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FROM THE CONVENOR'S DESK



Ashutosh Yadav

The Finance and Investment Cell, Hansraj College is a voluntary group of students aiming to disseminate quintessential knowledge on finance, investment and related aspects through the conduct of its activities throughout the year.

Since its inception in 2012, the cell has traversed a great path to grow in size, scope and shape so as to make it more engaging for its members and community. We've diversified ourselves from activities eponymous to the name by launching our very own in-house mentorship and consulting wing and social wing last year.

Moving ahead a successful volume 1, in the first edition of volume 2, we hope that we can curate the best content for all our readers so as to make it not only informative but also interesting and relatable. We promise to be unfettered in our efforts so as to make finance easy and simple for you. With the hope that these pieces help you enhance your knowledge, we wish that you have a pleasant reading experience.

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FINANCIAL HIGHLIGHTS

Keep yourself updated



Mukesh Ambani loses the coveted position of Asia's richest man to China's lone wolf



Known as 'Lone Wolf', Zhong Shanshan has surpassed Jack Ma of Alibaba. His rise to the top in Asia is believed to be "one of the fastest" in history replacing Reliance Industries chairman Mukesh Ambani. The rise in Shanshan's net worth is attributed to the listing of two of his companies- vaccine maker Beijing Wantai Biological Pharmacy Enterprises Co and Nongu Spring Co, a bottled water firm. The mountain of restrictions placed against Jack Ma's Alibaba is making things difficult for the Chinese billionaire.

Amended GST rules target frauds, will not impact the cash flow of small businesses, says the government

The revenue department of the government notified that any business that supplies goods and services worth over Rs 50 lakh will have to pay at least 1% of the tax liability in cash as against the earlier rule of discharging their entire liability through the ITC. Sources in the revenue department said that data analysis showed that of 1.2 crore registered taxpayers under GST, only around 4 lakh taxpayers have supply value greater than Rs 50 lakh, and only around 1.5 lakh of these 4 lakh taxpayers pay less than 1% tax in cash.

This means the rule applies to only about 40,000-45,000 taxpayers (0.37% of the



entire GST tax base). Further explanation by experts suggests that the cash payment of 1% for a supplier make, for example, Rs 1 crore taxable supply comes to about Rs 12,000 in a month, an amount that is significant but not certain to cause any cash flow problems for dealers of this size.

PayPal faces Rs 96 lakh penalty for violating India's anti-money laundering processes

The American online payment gateway PayPal has been fined Rs 96 lakh by the Financial Intelligence Unit for allegedly contravening the anti-money laundering law. It has been accused of "concealing" suspect financial transactions and abetting "disintegration" of India's financial system. Further it was also charged with breaching the tenets of public interest and the provisions of the Prevention of Money Laundering Act (PMLA).

The company has been held guilty on three grounds, the prime one being its failure to register itself as a reporting entity with the agency. While the FIU terms the infringements as wilful and deliberate and has ordered the company to pay the fine within 45 days along with its registration as a reporting entity, PayPal has rejected its directive. As per the company, it only operates as an Online Payment Gateway Service Provider (OPGSP) in India and does not come under the definition of a reporting entity under the PMLA according to



the RBI guidelines. However, a sneak peek into the company's activity and business model indicates its involvement in the handling of funds in India, making it a "financial institution" and thereby qualifying it to be a reporting entity under the PMLA.

An order by the FIU noted that if PayPal's argument was accepted, the objective of the anti-money laundering law would be rendered "redundant" with many entities finding reasons to technically escape itself from the official registration with the agency thereby defeating the purpose of the PMLA.

Cabinet approves infrastructure projects worth more than Rs 12,000 crores



The Cabinet Committee on Economic Affairs (CCEA) chaired by the honourable Prime Minister approved major infrastructure projects in a bid to boost the infrastructure build-up. These projects included industrial corridor nodes in Andhra Pradesh and Karnataka along the Chennai Bengaluru Industrial corridor and multi modal logistics and transport hubs at Greater Noida. Further the central government will spend Rs 7725 crores on its own to furnish the proposed greenfield industrial cities with proper road and rail connectivity with reliable power and social

infrastructure. The Industrial Corridor Programme aims to attain the objectives of the creation of an Atmanirbhar Bharat to boost investment and growth opportunities all across the country. These projects are expected to generate an employment for about 2.8 lakh people which will definitely provide some respite to the labourers who have seen some dark days in this pandemic time.

NCLT approves record number of resolution plans between Jan to Sept

A total of 36 resolutions were approved between January to March period this year, 20 resolution plans were approved in the June quarter amidst Covid-19. The July to September period registered approval of 22 resolution plans in 2020. A total of 228 out of 464 cases were closed by liquidation/windings in the current year, as per data till September 2020. Last year, a total of 76 resolutions were approved between similar dates. Similarly, only 42 resolution plans were approved by the court during the same period in 2018. A total of 277 resolution plans have been approved under the IBC till date, as of September 2020. This efficiency in liquidating business operations as and when required will be the leading light for attracting investors into the Indian market.



Finance Ministry declares that GST collection this December is an all-time high



Crossing a benchmark of 1.5 lakh crore, the GST collection for the month of December is the highest since GST has been introduced. The amount that is 12% higher than that of December last year is in accordance with the recovery of GST revenues ever since the start of this new tax regime as per the Ministry of Finance. Keeping up consistently this is the third month in 2020 that generated a revenue of over 1 lakh. The ministry of finance credited the rising GST collection to "combined effect of the rapid economic

recovery post-pandemic and the nation-wide drive against GST evaders and fake bills along with many systemic changes introduced recently, which have led to improved compliance.

RBI suggests loan impairment and low demand might affect the profitability of the NBFCs

The Reserve Bank of India had said in its report on Trends and Progress of Banking in India, that the profitability of non-banking finance companies (NBFCs) might be impacted due to loan impairment, lower credit demand and a tendency to preserve cash. The stronger deposit-taking NBFCs may



however still fare better as many of them have reported a strong revival in disbursements and collections, almost equivalent to pre-COVID levels, as per the report. Due to the loan moratorium and asset classification standstill, the asset quality shored up. However, many NBFCs have made additional provisioning as per expected credit loss norm; and bolstered their capital position by ploughing back dividends. The report said that overall, the percentage of customers availing the moratorium has been relatively lower for NBFCs, while loans outstanding under

moratorium were higher than those extended by scheduled commercial banks indicative of the developing stress.

RBI cautioned public against use of “unauthorised” digital lending apps

The Reserve Bank of India on 23rd December issued a message of caution to the public against the use of “unauthorised” lending apps citing recent media reports on unethical collection practices alongside arbitrary interest rates being charged by some of these applications. Only the licensed banks and non-banking financial companies (given authorization by the central bank) can do public lending activities as per the central bank. The RBI had issued a detailed set of guidelines over acceptable lending practices that can be followed by fintech apps earlier this year as well.



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Fellows Special





India and the US Elections

By Gaurang Garg

On Joe Biden's victory

Joe Biden won a decisive victory in the US Presidential election 2020. Now, this is naturally going to affect the global political scenario drastically. But it is India that should look out for the political and economic implications of the result. The Biden presidency could either harbinger an era of trade and cooperation or of competition and mistrust. Historical experience however, points heavily towards the former.

Immigration

The United States houses a substantial amount of Indian diaspora, majority of which represents H1B visa holders. While this has, for the past decade or two, aggravated the brain-drain problem in India, it has substantially contributed to the successful growth of the US economy, particularly the tertiary sector. This might lead several to believe that the skilled Indian labour is an indispensable asset to the US economy as it is an inexhaustible source of human resource. But the Trump government earlier this year, thought otherwise. With the

US economy already plagued by the coronavirus pandemic, the Trump administration blamed the H1B visa holders to be the cause of unemployment in the US, which by then had reached alarming levels. Following this logic, it suspended the issuing of new H1B visas. This was a devastating blow to Indians aspiring to migrate to the US. However, Biden was quick to criticize the move as myopic and quickly adopted ending the suspension as a part of his election manifesto. This spells relief for India, as despite the brain-drain, Indian H1B visa holders in the US are a major source of remittances to the domestic market.

Trade

The bilateral trade between US and India has been on the rise ever since the economic liberalization of 1991. For the past several years, India has had a trade surplus with the US implying that our exports are a lot more than our



imports. The Trump administration was not particularly happy about the deficit (from US perspective) and pinned heavy Indian duties on goods like dairy and motorcycles as the major reason for the same. It unequivocally demanded a reduction in the duties, which India, as expected, refused to do. India is a developing country and the US used to consider it as such until the Trump government accused it of denying the US access to its market by refusing to lower the import duties. As a result, India was removed from its Generalized system of preferences (GSP) system in 2019, which meant an increase in tariff rates for India. This prompted India to increase duties on other products such as almonds, walnuts, pulses and apples. The situation got ugly and US-India trade relations went from bad to worse. Both sides are desperate for the situation to normalize. Indian manufacturers are being denied easy access to the US market and the US is anxious to look for an alternative to China (as part of US-China trade war). The Trump government however, acted as the biggest impediment to a compromise. With Biden as president however, things are expected to be normalized with India being put back on the Generalized system of Preferences (GSP) system and easier access to the US market being provided to Indian manufacturers.

Oil and Iran

In 2015, the Joint Comprehensive Plan of Action (JCPOA) was signed between Iran and other parties, the US being the central one. This was a deal to curb Iran's ambitious nuclear plans. This agreement, however, was arranged for by the Obama administration and Trump was quick to renege on the deal. Heavy economic

sanctions were imposed, and international institutions were forbidden to deal with Iran. Nations complied as they knew better than to antagonize the US, the global hegemon. India and Iran share a close economic bond with India having a huge investment in the Chabahar port. India is a huge importer of oil and ever since the US sanctions, has faced difficulties importing oil from Iran. Joe Biden is expected to go easy on Iran and hopefully reinstate the deal. This comes as a relief for India as India substantially gains from dealing with Iran and gets an assured oil supply at cheaper rates.



Conclusion

All in all, Joe Biden's presidential victory seems to presage well on the economic front. However, this all as usual, comes with a caveat. While things may look good economically, they do not seem as bright politically. With Biden's anti CAA stance and an opposite ideology to that of the current Indian Government, things may go downhill. But in the end, economies have historically been known to thwart ideologies, as evident in the burgeoning US-China relations in the 70s. So, India must look ahead and prepare for all that comes its way, be it cooperation or competition.



Twin Balance Sheet Problem of India

By Aditya Manik

We've all heard of economic crises all around the globe like the 2008 crisis in the US which desolated the US and the international markets due to the long-term disregard of the authorities and their greed which created an asset bubble. What if something like this is supposed to happen in India?

India's GDP is almost 1/10th of the GDP of the US and something like this would dismantle the economy.

What is the twin balance sheet problem?

Twin balance sheet problem deals with the problem with the Indian companies and the Indian banks. It is a two-fold issue for the Indian economy in the sense of overleveraged companies and bad loan encumbered banks. After 2006, 2007 many corporates started taking a humongous amount of corporate debt from the Indian banks mostly public sector banks and now after so many years, these companies are in a state where 40% of the corporate debt is owed by companies who are not earning enough to pay back the interest. These companies are classified under the IC1 category where the interest coverage ratio is

less than one. On the other hand, non-performing assets of the banks are 9% for the entire banking system and it is as high as 12.1% for the public sector banks. This uncertainty of payback of loans by the corporates is a major problem for the banking system.

Origin

The origin of the twin balance sheet problem can be traced back to the 2000s when the market was on an upward trajectory. During this period the investment-GDP ratio had reached over 38% during 2007-2008. Due to such a boom and rapid growth firms started taking the lump sum amount of credits and abandoning their debt to equity ratio and took the risk.

After the 2008 crisis, the growth rates and revenues from investments reduced. Further, the firms that borrowed domestically suffered from the high-interest rates implemented by the RBI to dodge inflation.

Thus, higher costs, lower revenues and greater financial costs-all squeezed corporate cash leading to NPAs in the banking sector.

Compared with other countries that had a

similar scenario, there was a scene of a scramble where people rushed to withdraw from the bank which had a high NPA percentage. However, in India, most of the public sector banks had this trouble and the people of the country had faith because of it being backed by the government.

Solutions

- 1.5/25 Refining of Infrastructure Schemes- Adjustment of interest rates for every 5 years to pay the loan comfortably.
- 2.Private Asset Reconstruction Companies- Acquiring NPAs from banks and financial institutions and fixing them.
- 3.The Strategic Debt Restructuring Scheme- Established in 2015, it was a scheme in which banks could take over the companies and retail them to new owners.
- 4.Asset Quality Review- Assessing loans in line with the RBI loan classification rules.
- 5.The Scheme for Sustainable Structuring of Stressed Assets- The agency hired by the bank will decide what percentage of the stressed debt is sustainable and convert the rest into equity and preference shares.

However, this scheme did work as planned. the only other assumptions to fight this were-

- 1.PHOENIX SCENARIO- where the economy will boost for a few years helping the corporates pay a lump sum amount of their loans.
- 2.CONTAINMENT SCENARIO- where the total NPAs are restricted and after some years, these will be shrinking percentage-wise for India.

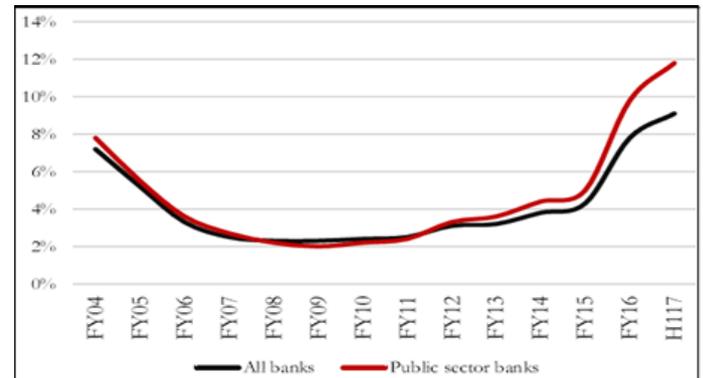
Earlier both scenarios seemed viable but now they are nearly impossible as per the recent data.

To curb this a separate public sector asset rehabilitation agency (PARA) is advised to be formed to help clear out the NPAs of the public sector and act as a bad bank.

Its funding would be from the RBI in the form of securities, government funding, and the rest from the capital markets.

The latest research by Arvind Subramanian mentions the new “four balance sheet challenge.” The four-balance sheet includes the original sectors- companies and banks, plus

NBFCs and real estate companies. The third and fourth problem came when the unexpected collapse of the NBFC behemoth IL&FS. It carried a debt of Rs.90,000 on its books. Another research shows that most of the lending by the NBFCs was to one sector, the real estate sector and it stands for about Rs.2.5 lakh crores in real estate loans outstanding. But when demand started to reduce, the NBFC balance sheet started accumulating stress assets resulting in what became a four-balance sheet problem.



These problems are very big and can be solved with time and the correct implementation of policies. If any haste is made to correct these situations it will lead to a sudden boom in the industry but will fall to that extent also. We have all learned that banks are the credit creation factories of a country but if these banks keep creating hollow credit with no backing and the loan payer fails to complete his obligations then an economic catastrophe is plausible.



Conspicuous Consumption: Status Symbol or Waste

By Viren Jain

‘Slipping into a pair of designer jeans or cars or anything can raise the insecurity from the doldrums of nothingness to the fantasy level of ‘I’m somebody, and if you don’t believe me, just look at my label!’ In order to be admired, some people flaunt their belongings just to publicly display their economic power and wealth rather than covering basic needs. Of course, there is nothing wrong with enjoying the fruitage of one’s labour. But is it wise to flaunt or parade, our possessions?

Today we will be covering one such practice which is given by an American economist and sociologist Thorstein Veblen in his 1889 book, *The Theory of the Leisure Class*, *Conspicuous Consumption*. Conspicuous consumption is the purchase or consumption of goods or services for the specific purpose of displaying one’s wealth. It is a means to show one’s social status, especially when the goods and services publicly displayed are way too expensive for other members of a person’s class.

It is a universal fact that consumers derive

‘utility’ from the consumption of goods. According to Veblen, there are two distinct characteristics of goods for providing utility. The first is what he named is the “serviceability” of the good—in other words, that the good gets the job done of a consumer. Let us take an example of two Businessmen in which one of them has the motivation to drive a luxury car rather than an economy car. One is Jacob and the other one is Marc. Both are partners in the business and earn almost equally. Both plan to purchase a car. Jacob purchased a BMW which was around 30-40 Lakhs while Marc purchased a Honda City which was around 10-12 Lakhs. Now what Veblen wanted to convey is that both BMW and Honda City cars are equally able to get to a given destination. The other feature of a good is what Veblen called its ‘honorific’ aspect. Driving a BMW car shows that the consumer can afford to drive a vehicle that others may admire; that admiration comes not primarily from the car’s ability to get the job done but mostly from the visible evidence of wealth that it shows. The vehicle is thus an open and outward display of one’s status in

society. There are many reasons why people conspicuously consume; some feel it is a result of capitalism as societies become more industrialized and ostentatious, while others believe that the goods we consume defines one's personality. An outcome of the dual characteristics of goods is that such conspicuous consumption is "waste."

Conspicuous consumption is categorised as "waste" not just because most people use it for flaunting, but because the production of luxury goods requires more resources than the production of non-luxury goods. If we continue the above example, it simply means that the difference between BMW and Honda City is waste either in terms of pricing, resources or other factors. But this does not mean that luxury goods should not be produced because somewhere it also provides extra services and better quality.



However, the democratisation of consumer goods has made luxury goods far less useful as a means of displaying status. As now 'consumer is king' the obligation of the producers or manufacturers is to provide goods to consumers at reasonable cost with high quality. For example, affordable companies like Mahindra, Hyundai, Toyota started providing cars with luxury features at reasonable prices. Also, there are dramatic changes in elite spending as it is becoming more educated and could be referred to as 'Aspirational class.' This educated class is now cementing its status through prizing knowledge and building cultural capital i.e. preferring to spend on services, education and human-capital investments over purely material goods

Let us see conspicuous consumption on the grounds of economics. High levels of

conspicuous consumption may be seen as socially as undesirable on two grounds; firstly, as it is very much associated with high relative income, high levels of conspicuous consumption may be an indicator of high levels of income inequality, which may be found instrumentally objectionable; secondly conspicuous consumption differs from other forms of consumption because the purchase of material goods is not due to the direct utility provided by the good's alleged high quality, but rather the social prestige associated with the consumption of that good.

Thus, conspicuous consumption is a theory that is both economic and psychological. The living or economic conditions that an individual resides in can be a deciding factor as to whether a person decides to conspicuously consume goods or not.



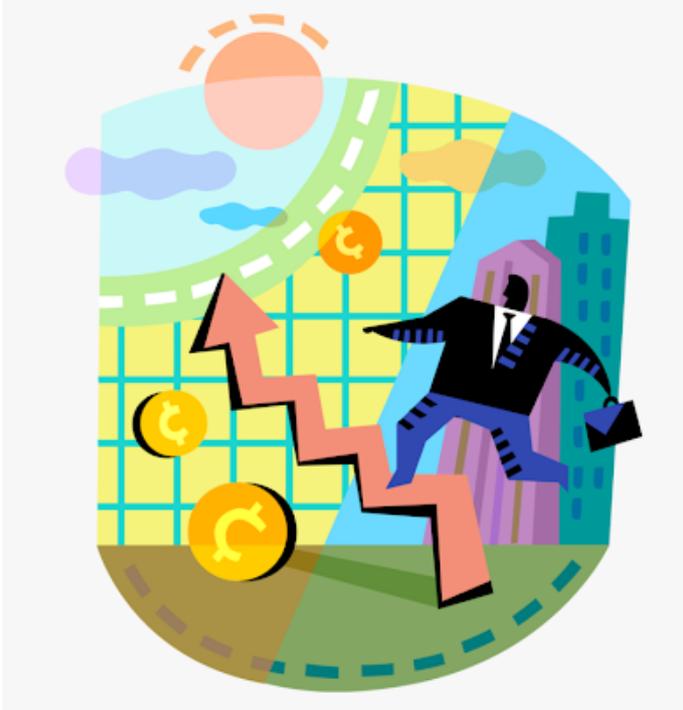
Does Profit Matter?

By Hamdi Mohamed Shakir

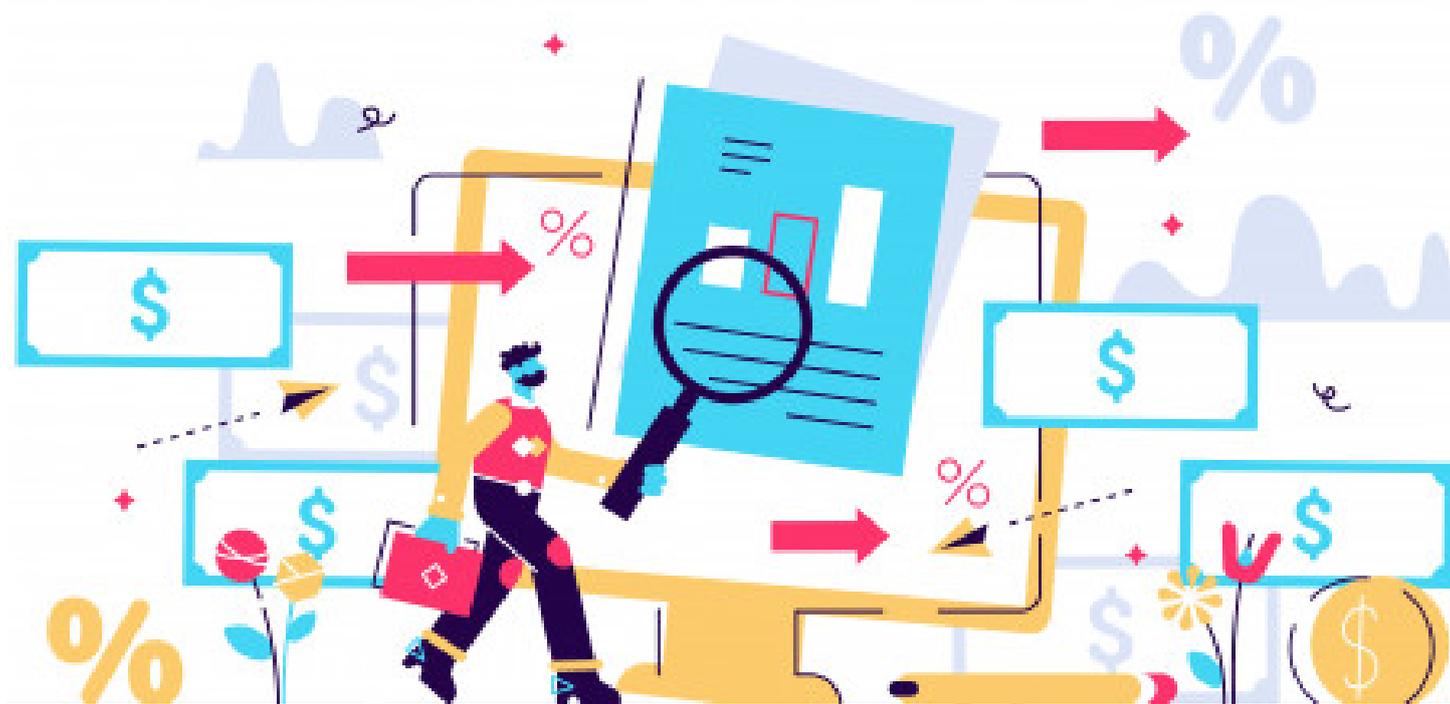
What's the main objective of a business? Make profits, one would say. Amazon though, founded in 1994, had its first annual profit in 2003, it was 35 Million USD following a loss of 124 Million USD in 2002. That's almost 10 years without any profit. Now, Amazon is a trillion-dollar company and Jeff Bezos is worth 183.6 Billion USD. Their net income for the third quarter of 2020 was 2.1 Billion USD. Even though the company made losses for its first decade, it had a market capitalization of 10 Billion USD as an online retailer of books by 1998 and in 1999 it had 30 Billion USD in market capitalization. Investing in Amazon's IPO would have achieved 120,000\$ growth in May 2020. So? Profit doesn't matter and it's common for businesses to run at a loss as they invest and build up their infrastructure. Some ideas seem great enough for investors to risk large amounts of money. Examples of these great ideas would be Snap, Uber, Lyft, Spotify, Tesla, and the infamous WeWork. Pharma companies

also do not generate profit but they are in for a huge payout when their drugs are approved by the FDA. These companies do not seem like a problem as seen in the case of Amazon and could end up changing whole industries. Companies like Uber and WeWork do not have to research as in the case of pharma but they intend to revolutionize or capture the market. Of course, the founders of these companies are seen in private jets and huge mansions paid for by their company and it's not bad because they have to look successful for the next funding rounds. So yes, the earlier investors sell their equity in the coming rounds of funding for money and then in the end they make money from their IPO. That means unless other people invest in the company, that is, instead of earning money from operation the founders and early investors earn money from people buying shares. Like an MLM scheme, where new investors coming in pays more than selling products. Businesses like WeWork, make such

businesses seem skeptical. In the case of businesses that intend to capture the market, the expenses that would be covered by the price of the product is covered by the investors. This allows the businesses to capture the market by driving the prices down, therefore hurting other businesses that provide the product at a reasonable price I.e. profitable to the seller. Should funding be cut off for these businesses? Funding such businesses has led to the lives of people being changed as seen in the



case of Amazon and Tesla but then some companies like WeWork and Nikola have turned out to be disasters or skeptical businesses. Receiving funding and lack of expectation upon these businesses to use their cash reserves to buy up real estate when prices are low during a pandemic, for example, spend heavily on marketing as in the case of ecommerce companies like Amazon and Flipkart. Conventionally, investors would stay away from profitless companies but in 2020, such companies in the tech and automotive industry have seen the prices of their stock rising. The price rise can be attributed to different factors including people being quarantined and bored at home.



Discounted Cash Flow Valuation

By Veides Kasera

In today's world, most individuals wish to make money the easy way. And in order to achieve this goal, we see millions of people flocking to invest in the stock market. But rather than investing smartly, by analyzing companies' balance sheets and financial performance thoroughly, these uninformed investors fall prey to speculation and prevailing market trends without corroborating the fair or "intrinsic" value of the companies in the stock market. As a result, they stand to suffer heavy losses in their portfolio value. In this article, we aim to explain one of the most popularly used valuation methods by investment analysts to facilitate investments, i.e. The Discounted Cash Flow (DCF) valuation method.

First things first, we must define what is meant by a company's "intrinsic value". In broad terms, it means the fair value of a company by virtue of its assets/liabilities position and financial performance over the years it has operated.

The DCF, in simple terms, tries to ascertain the fair value of a company by estimating its future free cash flows and discounting them to find out how much it is actually worth in today's time.

Consider the following example:

Suppose you have to pay a friend Raj a sum of ₹100. You ask him whether he wants it on that day or one year later. He would definitely tell you to pay him on that day, because he can invest that ₹100 for a year and end up with more than ₹100 (let's say he earns interest of say ₹4 to end up with ₹104). Now flip this concept on its head. It can be said that the amount Raj would have in one year (i.e. ₹104) is worth ₹100 today. The value of ₹100 is called the discounted value of the ₹104 that Raj will have after one year. The 4% rate at which Raj earns interest is called the discount rate and the process of reversing the ₹104 to get ₹100 is called discounting.

This is the core concept behind DCF valuation. We estimate how much cash a company will earn over the next few years (period of 5 or 10 years), and then discount the future cash a company will earn to find out its present value (how much it would be worth today), using a thought process similar to the one highlighted in the above - mentioned example.

Now that we have understood the ideology behind DCF, let's take one more example to see

how an investor could use this method to figure out whether a stock is undervalued or overvalued.

Shares of ABC Ltd. are trading at a price of ₹500.

Atul, an investor, decides to calculate its inherent value by using DCF analysis. He estimates that the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) will grow at a rate of 15% per year. He adjusts the EBITDA of each year to find free cash flows (basically subtracting non - operating incomes, adding back non - cash expenses, etc. to find out how much cash ABC Ltd. will generate each year).

Once he finds out how much cash ABC Ltd. will generate each year, he will discount the cash flows to ascertain its present value. The rate at which he discounts the EBITDA is ABC Ltd.'s Weighted Average Cost of Capital (WACC)*.

Upon completion of this whole exercise, suppose Atul finds out that the fair value of ABC Ltd.'s share price has come out to be ₹530. This means that currently the company is undervalued according to Atul's DCF valuation.*

Additional Info:

WACC represents the cost of raising funds for ABC Ltd. through either equity or debt. It is calculated by multiplying the proportion of debt in the company with the cost of debt and the proportion of equity in the company with the cost of equity.

vice versa the case for over valuation. To conclude, DCF analysis is a powerful tool for investors to ascertain whether a company is looking like a profitable investment or if it does not have such a positive outlook for the long term. It has many applications throughout investment, finance and corporate financial management. However, there are certain limitations of this analysis to always keep in mind. Here's a short breakdown of its merits and demerits:

Advantages:

- It is one of the closest measures to what investors can take to be a company's true intrinsic value.
- It is an absolute valuation measure and compared to relative valuation methods such as P/E ratio and EV/EBITDA multiple, provides a more concrete basis for stock price valuation

Disadvantages:

- It is based on assumptions about future earnings/growth. If input assumptions are off the mark, DCF valuations are almost meaningless.
- It is definitely not a tool of analysis for short-term investing, since DCF relies on valuations going more than 5 to 10 years in the future. It may also lead to missed short term opportunities in the stock market.



Thus we can see that undervalued means nothing other than when a stock is trading at a price which is less than the price it should be trading at according to its DCF valuation and



The Empire of Reliance Industries Limited

By Sparsh Khanna

Reliance Industries Limited (RIL) is an Indian multinational company which was founded on 8 May 1973 by Dhirubhai Ambani. Headquartered in Mumbai, Maharashtra, India, it is now owned by his son, Mukesh Ambani who is the Chairman and Managing Director of RIL. It started its operations as a textile company and it expanded its activity in several fields like materials, energy, entertainment. Reliance, as of today, is engaged in many prominent sectors of businesses like energy, petrochemicals, textiles, natural resources, retail and telecommunications.

If there is one undeniable fact about Reliance Industries' success story, it has to be the company's ability to dream and deliver at scale. The company's motto is "Growth is Life" which is the perfect fit for its ever-evolving spirit. It is one of the most profitable stocks listed on both Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). It is also the largest publicly traded company in India by market capitalisation and the largest company in the country in terms of revenue after recently surpassing the government-controlled Indian Oil Corporation. It is also India's largest producer of petrochemicals and polyester.

The company began its journey in 1977 with an investment of Rs 50 Crore and around 60,000 shareholders while now, it has become the first Indian company to exceed the US \$150 billion in market capitalisation after its market capitalisation hit Rs 11,43,667 crore on the BSE and has more than 26 lakh shareholders. Reliance has become an integral part of millions of Indian households, but the company's next big move was nothing short of a revolution that ended up touching nearly half a billion people. Jio enhanced India's telecom sector with its vision of connecting everyone, everywhere and everywhere. In less than four years, Jio is the leading telecom operator in the country with 33 per cent market share. It has the most subscribers and is recording the fastest subscriber growth compared to any other company in the world. On April 22, 2020, Reliance announced that social media giant Facebook was picking up nearly 10 per cent stake in the company by investing over Rs 40,000 crore and since then there have been multiple big international investors that have pumped in funds into the company. As the country was under lockdown amid the coronavirus pandemic, the investments have been nothing short of a vote of confidence on

India's growth story. What followed was a long list of marquee investors like Intel, Silver Lake, Vista who jumped onto the Jio bandwagon in 82 days. The company has raised Rs 1.78 lakh crore by selling just over 25 per cent stake and undertaking a Rs 53,000 crore rights issue - the largest by any company in India. The uninterrupted 12-week investment spree is the largest continuous fundraise by any company in the world. It has been ranked the second biggest brand after Apple on the 2020 Future Brand, which is a global brand transformation company's index. Reliance has been a very reputed company to have been behaving ethically and associated with growth, creating innovative products, and excellent customer service. In its recent activities, Mukesh Ambani has expressed his interest in leading Kishore Biyani's Future Group, which included retailing brands such as FBB, Big Bazaar, Brand Factory, and others. He wants to acquire the Future Group's businesses. However, Biyani will continue to relinquish control over all companies under the Future Retail basket, Future Lifestyle Ltd, and Future Supply Chain Solutions. All these three entities will be merged, and Reliance Industries Limited will acquire it.

lack of progression on the Saudi Aramco deal, but a Senior Research Analyst at Samco Securities, Ms Nirali Shah, states that though the stock has seen a short-term fall, its long term stands rest assured. With Mukesh Ambani at the helm, and RIL planning to introduce its 5G network services in 2021 and entering the market of pharmaceuticals, by the means of JIOMART, Reliance shows that it is ready to grow, stronger and bolder than ever before.



As a conclusion to the aforementioned discussion is a brief insight into Reliance's plans, and forecasts according to the Board of Directors. By the end of Reliance's AGM, we saw that the stock price had fallen by nearly 4% due to speculation and reasons that RIL's



Poor United Nations

By Shresth Toshniwal

United Nations is as consequential to the peace and security of the world as it probably is to us- you and me. Maybe not in any material manner as some may set forth to fathom but surely through the means of a concept which calls upon the powers of our body, mind and, a choice of wardrobe; namely the Model United Nations.

Since we have familiarised ourselves so well with the concept and the proceedings of the UN, I think it is necessary that we also acquaint ourselves with a little knowledge of its wallet. I mean, if we are to actually pretend to solve real-world crises, we must know what bottomless vault of the most part of the globe backs us up in our noble endeavours.

The United Nations Core Budget is primarily divided into a number of sub categories of which sizeable funds are directed towards the Regular Budget (financing the core bodies and activities of the UN, including political missions in Iraq, Afghanistan, Somalia, Libya, and Burundi that promote stability in key regions of the world) and the Peacekeeping Budget. It is revised once every two years. Voluntary contributions of the members add to the Core

Budget along with the peripheral organisations like WHO, UNICEF et cetera but the major source of funds is the payment structure wherein each member pays its dues according to a number of factors that assesses its ability to make that payment such as the GDP, external debts, per capita income and various other financial aspects related to the circumstances of the time. The UN has a ceiling to the share of the total budget a member nation can be assessed to contribute, which was revised recently (due to negotiations by the United States) and brought down to 22%. As obvious as it sounds, USA was the only member to meet the ceiling though it only is a meagre expenditure for the giant economy when compared to the return it reaps. A 'floor' rate is also set to determine the minimum amount a member is assessed to contribute to 0.001% of the budget. As patient as the UN maybe, Article 19 of the UN Charter declares, "If a Member State in arrears in the payment of its dues in an amount that equals or exceeds the contributions due for two preceding years can lose its vote in the General Assembly. An exception is allowed if the Member State can show that conditions beyond its control contributed to this inability to pay." Currently,

only Libya suffers this consequence of its penury. Talking of penury, the biggest international organization the world has ever seen is facing a dire cash crunch, again. But this time it is the worst it has ever seen in its own history.

The Secretary-General, Antonio Guterres, didn't point any country out in his desperate appeal for funds and payment of dues but urged the members to try "not (to) have to suffer repeated brushes with bankruptcy", after all "greater pain is felt by those we serve when we cannot, for want of modest funds, answer their call for help". What I shall do rather is ask if that money is worth the payment. Now there are numerous notable instances that have rendered the giant harbinger of peace and security, in particular the Security Council, useless.

Among others whose mere utterance is a shame to the UN are the Rwandan Genocide, the Sudanese crisis and Cold War (that also gave birth to, allegedly, the nation that's abused the most by the UN; Israel). Forget shrouded atrocities, the UN was outright incapable of stopping its own core members from destroying a country based on their own rectitude despite, if I may, the collective opposition from the global community with complete disregard for the reverential UN. What was even more outrageous about the conduct of USA and Britain while handling Saddam Hussain was when they argued their 'right' to destroy a country and rebuild it for its own sake which was severely, as always, condemned by those abiding the UN ideals with the utmost zeal. If it cannot be trusted to handle itself and its members, how can we even expect the UN to solve crises involving elements that are beyond our engagement? Evidently, UN has failed to a great extent in its primary aim of maintaining world peace and security.

Comparing the astronomical costs of the UN and its achievements, even after 70 years, it seems to be trying hard to function and define itself in the ever-changing 21st Century. The ironical reason being, the inefficient governance of the organisation comprising the entire world's governments. As good as those fool proof formal procedures seem, they prove

to be one of the greatest impediment in the functioning of the UN, as adeptly summed up by the Secretary-General, "Fragmented structures. Byzantine procedures. Endless red tape." There are separate IT departments of every UN body causing excessive fragmentation, numerous formalities and hands are needed to be changed before a plan can be put to practice and competition instead of cooperation between different organisations for funding leading to poorer funding that sometimes makes these organisations capable only of running offices (which by the way is the third largest expense of the UN). The use of outdated business practices and poorly planned execution adds more weight to the already stretched resources. President Trump may be vociferously wrong on a number of issues but being quite right this time, he has the international community worked up when he calls for cost cutting and increasing efficiency.



I shall not venture into the details of each aspect, for the sheer volume of pointed words might easily be misconstrued as blowing off some serious steam on my part. In my opinion, the mother of all problems the UN is criticised for, is its sheer idealism in letter and spirit that breeds ineffectiveness and ballyhoo over the bedlam it creates. Perhaps the only realism that survives in the quixotic universe on the United Nations is through the Secretary Generals, the second of whom (Dag Hammarskjöld) dryly (or wryly I don't know) noted, "The United Nations was created not to lead mankind to heaven but to save humanity from hell."



Bitcoin - Bubble or Trouble

By Vedant Somani

You must have heard a lot about Bitcoin recently as it is one of the most trending topics of the time. From youngsters to adults, everyone is talking about Bitcoin. One might ponder as to what exactly is Bitcoin? Who regulates it? Is it safe to invest in it? All of us have similar kinds of questions oscillating in our heads. So let's understand the concept of Bitcoin in detail.

An electronic payment system based on cryptographic proof instead of trust, Bitcoin allows any two willing parties to transact directly with each other without the need for a trusted third party. Involving transactions that are computationally impractical to reverse protects the sellers from fraud, and routine escrow mechanisms could easily be implemented to protect buyers. Basically, it's a currency of the internet. It helps you carry out transactions without needing a third party which in most cases are financial institutions.

The founder of Bitcoin is still a mystery. Though several claims have been made in respect to its founder, Satoshi Nakamoto is the presumed name of the pseudonymous person or persons who are credited for its formation.

Bitcoin isn't a regulated currency. There is no

regulatory body governing the same. This non-regulation of Bitcoin has been a major reason as to why the majority of the countries in the world have banned Bitcoin. Another reason for its condemnation is the purpose for which it is used. Bitcoin can be used all across the globe for illegal and ill famous activities as well by hackers, terrorist groups and is credited for usage on the dark web. Since it cannot be tracked easily, it is popular among people involved in illegal activities.

The current value of bitcoin is equivalent to 14,20,631 INR. The price was however not always this high. When Bitcoin was first introduced in the year 2009, it was not even worth a rupee. As you can see in the graph below how Bitcoin has surged in the past years.

Now where to get Bitcoins from? It's simple. You just need to do mining. No, not the one with mining drills. For mining Bitcoins, you just need three things. A computer with internet, electricity and a cooling system. But there is a catch here. In order to mine bitcoins, riddles need to be solved. But do not worry riddles will automatically be solved by your computer however the electricity that will be used in mining one bitcoin will be humongous. The approximate cost of mining one bitcoin is in

lakhs. The maker of Bitcoin is without any doubt a genius. Bitcoin generation has been limited to 2.1 crore units which means that in total there can be only 2.1 crore bitcoins out of which, 1.75 crore bitcoins have already been mined and as the number of mined bitcoins keep increasing, the cost and time of mining further bitcoins will increase too. In simple words, the last bitcoin will be mined by around the year 2140.

Bitcoin mining is favourable in countries where the cost of electricity is cheap and the environment is cold like Russia, China. It has been reported that Investors in Russia have been purchasing power plants in order to mine cryptocurrencies. Such is the hype of it.

According to a report by an energy company HS Orka, Iceland uses more electricity in bitcoin mining than used by its households. So, one can clearly see the efforts and cost incurred while mining bitcoins. The scarcity in supply has been one of the reasons for such a surge in price.

Winklevoss twins, the brothers who had the idea of facebook in the first place, own around 1% of total bitcoin in circulation and they say that Bitcoin would reach to \$500,000 and refer to it as Gold 2.0. Even Jack Dorsey, CEO of Twitter said, "Bitcoin for me is like poetry. It is one of the most seminal works of computer science in the last 20 - 30 years".

Currently, Bitcoin has touched its all time high. Gaining interests of celebrities, Billionaires and optimism has driven Indians to spend millions daily on cryptocurrency trading. Ray Dalio, the head of the world's largest hedge fund, Bridgewater Associates called Bitcoin a "Shame". He said that lack of transactions and high speculations around it will lead to its failure in the long term and its privacy aspect makes it difficult to be accepted as a currency as well.

Now the question that arises is whether it is a Bubble or will it Double? The simple answer to it is that there is no answer. As one can simply infer from the graph, every time bitcoin rose, people called it a bubble. Whenever it started falling, analysts stated it was going to be equivalent to zero. However, each and every time it has bounced back.

Investing in bitcoin is totally subjective and varies from person to person depending upon their risk appetite and stream of income. The ideal strategy for a cautious investor would be parking a very small amount of money in it and one should not be affected if that investment falls to zero because it is rightly said, "The higher the rise, the harder may be the fall".

The price of bitcoin is always rippling back and forth. If you happened to buy bitcoin on December 17, 2017, the price was \$20,000. Weeks later, you couldn't sell your investment for more than \$7,051. The bitcoin market is constantly changing. With such an unpredictable market, you can hardly get a good return on your investment.



While concluding, I would like to highlight that a collective insanity has sprouted around bitcoin over the last decade. It's hard to predict whether this cryptocurrency will eventually prove to be a great investment or just a passing storm. That thrill of riches or ruin leaves some investors wary, but others want to chase the chance for profits from a bitcoin investment.

Thus, be wary of the market and trade in Bitcoin only if you have the adequate Risk Appetite.

EDITORIAL

Direct from the desk



Microfinance and Blockchain

By Vipriya Anjum
(Co-Editor)

A potential wonder that has had visible effects noted in the major economic, political and social transformations in the global scenario and an essential element of finance, lifting people out of poverty with manageable loans combined together might be a key contributor to the development of world economies.

As the microfinance industry caters to small businesses as well that rely on funding to start operations, and due to limited availability, they often

make the wrong choice neglecting investor terms and large interest rates. In most such cases, the investors ask for parts of the company or just a cut from the revenue. Everyone agrees that selling the company before even starting operations is detrimental to its success, as it becomes very susceptible to corporate influence and greed. By design itself, blockchain is designed to be anonymous, so long as the third party involved is willing to provide it. Considering the fact that most developing countries, where microfinance is most crucial, don't have any regulation whatsoever, it would be an achievable feat.

For starters, it would be possible by introducing P2P lending platforms with a blockchain system. The provider would just provide the platform and not involve itself in the process of lending. This could be done by just showcasing lender demands alongside the borrower capabilities. Additionally, it would provide a time-saving as well as a money-saving ecosystem, as neither the borrowers or the lenders would have to run around the world in search of each other. Because of the P2P platform, there would be a large variety of loans available, and the borrower would have the option to negotiate with the lender for decreasing or increasing the volume by interfering with the interest rate. This gives them more control.

Microfinance companies usually gather large amounts of funds from different investors and lenders and pool them into one big account. Then, once a person applies for a loan, they just take out the required amount and pay interest rates by evenly splitting them among investors. This is not a valuable investment for either the lender or the investor. Moreover, these people lose most of their control over their funds and don't have the say on who gets to borrow it. This is done through a guarantee or a belief from the company that the existing traders will one day lose their funds thus scoring the company extra income. The blockchain technology simply makes this process much more transparent and custom. As it is a system designed for anonymity, it guarantees control for lenders and investors. In fact, it maintains the control as the transactions have to be approved by both sides requiring them to be aware of the criteria. If a lender deems a borrower not eligible for a loan, he or she can simply refuse the smart contract. This may provide less value in general, but it would help to verify the ecosystem.

The competition in microfinance is nearly non-existent. Lenders and investors just inject funds into the company and then the company does the rest. They all get remuneration according to





their investments and the status quo remains. Since, the lenders and the investors will be in charge of who they lend their money to and who they refuse. Additionally, the borrowers themselves would be able to search through the available options and discover the best ones possible. This will naturally create competition on who can provide the most affordable loans on the platform. The one who does this will have greater applicants, and therefore more options for profit. On the other hand, the borrower would get a much more forgiving lending market, which supports their growth through low-interest rate small

loans. Overall, it would introduce a competition-heavy, but a value-rich industry at the same time.

A digital-only or digital-first financing model might actually be better suited to emerging or developing markets than might otherwise be suspected. In order to succeed in this creation of a digital-first identity, however, the security over this identity must be as strong as possible. Particularly since the rules and regulations toward consumer information and privacy can vary widely from jurisdiction to jurisdiction, a blockchain-based platform can serve an important role as a neutral third-party guarantor of identity security. One of the most prominent fundamental goals of blockchain was to democratize access to financial resources and information. Whether that took the form of banking the unbanked, disrupting incumbent financial intermediaries, or some other application, this democratization is not something that can be downgraded to the back burner.

Talking about different businesses and start-ups that are working in this direction, Everex is a business that was incorporated in Singapore which creates a distributed ledger, digitally recorded ecosystem of data in packages called blocks built on the Ethereum blockchain. The Company provides its platform as a service, and helps to build tools and software for users to be able to interface with its new blockchain based microfinance model. It is the first fully transparent microfinance platform built on Ethereum blockchain technology and accessible from mobile devices, the Everex network allows anyone to request microcredit and send fiat payments from anywhere in the world. Offering technology and services within an ecosystem involving software applications to facilitate cross border lending, remittances, merchant payments, and currency exchange. Their solution assists 2 billion underbanked individuals to build and improve their credit history on the basis of mobile phone data, granting them access with EVX to the global financial system for the first time.

In India as well the Telangana government's push towards using emerging technologies like Artificial Intelligence, Blockchain, Machine Learning and others is helping many local start-ups to innovate in every field possible. One such start-up is a Hyderabad-based Cognitochain which has developed a Blockchain-led framework for the microfinance industry and its first pilot is being implemented in the State government-run Stree Nidhi programme. It has implemented B-PoS (Blockchain - Protection of Stree Nidhi Transactions), a blockchain technology-based resolution to empower poor women. Developed by Cognitochain Technologies, it started about two years ago with a main objective is to streamline the whole process of providing loans to the unbanked and underbanked population. Using Blockchain technology, the startup can innovatively form a consortium of all microfinance companies, thus leading to more transparency and efficiency of the system. The platform will also do away with the concept of storing documents and records physically and they will be encrypted on the Blockchain platform and a key will be generated thus securing the personal details of the member. The company is doing a pilot of 1.5 lakh Self Help Group (SHGs) with Stree Nidhi and will continue this for at least 3-4 months. For the next one year the startup is planning to

have all Telangana-based microfinance institutions as a consortium and is also in talks with other State governments to replicate the same model.

Microfinance is the epitome of the endeavoured democratization of the financial resources and payments system. There has been a lot of good that has been accomplished already, but there are issues related to costs, transparency, and the possibility for bad performers that continue to serve as headwinds for wider and more comprehensive adoption. The value that the blockchain can



provide for the microfinance platform is commendable, but all of the points mentioned above raise a big question of “if?”. The value of microfinance itself is still to be determined. Countries and corporations themselves need to consider how relevant it is to retain this segment and how beneficial it is to the local population. The primary issue microfinance was targeting the incorporation of the unbanked population in the digital economy, which has not been a success so far. Blockchain is not a perfect technology, and has evolved rapidly from the original bitcoin blockchain that attracted so much interested into the space. By collaborating and working with organizations and individuals in the microfinance space, blockchain applications can attain many of the original goals associated with the technology, and democratize the wealth creation process across the globe. So perhaps this might be a good way to go.

FINFUN

Even finance can be fun





Weird Wizard

Finance is rather a topic of serious concern for commercial enterprises and definitely for the government on the whole. Though it's a subject that requires serious deliberations and discussions, there are a few finance and money related facts that will make you argue about the seriousness or stability of the world of finance and investments.

- THE TOP 1% WEALTHIEST PEOPLE IN THE WORLD HAVE 50% OF THE WORLD'S WEALTH

According to Oxfam, the top 1% of wealthiest people have over 50% of the world's wealth. As of 2017, they actually now own 50.1%. We imagine this number has also increased in 2020.

- Paper money is not made out of paper. Though we commonly refer to bills as "paper" money, in reality each bill is a combination of 75 percent cotton and 25 percent linen.
- Four of the richest countries in the world with some of the highest personal income, Bahrain, Brunei, Kuwait and Qatar, have no tax at all.
- The largest check ever written was from the American Ambassador to the Indian government amounting one billion two hundred eighty million.
- JP Morgan's uncle, James Pierpont wrote "Jingle Bells" in 1857. He also curated the Jingle Bells logo.

- In 1973, John D Rockefeller, founder of the Standard Oil Company and the richest man who was ever alive (when adjusted for inflation), became the first American bank executive to enter China since 1949.
- The world's first bank was Monte Dei Paschi Di Siena, founded in 1472 was headquartered in Tuscany, Italy. It still operates today.



**Learn Finance from our Weird Wizard.
We bet you'll love him!**

- It takes about 10 years to become a banknote engraver:- If you desire to become a banknote engraver, better start today as, one needs to undergo a minimum 10 year apprenticeship before one's officially posted for the job.
- North Korea has mastered the art of counterfeiting the US currency notes, especially the 50 and 100 dollar bills. As of 2009, fake bills amounting to 45 million have been already identified.
- There was a time when money was used as a wallpaper for home decor:- After World War 1, hyperinflation havoced the German economy causing money to lose all of it's value. It was then that people used banknotes as wallpaper for home decor.



**Learn Finance from our Weird Wizard.
We bet you'll love him!**

Did you know?



India had Rs 5000 and Rs 10000 notes in circulation between 1954 and 1978

Did you know that the highest denomination note ever printed by the Reserve Bank of India was the Rs 10,000 note in 1938 in British rule and then once again in 1954? Rs 10,000 notes were in circulation before January 1946 but these notes were demonetised in January 1946, according to RBI data. Higher denomination banknotes of Rs 5,000 and Rs 10,000 were reintroduced in 1954 after India's independence. The 10,000 note features the four lions of the column of Asoka, three of which are visible (the fourth one hidden behind the other three). But all of them along with Rs 1,000 notes were demonetised by the then PM Morarji Desai in 1978. The government said that the demonetisation has been done to curb unaccounted cash. If someone has these notes in today's time, it has a lot of value and they can exchange it also for money.



How slang terms about money like “buck” were formed?

Here is a glimpse of some of the origins of words we link to Money today:-

- Buck – In bygone days, people used the skin of deer as a trade and barter for goods and services. Each skin was referred to as a “buck” then.
- Fee – The origin lies from the German word for cattle “vieh”
- Salary – Preliminarily, Roman soldiers were paid their wages in salt. The Latin word for salt is “salarium“. That resulted in the origin of the phrase “salary” over time.
- Shell Out – Anciently, Native Americans used shells as currency, and later on European colonists adopted the phrase “Shell Out” meaning “to pay”.
- Dollar – The word dollar is much older than the American unit of currency. It is an altered form of “thaler”, (pronounced taler), the name given to coins first minted in 1519 from locally mined silver in Joachimsthal called Jachymov in Bohemia.



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