IBS ICFAI BUSINESS SCHOOL

KAUTILYA

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NEWS

DOMESTIC NEWS

Hospitals gear up to keep the virtual OPDs (Out Patient Departments) running even after COVID-19: Hospitals and clinics are thinking about how to use technology to meet healthcare needs even after COVID-19. India's largest healthcare company, Apollo hospitals launched an app Apollo 24/7 which consists of a wide range of services and facilities as well as it also offered a risk score based on respondent's answers. Fortis is also planning to come with its app by April 2021 which will provide many services such as book appointments, receive reports, and send queries on one platform.

(Source: Economic Times)

Indian luxury car market set to register a record 40% decline in 2020: The current pandemic and falling economy have forced wealthy individuals and companies to trim back spending on some luxury items such as luxury cars. The luxury car market is estimated to fall by 40% which is even lower as compared to 2011. The total market share of the luxury car market has also declined to 0.9% as compared to 1.2% in the previous year. However, the changes in the market, the addition of new products and the coming festive seasons have given the ray of hope to some luxury car makers.

(Source: Economic Times)

SBI planning to launch loan product 'SAFAL' for organic cotton growers: The SBI is planning to go beyond just retail sectors and hence planning to reach out to farmers. It has decided to launch SAFAL (Safe and Fast Agriculture Loan) which will majorly focus on organic cotton growers. The bank will use AI and machine learning in developing this product in which all the organic cotton growers will be brought and a database will be created on the basis of blockchain. The bank has also made the business of Rs.21,000 crores using this technology during the lockdown.

(Source: Economic Times)

Ministry of corporate affairs eases deposit rules for start-ups: As COVID-19 has affected the MSMEs and start-ups majorly, the ministry of corporate affairs (MCA) has modified the norms related to acceptance of deposits by companies. This will allow the start-ups to raise funds through corporate bonds for 10 years as against 5 years previously. This will attract venture capital funds as well as investors who seek long term interest. The government has also made some rule changes for the issue of sweat equity shares.

(Source: Financial Express)

INTERNATIONAL NEWS

Gilead nears deal to buy Immunomedics for more than $20 billion: Gilead Sciences Inc. is nearing a deal to buy biopharmaceutical company Immunomedics Inc. for more than $20 billion in a deal that would further expand Gilead's portfolio of cancer treatments. A deal for Immunomedics, whose cancer therapy Trodelvy is FDA-approved as a third-line treatment for an aggressive type of breast cancer called Metastatic Triple-Negative Breast Cancer, could be announced on Monday if not sooner. Discussions between Gilead and Immunomedics were initially centred around a partnership before shifting to a Full-fledged takeover negotiation.

(Source: Economic Times)

Dow sheds 400 points, Nasdaq leads market selloff as tech rebound fades
All three U.S. benchmark stock indices have fallen for four of the past five days with the NASDAQ Composite now down 7.27% so far for September. 11th September's market selloff also comes amid doubts over the prospect of another fiscal stimulus package, a continuing source of volatility for Wall Street. Democrats blocked a Senate Republican bill on the Senate floor Thursday, raising the possibility that a stimulus bill would have to wait until after the November Presidential election.

(Source: Marketwatch.com)

Citi picks Jane Fraser as next CEO, the first woman in that role
Citigroup announced that Jane Fraser would succeed Michael Corbat as the bank's next chief executive, making Fraser the first woman to ever lead a Wall Street bank. Fraser is currently head of Citi's global consumer banking division, a major part of the bank that includes checking and savings accounts but also Citi's massive credit card business. She's been with Citi for 16 years. Fraser will be the first woman to lead one of Wall Street's big six banks.

(Source: Economic Times)

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"Beware of little expenses; a small leak will sink a great ship."

Benjamin Franklin

AGR RELIEF OR BURDEN?

What is AGR?

AGR – Adjusted Gross Revenue is the licensing fee and usage that the telecom operators have to pay to the Department of Telecommunication.

To provide relief from steep licence fee, Government in 1999 gave an option to licensees to migrate to ‘revenue-sharing’ model. Under this, mobile telephone operators were required to share a percentage of their AGR with the government as annual licensee fee and spectrum usage charge. The annual licensee fee and spectrum usage charge were set at 3-5% and 8% of AGR respectively.

How AGR is calculated?

AGR is calculated based on all revenues earned by telecommunication. It also includes non-telecommunication related sources such as deposit, interest and asset sales.

The dispute between the department of telecommunication and Telecom operators:

The Dispute between DOT and Telecom operators is regarding the definition of AGR. Telecom operators’ AGR calculation exclude source of revenue from non-telecommunication activity such as deposit, interest and asset sale. Supreme court in 2019 ruled in favour of DOT.

The burden of AGR on telecom operators:

The operators owe close to Rs 90,000 crores, especially when operators are facing pressure due to severe competition and declining revenue per user. Apart from due AGR, telecom operators owe a huge debt to NBFC and banks.

Now, the Supreme Court ordered telecom companies to pay their pending dues of 10 years. The operators were supposed to pay 10% by March 31 and the rest in instalments starting from April 1, 2021.

Due to declining revenue and stiff competition, payment of AGR will be a difficult task for telecom operators.

-Niyanta Khare

THE INDIAN BOND MARKET: FROM THE IL&FS DEFAULT TO COVID-19

Bond Market helps raise fund at a low cost and take the benefit of credit rating without diluting equity.

The Indian Bond market for some years now has had a rough ride. In the pre-COVID-19 months, the decline in the domestic economy and the liquidity crisis following the IL&FS crisis had badly battered the debt market.

And then the lockdown and other limitations that followed the pandemic outbreak just made the situation more severe. These events directly impact the risk perception of investors, the measure of risk in the bond market is the credit spread. Highly rated bonds are traded more as compared to low rated bonds.

After the IL&FS scam, the risk spread nearly doubled which discouraged the bond market investors. The government and RBI took several steps to deal with the crisis, and the spreads were recovering by end of 2019 when the COVID-19 came into the picture to affect the bond market again.

Companys’ operations are being affected badly in the present scenario because of the COVID-19 pandemic. It creates an ambiguous situation about whether bond issuers will meet their obligations. The steps that RBI and the government announced only helped to build buyers for top-rated papers. But there are no takers even at higher yields for the low-rated ones, as investors' risk appetites weakened. Debt funds that have invested in these low-rated papers are in a tough position, as the investors look for redemption.

Finally, economic recovery in India will depend crucially on the flow of credit in the economy in the post-COVID-19 period. The Government's recently announced economic agenda primarily relies on the financial sector. If the economy recovers fast with less amount of corporate defaults or credit events then certainly it will improve the risk perception of the investors.

-Rahul Kejriwal

WHY INDIA NEEDS TO BE FUTURE READY IN ONLINE EDUCATION?

With an increasing number of people ready to invest in the future of education in India, Online education has picked up the pace. Startup businesses turned unicorns, BYJU’s and others like Toppr, white hat jr., etc. serve a platform for taking forward the education even amidst the pandemic.

Along with these Massive Open Online Courses (MOOC), a very important step taken by the government i.e. the New Education Policy(NEP). Students remained trapped in the rat race to become doctors or engineers or lawyers. Their interest, ability and demand had not been mapped. It was important to free the system of this rat race and inculcate creative and innovative thinking in students.

It also contributes towards a brighter future and brings up brighter opportunities. It would also help to develop digital infrastructure. This will be vital to bridge the digital divide in the country and ensure a wider reach of online education in the times to come. It is also intended at preparing alternative modes of delivering education, in times of crisis as the current pandemic, when conventional modes of education falter.

The new policy focuses on digital literacy, coding, and computational thinking from an early age. With most sectors moving to the digital platforms, learning of contemporary subjects such as Artificial Intelligence, Big Data Analysis, and Machine Learning is the need of the hour.

In addition to digital content, NEP also aims to provide learning apps, satellite-based TV channels, and teachers training to further strengthen online learning.

The Indian education community has been realized the increased need for skill-based learning, and to educate future generations with the new-age technologies. The new education policy boosts India's vision towards creating an online pedagogy.

With the NEP 2020, it addresses the need to inculcate new-age technologies such as AI and analytics, which are built on the premise of logical thinking, critical thinking and problem-solving skills.

-Nishi Sanghvi

WHY FOREIGNERS ARE INVESTING IN INDIAN STOCKS DESPITE THE SINKING ECONOMY?

International buyers from all around the world invested a net $6 billion shares in Asia's third-largest economy in August, which is the maximum since March 2019. That is as all different markets in the locale region excluding China endured net withdrawals during the month.

Investors are driven by something which is beyond the current GDP figures considering the long-term benefits when the companies will benefit from the normalization of activity and rise in demand. This was witnessed by the investment money of $231 million in the first three days of September, that is after the declaration of GDP data for June quarter which plunged by 23.9%.

Since June with increasing ease in lockdown, businesses are trying to bring their supply on track to fulfil the demand and be operational instead of complete shutdown. The other boosting factors like improving auto sales, plentiful rains could aid in improving rural wages and bringing back the employment opportunities to them.

The major decision has been the central bank's easy monetary policy with the assurance to provide cash into the markets by way of slashing interest rates at the same time coming up with the stimulus packages to counter the fallout and thus ensuring liquidity to great extent driving the rally into the stocks.

It is the positive sentiment towards Indian equities that it will catch up after trailing the region's benchmark so far in 2020: The S&P500, BSE Sensex has underperformed the MSCI Asia Pacific Index by about 6.5% points. Financial experts consider Indian equity to be one of the fastest-growing areas and place it at the top of the list with China for investment returns over the next 12-24 months.

-Muskan Kedia

HOW DISCOM'S LIQUIDITY PACKAGE HAS INCREASED?

DISCOM stands for Electricity Distribution Companies of India, the government of India in 2015 announced Uday (Ujwal) DISCOM assurance with the intent to find a financial solution for the mess that power distribution is in.

In May 2019, finance minister Nirmala Sitharaman announced an injection of Rs 90,000 crores liquidity into cash-strapped DISCOM to pay their dues until March 2020. Due to the lockdown and COVID-19, DISCOM faced a decline in demand.

In one of the webinars, Power Secretary S N Sahai said that the liquidity package would also cover the unpaid DISCOM debts for the months from April to June; the package would be increased to Rs 1.2 lakh crores.

The government said that DISCOMS has total outstanding of Rs.94,000 crores towards the power generation firms, however, states later demanded the inclusion of outstanding towards transmission firms and an extension to the package.

The hike in the package will be approved by respective boards of REC and PFC. The package will eventually be of around 1.2 lakh crores covering dues till June 2020.

More States will take advantage of the credit facility under the package following the decision by the REC and PFC boards to hike the package.

Some of the DISCOMS were not eligible to obtain loans under the package because under Ujwal DISCOM Guarantee Yojana (UDAY) they did not meet working capital limit requirements.

Later the norms were relaxed and also DISCOM could avail loan against receivables.

In the time of COVID-19, when lockdowns were implemented most of the factories were shut resulting to a tremendous fall in the demand of electricity, but the expenses for DISCOMS never dried, so in such situation, a hike in the package would definitely help the companies at least survive through this difficult phase.

-Rahul Kejriwal

FINANCIAL PRODUCT OF THE MONTH

POSTAL LIFE INSURANCE

Postal Life Insurance (PLI) is the oldest Life Insurance scheme of India, introduced in the year 1884. It is administered by Indian Postal services which provide only traditional insurance policies and do not have the term insurance and ULIP Plans.

The PLI plan includes security lifelong insurance, satisfaction, permanent fund deposits, convenience, couple safety, and children's policies.

The Government has permitted Postal Life Insurance to extend its coverage to the rural areas to transact life insurance business since 1995, called 'Rural Postal Life Insurance (RPLI)'.

The main objective of RPLI is to provide insurance cover and spread its awareness to the rural population.

Eligibility: It was started only for Postal employees and later extended to all government employees. Now, it has been extended to the employees of the private sector also.

Features:

People from the age group of 19 years to 55 years can take PLI and premium instalment will be based on their age and the policy has 60 years of risk cover.

The Policyholder can avail Loan facility and Income tax deduction under section 80C for PLI policy.

Insurance premium can be paid by cheque or cash, to any post office in India.

If the policyholder wants, can also change the premium amount either increase or decrease even after the start of the policy.

The Policyholder can appoint a Nominee policy and can be changed at any time during the policy period.

Postal life insurance offers the lowest premium in the Insurance market and gives the highest sum assured. The upper limit of sum assured is upto Rs 50 lakhs.

PLI offers basic six types of policies such as Whole Life Assurance, Endowment Assurance, Convertible Whole Life Assurance, Anticipated Endowment Assurance, Joint Life Assurance and Children Policy with distinct features. Over the years, PLI has grown substantially with more than 46 lakhs policies at present.

-Shruti Sonawane

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GLOSSARY

NCLAT: National Company Law Appellate Tribunal is a quasi-judicial body in India that adjudicates issues relating to Indian companies

Stimulus Package – Stimulus package is a package of tax rebates and incentives used by the governments to stimulate the economy and save their country from a financial crisis

Unicorn - a unicorn is a term in the business world to indicate a privately held startup company valued at over $1 Billion.

Sweat Equity – The term sweat equity refers to a person or company's contribution toward a business venture or other project. Sweat equity is generally not monetary and, in most cases, comes in the form of physical labour, mental effort, and time.

ULIP – Unit Linked Insurance Policy is a product offered by insurance companies which gives investors both insurance and investment under a single integrated plan

Spectrum usage charges- A spectrum usage charge is levied on mobile services companies as a percentage of their adjusted gross revenue (AGR) and is payable as per the spectrum slabs notified by the government from time to time.

-Simran Sanan

QUIZ

1. ____________________ is the measure of risk in Bond Market.
2. Slashing interest rates means _________ monetary policy.
3. National Education Policy 2020 aims to inculcate _________________.
4. Telecom operators were given option to migrate to ___________ model by the government in 1999.
5. Postal Life Insurance Policy has ____ years of risk cover.

Answers:

1. Credit Spread
2. Easy
3. New Age Technologies
4. Revenue Sharing
5. 60

-Simran Sanan