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THE RUPEE MATTERS

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From the Editor's Desk

It gives me immense pleasure to share the second issue of the newsletter with our readers. We received lot of appreciation for the previous issue especially for the articles related to big data and block chain technology.

In the present scenario, the issue of capital infusion in state run banks and higher valuations of private internet firms intriguing readers' interest towards liquidity problems in financial institutions and sources of finance and investment. The contents of this issue highlight these areas of interest in finance domain. Consequently, this issue include articles related to importance of second level thinking in personal and financial decisions, role of international investment in growth, dealing with NPAs and equity as means of investment.

As a reader, your expectations and word of encouragement to our editorial board will go a long way in the subsequent issues of the newsletter. Thank you for your valuable support and interest in reading. Please feel free to contact us with any suggestions or inputs regarding the newsletter.

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THE POWER OF SECOND-LEVEL THINKING

Akash Dammani, PGP, Goa Institute of Management

Second-Level Thinking is a concept coined by Howard Marks in his best seller book, "The Most Important Thing". This subject is important for everyone who wants to be a superior investor.

Excerpts from Howard Mark's book, The Most Important Thing, which perfectly articulates the concept of Second-Level Thinking: "Remember your goal in investing isn't to earn average returns; you want to do better than average. Thus, your thinking has to be better than that of others – both more powerful and at a higher level. Since others may be smart, well-informed and highly computerized, you must find an edge they don't have. You must think of something they haven't thought of, see things they miss, or bring insight they don't possess. You have to react differently and behave differently. In short, being right may be a necessary condition for investment success, but it won't be sufficient. You must be more right than others . . . which by definition means your thinking has to be different. For your performance to diverge from the norm, your expectations – and thus your portfolio – have to diverge from the norm, and you have to be more right than the consensus. Different and better: that's a pretty good description of second -level thinking."

Charlie Munger mentions that those who feel investing is easy is a first-level thinker. First level thinking says, Lehmann Brothers has declared bankruptcy. As a result, Sensex has fallen from 21000 to 9000 in 10 months, so we are doomed and let's sell all the stocks before I lose more money. Second Level thinking says, this is a once in a lifetime opportunity. Buy when there is blood on the street. Quality company stocks were available for dirt cheap prices during this period.

First Level thinker says, "Spice jet is cancelling a lot of flights, doesn't have money to pay its employees and it also has a huge debt. It is going to be the next Kingfisher."

Second Level thinkers did research on crude oil prices which fell below $50, focused on the fact that there is a change in management in Spice jet, New Government is elected which is pro-capitalist, etc. The second-level thinkers bought the stock which was trading at around Rs.20 in 2015 and it has zoomed up to Rs. 140 as in date of writing the article.

First level thinking says, "the company is a great business, let's buy the stock". While, the second level thinking says, "Everyone thinks it's a great business, so the stock will be overvalued since everyone will buy it, so let's avoid or do more due diligence on its valuation."

First level thinking says, "XYZ stock has gone up 50% in a week and it will continue to go up since a certain prominent investor has bought the stock and is recommending it". While, Second-level thinking says, "Let's do research on the company and its financials. Find out whether the stock is trading below the intrinsic value and if not, ignore it.

First Level thinker will shun away a good company on one bad news which will have a temporary effect on the stock. But, second level thinker will think about the long-term impact of the news on the stock which is nil, so he'll buy the stock. First-level thinkers only perceive and realise what's on the surface and respond to it simplistically, and consequently buy or sell based on market reactions.

In 2013, When the NSEL scam was discovered, the stock of MCX India fell by 80% in 6 months. MCX India was ring fenced from the scam and had no connection except that both the company's promoter was Jignesh Shah, who was the man behind the scam. But, the first level thinkers started selling the stock which resulted in 80% fall in the stock price and the rock-solid business was available at a dirt-cheap rate. Second-Level thinkers saw through all this noise and bought the stock and made a huge profit over the next few years.

Second level thinkers make use of several vantage points or point of view to think about the same situation. For example, if an investor is researching about ITC then he'll research the stock from the vantage points of a Prudent Banker. Consider that you are a banker who has been approached by ITC for a large business loan. How will you analyse the company whether it is credit worthy or not? You'll check whether the company is profitable, interest coverage ratio, future growth potential, risks, etc.

Similarly, Value the company from the vantage point of Business Analyst, Creditor, Value Investor, Economist, Consumer, Bond holder, etc. Each of the vantage points or point of views will help you to generate a different perspective of the company which will help you in evaluating the company and make a decision whether to buy or avoid the stock.

Second Level thinkers make use of multi-disciplinary approach which I described in the above paragraph. They make use of several disciplines like economics, valuation techniques, physics, psychology, philosophy and think from those point of views or make use of relevant concepts and use it in the decision making.

This is a vast subject and I have just scratched the surface with this article. This article's purpose is to be the starting point for you to go deep into this subject. The beauty of Second-level thinking concept is that it isn't restricted to investing decisions only. You can make use of it in day to day life too. The good news is that there are a lot of articles, blogs, and videos on second-level thinking or second-order thinking on the internet. But, the bad news is most of us don't read or practice it in real life. As MBA students, this concept will be of immense help to us for making better decisions.

INTERNATIONAL INVESTMENT: FACTOR OF GROWTH

Author: Santosh Sunny, Swagelok

International investment is a two-way street, to generate jobs and growth. International investment provides the finance, needed to build value chains that stretch across the planet. It facilitates the trade that allows goods and services to be moved to where they are needed.

One of the biggest advantages to international investing is diversification Investing in a diversified financial portfolio gives investors options in terms of economic fluctuations and, by investing internationally, their finances will have alternative sources of stability. In other words, if your money is spread out among various countries, then an economic crash in one country won't affect other investments.

International investment also helps domestic economies to grow too, both directly by giving local firms the means to expand in home and export markets, as well as indirectly through access to the investors' expertise, experience and networks. In India the major purpose behind 'Make in India' initiative is job creation and skill enhancement in all the major sectors of the economy. In September 2014, the government increased the foreign investment with an aim to promote India as an important investment destination and a global hub for manufacturing, design and innovation.

The government of India is taking various measures like opening FDI (Foreign direct investment) in various sectors of the economy and improving ease of doing business. Agriculture, Civil Aviation, Courier Service, Defence, Education, Pharma, Railway, Telecom, Tourism, Food products are some sectors under the 'Make in India' initiative where 100 percent FDI is permitted. Sectors that attract maximum FDI include services, trading, automobile, and power. The state-wise analysis shows Delhi, Haryana, Gujarat, and Andhra Pradesh together attracted more than 70% of total FDI. The government has approved more than 259 proposals for setting up special economic zones relating to IT sector.

With hassle free and easy investment opportunities in India, FDI inflows under the approval route which require prior government permissions increased by 87% during 2014-15 with an inflow of $2.2 billion. The government has awarded 56 defence manufacturing permits to private sectors entities in the past one year. Another sector which saw a big boost is Electronic manufacturing, with $13.5 billion invested.

Make in India initiative of the government and its outreach to all investors has made a positive investment climate for India. Countries such as Japan, China, France, and South Korea announced their intention to invest in India in various Industrial and Infrastructure project. India has become a vibrant market for manufacturers and investors. The country stands committed to have an FDI policy and administration which is investor friendly and also promotes investment leading to increased manufacturing, job creation and overall economic growth of the country.

In my opinion it is advantageous to invest in the international market because it offers a lower risk as compare to domestic investment. International market does not sacrifice expected return as in case domestic market , this is because most international capital market have fairly fixed prices that are predictable in behaviour.

International investment also gives investors high chances to capitalise on fast growing economies resulting from the internationally invested portfolio. It made some of the economies in the developing countries to grow faster as they try to adjust towards the developed economies. International investors therefore, are able to get high benefits upon investing. In addition it offer psychological benefits such as poverty eradication and higher living standards. Investors from developing countries are likely to experience a lift in their lifestyle up on interaction with the international market practices. Another advantage that comes is the diversification of the opportunities.

In conclusion, one of the major benefits of international investing is that you can diversify your portfolio, another advantage that you will receive through international investing is growth potential. International investment should be encouraged by the developing countries such as India. Because it is one of the major external source of meeting the economic hardships. By allowing International investment in India we can promote investment in key areas such as infrastructure 0development which will provide more production of capital goods.

International investment strengthens financial services by extending activities such as merchant banking portfolio investment, which will result in the promotion of more new companies. It will also be responsible for the development of backwards areas. As Hyundai and Ford car units started at Sriperumbadur and Mariamalainagar in India. With the help of international investment there will be increase in exports as well.

NON - PERFORMING ASSETS IN CONTEXT OF INDIAN BANKING AND ITS MECHANISM

Author: CA Gopal Gupta, Gupta Gopal & Associates &
Shubha Dixit, BVIMR

A Non-performing asset (NPA) refers to a classification for loans or advances that are in default or are in arrears on scheduled payments of principal or interest. It is one of the omnipresent problems of Indian Banking Sector. For the past decades banks has many achievements but many banks are facing the problem of NPAs which hampers the business of the banks. Various studies have been conducted to find out the root cause of this problem but the following study tries to understand the concept of NPA, its causes, impact on profitability and the mechanism.

Unless and otherwise proper remedial measures are taken the quantum of non- performing assets cannot be reduced and the bank will incur losses to a great extent.

In most cases, debt is classified as non-performing when loan payments have not been made for a period of 90 days. While 90 days of non-payment is the standard, the amount of elapsed time may be shorter or longer depending on terms and conditions of each loan.

Types of NPAs.

1. **Sub-standard Assets.**

   Those assets which has been classified as NPAs for a period not exceeding 12 months. Banks have to maintain 15% of its reserves.

2. **Doubtful Assets.**

   Those assets which has remained NPA for a period exceeding 12 months.

3. **Loss Assets.**

   Where loss has been identified by the bank, internal or external auditor or central bank inspector. But the amount has not been written off, wholly or partly. The amount cannot be recovered.

Factors for rise in NPAs.

The banking sector has been facing the serious problems of the rising NPAs. But the problem of NPAs is more in public sector banks when compared to private sector banks and foreign banks. The NPAs in PSB are growing due to external as well as internal factors.

External Factors

- **Ineffective Recover**

  The Govt. has set up number of recovery tribunals, which work for every recovery of loans and advances. Due to their negligence and ineffectiveness in work, the bank suffers the consequence of non – recover which results in their profitability.

- **Wilful defaults**

  There are borrowers who are able to pay back loans but they are not, intentionally. Strict measures should be taken to recover the amount extended by the banks and these types of people should be recognizable.

- **Natural calamities**

  Every now and then, India is hit by major natural calamities thus making borrower unable to pay their loan. In that case, Banks should maintain a provision to compensate those loans and hence end up the fiscal with reduced profit.

- **Change of government policies**

  Every public sector bank have different and new policies for its operations. Thus it has to cope with the situation of rising NPAs and its policies and principals.

Internal Factor

- **Poor credit appraisal system**

  This is another factor for rising NPAs. Banks should use better credit appraisal system to know who is able to pay back loan or not.

- **Managerial deficiencies**

  Banker should know the credibility and select the borrower carefully. In exchange of loans, they should take tangible securities considering the points of its-

  1. Marketability
  2. Security
  3. Acceptability

- **Inappropriate technology**

  Due to inappropriate technology and management information system, the decisions which should've been taken before, cannot be taken on time. Poor MIS and accounting system lead to the collection of NPAs and to avoid this all the banks should be computerized.

NPAs result from what are termed "Bad Loans" or NPL. Other reasons can be -

i. Usual banking operations.

ii. A banking crisis.

iii. Overhang component.

iv. Incremental component.

Impact of NPAs.

- **Profitability**
  NPAs put detrimental impact on the profitability as banks stop to earn income on one hand and attract provisioning compared to standard assets on the other side. On an average, banks are providing around 25% to 30% additional provision on incremental NPAs which has direct bearing on the profitability of banks.
- **Public Confidence**
  Credibility of the banks also got affected greatly due to high level of NPA because it shakes the confidence of the public in the soundness of the banking system. The increased cases of NPA also lead to the problem of liquidity which affects the economy as a whole.
- **Capital Adequacy**
  According to Basel Norms, banks have to maintain some capital in the name of risk- weighted assets on an ongoing basis. Increased level of NPAs adds to risk weighted assets which warrant the banks to shore up the capital base further.

Measures to tackle and identify NPAs.

The banks play a catalytic role in economic growth of any country and NPA in the bank is one of the most important indicators of their financial health.

1. **NCLT (National Company Law Tribunal)**

The National Company Law Tribunal (NCLT) is a quasi-judicial body in India that adjudicates issues relating to Indian companies and adjudicating authority for Insolvency Resolution process of companies and Limited Liability Partnerships under the Insolvency and Bankruptcy Code, 2016. The government has appointed 11 benches for NCLT.

If some company took Overdraft and after 90 days is unable to repay it, then in this case O/D becomes the NPA. Bank uses different approaches for NPA. If borrower lends some collateral assets then bank will recover losses by selling them.

In some cases bank send the case to NCLT. NCLT liquidates (selling assets for cash) the company and recover NPAs.

Any appeal on the order of Tribunal can be raised at the National Company Law Appellate Tribunal. Appeals can be made within 45 days from the date of the decision of the Tribunal. Any person or party aggrieved by the Tribunal order can appeal to the Appellate Tribunal. The Appellate Tribunal has to dispose the appeal within six months from the date of the receipt of the appeal.

Measures to check financial health of banks.

i. **NPA Ratio**

Formula: (Gross NPA/Total Advances) X 100

ii. **Provision coverage ratio.**

Formula: (Total provisions made/Gross NPA) X 100

iii. **Net NPA Ratio**

Formula: (Net NPA/Total Advances) X 100

iv. **Return on Assets (ROA)**

Formula: (Profit after tax/ Average total assets) X 100

v. **Net Interest Margin**

Formula: ((Interest received – interest paid)/ Average interest earning assets) X 100

vi. **CASA Ratio**

Formula: (Total current and savings accounts/ Total deposits) X 100

vii. **Total Capital Adequacy Ratio (CAR)**

Formula: (Total capital/ Total risk weighted asset) X 100

Under this:-

(a) Tier 1 CAR

Formula: (Tier 1 capital/Total risk weighted assets) X 100

(b) Tier 2 CAR

Formula: (Tier 2 capital/ Total risk weighted assets) X 100

2. Special Mention Accounts

The classification of Special Mention Accounts (SMA) was introduced by the RBI in 2014, to identify those accounts that have the potential to become an NPA/Stressed Asset in the first 90 days itself.

The Special Mention Accounts are usually categorized in terms of duration.

1. SMA-NF: Non-financial indications about stress of an asset are considered.

2. SMA-0: Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress.

3. SMA-1: The overdue period is between 31 to 60 days.

4. SMA-2: The overdue period is between 61 to 90 days.

3. Central Repository of Information on Large Credits (CRILC)

The RBI setup CRILC to collect, store and disseminate credit data to lenders. Hence, banks will have to furnish credit information to CRILC on all their borrowers having aggregate fund-based and non-fund based exposure of Rs.5 crores and above. Similarly, banks will be required to report, among others, the SMA status of the borrower to the CRILC.

An Asset Reconstruction Company is a specialized financial institution that buys the NPAs or bad assets from banks and financial institutions so that the latter can clean up their balance sheets. Or in other words, ARCs are in the business of buying bad loans from banks.

4. Project Sashakt (New recovery tool for NPAs)

After Insolvency and Bankruptcy Code, Project Sashakt is the new measure to solve the problem of NPAs. Some says it is an old wine in new bottle and some says it is a new and efficient technique to tackle the problem of NPA. It was proposed by a panel led by PNB chairman Sunil Mehta. The panel has very succinctly brought a detailed 'Five Pronged NPA resolution framework – Project Sashakt'. Under this project, financial institution will enter into inter- creditor agreement (where all the banks have to agree on the same point) to authorize the lead bank implement a resolution plan in 180 days for bad loans of 50-500 crores, or refer the asset to NCLT. Bad loans of up to ₹50 crore will be managed at the bank level, with a deadline of 90 days. For loans above ₹500 crore, the panel recommended an independent AMC, supported by institutional funding through the AIF. It also envisages invocation of IBC 2016 if other options fail. The creation of an asset trading platform for both performing and non-performing assets is envisaged.

Management of NPAs is the need of an hour. Time is of prime essence in the management of NPAs. The banker should ensure that an asset doesn't become NPA. If it does, then he should take corrective steps for early recovery failing which the profitability of the bank will be eroded, that can trigger other problems undermine the bank's financial condition in an economy.

Now when you will hear about NPAs and Project Sashakt in the news, you'll be able to appreciate all the efforts that are being put in and you'll understand what its consequences in an economy and in the banking sector will be.

WHY ONE SHOULD INVEST IN EQUITIES?

Author: Udit Sharma, Finance Doctor

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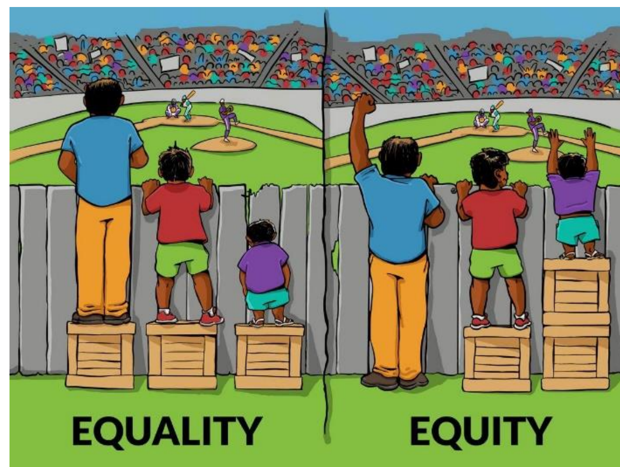


In long term, only equity has a decent track record of giving inflation beating returns

When we all were kids, I think many a times we asked this question from our dad that "Can we go on a vacation this year?" and he used to say "not this time, but surely next year", like he was always trying to play postpone game, but the real reason behind this was „not adequate money that he can afford a vacation‟. Having money is not the problem here, but having adequate money surely is. He might have saved his money in bank account, fixed deposits, Recurring deposits, under his/ her mattress, piggy bank etc., which is surely a good way to save money but rather not a mean to create wealth. And as the year progressed, his saving instruments earn only about 8-9% (earlier FD rates) & inflation is growing by 7% per annum, therefore he always compromise on his desires.

"Remember one thing, a poor guy will always compromise on their desires and one who has money will not"

In the above example, dad represents an Indian middle class mentality who always like to play safe and only think about now. He invests only in assured returns instruments and cry when inflation rises. That's Irony.

From here, we will start our discussion on why one should invest in equities.

These are the revolving points of our discussion:-

1. Inflation
2. Maintain same standard of living
3. Mode of wealth creation

4. Make money work hard for you
5. Magic of compounding
6. Risk – Reward ratio

Firstly, let's understand equities. Equity is like any other investment mode where one can invest like, here you will get ownership to the extent of your shares purchased of a company. There are twin benefits attached to it

- you become owner
- you participate in company's growth (dividends, bonuses etc.)

But why do we fear from equities? Answer would be like this, we might get completely wiped out of markets if markets moved against our prediction, as simple as that. Do enlighten your mind by asking one thing that have you ever tried to understand how does the market work? Many of you say "No" and will say „we have an expert who guide us which shares to buy or not. Now, on one hand you are saying I want to invest and on the other hand you are relying on someone else's opinion without factoring in the cons related to it, how can you even qualify as an investor and blame equities as a speculation when you don't know how does it work?

The investment options that are available in Indian Financial System and preferred by investors include

1. Mode of wealth creation

- **Fixed deposit** (@***7%***): people don't know one thing if bank deposits insured to the tune of Rs. 1,00,000 by the Deposit Insurance and Credit Guarantee Corporation (DICGC). All conservative investors and old age people have this as their favourite investment option

- **LIC** (@***6-7%***): longer lock-ins & people confused b/w investment and insurance. People really need to distinguish between their investment and insurance

- **Post Office Saving Scheme** (@***7.6%***): government allowed this scheme to accept people's deposit in it for the purpose of 80C income tax deduction upto Rs. 1,50,000 and has a lock in for 15 years & offered a fixed interest rate

- **Real Estate** (@***10.9%*** earlier): now since past few years it is delivering negative returns since past few years & investment required is generally very high Real estate returns

- **Gold (@10.82% 1979-2014)**: but since last 5 years, it remained flat comparison between Fixed deposit & gold

- **Equities (Shares + Mutual Funds)**: Less than 4% of our population is invested in the market. If I compare if you would have purchased Sensex in 1979 it was Rs. 100 and hold it till now, it has grown to Rs. 35,000 nearly 350 times and gave a CAGR of 18.72% Sensex returns

Top 5 preferred investment choices:

1. *Bank Deposits*
2. *Life Insurance*
3. *Precious metal (Gold)*
4. *Post Office Savings Scheme*
5. *Real Estate*

Equities or equity mutual funds are nowhere to be find in investment choices above. Indian perception is more inclined towards safety & liquidity and less on returns part.

2. Inflation & Standard of Living

We all know the concept of Time Value of Money, i.e., today's Rs. 100 is not of same value of Rs. 100 after a year. I want to open my argument by asking that how will you maintain your same level of living standard after 20-30 years by investing in traditional low income generating instruments?

"I think you have no option but to resort to equities for your wealth creation. For example, an average typical middle class guy's household expenditure is Rs. 50,000 –

Rs. 60,000 per month, now which if I compound @ 7% p.a. (inflation) for 20 years, it will be Rs. 2,00,000 per month"

See, this inflation is an invisible termite which eats up your purchasing power very gradually.

3. Risk – Reward Ratio

There is one thing while making or doing any investment is its risk – reward ratio, saying it, *"Higher the risk, Higher the reward, Lower the risk, Lower the reward".* This thing is applicable not only in investing but also in real life too. Risk – Reward ratio measures that how much potential your reward is, for every rupee you risk. People while entering in stock market are often tempted by penny stocks and do not realise the risk they are taking.

4. Magic of Compounding & Making Money Working Hard For You

We all know the meaning of compounding & it's good, but have we all actually see it working in our investments? In investing, during initial years, you will see only adding more and more rupees to your investment & seeing miniscule returns and usually switch our investment to some *„get rich quick schemes*‟. You will realise and see compounding works only after 10 – 15 years and then without any further investments, you will see your wealth grow on an auto- pilot mode. Then, a time will come when your money will start working hard for you.

STOCK INDICES CONUNDRUM

Author: Prateek Sharma, T.A Pai Management Institute, Manipal

Something unexpected happened in July-August period in 2018 in the Indian Stock Market. Inflation was going beyond acceptable limit, retail inflation (CPI) touched the 5% mark and WPI inflation at 5.77% though they both have eased now but threat is still looming, even the central bank hiked the benchmark repo rate twice consecutively in the bi-monthly monetary policy committee meetings, crude oil prices shot up, government missing the fiscal deficit target in every fiscal year, current account deficit at 2.4% of the GDP and is expected to touch 2.8% in the coming quarter. According to Nomura Holdings and Bank of America Merrill Lynch, since we are witnessing a trade deficit that stands at $18.02 billion, a 5 year high and Brent crude oil breaching $80 per barrel mark. Crude oil forms a great chunk of our imports and after the US sanctions on Iran which is our second largest crude oil supplier, prices may again go up. Our imports have more than doubled the exports. Indian currency turned out to be the worst performing currency depreciating 13% against dollar this year due to which our stockpiles of forex reserves are diminishing. On the top of it, US ignited a trade war with Turkey, after which their Lira currency started losing value, which had a repercussion on Indian Rupee. US sanctions and imposition of tariffs on aluminium and steel on several countries further added fuel to the fire. Rising toll of NPAs in banks which stood at 11 trillion rupees, 11 out of the 21 public sector banks are under Prompt Corrective Action (PCA) framework imposed by RBI, twin balance sheet problem and what not. On the top of that, fugitives offenders fiasco where absconders flee the country after failing to repay the loans, which created a trust deficit between the banks and the people. Though the government and banks are putting stringent reforms in place now, but these reforms are in their initial phase and thus yet to bear fruits. Reforms like Insolvency and Bankruptcy Code 2016 ratified by the president, Inter-Creditor Agreement, recapitalization of banks by the government, Fugitive Economic Offenders Bill etc. for speedy resolution of stressed assets and clean up the bank's balance sheet.

Summing all these issues, and its ramifications on the fastest growing economy translates to FPI (Foreign Portfolio Investor) and FII (Foreign Institutional Investor) Outflows. One major reason behind that outflow was also the notice issued by SEBI which implements a ban on non-resident Indians and persons of Indian origin (PIOs) from holding beneficial ownership in foreign portfolio investment (FPI) vehicles. In the first eight months of this year, we witnessed an unprecedented outflow of more than 52000 Crores from the capital markets. Clearly foreign investors are having a bearish stance amongst all the geopolitical turbulence and inflationary hazards. Besides considering the inflation daunting the US economy, Federal Reserve hiked the interest rates so that provided these investors a safe haven.

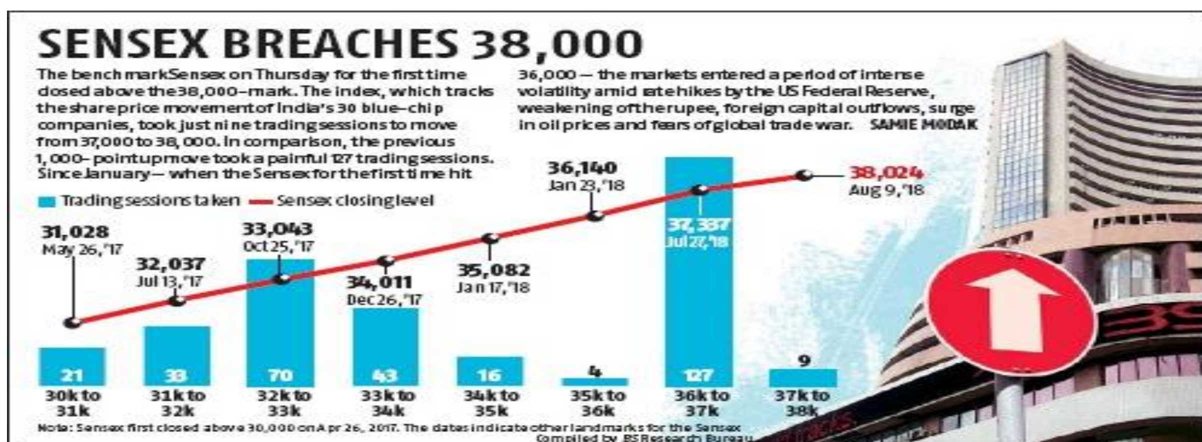
Despite all this, the leading equity indices Sensex and Nifty showed no signs of nosedive, infact surprisingly these indices are sprinting higher and higher with each trading session. It took 9 trading sessions for Sensex to reach 38000 from 37000, which is unprecedented and became a record in itself.

Source: Investment Mine

Surely optimism surrounding the Indian growth story continued to override international trade concerns.

Now the million dollar question remains, why is this happening? Why are these indices beating the foreign investors' outlook?

The reason behind the strange behaviour of these indices is the perpetual infusion of huge money in the Mutual Funds (especially SIP) by domestic institutional investors (DIIs). These fund managers are parking money in large cap stocks of the blue chip companies which raises these indices. In June 2018, Mutual Funds held stocks are valued at 9 trillion rupees, of this colossal figure, 68% or 6.21 trillion rupees is in large cap stocks which are top 100 stocks ranked according to the market capitalization. These large cap stocks are somewhat less risk prone still the caveat persists "Mutual Funds are subject to market risks, please read the offer document carefully before investing". Some of these stocks are HDFC bank, TCS, ICICI, Infosys, and Reliance etc.



Source: Pressreader.com

The banks today are not offering lucrative interest rates on deposits and thus people are looking for alternatives to park their excess funds and mutual funds latched onto this opportunity, people invested and are making money without doing regular analysis or constant monitoring. But the stock market still needs to penetrate in India, precisely in the Indian mind-set, which is typically risk averse. RBI data shows that domestic households parked less than 2% of their disposable income in shares, debentures and mutual funds. Tarun Ramadorai Committee presented a report saying only 55% of the poorest population owned financial assets, while 90% richest did, which further goes on to show the power of share market.

Experts or naysayers so to say are disseminating a bearish outlook by comparing these indices with the stock market bubble that is soon going to bust just like the housing bubble of 2007 and the dot com bust of 2001. Well time will tell as to how much of this is true. As of now one can only presume.

All the issues discussed above are ephemeral and thus will wither away in sometime and those FPI investors will make their way back to the Indian capital markets once again, but this time with a long run bullish stance.

GLOSSARY

ARTICLE: THE POWER OF SECOND-LEVEL THINKING

- **Bankruptcy:** Legal procedure for liquidating a business which cannot pay its's debts out of its current assets.
- **Prominent:** Standing out or projecting beyond a surface or line.
- **Doomed:** Likely to have an unfortunate and inescapable outcome.
- **Intrinsic Value:** Value of a company, stock, currency or product determined through fundamental analysis without reference to its market value.
- **Pro-capitalist:** Man of money.
- **Vantage:** A place or position affording a good view of something.

ARTICLE: INTERNATIONAL INVESTMENT: FACTOR OF GROWTH

- **Special Economic Zones:** An area in which business and trade laws are different from rest of the country. SEZs located within national boundaries.
- **Civil Aviation:** The business of transporting goods or passengers by aircraft rather than use of aircraft for military purposes.
- **Capitalise:** Supply with capital, as of business by using a combination of capital and debt capital.

ARTICLE: NON - PERFORMING ASSETS IN CONTEXT OF INDIAN BANKING AND ITS MECHANISM

- **Non- performing Assets (NPA):** refers to a classification of the loans or advances that are in default.
- **MIS:** A management information system is an information system used for decision-making, and for the coordination, control, analysis, and visualization of information in an organization.
- **Overhang component**: debt burden that is so large that an entity cannot take on additional debt to finance future projects.
- **Basel norms** : international regulatory accord that introduced a set of reforms designed to improve the regulation, supervision and risk management within the banking sector
- **Risk weighted assets**: are used to determine the minimum amount of capital that must be held by banks and other institutions to reduce the risk of insolvency.

ARTICLE: WHY ONE SHOULD INVEST IN EQUITIES?

- **Inflation:** Situation of a sustained increase in the general price level in an economy.
- **Recurring Deposit:** An investment plan meant for long term wealth creation in which investment is made in small instalments at fixed intervals systematically.
- **Liquidity:** The state of owing things of value that can be exchanged for cash
- **Equities:** The value of the shares issued by a company.
- **Penny stock:** A common stock valued at less than one dollar, and therefore highly speculative.

ARTICLE: STOCK INDICES CONUNDRUM

- **Repo Rate:** The rate at which central bank of a country lends money to commercial banks in the event of any shortfall of funds.
- **Looming:** Appear as a vague form, especially one that is large or threatening.
- **Fiscal Deficit:** Occurs when a government's total expenditures exceed the revenue that it generates, excluding money from borrowings.
- **Ramification:** The possible results of an action
- **Bearish:** Characterized by or associated with falling share prices.
- **Daunting:** Seeming difficult to deal with in prospect.

GENERAL INFORMATION

01
"A+" Grade Accreditation by NAAC in Year 2017 ('A' Grade in Year 2004 & 2011)

02
12 (b) Status by UGC

03
29 Constituent Units

04
3 Research Institutes

05
12 Streams

06
40 BOS

07
290 Programmes

08
26th April 1996 established under Section 3 of the U.G.C. Act 1956