KAUTILYA
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NEWS

DOMESTIC NEWS

COVID 19: the economy may have shrunk 14-26% in Q1: The contraction of the localised closure ranged from 13.6% to 25.7%, as an estimation and also the country has suffered more than the other economies due to the outbreak of coronavirus. The economy of the country was 4.2% in FY20 but it fell to 3.2% at the end of the quarter in March 2020 showing that the growth was slowed down before the lockdown. The growth in the quarter of June in FY20 was 5.2%.

Source- Economic Times

Banks issued 1.6 cr new debit cards during peak lockdown: All the banks in India issued 16 million new debit cards as the demand increased by the customers for having contactless cards during the lockdown. The cards issued by the state banks increased to 597.1 million from 585.6 million. The banks are issuing more secure cards which have Chip-based EMV cards which have increased the demand of the debit cards. The circulation of the cards contracting to 816.7 million in January 2020 from a peak of 998 million in October 2018.

Source- Economic Times

PNB Housing Finance gets board nod to raise Rs 1,800 crores: The consolidated net profit of PNB declined to 9.6% year-on-year to Rs 257.2 crores due to six-year low disbursement for COVID-19. The board agreed to raise the equity capital of Rs 1800 crores by the issue of preferential shares or right issue. The parent bank held the stake of 32.65% in the PNB Housing Finance. The bank is planning to cut down its operating expenditure by 5-10% in the current fiscal year. The bank will focus on strengthening the balance sheet and maintaining the liquidity to survive in the market.

Source- Financial Express

HSBC India launches 'Green Deposit' Program to finance eco-friendly projects: The bank will provide all the quarterly report to all its customer and also the portfolio-level information of where they used the deposited funds. They launched this program where the bank will finance green initiatives like clean transportation, pollution-free air, renewable energy, green building and wastewater management for the companies to support them in the project of environment friendly. The "Green Deposit" in India is available as 'Term Deposit'.

Source-Livemint

INTERNATIONAL NEWS

ETFs now hold more yellow metal than the central banks: Exchange-traded funds backed by physical gold and silver gathered more than $50 billion of bullion this year. Complete charges of the main 10 gold ETFs, in light of current prices and holdings, are about $610 million per year, while for the best five silver ETFs, the figure is around $110 million. Investors have purchased more silver through ETFs in the initial eight months of the year than was created by the world's 10 biggest excavators joined a year ago.

Source- Business Standard

Coronavirus: Japan suffers its biggest economic slump on record: The world's third-largest economy saw GDP fall to 7.8% in April-June from the past quarter or 27.8% on an annualized basis. One of the major factors behind the drop was a serious decrease in domestic consumption, which represents the greater part of Japan's economy. Fares have additionally fallen pointedly as worldwide trade is hit by the pandemic. Japan's key inflation remained at zero for a subsequent month.

Source- BBC

UK govt. debt tops $2.6 trillion for the first time, worsening the pandemic situations: UK government debt passed £2 trillion ($2.6 trillion) for the first time, which implies Britain presently owes a sum proportionate to more than 100% of economic yield, the heaviest weight since the mid-1960s. Debt servicing costs are at record lows and financial specialists have cautioned that pulling back monetary help rashly could derail the recovery from the most profound breakdown in living memory.

Source- Business Standard

To increase trans-Atlantic market access US, EU announces tariff agreement: In the first arranged decreases in duties between the different sides - US and EU in over 20 years, EU will eliminate duties on imports of live and solidified lobster American items for a long time, retroactive to start from August 1. As part of the deal, the US will lessen its duty rates by 50% on specific items sent out by the EU worth a normal yearly exchange estimation of $160 million which incorporate certain prepared meals, certain crystal glassware, surface arrangements, force powders, cigarette lighters and lighter parts.

Source- Business Standard

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REFORMS TO STEER INDIA TOWARDS AATMANIRBHAR

The Ministry of Defence is all set for Aatmanirbhar Bharat initiative as it has imposed restrictions on import of 101 weapons and military platforms which include assault rifles, transport aircraft and artillery guns.

This was announced immediately after draft defence procurement policy of the defence ministry projected turnover of Rs 1.75 lakh crores in defence manufacturing by 2025. India was one of the top 3 importers of military hardware in the world for the last eight years. Earlier India used to depend on the former Soviet Union for military equipment.

According to a government document, import restrictions on 69 items will be enforceable from December 2020, while another 11 items will be restricted from December 2021. A separate list of four items and sixteen items will come under the restrictions from December 2022 and December 2023 respectively.

The centre has decided to create a separate budget for domestic capital procurement in the current financial year. The procurement budget will be divided into two routes i.e. domestic investment and foreign investment.

The decision was first announced by Finance Minister Nirmala Sitharaman in which some reforms for the defence manufacturing sector were introduced which included increasing the FDI limit from 49% to 74%.

Godrej & Boyce, which provides solutions for aerospace and defence along with DRDO (Defence Research and Development Organisation) and ISRO are planning to develop a domestic eco-system which in turn will boost India's domestic defence manufacturing capabilities and help in fulfilling the dream of Aatmanirbhar Bharat. It's also estimated that contracts worth almost Rs.4 lakh crores will be given to domestic industry by 2024.

This is an undoubtedly big and tough decision which will demand some time and efforts but will contribute majorly for Aatmanirbhar Bharat.

-Riddhi Rajput

HOW INDIA CAN BE THE HUB FOR COVID VACCINE

Corona Virus has disrupted the lives of many, and in order to go back to normalcy in life, there's a dire need for a vaccine. Billions of Dollars are being spent on research for the vaccine and is being backed by numerous governments of the world. When Russia announced that's its vaccine is ready for use, there was a mixed reaction from many.

Amidst all this, we cannot dismiss the power of Indian pharmaceutical companies. In 2019, India's vaccine market

totalled Rs.94 Billion and was projected to reach Rs.252 billion by 2025 with a CAGR of 17.8%. Considering the recent changes of scaling up the production facility can amount to an exponential growth of three figures. India supplies vaccines to over 150 countries, meeting almost 62% of global demand. While 70% of the vaccines produced in India are exported.

Pune based Serum Institute is the world's largest vaccine manufacturer in terms of doses. They have tied up with Oxford University for the trials and are ready to produce $200m-$300m till the approval. They are willing to cater to 1 billion Indian Middle-class people.

Bharat Biotech & Zydus Cadila are the others whose vaccine is in the clinical trial stage while there are 4 other companies who have vaccines in the pre-clinical trial stage.

Complementing the large production capacity and R&D capabilities, Indian manufacturers have the ability to produce vaccines and pharmaceutical drugs at the lowest costs worldwide.

The cost of pharmaceuticals manufacturing in India is an estimated 33% lower than that in the US. In keeping with these cost efficiencies, the Serum Institute of India estimates that their manufactured vaccine would be available at a cost of Rs.1000 (USD 13.36) per dose.

These synergies among cost, production and technology, hold immense potential in accelerating India's role in the countering the coronavirus pandemic both domestically and globally.

These developments have to be accompanied with regulations, approvals, investment and government policies around the innovations - thereby speeding and strengthening the trajectory.

-Milind Sharma

CONTRACTION OF INDIAN ECONOMY

The 2020 crisis is like no other where developed and developing countries' economies are contracting in the same manner. Indian Economy which is considered as developing economy is going through a difficult period with key indicators hinting at a long going slow down. Indian Economy is in contraction zone as many sectors are affected by the great lockdown.

The International Monetary Fund (IMF) has projected the contraction of Indian Economy by 4.5%. Following are the key points that will affect the Indian Economy:

Manufacturing Sector

The recent IHS Markit India Manufacturing Purchasing Managers' Index (PMI), shows that the manufacturing sector has been slowing down. PMI parlance, a score above 50 means growth and below 50 denotes contraction. A score of the manufacturing sector in June 2020 was 47.2 which came down to 46 in July 2020.

The manufacturing sector has a huge contribution to GDP. Contracting of the manufacturing sector will have a huge impact on the Indian GDP.

Service Sector

The service sector has huge importance in the Indian economy with the sector now accounting for around 55 % of the total size of the economy and GVA growth. Service industry of India is in contraction zone. Due to the great lockdown and COVID 19 pandemic, there is a contraction in the service industry.

IHS Markit India service business activity Index was 34.2 in July. An index above 50 is an expansion and below 50 is a contraction. India's service industry shows contraction.

The two major sectors are in the contraction zone which has a huge contribution to India's GDP.

Weaker consumer demand and weaker private investment are 2 other factors for Indian economic slowdown.

-Niyanta Khare

INCOME TAX NEW RULES

Prime Minister Modi launches a new taxation platform dubbed, "Transparent taxation— Honoring the honest."

The Government had the vision to bring about simplification of tax laws, and introduced many reforms in direct and indirect tax regimes, for this purpose.

A few key steps towards this were e-checking, faceless test on a pilot basis, reduction of litigation by Revenue officer, and reduction of corporate tax rates, etc.

The purpose of building this forum is to honour trustworthy taxpayers who demonstrate honesty with regard to the payment of taxes.

The purpose of this forum is to transform the tax department, from the tax collector to the tax facilitator. The Prime Minister also urged citizens to look at their consciences and see if they can contribute to the development of the nation by paying appropriate taxes.

Every law, rule and regulation need to be changed from a systems process to people-centric and public friendly.

The new tax constitution has promised to reduce government interference, liberalization, increase trust in the taxpayer and reward honest taxpayers. Some highlights are:

1. The tax department must recognize the taxpayer's reputation.
2. Faceless online assessments.
3. Tax testing can be assigned to any authority in any city in India to ensure that it does not matter who the taxpayer is or who the inspector is. "Opportunities to adapt or influence now will be non-existent," Modi said.
4. Even the complaints and appeals will be 'faceless' starting 25th September 2020.
5. Policy-driven governance will reduce grey areas and reduce the need for understanding.
6. Incorporating technology to reduce taxpayer communication with officials.
7. The tax scrutinies have been dropped to fourth in the last eight years.

Even if we can achieve 20% increase tax revenue, that will charge up the government coeffers and help our economy immensely.

-Falguni Chhajer

GOVERNMENT EFFORTS FOR BANK PRIVATIZATION

The Modi government is planning a mega privatization drive for non-core companies and sectors to raise funds for budget spending amid the ongoing economic slowdown due to the COVID-19 pandemic as well as to improve the efficiency of these companies.

Among these, one sector is the banking sector which recently came into consideration for privatization. An additional reason for the privatization of banks is the piling up of NPAs in public sector banks (PSBs) for which the government may have to recapitalize the banks or induce funds to bail them out of losses.

Last year the government had merged 10 banks into 4 banks but now the government plans to reduce the number of state-held banks from 12 to 4 or 5 by divesting the stakes in some of the PSBs.

Currently, the government is looking to divest the stakes in 4 banks namely Punjab and Sind Bank, Bank of Maharashtra, UCO Bank and IDBI Bank.

The government may consider restructuring of the banks before divestment to cut down the losses so as to make them more attractive assets by offering voluntary retirement scheme to the additional staff and closing down loss-making domestic and international branches.

But many economists have the view that privatization of banks is not a solution. According to the Economic Survey of 2016, the growth of the economy from 2004 to 2008 was majorly funded by PSBs.

PSBs play a social role in the economy by providing funds to strategic sectors and helping the government in its plans of development which is more important than their profit or loss generation.

Besides the major reason for piling up of NPAs in PSBs is the loans given by banks to some industrialists due to political pressure. So the need is to tackle the corruption and strengthen the norms of the PSBs instead of privatization.

-Simran Sanan

HOW FINANCIAL TECHNOLOGY CAN HELP HEALTHCARE SECTOR?

"Data is the new oil".

Financial Technology also known as FinTech is the digital revolution. While initially a disruptor, FinTech is now joining hands with the traditional system to further strengthen it. The healthcare industry is exponentially growing owing to its enormous coverage, services and increasing expenditure by public and private players.

Rising income levels, an ageing population, increasing insurance penetration and the demand-supply imbalance presents a big opportunity for companies.

Artificial Intelligence (AI) applications integration help in Electronic Health Record (EHR), care management, physician burnout reduction and patient engagement.

According to Inc42 DataLabs estimation, there are currently more than 4800 active health-tech start-ups in India working from doctor consultation to lab diagnosis and from preventive healthcare to tech-equipped medical devices. Some of the healthcare start-ups which have been in limelight are Cure.Fit, DocsApp, 1MG, and myUpchar.

Going further, the journey will be more exciting than bygone. Blockchain technology presents the revolutionary potential in the advancement of the sector. It empowers the synchronization of information over the system.

Currently, healthcare records are not stored on several nodes, i.e. one party can manipulate the data besides making it an easy target for the hackers.

Hence, it becomes mandatory that the medical data is recorded on a distributed and decentralized ledger. Any modifications made to previous transactions require the approval of all the stakeholders participating in the chain.

Also, the entire system is fully encrypted, which collectively makes the penetration more cumbersome.

Cryptocurrency is also rapidly gaining ground which will revamp the healthcare sector because of zero fees and surcharge, unlike traditional banking infrastructure. It will facilitate instant cross border payments ensuing smoothened medical care overseas.

In the coming decade, we will witness how the integration of the healthcare sector with digital technologies can result in affordable and improved healthcare access making the overall atmosphere "patient-centric".

-Stwan Sharma
Section N

SURGING GOLD PRICE

Gold has deep-rooted significance in Indian history. Gold, in Indian history, is more than an investment, it is a culturally significant metal which has found a place in Indian hearts and home alike.

What remains the matter of concern is the rising prices of the gold. Gold on August 27 hit its all-time high value of 51,833 Rs. per 10gm. This elevation in the price of gold has occurred because of many reasons, one of which is the depreciation of Indian rupee to US dollars.

Since gold is mostly imported commodity in India, the depreciation of Rupee vis-à-vis the US dollar pushes the gold price to rise. Not to forget ongoing pandemic COVID-19 and its effect on the economy.

Due to this, RBI on March 27 cut its key policy rate by 75 basis point and announced liquidity infusion of Rs 3.74 lakh crores. Any inflation in the paper currency tends to push up the gold price.

Gold which is an integral part of wedding ceremonies in India, it is traditionally used as a hedge against inflation and considered as a safe haven for the investors during the period of uncertainties.

Whenever the stock market, real estate and bonds fall across the world, investor parks their funds into the gold. During this time of pandemic and nationwide lockdown and its effect on the economy, it has become a safe bet to invest in the gold.

This fall in the value of other asset class and global uncertainties in the wake of COVID-19 has helped hiking the prices of the gold to its record high.

With the US election coming and the US-China trade war, it is unexpected for the price of gold to fall anytime soon. Is it a good time to invest in Gold? With the increasing price and the risk in the stock market, an investment in the Gold ETF looks like a safe and the best option.

- Raj Gudhka
Section A

WHAT LIES AHEAD OF MSME SECTOR?

In the current circumstance inside the nation, many small start-ups are evaluating their way to set the margin in the economy. MSME implies with them. To know the impact of MSME we must need to know about it. MSME's full representation is MICRO, SMALL, and MEDIUM Enterprises. For the development of a country like India, MSME Industries are the support system of the economy.

MSME sector provides 45% of India's total industrial employment, 50% in total export with 95% of industrial units and over 6000 types of products are produced by the manufacturers under these industries. When these Industries take upward movement towards growth, the economy of the country grows as a whole and develops.

Right now in the phase of COVID-19, the Global economy has faced an unpredictably medical, financial, and economic crisis. The fast-developing world is still getting into trouble by increasing fiscal deficit, current rates, providing efficiency to the market and printing money on an unimaginable scale. The emerging world is out of that luxury.

In this crisis, MSME has faced problems more than anything else. Underdeveloped size, infrastructure, ease of doing business, complexity towards financial help, high costing finance and inflexible labour laws have always restricted MSMEs. Additional pressure caused by China lately, while entrepreneurs backed their problem by not paying their fair share of taxes and only investing in scale and technology.

The government trying to fix the root problem of cash flow and borrowing cost by announcing a credit scheme of 300,000 crores for MSME, 20000 crores for distressed MSMEs and 5000 crores venture funds for equity infusion. Extension of the NBFC package beyond 90 days will provide further support to MSMEs; it will stabilize MSME during the crisis. We must aim to support entrepreneurs for growth.

-Rakhi Singh
Section M

WHY INDIA DOESN'T HAVE AN AIRCRAFT LEASING COMPANY?

Indian carriers particularly have been facing a challenge in leasing aircraft because the deals structured in foreign exchange and any variations in FOREX affect an Indian airline's operations as it usually has to pay more for leasing.

Aircraft leasing is a process through which airlines lease aircraft or planes from other airlines or leasing companies. Despite the high demand for leased aircraft in India, there are no lessors based in India. It means there is no leased aircraft with an owner registered in India.

Analysts maintain that creating this new ecosystem will require entities with deep pockets so that they can sustain the business through the cyclical highs and lows that the global aviation industry witnesses. In case of a default by the airline, the leasing company could find itself in a lot of financial trouble.

Further, since most airlines are leasing from foreign lessors at the moment, the newly set up Indian leasing companies will have to break into their clients to gain business opportunities.

At the moment, banks are allowed to purchase and own assets on their balance sheets. Banks can lend against an asset though they cannot acquire and hold the asset on the balance sheet for a while.

It is something that will require having an aircraft leasing ecosystem in the country as leasing aircraft is all about buying and holding.

Another issue is how the GST off-set will work. Currently, GST is a charge for lease payments. That will work if the rate is the same for both foreign and Indian leasing companies though if there is a difference in the standard, it can lead to problems for Indian leasing companies.

It would appear that, though the government has hailed by some as being progressive, there will be many challenges before it becomes a reality.

-Jyoti Kumar Rout
Section H

EFFECT OF RETAIL INVESTORS ON STOCK MARKET

Retail investors purchase securities for themselves and not for any organization and trade in smaller amounts as compared to the institutional investors.

Since retail investors cannot subscribe or bid for shares or securities of more than 2 lakhs as per SEBI rules and regulations, they usually are seen to trade less frequently which makes institutional investors the most volume trading participants in the stock market and therefore has less influence on organization's decision than non-retail shareholders.

Although, they have greater influence in micro and small capital stocks.

The reason behind less participation of retail investors in comparison to others is that they have a very limited amount of money saved that they can invest and they usually prefer to invest their share of savings in other safer and more secure modes of investment such as gold, bank deposits, insurance products etc. which are less volatile in nature when compared to the stock market.

There is also a lot of different interpretations regarding the stock market in the minds of people which makes them less keen towards investing.

However, a decrease in interest rates and sliding of other resources of fixed income attract the retail investors to invest in the equity market.

In the recent time of this pandemic, due to the reduction of yields in the hands of investors, market meltdown leading to low stock prices and the working from home situation giving time to explore, retailers are being pushed towards the stock market as an investment option.

Moreover, there are many platforms available online such as online KYC forms, mobile applications and many online tools making it very easy to operate the trading from home and therefore they have played a significant role in recovery since March 2020.

-Vidhi Morvadiya
Section F

WHY INDIAN COMPANIES ARE DELISTING VOLUNTARILY?

When the shares of a listed company have been removed from the stock exchange permanently for buying and selling purposes is known as delisting.

There are two reasons why a company's share gets delisted i.e. voluntary and involuntary. It is involuntary when a company ceases operations, declares bankruptcy, takeovers or merges, failure to maintain the requirements set by the exchange. While it's voluntary when a company just wishes to go private again.

The price of the delisting of the stock is arrived at by a method known as "Reverse Book-Building". This task is carried out by the merchant bankers appointed by the company that is planning to delist the stocks.

Reverse book building is additionally a price discovery method, during which bids are taken from current minority shareholders and therefore the final price, which normally exceeds the market value is fixed based on the nature of the bids.

The COVID-19 pandemic and the resulting economic slump that has sent stock prices plummeting and has brought on a wave of voluntary delisting proposals as promoters attempt to repurchase shares cheaply.

In the last three months, majority owners of Vedanta Ltd, Adani Power and Hexaware Technologies have also proposed buying out all publicly-traded shares of their companies, while delisting rumours have swirled around Diageo's United Spirits, the Indian arm of US-based IT firm Oracle.

Vedanta Ltd. recently stated they will be delisting their stock from the Indian exchanges. It has already got approval from the shareholders and the reverse book building filings are in the works. This not new for them, back in October 2018 they delisted themselves from London Stock Exchange (LSE).

The buy-out of the London listing was intended to simplify the company's structure and therefore the liquidity from the Indian markets meant that the necessity for a separate London listing was no longer critical. The reason for delisting from the Indian exchanges is plenty.

Due to coronavirus, the share price of Vedanta which used to be in the mid 300 rupees a year back is trading at around Rs80-Rs120 currently. And this can be the best time for Vedanta to do the corporate simplification they always wanted to do.

Delisting is only considered successful if the shareholding of the acquirer and the shares offered by the public shareholders together make up 90% of the company's entire share capital.

This delisting will provide Vedanta group with enhanced operational & financial flexibility in a capital intensive business & is expected to support an accelerated debt reduction program in the medium term.

Vedanta Resources has a $1.9 billion debt repayment coming up in FY21 along with regular interest payment and therefore, the group's strategy to meet these obligations and fund the delisting will be closely watched by market participants.

-Milind Sharma

RBI'S LOAN RESTRUCTURING PACKAGE

Due to COVID-19 pandemic, many individuals and businesses have to face financial stress and therefore unable to repay the loan for which government had introduced six-month moratorium period where we had to not pay EMI i.e. EMI free period but the interest was accumulated.

As this was till 31st August 2020 and economic conditions are still not recovered i.e. people still don't have jobs and few are facing pay cuts. Therefore, Reserve Bank of India (RBI) has introduced a one-time Loan Restructuring policy which covers corporates, small business i.e. MSME and retail customers.

Borrowers that were facing stress on account of COVID-19 will be given restructuring, lenders have to access the viability of each resolution plan and board approval policies have to be put in place to give a go-ahead to a resolution.

A one-time Loan Restructuring scheme will allow lenders to give borrowers more repayment time, reduce interest rates, take a haircut or use the mix of measures as it involves modifying the loan terms.

As a result, a borrower who is unable to honour the original conditions due to financial difficulties will not be declared as a defaulter and the loan will not be termed as a bad loan.

The RBI had previously allowed for a one-time restructuring of loans to MSMEs till 31st December 2020 with the policy review the central bank was expected to extend the scope of the scheme beyond MSMEs to bring relief to NBFC borrowers.

As per RBI's announcement, Restructured Loan will be considered a standard loan thereby would not affect the credit score of the borrower. The resolution will be available to only those borrowers who were regularly repaying the loan until 1st March 2020.

Stressed borrowers will be required to get a resolution plan sanctioned before 31st December 2020 and lender will have to implement it within 90days.

But why was the RBI wary of the decision? After the 2008 financial crises, the RBI had laid down guidelines for corporate debt restructuring but the restructured loans jumped from around ₹91 crores in 2008 to ₹771 crores in 2012 due to misuse of the concession given.

The Central Bank has tightened the rules in 2015 which required banks to recognise the restructured loans as NPA's. ICRA had also pointed out that it could pose implementation challenges for the lenders.

Top Banker had urged the RBI to approve one-time restructuring of loans without an extension of moratorium beyond August 31st. With Gross NPA levels pegged at nearly 15% by March 2020 as per RBI financial stability report, top Bankers believe that one-time restructuring could help raise a big asset quality shock.

During this time of economic uncertainty, MSME's and retailers are facing a demand slump. Apart from that borrowers might be facing job losses and pay cuts. Deferment of Loan repayment in the form of a moratorium keeps the exact reasons as to why a customer is opting for this scheme hidden would unveil a big Indian Bad Loan Crises at the end of the moratorium.

-Falguni Chhajer

RELIANCE INDUSTRIES & FUTURE GROUP DEAL

Reliance Industries under its subsidiary of Reliance Retail Ventures (RRVL), is procuring the retail and wholesale business for Reliance Retail and Fashion Lifestyle Ltd (RRFLL) and the logistics and warehousing business for RRVL from the Kishor Biyani's promoted Future Group as going concerns on a slump sale basis for a lump sum measure of Rs 24,713 crores. FEL's slump sale would include key formats such as Big Bazaar, FBB, Foodhall, Easyday, Nilgiris, Central and Brand Factory.

Future group is a standard asset on the books of banks and had profited of the loan repayment moratorium which closes on 31 August. According to the first arrangement talked about with loan specialists, there was no hair cut required as Future Group will reimburse a portion of the outstanding dues from the proceeds and the remainder of the liabilities will be taken over by RIL.

Post the deal Mukesh Ambani's Reliance Retail Ventures (RRVL) will hold 13.14% stake in Kishore Biyani's Future Enterprises Ltd and will take over the debt of ₹12,500 crores and discharge the balance consideration by way of cash.

The deal makes a strategic key fit into Reliance's retail business as it cements the position of Reliance Retail as the undisputed leader in the organised retail segment and adds muscle to its on-going battle with Amazon and Walmart (through Flipkart) for the Indian e-commerce market.

This will also assist Reliance with retailing to quicken offering help to a large number of small merchants in expanding their competitiveness and income brackets.

RRFLL also proposes to invest Rs 1,200 crores in the preferential issue of equity shares of FEL to acquire 6.09 per cent of post-merger equity, and Rs 400 crores in a preferential issue of equity warrants which, upon conversion and payment of balance 75 % of the issue price, will result in RRFLL acquiring further 7.05 % of FEL.

-Muskan Kedia

FINANCIAL PRODUCT OF THE MONTH

INDEX FUNDS

An index fund is a mutual fund or Exchange-traded funds (ETF) designed to track a specified basket of the underlying asset. It is a portfolio of stocks or bonds to outline the composition and performance of a financial market index such as Nifty 50, BSE, Sensex, etc.

"Indexing" is a form of passive fund management as the fund manager builds a portfolio whose holdings shows the securities of a particular index.

It considers the stock market as a whole or a broad segment of the market so, the fund matches its performance as well.

Index funds track a market index hence, the returns offered by Index funds are approximately similar to Market index.

So, an investor who is likely to invest in Equity markets without taking higher risks and wants predictable returns can invest in Index funds. Also, it has low expense and fees than other actively managed stocks.

They seek to match the risk and return of the market, on a long-term basis so that the market will outperform in any single investment.

The investment objectives of index funds are simple to understand as it targets the particular index of securities. So the Fund manager can manage one's index fund holdings by rebalancing annually or semi-annually.

An index fund has less turnover, it means there is less number of funds replaced during a year which results in less Capital Gain, than actively managed funds.

Hence, they are also tax-effective funds. Index Funds increases accurate diversification of Portfolio because of the described style of mid-cap fund, large-cap fund etc and increases returns.

Index funds don't represent all sectors and can favour only certain sectors.

It becomes unstable during volatility in the market, particularly at the time of recession. They can be overvalued when some stock prices are too high in the index.

- Shruti Sonawane

GLOSSARY

NPA (Non-Performing Assets): A non-performing asset (NPA) is a loan or advance in respect of which the principal or interest payment has been overdue for 90 days.

PMI (Purchase Manager's Index): An indicator of the economic health of the manufacturing sector is the Purchasing Managers' Index (PMI).

CAGR (Compounded Annual Growth Rate): It is the average annual rate of growth of the investment for a given period longer than one year. It is one of the most accurate ways to calculate and determine returns for individual assets, portfolios of investments and anything that can rise or fall in value over time.

NBFC (Non-Banking Financial Company): A company engaged in the business of loans and advances, the acquisition of shares, shares, bonds, hire-purchase insurance or chit-fund business but does not include any institution whose principal business is that of agriculture, industrial activity, the purchase or sale of any goods (other than securities).

SEBI (Securities and Exchange Board of India): It is a non-statutory body for regulating the securities market.

ETF (Exchange Traded Funds): An Exchange Traded Fund (ETF) is a type of security that includes a set of securities, such as stocks that often follow an underlying index.

-Rahul Kejriwal

QUIZ

1. The International Monetary Fund (IMF) has projected the contraction of Indian Economy by ____.
2. MSME sector provides ____ of India's total industrial employment.
3. Retail investors cannot subscribe or bid for shares or securities of more than ____ as per SEBI rules and regulations.
4. RBI on March 27 announced liquidity infusion of ____.
5. The consolidated net profit of PNB declined 9.6% year-on-year to Rs 257.2 crores due to six-year____ ____ for Covid-19.
6. Weaker consumer demand and weaker private investment are some major factors for ____.

Answers

1. 4.5 %
2. 45 %
3. 2 lakhs
4. Rs. 3.74 lakh crores
5. Low disbursement
6. Indian Economic Slowdown

- Rahul Kejriwal

*Market Indices**

Index	Price	Change	%Chg
NIFTY 50	11387.50	-260.10	-2.23
SENSEX	38628.29	-839.02	-2.13
GOLD	51830.00	382.00	0.70
CRUDE OIL	3177.00	28.00	0.89
USD	73.7025	-0.03	-0.04

*As on 31st August 2020

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