

NEWSLETTER

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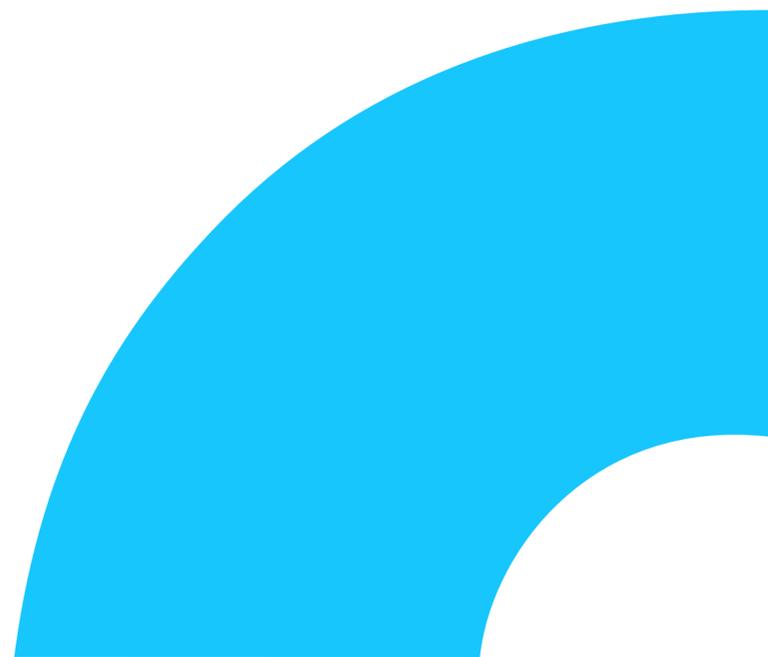
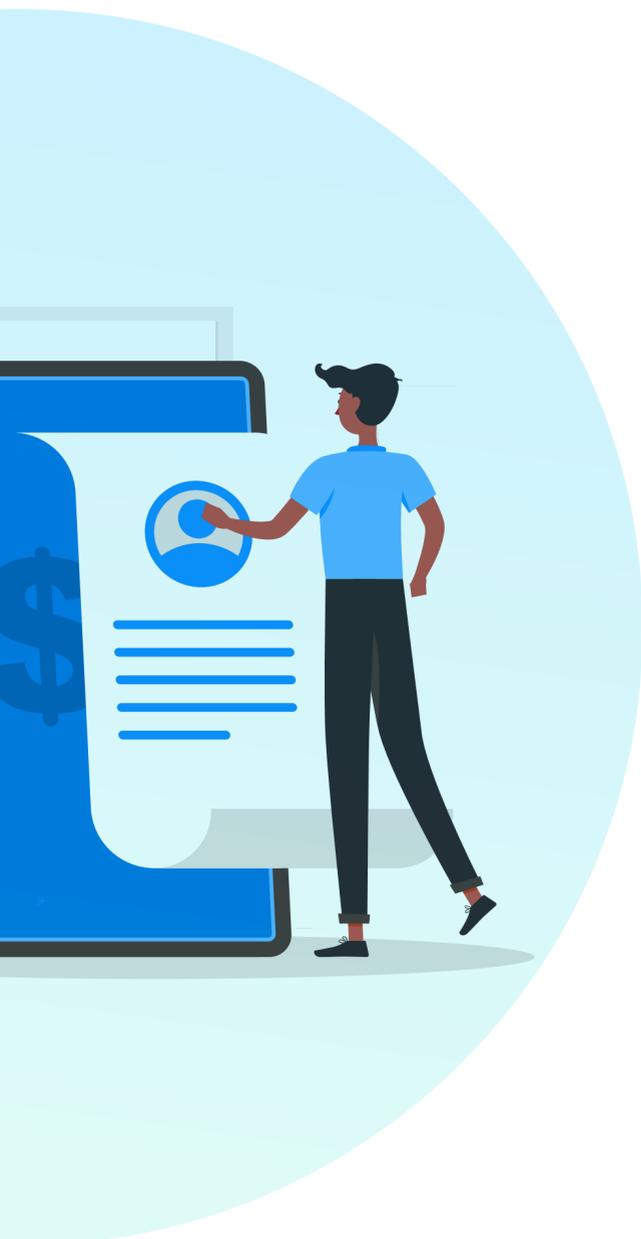
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Special Takes

01 Mahindra Magenta Partnership

Mahindra and Mahindra Ltd announced its collaboration with Magenta, electric mobility solutions provider, to deploy 100 units of its electric three-wheeler, Treo Zor, in Bengaluru. The vehicles will be used for last-mile delivery of essential and non-essential items.

Treo Zor is part of Magenta's new e-mobility platform known as Electric Vehicle Enabled Transport (EVET). Under EVET, Magenta is launching passenger and cargo transport services, which will also include vehicle charging support through ChargeGrid, the company said in a statement. Mahindra, which is already a market leader in last-mile delivery vehicles, is set to gain a wider market share. Mahindra Treo Zor was launched in October 2020. Within 8 months of the release, the vehicle crossed the sales milestone of more than 1300 vehicles and has also been recognised as India's leading small commercial vehicle. It has reportedly garnered a market share of 59% in FY 2020 in its category. It has already travelled for more than 1.82 million km on Indian roads.



With the Union Government urging vehicle manufacturers to increase their investments in development and manufacturing of electric vehicles to reduce pollution and import of crude oil, the Mahindra and Magenta partnership is a welcome effort. This partnership seamlessly connects the entire electric vehicle ecosystem and will help in streamlining the last-mile delivery segment. Industry experts expect sales of electric two-wheelers and three-wheelers to increase significantly in the next five years as e-commerce and food delivery companies are likely to adopt these vehicles to reduce emission and fuel costs.

02 Crude Oil Surge

OPEC+ abandoned its meeting without a deal leaving the oil market with soaring prices. Several days of tense talks failed to resolve a bitter dispute between Saudi Arabia and the United Arab Emirates. The group didn't agree on a date for its next meeting. Unless an agreement can be salvaged, the Organization of Petroleum Exporting Countries and its allies won't increase production for August. That will deprive the global economy of vital extra supplies as demand recovers rapidly from the coronavirus pandemic.

OPEC+ has already been reviving some of the crude supplies it halted last year in the initial stages of the pandemic. It decided to add about 2 million barrels a day to the market from May to July, and was deliberating the continuation of these numbers in the coming months. Data showed that oil inventories are back down to average levels resembling pre-pandemic amounts. Demand in the second half of 2021 is expected to be 5 million barrels a day higher than in the first six months of the year. OPEC+ was close to a deal recently to boost supply by 400,000 barrels a day each month, while also extending the expiry of its deal from April to December 2022. At the last minute, the UAE said it would only accept the proposal if it was granted the same terms for calculating its quota as the Saudis. The UAE was adamant that it would accept the output increase without the deal extension, but the Saudis argued that the two conditions must go together. This disagreement is what sprouted tensions within OPEC+. Without a deal, the current oil production numbers will continue and the prices will pop, analysts say.

Relations have soured between two core OPEC members to such an extent that no compromise was possible. It damages the group's self-image as a responsible steward of the oil market as oil prices climb toward \$80 per barrel. The dispute has escalated into an increasingly personal and publicly screened fight, with the ministers making a fuss in TV interviews. Furthermore, mediation attempts by other OPEC+ members made no progress and the tensions have gone beyond the oil problem. The growing differences between members are likely to lead to problematic future discussions and August might see no additional oil production with growing demand and oil prices touching multi year highs.



03 Kitex Moves to Telangana

Kitex Garments Ltd, the world's second largest children's clothes manufacturer, announced its exit from Kerala, thereby abandoning a Rs. 3,500 crore investment in the state. The announcement came after the MD of Kitex, Sabu Jacob claimed that Kitex has faced hostility in Kerala and harassment from state government officials. Jacob has decided to invest Rs. 1000 crore in setting up an apparel park in Telangana. He also expressed satisfaction over the industry-friendly policies of the Telangana government and quick decision making attitude on investments. Kitex has decided that by the end of July, a final agreement with Telangana will be reached and within the next two years a certain amount of money would be invested there.

Jacob said that if the people in Kerala were aware of the facilities and offers provided to Kitex, not a single business or industry would remain in the state, and added that the trip he took to Telangana would be an inspiration to all businessmen and industrialists in Kerala. He also added that he was open to discussions with the Kerala government, as always, but the state government has been unresponsive. He refuses to invest even a single rupee in Kerala ever again. Kitex had been facing problems for quite some time but it hung on for the thousands of people in its employ. He said no matter where in India he sets up his business he will provide jobs there to every Keralite who approaches him. He said if his actions can bring a change in Kerala, it would only help the future generations of the state. Kerala government had said it has an "open approach" towards issues raised by Kitex group, even as the company stuck to its decision to back out from a Rs 3,500 crore investment plan in the state, with its chairman alleging that he was being "hounded and kicked out." In response, Industries Minister, P Rajeev told reporters that the government is still open to discuss issues.

Before leaving for Hyderabad, Jacob had alleged that the Kerala government authorities did not bother to intervene even after his announcement of withdrawal from the multi-crore investment project from the state. He had reiterated that the atmosphere in Kerala was not conducive for launching business and said no other investor should face such an experience in the state. The Industries Minister, however, had rejected the charges, saying the state has a congenial attitude for launching industries and young investors in various start-ups often talk about pleasant experiences with the state government.

Telangana has profited off Kitex's exit from Kerala in terms of investment, employment and public's view of Telangana's industrial atmosphere. With Kitex investing in Telangana and Jacob making up his mind to never work in Kerala again, it seems unlikely that any effort made by the government would persuade Kitex to return to Kerala.

Finance

01 Cabinet Reshuffle

The government has merged the Department of Public Enterprises (DPE) with the Finance Ministry to give it better control over key state-owned firms, review their capital expenditure plans and chalk out measures relating to revival as well as closure of Central Public Sector Enterprises. The Finance Ministry will now have six departments, with five other departments being Economic Affairs, Revenue, Expenditure, Investment and Public Asset Management and Financial Services. The Ministry of Heavy Industries and Public Enterprises, the parent ministry of DPE, will now be called the Ministry of Heavy Industries. Key government companies will now come under the Finance Ministry. Nirmala Sitaraman retained her position in the mega cabinet reshuffle. Anurag Thakur, who was previously the Minister of State for Finance and Corporate Affairs, has been promoted to the Union Cabinet and made the Minister of Youth Affairs and Sports as well as Minister of Information and Broadcasting.

02 Cairn Energy vs India

Cairn Energy has seized properties owned by the Indian government in Paris, however, the Government of India has not received any notice, order or communication, in this regard, from any French Court,. The oil producer and the Indian government have been at it for months after an arbitration tribunal ruled in favour of Cairn and asked the Indian government to pay \$1.7 billion over a tax dispute. With the Indian Government not honouring the award, Cairn Energy has decided to recover the amount through Indian assets overseas. Around 20 Indian Government properties have been seized in France so far. The dispute with the Scottish company arose when Indian tax authorities amended the retrospective tax rules.

03 Rupee Moves Towards Year's Low

After months of volatility in the rupee, India's widening trade deficit and soaring commodity prices are putting pressure on the currency, pushing it toward a new low for the year. This volatility and the prospect of tapering by the Federal Reserve have also reduced the attractiveness of India's currency for carry trades. A few banks speculate that INR will depreciate to 76 per dollar by year-end, while some have a slightly less pessimistic projection of 75. As per recent data, the trade deficit widened to \$9.4 billion in June, from \$6.3 billion in May. Analysts estimate that billion dollar deficits will continue and average in the double digits as the economy reopens. Technical indicators also point to further depreciation of the currency given the dollar-rupee's moving average convergence-divergence gauge remains above zero in bullish territory. The RBI has \$600 billion of currency reserves to draw on to curb any sharp fall in the rupee and is expected to remain proactive in its forex strategy to keep volatility limited and prevent depreciation of INR.

04 Flipkart

Flipkart has raised USD 3.6 billion (about Rs 26,805.6 crore) in funding led by GIC, Canada Pension Plan Investment Board (CPP Investments), SoftBank Vision Fund 2 and Walmart, valuing the e-commerce giant at USD 37.6 billion. With competitors such as Amazon, Reliance Industries' JioMart and others in the Indian e-commerce market, Flipkart continues to make deeper investments across people, technology, supply chain and infrastructure to address the requirements of a rapidly growing consumer base in the country. Flipkart will continue to invest in new categories and leverage made-in-India technology to transform consumer experiences and develop a world-class supply chain, Flipkart Group Chief Executive Officer Kalyan Krishnamurthy said.

The current funding round has also seen participation from sovereign funds DisruptAD, Qatar Investment Authority, Khazanah Nasional Berhad as well as marquee investors Tencent, Willoughby Capital, Antara Capital, Franklin Templeton and Tiger Global.

05 EPFO ventures into InvITs

Employees' Provident Fund Organisation (EPFO) is likely to start investing a part of its corpus in infrastructure investment trusts (InvITs). InvIT is a SEBI regulated investment vehicle for financing/refinancing infrastructure projects which allows investors to participate in the growth story of infrastructure. The move to invest in InvITs will expand EPFO's options as it currently invests only in bonds, government securities, and exchange-traded funds. EPFO has been getting deposits of nearly ₹16,000 crore per month, which translates to an annual accrual of ₹1.9 trillion during the 2021-22 financial year. While 15% of the annual accruals can be invested in stocks via ETFs, the rest is invested in debt instruments. The move toward InvITs would not only help India boost investments in infrastructure but also expand the scope of EPFO's

Global Financial News

01 Xiaomi

Chinese smartphone giant Xiaomi will raise about \$ 1.2 billion through debt issuance at a time when authorities are cracking down on China's tech giants. Xiaomi wants to issue bonds worth \$800 million due in 2031 with a coupon of 2.875% per year. The proceeds will be used for "general corporate purposes," according to a regulatory document. Xiaomi will also issue \$400 million of green bonds with a coupon of 4.1% per year. Green bonds are debt issued to raise funds to support environmental projects. Xiaomi said the proceeds will go to fund eligible projects under its "Green Finance Framework," an environmental scheme. Fitch Ratings had assigned Xiaomi's proposed US dollar senior unsecured notes a 'BBB' rating.

02 ClearCo

Clearco, a fintech company that offers capital to startups, raised \$215 million in an equity funding round led by SoftBank Group Corp Vision Fund 2 as it accelerates its international expansion. The company, based in New York, London and Toronto, was started in 2015 by Canadian entrepreneurs and investors Andrew D'Souza and Michele Romanow. So far they have provided \$2.4 billion to 5,500 founders. E-commerce, mobile app and enterprise software companies with \$10,000 or more in monthly revenue can apply for up to \$10 million by just plugging all their financial accounts into Clearco's system which analyzes the data and suggests where to spend the money for the greatest benefit. Clearco said this model has led it to fund eight times as many companies headed by female founders as traditional venture capital firms in the past year. About 13% of Clearco's funding went to companies headed by Black and Hispanic founders versus 2.6% for traditional venture capital firms. In April Clearco had also raised \$100 million for a valuation of just under \$2 billion.

03 Deutsche Bank Index

German lender Deutsche Bank has launched a new set of foreign exchange indices to track 21 emerging market currencies, indicating a growing relevance and importance of developing markets in the global economy. The set of four new non-tradable foreign exchange indices would track emerging market currencies that have over the past couple of decades seen increased global investment inflows, growing proportion of government debt issuance, and a significant jump in transaction volumes in foreign exchange. The new indices track both spot and carry performances of the currencies, serving as a comprehensive set of measures for investors tracking foreign exchange.

04 China Lowers RRR

China has cut the reserve requirement ratio (RRR) for all its banks by 50 basis points, releasing around 1 trillion yuan (\$154 billion) in long-term liquidity to underpin a post-COVID economic recovery that is starting to lose momentum. This is to take effect from 15th July. China's economy has largely rebounded to its pre-pandemic growth levels, driven by a surprisingly resilient export sector. But growth is losing steam and smaller firms are bearing the brunt of a recent surge in raw material prices. Analysts believe that the pent-up COVID demand has now peaked and that growth rates will start to moderate in the second half of the year, weighed down by weakening exports, surging producer price inflation and Beijing's continued crackdown on the property market. The PBOC last cut the RRR in April 2020, when the Chinese economy was adversely affected by the COVID crisis. As the economy staged its strong rebound, the People's Bank Of China shifted to a moderately tightening bias.

Public Affairs and International Relations

01 Mayday for Presidents

Presidents across the globe have been making headlines this past week.

- Former US President, Donald Trump, has filed a case against Twitter, Facebook and Google as well as their chief executives, alleging the unlawful censorship of conservative viewpoints. Trump is seeking class action status for the lawsuits, wherein he will also represent the interests of those users who have been silenced unfairly.
- Former South African President, Jacob Zuma, has turned himself into prison and began serving a 15 year jail sentence for contempt of court. President Zuma failed to attend a corruption enquiry and that earned him the prison sentence. The incident sparked an unprecedented legal drama in South Africa, which has never seen a former president jailed before.
- A group of 28 foreign mercenaries, including retired Colombian soldiers, assassinated Haiti's President Jovenel Moïse. Three suspects were killed by police and eight are still being sought. It is still unclear who organised the attack and with what motive. The deceased leader's wife, Martine Moïse, aged 47, was seriously wounded and is in a stable condition after being flown to Florida for treatment.

02 Iran's Railroad System Hacked

Iran's railroad system came under cyberattack on 9th July, with hackers posting fake messages about train delays or cancellations on display boards at stations across the country. The hack led to unprecedented chaos at rail stations. The hackers posted messages such as "delayed" or "canceled" on the boards. They also urged passengers to call for information, listing the phone number of the office of the country's supreme leader, Ayatollah Ali Khamenei.

This, however, is not the first time Iran's network has been hacked. In 2019, Iran's telecommunications ministry said that the country had defused a massive cyberattack on unspecified electronic infrastructure but provided no specifics on the attack. Moreover, Iran had disconnected much of its infrastructure from the internet after the Stuxnet computer virus, widely believed to be a joint US-Israeli creation, disrupted thousands of Iranian centrifuges in the country's nuclear sites in the late 2000s.

03 JEDI Project Canceled

The Joint Enterprise Defense Infrastructure (JEDI) project was a major cloud computing contract that would have allowed the country's military to improve communications with soldiers on the battlefield. Former President Trump had awarded the \$10 billion dollar contract to Microsoft. The project has been on hold since 2019, when Amazon challenged the decision by President Trump. The US Defense Department has now canceled the JEDI project. A new contract will be awarded to Microsoft and Amazon. President Biden and his administration reportedly examined the JEDI project and concluded that legal challenges could continue to stall JEDI for several years and that the concept has already become outdated.

Startups and IPOs

01 Zomato IPO

The Zomato IPO is all set to take place on 14th July, hoping to raise Rs. 9,375 crore. The offer size marks an increase from the previously announced Rs. 8,250 crore when it filed draft documents with market regulator SEBI in April. It has set a price band of Rs 72–76 per share. Bids can be made for a minimum of 195 equity shares, and in multiples of 195 thereafter. Of the total offer size, shares worth Rs 9,000 crore are fresh issues while the remaining is an offer for sale by Info Edge (India) Ltd. According to Zomato's, the gross order value on its platform fell to Rs. 1,093.63 crore during April-June 2020 from Rs. 2,684.91 crore in January-March 2020. It then rose to Rs. 2,981 crore for October-December, surpassing the numbers from the same quarter in the previous year. The first nine months of FY20-21 show an improvement in unit economics of Zomato's business, with commissions and delivery charges rising compared to 2019-20, and discounts falling greatly. Zomato said that compared to the first wave of COVID-19, its business did not witness a negative impact during the second wave.

02 Clean Science and Technology

Clean Science and Technology is a family owned business that manufactures and exports specialty and fine chemicals. It works towards innovating eco-friendly and cost-competitive methods that use inhouse catalytic processes to produce chemicals. The company has become a leading manufacturer of certain chemicals globally and has customers from Japan to the USA.

The IPO of Clean Science and Technology, which opened on 7th July, was subscribed 93.41 times on the final day. It received bids for over 114.92 crore shares against the total issue size of 1.23 crore shares. The shares which are to be allocated for the qualified institutional buyers (QIBs), were subscribed 156.37 times, while those of non institutional investors were subscribed 206.43 times and that of retail individual investors (RIIs) was subscribed 9.00 times. With a price band of Rs. 880-900, Clean Science and Technology raised nearly Rs 464 crore from 41 anchor investors in lieu of 51,55,404 equity shares at Rs 900 each.

03 GR Infraprojects

GR Infraprojects Limited is an Engineering, Procurement, and Construction (EPC) company. The company's principal business of civil construction comprises several projects in the road sector and has recently delved into the railway construction. Having executed over a 100 projects since its inception, the company has a vast experience in the construction of highways, bridges, flyovers and runways among others.

GR Infraprojects opened for subscription on 7th July and was subscribed 102.58 times by the end. It received bids for over 83.33 crore shares against the total issue size of over 81.23 lakh shares. The shares allocated for the qualified institutional buyers (QIBs) were subscribed 168.58 times, while those of non institutional investors were subscribed 238.04 times and that of retail individual investors (RIIs) was subscribed 12.57 times. Also, shares for the employees' segment were subscribed 1.37 times. It had a price band of Rs 828-837 per share and raised a little over Rs. 283 crore from 47 anchor investors in lieu of 33,85,110 equity shares at Rs 837 each.

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