



Institute of  
Management Technology  
Ghaziabad

*FinNiche*

The Finance Club of IMT-G

# FinXpress



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# EDITORIAL

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Club FinNiche congratulates the first year students for successfully completing the First Term. We believe that the roller coaster ride of two months have set the grounds for future smooth sail. We wish all the best for your results and hope that all of you come up with flying colors.

The college witnessed the successful hosting of the Deloitte Maverick event. We would like to take this opportunity to congratulate and wish luck to the team which will be representing IMT at the finals.

We also wish good luck to all the teams participating in the SportsCom event "League of Titans" after the splendid inauguration ceremony. May the odds be ever in your favor.

As always we are ready with insightful national and international articles and much more at your disposal.

Hope everyone enjoy reading our mini encyclopedia. Club FinNiche welcomes any comments, suggestions or criticism regarding the magazine. Please do write to us and share your ideas.

Happy Reading!

Regards

The Editorial Team

Club FinNiche

## Rate Cuts-Will it or Won't it?

### SNIPPETS

- **RBI Rate Cuts**
- **Impact of China's Yuan Devaluation**
- **Corrective steps taken by RBI**

According to governor Mr. Raghuram Rajan termed three areas as "work in progress".

First, the economic growth is below par of what the country is capable of. Second, the inflation projections are still in the upper limits of RBI's inflation objective and last but not the least, bank's willingness to cut the base rates. Though he has been skeptical about these challenges in the present macroeconomic environment, there has been some positive news brewing on the growth outlook for the Indian economy.



Now what does that mean, it simply means that the Indian economy is improving gradually as business confidence remains robust and this was reaffirmed by the RBI's Gross Domestic Product (GDP) growth forecast of 7.6% in 2015-16, which is up from 7.2% reported in 2014-15. According to Deutsche Bank, India will outperform its market peers in the soup the markets are in presently. The bank is of the opinion that the Growth-Inflation synergy will be favorable for RBI to justify a rate cut.

The other factors like slump in global crude oil prices to a seven month low, most probable deferring of interest rate hike by the US central bank in September also increases the chances of a rate cut during September 29 review.

Also, the WPI (Wholesale price index) which gauges the annual rate of inflation has contracted to a decade low of -4.05%, this has further increased the momentum for a reduction in the key interest rates. This is the steepest fall in these indices since 2005. Now let us look into the effects of the yuan devaluation, what possibly this could mean to the Indian economy.

When the Bank of china devalued its currency by 1.9 percent it came in as a shocker to the global markets with the currency and stock market going on a downward spiral. Indian rupee had fallen below Rs. 65 a dollar and this will continue till the RBI comes up with some actions. Therefore the RBI has to take corrective steps to ensure order in the markets by delaying the rate cut.

Owing to the droughts and the bond yields have risen sharply on the probability that the latest rate cut would be put off for some more time. The forecasted monsoon rains which is crucial for the farm outputs and rural incomes was projected to be 10 percent less than the average thus raising fears of first drought in six years which meant higher food prices.

According to Reuter's poll, a not be seen as goodies which the RBI will survey conducted among 21 economists give out after much public pleading and shows a 60 percent probability that the repo hence has remained hawkish and wants to rates would be slashed in the upcoming see a sustained fall in inflation rates.

review. With the crude price going down There seems to be a tug-of-war and the govt. and business community have which is happening between the various urged RBI to cut down the interest rates to factors affecting the economy, the inject more momentum in the economy government and the RBI, whoever wins is which encourages investment. kind-off a wait and watch game. Let's see

On the contrary Mr. Raghuram how interesting the game gets as we head Rajan is of the opinion that rate cuts should closer to the D-day.

# NATIONAL

BY ABHINEET AUGUSTINE

## It's time to Make in India

### SNIPPETS

- **Make in India Defense Sector**
- **FDI in Defense**
- **Spending in production of Defense equipment**
- **Tie-ups with indigenous private firms**

Being the third largest armed forces in the world, India's current defense requirements are catered to largely by imports. The opening of the defense sector for private sector participation will help foreign origin equipment manufacturers to enter into strategic with Indian companies, leverage the domestic markets and aim at global business. This will also bolster exports in the long term.

A New national program which is designed to encourage foreign investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure, Make in India aims to promote India as a manufacturing hub.

The offset policy will ensure that an eco-system of suppliers is built domestically. Investing is bound to encourage the government policy of promoting self-reliance, indigenization, technology up gradation and achieving economies of scale and developing capabilities for exports in the defense sector.

### **Defense production**

The department of defense production deals with the indigenization, development and production of arms, ammunitions and defense equipment— both in the public and private sectors to achieve

self-reliance, for the armed forces of India. The products include arms and ammunitions, armored vehicles, fighter aircraft and helicopters, warships, submarines, missiles, electronic equipment, special alloys and special purpose steel.

### **Indigenous Defense Production**

To achieve self-reliance in defense production, the ordnance factories and DPSUs have been continuously upgrading their capabilities, modernizing and widening their product range. In May 2001, the defense industry sector was opened up to 100 percent for Indian private sector participation with FDI up to 26 percent both subject to licensing. Recently, the FDI limit has been raised to up to 49 percent and above 49 percent through cabinet committee on security on case to case basis, wherever it is likely to result in access to modern and state of the art technology in the country.

### **Air Force**

In a major step towards self-reliance in the defense sector, India has finalized the deal of buying 36 Rafael fighter aircrafts from France in a government to government deal which is expected to result in a further order of more jets apart from the existing order of fighter aircrafts. This MMRCA deal will likely result in the full technology transfer

and the indigenous production of these jets by HAL. This deal is expected to be around \$ 30 billion.

Rafael of Israel and India's Kalyani group are forming a joint venture to produce Spike anti tank guided missiles in India and Bharat dynamics limited (BDL) will be the system integrator.

Mahindra aerospace has been awarded an aero components production contract by Airbus group company. The parts will be produced at the new Mahindra aero structures facility located at Nar Sapura, near Bengaluru.

### **Army**

In order to give a boost to private defense sector the government has cleared three "Make in India" contracts worth \$3.4 billion, including a project to procure US-origin M777 artillery guns. The ultra light howitzers could be partly made locally with BAE proposing to shift its production unit here in partnership with a private firm. Mahindra, L&T and Tata are in race for this deal.

The defense ministry has also nominated Kamov, a Russian rotorcraft manufacturing company to manufacture 200 light choppers in India. Kamov will make the Ka-226 choppers in India to

replace the cheetah helicopters that re deployed in Siachen glacier, among other areas. Indigenously manufactured T-90 tanks are being delivered to the Indian army from HVF, Avadi.

### **Navy**

Navy has unveiled a new 15 year plan to achieve full indigenization in all phases of warship construction. From ship building to systems to weapons and aligns it with Make in India. The Indian naval indigenization plan 2015-2030 is aimed at enabling the development of equipment and systems through the defense research and development of equipment and systems through the DRDO and Indian private industry over a 15 year period.

To realize this dream, import substitution has already taken place for quality steel production with the development of DMR249A grade steel.

Keen to kick start its program six advanced stealth diesel submarines with AIP will be produced in India with foreign collaboration with a cost of INR 60000 crores, Indigenous ground work has begun for the 65000 ton aircraft carrier INS Vishal with 6 nuclear powered Arihant class submarines and attack submarines to be constructed at Vizag at a cost of INR 60,000 crores.

# INTERNATIONAL

BY SHILPA KUMARI

## Devaluation of China's currency

### SNIPPETS

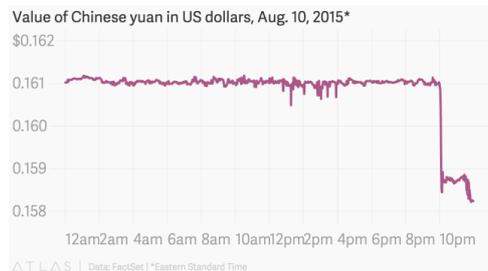
- Devaluation of China's Yuan
- Who wins and who loses in this game
- Impact of Yuan devaluation on US Federal Reserve

The value of the currency of China, the yuan, has been declined by 4 percent against the US dollar by the Chinese government. Currency devaluation is a kind of nationwide sale. The economic growth of United States is likely to be affected with this devaluation. After the 2008 financial crisis, China was criticized for intervening the market by the process of making its currency cheap as it gave an unfair advantage to the Chinese companies over US companies.

China sells its goods and services to United States and the goods are priced in china's own currency so a decrease in its value makes the goods and services cheaper for people of United States. Currently China is experiencing an economic slowdown and currency devaluation can help China increase its exports due to decreased price in US and thereby boos its economy.

On one hand devaluation of currency can help China increase its export but on the other hand it can be bad for US exports. US Dollar we can say becomes more expensive from the Chinese customers perspective and so they are less likely to buy the products from US which means slower economic growth of the US economy.

Devaluation can be a "win" for the country devaluing its currency and a "loss" for the country whose currency becomes expensive. Therefore, critics say economic growth outside China is endangered and it could have a weakening effect. But it depends on the US Federal Reserve, how efficiently it can offset the negative macroeconomic effect so that cheaper yuan proves good for the US consumers.



The financial market has been shaken completely by China's risky move. However, the scenario after the 2008 financial crisis was much different. Devaluation by China government was an alarming situation for the US government in 2009 but today it is comparatively less challenging. The US economy is much more stronger than China's economy and this is exerting downward pressure on the yuan. Due to the healthy conditions of the US economy it becomes easy for the US Federal Reserve to face and nullify the harmful effects of cheaper yuan.

# INTERNATIONAL

BY NISHANT RATHI

## Stock surge but Gold is still falling

### SNIPPETS

- **Stock market is in correction territory**
- **Warren Buffet dumped \$3.7 billion stock**
- **George Soros moved \$2 billion to safer havens**
- **Gold has just breached 1100 level after 2010**
- **China accounts for 23% of the world's gold consumption**

Even though the US equity are age for investing. Warren Buffet is also climbing after rout, Gold prices continue to seemed of sharing similar views as he recently fell. Stronger Dollar and positive US durable dumped his entire \$3.7 billion stake in goods order report are also drawing investors America's largest company.

away from gold and into stock market. On George Soros has also moved nearly 24<sup>th</sup> August, the U.S. Commerce Department \$2 billion out of U.S. stocks and into safer reported that the orders to U.S. factories for havens overseas by cutting his number of long lasting manufactured goods have market investments by over 30% in less than increased by 2% in July after a 4.1% gain in three months. These moves by some of the June. world's richest men has served a warning

This report improved the sentiments signal that more serious economic problem of investors which was visible in rally on Wall are approaching.

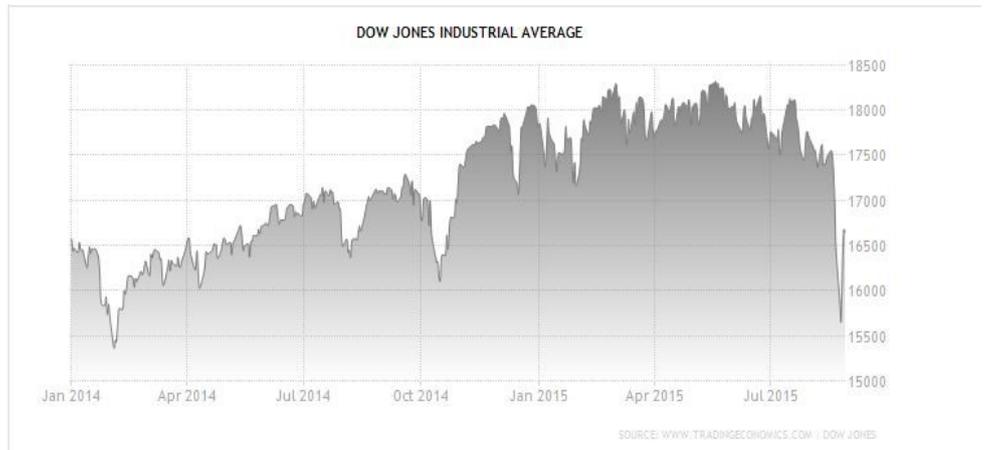
Street. Though this rally was dampened by Concerns over slowdown in China, China's market condition small rally was the world's second-largest economy and further seem on 26<sup>th</sup> August. Traders believe a stock market swoon, have created extreme this is due to market being in correction volatility in the markets. Over the period of territory. According to Nobel Prize winning last five days, the Shenzhen Composite is economist Robert Shiller U.S. markets are down 23.7%. The global market sell-off panic now seriously overvalued, stocks have inflated have fled investors from nearly all assets to almost 2x of their historical value. In his classes, including gold. In the recent weeks, recent appearance on a major television commodities have fallen hard over network he warned of this not being a golden which might have some concerns that a



slowdown in China will dampen the happening outside of America's borders” country's requirement for everything from have not stemmed gold prices.

oil to copper to gold. The Fed voting member have

As, currently China accounts for added that at the mid-September meeting 23% of the world's gold consumption, there boosting short-term rates off their current was a sharp decline in prices of gold. Even levels now looks "less compelling" in light of the comments from Federal Reserve Bank of the market's volatility and worrisome news New York President, William Dudley that out of China. This led to further dip in gold “central bank rate rise next month have price. That put the gold price's year-to-date dimmed amid rising concerns about events decline at 5.18%.



# TRENDING NEWS

## COMMODITIES

**GOLD** ₹26365

**SILVER** ₹33400

**CRUDE OIL**  
₹2603

## EXCHANGE RATES

₹ 66.18 / 1 \$

₹ 75.37 / 1€

₹ 55.53 / 100 ¥

₹ 102.42 / 1£

### **Modi announces a 1.25 lakh crore package for Bihar**

Narendra Modi announced a 1.25 lakh crore package for Bihar at a rally in Bihar emphasizing that this will help change the fate of Bihar. The grant of package has been seen as a way to promote the party in Bihar and silent CM Nitish Kumar who has been criticizing the Government for not assisting the state financially.

In a reply to this announcement, Nitish Kumar retaliated by saying that PM Narendra Modi made it look as if Bihar was on auction and he just tries to insult every state that he visits.

### **Bandhan Bank launched**

Finance Minister Arun Jaitley inaugurated the Bandhan Bank on 24th August, 2015. Bandhan was previously a microfinance company that has now been transformed into a bank. Bandhan Bank is the first private bank since February 2003 when Kotak Mahindra Bank was given license for banking. Bandhan will target the unorganized sector like daily wage earners as this segment has been associated with this company for a decade. It has fixed its interest rates at 4.25% for under Rs.1 lakh

deposits and 5% for those above it.

### **Patel Community demand for OBC Reservation rejected**

Gujarat CM Anandiben ruled out the prospects of Patel community being granted any reservation. She said that the decision is made based on constitutional judgements.

People from Patel Community under Hardik Patel have launched a mega rally in Ahmedabad to revolt against this decision. Protests began throughout Ahmedabad after Hardik Patel was arrested after the rally. Curfew has been imposed in some parts of Gujrat and paramilitary forces have been requested to handle the issue.

### **Iran asks India to clear oil dues**

Iran has asked India to pay its oil dues worth \$6.5bn within 2 months. The payment will be made in 3 installments. Finance Secretary Rajiv Mehrishi obliged to this by saying that India will clear all its dues in the specified time and what belongs to them will be paid to them. India has been paying 55% of its oil purchases in Euros to Iran since July, 2011 and the rest 45% have been paid in Indian Rupees.

# MARKET

## 3 BEST PERFORMERS

- VAKRANSOFT
- NATIONALUM
- SESAGOA

## 3 WORST PERFORMERS

- IOB
- IBREALEST
- HDIL

### INDIAN MARKETS

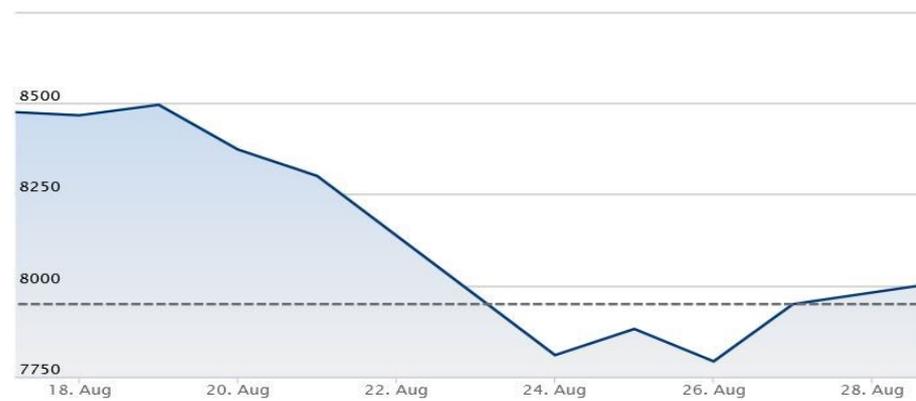
Indian stock markets rose on Friday backing on the upbeat US economic data, yet posting their biggest weekly decline in nearly three months, affected by a global selloff earlier this week. The Sensex ended 0.61 percent higher, while the broader Nifty gained 0.67 percent. Both indices recorded their third consecutive weekly falls with the Sensex losing 3.56 percent and the Nifty shedding 3.59 percent, marking their biggest weekly declines since June 5. The two indices had hit their lowest intraday levels in about a year on Tuesday.

	Open	High	Low	Close
<b>SENSEX</b>	26,542.84	26,687.33	26,270.17	26,392.38
<b>NIFTY</b>	8,053.70	8,091.80	7,961.65	8,001.95

### BSE SENSEX



### CNX NIFTY



# FIN-WORD

BY ABHINA PANDA

## Hedge Funds

Hedge funds are investment vehicles just like equity and bonds to park any excess money the investor possesses for investment purposes. It pools in the capital from a certain number of stakeholders and invests in securities. It is a privilege made available only to a selected number of accredited investors and cannot be sold to everyone.

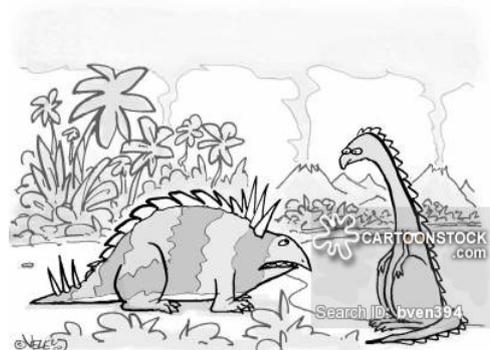
Hedge fund managers take the opportunity to invest their money in tools like equities, bonds, options, derivatives, currencies. These can even be event driven such as mergers and acquisitions. The various hedge fund strategies can be illustrated as follows:

Equity long short strategy includes “Long the undervalued securities and short the over valued securities”. This means buy the securities which have lower value now and are expected to rise in future and sell the securities which have higher value now but are expected to fall in future .

There is another interesting strategy called fund of funds in which instead of investing in securities, the investors simply are in possession of many other portfolios which are involved in investment process.

Another strategy is called convertible arbitrage. The word

convertible suggests that these particular securities can be converted to another type of securities in a predetermined period and at a pre determined price. Buying a convertible security can put the onus on the investor on how he wants to use the security i.e., to sell it or to convert it to another security. Convertible arbitrage attempts to profit from the various pricing errors.



*“I have mostly conservative investments in my retirement portfolio, plus a few riskier, short-term performers tossed in as a hedge against extinction.”*

Yet another important strategy is macro hedge fund strategy. Macro hedge funds tend to be the guiding force behind a hedge fund manager’s ability to generate high returns for investors. These investors invest in the securities whose prices fluctuate which changing economic policies. All in all, hedge funds can be described as an off-shore investment fund that engages in speculating credit or borrowed capital.

# PERSONALITY

## Ritesh Agarwal - C.E.O. of OYO Rooms

### BRIEF INTRO

#### Born

16 Nov, 1993

#### Nationality

Indian

#### Notable Awards

Thiel Fellowship

Considered to be one of the smart, youngest CEOs of India, Ritesh Agarwal was born in November 16th, 1993. in Cuttack, Odisha. The founder and CEO of OYO Rooms, Ritesh started his entrepreneurial stint at the age of 17; and is on his way to become the first Indian drop-out entrepreneur to have met success in the long run.



Coming from a conservative Marwari business family residing at Cuttack, Ritesh moved to Delhi in 2011 to start his entrepreneurial journey after deciding to skip engineering college entrance exams. He had also briefly enrolled in University of London's India campus.

He founded Oravel Stays, when he was 18 which was a home sharing portal in the lines of AirBnB. Agarwal got in touch with accelerator Venture Nursery, flew down to Mumbai and got seed funding of around Rs 30 lakh after a three-month programme.

Learning from his own experience while running Oravel, during which he stayed

at more than 100 bed and breakfast centers, he realized that mere aggregation of budget hotels couldn't address the problems of budget travelers in India. "The big problem was that these portals are not standardized," said Mr. Agarwal.

It was around the same time that Agarwal became the first Indian to be chosen for Thiel Fellowship, where he was given \$100,000 grant by early Facebook investor and PayPal cofounder Peter Thiel. This fellowship is given to entrepreneurs below 20 years of age who skip college for two years to start running their own business. Agarwal decided to put most of the Thiel grant into business, by pivoting his business model to OYO rooms.

OYO Rooms, today, is India's largest budget hotel chain and is present in over 100 cities across the country with more than 2000 hotels under its umbrella. It is not merely an aggregator of budget hotels, but instead focuses on the standardization of hotels in the non-branded hospitality sector. OYO Rooms is considered to be one of the very few start-ups which are non-copycat. According to Agarwal, OYO Rooms was founded to solve the problem of the lack of predictability, affordability, accessibility and availability at budget stays.

From selling SIM cards in Delhi to a CEO, young Ritesh has become an inspiration for all the budding young entrepreneurs.

# OUR SPONSORS



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