives portfolio in India had to submit its stressed portfolio for it to be published in the 'Financial Stability Report', but having sailed through that phase, I believe it set a robust platform for the opportunities to come my way and hence I believe it to be one the most challenging yet rewarding experience for myself.

What message or advice would you like to give to juniors pursuing Business Administration Studies and are ready to take the big steps in their career?

A: Well, not much of an advice, but through experience, I'd suggest do not be hell-bent on one role or one industry, when it comes to recruitment, the corporate world has a lot to offer and you will be pleasantly surprised with the interesting opportunities that will come your way. Go out there with an exploring mind-set and you certainly will find your interest. Also, stay in tune with your personal interests & hobbies as these are the factors that helps you rejuvenate and hustle it out in the corporate jungle out there. Cheers, all the best!!

"Apart from technical skills and subject knowledge the most important skills that anyone requires to thrive in the corporate world is the softer skills"

Ms. Jyothi Iyer
(MMS HR, 1999-2001)

NLDIMSR has strong alumni and network of esteemed individuals with tremendous learnings and achievements. Not only is it a moment of happiness and nostalgia but also an opportunity to focus on the milestones they have established as a successful individual in the corporate world. The talk ahead focuses on the perspective of alumni, who has shared his memories and talked about the accomplishments and challenges that she has faced in her journey so far.

How an MBA from NLDIMSR set you apart from your colleagues and peers?

A: An MBA for sure expanded my thinking and I aimed for bigger. I had more maturity and expanded my world view throughout the two years of management studies. Additionally, due to frequent engagement with other students and teachers it supported me with expanding my thinking and also supported me in building a lot of Interpersonal and presentation skills as well.

I have enhanced my ability and understanding of the dynamics of working in teams when assigned to different projects. Also, from the various management subjects taught by both internal as well as visiting faculty, the most beneficial thing was the real-life experiences shared by some of our professors from the corporate world.

One of the key things I learnt especially as a human resource professional is that we will come across people who have varied personalities and ways of approaching a particular situation or project and for us as HR professionals it's important to notice that we work accordingly with a particular leader.

How has been your journey so far after graduating from NLDIMSR?

A: I have had many learnings right from B-school to all the organisations I have worked for till date and still opening new chapters of life.

I constantly felt the nudge to grow and learn. I knew that wherever I worked I would like to support transformation, growth and impact; and this philosophy I have always applied to every job I held and even now as a solopreneur I believe in living those values. I moved to Dubai alongside my husband whilst I worked in KPMG India in 2008. But ways of doing work does not differ much as those are defined by processes and systems. The key part is the majority of the people in your organisation comes from different cultures which you need to keep in mind at all times.

Some of my key learnings that I would like to

share are:

• Work to make a difference, collaborate rather than compete, manage both performance and perception at work.

• Don't have a sense of entitlement, no one is indispensable

• Keep upgrading your skills to suit the changing market dynamics as well as your own interests and passions

• If something makes you unhappy, address it or change it. Be bold and courageous to take steps necessary rather than becoming cynical or complaining. Remember you are always at choice.

What do you think gives an edge in the corporate world?

A: I have been a lifelong learner and I have invested in myself and my interests and passions right from B-school till date and enrolled in programs and teachings that enhanced my capability and outlook, be it goal setting and productivity improvement, influencing, communication, leadership, coaching and self-mastery or spirituality and inner work. Personally, I love anything personal development related and constantly keep looking at ways that I can support my own growth the growth of my clients and stakeholders I engage with.

To answer the question above, other than technical skills and subject knowledge the most important skills that anyone requires to thrive in the corporate world is the softer skills. So, create a skill gap around your soft skills and get to work on filling the gaps, through training, coaching and other tools.

What message would you like to give to young students pursuing MBA and are ready to take the big steps in their career?

A: Have a dream and a vision for your career and take one step at a time in that direction. In tough times, be persistent and don't lose hope and identify what you really value and build your career around it. This will help you in the long run. Since every challenge has a secret reward for us in terms of learning and growing as a person. So do not fear challenges in life embrace them and go further.

Work to make a difference, collaborate rather than compete, manage both performance and perception at work

Bid
Ask
Auto
GBPUSD M15
1.4505
1.00
1.4508
SL/TP

Student Articles

Shreya Ghosh
(PGDM Finance, 2020-22)

CROWDFUNDING

Venturing into new lines of business and starting something on our own has been a dream for many of us. Many times we are not able to find investors for our projects and we may drop the idea and stick to our current roles. On the other hand, there may be someone or some group of investors who may want to invest but only to a certain amount.

Crowdfunding brings the opportunity for both these groups. It is a way by which individuals and business organizations can raise capital with small funds through social media or crowdfunding platforms or donations from a pool of individuals, which refers to the "crowd" in crowdfunding. Crowdfunding platforms give entrepreneurs a single platform to showcase their business plans, prototype, market research and pitch contributors for the same. Crowdfunding benefits individuals to reach accredited investors who may validate the concept and fill in the missing parts that would make them buy in more likely. It can be broadly classified into four major types and each of them has the same potential to get funded by interested donors.

Classification:

Donation: Donation-based crowdfunding refers to the investors or contributors which give a company or campaign money with no financial return. Investors give money to support the business and this is generally prevalent for non-profit making organizations or initiatives which includes fundraising for disaster relief.

Debt: Debt-based crowdfunding usually refers to peer (P2P) or peer to business (P2B) lending. An interest rate is set and money needs to be returned to investors within a certain date with interest. In this borrower get access to funds apart from the traditional banking system.

Rewards: Rewards-based crowdfunding is when individuals who contribute to the business expect a reward in return for it which is usually in the form of a service or product which the company offers. There is no financial return in this type of funding. They may receive a token or service at a discounted rate.

Equity: In equity-based crowdfunding, investors get shares of the business in which they are investing. Small businesses and startups allow backers to own a part of the company. Under International Equity-based crowdfunding, specifically in the USA, the limits on how much capital can be invested depends on the investor's income bracket and net worth. This is usually up to five percent of the investor's annual income.

Popular crowdfunding websites:

Some of the crowdfunding websites which helps individuals to give a new start to their businesses and attract many people wish to invest in are:

Kickstarter: This rewards-based crowdfunding sites have helped to bring creative projects to life since 2009. It helps creators connect directly with their communities. In 2015 they became a Public Benefit Corporation which prioritizes positive outcomes for society as much as their shareholders. Since its launch in 2009, 19 million people have backed a project, $5.3 billion has been pledged, and 187,758

projects have been successfully funded as of 11th September 2020. Source: https://www.kickstarter.com/help/stats

Successfully Funded Projects	Less than $1,000 Raised	$1,000 to $9,999 Raised	$10,000 to $19,999 Raised	$20,000 to $99,999 Raised	$100 K to $999,999 Raised	$1 M Raised
187,758	24,508	101,226	26,970	27,569	7,006	479

Figure 1: Successfully funded projects in Kickstarter.

GoFundMe: GoFundMe empowers non-profit making organizations and individuals who aspire to turn their compassion into action. It is the world's largest free social donation crowdfunding platform which was launched in 2010 and since then, there have been several success stories. Over $5 billion has been raised for inspiring campaigns and going by statistics 1 in 10 campaigns is fully funded in the site.

Lending Club: Since 2007, this debt-based crowdfunding platform has brought borrowers and investors together and has transformed the way people access to credit. It offers up to $40,000 in personal loans and up to $500,000 in small business financing. Each loan term is three or five years.

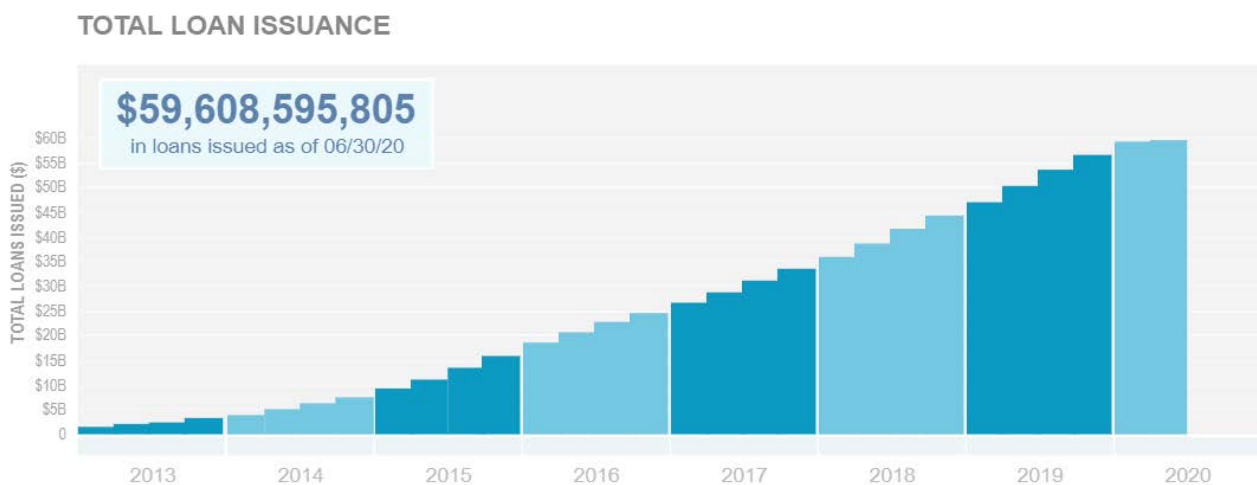


Figure 2: Total insurance offered by Lending Club.

Indiegogo: Indiegogo is also a reward-based crowdfunding platform that offers two kinds of funding. Fixed funding campaigns allow entrepreneurs to keep the funds raised, only if they can fulfill their goal within a given deadline and if they are not able to do so, the backers will be refunded by Indiegogo. In the case of flexible funding, the business can keep all the funds even if they are not able to meet their goals.

Approximately 19000 campaigns are launched in Indiegogo every month and 47% of them are run by women.

Some of the popular crowdfunding sites in India may be listed as:

Rang De: This is a peer-to-peer micro-lending platform which facilitates rural entrepreneurs across India to avail low-cost loans with the help of funders, a remarkable portion of which, almost 93% of borrowers have been women.

Ketto: It supports fundraising is mainly the three domains of community/social projects, self-development, and creative arts. It offers fundraisers a unique service of picking up cash and along with payment gateway charges, it also charges the fundraisers 5-8% of the funds raised for the same.

Fuel a Dream: It is a reward-based crowdfunding platform, which focuses on quality rather than quantity. It hosts only a maximum of 20 new projects per month and makes campaigns available in multiple languages.

How investors are benefitting from crowdfunding?

- Investors may receive a gift or product for their investment and also get an opportunity to be a part of the product launch.

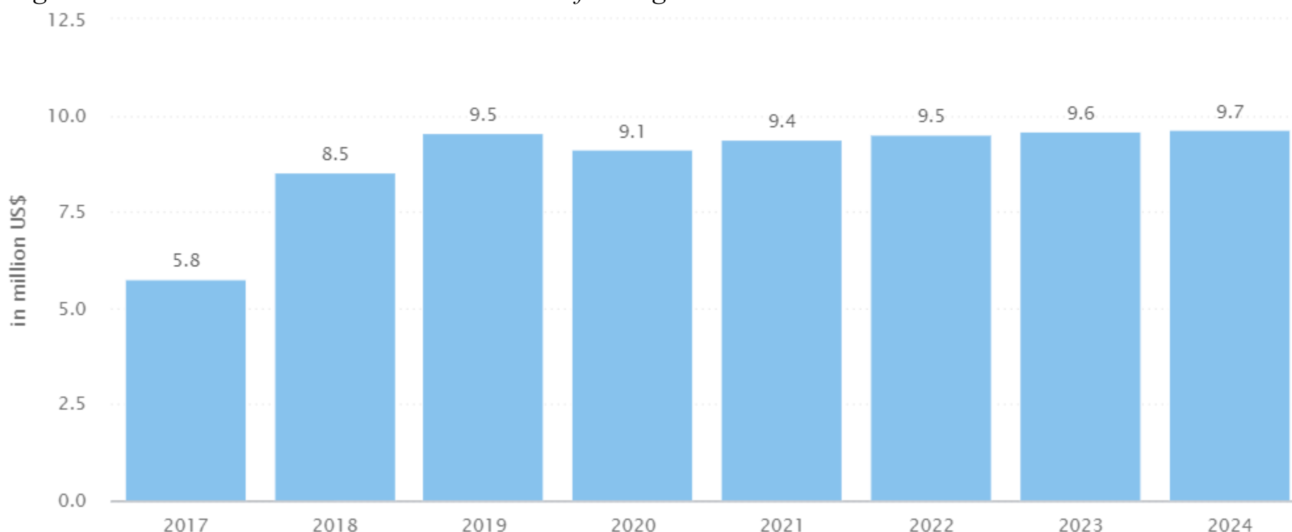
- It is a low-risk venture and the impact of market and stock is comparatively less on their investment.

- Investors can fund multiple campaigns by which they increase their financial areas and diversify their portfolios.

As crowdfunding is a new concept and there are certain risks associated with it. The return on our investments may not be guaranteed due to fluctuations in the share price, which depends on the success of the products or services rendered by the organization. There could also be a chance wherein there would be no buyer standing to purchase the shares of the new organization or the entire venture could collapse if it hasn't been well received in the market. According to the rules in India, equity-based crowdfunding is illegal, whereas peer-to-peer lending is regulated by the RBI.

Future of crowdfunding

As the platforms for crowdfunding are more customizable, it will be able to help unique projects soon. Start-ups can adjust their portfolio pages according to their needs to stand out and communicate better. There is also no limit on the amount of money you wish to keep or take after the deadline, as it is flexible. Social sharing is making fundraising activity easily accessible more efficiently and faster. *Figure 3: Forecasted transaction value in crowdfunding.*



Amol Nakashe
(PGDM Finance, 2020-22)

EASE OF DOING BUSINESS

Recently you may have heard the news about World Bank pausing its Doing Business report. So, let's see what actually 'Ease of doing business'(EODB) report is, how significant it is, how does it affect India in this globalization era and why has it been paused.

Ease of doing business is an annually published report by World bank which states how easy it is to start a business in any country. Currently, the report includes 190 countries according to their ranking. The report accesses a country on the bases of 12 parameters listed below. (World Bank, 2019)

Figure 1. Parameter accessed for doing business ranking

So basically, ease of doing business checks how easily a person can get access to skilled labour, can acquire land and procure other necessary resources like electricity, water, roads, etc to start a business. It also checks how easily can an entrepreneur bring-in finance and conduct day-to-day business operations smoothly. Other parameters like the taxation system and enforcement of contracts are also taken into account while making the report. So, after consolidating the score for all these parameters a country gets its ranking. E.g. It takes almost a month to start a new venture in India, whereas it takes less than a week to start the same in New Zealand.

Doing business report 2020 was released in October 2019 and according to the report, India ranks 63rd out of 190 economies. New-Zealand ranked 1st whereas Somalia ranked last. Considerate improvement was made by countries like Saudi Arabia, Jordan, Togo, Bahrain and Tajikistan in their rankings. Other top reformers were Pakistan, China, India, Nigeria and Kuwait. India has improved its position significantly from 142 in the year 2014 to 63 in 2020 due to various policy changes. Major reasons for India's rank improvement are

- cost cuts in inter border trading,
- faster documentation and registration process,
- reduced time and costs for obtaining construction permits,
- improved construction quality control by strengthening professional certification requirements and
- resolving insolvency easily by promoting reorganization proceedings. (World Bank, 2019)

One may think how does this ranking help India. So, the answer is, it promotes a healthy business environment, increases inter-border trade traffic and hence attracts FDI and domestic

investments in a country. And, with more capital comes increased employment, faster economic growth, human resource development, an increase in exports, currency stability and many other benefits. This year too, India could have risen up in the ranking on the account of reduction in corporate taxes, encouragement to manufacturing activities due to anti-china sentiments all around the world and initiatives like Make in India and Atmanirbhar Bharat. But unfortunately, World Bank has currently paused the report stating 'data irregularities' as the prime reason for it.

Before we take look at reasons for halting this report let's dive into some of the limitations of this report:

1. EODB report takes only a few cities and their business environment into consideration while ranking countries. For example, while ranking India the report only takes into consideration 2 prominent cities in India, i.e. Delhi and Mumbai. So, emerging metro cities like Pune, Bangalore, Chennai, Hyderabad, etc are not taken into account while preparing the reports. This makes a country to focus more on development in certain cities in order to promote themselves in the global ranking. For instance, it is easy to register a company in Mumbai than that in Bangalore or Kolkata. Also, in countries like India, China or Brazil which have a large and diverse population and varying topography, large data variation can be observed when the reports are compared to ground reality (Hindu, Recalculating ease of doing business, 2018).

2. The report does not include partnership firms. But, when it comes to the small business segment, proprietorship and partnership firms dominate the sector in India. It is a debatable topic about what type of data irregularities were observed by the World Bank. Relating to this, the Wall Street Journal published an article that alleged that countries like China, Azerbaijan, the UAE and Saudi Arabia are manipulating data to boost up their rankings (Journal, 2020). Currently, the World Bank is investigating the data samples from the year 2018 and 2020 to find the data irregularities. In fact, this is not the first time the EODB report is in controversy. Prior to this, World Bank's Chief Economist Paul Romer resigned from his post stating that the report is susceptible to manipulation (Hindu, World Bank chief economist Paul Romer quits over Chile, 2018). He said that changes in the reporting methodology have led to the downgrade of socialist Chile's ranking gradually year by year when on contrary, business environment there hasn't degraded. Also, the link between improvement of ranking and rise in capital formation is questionable. For instance, Russia's ease of doing business rank jumped from 120 in 2012 to 20 in 2018 ahead of China, Brazil, and India, but without having any major investment inflows.

For now, World Bank has a great task to introduce reforms and make some serious changes in computing methodology and analytical approach on which the report is built. Also, it needs to survey more cities in a country for more accurate data samples. With all this criticism around, World Bank has to protect its image as one of the supreme and reliable institutions in the World. Let's see how the World Bank overcomes these challenges resumes its report.

Ease of doing Business checks how one can easily get skilled labour, land and other resources for their business

Sidhesh Kadam
(PGDM Finance, 2020-22)

FACTORS AFFECTING GOLD PRICE AND INVESTMENT OPTIONS

One of the most precious metals on earth 'Gold' has never seen a future that isn't bright. The value of gold from ancient empires to medieval times and now in the 21st century has always seen an upsurge due to which it has been the world's currency of choice.

Today, investors buy gold mainly as a hedge against political unrest and inflation. Besides, many top investment advisors recommend a portfolio allocation in commodities, including gold, to lower overall portfolio risk. So, what makes gold so valuable, and why its price skyrocketed in mid-2020? What are the investment options used and where will it go from here?

The factors which have an impact on the value of gold are as follows:

Central Bank Reserves: They hold paper currencies and gold in reserve. As they diversify their monetary reserves away from the paper currencies that they have accumulated, and into gold, the price of gold typically rises. Most of the world's nations have gold as their primary reserves. As reported by Bloomberg global, central banks are buying the most quantity of gold since the U.S. changed gold standards in 1971.

Value of the U.S. Dollar: The price of gold is generally inversely related to the value of the United States dollar because the metal is dollar-denominated. If the U.S. dollar is high in value it tends to keep the price of gold lower and more controlled, while a weaker U.S. dollar is likely to drive the price of gold higher through increasing demand. As a result, gold is often seen as a hedge against inflation. As inflation ratchets up, so does the price of gold.

Desire to hold gold: In 2019, jewellery accounted for approximately half of the gold demand, which totalled to more than 4,400 tonnes according to the World Gold Council. In terms of volume, India, China, and the United States are the largest consumers of gold as far as jewellery is concerned. So, by supply and demand theory, price usually varies for gold.

Protection option: Gold is often considered a "safe haven" for investors during turbulent times. As seen in the current Covid-19 pandemic, more people turned towards gold because of its lasting value. When the likely or actual returns on bonds, equities, and real estate fall, the investments in gold can increase, which ultimately drives its price. Gold can be used as a hedge to protect oneself against economic events like currency devaluation or inflation.

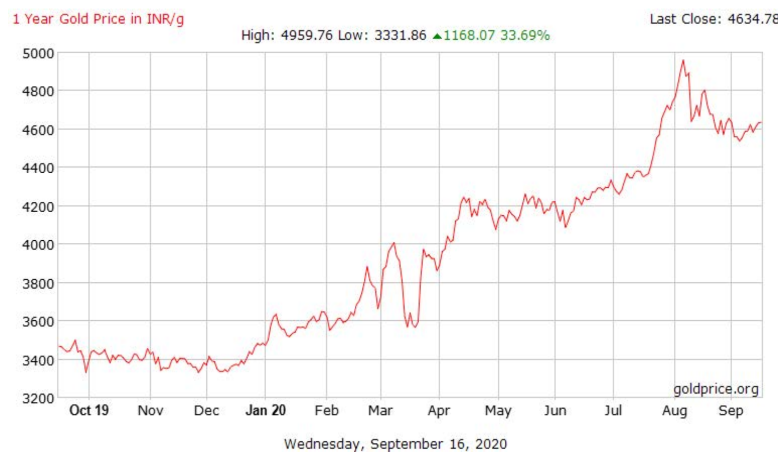


Fig 1: Price of 1gm of gold from oct2019 to sep2020(Source: Goldprice.org)

Investment Demand: Gold also sees demand from exchange-traded funds that hold the metal and issue shares that investors can buy and sell. SPDR Gold Trust (GLD) is the largest one and held over 1,040 tonnes of gold in March 2020.

Although, according to the WGC, the global demand for gold declined by 6% in the first half of 2020 to 2,076 tonnes due to hike in price.

In India, investing in gold is more like a tradition. It has been there for a long time but has seen changes in the method of investment over the years. India is the largest importer of gold, which mainly caters to the demand of the jewellery industry. In terms of volume, the country imports 800-900 tonnes of gold annually. Broadly, investment in gold can be classified into two forms, Physical and Paper Gold.

PHYSICAL GOLD

Jewellery: Indians certainly treasure owning gold. But possessing it in the form of jewellery has its concerns about safety, high costs, and outdated designs. Then there are the 'making charges', which is an added cost. The making charges on jewellery are generally about 6 to 14 percent of the total cost of gold.

Gold Coin Scheme: Gold coins can be bought from jewellers, banks, non-banking finance companies, and on E-comm websites. The government has launched minted coins which will have the National Emblem etched on one side and Mahatma Gandhi on the other. The coins will be available in weights of 5 and 10 grams while bars weighing 20 grams will be available.

Gold or jewellery savings schemes: It allows you to deposit a fixed amount every month for a chosen tenure. When the term ends, you can buy gold (from the same jeweller) at a value that is equivalent to the total money deposited, including a bonus amount. This conversion is done at the gold price prevailing at the time of maturity. In most cases, the jeweller adds a month's instalment at the end of the tenure as a cash incentive or may even offer a gift item.

PAPER GOLD

Gold exchange-traded funds (ETF): An effective way of owning paper gold in a more cost-effective manner is through gold exchange-traded funds (Gold ETF). Such investments (buying and selling) take place on a stock exchange (NSE or BSE) with gold as the underlying asset. The transparency in pricing and high initial buying and even selling charges that go into owning physical gold gives an extra advantage to the low-cost gold ETF.

Even though there are no entry or exit charges, there are three costs that come with gold ETFs. First is the expense ratio (for managing the fund) which is generally low compared to other mutual funds and is around 1 percent. Second, is the broker cost that needs to be accounted for every time you buy or sell gold ETF units. Third, which technically is not a charge but impacts returns, is the tracking error. It arises because of the fund's expenses and cash holdings hence it does not mirror actual gold prices.

Sovereign Gold Bonds: These are RBI mandated certificates issued against gold. They act as a secure investment tool among individuals, as gold prices are less susceptible to market fluctuations. Owing to the popularity and widespread demand for gold, prices of such assets tend to rise significantly over time making it a highly prospective investment avenue.

As these bonds are issued by the RBI under Government of India stocks, a particular window is pre-set for subscription, during which a sovereign gold bond scheme is issued in the name of investors in tranches. Generally, the RBI announces the issuance of the latest sovereign bonds in a press release every 2-3 months with a one-week window during which individuals can subscribe to this scheme. A holding certificate is issued in the name of the investor upon the successful purchase of a sovereign gold bond.

Apart from this, gold can also be bought as 'digital gold', it is usually offered on mobile wallet platforms like Paytm, PhonePe. 'Gold Rush' is offered by the Stock Holding Corporation of India on their website.

Will the future shine for Gold?

International gold prices in 2020 are likely to remain high due to the pandemic. According to the WGC report, financial and geopolitical uncertainty along with low-interest rates will likely continue supporting the demand for investments in gold. Central banks across the world are also likely to continue buying gold, which could keep the prices high. Also, due to the up-coming festive season the demand will be high.

By 2030, India will have the largest middle-class population in the world. By that time, nearly 80 percent of incremental spending will be led by middle-income consumers as per research from Bain & Company and the World Economic Forum. Lower middle-income group ranges between ₹2.8 lakh and ₹5.6 lakh per year, while upper middle-income group ranges between ₹5.6 lakh and ₹28 lakh. So, as prosperity increases and as people move towards the middle-income category, they are more likely to first buy gold.

RAKING IN THE MOOLAH

Top 5 on the basis of amount raised via selling sovereign gold bonds

Issue date	Issue price (₹ /10g)	Units sold (kg)	Amount (₹ cr)
May 11, 2020	45,900	2,544	1,168
November 17, 2016	30,070	3,598	1,082
August 5, 2016	31,190	2,953	921
September 23, 2016	31,500	2,616	824
April 28, 2020	46,390	1,773	822

Compiled by *BS* Research Bureau — Source: RBI

Fig 2. Top 5 issues in terms of the amount raised by selling SGB

THE STRATEGIC IMPORTANCE OF RARE EARTH ELEMENTS

Yash Shah
(PGDM Finance, 2020-22)

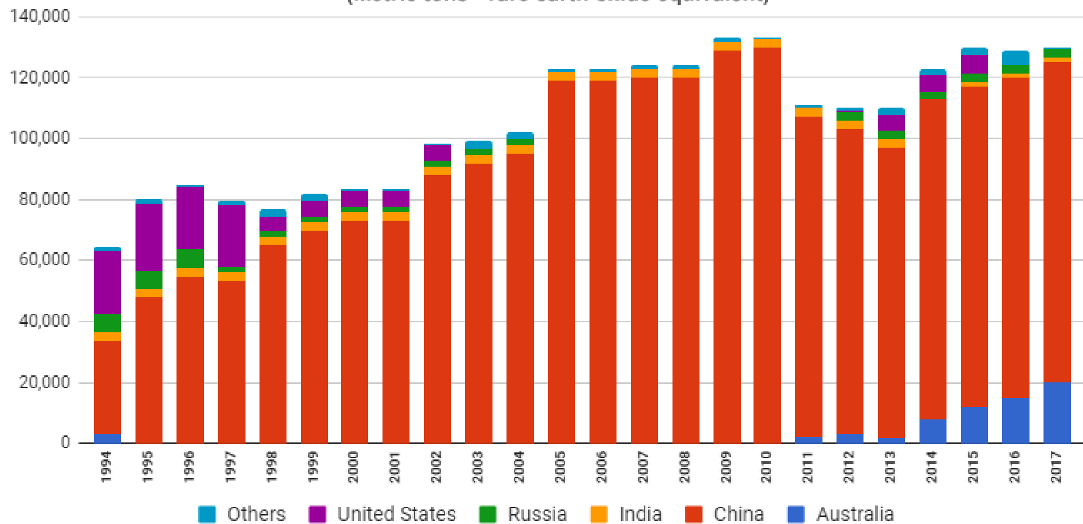
In the contemporary world of increasing technological dependence and modernization, there arises the need for the utilization of newer and modern elements. These are a group of 17 elements that exist in the periodic table and are used in almost every product that forms a part of our lifestyle. They are known as Rare Earth Elements (REEs).

Before 1965 there was very little demand for REEs, but with the introduction of coloured television and evolution in technology, the world saw a sudden spike in the utilization of such resources. Europium was the essential material used for the manufacturing of coloured television sets. These were originally extracted from The Mountain Pass Mine (California, USA), which made USA the leading rare earth producer in the world.

As people started getting engrossed in the research to understand the various advantages attached to REEs, major breakthroughs were made. People realized that such elements could be used in various other sectors like defence, aviation, heavy industrial machinery, nuclear, medical equipment, and consumer electronic products. (Fig 1)

Eventually, as time passed and the world modernized, China understood the importance of Rare Earth Elements and decided to take a lead role in supplying the world with the same. Hence by the early 1980s when the United States of America and the former USSR were embroiled in a cold war and the demand for REEs was skyrocketing, China decided to invest heavily in this sector. It capitalized on its abilities of cheap labour, swift construction speed, and easy environmental regulations to start mining on the border regions of Inner Mongolia.

One of the largest deposits of Rare Earth elements was found there. As shown in the graph below, by 1990 China became the world's largest producer of REEs and by 2009 it controlled approximately 97% of the world's production while having 36% of the world's reserves. It recognized REEs to be the fuel of the future as technology began evolving and demand started rising.



Source: United States Geological Survey

The following table emphasizes the importance of Rare Earth Metals on certain critical sectors of the world economy:

Sector	Defence	Health	Consumer Electronics
Industry size	$1.9 trillion in 2019	$8.4 trillion in 2019	$ 1 Trillion in 2019
Forecasted growth	$2.3 trillion by 2025	$11.9 trillion by 2022	$ 1.5 billion by 2026
Industry size (India)	$11.6 Billion in 2019	$160 billion in 2017	$10.93 billion in 2019
Forecasted Growth (India)	$26 billion by 2025	$372 billion by 2022	$21.18 billion by 2025
Applications of REE across sectors	**a) Lasers** for Mine detection, underwater mines, countermeasures **b) Satellite** communications, radar, sonar in submarines and surface ships, **c) Disk drive motors** installed in aircraft, tanks, missile systems, precision-guided missiles	**a) Medicinal uses:** radiation therapy for cancer, palliative treatment of bone pain, kidney stage diseases. **b) Medical Implants:** Zirconia is a high strength material that is used in femoral balls in hip replacements. **c) X-rays and Lasers d) Magnets and MRI Machines**	**a) Cerium** is used in magnets, electrodes, and for precision glass polishing. **b) Neodymium** is used to create small permanent magnets for computer disks, microphones, and headphones and the production of powerful infrared lasers. **c) Holmium** is used in microwave equipment and nuclear control rods.

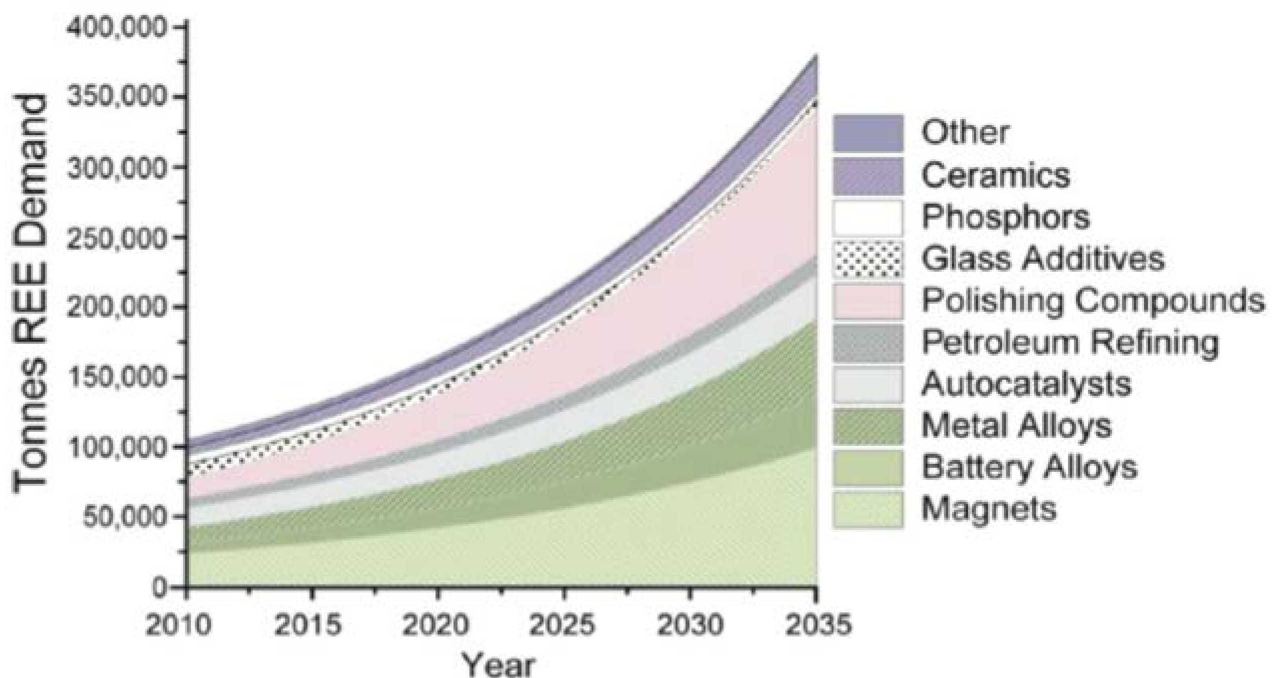
The above table highlights the current industry size and forecasted growth. Based on research these industries are poised to grow within a time frame of 3-7 years. This helps us predict the relevance of Rare Earth Elements and their increasing demand in the future. As per estimates, the valuation of the REE industry stood at $13.2 Billion as in 2019 and is predicted to hit approximately $19.8 Billion by 2026, registering a CAGR of 10.8% in 6 years.

To maintain the dominant position, China has been purchasing Rare Earth Resources from several other countries, subsidising mining costs for homegrown companies, and reducing prices to wipe out competition. During 2010 China controlled 97% of the world's production of REEs and eventually, they saw a rise in prices by 500%. Export caps were also placed by China in order to control supply and raise prices.

Several countries like Australia, Brazil, Malaysia, Russia, Thailand, and Vietnam wanted to reduce dependence and take the opportunity of experiencing massive growth in hand. Hence, they reopened existing sites and began exploration in search of more mines. The threat that every country faced in lieu of Chinese expansionism was the risk of leveraging their economic growth, in the event China decided to curb the export of the same elements.

In my opinion and as specified in the table above, India is expected to see drastic growth across various sectors. The government is also emphasizing and promoting the 'Make in India' and 'Atmanirbhar Bharat' initiatives in order to make India self-reliant and self-sufficient. This has paved a way for increased spending by the private and public sector organisations towards innovation, improvement, and enhancement of products, and reduce dependence on foreign assistance. Although with REEs forming the backbone of modern creation of products, India would still have to depend upon Chinese assistance for the same.

To elaborate with an example, I would like to point out India's energy sector. Based on reports made by the Indian Energy Association, coal continues to be the largest domestic source of energy supply and electricity generation. Although the government has been working towards reducing dependence on coal due to environmental hazards. Thus, initiatives of using alternative sources of energy like Solar, Wind, Water, and Nuclear are already being undertaken. At present India imports 80% of the components required for solar energy from China, 20% of its wind energy requirements from China and other nations and is highly dependent on countries like Russia for strategic elements and



components for nuclear energy production. Indian energy demand is poised to double at 11% of global energy consumption by 2040, hence infrastructural developments for energy generation have already been taken up by the Government of India. The most crucial aspect in the aforementioned facts are that Rare Earth Elements provide important properties for clean energy technologies and nuclear power. They form a crucial part in the infrastructural development processes.

There are various benefits attached if India decides to tap the REE market diligently.

- India is strategically positioned to meet the global needs of REEs and also reduce transportation costs.

- In 2020 the average age of the population of India is expected to be 29 years. This indicates the availability of a young labour force to meet the labour requirements.

- The expected growth in Indian industries will fuel the demand for REEs. Domestically fulfilled demand would enable Indian companies to be competitive with pricing in the international market.

- The desire of several countries around the world to reduce the dependence on China would give India an edge and a preference over its competitors due to the possibilities of cost competencies.

- Increasing global demand for REEs due rise in demand of its complementary industries, as projected in the graph below.

- At present India plays a very small role in the production of REEs. Although, it has a highly increasing demand for the same. Hence it would be beneficial for the country to enhance the production capacity of these elements. Oxides of Rare Earth Elements have been found in Assam, Meghalaya, West Bengal, Jharkhand, Chhattisgarh, Orissa, Tamil Nadu, and Kerala. India is estimated to own reserves of 6.9 million metric tons of these elements which have been untapped and available for use.

Vineet Singh Bist
(PGDM Finance, 2020-22)

THE PROBLEM WITH NATIONALIZED BANKS

In the year 1969, the Indian government decided to nationalize 14 private banks of the country. The formerly known Imperial Bank had already been nationalized and renamed as the State Bank of India, back in 1955. This led to 80 percent of banking assets under the direct control of the government. It was termed as the most important economic decision taken by the government, at that time.

After independence, the Indian government adopted socialism, and to sync the banking sector with the goals of the system, nationalizing of banks was done. Even the insurance sector was nationalized back in 1956, with the formation of Life Insurance Corporation of India (LIC). Before nationalization, the banking system in India was exclusive and the government wanted the private banks to expand their services to all sections of the society, especially to the ones who need the most. But the 'Class Banking' made sure the interests of the banks were served at the expense of inclusivity.

Certain sectors like agriculture were deprived of credit, since it did not give higher returns as compared to the industrial sector and the number of branches of banks was concentrated in the urban and semi-urban regions. Also, the directors of the top banks held directorships in several other industries as well, leading to a conflict of interest. Many advisories were issued to banks to align their interests with that of national development, but they kept delaying the process, which led to the nationalization of banks.

Sector-Wise Credit By Scheduled Commercial Banks

	March End 1951		March End 1967	
	Amount (In Rs Cr)	% Share	Amount (In Rs Cr)	% Share
Industry	199	34	1747	64.3
Commerce	211	36.1	527	19.4
Financial	74	12.6	97	3.6
Personal	40	6.8	115	4.2
Agriculture	12	2.1	57	2.1
Others	49	8.4	174	6.4
Total	585	100	2717	100

Source: RBI

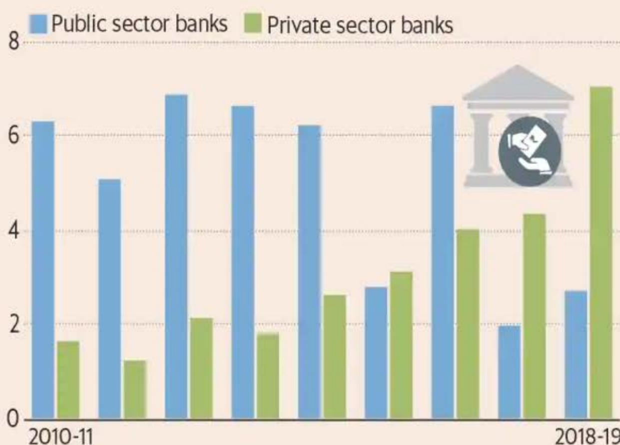
Bloomberg | Quint

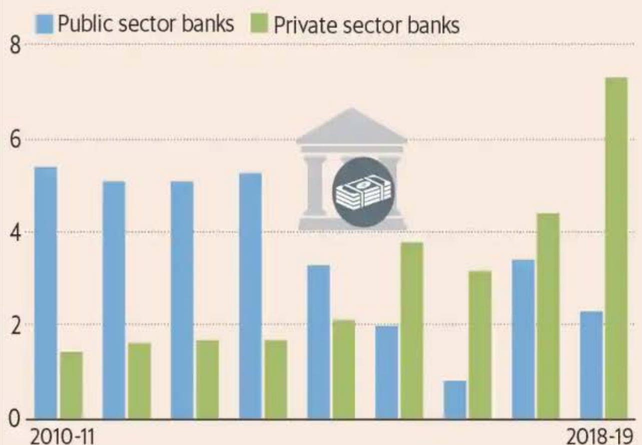
Performance of Public Sector Banks (PSBs):

After nationalization public sector banks came to occupy a leading position in the Indian banking sector. Although, in the later half of 1990's, Public Sector banks have a steady decline in the overall market share as compared to other scheduled commercial banks. While the share of PSUs was 84.5 percent at the end of March 1996, it declined to 81.7 percent in 1998 and further to 81 percent in 1999. The financial health of PSBs over time continued to deteriorate, which resulted in a decline in their efficiency. As there were so many economic and social obligations on them, it was considered, that their performance should not be judged merely in terms of profits. Public banks began to play a dominating role in various government programs, like, alleviating poverty, employment creation, and generation of fresh resources for development. This split their focus from profit generation to social welfare. After 1991-92, Liberalization, Privatization, and Globalization of the Indian economy took place, which lead to many private and foreign players to enter into the banking industry. Many banks such as ICICI Bank, HDFC Bank, etc were established in India, which competed with the monopoly of PSBs. The role of public banks as creditors and financial service providers was now shouldered by private banks, which soon began to challenge them for their market share. PSBs continue to have the most deposits among the banks operating in India, but they have lost market share over the years. In 2011, the total amount of deposits in the Indian banking system was ₹53.9 trillion, with PSBs' holding a share of 74.6%. In 2019, total deposits rose to ₹125.6 trillion with public banks' share decreasing to 63.1%. While private banks gained 10.7%, making their market share jump to 28.7% in this period. When it comes to the number of loans, PSBs share of 74.9% in 2011 was reduced to 58.8% in 2019 as compared to an increase of 15.8% in this period in private banks, making it 33.6% of total loans. The same trend played out in 2017-18, with private banks raising deposits of ₹4.3 trillion while PSBs raised ₹2 trillion. Whereas in loans, public banks gave out ₹3.4 trillion as against ₹4.4 trillion by private banks. The same trend even played out in 2016-17 and 2015-16 as well. Private Banks have been capturing a larger segment of banking over the years. Adding to the woes, in the year 2020, the PSBs recorded gross NPA of Rs 5.47 lakh crore, more than twice that of private banks, which was Rs 2.04 lakh crore.

Private banks preferred for loans, deposits in FY19

In the last fiscal, total loans given by private sector banks amounted to ₹7.3 trillion; for public sector banks this figure was ₹2.3 trillion. While private sector banks raised deposits worth ₹7.1 trillion, their public sector counterparts raised only ₹2.7 trillion.





Source: Centre for Monitoring Indian Economy

The Economic Survey states that Rs 4.3 lakh crore of taxpayers' money has been spent on PSBs till 2019. Every rupee invested has lost approximately 23 paise. While as of 2020, every rupee of taxpayers' money invested in public banks is fetching a market value of 71 paise, as against every rupee invested by private banks fetches a market value of Rs.3.7, which is 5 times greater than that of PSBs. Public banks have been inefficient in carrying their banking operations, leading to loss of public money. This needs to change soon, as it may lead to a loss of faith in the banking system for a regular citizen of the nation.

It is not just about the financial performance but also a matter of trust. The past few years have witnessed several cases of defrauding the banking system, like, The Nirav Modi scam with Punjab National Bank, jeweler Dwarka Das Seth defrauding Oriental Bank of Commerce or RP Infosystem defrauding 27 banks, the list is endless. The aforementioned points corroborate the fact that various CEOs and MDs of public sector banks are in jail, facing trials or under investigation. Cases of this kind shake the confidence of the stakeholders which has defamed the banking system of the nation. However, this problem isn't limited to the public bank, but the rise of such cases in private banks like that of Yes bank, is signaling the market of much-needed prudence mechanism in the banking industry. Banking, being a business, can be done in a much more effective and efficient way, compromising neither on ethics nor on profits. There are various promoters like Nandan Nilekani of Infosys, Ashok Soota of Happiest Minds and Mindtree, Dr. Devi Shetty of Narayana Health, who are earning profits and keeping their principles and ethics intact. The same can be guiding principles that can be followed in the banking sector as well.

Road Ahead for Public Banks:

- One of the most important functions of a public sector bank is to finance and facilitate development in the rural areas of the country. The aforementioned point can be accelerated by PSU banks with the establishment of various microfinance companies like Bandhan Bank and Grameen Bank to increase credit availability in rural areas.

- The management of PSBs should be held accountable for the losses incurred by the banks, just like their private counterparts, which will in turn increase the efficient use of resources.

- Strategic private investors should be invited to hold stakes in the public banks, to increase oversight in its objectives, strategic planning, and functions to curb scams and collusion of senior management, besides increasing the overall efficiency.

- The employees of Public banks should hold stake through Employee Stock Option Scheme (ESOP), with the government transferring a portion of their stake to good performing employees, across all levels of the bank through ESOPs.

- Public Banks should be asked to share corporate data among themselves and usage of data analytics should be encouraged, as it will help to minimize bad debt resulting in lower NPAs.

- Changes should be made in the recruitment policy of PSBs, pushing for lateral and domain-specific professionals in technology, data science, finance, and economics, considering the competition from data-driven private and fintech companies.

- The government should start the disinvestment process in the banking sector and privatize public banks limiting their majority stakes to less than 50% following the Public-Private Partnership model (PPP model) and should keep not more than 2 to 3 PSBs under the existing model of public banks.

- PSBs should be free from political and bureaucratic pressures, which results in a lack of confidence among senior management level in formulating a strategy for the bank.

- Providing more On-tap licenses to open new banks can increase competition and push the banking sector to adopt best practices to conduct business.

Preeti Goyal
(PGDM Human Resources 2020-22)

FUTURE OF FINTECH COMPANIES IN INDIA

Introduction to Fintech

Fintech is the portmanteau term for finance and technology. Fintech companies basically work as a mediator between the customer and the merchant to carry out the financial trade online. With the shift in the mode of business i.e. from traditional cash operated transactions to digital transactions, the role of fintech companies is becoming crucial to make these digital transactions secure, smooth and efficient. Various banks are also collaborating with fintech startups to offer their services online thereby creating a wide customer base for them. To cater to the increasing demand and expansion of services, these fintech companies integrate technology such as Artificial Intelligence, Blockchain and Machine Learning to reduce the error factor and make the service reliable; facilitating the growth of fintech market.

The Fintech sector in India-

Globally comparing, India is the fastest-growing market of fintech. It has been ranked the highest in the Fintech adoption rate and is at par with China. India's fintech adoption rate is 87%, much higher than the average global rate of 74%. With the young population in the country, the technology adoption rate is very high and the demand to get things done digitally is also increasing. The Fintech sector in India offers services such as digital banks, payment wallets, digital lending, insurance etc. There are various factors contributing to the growth of fintech in India, as discussed below-

• Increasing technologically sophisticated population with an estimate of 760 million people having access to a smartphone by 2021.

• Government initiatives such as 'Digital India' to create a tech-savvy population in the country. Development of Unified Payment Interface (UPI) to promote safe, secure and real-time digital transactions.

• Aadhar enabled payment service (AePS) and micro ATMs are systems developed to extend the reach of digital payments to the rural areas of the country and to provide them with online banking and transaction services.

• Availability of internet with approximately 504 million active internet users. Surprising as it is, in 2019 the number of rural internet users surpassed the number of urban internet users by 10% and the trend continues in 2020. This can help fintech companies to grow their market share in rural areas.

Growth estimation and key players-

India has become Asia's top funding market for the fintech sector with investments of approximately 286 million as of Q1 of 2019. The digital payments value in the Indian market by the year 2023 is estimated to grow at a CAGR of 20%. The transaction value in the Indian fintech sector is expected to reach $12.4 trillion in 2025 and the software market of fintech in India is expected to reach 2.4 billion by the end of 2020. The top fintech startups in the country are Paytm, PhonePe, MobiKwik, PayU, Freecharge and such. RapiPay, another fintech company aims to capture the rural market by deploying 5,00,000 micro ATMs by 2022. During the pandemic also, there are start-ups which have managed to raise funds to expand their growth. These start-ups have targeted different businesses and population to offer their services. For e.g. a Mumbai based start-up named 'Jai Kisan' raised 30 crores in June, it aims to cater to the growing financial needs of the rural market. Another start-up named 'Setu', based in Bengaluru raised $15 million in April and it aims to provide infrastructure and connect already established financial institutions to other companies looking to start online business or services for their customers.

Future trends and development-

With the growing demand to get work done at the click of a button, the need for highly developed algorithms arises to keep the enormous data confidential and avoid any security breach. To enhance the customer experience by showing them the services they need is where the role of Artificial Intelligence (AI) comes in. For e.g. banking sites have chatbots wherein we can just type in our query and get it sorted almost quickly round the clock. Also, keeping a track of the customer's interested bonds, shares help them make financial decisions easily. All these tasks can be facilitated easily with the use of AI i.e., it provides automated customer service and virtual financial assistants and the development of such services will decrease customer's dependency on physical banks. Companies such as Paytm have developed their own AI routers which reduce the possibility of payment failures by routing the transaction demands to the best performing aggregators. With the development of fintech, the costs are reduced tremendously; eg- conversion cost from one currency to another or many other such transactional costs. Paytm aims to double its transactions till the end of FY2020 from its current 400 million transactions monthly with the use of its AI-based router.

When talking about future trends in fintech, virtual banks is another upcoming business. Virtual banks are those that only operate through the web, email and other such digital platforms.

To cater to the increasing demand and expansion of services, these fintech companies integrate technology such as Artificial Intelligence, Blockchain and Machine Learning to reduce the error factor and make the service reliable.

They do not have physical branches which helps them save on infrastructural costs thus giving them an edge over other physical banks and enables them to give better interest rates. With the development of technology, virtual banks will become more common and marketable. The future of the fintech industry in India will also be majorly shaped by the use of cryptocurrency. Cryptocurrency is a virtual currency, mainly based on the mechanism of blockchain. All the transactions are carried out directly without the need for intermediaries and these transactions get recorded in the blockchain which is a cryptography wallet and is not managed by any single entity, it stores data in a secured format and the transactions are done through it are transparent for everyone. With the disagreement between the RBI and the SC, the legalization of trade in cryptocurrency is still undecided. Companies such as Amazon and Facebook are working on developing their own cryptocurrency to trade in. With business giants such as Amazon developing their own cryptocurrency, customers can get varied options to buy goods and services from the many services it offers and make the payments through its cryptocurrency, thus reducing their dependency on government-issued currency. Bitcoin, introduced in 2009, is largely considered to be the first cryptocurrency. How India deals with this cryptocurrency situation will on the whole determine the future of the fintech market in India.

Thus, the future of fintech market in India holds a lot of growth potential and it will change the face of how transactions are carried out in the country to a large extent.

Riddhi Rungta
(PGDM Finance, 2020-22)

INDIA'S DISINVESTMENT STRATEGY

The What and How of Disinvestments

Department of Investment and Public Asset Management of India (DIPAM) has set a disinvestment target of 2.1 lakh crore for the financial year 2020-21, which is the highest ever set target since 1991. It may seem a little ambitious but is also necessary. To understand why India wants to disinvest, we first need to understand what disinvestment means. In simple words, we can say that disinvestment is when the government decides to sell or liquidate a small part of any public sector enterprise i.e. a unit owned and controlled by the central or the state government, by inviting private or public bidders. However, traditionally, the government did not give up controlling rights, as they would still hold a majority share in the enterprise. Majority share indicates, 51% or higher stake.

This would allow the government to introduce newer management techniques whilst holding a managerial upper hand. Although, as time progressed and polices changed, this definition saw a few alterations.

One question that very frequently arises is, can the terms privatization and disinvestment be used interchangeably? The answer is, no. Privatization is when complete ownership of an enterprise is transferred from the government to a private owner, which does not necessarily happen in case of the latter. A good example of disinvestment in the form of privatization is the sale of Air India, where the government is selling 100% stake in the company.

Hence, disinvestments can be categorized as:

Minority: Where the government holds more than 51% stake.

Majority: Where the government holds less than 51% stake.

Total: Where the government holds 0% stake.

Now, since we have decoded what disinvestment means, let's explore a few methods adopted by the government to carry out the same. The most popular mediums being: -

• Initial Public Offerings (IPO) where an unlisted PSU makes an offer,

• Secondary Offerings where a listed PSU makes an offer,

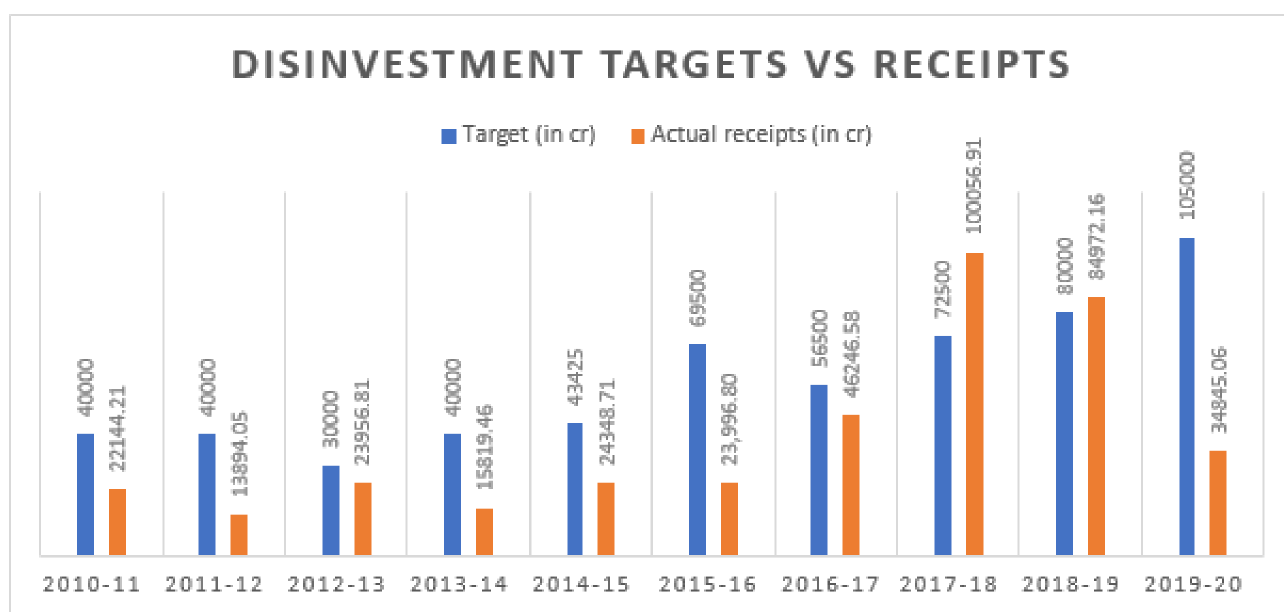
• The government may decide to only let certain qualified institutions participate, this method is called the Institutional Placement Program (IPP),

• Exchange Traded Funds which is a basket of securities traded on an exchange,

• And buyback of shares where the PSU buys back its shares from the government and makes it available for other public and private investors.

The Need for Disinvestment:

Change in management is not the only motive behind disinvestments. The revenue received by the government through various sources is burdened to a great extent with the repayment of public debt and interest on the same. This load on the exchequer can be tackled with the help of disinvestments. Funds can then be directed towards the development of better healthcare, infrastructure, and education facilities. This ultimately helps in improving public finances, and also ensures depoliticizing of non-essential services. India first started to disinvest in the year 1991, after the new industrial policy was adopted. Since then we have set many targets for ourselves but were seldom able to achieve them. In fact, from 2005 to 2010, there were no set targets. The process caught pace only after 2010 and in the decade that followed, we saw relatively higher targets being set and more proceeds flowing in. However, there always remained a huge gap between the budgeted sale and the actual sale. (See figure 1.0)



(Figure 1.0)

Changes in Policy:

Looking at the increasing gap between the set targets and the actual receipts, the government decided to go down a new route to not only reduce the gap but also bring about structural changes in the public sector. This change came about in the financial year 2019-20, where, the concept of 'Strategic Disinvestment' was introduced in India's disinvestment policy and since then it has become the biggest alteration made. Some structural changes with respect to the procedure and the authorities involved were also introduced. DIPAM was made the nodal department for all strategic stake sale. The involvement of administrative ministers was made limited in order to avoid bureaucratic hurdles. A two-stage bidding process was implemented, with the first stage being Expression of Interest followed by a final Financial Bid. Along with this, the bidders will get access to all the information regarding the PSU they are interested in, data centers will be set-up. All of this is to ultimately expedite the process of stake sale, and not let it extend beyond 4-5 months.

Strategic Disinvestment:

Now let's talk about Strategic disinvestment and how it is different from disinvestment. Strategic disinvestment entails a majority stake sale (50% or higher) and transfer of management and controlling rights. Whereas, as seen above, the latter doesn't necessarily fulfill the criteria. Traditionally, stake sale of only the loss-making, sick and non-essential PSUs was done, so as to reduce the burden on government revenues. But now, this process is being looked at as a way to not just reduce the fiscal deficit but to also allow the development of government-owned units.

The government has decided to expand its horizon to Central Public Sector Enterprises (CPSEs) that are profit-making and essential. For instance, stake sale in BPCL, CONCOR, IRCTC. Also, the sale of a part of the government's stake in LIC and IDBI Bank can be looked at as strategic. A goal of disinvesting and privatizing 22-23 PSUs has been set for the financial year 2020-21. Although, which sectors will specifically fall under 'strategic' has not been decided, but it will not hamper governments current plans.

Concerns:

The major questions that arise here are, whether selling stake in a profit-making CPSE is the right way to reduce our fiscal deficit gap and fulfil our short-term needs? Wouldn't inviting private players ultimately pave the path for monopolies in certain sectors? The revenue generated by these CPSEs, which now help fund development projects for the government will then be concentrated in the hands of a few people. These profits will then be either ploughed back into the business or given away to the stakeholders, either way, the benefits will be limited to a few. It is like giving away a golden egg-laying goose to buy a loaf of bread. On the other hand, in sectors such as oil and gas, it is almost impossible for new players to enter the market, which would mean no competition, and privatizing the existing unit will ultimately lead to a monopoly. Since, multiple players already exist in the airline sector, privatizing it will ensure healthy competition and the ultimate benefits of this will be enjoyed by the consumers.

Another aspect of this move is the financial health of the purchasing company. HPCL being taken over by ONGC, which is also a government-owned unit put a damper on the company's financial health. ONGC, which was once debt-free is now debt-burdened. It is important to evaluate the companies that show interest, so as to maintain the financial health of both the enterprises. Disinvestment and privatization of loss-making and non-essential public undertakings is beneficial in the long run, the reason being it would make sure the government doesn't have to drain its resources on something that will not give them anything in return. Also, the inefficiencies in such units can be eliminated under private management ultimately improving the overall health of the enterprise.

Privatizing an entire sector comes with its own set of challenges. As we spoke about the oil and gas sector, a private player will lay emphasis on making profits and not just the welfare of the consumers. In the case of Indian Railways, involving multiple private owners may cause managerial distress and hurdles. Strong guidelines and regulations need to be established, to ensure that the ultimate burden of this move doesn't fall on the citizens leading to undesirable outcomes in the future.

Vedanti Kale
(PGDM Finance, 2020-22)

MSMES – THE NEW HOPE FOR REVIVING INDIA

The Micro, Small, and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly to the economic and social development of the country by fostering entrepreneurship and generating large employment opportunities. In these difficult times of the pandemic, the sector may be one of the important ways for the country to recover.

India has seen a GDP contraction of 23.9% in quarter 1 for the financial year 2021 and this has been the worst performance since quarterly measurements began in 1996. The lockdown and suspension of economic activities due to the pandemic was so massive that among the mix of advanced and emerging economies, India had the worst performance. Nevertheless, slowly but steadily it will come back to its original position. The question that arises is, how will the country cope up with these massive losses and emerge to be on a smooth road?

Apart from all the other things, MSMEs (Micro, Small and Medium Enterprises) are a ray of hope for the country. A basic thing to know is that for a country to grow, the government should actively promote these business enterprises. Though MSMEs are small investment enterprises, their contribution to the Indian economy is very significant.

The sector is considered to be the backbone of the Indian economy that has contributed substantially in the socio-economic development of the nation. MSMEs contribute about 45% towards the manufacturing output, more than 40% towards exports, and makes up for over 28% of the GDP while creating employment for about 111 million people, which in terms of volume stands next to the agricultural sector. They are said to be complementary to large industries as ancillary units.

Overall, it is not only an important part of the well-being and growth of the country, but also for the employment and development of the masses.

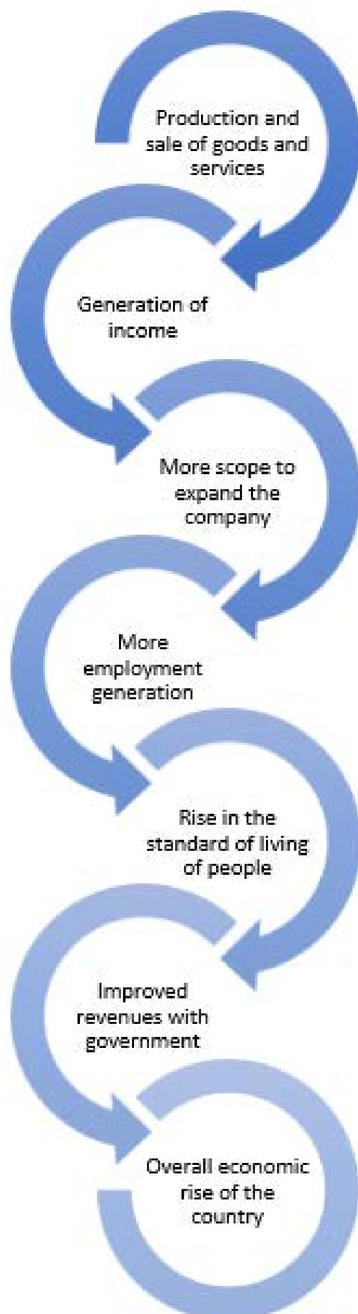
The novel coronavirus and the lockdown that halted the entire world also had an adverse effect on the MSMEs. As the sector majorly deals with cash for their day to day operations, the shutdown of the entire nation impacted the companies, resulting in major losses for the masses.

Taking steps to protect our

industries is the need of the hour. The stimulus package announced by the government is a mix of fiscal support, monetary support, ease of conducting business processes, as well as some fundamental reforms. The clarity in policy communication by the authorities to the end beneficiaries is something if effectively and efficiently implemented, shall help in the revival of this sector.

India, as we know, has a majority of the rural population (almost 65% of the total population), and this sector in particular imapcts the lives of the vulnerable. The sector seeks to empower the masses to break the cycle of poverty and deprivation. The vast area of contribution under MSMEs is by the micro-companies (i.e. 89%) since the products are mostly handcrafted and hence eco-friendly, there exists a tremendous potential to expand the quantum of MSME led exports. In a nutshell, the Indian economy can revive and sufficient initiatives and government intervention can give the right push for the sector to be the reason for the progress of the nation.

We can have a glance at the chart to understand how MSMEs can be a boon,



MSMEs receive several benefits from the government which can help them to arrange for the factors of production

The generation of income for the company would lead to payments for these factors of production.

This would ultimately lead to improved employment opportunities as companies would prosper.

In turn, the standard of living of the people will be on a rise.

This would enhance the revenues of the government and these revenues will be helpful for the benefits of the citizens and improve the overall economy as well.

The above chart sound too good to be true as the packages and other incentives announced by the fiscal and monetary authorities may not be sufficient for the sector to bounce back. The compliance framework conceptually and on paper is extremely promising but the fact remains, that it involves a lot of paperwork. Most of the small companies usually do not have the required documents. During the pandemic, the importance of technology was understood by everyone, but the small players lacked the requirements due to which they were helpless in serving themselves. Apart from the pandemic crisis, Minister of Micro, Small, and Medium Enterprises, Mr. Nitin Gadkari announced the ban of Chinese imports and investment in Indian MSMEs due to the border standoff which was a blow for the sector. But if we look at it under a different light, Indian MSMEs are known for producing expensive but better-quality products which can be a plus point for the sector to become a dominant player.

Looking on the bright side, support initiative and infusion of adequate liquidity in the sector can create a trajectory of positive growth for the economy as well as an inclusive growth for the country. MSMEs have proven their instrumental importance in the preceding years for India be it in terms of exports or creating huge employment opportunities for the unskilled labour, fresh graduates, and the underemployed. In conclusion, the power of MSMEs can be fathomable with just a little push in the right direction.

Disha Gogri
(PGDM Finance, 2020-22)

PAPER GOLD: DIVERSIFICATION FOR YOUR PORTFOLIO

The crazy rally in the prices of Gold is a surprise to many but Gold has time and again proven to be a safe shelter for investors in uncertain times such as during the recession in March 2000 and even during the sub-prime crisis in September 2008 which led the Gold prices to shoot up. As the pandemic showed no signs of going away, the uncertainty emerged among investors in equity who wanted to opt for asset classes that could protect their capital. However, the fact to note is that the demand for Physical Gold in India drastically fell due to the pandemic which resulted in the halt of economic activities. Physical gold demand fell to around 36% in the April-June quarter of 2020. Jewellery fabrication volumes were affected the most. 55% of the total physical demand of gold is accelerated from the jewellery fabrication segment. The ease of investing in gold sitting at home led to the demand for Gold futures, Gold ETFS and Sovereign Gold bonds to shoot up. Inflows in Gold ETFs reached 734 tonnes by the end of June 2020, taking total Global holdings to a new record high of 3,621 tonnes. This could be a part of the reason that caused the surge in Gold prices.

Apart from this, the US Federal Reserve, Bank of England, Bank of Australia, Bank of Korea, Norway Central Bank, etc. and about 38 other Central Banks all over the world, including RBI, slashed the interest rates to record lows in order to revive spending and credit and to support the economy. Even the bond yields were at an all-time low which made gold even more fit for investing. In times of high inflation, historical data tells us that gold has always outperformed other securities even during inflation. In the past years, when inflation was higher than 6%, gold's price increased by 11.15% on an average. All these factors such as uncertainty, lack of better avenues, inflation, demand for Electronic Gold supported the rise in prices of gold.

In times of high inflation, historical data tells us that gold has always outperformed other securities even during inflation.

This Diwali buy "Paper Gold":

The festive season is near, Diwali is just around the corner and what this pandemic has taught us is that diversification in portfolio is very much needed to overcome these uncertain times. So, why not add Paper Gold as an element of diversification to shield your investment portfolio? Or re-balance your portfolio if you already hold gold in your portfolio.

Financial advisers have always recommended that physical gold should not be seen as an investment as it is purely used for consumption or in the form of jewelry. Investment is something you will sell at a point in time, that's the basic rule. This rule does not apply when you buy jewelry. Thus, paper gold seems to be the most viable option for investment. Paper gold has no fear of theft and also there is transparency in the prices and can be bought and sold with a click. A 10-15 % of alternate allocation in paper gold to balance your portfolio is advisable. We must not allocate more than the said percent as we must remember that gold has been a performer only in times of crisis or uncertainty and moreover it shouldn't be used as a speculative instrument but rather like an instrument that balances out your portfolio.

Paper Gold Products:

	GOLD ETF	GOLD MUTUAL FUNDS	SOVEREIGN GOLD BONDS
	An instrument which represents ownership of Gold assets with guarantee of 99.5% purity and track real time physical Gold prices.	It's a fund that in turn invests in underlying Gold ETF. They don't invest in physical Gold directly but through ETFs.	RBI mandated bonds issued against grams of Gold.
Who offers it?	Mutual Fund Houses	Mutual Fund Houses	Stock Exchanges (BSE, NSE), Banks, Post offices
How to buy?	*Demat/ Account is necessary. *Listed and traded on BSE and NSE just like any stock. *Units can be bought and sold anytime through a broker.	*Can be bought from the Mutual fund House directly. *NAV available after market hours. (Units can be bought/ sold post market hours only)	*Bonds are issued in tranches (bits) and RBI issues them with a press release 2- 3 times a year and gives 1-week window for subscription.
Tenure	Open-ended [Can invest anytime]	Open-ended [Can invest anytime]	Lock in period 8 years (Premature withdrawal: exit option in Year 5)
Investment limits	Min: 1 unit (1 gram), Max: No Limit	Min: Rs 100, Max: No Limit	Min: 1 Gram, Max 4kgs for individuals in a F.Y year
Expenses Charged	0.9- 1% expense ratio	Expense Ratio can go up to 1.36% plus expense of the Gold ETF	NIL
Returns	Value of Gold minus the expense ratio	Value of Gold minus the expense ratio	Value of Gold + 2.5 % interest per year on initial investment
Safety	Backed by equivalent Physical Gold	Backed by equivalent Physical Gold	Government Guarantee
Taxation	LTCG (Long Term Capital Gain Tax) if held for more than 3 years	LTCG (Long Term Capital Gain Tax) if held for more than 3 years	Interest Taxable. (LTCG exempt if held till maturity i.e. 8 years)
	STCG (Short term Capital Gain tax) on investments sold within 3 years	STCG (Short term Capital Gain tax) on investments sold within 3 years	STCG (Short term Capital Gain tax) on investments sold within 3 years

It is very important to keep in mind certain things before buying these products:

• Do not choose your ETF/fund based only on low fees.

• Look at the past performance of the fund to know how the fund has been performing and also how well the managers have handled it over the years.

• Always consider your short-term financial goals and liquidity needs before locking in any product.

• Most Importantly, invest only if you are aware that the gold price fluctuations are subject to market risks and can have an impact on your Gold ETF/ fund.

Mandar Patil
(PGDM Finance, 2020-22)

ROLE OF CRYPTOCURRENCY IN SHAPING THE GLOBAL ECONOMY

Cryptocurrency, an encrypted digital currency came into prominence since the launch of bitcoin in 2009. It is the world's first decentralized cryptocurrency. Since its inception, it has been affecting the global economy on a large scale in many ways.

According to research conducted by Chainalysis, a blockchain analysis firm, Ukraine is leading in cryptocurrency adoption, followed by Russia, Venezuela, and China. US and China lead in the transaction volumes of cryptocurrency. The report also says that with the fiat currency of Venezuela losing its value, people use cryptocurrency to preserve the value of their savings. The adoption of cryptocurrency in Ukraine can be attributed to the fact that the population there is very tech-savvy, and the economic instability in the country increases people's distrust in their fiat currency. The cryptocurrency adoption by Ukraine, Russia, and Venezuela is driven by retail investors whereas in the US and China it is driven by crypto whales. Based on these observations, we can say that cryptocurrencies are a safe haven for people living in a country with economic instability, and less developed banking infrastructures.

Cryptocurrency has affected the funding process for companies drastically. Initial Coin Offering or ICO created a new way of raising money for companies. It is a controversial crowdfunding method used to raise money to fund companies where these companies create their own tokens and exchange them for bitcoins, Ethereum, or fiat currency. These tokens can be exchanged on cryptocurrency exchanges or can be used on their platforms. The period between 2017-18 is referred to as 'ICO mania'. Around 800 ICOs were offered and 20Billion USD was raised. ICOs might seem like an attractive investment but it comes with a huge risk. A report prepared for Bloomberg by SATIS group argues that around 80% of all the ICO are scams, and only 8% of them reach the trading stage on various cryptocurrency exchanges. Due to examples like these many authorities like SEC have increased their efforts in regulating ICOs. It is more difficult to come out with ICOs as they must provide more documentation and adhere to a tighter set of rules. ICOs are especially useful for start-ups who cannot get VCs to fund them or who do not have access to proper financial services in their countries, to raise money fast and easily. The amount of money raised by ICOs has declined from 2019 and equity funding overtook ICO funding for blockchain companies last year. But ICOs are still a viable option for companies to raise funds. According to research by PWC, countries leading in ICO fundraising are the US, UK, Singapore, Hong Kong, and Switzerland.

Cryptocurrencies have also emerged as a way to diversify portfolios. Due to their volatile nature, experts say that you should only invest the money in crypto assets which you can afford to lose. "A 1% allocation to bitcoin – that is, going from 60% in stocks and 40% in bonds to 59% in stocks, 1% in bitcoin and 40% in bonds -- just might be enough to give investors the benefit of diversification without risking the whole portfolio", said Ric Edelman, Founder of Edelman Financial Engines. They can be used as a hedge against volatile global markets and fiat currencies in your portfolio.

Cryptocurrency fuels substantial amounts of illegal activities. Illegal transactions have been a major part of cryptocurrencies since the first online black market, Silk Road, started in 2011. As the transactions are anonymous, it is difficult for law authorities to track them. These illegal transactions are increasing day by day. On the black market, where bitcoins can be used to buy drugs, stolen

credit cards, and for various illegal activities, the number of bitcoins used increased by 60% to 601 million USD in the last three months of 2019, as explained in a report by Chainalysis.

In October 2019, UNICEF launched its own cryptocurrency fund and became the first organization of the UN to deal and transact in cryptocurrency. UNICEF announced that it will invest 125 ETH(Ethereum) in eight companies across seven countries to solve local and global challenges amid the pandemic.

Many countries like China and Russia are coming up with their own cryptocurrencies. Other countries are trying to adopt and regulate different cryptocurrencies. Since their inception, these virtual currencies have created a significant impact on various aspects of the global economy and we can conclude that cryptocurrencies are here to stay. This shows that rather than banning them, it would be better to learn to deal with them and regulate them.

Krishani Gokani
(PGDM Finance, 2020-22)

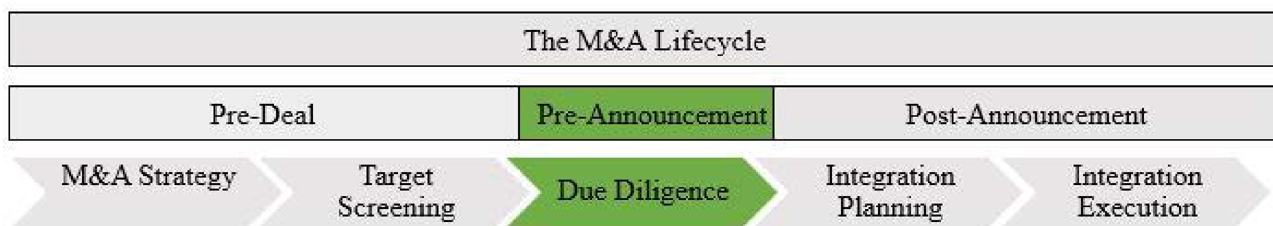
VARIOUS FORMS OF DUE DILIGENCE UNDERTAKEN DURING FUNDING, MERGERS AND ACQUISITION

Due Diligence is a process of evaluating a potential investment opportunity, which is a company that an investor wants to invest in or a potential target company for a Merger & Acquisition deal. This evaluation process involves confirming and verifying business information and validating the assumptions that were made for deciding the "worthiness" of the deal. In case of funding, this is vetting the potential return on investment and in M&A, the joint synergies resulting from the deal.

Who are the parties involved in the Due Diligence process?

Due Diligence is usually conducted by the buyer/investor or their third party advisors, experts and consultants. When the seller party initiates the due diligence process it is called as Vendor Due Diligence. This is usually done before the investment/sale comes up and can help in successful negotiation, quicker time line and a better price.

When does the Due Diligence Process happen?



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Why is Due Diligence important?

Due diligence has become a common standard for almost any kind of investment or business dealing such as M&A, that includes risk and involves the care that a reasonable company should take before entering into an agreement. Every investment has its own level of risk, and without good research, the investor/buyer may be unable to understand that risk correctly.

A systematic process helps to ensure that all parties are on the same page at the time of a purchase/investment. This helps to prevent any company

from unnecessary harm to either party throughout a transaction. Evaluating risk accurately and acquiring the important and correct information needed to analyse another company is the goal of due diligence.

Types of Due Diligence

Financial and Accounting Due Diligence:

Financial due diligence involves validating a company's financials in order to identify any inaccuracies or abnormalities. It also includes evaluating the company's past and current financial performance to understand whether projected financial forecasts are justifiable.

Key focus areas are:

1) In Depth analysis of Audited Annual Reports of at least 3 years

2) Trends and Key Ratio Analysis: The main object here is identifying ratios that are appropriate and relevant in the target's industry and then comparing target's ratios with industry standards and competitors. Trend Analysis help to understand changes in specific key line items of financial statements over a period of time like key drivers of growing or shrinking profit margins, operating expenses, return on equity, etc.

3) Debt and Liabilities: The investor/buyer should be aware of any off-balance sheet contingent liabilities. The credit rating of the company should also be asked for and the report should be studied thoroughly. Amount of debt outstanding, payment terms, maturity and the debt covenants should be understood properly.

4) Actual v/s Projected: Analysis of the differences between what the target company budgeted or projected and the actuals should be done and the reasons behind such differences should be investigated

5) Quality of Assets: Assets will reflect what a company owns and it is important to carry out proper valuation of those assets considering market values. Condition of important assets needs to be verified.

6) Capital Expenditure: Depending on the industry, the company may be capital intensive. There should be good understanding of total capital required to keep the business growing and what part of it is for growth v/s replacement.

7) Working Capital: The investor/buyer should have a clear idea of the normalized working capital requirements necessary to run the business. Factors like seasonality, quality of receivables, inventories and trade payables should also be considered. For deal purposes, usually cash and cash equivalents are excluded.

8) Revenue: The revenue should be growing and Ideally, there should not be dependence on few key customers and the income streams should be diversified. The company's revenue recognition policies should not vary vastly from the competitors. Are the changes in revenue due to price or volume and how does the product portfolio affect the revenue?

9) Quality of earnings: Since businesses are often valued at multiples of EBITDA (Earnings before Interest, Tax, Depreciation and Amortization), it is important to assess the quality and sustainability of earnings. The earnings should closely approximate cash flows. Unusual or non-recurring income and expenses should be checked for along with inconsistent accounting principles.

Legal Due Diligence:

Legal due Diligence involves assessing all the legal risks and potential liabilities. An in-depth examination of the legal documents of the company is executed along with checking its compliance with all applicable laws. It also includes understanding all obligations of the company.

Key Focus Areas:

1) Material Contracts and Agreements: A review of all material contracts is performed in order to understand if any important contracts are affected by the change in management and the consequences of contract termination. This includes contracts done with employees, key supplier and customers, real estate purchase/lease contracts, Franchise Agreements, Partnership Agreements, Loan Agreements, Credit and other financing agreements, etc.

2) Litigation and Regulatory Matters: Review of all pending and completed litigations, claims and lawsuits involving the company and the amount involved.

3) Intellectual Property: Trademarks, Copyrights and Patents owned by the company and the validity, duration and extent of protection given to these Intellectual Property. It is also important to review agreements related to ownership and licensing of such intellectual property.

Commercial Due Diligence:

In a commercial due diligence, the company's current positioning in the market, and the market dynamics are studied along with trends, competitors, opportunities, threats and differentiators. It is important to understand the company's value proposition and competitive advantage.

For M&A, it is also of utmost prudence to analyse the synergy effects of the transaction: What incremental markets, customers or sales channels will be created by this merger or acquisition? Hence, commercial due diligence will also include examining the formulated strategy of the combined business and whether or not the integrated business plan will be able to thrive in the market.

Tax Due Diligence:

Tax Due Diligence involves understanding the tax profile of the company and to identify and quantify tax related risks. On the other hand, it can also include recognizing any potential tax benefits that are not being claimed by the target company. It is important to confirm that the company is adhering to all tax compliances. When it comes to transfer pricing, the company may have sister-concerns operating under different jurisdictions and tax laws. This carries the risk of over or under calculating taxes and double counting. Tax Due Diligence will also enable to structure the deal in a tax-efficient manner.

Human Resource Due Diligence:

While M&A transactions are done in order to realize perceived synergies, it is essential to recognize the importance of human resource talent in achieving the targeted synergies. Even in an investment deal, a lot of emphasis is given to the experience and qualifications of the management team. In order to avoid problems of high attrition and loss of productivity due to lack of properly defined organizational structure, human resource due diligence is paramount.

Key Focus Areas:

1) Recognizing differences in culture, problem-solving and decision-making styles, HR Policies and deciding how to solve these differences and creating harmony.

2) Understanding organizational structure in order to take better inevitable restructuring decisions:

top executives, number of employees and their position responsibilities, different departments and their functional responsibilities, inter-department dependence, compensation structure across different roles and levels etc.

Operational Due Diligence:

In a M&A deal, it is a process by which the company's operations practices are reviewed in order to understand how they adjust in the buyer's own structure. In case of funding, it is necessary for the investor to ensure improvement in operational performance and proactively manage operational risks. The nature of Operational Due Diligence is significantly dependent on the industry and hence it is important to involve an industry expert for this purpose.

Key Focus Areas:

1) Studying the following operational aspects: product management, logistics, IT processes, business processes- functional and departmental, offline and online channels, back-end operations.

2) Assessing the operational savings and efficiency improvements

3) Finding operating redundancies that can be removed.

4) Understanding of company's cost base and identify cost reduction opportunities.

5) Quality and maintenance of operational assets

6) Level of competency and capability to scale the business rapidly

Rakhi Narula
(PGDM Finance, 2020-22)

INSOLVENCY AND BANKRUPTCY CODE OF INDIA (2016)

One of the issues that are plaguing the Banking sector of India is the increasing number of NPAs (Non-Performing Assets). As per a report published by The World Bank, NPAs comprised 2.6% of the total loans issued by the banks of India in 2011, which later increased to 9.1 % in 2016. It tripled in five years and it is truly alarming for our economic growth.

Furthermore, another report issued by the World Bank in 2016 stated that it takes 4.3 years on average, for an insolvency resolution to be passed in India, whereas it takes 1 year in the United Kingdom and 1.5 years in The United States of America. This brought India's position on the World Bank Ease of Doing Business Index to 135th out of 190th, back in 2016. In order to improve our position and recognition on the world stage, a revolutionary reform was introduced in 2016. The code was introduced under the leadership of the Modi Government on the recommendations of the Joint Committee by our late Minister of Finance Arun Jaitley. The code sets itself apart from the existing laws as it aims to facilitate the winding up or engineering a turnaround or an exit in a timebound manner i.e. in 180 days which will be undertaken by Insolvency Professionals. It proposes to do so by creating a host of new institutions such as follows:

1) Insolvency Professionals: Insolvency professionals are duly qualified individuals that are responsible to conduct the insolvency resolution process wherein they take over the control of the management of the company while assisting the creditors in the collection of relevant information and managing the liquidation process.

2) Insolvency Professional Agencies: Insolvency professional agencies are responsible for the regulation and development of insolvency professionals. The insolvency agency code specifies certain bye-laws whose terms and conditions the insolvency professionals must comply with.

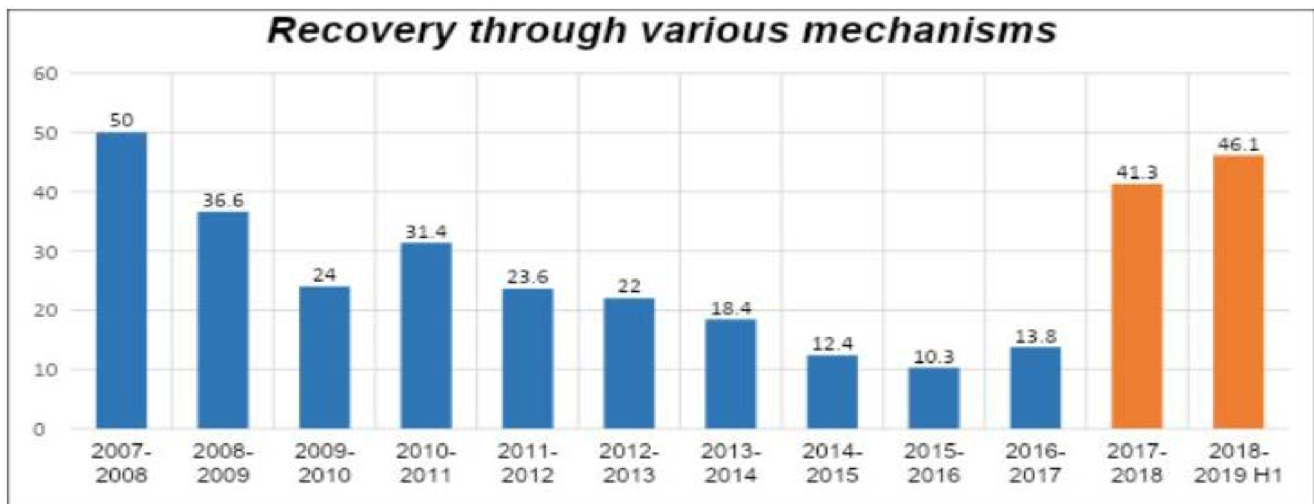
3)Information Utilities: Informational utilities are professional bodies registered with IBBI (Insolvency and Bankruptcy Board of India) under section 210 of IBC (Insolvency and Bankruptcy Code,2016). They provide high-quality authenticated information about debts and defaults which is made available to the resolution professionals, creditors, and other stakeholders in the insolvency resolution process to enable the stakeholders to make decisions.

4)Adjunction: The early years of the 21st century witnessed a devastating need for special tribunals to address company and individual insolvencies. The revolutionary code provided two such tribunals namely NCLT (National Company Law Tribunal) to adjudicate insolvencies of firms and companies registered under the companies act,2013and DRT (Debt Recovery Tribunal) to adjudicate individual insolvencies.

5) Insolvency and Bankruptcy Board of India: Insolvency and Bankruptcy Board of India act as a regulator that monitors the insolvency proceedings and overseas the Insolvency professionals, information utilities, and insolvency professional agencies to ensure the efficient and effective working of the "Insolvency and Bankruptcy Code of India" (IBC).

How can the new bankruptcy law prevent more defaulters like Vijay Mallya?

Vijay Mallya is an Indian businessman who is now the subject of an extradition effort by the Indian government to return him from the UK to face charges of financial crimes in India. He was a former member of the parliament and has been the ex-chairman of United spirits and continues to serve as a chairman of the United Breweries Group. He is prominently associated with defunct Kingfisher Airlines that owes Rs 9000 crores to17 Indian banks.



Average Recovery (DRT+SARFAESI+LOK ADALAT) IBC (SOURCE- RBI IBBI)

This case highlighted various shortcomings of the previous insolvency and bankruptcy framework i.e. SARFAESI Act 2002. Although the act allowed banks and other financial institution to auction residential or commercial properties to recover loans, however, since the debt recovery tribunals were overburdened with cases and the defaulters were allowed move to the courts, providing an opportunity to the defaulters to buy time. This was witnessed in the Vijay Mallya case, wherein the banks moved to the DRT in 2012. The inordinately long time in taking action eroded the value of the underlying Kingfisher assets, leaving nothing to the banks. Since disputed assets do not attract many buyers and it eventually decreases its value, which was seen clearly in this case when the efforts of the banks to recover their loans failed since there were no buyers for these assets.

Had the new bankruptcy code "The Insolvency and Bankruptcy Code 2016" prevailed when the Mallya defaulting case took place, it would have moved to NCLT (National Company Law Tribunal) that would have empowered the creditors to initiate the loan retrieval process at an early stage, wherein, the management would be taken over by Insolvency Professionals nominated by the stakeholders to achieve desired business results ensuring liquidation within 180 days enabling Kingfisher's assets to be put to good use or enabling the restructuring of the company within 180 days, resulting in the timely revival of the company and minimizing the losses for the stakeholders.

Evaluating the utility and success of this legislation, is the testimony provided by the RBI in a report that testifies the efficacy of the IBC in boosting the recovery rate as well as imparting the lenders with a better perception of the recovery process without enabling any loss of invaluable time and efforts.

IBC has also proven to be higher in comparison to the previous framework (DRT+ SARFAESI +Lok Adalat's) (the graph above shows that the recovery percentage under the previous framework for the year 2017-18 was 12.4 % approx. whereas it has been at approx. 41.3% under the IBC). Hence, we conclude that the "Insolvency and Bankruptcy Code" consolidates the existing framework by facilitating the winding up of a distressed asset or engineering a turnaround or an exit in a timebound manner (i.e. in 180 days). This is mainly done by a host of institutions thereby effectively addressing the rising number of

Non -Performing Assets It empowers the stakeholders by providing them timely information to make informed decisions facilitating them to conduct the insolvency procedures at the earliest, thus saving both time and money.

This framework is expected to-

- Instil a sense of confidence amongst investors,
- Facilitate ease of doing business,
- Promote entrepreneurship,
- Maximize the availability of credit in the Indian market.

Internship Experience

Natasha Fernandes

INTERNSHIP EXPERIENCE AS AN EQUITY RESEARCH ANALYST AT ELARA CAPITAL

The summer internship this year was unlike any seen by the students of N.L. Dalmia in the past. As the world was hit by the pandemic, and India went into a lockdown just as we adorned our 'Intern' hats, our enthusiasm and excitement was put to a test by a world of new challenges. Armed with the tools for critical analysis and problem solving we received at N.L. Dalmia and the support of our industry mentors, we all turned these challenges into learning opportunities.

I was fortunate to bag an internship at the reputed Elara Capital Plc. as a Research Analyst.

In my personal interview, I was asked questions on my understanding of various facets of accounting such as financial statements analysis, ratio analysis, etc. The interview concentrated on my analytical thinking ability. More practical questions were asked on my thoughts and expectations of the current situation in India, making me dig deeper into the topic and explain the rationale of my responses. On completing the interview I was extremely excited about this opportunity to join the corporate world.

As the internship commenced when the company took on the challenge of working from home, I was exposed to a new kind of corporate world – A digital one.

My first assignment was to conduct research and analysis on the chemical sector. This included the reviewing of various reports on the sector, the chemical companies, and news articles. This being a new sector for me, I found that the terminologies and processes adopted here varied greatly from other industries. With increasing exposure to the literature on the chemical world, I became familiar with its various nuances and referred context.

I was assigned to track specific companies in this sector and attend their official conference calls. In preparation for this, I studied the background of the company and conducted financial analysis on the key figures in its financial statements. I also studied the investor presentation and the published quarterly reports before drawing analytical conclusions or highlighting any areas that didn't have adequate information. I discussed my conclusions on these subjects with my mentor, who provided additional insights.

In the conference calls that followed, I noted the data provided by the company representatives and the Q&A details that answered the queries raised by my data. I wrote a holistic summary of the key points mentioned in the call and presented the same to my mentor.

I began my research on Navin Fluorine International Ltd, a chemical company. I conducted an industry overview, SWOT analysis, and valuation on the company among other tasks before I drew up my conclusions on its potential. This coupled with the details mentioned in the conference call gave me a sense of the company's performance, its growth trajectory and future expectations.

Valuation Snapshot

Company	FY21 P/E	5 Year Average P/E
Vinati Organics	25.4	28.6
PI Industries	30.1	33.9
Galaxy Surfactants	18.9	26.1
Advanced Enzyme	11.2	20.3
Fine Organics	31.2	39.3
Navin Fluorine	30.0	44.8
SRF	20.0	22.9
Aarti Industries	24.0	25.2

Source: Bloomberg

Bloomberg | Quint

I also was quite fortunate to have interactive discussions with my mentor on the various topics related to the sector as a whole, valuation tips and so on.

As the internship concluded, my view on the future of the chemical industry is optimistic. This segment is expected to grow considerably given its increasing potential in India. The increasing reluctance within the industry to conduct business in China is bound to boost the manufacturing sector in India, especially the chemical sector which is a high margin industry. The current scenario will give further impetus to this sector and thus the growth potential for this segment is tremendous.

Despite being limited to the physical confines of my home during this summer internship, I was exposed to a world of industry knowledge and practical skills. I got the chance to sharpen my practical and analytical skills. Most importantly, I found that even though life is unpredictable, we can always find ways to meet and overcome any challenges that are thrown at us.

Gaurav Arjun

INVESTMENT TEAM (SUMMER INTERN)-EVERSOURCE CAPITAL

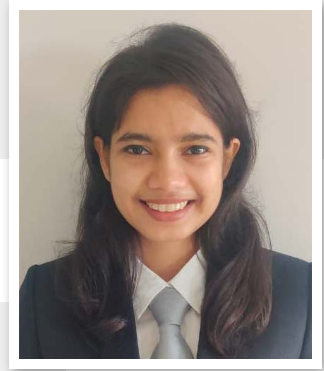
My summer internship journey at a reputed Renewable Energy Fund (Buy Side) started on a bright Monday afternoon on February 24th, 2020, when I made a blank application for an internship. My joy knew no bounds when I received a mail from the HR asking for more details on my profile and later sending me a confirmed interview date directly with the CEO of the waste management platform. Brimming with a nothing to lose attitude and self-preparation, I set out to convert this golden opportunity into a great learning experience.

My interview started with my views on the renewable energy sector and then later delved into various deals in the waste to energy platforms like the KKR and Ramky Enviro deal, which highlighted the nascent sector and its huge growth potential. The interview concentrated on my ability to connect various events besides my views on a variety of scenarios put forth. A week post the interview, I received an email asking me to appear for a final interview with the Executive Director. The interaction was focused on my expectations from the internship and the skills I possess, post which I was offered the opportunity to intern with the waste management platform, managed by Eversource Capital.

The internship commenced with a unique challenge, as I had to operate from the confines of my home. Responsibilities included Analyzing Projects for Initial Screening and Shortlisting for Next Stage, Preparing Summaries of Draft Concession Agreements, research reports on companies and topics as assigned besides assisting the team in different stages of live deals for various companies. With increasing exposure to the process and positive support from my seniors, I had the opportunity to understand the whole process that a Private Equity fund goes through before investing in a business.

The pandemic brought its fair share of surprises when my internship got extended for a month and I was quite fortunate to assist my mentor in the preparation of a complete Investment Committee Report and suggesting queries to be asked to the investment bankers on specific topics which had not been mentioned in the Confidential Information Memorandum. Based on the exposure and learnings, my Project Report for the summer internship was "Study of Indian Municipal Solid Waste Space"

As is the case with all good things, I had to conclude my internship on 15 July as our classes were about to begin. However, I will always cherish the exposure and helpful nature of my senior who gave me the opportunity to not only be part of live deals but also took the time to explain the whole process involved. From being an unplaced concerned student in early February, I landed one of the most coveted internships desired by many B-school students. It has been rightly said by **Albert Einstein, "In the midst of every crisis lies great opportunity."**



Vatssala Jajoo

MY SUMMER INTERNSHIP EXPERIENCE WITH NSE

We all know that theoretical knowledge just teaches us the techniques and theories of a subject. But, it is the practical knowledge that helps in implementing what we learn in theory. Without working, one cannot understand the value of it. As it is said that theoretical knowledge will give us answers with assumptions, whereas, with practical knowledge one will know the definite answer. I am so grateful that I got this opportunity to work with The National Stock Exchange of India. We all know that, due to COVID-19 pandemic, many people were rescinded from their jobs and many of us lost their summer internship. I am so thankful that I gained experience through the work from home setting for two months with the National Stock Exchange, in the department of Fixed Income Valuation. I have worked under the guidance of Mr. Rakesh Bansiwal and Mr. Harsh Thakkar. It was altogether a new and great experience, with everything digitalized, communicating and conducting meetings with Cisco Webex Meetings.

My work was to study and analyze the terms and conditions from Information Memorandum issued by various companies with regard to its bond issuance. Also, to plot the stream of future cash flows that an investor will earn if they invest in a particular bond instrument which was further used in valuation of the bond. Theoretically we have learned different features of bond and practically I learned about its significance and reason of issuance. I have worked on the project on “Trend Analysis of Indian Corporate Bond Market”.

Due to COVID-19, I haven’t had chance to physically be present at office and work there, I believe it would have been an even greater experience. Although NSE made it easier, by showing constant support and helping us in learning and improving our knowledge in Fixed Income instruments, which is one of the developing investing instrument of the country.

Riya Kyal

SUMMER INTERNSHIP AT CITI CORP SERVICES PRIVATE LIMITED

An internship is an excellent opportunity to bridge the gap between theoretical knowledge and the practical applicability of the same. I got an opportunity to do my summer internship at Citi Corp Services Private Limited, one of the prestigious companies that visits our college campus for internships and final placement offers. I was delighted to work in the Investment Banking Division (IBD).

Citi is a global investment bank that provides corporations, government, institutions and consumers with a wide range of financial services and products. CitiCorp's investment banking division caters to regions like NAM, EMEA, Latin America and APAC.

The duration of my internship was 5 weeks that was divided into 3 parts, i.e. training, working on live assignments and working on the final assignment. We were trained on Microsoft excel and powerpoint to prepare valuation methods like comparable company analysis (COMPS), prepare pitch books and make profiles of the company.

The live assignments comprised of Tasks like benchmarking, preparing profiles of various types like one-page profile, multipage profile, half-page profile, preparing comparable company analysis (COMPS)of various companies and extracting and analyzing data from various company filings.The final assignment was to prepare a pitch book for a dummy transaction to practically apply everything we learned during the internship.

My experience was very enriching not only in terms of the quality of work, besides my colleagues and team heads made my virtual internship quite memorable. At every level of difficulty, we were assured that we could always rely on our senior management for assistance. This made our virtual internship journey quite easy and productive as well.

My Key Learnings were: Advanced Excel, PowerPoint, Factset, MergerMarkets, Analysis of various company filings, Valuation Models like COMPS and Precedent Transaction Analysis.

Alyeen Khetani

INTERNSHIP EXPERIENCE WITH RESERVE BANK OF INDIA

"In the midst of darkness light persists"- Mahatma Gandhi.

This was indeed true in my case. In times of the ongoing pandemic I got the opportunity to intern with the Central Bank of India – The Reserve Bank of India for my summer internship. My internship with Reserve Bank of India was like a dream come true for me. While filling the form, I didn't expect to get an opportunity to work with RBI.

The Reserve Bank of India is the Apex Monetary Authority in India that controls and directs the entire Financial and Banking network in the country. The mere thought of association with such a reputed name was sufficient to send chills down my spine. So, you can imagine the extent of excitement that surpassed me when I finally landed an internship opportunity at the Reserve Bank of India. It was overwhelming!

Let me first take you through the selection process. So, the whole process began in the mid October 2019 wherein we had to physically fill out the application form for domestic students which is also available on the RBI website, the institute collected and sent out all the application forms to RBI, which shortlisted 12 students from the institute for the next round - Personal interviews. This shortlist came by the second week of January and interviews were scheduled on 23rd January 2020. So basically, we had approximately 2 weeks to prepare ourselves for the personal interviews.

Our placement committee arranged an interactive session with our immediate seniors who had interned with RBI. They shared with us the topics to be prepared. I made notes too for reference as part of my preparations. Also, Murthy sir, who taught us Banking & Insurance at that time, took RBI preparatory sessions where he covered the topics on which questions may be asked in the interview. His sessions were extensive enough to provide us with that extra push towards being more prepared. So, a special thanks to Murthy sir.

We had to go to RBI's Central Office at Fort for the personal interview round. The interview process at RBI is very organised and structured. We were advised to reach the premises beforehand. When we stepped in, we got awed by the grandeur and ambience of RBI. I saw the tensed faces students from different B-Schools which bated my breath at first, but RBI officials were extremely cordial and made us feel at ease.

A panel of three interviewers (general managers (GMs) of different departments) took my interview. The interview process, started with them describing the role of RBI and then the first question to me was "Why do I want to intern with RBI". It was a good 7-8 minutes' two-way discussion wherein I was trying to convince them why I wanted to intern at RBI. This was indeed the most difficult question I faced as I had to convince a panel of 3 General Managers, and they were negating all the

The project allotted to me was "Liquidity & Regulatory measures taken by Central Banks during COVID-19" keeping in mind the current state of economy

reasons I was giving by saying "not necessary". Post which they asked me to introduce myself, major functions of RBI, what is the recent thing that happened in the economy related to banking followed by accounting concepts and their applications in the real-life situations, questions about the projects that I had undertaken during my undergraduate studies. We further went into the reasons for selection of those specific topics, why I chose them. Then I was asked questions based on my favourite subjects followed by some technical questions on corporate finance and banking. Being a fresher, there were no questions based on work experience.

The interview panel was welcoming and throughout the interview process, they were reassuring. Even if I could not recollect the correct answer they did not rebuke or censure me, instead guided me to the correct answer.

They also quizzed me about the departments in RBI that I was interested to work in. Personally, I believe that the Interview round tried to gauge my inclination and interests rather than bookish knowledge. The clarity of my thought process allowed me to sail through the Reserve Bank of India's selection process with the utmost ease.

The results of the final selects were announced on 6th February 2020 and finally; 4 students were selected to intern with RBI. So, this was a gist of the selection process.

Now I will talk about my internship experience there. I was allotted the Department of Supervision, Central Office, RBI. I interned at RBI from 20th April 2020 to 15th July 2020. It was a Work from Home Internship. The first week was all about getting a hang of the Department of Supervision. So, it was an orientation week for me. The project allotted to me was "Liquidity & Regulatory measures taken by Central Banks during COVID-19" keeping in mind the current state of economy. The project was majorly related to regulatory measures taken by various central banks and getting to know the rationale behind them and comparing them with measures taken by the Reserve bank of India. During the course of my internship I had to provide suggestions and an approach which I felt were necessary and taken by other comparable central banks and which should be taken by RBI. I won't go into the technicalities of my project as it won't be the same for the next batch of interns. But it is important to know that my project was a different kind of project which didn't involve core finance, it revolved majorly around economics and monetary policy.

I learned a lot about the processes, economy, forex, monetary policy from my mentors Shri. R.K. Rajput sir (GM, Department of Supervision), Shri Gagan Agnihotri sir (DGM, Department of Supervision) and Mr. V. SreeHarsha sir (Manager, Department of Supervision), who gave me additional knowledge of different departments and other functions of RBI too. The people at RBI are very sweet enough and you can approach them and strike a conversation with them anytime.

My summer internship experience has been extremely delightful enough and I am grateful for the opportunity I got with RBI.

Devesh Advani

INTERNSHIP EXPERIENCE WITH BARC INDIA

I had a wonderful two months' summer internship experience, working with BARC India (Broadcast Audience Research Council). Due to COVID -19 and lockdown in the whole country especially in the regions of Mumbai because of this it was an online internship which was a completely different exposure and I believe that in the current times we have to adjust ourselves according to happenings in the external environment.

In my Personal Interview, I was asked various questions which has tested my analytical ability. Apart from this, they asked my journey as a journalist before and what are my career goals ahead in the future. I was excited to join the corporate world, when I got the final confirmation from BARC after my interview process. I was asked to work as an intern with the Finance Team of BARC.

BARC India is a joint industry company founded by stakeholder bodies that represent Broadcasters, Advertisers, and Media Agencies. It is now the only TRP Ratings body in the country. It owns and manages a transparent, accurate, and inclusive TV audience measurement system. It provides a suite of products designed for Broadcasters, Advertisers and Agencies. The Big Data and Insights generated by BARC India powers efficient media spends and content decisions in a highly dynamic and growing television sector.

It is the sole company regulated by The Ministry of Information and Broadcasting (MIB) and Telecom Regulatory Authority of India (TRAI) to provide Television Ratings in the country. It currently measures TV viewing habits of the country's 197 million television households using 40,000 sample panel homes. It brings together all three main players in the estimation of television viewers- stations, advertisers, media and advertising agencies.

At the start of the week in my Induction program, I was briefed about the working of BARC, what it exactly does, how it conducts the whole process of TRP and what is the business model of BARC and what is my role and how I should perform in the organization.

The project provided to me during the internship was to conduct a research on the topic of "Alternate sources of Finance for BARC India". As BARC is a Section -8 company and it has several limitations on opting for different finance sources. So after doing in-depth research, I got with some of the alternate finance sources which BARC can avail to meet their working capital requirements as well as for the expansion of the organization.

It was altogether a new and great experience, with everything digitalized, communicating and conducting meetings online via Microsoft Teams. I had meetings with the finance team of BARC and talent acquisition team was also in touch with me from the start till the end of the internship.

Student Achievements

Supriya Shivnarayan Singh

A certified Investment Banking operations professional, cleared CFA Investment Foundation and got its badge. Research paper named " Investment Analysis and Portfolio Management of Top 10 Stocks Picks in India Amid Market Turmoil in COVID-19 " was published in IJSR journal ISSN: 2319-7064

Volume 9 Issue 7, July 2020.

Devesh Advani

Secured 3rd place in intercollege online presentation competition on the topic of "Initiatives to ameliorate the impact of COVID-19 by Top 10 Global Corporates" conducted by IES Management College and Research Centre Bandra, Mumbai.

Mayur Agrawal

Secured 3rd position in Shri Ram Mock Crypto Trading Challenge organized by The Commerce Society, Shri Ram College of Commerce held during 23rd-30th March 2020.

Aarti Patel

Title of the article published in International Journal of Advanced Research in Computer science and Management Studies - A study of the Performance of Mutual Fund Ultra Short Term Debt Fund Schemes. Volume No - 8, Issue No – 8.

Urvashi Sharma

Selected as the TOP 100 Best of Best students in the E4 MBA Intercollegiate Summer Trainee Awards (India Region) 2020.

N. L. Dalmia
Institute of Management Studies and Research
(A School of Excellence of N. L. Dalmia Educational Society)

N. L. Dalmia Institute of Management Studies and Research
Sector 1, Srishti, Mira Road (East), Thane (MMR) 401107, Maharashtra.
Tel: +91 22 4299 0033 | Email: delta@nldalmia.in