Department of
Management Studies
NALSAR University of Law

OutsightX

From the House of

Department of Management Studies

NALSAR University of Law

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The OutsightX Team

December 23rd 2021

From the desk of HoD

Dr. Pinaki Nandan Pattnaik

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We are hit and hit hard. The pandemic has altered reality for many. During these pressing times, educational institutes face a plethora of challenges ranging from moving beyond the traditional classroom to digital design & delivery of knowledge. The classrooms have turned virtual and many a time our laptop cameras and microphones turn out to be our tech-touch.

Issues of access, exertion, dissonance and mental health have been widely written and spoken about. They are not only crucial but demand deeper conversation as well. Well and truly, the future depends on them. To continue the learning experience seemed difficult at the beginning of the pandemic but then life goes on. Faculty and students alike developed mechanisms to counter the impediments. In B-Schools, in particular, these mechanisms were seen in best fervour. Learning in B-Schools mostly happens in social cohorts. Team projects, assignments, internships, case discussions and more make up for the full learning experience.

I am pleased to know and share that at top B-Schools, student-led events continued through the platform changed from being physical to virtual. This shows the propensity of our future leaders to adapt to the changing times and be effective while being immersed in the changing paradigm. Social events add to our perception of the world and more importantly, ourselves. By being open to change, management students have shown that they practice their learning in real-time. This, I believe is the crux of management education.

Flexibility, tenacity and efficiency remain to be the central tenets of what makes a true business leader. I add to these facets, the element of humility, compassion and empathy as traits of tomorrow's business leaders. It is a true honour to be a part of this transformation from a traditional understanding of business education to a modern, progressive and liberal view.

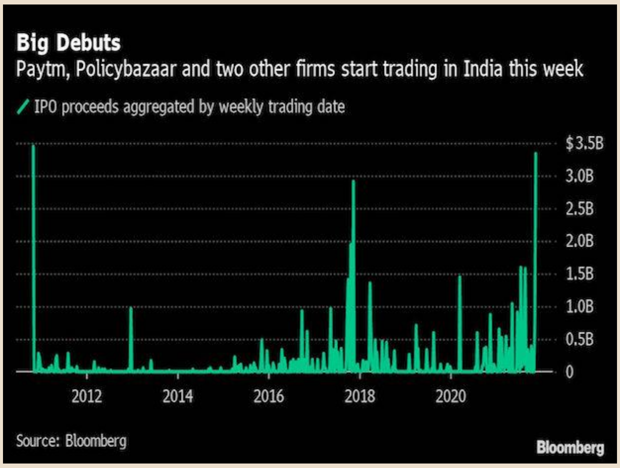
I welcome you to the first issue of this magazine for thought-provoking ideas, inspiring articles, engrossing debates and more. It is my privilege to present a diligent, creative and content-rich attempt by our students to bring to the world stage curated information crafted for the inquisitive minds. I wish them the best for more and continued publication of this magazine.

Happy reading!

It's raining IPOs in India

Sources show that a whopping $10 Billion has been raised in a span of 6 months through IPOs, in 2021.
Source: KPMG Data

Zomato. Paytm. Nykaa. Fino Bank. PolicyBazaar. LatentView Analytics. LIC. Barbeque Nation. Sigachi Industries. Sapphire Foods, & many more. The year 2021 has surely kept much of the investors pretty busy & occupied as the IPO frenzy in the Indian Market continues, with some top brands & companies going public to raise capital. Along the way, they've gone to break multiple records too. Paytm came out with a massive INR 18,589 Crore IPO, the largest ever, in the Indian history. LatentView's IPO became the most subscribed IPO ever & Nykaa's Share Price went up by almost 100% shortly after getting listed. To put things into perspective, in the third week of November of this year, the offerings have raised about $3.3 Billion, the biggest weekly amount for the Indian market in 11 years! A rallying stock market helped spur multiple technology unicorns to list in India this since January, with proceeds raised in new-share sales at over $12 billion, already a record for a full-year.



"India is unveiling an absolutely new area of growth with these digital companies for hungry global asset managers," Srinivas Balasubramanian, senior partner & head of corporate finance at KPMG India, told Bloomberg. "A lot of money printed during the Donald Trump administration is invariably finding its way to the stock markets globally & India is one of the beneficiaries."

The triumphant IPO of food delivery venture Zomato, which was massively subscribed almost 38 times, pushed more new-age tech companies to come out with their share-sales & encouraged them to go public. Although, the most awaited IPO, which investors are mulling over, is the LIC IPO. The might hit The D-Street by March of next year. In an interview given to Bloomberg in October, Honourable Finance Minister Nirmala Sitharaman said about the IPO, "We are pushing to have it done." In Accordance to a Mint Report, LIC's IPO will roughly be of a massive USD 12 Billion, making it the ***country's biggest IPO till date.***

Over 40 companies have filed their Draft Red Herring Prospectus (DRHP), with Securities & Exchange Board of India (SEBI) to make their debut into the market. Majority of these operate in technology, healthcare, consumer products & retail sector. Collectively, all these companies are expected to raise over INR 45,000 Crore. "Growing number of unicorns in the startup ecosystem is a testimony of the new-age tech companies coming of age in our economy. These companies often follow a unique business model focusing more on rapid growth than immediate profitability." SEBI Chairman Ajay Tyagi said.

QUICK TAKE

NSE set to get clearance; to be India's biggest IPO

The National Stock Exchange, or the NSE is set to debut and announce its IPO in the next couple of weeks, as SEBI is all set to allow the exchange for re-filing of its prospectus. The NSE had initially filed for its IPO with SEBI in December 2016, two months before the current SEBI chairman Ajay Tyagi took the reins. Then, Tyagi instructed the exchange to withdraw its offer documents since it got entangled in an algorithm trading scandal, as a result of which, several NSE officials were fired as well. Now, after having done extensive research & taken multiple legal opinions, SEBI has given the green-light by allowing NSE to re-file its DRHP. The IPO, if & when it comes out, will value NSE at a massive INR 2 Lakh Crore!

PayTM finishes off in style, or no?

A massive INR 18,589 Crore IPO & it's an Indian company. Read on as India's most valuable startup went public this month & minted 350 new millionaires.

India's largest ever Initial Public Offering in terms of the sheer amount of money that was aimed to be raised, received a lukewarm response as compared to the stellar IPOs of companies riding the liquidity wave brought out by the lockdown. With an offering of Rs. 183 billion, OneCommunication, the parent company of PayTM indeed made a high risk bet; "In its business, there is already an incumbent player and there is no clear path to profitability. When you combine that with the valuation, it just doesn't sit right," said a fund manager. However, the offering crawled to a full subscription in the final hours of its issue period on 10 November, 2021. As compared to the IPOs of other Indian firms such as Nykaa (which was oversubscribed 82 times) and Zomato (oversubscribed 38 times besides being a loss making business), retail investors oversubscribed the IPO 1.7 times while institutional investors received demand for 2.8 times the shares on sale."These are very high risk bets," Rakhi Prasad, an investment manager at Alder Capital in Mumbai, said in an interview to Bloomberg TV Tuesday. The company has the strength of being the largest digital payments network from a merchant's perspective but has "a long runway" to capitalise on that and generate some profits, she added. Furthermore, Ant Group has reduced its stake in offerings by 28% to 23%, and SoftBank's Vision Fund has also reduced its stake in games by 18.5% to 16%. Paytm shares were available in the grey market at a premium of INR 30 to reflect the nominal price of the Paytm IPO. However, stock market experts argued that the gray market was not the only criterion for estimating stock market growth in connection with a particular public offering. They advised investors to look at the company's financial data. It gives you a rather precise picture of a business.

Amidst all this, Vijay Shekhar Sharma, the CEO of PayTM maintained his stance on the bumper listing, and kept composure as he visited Tirumala Tirupati Temple to seek the blessings of the almighty ahead of the NSE bell.

INSIGHTFUL

In the month of February 2021, National Payments Corporation of India (NPCI) recorded the total Unified Payments Interface (UPI) transactions in India at 2.29 billion. Out of which, 1.2 billion transactions were done through Paytm! That's equivalent to 40 Million transactions every day, 1.6 Million transactions each hour, & 27700 transactions each minute! Paytm has the highest market share in offline merchant payments with 15 percent month-on-month growth.

THE TIMES OF INDIA / WEBSITE

Microsoft shuts down LinkedIn in China.

Microsoft recently closed down its shutters in China. The company said it was becoming increasingly difficult to comply with China & its regulations. The news comes after the networking site was recently under the scanner for blocking the profile(s) of a few media personnel & journalists. LinkedIn plans to release a job-only version of its original social website called InJobs later this year. However, the latter would not include the ability to share or post social feeds and articles. Mohak Shroff, Senior Vice President of LinkedIn, wrote: "LinkedIn is facing a significantly more challenging operating environment which requires greater compliance & checks with the PRC Government."

QUICK TAKE

The INR 600 Crore IPO Listing for Latent View, a data and analytics company consulting company, was subscribed at a staggering amount of 339 times, making it the ***HIGHEST*** subscribed IPO ever in India. The previous record for 304 was held by Paras Defence, which was listed on October 1st of this year. The institutional part of Latent View's IPO was subscribed-to a total of 151 times, while the share chartered for HNIs (high net worth individuals) was subscribed approximately 882 times and the retail part 124 times, BSE statistics showed. Lastly, employee part was subscribed four times, it showed.

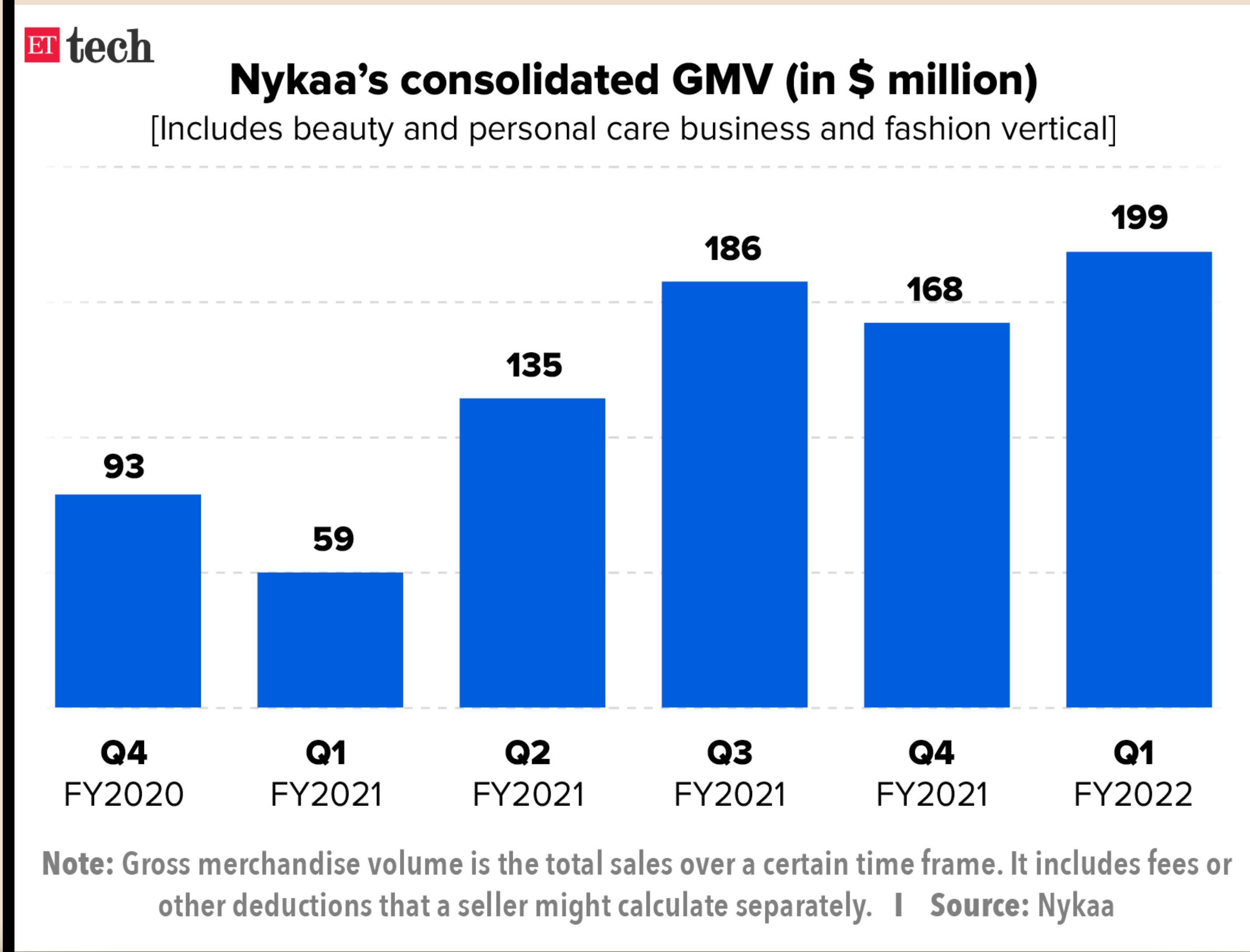
Latent View becomes most subscribed IPO in India

Nayars Rejoice as *Nykaa* Goes Public

The company is set to raise up to INR 5,350 Crore through the public issue.

The initial public offering (IPO) of FSN E-Commerce Ventures Ltd, which operates the online marketplace for beauty and wellness products Nykaa, was subscribed 81.78 times on Monday's last subscription day, primarily supported by the great interest of institutional investors. The first sale of shares in Nykaa's parent company was fully subscribed to on the first day of the subscription. The final decision on a share allotment basis by the Nykaa IPO took place on Monday, November 8, 2021. Bidders can check the status of the share allotment on the IPO Registrar Link in Time India Private Limited website or the BSE website. According to market observers, Nykaa shares are still available today in the grey market for 640 pounds heavy GMP. The company's stock will be listed on major NSE and BSE stock exchanges on November 11. The initial public offering of the FSN E-Commerce Ventures resulted in a £ 630bn worth of new shares issued by promoters and existing shareholders and an OFS of 4,19,72,660 shares. The price range of the offer was 1,085-1,125 per share. The proceeds from the IPO will be used in the further expansion of the company by building new retail stores and new warehouses.The company also plans to reduce some of its debt, which should reduce interest cost and further improve profitability.

Nykaa was founded in 2012 by former investment banker Falguni Nayar, and as of August 31, 2021, the cumulative number of downloads for all mobile applications was 55.8 million. Nykaa had a net profit of £ 61.9bn in FY2009, compared to a loss of £ 16.3bn in FY2008. The first physical store was opened in 2014 and as of August 31, 2021, has 80 physical stores in 40 cities. Falguni Nayar, India's wealthiest self-made billionaire according to Bloomberg Business Index owns half of the company. Nykaa is now worth $6.5 billion as the shares of the firm surged as much as 89% as it were when they initially started trading.



Infographic / Economic Times

The Prodigal Son Returns

The Tata Group will retain INR 153 billion of the Airline's debt and settle up the transaction with the Government for INR 27 Billion.

Air India had a total debt of INR 615.6 billion as of August 31, 2021.

A small step for TATA, a giant leap for Air India.

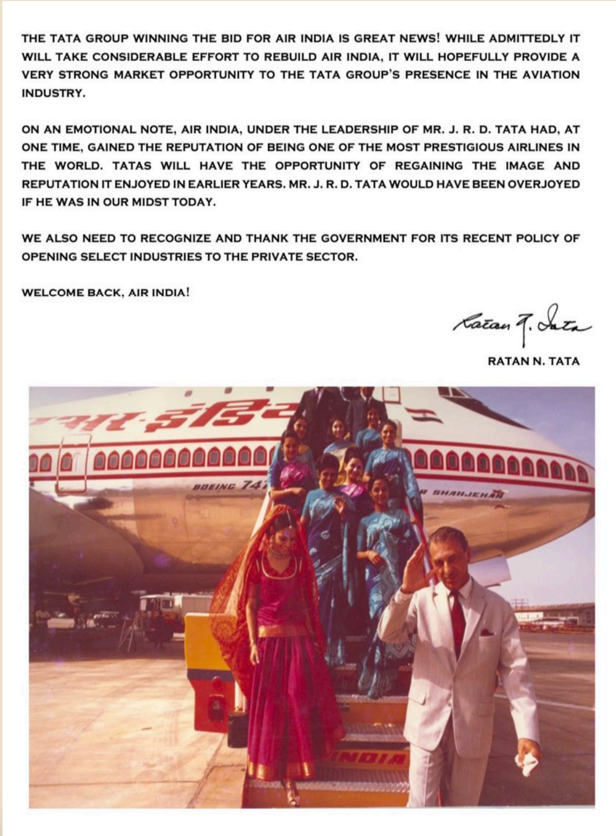
The government signed a Share Price Agreement (SPA) in October, firmly placing the highest bidder, the Tata Group in the pilot's seat with effect from January 2022. The disinvestment process for the erstwhile government-owned Air India was a long road indeed, with the initiation of the process in 2017 to finally the Maharaja icon returning in 2021 with the original flair as it had under JRD Tata. With a total bid of INR 18,000 Crore, Tata Sons outbid SpiceJet to firmly place their grip onto the long-lost jewel.

Ratan Tata took to Twitter, and posted a heartfelt message, saying "While admittedly it will take considerable effort to rebuild Air India, it will hopefully provide a very strong market opportunity to the Tata Group in the Aviation industry." Upon completion of the transaction in 2022, Tata Sons will be in control of 3 ventures; Air India, Air India Express (the low-cost variant), and Air India SATS Airport Service. According to AT-TV, this will help the company jump to an approximate 30% market share in the domestic aviation market, with ventures such as Vistara Airlines and Air Asia bolstering the existing share.

THE FUTURE LOOKS GOOD!

2022 is set to be a record year for the Indian airspace, with the debut of Jhunjhunwala backed Akasa Airlines in line with the final takeover of AI. SpiceJet in turn is also set to enter into this landscape guns blazing. Indigo, however, still is in control of the majority of the domestic market share, so the game of cat and mouse here becomes even more intriguing and at the same time with even higher stakes. This pours out as good news for the Indian consumers since this competitive landscape is essentially going to translate into competitive pricing, attractive deals, and an in general higher sense of serving the customer while maintaining an eye on the profit margin.

With this massive blowup in investment in the Indian airspace, we will be able to see how domestic and international airlines compete on the same grounds, this time with close competition for the same set of consumers. Emulating and replicating at a large scale what the everyday customer needs, which contributes the bulk of profits, while also gauging the meters for an increasingly luxurious ride for the affluent will indeed be a challenge; with razor-thin profit margins in the initial years and requirement of a huge influx of capital, companies with little liquid backing might have to balloon up their debt or look for alternate ways of investment. This makes the Indian Airspace a nail-biting match indeed; who will emerge victorious, in the battle for market dominance?



THE TATA GROUP WINNING THE BID FOR AIR INDIA IS GREAT NEWS! WHILE ADMITTEDLY IT WILL TAKE CONSIDERABLE EFFORT TO REBUILD AIR INDIA, IT WILL HOPEFULLY PROVIDE A VERY STRONG MARKET OPPORTUNITY TO THE TATA GROUP'S PRESENCE IN THE AVIATION INDUSTRY.

ON AN EMOTIONAL NOTE, AIR INDIA, UNDER THE LEADERSHIP OF MR. J. R. D. TATA HAD, AT ONE TIME, GAINED THE REPUTATION OF BEING ONE OF THE MOST PRESTIGIOUS AIRLINES IN THE WORLD. TATAS WILL HAVE THE OPPORTUNITY OF REGAINING THE IMAGE AND REPUTATION IT ENJOYED IN EARLIER YEARS. MR. J. R. D. TATA WOULD HAVE BEEN OVERJOYED IF HE WAS IN OUR MIDST TODAY.

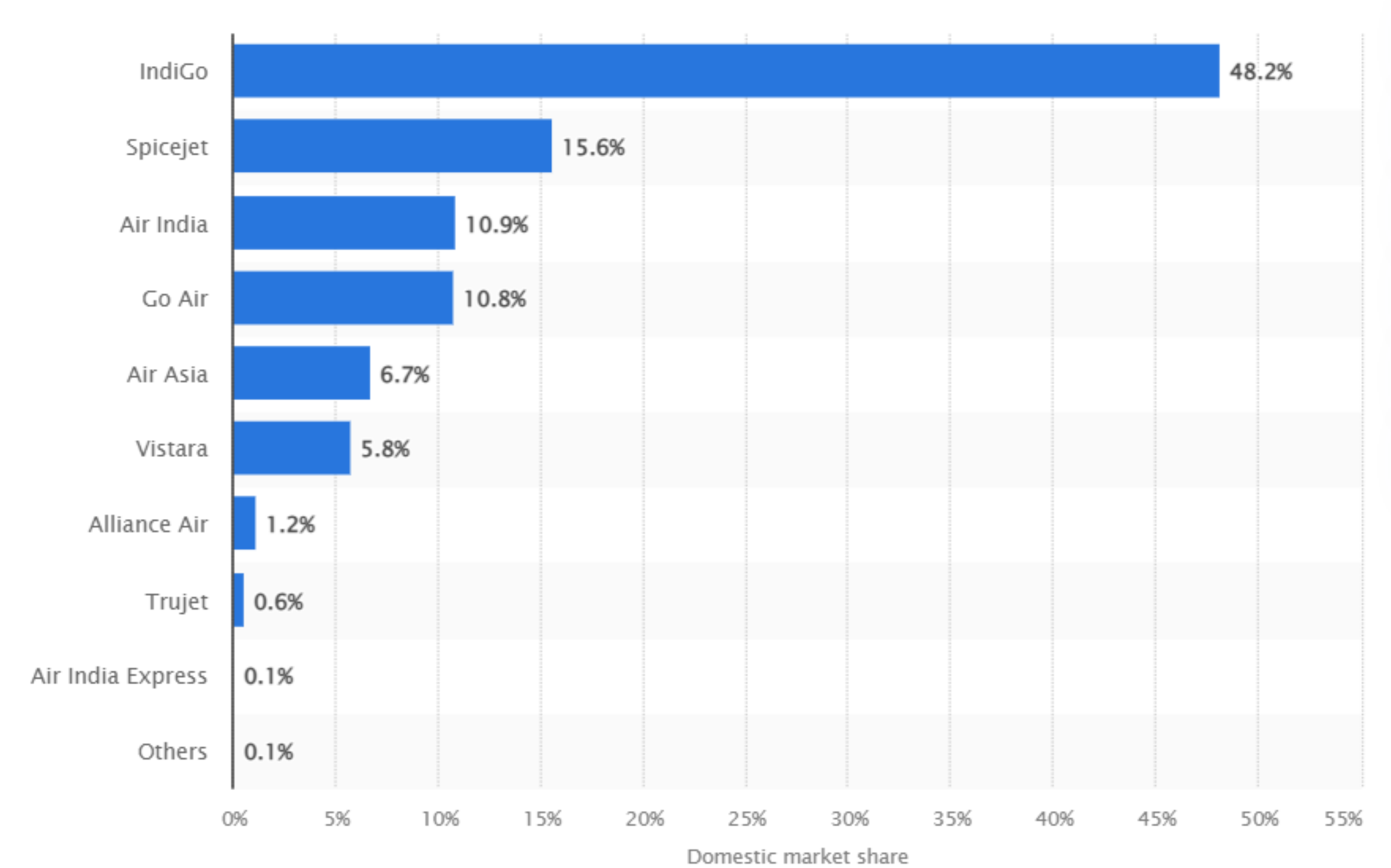
WE ALSO NEED TO RECOGNIZE AND THANK THE GOVERNMENT FOR ITS RECENT POLICY OF OPENING SELECT INDUSTRIES TO THE PRIVATE SECTOR.

WELCOME BACK, AIR INDIA!

Ratan N. Tata

RATAN N. TATA

Ratan Tata / Twitter



The WeWork Resurrection

**An erratic CEO. A failed IPO. And COVID-19.
WeWork isn't worth a mammoth, but its losses sure are.**

TL; DR

From a massive $47 Billion Valuation to near bankruptcy in 6 weeks. All thanks to poor leadership, unstable financials & (somewhat) the COVID-19 Pandemic.

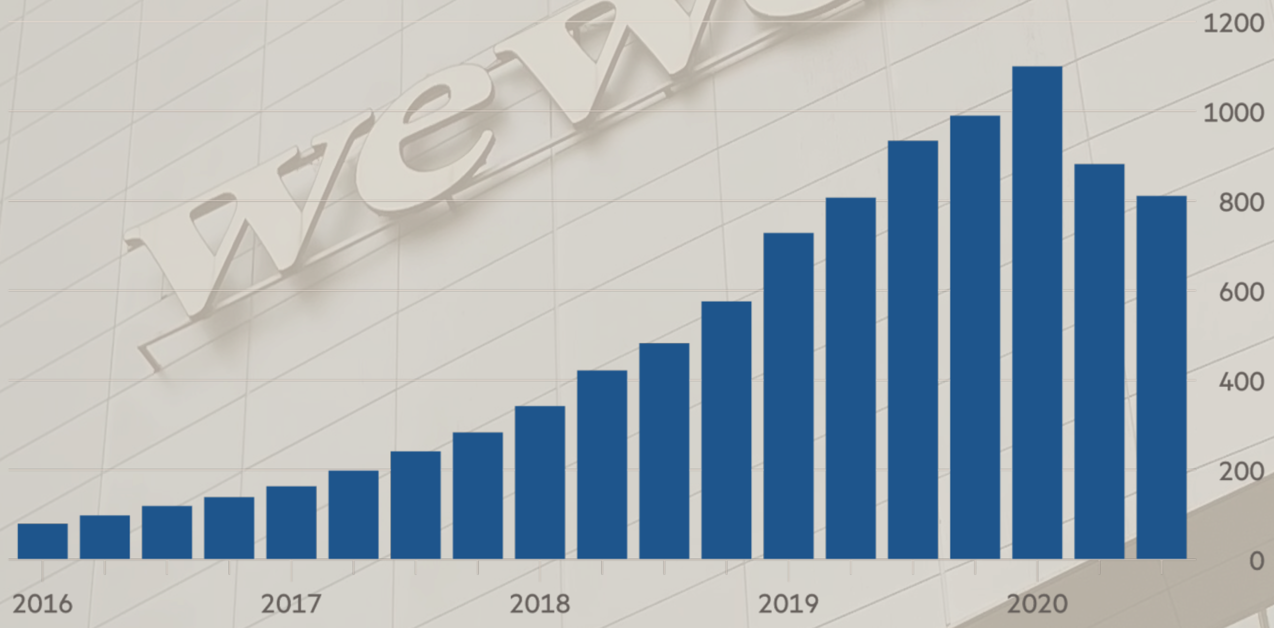
THE LONG VERSION

Since its inception in 2010, & in just nine years, WeWork has gone from a "tech unicorn" with a valuation of $47 billion to just $8 billion, in a span of 6 weeks! All of the numbers and predicted profits were overblown and, ironically, they were first zeroed in on by a tech data company working inside one of WeWork's buildings. Much of the drop was attributed to poor corporate governance, which directly led to an unstable financial situation, leaving investors in a state of sixes and sevens & eventually resulting in retreating or pulling out their money. Rumour has it that Masayoshi Son's Softbank, pulled the plug on a huge $200 billion investment into the company after CEO Adam Neumann was caught transporting weed from Israel in his private plane. But that's not all. Neumann managed to drop the word "We" to resell the company for $6 million, while he also raised $700 million in company funds, right before the WeWork's first potential IPO in 2019. He was forced to resign as CEO the same year, provoking and leading to a major legal battle. Then COVID-19 succeeded. Apparently, the last place people would wanna go is an enclosed space shared by hundreds of strangers, breathing the same air and touching the same elevator buttons and seltzer dispensers. WeWork's occupancy rate dropped from a mammoth 67% to mere 46% in the first initial nine months of the pandemic. The company reported $3.2 billion in erosion during the pandemic, with an additional loss of $2.1 billion in the first quarter of 2021.

Cut short to October 2021. With lessons from the past and a fresh leadership; under the able guidance of Sandeep Mathrani, the new CEO, WeWork finally went public, through the SPAC route. The company went ahead to merge with an SPAC in a deal to take itself public & get listed nearly two years after its infamous failure to launch a traditional IPO. Finally, the recent IPO values the company at $9 Billion.

WeWork revenues slide as pandemic bites

Quarterly revenues ($m)



Infographic / Financial Times

Special purpose acquisition companies (SPACs) are shell companies designed to bring private companies public without the hassle of a traditional initial public offering. An SPAC is created by investors with the intention of purchasing and merging with a private company, which it then lists on a public exchange. SPACs surged in popularity last year as they attracted a number of high-profile investors, including numerous VCs. The SPAC framework in India is still at an infant stage; mostly due to multiple & rigorous approvals, checks, & criteria which have to be met and abided by before moving ahead.

The Caffeine 'depreciated' Life Form?

India's coffee exports have dropped at an annual decline of 3 per cent between 2011-12 till 2020-21.

India's coffee exports have reportedly declined steadily over the past decade due to the growing need for value creation across multiple stages of coffee processing around the world and the increasing demand for speciality coffee. India exported approximately a whopping $720 Million worth of coffee in 2020-21, 42% of which was majorly Robusta coffee beans. According to the report, India's coffee exports fell by 3% each year between 2011-12 and 2020-21. As claimed by the report, published by Drip Capital, the drop can partially be credited to the COVID-19 pandemic; wherein in the FY 2019-20, India's both, global & domestic coffee exports touched a nine-year low in dollar value terms and nosedived by 44% in the month of April of 2020.

Ere the pandemic, the Indian coffee industry had been experiencing somewhat stagnation for some time as the need for added value increased over several stages of coffee processing. Italy is India's largest market, according to the report. It accounts for more than 20% of annual coffee exports. India is currently the third-largest exporter with respect to coffee preparations, after Poland. Indian exporters must continue to maintain a market share of instant coffee in Poland and the United States. Overall, the report concluded by saying, despite the demand for instant coffee and speciality products, coffee is increasing, Robusta coffee exports are stagnant, and Arabica coffee exports are.

Infographic / Economic Times

3 Economists get Nobel for work on wages; jobs

The trio of economists won the Nobel Prize for showing through some practical experiments that can provide accurate and amazing answers to some of the most pressing questions of society. David Card has been recognized by the Royal Swedish Academy of Sciences for his pioneering research on minimum wages, immigration and education. Using a natural experiment, he showed that an increase in the minimum wage does not always lead to a decrease in work. The remaining, another half of the award was bestowed upon Joshua Angrist and Guido Imbens, who showed that natural experiments could draw accurate conclusions about causes and consequences. Card will be awarded with half of the prize money of $ 1.1 Million. The remaining reward will be dispersed between Angrist and Imbens.

QUICK TAKE

The members of G20 endorsed a plan formally setting a 15% corporate tax floor for MNCs having annual revenue over 740 million euros, earlier this year. This will help wealthy countries save a fortune (approx $245 Bn) in tax benefits from corporate giants who set up HQs in countries with low tax floors to keep their bottom line low. However, countries such as Pakistan did not agree to this deal, amid skepticism over technical details. The representative from Islamabad said that they will consider joining in 2022, when the fine print becomes clearer.

Minimum 15% Corporate Tax deal reached by G20

China's Lehman Moment

Energy Crisis? Check. Sedated GDP Growth? Check. Evergrande Financial Distress? Check. China's got it all. The country is going through a lot. Read on to learn more.

SPECIAL

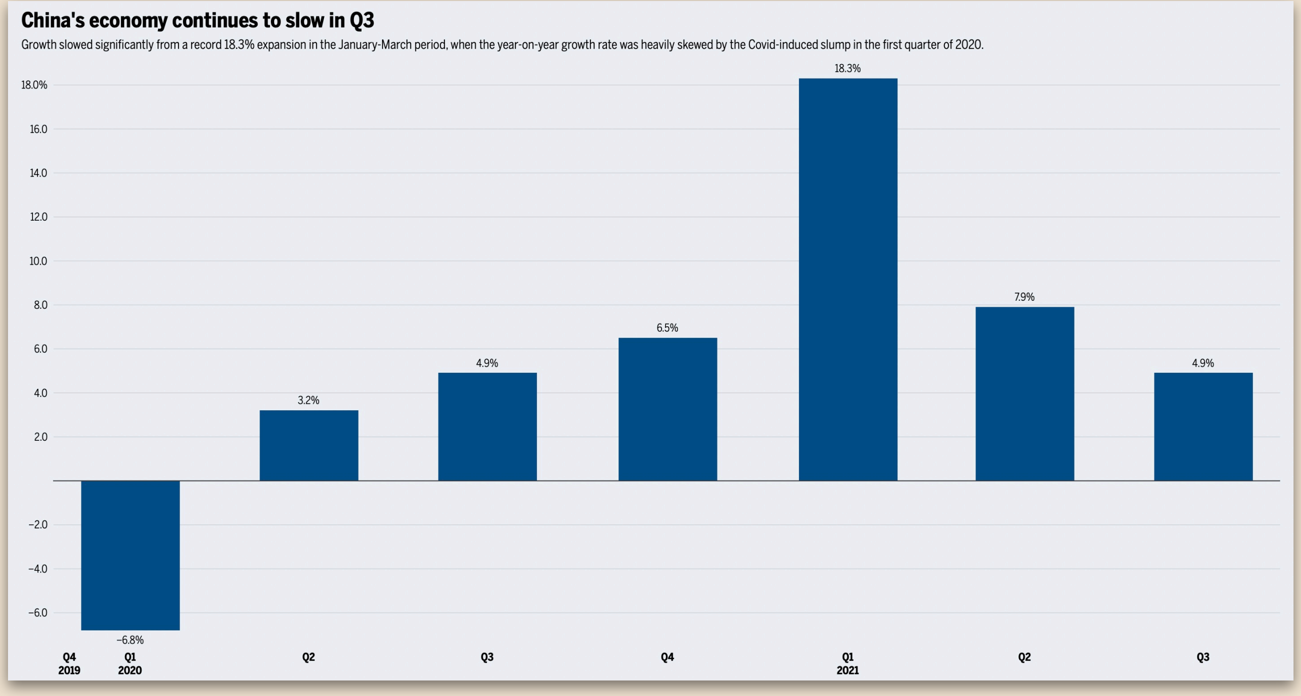
The *Evergrande* Crisis

China's largest and most debt-rich developer, Evergrande, is facing an exacerbation of the financial crisis that could lead to crackdowns on the country's real estate sector. Evergrande, which sold bottled water in 1996 and then began raising pig farms, now owns China's top professional soccer team (Guangzhou Football Club), with a sustained rise in real estate prices in China. It has long been at the forefront of China's real estate boom; as the main driving force for China's economic expansion after a pandemic - expanding to more than 250 Chinese cities and selling dream homes to the middle class of the country. Nearly down in a pile of $300 Billion in debt (which in turn, lowers its credit rating and stock price) along with 800 unfinished homes, a fraction of which are either unpaid by vendors and over a million homebuyers who partially own their property. There were two immediate triggers that caused the Evergrande Liquidity Crisis. Chinese regulators have begun investigating large borrowings by real estate developers as part of an extensive crackdown on sectors such as the digital economy and education. To counter this, Evergrande sought to sell part of its business. However, the continued slowdown in the Chinese real estate market and declining demand for new homes weighed on cash flow. The combination of the two factors leads to Evergrande's liquidity crisis.

China's months-long energy crisis has escalated coal and natural gas prices to record highs as temperatures plummet across the country. Emergency power distribution guidelines are still in place. This means that as winter approaches freezing, many homes and factories might receive electricity intermittently. Power shortages have adversely affected China's daily lives and factory production, further restraining the economy and exacerbating supply chain disruptions around the world. The surge in domestic demand for coal has created a shortage, contrary to government regulations on electricity prices and consumption, and coal imports. Along similar lines, many countries around the world are learning not to take energy security for granted.

The introduction of green energy sources in China has not replaced coal, the backbone of China's electricity sector. Due to this year's extreme weather, the supply of renewable energy such as hydropower and wind power has been cut off. China may need to rethink the pace of the energy transition so that nuclear power and hydrocarbons such as gas and coal can properly secure the electricity system. Failure to address the growing energy crisis does pose extreme risks in the form of unemployment, inflation, power outages, serious supply chain disruptions and even widespread death. It is premature to say whether Beijing's policies are strong enough to combat the market and environmental forces facing the People's Republic.

The *Energy* Crisis



Infographic / The Times of India

The Sedated GDP Growth

Ironically, China's economy was one of the firsts' to break out of the COVID 19 pandemic, with a GDP growth of 18.3% in the first quarter of this year. China's growth rate in the second quarter was 7.9%. But that's not all. China's GDP fell from 7.9% to 4.9% in the third quarter. The slowdown in growth is mainly attributed to the pressure created due to the crisis in China's real estate sector which, delayed recovery from the energy sector and pandemic. According to data released by the National Bureau of Statistics of China, retail sales in September increased by 4.4% compared to the same period last year. Chinese Families, distinctly the affluent & prosperous ones, began spending money on restaurant meals and other services in September. China has essentially maintained (only) its export power after the economy has emerged from the pandemic.

The 2021 IPO BOOM

A FacultyX article by Dr. YVR Murthy.

We have been exposed to a lot of negative news in the recent lockdowns, with one exception being that of the booming stock market and public issues. When the entire global economy last year suffered and registered a negative GDP growth rate solely due to COVID-19, there was a massive upsurge in the stock markets and public issues. This could be attributed to the virus to some extent if not totally; it certainly changed the way individuals have been managing their funds. This article makes an attempt to analyze the reasons for such a steep rise in the numbers and volume of IPOs.

Things won't happen overnight.

One may suddenly notice a new flower bud blossoming on a beautiful morning. On some some, one may witness the sudden eruption of a volcano or earthquake, or tsunami. We all know that these things may happen all of a sudden the process for these outcomes whether good or bad is not a sudden activity, rather it is a process which takes some time to create such an environment for these things to happen. Stock Markets and Primary Market (The Market for new issues) are also same. The good or bad in these markets won't happen overnight.

They evolve.

IPOs and Different ways of raising funds:

Exponentiating our wealth with the power of compounding. However, without understanding different ways of raising funds, it is not a good idea to analyze IPOs alone. IPOs are always not the first choice of fundraising, but in some cases, the primary objective of going for IPO may not be fundraising but something else.

In some cases, companies go for IPOs primarily not for fund raising but for something else entirely; some of you may feel that it is really strange to hear this. Isn't it? Okay. Let us start with a situation. When you heard that PayTM has come out with an IPO of INR 18,300 crore rupees, what was your initial understanding? Some of you might have assumed that this company is collecting INR 18,300 crores from public by issuing new shares to the investors and the total amount goes into the pockets of the company for its future activities. But the reality is not what as you assumed. Out of the total of INR 18,300 crore rupees, only INR 8,300 crore rupees go into the pockets of the company. Then what happens with the rest of INR 10,000 crore rupees? Is there any scam going on?

So, to understand things clearly, we need to find out what the different kinds of financial markets are and what the different ways of raising funds are. Only then will we be able to completely comprehend the reason behind the IPO boom in India.

What are different ways of raising funds?

Primarily there are three ways of raising funds, namely:

1. Rights Issue

When funds are raised only from existing security holders by issuing shares on pro-rata (proportionate) basis, then it is called a "Rights Issue"

2. Private Placement

When funds are raised from a select individual or group of investors but not from the general public by issuing securities after negotiating with them, then it is called a "Private Placement". To understand what happened with INR 10,000 crore rupees in the IPO of PAY TM, one must understand what this private placement is and what exactly happens here. So, let us delve deeper into that topic.

Imagine that you have a new business idea which is very convincing and you started that business with your own funds initially. As you promoted the venture, you are called the promoter and against your investment, you and your family took each share having its value of INR 10 rupees for the same price of INR of 10. Now, you need some more funds to give a shape to your business. So what will you do? You will now negotiate with individual investors or institutions registered with SEBI and take funds from them by issuing shares to them. They are called "Angel Investors". But do you sell shares to them at INR 10 per share? Maybe not, you may sell them each at INR 20 rupees apiece.

If you still need some more funds to expand your business, you may now start negotiating with another set of sophisticated investors (also registered with SEBI) called Venture Capitalists or Venture Capital Funds. If they are convinced with your business plan, they may fund in exchange of shares. But do you sell them your company shares at INR 10 or 20? No, you may sell each share for INR 50 rupees.

Imagine that your business is now earning some revenue and your company may still not be in profits. But it is creating enough buzz in the market. So you may feel that now is the right time to take your company to next level.

Here comes another sophisticated set of investors called Private Equity Funds (PE Funds) who are also registered with SEBI. So, you will negotiate with these PE Funds for the next round of equity investment. Again the same question arises. At what price do you like to sell your company shares to them? This time maybe around INR 100 rupees per share. (Angel Investors, Venture Capital Funds & Private Equity Funds are together known as Alternative Investment Funds (AIFs) and are regulated by SEBI AIF Regulations).

As all these investments i.e. fundraising activities took place out of private negotiations with them, this kind of fundraising comes under `Private Placement'.

Now let us ask this question; "When do these AIFs will get their funds back with profits? Well they get them in two ways. Let us understand each of them.

After a certain cooling-off period, these investors (AIFs) and others may talk to another investor who may be interested in buying their shares at a much higher price and exit happily by selling their shares to them. This is exactly what Reliance Capital has done in PAY TM. In the year 2010, Anil Dhirubhai Ambani Group (ADAG) has invested INR 10 Crore and sold that stake to Alibaba's Ant Group in 2017 for INR 275 Crores in which each share of PAYTM (One 97 Company) was valued at around INR 250 per share.

One must notice an important point here. In the above transaction, an existing shareholder (ADAG Group) was replaced by another investor (ANT Group) and One 97 (PayTM) did not receive any funds. Therefore, this transaction is equivalent to the sale of a pre-used car wherein the car doesn't fetch any money. As the transaction takes place with a second-hand product, (be it a car or share of a company) this is said to occur in the "Secondary Market".

3. Public Issue (IPO)

Now, what about those existing investors who may not require funds back immediately and are looking for much higher returns on their investment? So when do they get their funds back? The answer to this question is Initial Public Offering (IPO).

To know it better, let us go back to our earlier question of "what happened to the INR 10,000 crore in PAYTM IPO"?

When funds are collected from the public at large, then it is called a "Public Issue". If a company is issuing shares to the public for the first time, then it is called an "Initial Public Offering (IPO) and the subsequent issues are called "Follow on Public Offer (FPO)". Generally, most IPOs consist of two parts.

Fresh issue of new shares and selling of shares of existing investors, also called, "Offer for Sale". It is exactly where the INR 10,000 Crore have gone in the PAYTM IPO. Out of INR 18,300 Crore, the company issued fresh and new shares for INR 8,300 crores. Furthermore, this amount made its way towards the bank balance of the company and finds its place in its balance sheet.

The remaining INR 10,000 Crore goes into the pockets of the existing shareholders like promoters and AIFs as they are selling their shares for about INR 2,150 per share. So, as this amount of INR 10,000 Crore goes into their pockets; wherein they make huge profits on their initial investment in the company, hence, the company doesn't earn even a single rupee out of this!

When a business organisation raises funds by issuing fresh and new securities (shares and others) in any of the three ways (Rights Issue, Private Placement or Public Issue) while raising funds, then one can say that these transactions take place in what is called the "Primary Market".

So, what about the investors who bought the shares in the IPO? When and where do they get their funds back, if and when they are in need of it? The answer to this question is a secondary market called the "Stock Market".

Hope this part of my article helped you to understand the different ways of fund raising. In the next iteration of my article, I will discuss about the factors which led to the surge of IPOs in Indian Market.

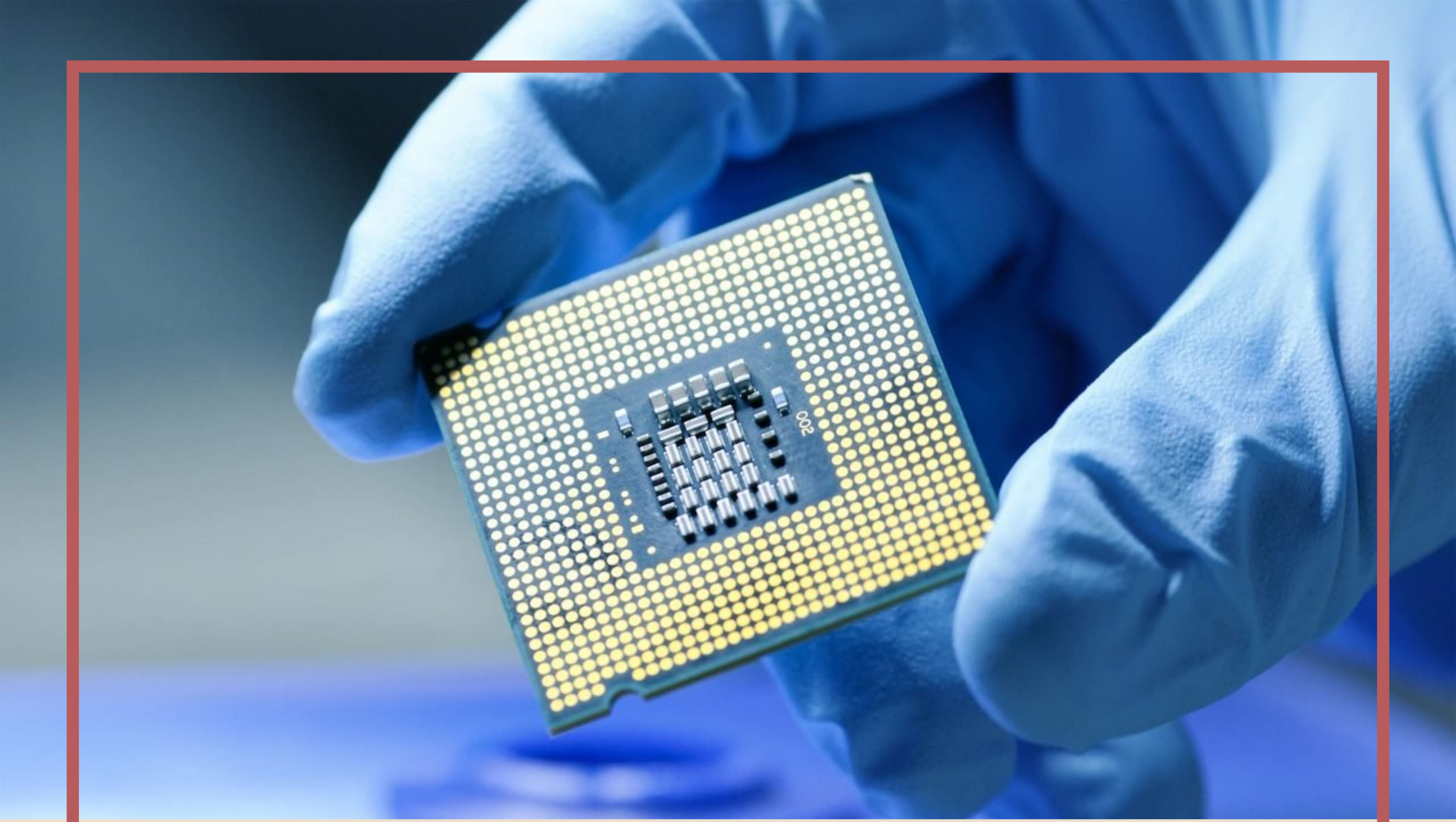
The author can be reached at yvrmurthy@nalsar.ac.in for any clarifications.

The Global
Chip Shortage

**From Apple to Mercedes-Benz.
From a smartphone to a vehicle.**

If you're facing a delay in either or anything in the middle, this might be the reason.

The global semiconductor shortage, which is devastating industries around the world, may continue until 2022 before supply begins to meet demand. The global chip shortage is caused by factory closures, primarily due to increased demand for consumer technology during the coronavirus pandemic, with even smartphone makers reassessing their release plans. GlobalFoundries, the world's third-largest chip production house, said in a recent statement that it plans to invest $ 1.4 Billion to increase its manufacturing capacity to address this issue. However, according to CNBC, there might not be any difference until 2022 and beyond. Foxconn, the chief supplier for Apple's chips, also recently blamed supply chain material shortages for delays with lower-than-expected profits. On March 30, the company's chairman, Young Liu, said the shortage would impact the business at least until the second quarter of 2022. Although it's not just because of the pandemic which resulted in a boom of electronic demand. The release of new technology products and the introduction of 5G, which require more advanced chips, also weighed on supply. Having said that, the shortage is not limited to smartphones and PCs. The automotive industry is also particularly affected. This is because the demand for new cars has surged and chip makers have switched the process to consumer silicon. According to consulting firm AlixPartners, semiconductor shortages have cost the automotive industry approximately $210 billion in revenue losses.



Maruti Suzuki, the nation's prodigious automaker, witnessed a downfall of 26% in assembly & manufacturing in October due to the shortage of semiconductor chips. In a company report, the automobile company reported that the total production volume in October 2020 was 1,82,490 units as compared to 1,34,779 units in October 2021. Meanwhile, Tata Motors and Mahindra&Mahindra have reduced their chip usage, henceforth, reducing latency and wait time, which is 12 months for some vehicles! Both the automakers are estimated to have more than 300,000 pending orders under their belt. Tata Motors has been working with its British counterparts, Jaguar and Land Rover to accumulate & collaborate the expertise for the next generation of EVs and electronic architecture. Electric Vehicles require comparatively more chips than fossil fuel vehicles. To avoid the shortcomings, M&M has developed a step-down variant of their flagship SUV XUV700, which lacks some of the features available only in the highest variant. For example, the wireless-charging feature has been revoked for the the basic models.

TESLA

Tesla depends on chips to power everything from airbags to modules that control the vehicle's seat belts. The company conquered the global supply shortage by reprogramming its vehicle software to support other alternate chips. "We were able to replace the replacement chip and update the firmware within a few weeks," Musk said. Hence, a simple approach helped Tesla maintain high levels of assembly even during the pandemic!

FACEBOOK FIASCO

Is a name change enough to fix a reputation?

The Facebook Fiasco. Or should we say, The Metaverse or Meta Fiasco? Either way, you get the idea, so let's get into it. Facebook, as a social media company has long been held guilty as one of the most unsafe & precarious applications out there. Be it Facebook-Cambridge Analytica Data Scandal or the recent testimony by Francis Haughen, Ex-Product Manager at Facebook, wherein she held the company responsible & blamed them for and we quote, "prioritising astronomical money; profits over users; people & their safety, privacy." Haugen's revelations are particularly significant as Facebook has been under the scanner in recent years for not doing enough to prevent hate speech online and to protect the data of its vast user base. The documentation exposed by Haugen and her recent interview humiliates the company's widely published "safeguards" or "filters" concerning the content that affects hate speech, incitement to violence, and the psychological well-being of its users, specifically, its young users. It shows that it is nothing but. To put things into perspective, under political pressure, the company optimised its algorithms and lowered the priority of political content polarisation prior to the 2020 US presidential election. But when the elections were over, it removed those safeguards. Further, Haugen also made a bold statement of how the Capitol Riots of January 6th 2021, were partially caused due to this. Now let's address the elephant in the room: The Rebrand.

Through the rebranding, Zuckerberg's main strategy would be to isolate the social network as a separate product from the group and change the image of the company as a whole.

"Right now, our brand is so tightly tied to a product that it can't represent everything we're doing today, let alone in the future. Over time, I hope that we will be seen as a 'metaverse' company, and I want to anchor our work and identity in what we are building."

Mark Zuckerberg
CEO of Meta

The Metaverse business, which the company is ushering in, is far from profitable right now. It's a new technology; currently in testing phase; and quite distant from becoming a new normal in terms of social networking & interaction. Furthermore, the inclusion of exchanges; cryptocurrencies, digital collectibles such as NFTs make the whole system more complex & questions the credibility of the technology, as it won't take scammers and bogus trackers/ADs much time to pop up on your headsets and track your habits. Lastly, the company, hasn't revealed (yet) how will it be making profits and booming up in revenue. However, some analysts and blogs contemplate and zero in on the app developer fees, similar to how Apple and Google charge for publishing applications on their app stores, and considering the history of Facebook, revenue is directly linked to ADs as well. Summing it up, as per Facebook - errr... Meta, 'The Metaverse is the next evolution for social networking, moving past static user profiles that let people merely post comments and photos. To reach it, people would need to wear VR headsets or augmented reality glasses that superimpose the digital realm onto the physical world. There could also be lifelike holograms beamed into the real world from cutting-edge projection systems.'

While technology is an ever-changing & growing field, one still wonders, despite all this chaos, where should we draw the line between ***AR/VR & actual reality?***

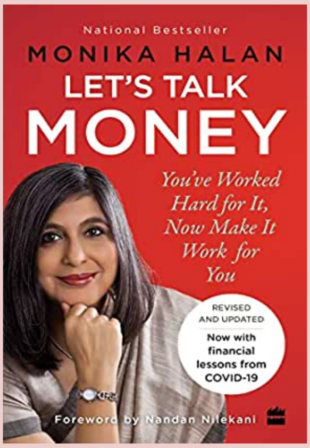
Logo of M-Sense

New Meta Logo

*Despite announcing the rebrand, it seems that the company didn't sew up everything it needed to for a smooth transition. Recently, it received quite an extensive backlash from **'M-Sense Migräne'**, a German health-tech company, which primarily focuses on migraine-ailments & treatment. Meta's new logo is quite similar to that of the latter. Although there has been no official statement from Zuck's company yet, M-Sense jumped in on Twitter, taking a dig at Meta's logo and its privacy policy, for which the latter has long been accused for. The company didn't just stop there as it shared another tweet, subtly promoting its app and offering help to Zuckerberg if the rebranding caused him a migraine!*

READINGS

BOOKS IN FOCUS

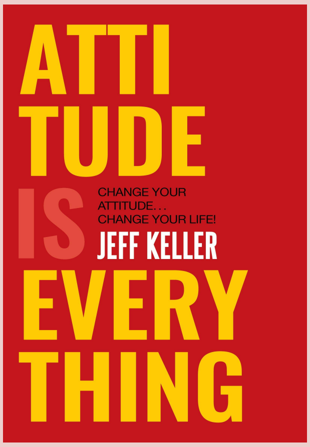


Let's Talk Money

Monika Halan

Monika Halan offers you a feet-on-the-ground system to build financial security. Not a get-rich-quick guide, this book provides you a smarter way to live your dream life, rather than stay worried about the 'right' investment or 'perfect' insurance. Unlike many personal finance books, *Let's Talk Money* is written specifically for you, **keeping the Indian context in mind.**

AMAZON

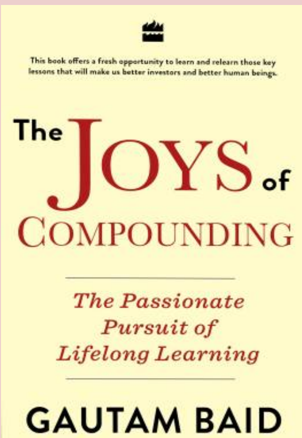


Attitude is Everything

Jeff Keller

The road to a happier, more successful life starts with your attitude - and your attitude is within your control. Whether your outlook is negative, positive or somewhere in between, *Jeff Keller*, motivational speaker and coach, will show you how to take control and unleash your hidden potential through three powerful steps: THINK; ACT & SPEAK! **Change your attitude, you change your life!**

AMAZON



The Joys of Compounding

Gautam Baid

A celebration of the value investing discipline, this book recounts Baid's personal experiences, testifying to his belief that the best investment you can make is an investment in yourself. *The Joys of Compounding* offers curated reflections on life and learning for all investors, investment enthusiasts, and readers **seeking a dose of practical wisdom.**

AMAZON

WATCHLIST

TALKS IN FOCUS

Putting Everyday Life on Trial: *Anubhav S. Bassi*

Mr. Anubhav Singh Bassi is one of the most popular stand up comedians of our times. He has, over the years, carved out a niche with his own brand of retrospective comedy. Bassi has no dearth of stories depicting his struggle with life - switching careers during the day and drowning in sorrow by the night. His performances keep us in awe due to the ease of delivery which seems like a casual conversation with hilarious content.

The Dirty Secret of Capitalism: *Nick Hanauer*

Rising inequality and growing political instability are the direct result of decades of bad economic theory, says entrepreneur Nick Hanauer. In this visionary talk, he dismantles the mantra that 'Greed is Good' - an idea he describes as not only morally corrosive, but also scientifically wrong; and lays out a new theory of economics powered by reciprocity and cooperation.

PS: Scan the QR code to see them!

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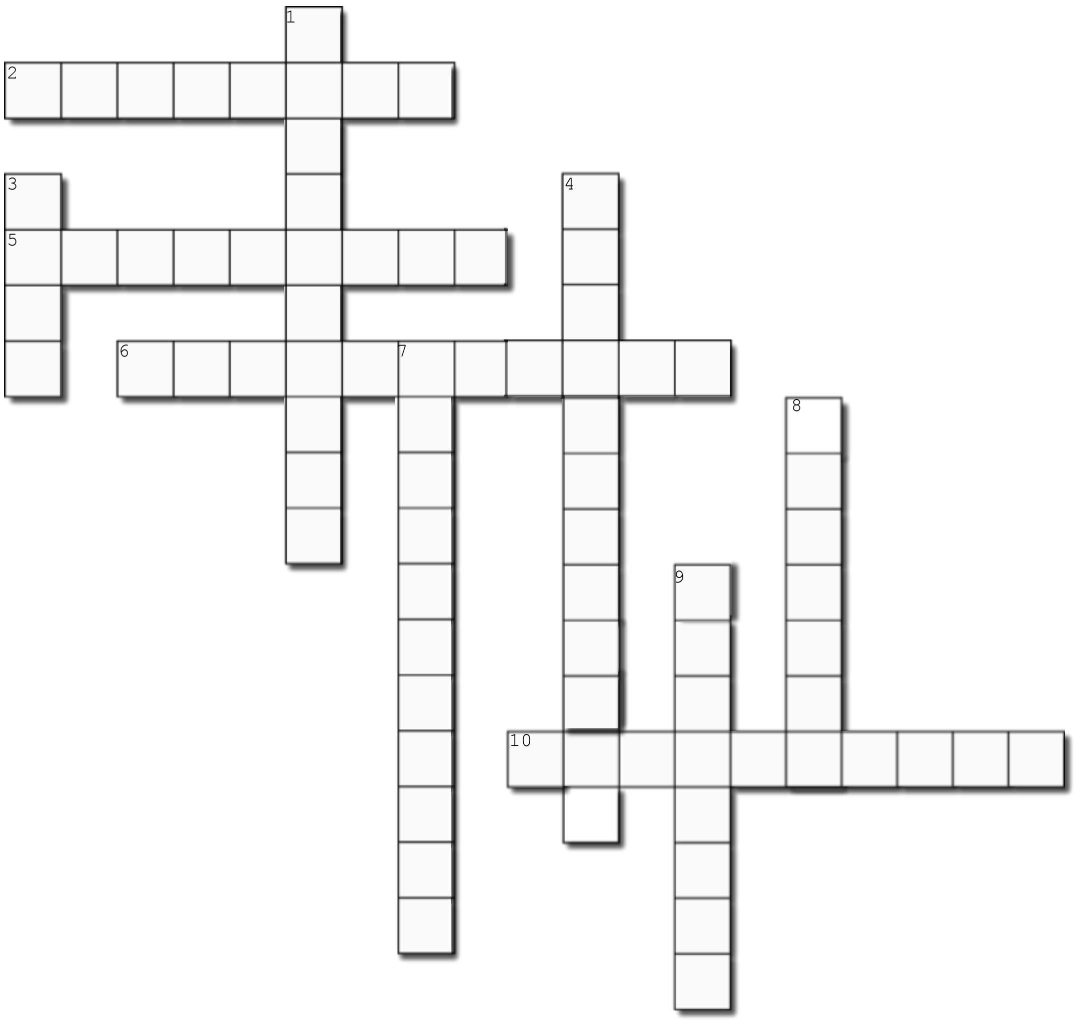
CrossBiz

ACROSS	DOWNWARDS
2. Approximately 54% of GDP comes from this sector of industry.	1. A type of partnership which continues till an objective is achieved or time period has passed.
5. A liability under which personal properties of the owner may be used to cover the debt.	3. A type of risk which involves the possibility of risk only.
6. What plays an important role in addressing market failures?	4. Company responsible for Bhopal Gas Tragedy - 1984.
10. Father of Economics.	7. Hindrance of information is removed through?
	8. Functions as Nouns which are in the '-ing' form of the Verb.
	9. Any activity that helps in maintaining the free flow of goods and services.



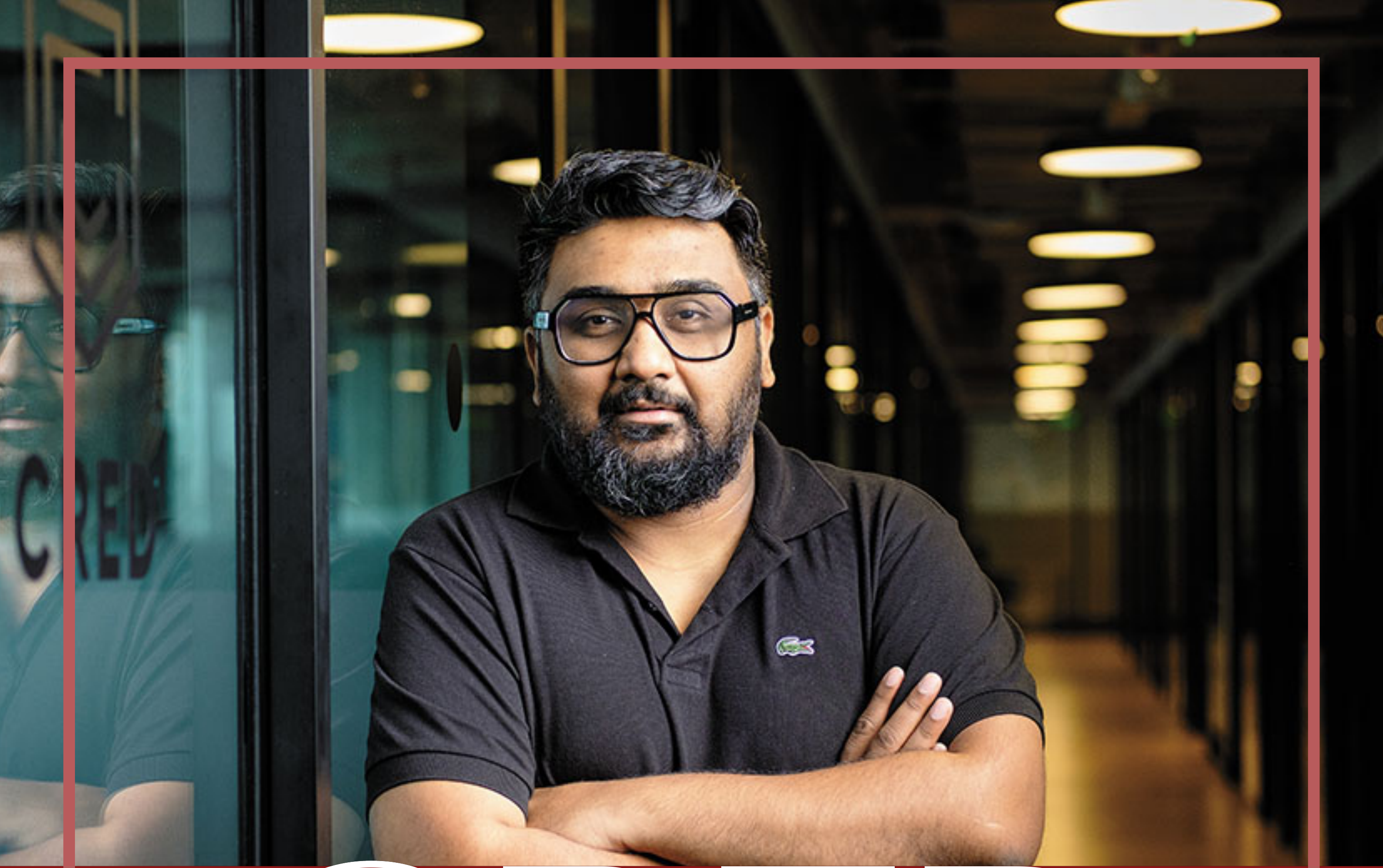
ANSWERS

BRAND IN FOCUS

CRED

CASE STUDY

How the 'Kunal Shah-backed' FinTech Startup went from Zero to a whopping INR 15,000 Crore.



CRED STORY

An ever-escalating evaluation, a disrupting series of advertisements, a vibrant workforce and a pride of lions standing behind the mammoth company; CRED has shown how India can dominate the startup culture at a global scale. In the span of less than two decades, Indian startups have continuously climbed and made the nation the third best startup ecosystem in the world.

However, critics have kept a cautious eye on the rising share of the aforementioned tech startups; how they show no sign of profitability in the long run whilst burning through the investor cash for years. An Entrackr report, which simplified CRED's numbers by saying the company spent INR 727 to earn a rupee in FY2020; a statistic that shouldn't go unnoticed. The disparity between valuations and revenues is glaring and unearths fundamental questions of how we evaluate startups as a whole.

CRED has put its fingers inside a multitude of jars; from lending, rent payments, commissions to even payments, wherein its users are allowed to transact on other third-party apps. This is a herculean task, which essentially outlines how a venture has identified a glaring hole in the credit card industry and has bridged it. However, this only provides disruption in the short run and is not a long term growth solution. This is where the vision of the Founder & CEO Kunal Shah plugs in, wherein the company is now expanding to create an ecosystem much like Apple, to ensure two things; one, that the users prefer to stay in its ecosystem purely out of substantiated choice and two, the Chinese Walls for onlookers not able to access the platform is erected so high that the sheer prospect of not having the ability to use it boosts public outlook of the company. Adding onto this user base, analysts have pointed out that CRED's user base is its intangible asset and it will become clear only in hindsight if the company is successful in monetising it. Even the simple prospect of putting an `apply to be a member' creates a feeling of an elite group in the mind of the customer base, which helps the image of the company.

Karnataka's Jogathi bestowed with the PadmaShri

Karnataka transgender dancer, Manjamma Jogathi, was conferred with the Padma Shri award for their contribution to folk dance by President Ram Nath Kovind. Before receiving the award, they made a gesture with the 'pallu' of their sari to wish the President good luck. Jogathi received the Padma Shri Award for their contribution to folk dance. They are the first transgender chairperson of the Karnataka Janapada Academy and the only transgender to receive the Padma Shri Award this year.

QUICK TAKE

Simon Kofe, Tuvalu's foreign minister, delivered speech to climate summit COP26 knee-deep in the ocean. He wanted to highlight effect of rising sea levels on small island state in the South Pacific. According to World Bank, western Pacific ocean levels have risen at two to three times faster than the global average. Rising sea levels also have legal implications for some of these island nations as they could potentially lose their statehood if they sink. Amidst rising sea levels, droughts and serious water shortages, residents of small nations are increasingly choosing to move across borders for their survival. If this continues, some of these island nations could be left without a permanent population.

Minister films climate speech knee-deep in the ocean

DoMS, NALSAR was honoured to host Mrs. Monika Halan as the guest lecturer on October 9th 2021, wherein her latest book, 'Lets Talk Money' was discussed in great detail. It highlights one of the most pressing & obvious issues of life: Financial Freedom. With practical lessons gained from her own experience & being, she portrays a unique facet towards the world of finance and how one can achieve calm among all the chaos, that surrounds the world of investing, finance, money and more. Even though this book shows you the possible pathways and systems one can create in pursuit of financial literacy, it isn't a get-rich-quick guide. Instead, it provides us with the answers on how to systematically create channels to demarcate and allocate resources, rather than staying constantly on the edge because of bills, EMIs and insurances. Furthermore, she elaborated on the 'Time Value of Money' & how compounding works wonders - if done and evaluated correctly. As a stark contrast to the prevalent literature on the topic this book specifically deals with Indian context, which acts as a cherry on the top.

DoMS was honoured to have Mrs. Monika Halan as the Guest Lecturer on October 9th 2021.

Financial Literacy for the Newbie

A standalone wondrous point in the book was the concept of the Money Box, which everyone should ideally follow to have a stronghold on financial disciple. The book also helps de-jargon investing, which is unfortunately still considered a dangerous and risky area for a majority of population. It gives a clear blueprint about the m o n e y m a n a g e m e n t & is particularly beneficial for the youth and the young professionals who are about to usher in the real world. However, anyone who wants to expand their horizon & understanding of how they can make their hard-earned money work for them can do wonders with this masterpiece! the book also helps de-jargon investing, which is still considered a dangerous and risky area for a majority of population.

Instead of Leaders we need Enablers

Reservation as such is a zero-sum outcome. We also need to focus on the process that enhances the outcomes of the people.

We were honoured to have Dr. Raghuram Rajan with us for a session on 'Constitutionalism in India's Economic Future'. This talk was filled with insights and inspiration, since his economic virtues enlightened all the attendees. He stressed on the need to know where we are going economically; Are we resorting to a closed economy which increases protectionism through tariffs offering minimum incentive to be competitive globally or are we opening to the world? Two factors, Constitutionalism and Democracy, in his opinion played an increasingly greater role in determining the economic future of any country. He emphasised on the need to have 'Aatmavishwas', i.e. upscaling our existing industries to maximise their global potential. He also believed in the need for high-quality colleges like NALSAR to be set up around the globe, since the education sector is a pivotal point in inculcating academia from a young age. Exhibiting the sheer power the combination of creativity and computation has, he unveiled how the combination of human and machine beats human alone. This is particularly exemplified in the case of India, where there is no single path for growth. The diverse set of ideas that our country uniquely portrays, said Dr Rajan, can be harnessed in such a way that this inclusion propels us to the path of becoming the next global superpower. We need a form of growth that takes everyone along, otherwise it will be unsustainable and a wastage of depleting resources.

Dr Rajan talked about the factors that lead to the success of an economy, and touched upon important social-economic and humanitarian aspects that both directly and indirectly impact growth in a fiscal year. He threw light on topics such as individual rights in contrast to the rights of a given social group, state rights, decentralising policy making and enabling a framework to allow industries to join and shape international treaties, allowing change to be shaped by debate, criticism and protest as an extension of Freedom to Speech in any decision making process.

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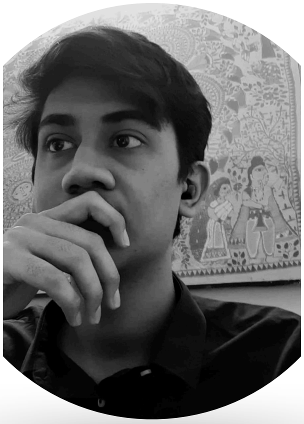

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