

MARKET BYTES

FINANCE CLUB MUDRA, AMITY BUSINESS SCHOOL
LUCKNOW CAMPUS

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RISING INDIAN STOCK MARKET- JUSTIFIABLE OR WORRISOME?

“The higher stocks climb, the greater the risks to the economy if they correct at a time when the Federal Reserve is weighing the timing of tapering stimulus”. Indian stock market soaring higher and higher, setting new records each day with NIFTY at its all-time high of 18,604 points (October 2021) against March 2020 low of 7,601 points registering a gain of 145% over a period of 19 months. The pace of this stock market rally seems to defy the understanding of utmost individualities, investor or not. Considering we are not yet fully out of the Pandemic, it seems true further confounding.

It's of utmost significance to know the factors fueling the Indian financial market. Firstly, the hope of business recovery and economy unlock. This will increase manifold as and when the pandemic winds down, now that vaccinations are happening at pace. Secondly, Global liquidity, thanks to easy monetary policies from central banks across the world, has increased the money in the system. Thirdly, the Fundamentals of the Indian economy remain largely intact. The unborn looks good to the utmost stakeholders in the market.

The future of Good companies looks robust and other good companies are likely



Industry Speak: Mr.Vaibhav Agarwal

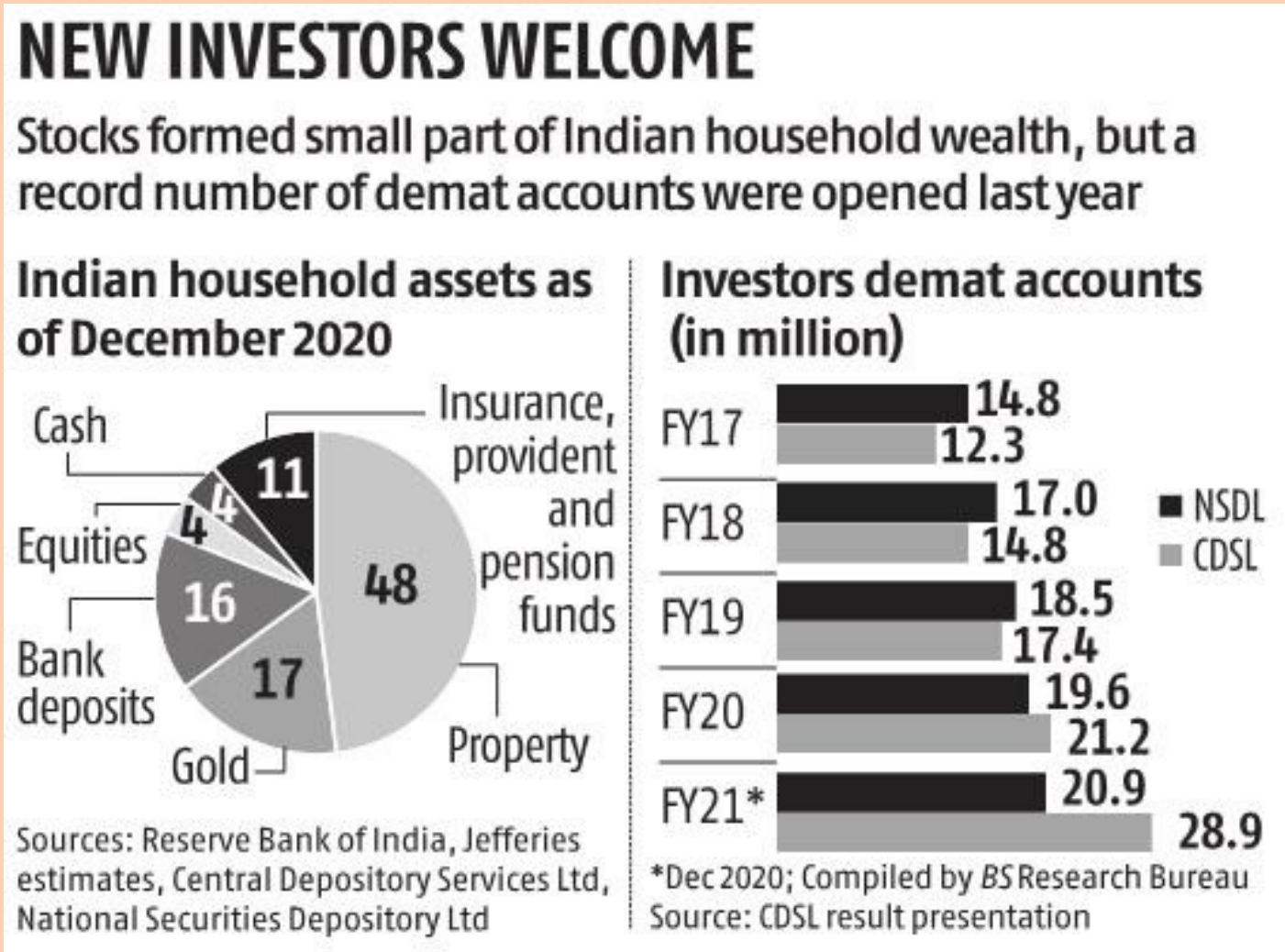


to enter Indian equity markets through IPOs. Many of these offerings are listed with significant gains on Dalal street, signifying positive sentiments of market participants. The recent quarterly results declared by big corporates in India were unexpectedly good and it did render big relief to market participants that, Indian corporations can do much better in the coming days and the future in terms of financial results looks promising. The ample changes in the economy coupled with relief measures announced by the

ministry paved the way towards GDP (Gross domestic product) recovery but still a long way to go towards full recovery. This is especially true of consumption. However, companies that are listed “seem” to be better off than other unlisted businesses.

High liquidity present in global markets, thanks to US Fed, allows institutional investors to park their money into markets across the world, including India. A big portion of this has flown into stock markets and other risk assets (including cryptocurrencies). This has undoubtedly kept the markets up. Interestingly these record highs are not just in India but other countries such as the US, Germany, UK also.

More and more, Indian investors seem to have embraced equity as well. Thanks to the digitization of investing in India, many more people have started participating in the markets than in the years prior. All that “new” money does move markets.



Source- Business Standard

As the proverb says, “All that shimmer isn’t gold”, there is the economy’s vulnerability to a market reversal against the sharp run-up in returns. The markets are coursing ahead of the fundamentals and trading at valuations that are way advanced than fair value.

NIFTY is now trading at 22.5 times the estimated 12-month earnings, well above its five-year average of 18.5. By comparison, the MSCI Emerging Markets Index is trading at a multiple of 12.7.

Yes, Indian companies do need to show significant earnings growth to justify their valuations. However, as things remain, that’s not an impossible task, especially if consumption starts going up.

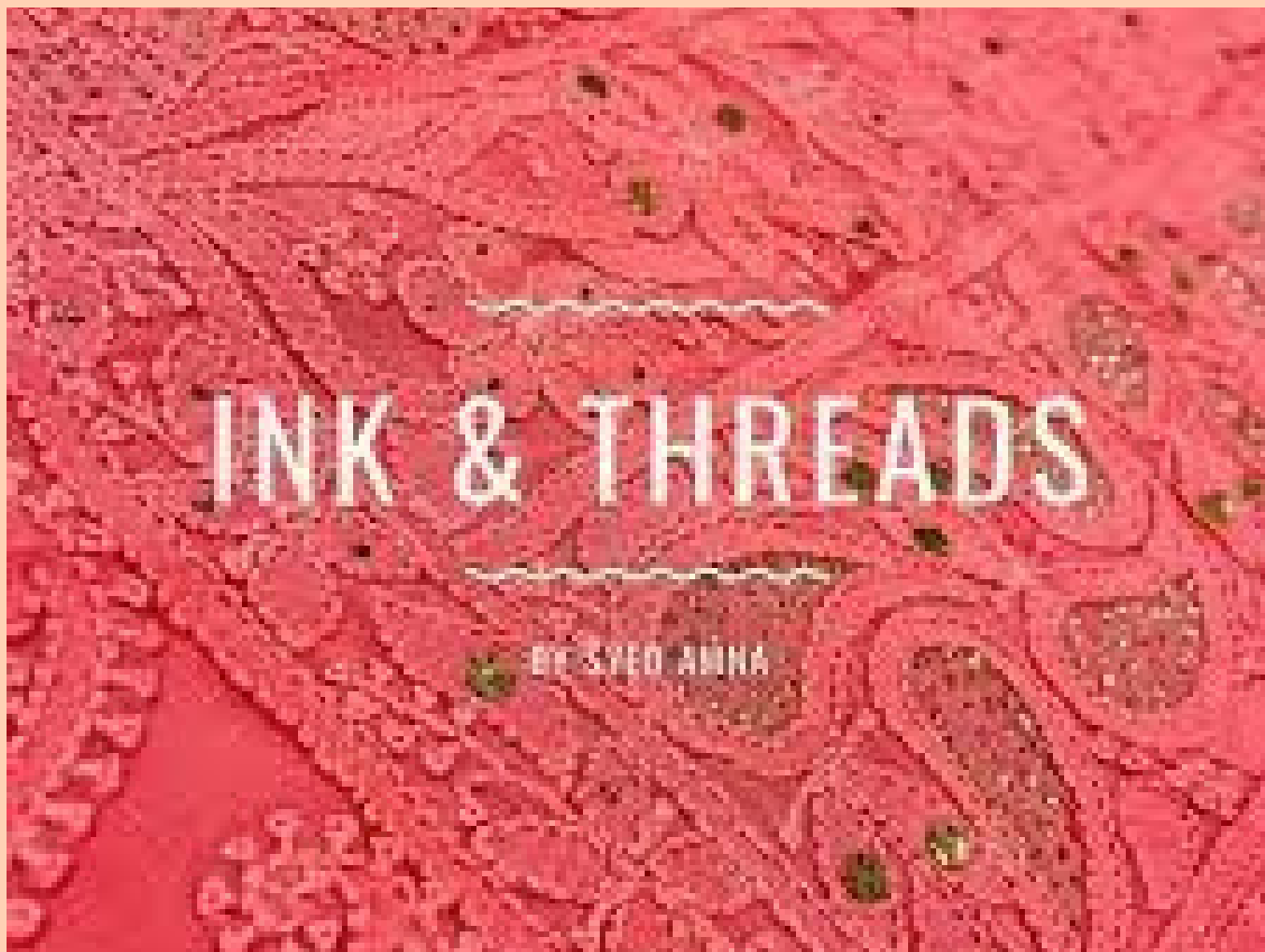
The rise in inflation and interest rates are the biggest pitfalls, not just for Indian markets, but for the global equity markets or any other risk assets. The possibility of inflation turning “sticky” and not being “transient” -- as most experts had earlier hoped -- may dent equity market sentiment across the globe. We have seen falling interest rates for the last 40 years in the US and even for India, we have seen falling real rates for quite a long time. If that changes, that could have a negative effect on equities. Therefore, even if there is earnings growth and if there is a rise in the cost of equity, that could cause a fall in valuation.

Author's Profile: Contributor is a Site Controller at Amazon having rich experience in Financial planning and analysis.

Giving digital wings to Chikankari-Ink and Threads

People often think that being a small business owner is easy because you get to be your own boss and set your own working hours but in reality being in a small business they have to wear many hats from facing financial difficulties to sometimes getting to be strategic visionary and at times having to serve as a front line customer service person, amateur psychologist and what not.

So I Syed Amna started my own venture by the name Ink and Threads [Handcrafted to Perfection] in July 2020. I launched Eid's collection as my first collection. I have always been into designing and styling outfits. So I just thought why shouldn't I put it to some good use. I like designing and at that time I thought why not start a brand? Isn't that a great idea? To have my own brand. So this is how Ink and Threads came into existence.



The objective of my business was to help people find some pretty outfits with reasonable prices and slay in them all year long. The search for the perfect outfit should start and end at Ink and Thread only.



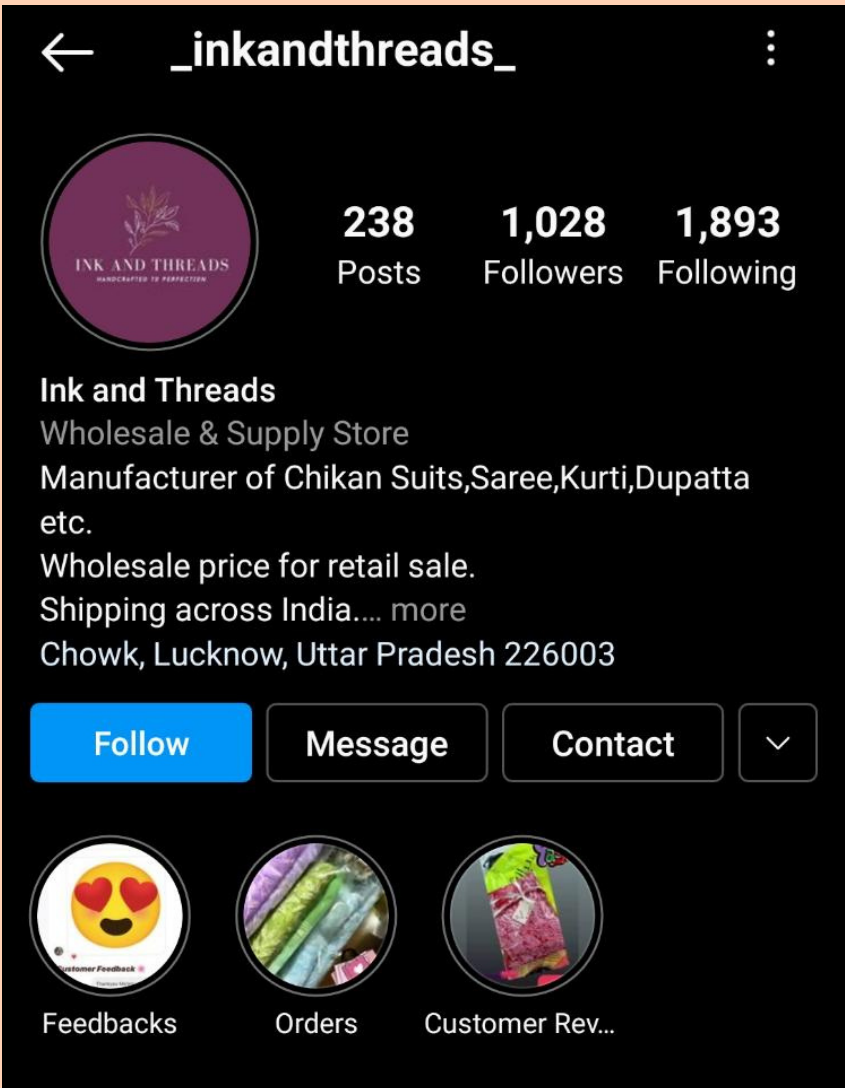
Alumni Speak: Ms. Syed Amna

Chikankari is a style of embroidery unique to Lucknow only. It is a legacy of Persian nobles of the Mughal Court.



Being a student it was difficult for me to invest a huge amount in business but I managed it somehow. I started my business with 10,000 rupees only and with a span of one year my capital is 1,00,000 rupees. But this journey was not that easy making design, arranging models, getting the fabric, giving tailor all the measurements for a model, photoshoot, writing content for the post and page, editing pictures of the apparel, making records of all the outfits along with rates was a time-consuming procedure.

The main problem aroused with me was the engagement on the page. It's hard for me to make people follow the page and order things online because many people have a bad experience with online shopping. Another major problem faced by me was insufficient market information, lack of adequate finance, and growing competition from mills and coming from factories and machine-made products. Moreover, these machines made Chinese Chikankari which is not only affected the skilled manpower but also affected the Chikankari industry financially.



Instagram Profile address link-
https://www.instagram.com/_inkandthreads_/

The handcrafted Chikankari is way more expensive as compared to Chinese Chikankari. Although it was on the cheaper side not everyone liked the machine-made Chinese Chikankari. It does affect the sale and ultimately affects the finance of a business. People made me feel that I'm not going to get anywhere with this, not gonna get anything out of this business but I have decided to overcome this problem, I created awareness about Handcrafted Embroidered Chikankari among people by conducting craft festivals, roadshows, building brand image, publicity through attractive display banners. And within a span of just one year and four months I am successfully running my business and around more than one thousand followers on Instagram and also a small shop located in Chowk. This is how handwork pays off.

Author's Profile: Contributor is a B.com(H) alumni of the 2016-19 batch. Owner of Ink and Threads started in 2020.

Net Zero Emission

Energy & emissions are at the heart of the Planet's perfect problem, as we preview the Singapore International Energy Week) (SIEW)& alert you to what's likely to crop up at the 26COP UN climate change conference next month.

There's the reveling report from BBC –which shows that Japan, Australia & Saudi Arabia are trying to downplay the role of fossil fuels. There's the IEA World Energy Outlook, designed to serve as a handbook for the COP26 climate change conference in Glasgow at this vital moment for the clean energy transition & climate action. “With emissions, climate disasters & energy market volatility all rising, governments need to send an unmistakable signal of clean energy ambition & action at COOP26 to accelerate the transition”. But will Steffen, a climate expert at the Australian National University, said the IEA report makes it clear that the current goal of ‘NET ZERO EMISSION’ BY 2050 –as many countries are committing to – is simply too little, too late . “ we have to move very quickly & very decisively now towards renewable energy”.

If India were to adopt a nationwide net-zero target, would it come at the cost of our economic growth? As India moves to clear sources of electricity; water consumption by power plants will decrease from more than 2.5 billion cubic meters per year in 2050.

A strong set of climate actions across multiple sectors can generate 24 million jobs in just 15 years. For example, more ambitious policies to promote electric vehicles along with

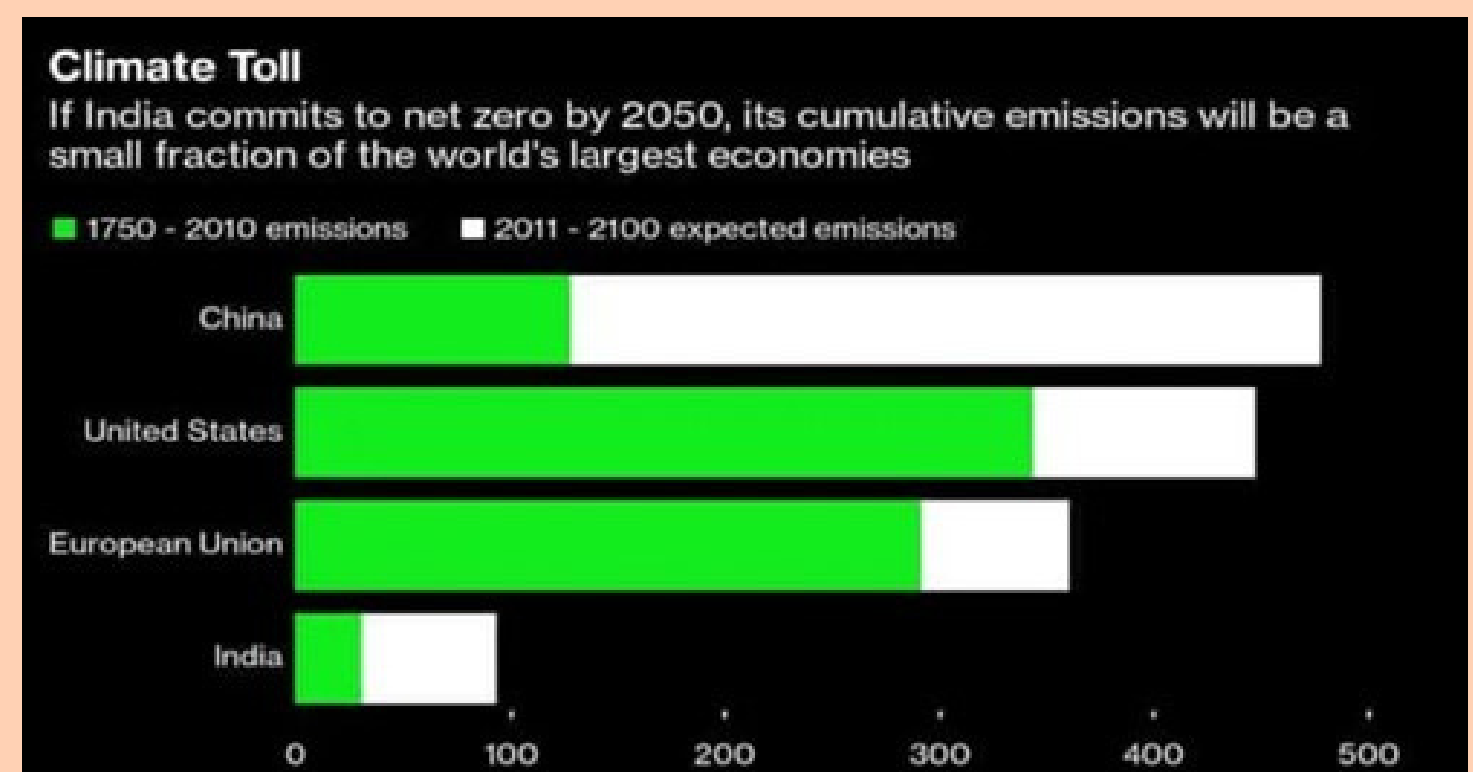


Student Speak: Ms Manyata Jaiswal

cleaner electricity & hydrogen electrolysis can create jobs in the auto manufacturing industry & in the electricity & construction sectors.

Top Indian officials are discussing whether to set a goal of reaching net-zero greenhouse gas emissions by 2050, yet little analytical work has been done on just what the country will have to do to meet the target.

The New Delhi – based council on energy, environment & water, illustrates just how much of a lift it's going to be for India to get there in time.



After analyzing the above graph, by 2050:

- Fossil fuel has to fall to 5% of the energy mix, from 73% in 2015.
- The share of renewables (excluding hydropower) will have to rise to 83%, from 10% in 2019.
- Electric car sales will have to make up 78% of total purchases, from 0.1% in 2019.
- Any liquid fuel used will have to be biofuel, which forms a negligible share today.

India's effort decarbonizes by 2050 will be six times greater than what it would take China to get there by 2060.

If India becomes net-zero by 2050, its total share of accumulated greenhouse gases in the atmosphere would be just a fifth of what China & the U.S.- the first & second-biggest emitters- will have added by 2100.

The initiative of net-zero emission taken by the government is commendable and is justifiable while looking at the present scenario of the climate.

Not just the government but businesses are also taking steps to reduce their carbon footprint. This is because more and more investors are interested in ESG (Environmental, Social, and Governance) guidelines. The main issue in ESG disclosure is climate change.

Through Business Responsibility and Sustainability Reporting (BRSR), the Securities Boards o Exchange has specified that reporting of climate change and other topics is required to be mentioned in the report of Top 1000 listed companies from the financial year 2022-23 and voluntarily form 2021-22.

If Indian companies fail to develop emission reduction strategies they stand to lose over Rs 7.14 lakh crores due to emission caps, emerging regulations, changing customer behavior and preferences, but if done correctly opportunities worth Rs 2.9 lakhs crores would emerge according to carbon Disclosure Projects.



Source- Bloomberg Quint

Pledging towards net zero-emission is easy but following it would be tricky for the companies. Coal-powered companies use a large amounts of fossil fuels for their operations and they need to alter their business. Companies are investing huge capital in renewable energy. Many companies have started developing strategies to reduce their carbon footprint such as RIL is claiming it sources carbon-neutral oil or crude oil with net-zero emission. Even Reliance whose half revenue is generated from oil and gas has pledged towards the net carbon zero by 2035 by using technologies to reduce emission and storing carbon dioxide to make useful products out of it.

Many companies have pledged towards net-zero emission but it would be a challenging job to achieve net-zero by 2050 given India's vast dependence on fossil fuels.

Response towards India's two most hyped IPOs

Nykaa is one of the leading beauty brands started by Mrs. Falguni Nayar keeping in mind the beauty needs of women all over the world.

When she started she has no experience in retails, beauty, and technology but still, she never gave up. nine-year later from when she started this company to now she is one of the richest self-made women with a net worth of \$7 billion.

Nykaa is in India's top 100 most valuable companies.

- Nykaa has shares that are nearly double its initial trading debts. FSN E-Commerce venture private limited which is the parent company of Nykaa is listed at a 79% premium which is Rs. 2018 over the initial public offering (IPO) price of Rs. 1125.
- Nykaa has received a bid for 2,16,59,47,080 shares against 2,64,85,479 shares on offer Rs 5,352 crore IPO.
- Talking about its shares they have closed at 96% gain on debt day when the market was going to get closed on 10th November in the market cap of Rs 1.04 lakh crore as they have seen a bumper demand from investors on its debt day.
- The stock rallied by Rs.1081.70 which is around 96% to close at Rs. 2206.70 against the issued price of Rs.1125.

Nykaa has received strong demand in the time span of October 28- November 1 and still there is racing in demand for the product of Nykaa as the investors and subscribers are demanding it 81.78 times in this time-lapse.



Editor's Choice: Ms.Riya Rai & Ms.Kumari Shrishti



Paytm eyes up to \$20-billion valuation in biggest Indian IPO

India's largest initial public offering received a tepid response from the investors as compared to other startup IPOs.

- The institutional investor's portion of the issue was subscribed 2.8 times and the retail part was subscribed 1.7 times.
- Domestic institutions, including mutual funds, placed bids worth just Rs 155 crore.
- Nearly 80 percent of the bids in the IPO came from overseas investors.
- Canara Bank Securities and many brokerages had advised their clients to subscribe for the long term in Paytm as it exhibits substantial growth in user base and gross merchandise value since its inception within the fintech sector.

Paytm had closed India's largest anchor round on November 3 as it raised Rs 8,235 crore. Blue-chip global investors and tech-focussed funds have made their first-ever investment in Indian public markets through the Paytm IPO while investment giants like Blackrock, CPPIB and GIC have made their largest bets in an Indian IPO.

A sneak peek into business and finance world headlines

Centre's fiscal deficit touches 35% of annual target at H1-end

The deficit figures in the current fiscal appear much better than the previous financial year when it had soared to 114.8 percent of the estimates mainly on account of a jump in expenditure to deal with the COVID-19 pandemic. As per the data, the central government's total receipts stood at Rs10.99 lakh crore or 55.6 per cent of corresponding budget estimates (BE) 2021-22 upto September 2021.

The Fiscal Deficit for 2020-21 was 9.3% of the gross domestic product (GDP) better than 9.5% projected in the revised estimates in the budget in Feb.



Shiba Inu crypto falls from the record after Elon Musk damps speculation

Elon Musk, who helped Shiba Inu become the largest cryptocurrency by market value by tweeting a photo of his puppy, states that he doesn't own any of the meme token currency.

Musk responded to a query from a Twitter user asking how much Shiba Inu he holds with, "None." He also said that he only invested in Ether, Bitcoin, and Dogecoin. According to CoinGecko.com, this led to a decrease of 15% value of the Shiba Inu. He also said that he only invested in Ether, Bitcoin, and Dogecoin. According to CoinGecko.com, this led to a decrease of 15% value of the Shiba Inu.



Forex reserves decline by \$908MN to \$640.1BN

The dip in the reserve was due to a fall in foreign currency assets (FCA), a major component of the overall reserves, and in the gold reserve.

In the previous week ended October 15, the reserves had increased by \$1.492 billion to \$641.008 billion. The reserves had touched a lifetime high of \$642.453 billion in the week ended September 3, 2021.

In the reporting week ended October 22, the dip in the reserves was due to a fall in foreign currency assets (FCA), a major component of the overall reserves, and in the gold reserves, Reserve Bank of India's (RBI) weekly data released on Friday showed.

Finance Ministry approves 8.5% interest rate on PF deposits

The Finance Ministry has approved an 8.5 percent interest rate on provident fund deposits. The move may benefit 6 crore accountholders expecting interest to be credited to their account.

The 8.5% rate of interest on provident fund deposits for the last financial year was decided by the EPFO's apex decision-making body Central Board of Trustees (CBT) headed by the Labour Minister in March this year.

The EPF (Employees Provident Fund) interest rate provided for 2019-20 was the lowest since 2012-13 when it was brought down to 8.5%.



Govt. signs share purchase agreement with Tata Sons for ₹18,000 crore Air India deal

The government had accepted an offer by Talace Pvt Ltd, a unit of the holding company, to pay ₹2,700 crore cash and take over ₹15,300 crores of the airline's debt.

The government on 25th October 2021, signed a share purchase agreement with Tata Sons for the sale of national carrier Air India for ₹18,000 crores.

Earlier this month, the government had accepted an offer by Talace Pvt. Ltd., a unit of the holding company of the salt-to-software conglomerate, to pay ₹2,700 crore cash and take over ₹15,300 crores of the airline's debt.

Following that, on October 11 a Letter of Intent (LoI) was issued to the Tata Group confirming the government's willingness to sell its 100% stake in the airline.

While this will be the first privatization since 2003-04, Air India will be the third airline brand in the Tatas' stable — it holds a majority interest in AirAsia India and Vistara, a joint venture with Singapore Airlines Ltd

Real estate sector in the country expected to reach a market size of 1 trillion dollars by 2030: NITI Aayog CEO

NITI Aayog CEO, Mr. Amitabh Kant today said that India's real estate sector is expected to reach a market size of 1 trillion dollars and contribute

18-20 percent of the country's GDP by 2030.

Addressing the 13th Edition of Confederation of Indian Industry - CII Realty and Infrastructure Conclave 2021 in Mumbai, Mr. Kant said housing sales are recovering, buoyant by the decade's low mortgage rates.

He added that the Smart City Project, which aims to build 100 smart cities, is a prime opportunity for real estate companies.

Mr. Kant said the realty sector and its stakeholders also play a critical role in supporting the 'housing for all' initiative taken by the government.



ADB approves \$250 million loans for India's industrial corridor development

The Asian Development Bank (ADB) on Friday said it has approved a USD 250 million (about Rs 1,880 crore) loan to support India's National Industrial Corridor Development Program (NICDP).

This is the first subprogram of the programmatic USD 500 million loans to develop 11 industrial corridors spanning 17 states, the multilateral agency said in a statement.

NICDP aims to develop world-class industrial nodes that are supported by efficient urban agglomerations and multimodal connectivity, including international gateways like ports and airports and inclusive, climate-resilient, and sustainable infrastructure.

As part of NICDP, it is also developing guidelines for green corridor frameworks and climate-resilient infrastructure as well as focusing on enhancing skills for the participation of female labour.

India can become the Export hub of the world, says Alstom India MD, Alam Spohr.

If a well-designed incentive scheme is provided, it could be a mega boost for India, he said, adding that some sort of subsidies or financial incentives could spur companies to bring large investments to the country.

"There needs to be increased focus on faster project execution, dispute resolution, the interaction between customers and vendors. I did not see much focus on these as part of ease of doing business. The problem is not to come to India, but to stay in India," said Spohr.

There is a clear direction and things are moving in the right direction, he said. Subsidies or some financial incentives could spur companies to bring large investments to India, he said

Apple doubled its India business last fiscal: CEO Cook

Apple said it doubled business in India in its last fiscal, helped by strong sales of its i-phones, underscoring the growing importance of the country in its ecosystem, albeit from a smaller base.

The Californian company was the fastest-growing brand in the third quarter in India. Growing at 212% and leading the premium smartphone market with a 44% share, as per data from Counterpoint Research.

The brand maintained its leading position in the ultra-premium segment with 74% share. Strong demand for iPhone 12 & iPhone 11 was the major factor for Apple's growth

India considering strategic reserves for gas, imported coal

India is considering maintaining strategic reserves of natural gas and imported coal to address future supply shocks, a senior power ministry official said on 21st October 2021, as the energy-hungry nation battles a crippling coal shortage.

A surge in power demand combined with a fall in imports due to high global coal prices have led to supply disruptions and power cuts lasting up to 14 hours a day despite record supplies from state-run Coal India NSE -1.26 %, the world's biggest coal miner. Alok Kumar, India's power secretary, said countries increasingly meet their own needs first when there is a supply crunch, citing the example of Russia curtailing supplies to Europe.

"So let us start thinking and discussing keeping a strategic reserve of gas and imported coal so that economies are able to tide over these supply shocks for about a month or so," Kumar said at the South Asia Power Summit organized by the Confederation of Indian Industry.

Most of India's 135 coal-fired power plants have fuel stocks of less than three days. Coal accounts for over 70% of India's electricity generation

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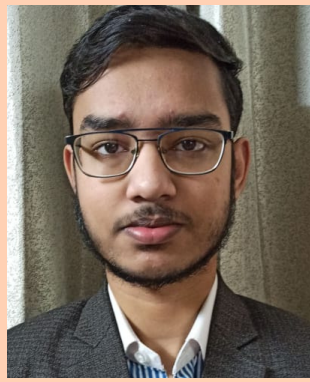
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