



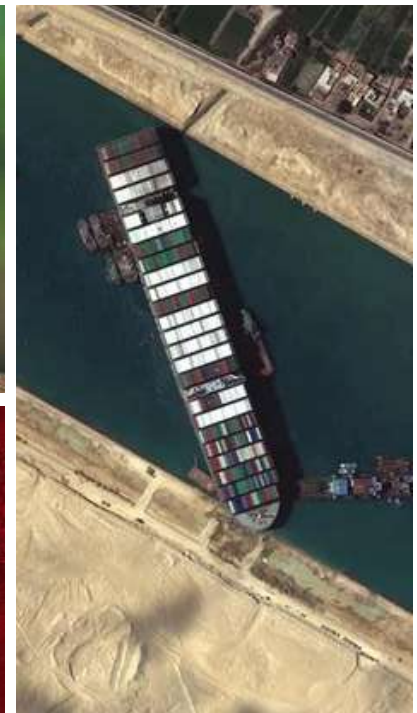
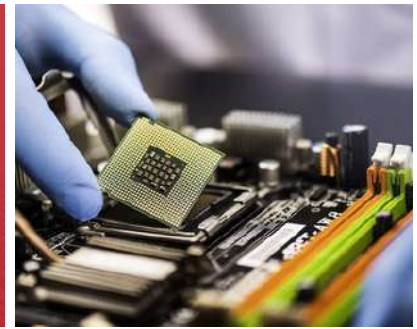
H.R. COLLEGE
of Commerce & Economics



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FINNACLE



DANCE OF DEMOCRACY

Learn about ongoing elections
in India | p.07

GUIDE TO STUDYING ABROAD

Learn about resources to get into
Foreign university | p.21

TOP 5 NEO BANKS IN INDIA

Get to know all about
Neobanking in India | p.29

TABLE OF Contents

Industry Connect

- 03** The biggest mistake investors make with their asset classes and how to rectify them? By Aditya Kondawar

Cover Stories

- 07** The Dance of Democracy: Elections in India

- 12** The Suez Canal Crisis

India

- 15** India - Pakistan Trade

International

- 18** The Global Chip Shortage

Student Resources

- 21** Guide to Studying Abroad

Jargon Decoded

- 25** Margin Call

Fintech

- 29** Neobanks & The Next Banking Revolution

Auto Industry

- 33** The Business of Formula 1 Grand Prix

The biggest mistake investors make with their asset classes and how to rectify them?

By Aditya Kondawar

READ TIME: 4 MINS

Q

- Do you go to a vegetable market to buy medicines?
- Do you go to a pharmacy to buy clothes?
- Do you go to the airport to buy furniture? .

Absolutely not!

What if we told you that some financial market participants are making mistakes like the above? They are trying to find an attribute in products that are meant for a completely different use.

The major asset classes are

1. **Debt**
2. **Equity**
3. **Commodities(Gold, Silver, etc.)**
4. **Real estate**



Aditya Kondawar

DEBT:

Debt is a product used to protect capital. Many investors have been chasing higher returns in debt products and have been on the receiving end of various busts such as the Credit risk funds. Many credit risk funds lent to bankrupt corporates and as the liquidity in the system tightened out, these corporate borrowers failed to repay causing the schemes to write down the exposure.

Franklin Templeton MF chased and offered such higher returns in their debt products to investors which led to the downfall of the 6 schemes, other un-quantifiable damage aside. They ventured into risky borrowing in chase of returns, investors too bought into such schemes because high returns, right? All debt investments should be safe investments with the idea to protect money. Portfolios of the debt mutual fund must be thoroughly checked before deploying money. No credit risk should be taken. Safety and debt should go hand in hand. Credit risk funds are not suited for retail investors, in fact in a market like India where the debt markets are not fully matured; it is advisable for all investors to stay away from credit risk funds.

Before investing in any debt fund the underlying portfolio of debt securities must thoroughly be checked. The check should not be influenced by the ratings but solely by the quality of businesses owned and their balance sheet quality.

Extending the above, it is seen that depositors are putting money in cooperative banks as they give a higher interest rate on deposits but we saw how some co-operative banks went belly up and 1000s of depositors lost their hard-earned money. Until the PMC bank fiasco the regulation of Co-operative banks was not exactly under RBI therefore the IRAC norms of reporting were never followed. Now the RBI has taken control of these banks, but it will take time before a complete clean-up is enacted. Deposits should only be made in scheduled commercial banks that are regulated by the banking regulator RBI.

EQUITY:

When we talk about Equity, it is used by many to try to make a quick buck in the market. But equity in a true sense is a product that should be used to grow one's wealth slowly and steadily. Many great 100x wealth creating stocks have simply given a return of 22-30% consistently over extended periods of time i.e. 20-25 years. Patience is the key to sustainable and consistent long term wealth creation but looking at the quick stock returns and the media noise, investors get impatient, indulge in F&O, buy without research, indulge in frequent churning and trading and buy into Pump and dump stocks for quick gains! In Direct Equity, investors are well served to research well before investing in any stock and they should be extremely patient to let their money compound because slow and steady wins the race. If they don't have the ability to research and buy stocks, they can invest in equity oriented mutual funds/index funds, etc.

REAL ESTATE & GOLD:

Lastly, talking about Real Estate and Gold, Indians have a sweet spot for both these assets. They are the only asset class which every Indian has a lot of knowledge and strong opinions on! While real estate should be a part of the portfolio, it cannot have allocations over 50% due to lack of liquidity, high transaction costs and high maintenance costs. A lot of individuals take loans at exorbitant rates, invest in properties for rental yield and try to sell it at a profit in a few years, but the high costs, illiquidity and other covenants can trap the complete investment and in fact make the investor pay more to maintain that asset leading to a big loss. With the push for Real Estate Investment Trust (i.e. mutual fund of real estate)(REITs) the real estate market will further get developed and they seem to be a far better option due to attractive dividend yield, instant liquidity and lower transaction costs.

Gold is an asset for bad times, when there is a major problem in the world; people will ditch all other asset classes and move to gold. This is more as a hedge for bad times and some token allocation must be made. However here again the allocations cannot be as high as 50%.

SO WHAT SHOULD YOU DO?

There is no generalization for asset allocation as every individual is different – their risk appetite, their financial standing, their goals and their situations are different. However, some basic rules as follows -

Equity- A major part of your portfolio should be in equities in the younger years. When you have comparatively less responsibilities, your equity exposure should be higher. As time passes by, you should work to reduce your equity exposure. (One famous rule is $100 - \text{Age} = \text{Equity allocation}$)

Debt Exposure-In the early years of your work life debt should be used only to protect you against any unforeseen emergency i.e. the allocations will be low as you become aggressive on equities. But as time goes on and you make more and more money, you will have to protect your capital and therefore debt will become a major part of the portfolio

Real Estate and Gold-These are alternative investments and bare basic allocation should be done as it will hedge the portfolio in difficult times.

In the end, keep it simple, buy the asset classes only for the use that they are meant for, don't try to search for returns in every asset class!



By- Aditya Kondawar

The Dance of Democracy: Elections in India

READ TIME: 4 MINS

WEST BENGAL



TAMIL NADU



KERALA



PUDUCHERRY



ASSAM



Elections, a term paired with the morning-tea newspaper in almost every Indian home, with over 2698 registered political parties, including 52 state parties and 8 national parties, serving over 1.3 Billion citizens, As of today the BJP or the Bhartiya Janata Party is the national ruling political party and undoubtedly the most powerful one, ruling over 15 states.

2021 is one of the most politically competitive years, as the states of West Bengal, Assam, Tamil Nadu, Kerala and Pondicherry host their state elections, which in other words means months long political battles, debates, rallies, and drama. Lets have a look over the different states and parties in spotlight-

475 constituencies go to polls in Tamil Nadu, Kerala, Assam, Bengal, Puducherry on April 6

The Gateway of Eastern India, WEST BENGAL:

West Bengal has turned the epicentre of the political battle between the BJP and non-NDA parties including TMC, Congress and the Left. The BJP has emerged as the main rival to the Trinamool Congress in this election. While the BJP may not have disclosed a candidate yet, but there are many

contenders for the chief ministerial post, starting with Dilip Ghosh, BJP's ninth president in the West Bengal unit and Mukul Roy, once a founding member of the TMC who is now the vice president of the BJP West Bengal. For the TMC, Mamata Banerjee or Didi, as she is popularly called, is the Chief Ministerial candidate. One of her significant acts after became the CM was to return 400 acres of land to Singur farmers from Tata. The major issues driving the energetic elections include corruption, jobs, development, cut money, hooliganism, protection of minorities and women empowerment.



The BJP has time and again accused Mamata Banarjee of nepotism and harbouring an anti-capitalist approach. West Bengal evidently lacks long term economic plans for job creation or to boost the formal sectors. The TMC slogans for the campaign are Bangla nijer meyekei chaay (Bengal wants its own daughter) and Khela Hobe (The game is on). The BJP is countering them with Asol Poribortan (Real Change), Jai Shri Ram and Sonar Bangla (Golden Bengal). This has emerged as one of the most competitive elections in Indian political history. While Home Minister Amit Shah claims BJP will have a huge victory the summer of 2021 will tell the fate of West Bengal.



The Tea Garden of India, ASSAM:

After Sarbananda Sonowal led-BJP had overthrown the Indian National Congress under Tarun Gogoi in the Assam Assembly election 2016. This time, Congress, which is in opposition in the state, has announced a "Grand Alliance". The parties in alliance along with Congress are the Communist Party of India, the All India United Democratic Front, the Anchalik Gana Marcha and the Rashtriya Janata Dal

The BJP went to the polls without announcing a proper CM candidate. The chief of AIUDF party has announced that if the Congress led Mahajot alliance wins the election, the CM would be from the Congress party which has leaders like State chief Ripun Bora, Lok Sabha member Debabrata Saikia who could claim the post. The major issue driving the elections is the implementation of the Citizen Amendment Act and NRC. While the BJP has been infamously blamed for

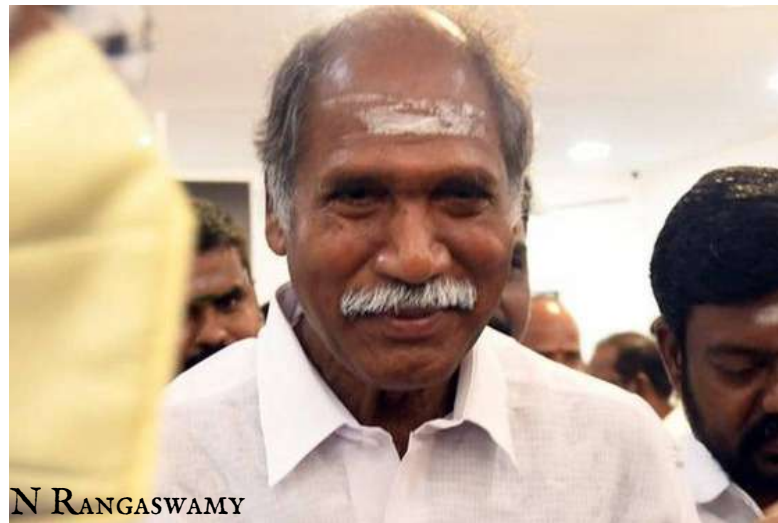
passing this act, in Assam there is considerable support for the NRC and opposition to the CAA, which explains why the Congress claims credit for piloting the NRC project while staunchly opposing the CAA since it discriminates on the basis of religion. The issue of illegal immigrants – identified as undocumented migrants from neighbouring Bangladesh who came into the State after March 24, 1971 – has defined the State's politics for over 40 years now.

God's own country, Kerala:

The 2021 Kerala Legislative Assembly election was held in Kerala on April 6, 2021, to elect 140 MLAs to the 15th Kerala Legislative Assembly. The former ruling alliance, The Left Democratic Front (LDF) is a coalition of centre-left to left-wing political parties, led by the Communist Party of India (Marxist) (CPIM) and its Chief Minister **Pinarayi Vijayan** will contest from Dharmadam constituency. The Congress led UDF (United Democratic Front) has not projected a CM candidate to avoid an internal showdown before polls. The Metro Man, **E Sreedharan** led the BJP that contested 115 seats and left 25 seats for its allies. The BJP is alleging that the LDF government did nothing for the development of the state during its five-year rule. Corruption charges like the gold scam, economic development, the Sabrimala issue, women welfare and tourism are the key drivers of the election and the key points of the BJP manifesto, to challenge the decade long LDF/UDF monarchy in the state.

The Paris of the East, Puducherry:

The fifteenth legislative assembly elections were held on 6 April 2021, to elect members from 30 constituencies to the Legislative Assembly in the Union Territory of Puducherry. The NDA coalition against the ruling Congress party is led by **N Rangasamy**, the Chief Ministerial candidate from AINRC who is firmly backed by the BJP. The key issues driving the elections, include attaining a "special union territory" status for Puducherry, women empowerment, healthcare and tourism. While the BJP manifesto promises all of the above and much more, is it enough to challenge the Congress? May 2nd will surely herald a decisive answer.



N RANGASWAMY



PINRAYI VIJAYAN



E SREEDHARAN



The Detroit of Asia, Tamil Nadu:

The sixteenth legislative assembly election of Tamil Nadu was held on 6 April 2021, to elect representatives from the 234 constituencies. The election has five fronts in the fray, but the contest could ultimately be between the ruling AIADMK-led front (which includes the BJP, PMK, Tamil Maanila Congress and other smaller parties) and the DMK-led front (which includes the Congress, Left parties, MDMK, VCK and other parties). Besides, a front led by Makkal Needhi Maiyam (MNM) founded by actor Kamal Haasan. MK Stalin-led DMK has released the list of 173 candidates for the upcoming assembly election. The DMK hopes to return to power in the state after a ten-year stint in opposition. The BJP has supported incumbent Edappadi Palaniswami from AIADMK as the Chief Ministerial candidate. The water crisis, is the major issue driving the election, followed by infrastructure development, jobs, freebies, anti conversion laws and women welfare.

Researchers: Riya Chhajer, Karan Tiwari, Sharan Israni

Writer: Rayaan Siddiqui

Article Designer: Nikunj Sureka

Sources: The Indian Express, India Today, The Times of India, The Financial Express.

The Suez Canal Crisis

READ TIME: 4 MINS

Why is the Suez Canal Important?

The importance of the Suez Canal stems first and foremost from its location; it is the only place that directly connects the waters of Europe with the Arabian Sea, the Indian Ocean and the countries of the Asia-Pacific. Without the Suez, shipments traveling between those parts of the world would have to traverse the entire continent of Africa, adding hefty costs and substantially extending their journey times.

A solution to that problem appeared elusive for centuries, until the precious 120-mile canal was constructed to slither down Egypt and into the Red Sea. It was built over the course of a decade in the mid-19th century- a feat only possible because the Mediterranean and Red Seas were found to be roughly level in altitude.

How vital is the canal to shipping?

About 10% of all global trade flows through the 120-mile-long canal. The iconic shipping journal Lloyd's List estimates that goods worth \$9.6 billion pass through the canal every day. Lloyd's says about \$5.1 billion of that traffic is westbound and \$4.5 billion is eastbound. More than 50 ships travel through the canal on an average day, carrying 1.2 billion tons of cargo.

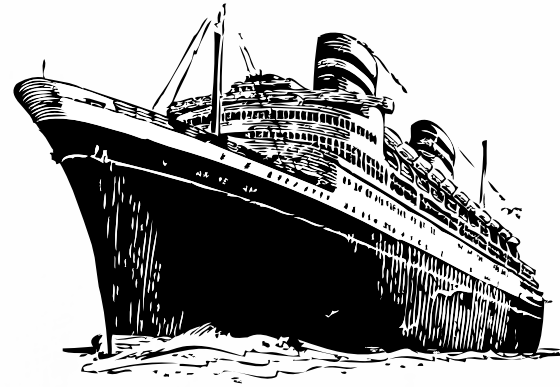
What effect did the Suez Canal blockage have on supply chains?

When it comes to shipping goods from Asia to Europe, there are virtually no alternatives such as rail or truck transportation. Thus a blockage like the one caused recently will delay a range of parts and raw materials for European products such as cotton from India for clothes, petroleum from the Middle East for plastics, and auto parts from China.

According to Suez Canal Authority, the Canal's revenue alone was taking a hit of \$14 million to \$15 million per day due to the blockage. The giant ship stuck in the Suez Canal cost the global economy an estimated \$400 million per hour as one of the most important trade routes was blocked.

The Ever Given-

The Ever Given, one of the world's largest ships, operated by Taiwan-based Evergreen Group, had entered the southern end of the 120-mile canal for the last leg of its voyage to Europe from China.



It was heading towards the port of Rotterdam in the Netherlands. On board were 18,000 containers, increasing its weight to 220,000 tons. The Ever Given became wedged diagonally across the waterway on 23 March after running aground amid high winds and a sandstorm. At 400 metres long and 59 metres wide, the Ever Given is twice the size of Egypt's Cairo tower, and just under half the size of the Burj Khalifa in Dubai, the tallest building in the world.



How and why did the blockage take place?

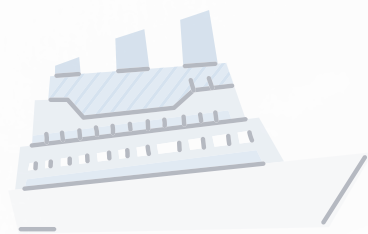
During a sandstorm March 23, the Ever Given cargo ship, was battered by heavy winds from a sandstorm that prevailed over Northern Egypt.

Some experts theorize that the large number of containers it was handling may have acted as a sail and pushed it off course. The head of Egypt's Suez Canal Authority, Osama Rabie, said that "technical or human errors" may be to blame for the grounding of a giant container ship in the crucial waterway.

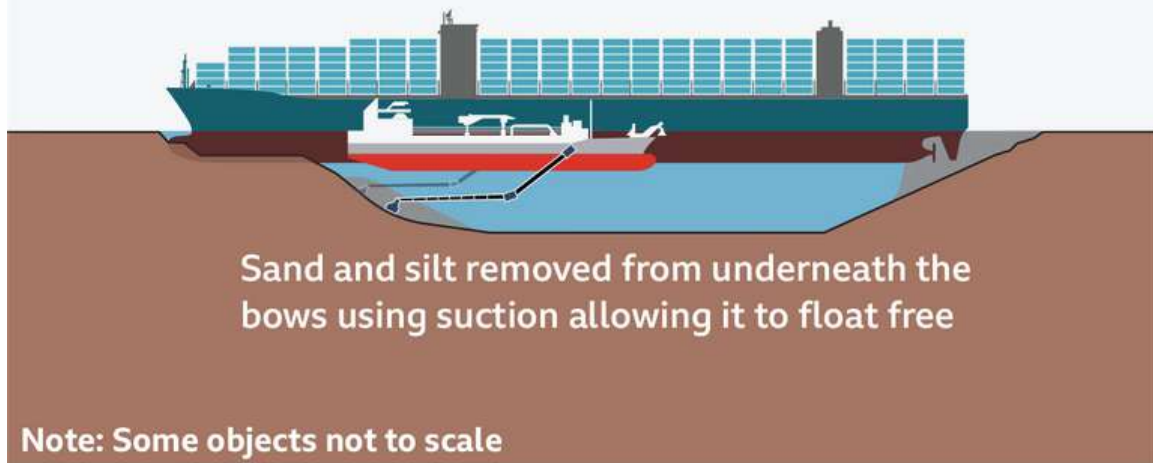
The blockage caused a huge traffic jam of more than 300 ships along the 193-kilometer (120-mile) canal, and caused major delays in the delivery of oil and other products.

How was the crisis solved?

The ship was freed after a major salvage operation involving a flotilla of powerful tug boats and dredging vessels that shifted an estimated 30,000 cubic metres (1.1m cubic feet) of mud and sand.



Dredging



Source: BSM, media reports

BBC

How to prevent blockages like this in the future?

The blockage of the international waterway focused attention on the vulnerabilities of supply chains, the importance of having crisis management and contingency plans, and how similar crisis situations could be prevented or managed more effectively.

Moreover there is another fundamental lesson to be relearned and it is about more than just the Suez Canal. It is the criticality of a handful of so-called “choke points” around the world upon which the global navigational grid depends heavily and thus a need to be extremely cautious while traversing through these choke points.

Dohnalek the CEO of Pivot international stated that in order to avoid another Suez Canal-type crisis, “Every company needs to have multiple sourcing options in place, as we learned during the pandemic. Another element of this recommendation would be to do business with one preferred vendor that has multiple operations across many regions of the world. This will avoid the massive impact a single location event would have on their business. This is by far the key toward mitigating exposure to these types of events in the future.”

Researchers: Nishika Kogta, Sherya Bhutra, Aditi Nagariya

Writer: Rishit Jhaveri

Article Designer: Kirthi Unnikrishnan

Sources: The Indian Express, India Today, The Hindu, The Economic Times, Britannica.

INDIA-PAKISTAN TRADE SAGA

READ TIME: 4 MINS

Prime Minister Imran Khan's latest U-Turn on opening trade with India illustrates why Pakistan cannot fulfil its leaders' stated goal of an economy-oriented foreign policy without moving away from the Islamist ideology that currently defines Pakistani nationalism.

Recently there was a momentary hope of de-escalation of hostilities between Pakistan and India.

Pakistani government's Economic Coordination Committee (ECC) announced their decision to open trade ties with India

That permits import of cotton, yarn and white sugar from the country would be approved.

But in a bizarre turn of events, the Pakistan government made a swift U-turn. They decided to reinstate the ban from India just about 24 hours after lifting them, after receiving backlash from the people and the opposition.

Not only does this portray a lack of coordination within the government, but it also points to poor decision-making on a serious matter that requires a sensible and level-headed approach. One minister noted that they have now deferred plans to normalize relations until India gives autonomy to the disputed region of Kashmir, restoring its special status.



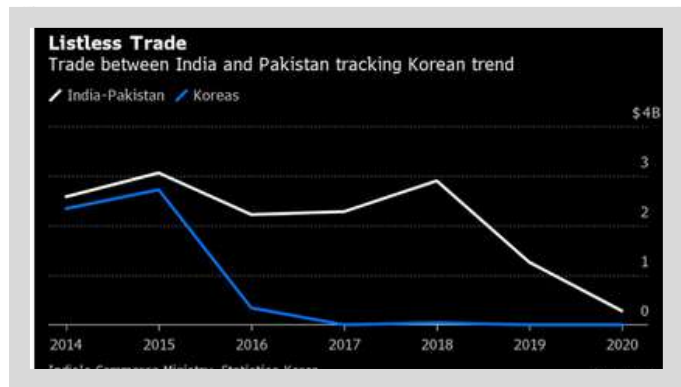
Given that India has not budged to Pakistan's demands on Kashmir after 72 years, multiple wars, and Pakistan-backed terrorism, linking the opening of trade to the Kashmir issue runs against the logic of geo-economics and has also deepened the mystery of India-Pakistan dialogue process.

WHAT IS THE TRADE RELATIONS SCENARIO OF INDIA & PAKISTAN?

Given our tumultuous relationship with our sub continental neighbor, trade has always been linked to the political interactions. In fact, back in August 2019, Pakistan decided to suspend bilateral trade and diplomatic ties with India primarily due to the fallout of India's decision to scrap Article 370.

Pakistan called the move "illegal" and took this trade measure as a way of showing its dissatisfaction.

However an underlying reason for suspending trade between the two countries was also the 200% tariff imposed by New Delhi, a move that India implemented earlier that year after revoking its status as a Most Favoured Nation following the suicide bomb attack on CRPF in Pulwama. India also took a stronger stance and suspended cross-LoC trade in April 2019 on receiving reports that these routes were being misused by Pakistan-based elements for funnelling illegal weapons, narcotics and fake currency.



WHAT WAS THE PRIMARY REASON BEHIND PAKISTAN'S SOFTENED APPROACH WHICH LED TO THE LIFTING OF THE BAN?


Well, one would have to take a close look at the cotton and textile Industries that are indispensable to Pakistan's cause. They make up close to 60% of the total exports and contribute 8.5% to national GDP. However Pakistan has been served a tough hand and country's cotton mills have suffered quite considerably in the recent past.

Heavy monsoons and pest infestation have ravaged the cotton mills and it has created a crisis of sorts for textile manufacturers. They simply haven't been able to source cotton at competitive rates and have had to rely on imports from faraway countries. It was an expensive affair and it took months for the cotton to reach Pakistani shores.



The best solution at this point in time would have been to turn to India. India would have offered the best prices for raw cotton considering we are the largest cotton producer in the world. We would have been able to offer a ridiculous bargain on these shipments since we are practically next door. But Pakistan has been reluctant to turn to us since 2019 after we revoked Kashmir's special status.

Pakistan has also been battling with inflation of late. Prices of electricity, gas, and staple food items are on the rise. It's getting really bad. In fact, their finance minister was only recently sacked after the government failed to curb inflation and the country's policymakers have been desperately trying to find a way to better their economic prospects.



BUT WHY IS IT SO IMPERATIVE TO HAVE CORDIAL TRADE RELATIONS WITH OUR NEIGHBOUR?

- 


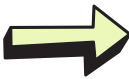
The populations of India and Pakistan share culture, language, and history, which can significantly help in enhancing trade, tourism, and investment between two countries if people-to-people contact is encouraged, to foster trust and greater economic interdependence.


- 


Furthermore, people would argue that better trade relations would inevitably deter both parties from escalating matters.


- 

Considering that any escalation in tensions between India and Pakistan has the potential of threatening peace and stability of the region, it is imperative that both countries find ways to peacefully resolve their disputes.


- 

Furthermore, enhancing economic cooperation and regional trade would leave both the countries with an opportunity to divert the enormous defense budget towards pressing issues, such as access to health services, free education, and proper housing etc., which are critically important for the poor population within each country.



Well one can only hope that these two star-crossed enemies find a middle ground and find a way to restart their trade relations for the benefit of their people.

Researchers: Palak Mehta, Kirthi Unnikrishnan

Writer: Kirthi Unnikrishnan

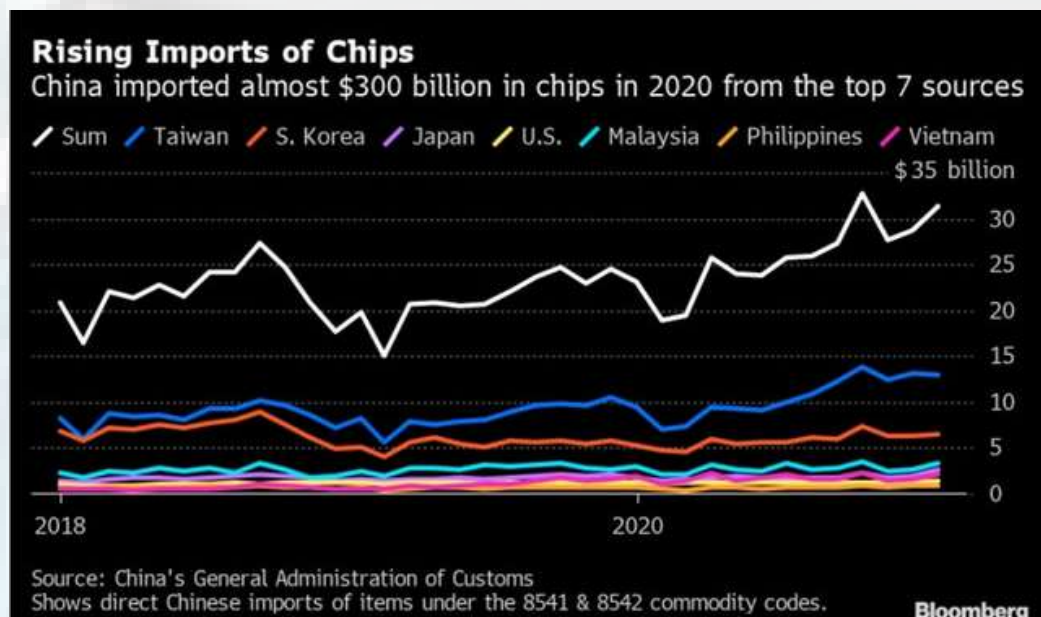
Article Designer: Prachi Ramchandani

Sources: The Indian Express, Live Mint, The Print.

The Global Chip Shortage

READ TIME: 4 MINS

The heralding of large-scale digitization has been made possible by stubby squared devices called chips. These shoulder the burden of storing memory in the devices we extensively use daily such as laptops, smart phones and even cars which incorporate gargantuan-sized infotainment screens for the techno-savvy youth. Chips also assume the role of a processor. Better the chip, the faster is the device to encode your commands and convert input into output in a stint. With the Corona virus still shrugging its shoulders to recede from all over the world, the number of people wanting to buy cars has been accelerating seamlessly. As cars are gradually turning into comfy tech-laden contraptions, they make use of chips more than anything else we have laid eyes on.

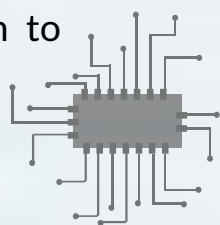


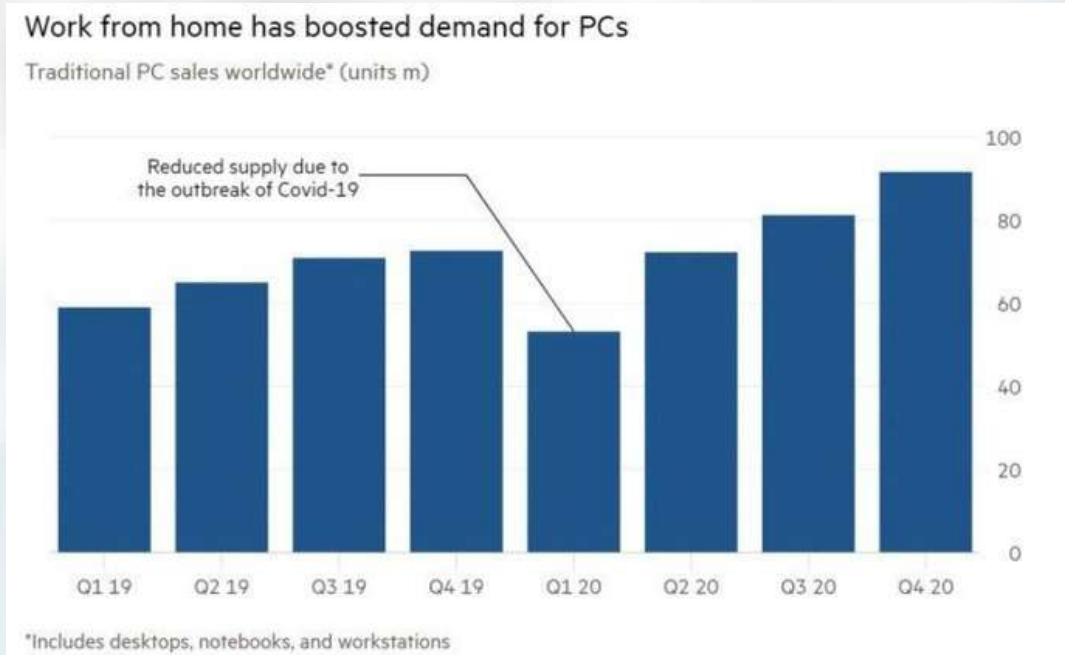
The new vogue of work from home and children adopting a digitised manner of studying from home for over a year now has exacerbated the pandemonium of ensuring an adequate supply of chips as the demand for these petite objects has been exorbitantly increasing.

Almost every company having its roots affixed in the Logistics, Automobile, IT and even the Food industry requires these chips. It is because of this deficit in the availability of chips coupled with the COVID crisis which has led to a global shortage. With the demand for semiconductors continuously outdoing the supply, the prices have shot northwards. This is perhaps, the biggest imbroglio for the consumers who either pay exorbitantly high prices for their favourite PS5 or XBOX console or wait for the prices to come out of the tumultuous zone and purchase when the supply is available at relatively affordable prices. The automobile industry has had to bear the brunt of allowing opportunities worth USD 60 billion to slip away from their hands. Ford has had to put the production on halt at two car plants after the prognoses that gains could be eschewed by USD 2.5 billion this year.

Apple was forced to delay the launch of its most talked-about iPhone 12 by 2 months from the planned date. Sony and Microsoft, at loggerheads with each other regarding the PS5 and the XBOX, have restricted their output for the year and put production on hold as they anticipate sales might not be enough to plough back profits. Samsung warned of a “serious imbalance” in the industry regarding the chips and will have to delay the launch of one of its premium smartphones despite utilising USD 36 billion for its devices alone.

However, what comes as manna from heaven is that this shortage isn't expected to last for a prolonged period once production resumes in full-fledged capacity leading to increased levels of supply to match the pent-up demand. With players such as Qualcomm, Intel and Taiwan Semiconductor Manufacturing Company (TSMC) having been around for the longest time and Samsung making optimistic investments in the industry, the size and scale of this industry have grown exponentially. US President Joe Biden has sought USD 37 billion in funding for legislation to reinvigorate chip production in the company. As a long-standing solution, TSMC disseminated its plans of investing USD 100 billion over the next 3 years to increase capacity at its chip-making plants to meet the growing demand. IntelCorp also announced a USD 20 billion plan to make its manufacturing plant more cavernous. Realising the viable nature of this industry, India has also sowed the seeds of chip manufacturing and is providing incentives up to USD 1 billion in cash to anybody wishing to invest in the industry.





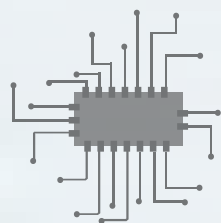
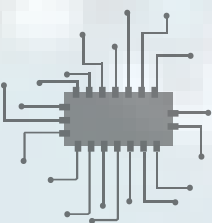
With things expected to normalise and follow the pre-COVID routine yet again, the global chip shortage chapter might end in about a year. However, lessons must be taken by the manufacturers from this scenario.

Researchers: Nikkita Tekchandani, Ruchita Katpal

Writer: Neel Patira

Article Designer: Taranjit Singh

Sources: Investopedia, schwab, fidelity, cnbctv18





STUDENT RESOURCES

Guide to Studying Abroad

READ TIME: 4 MINS

Choosing a study abroad program is a daunting task. We often hear how “studying abroad will change your life” and while there’s a lot to be excited about, there’s also the fear of making a bad decision.

How long do study abroad programs take?

The length of time you spend studying abroad is dependent on the course you are pursuing. Undergraduate degree courses take around 3 to 4 years while masters programmes take about 2 years.



Steps to Choose Your Study Abroad Program-

- Research well
- Confer with your counsellors
- Make your application.
- Offer acceptance
- Student visa

When can you start applying?

Application deadlines will be different depending on the school, but for programs starting in the fall (September/October), applications will generally be open from early in the year (January/February) until the middle of the year (June/July).

Overview of common standardized tests

Before being able to enter into your dream college, you have to meet certain pre-set academic standards. One of these requirements is securing above average scores in a series of standardized competitive exams specified by your university.





GRE (Graduate Record Examination) is an admission requirement for many graduate courses, especially in engineering and the sciences, in the USA. This test measures verbal, mathematical and general analytical skills of the candidate.

On the other hand, GMAT (Graduate Management Admission Test) is an admission prerequisite for B-schools abroad.

Moving onto the test which all undergrads will swear by, SAT. Scholastic Aptitude Test (SAT) consists of the Reasoning Test to check the general writing skills and grammar and the Subject Test to check a candidate's knowledge in the chosen subject and is offered 7 times a year.

Likewise, MCAT and the LSAT are mandatory for getting into medicine and law respectively in

the USA and/or Canada, Australia.

Lastly, English-proficiency tests like TOEFL are accepted by every other university abroad including the top 100 in the UK, U.S, Canada, Australia and New Zealand.

In addition, the IELTS is a required exam for Indian and other non-native English speakers seeking admission to the most prestigious universities and colleges around the world, especially in Commonwealth countries.

PTE is accepted by the majority of universities in the UK, the USA and Australia.



Ways to finance your education abroad:

- Merit-based scholarships, also known as fellowships, are awarded based on various criteria like academics, achievements, hobbies or talents.
- Specific scholarships are given to students with a certain ethnic background or family affiliations.
- Grants, often known as gift-aid or bursaries are money-free because they are a type of financial aid that is need-based and not merit-based.
- Student loans.

FAQs

1. How do I save money when studying abroad?

- Share accommodation and rent with friends.
- Home-cook most of your meals and avoid eating out.
- Consider purchasing a concession travel card.
- Find a casual/part-time job

2. Can I work while studying abroad?

Yes, you can! Possessing industry related experience would make your CV stand out and boost your employability after you graduate. Generally speaking, most countries allow you to work for a maximum of 40 hours a fortnight when your course of study is in session.

3. Do I need an education agent?

While you can apply to study directly at an institution, you may choose to use the expertise of an international education specialist (also known as a student counsellor) to guide you through the process of selecting the right university or college and enrolling thereafter.

Researchers:

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Sources:

IDP, Masters Portal, Best Value Schools



Margin Call

READ TIME: 4 MINS

Investing is an inherently risky venture, so to willingly add more risk to it is a particularly dangerous proposition. But investors often do that, feeling it gives them a better chance to profit.

One bit of risk that is common in investing is the use of a margin account - this is when the brokerage you open an account with gives you a loan to use for investments. Trading on margin gives you more capital to invest with, but it also makes you run the risk of a margin call.

A margin call has the potential to be catastrophic for investors, turning a poor investment choice into a much bigger issue. What is a margin call, what happens if you are unable to pay it, and what should you do to avoid it?

What is a Margin Call?

A margin call occurs when the value of a margin account falls below the account's maintenance margin requirement. It is a demand by a brokerage firm to bring the margin account's balance up to the minimum maintenance margin requirement.

How does margin Debt work?

In simple words, It is the money that investors borrow from stockbrokers to buy securities when they can't or don't want to fund the entire purchase with cash. That borrowed money is called a margin loan, and it can be used to purchase additional securities or to meet short-term lending needs not related to investing.

The downside is that brokers typically charge interest on borrowed money. And if the individual starts losing money on the investment, the stockbroker might ask for additional cash as security or collateral.

Triggering Margin Calls :

An investor's equity in such investment is equal to the market value of the securities, minus the amount of the borrowed funds from their broker. A margin call is triggered when the investor's equity, as a percentage of the total market value of securities, falls below a certain percentage requirement (called the maintenance margin).

Failure to meet Margin Call :

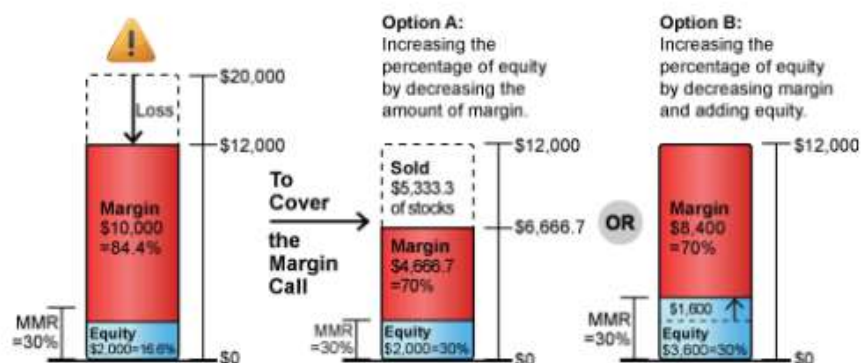
The margin call requires you to add new funds to your margin account. If you do not meet the margin call, your brokerage firm can close out any open positions in order to bring the account back up to the minimum value. This is known as a forced sale or liquidation. Your brokerage firm can do this without your approval and can choose which positions to liquidate.



How to avoid a Margin Call?

1. Prepare for volatility
2. Set a personal trigger point
3. Monitor your account daily
4. Utilize your broker's online tools
5. Try not to use up your entire Margin Buying Power.
6. Avoid a concentrated portfolio by diversifying your positions.
7. Avoid trading on margin in highly volatile securities.
8. Constantly monitor your account.

Ways to Cover a Margin Call



Case: Archegos Capital Management:

Archegos Capital Management, LP is a New York-based family investment office specializing in public equities primarily in the United States, China, Japan and Korea.

The company was forced to unload \$20 billion of shares following its inability to meet margin obligations to brokers. This led to prices of stocks like Viacom CBS, Discovery crashing over 25 percent intra-day, and US-listed shares of China-based Baidu and Tencent Music plunging 33-48 percent.

Archegos had taken bets on stocks using borrowed money and pledging shares as collateral with the investment banks/brokers it had borrowed from. When Archegos was unable to put up the money, its brokers dumped the shares Archegos had pledged with them.

Researchers: Vinita Nihalani, Aashi Pansari,
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Writer: Kartik Rao

Article Designer: Tanya Mulchandani

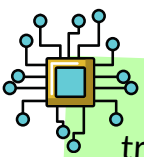
Sources: Investopedia, schwab,
fidelity, cnbctv18

Neobanks & the Next Banking Revolution

READ TIME: 4 MINS

As technology and digitalization are reaching new heights, customers are slowly switching over to digital banking. Many banks worldwide have begun reducing their physical branches as they are going digital. According to Zion Market Research, the neobank model is predicted to raise \$394 billion by the year 2026. In India, the neo banks segment is rising as they raised \$90 million last year.

So what exactly are Neobanks?



Neobanks are distinct from traditional banks. They opt for a fully digital approach to banking services. While conventional banks as we know today may offer online services, they still operate in physical branches. But Neobanks are 100% digital: you can talk to an employee, sign documents, and do all other relevant work from their website or application



The absence of brick and mortar branches allows them to save money on physical maintenance. They can direct their resources towards cybersecurity, up-gradation of fraud detection technologies, modern user interfaces, and risk assessment tools.

Neobanking & India

Globally, neobanks are entirely digitised. But, in India, regulations don't permit 100% digitised banks. Fintech companies showcasing themselves as neobanks offer services that are built on top of traditional banking services.

The neo banking revolution started in India when many start-ups introduced the "Digital Banking" Model attributing to the rise of Airtel Payments Bank, Jio Payments Bank, Paytm Payments Bank and many more. These were the closest models to the NeoBanks in India. The second wave came in the form of what we refer to today as NeoBanks by start-ups such as Niyto, Open, Razorpay X, Instant Pay etc.

Innovating outdated banking systems

- Faster onboarding and account opening process.
- Accounts are typically free to open and use.
- Leveraging technology such as AI and facial recognition.
- Seamless user experiences.
- Quick and efficient transaction processing.
- Easy accessibility with relevant information.
- Prompt customer support and personalised services.

Understanding the downside

Neobanks face their own set of challenges when it comes to operating amid a tight regulatory environment. They are not allowed to offer some of the key services that a bank provides such as deposits, interest or loans. India's chief regulator RBI is yet to come up with a draft of policies to allow the setting up of Neobanks. While the RBI has allowed payment banks and made a move to increase the adoption of digital banking, most of the companies that have received the license are yet to commence operations.

Traditional bank

Physical banking establishment

Up to 100 years ago

Long-term, in-person, with minor changes

In-person, phone, online

High, complex

Entire

Yes

Long

Service platform



Market entry

Client relations



Customer support

Fees



Banking license

Bank offices



Confirmation process

Neobank

Web & Mobile services

Up to 10 years ago

Flexible, virtual, easy to modify

Phone, online

Low, transparent

None, partial, or entire

No

Instant

What the future holds

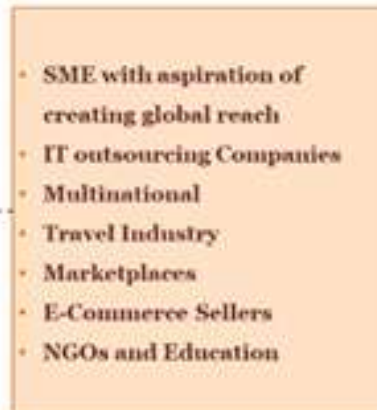
Core Infrastructure



B2B/B2C Modules



That are used by:



Over the last 3 years, India has seen the rise of neobanks with 811 by Kotak, Yono by SBI, RazorpayX, Open, NiYo, and more. And, these neobanks have been successfully helping SMEs, large enterprises, and the gig economy with billing, cash flow management, disbursals, vendor management, and so much more.

With competition mounting among traditional banks, new-age FinTechs, technology firms and non-banking entrants, it is yet to be seen whether the market is deep enough for neobanks to grow sustainably and equitably. How neobanks manage vital impediments in terms of regulation and compliance, data and cybersecurity, seamless API integration and expansion of products and services will be the fundamental determinants of their success.

Researchers: Leesheeta Bansal, Vidhi Nihalani, Suhani Agarwal

Writer: Caelean Tavares

Article Designer: Shubh Falodia

Sources: RazorPayX, PwC, LinkedIn, IBS Intelligence, Bloomberg Quint, The Economic Times

The Business of Formula 1 Grand Prix

READ TIME: 4 MINS

In 2019, Ferrari got a prize pay-out of \$205 million while Mercedes, who won the constructors' championship for the fifth year in a row received \$177 million. Ace drivers like Lewis Hamilton and Sebastian Vettel received around a whopping \$35 million. Wow!

Inaugurated in 1950, Formula One is the highest class of international auto racing for single-seater formula racing cars sanctioned by the Fédération Internationale de l'Automobile consisting of 10 teams. F1 consists of 22 races on a myriad of venues and terrains. Each race awards the various positions with points, and the driver with the most points at the end of the 22 tracks wins the championship.





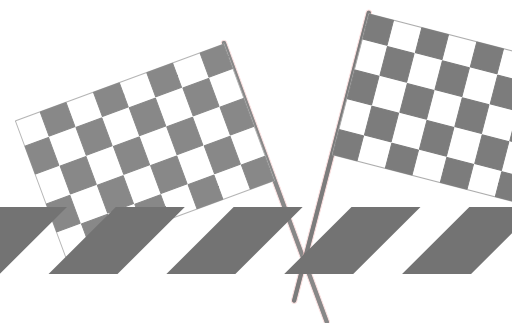
But how exactly, does a competition synonymous with speed, sports and science make money?

Today the global sport F1 is valued at \$10 billion. It has various avenues of income for the race organisation itself, hosting countries and the 10 teams.

So how does F1 generate income?

The “Formula One Group” is a business enterprise owned by NASDAQ-listed Liberty Media. It has a market capitalisation of \$5.6 billion. Primarily, Formula One makes money from broadcasting fees or TV commercial rights, advertising and sponsorships, race promotion fees or fees for hosting races and merchandising.

F1’s biggest revenue stream comes from the sale of television rights. F1 is one of the world’s most-watched annual sports series and its races drive tourism by showcasing the host countries to 471 million TV viewers. It explains why the fees hit an average of \$28.7 million per race last year bringing them to a total of \$602.1 million which is F1’s second-biggest revenue source. Formula One’s second-biggest revenue stream is made up of what is called “race-sanctioning fees” i.e., the fee for hosting a formula one race. Every F1 venue in the world, from a classic like Monaco to a newbie like Baku, has to pay a massive fee to F1 to be added to the calendar.

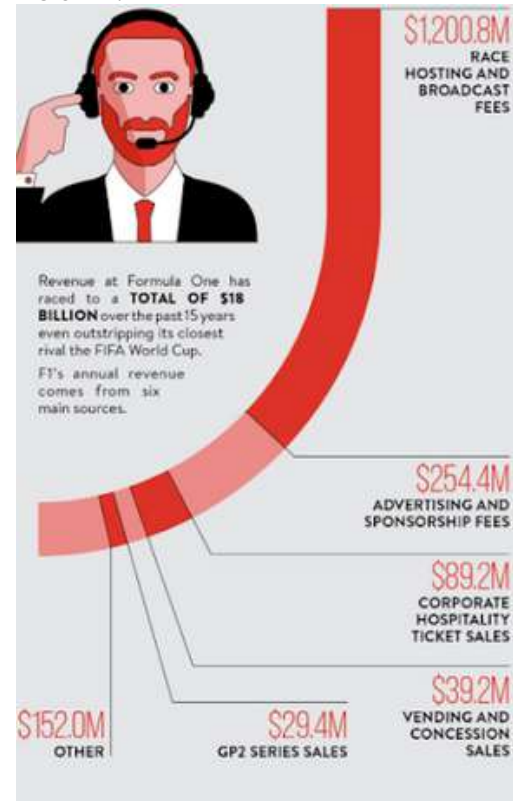


Additionally, F1's third-biggest revenue stream is a combination of ticket sales and other paid partnerships with companies or products like Rolex, Aramco, Marlboro, Vodafone, Shell, Mobil1.

How do teams finance their expenses?

Running an F1 team isn't cheap. There are sizeable costs incurred by each team in 4 key areas – Operations, Salaries, R&D, Production and Manufacturing to produce the fastest cars possible. The average spending of each is around \$243million with larger teams like Ferrari, Mercedes and McLaren spending up to \$400million.

For F1 teams, revenue begins with one word: sponsorships. Today, more than 300 brands sponsor F1 teams spending \$1.5 billion annually. Teams cover between 70 to 90% of their expenses through commercial sponsorships, and the remainder from prize money, owners' investments, merchandising, and TV rights. And when sponsors aren't enough, teams who are financially struggling turn to "pay drivers." These are drivers who may not be championship -winning material but bring huge financial backing to a team in the form of family wealth or lucrative sponsorship.

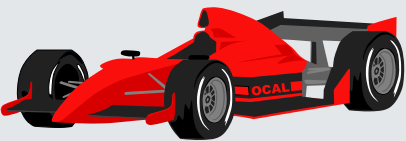
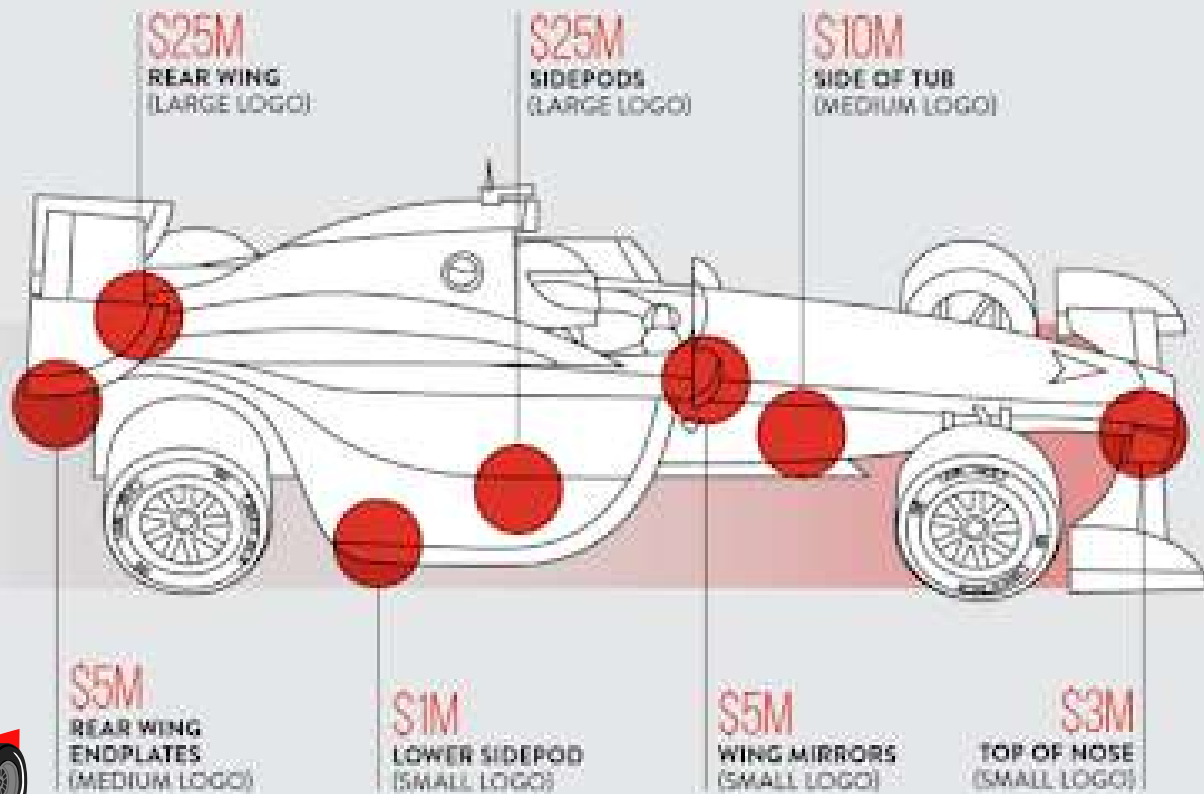


Sponsor	Value	Role
Mobil 1	15 M€ + 5.0 M€	Sponsor / Partners
Pirelli	2,5 M€	Partners
RAUCH	4,5 M€	Sponsor
ASTON MARTIN	18,0 M€	Sponsor
HONDA	25,0 M€	Sponsor
at&t	1,0 M€ + 2,5 M€	Sponsor / Partners
PUMA	1,0 M€	Sponsor
TAGHeuer	2,5 M€	Sponsor
ASTON MARTIN Red Bull RACING	-	Team
Hewlett Packard Enterprise	1,0 M€ + 2,5 M€	Sponsor / Partners
CITRIX	2,0 M€	Sponsor
DITA	0,5 M€ + 1,5 M€	Sponsor / Partners
FuturoCoin	1,5 M€	Sponsor
SIEMENS	1,0 M€ + 2,0 M€	Sponsor / Partners
IBM	1,0 M€ + 2,5 M€	Sponsor / Partners
利来国际 W66.COM	0,5 M€	Sponsor

SPONSORSHIP COSTS

Around 39 per cent of team revenue comes from sponsorship.

The rear wing, sides of the air intake box and the sides of the car itself are prime logo positions, and a sponsorship deal with a top team involving any of these positions is likely to cost around **£15 MILLION**.



How did the pandemic affect F1?

Formula 1 hosted only 17 races in the 2020 Formula 1 season due to the COVID-19 pandemic. For 2020, F1 reports that total revenue of \$1,145 million which was 43% less than revenues of 2019 since race-sanctioning fees and sponsorship fees saw huge dents. TV- only races led to a boost in broadcasting revenue. Although the pandemic persists, the momentum of F1 endures.

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Sources: Forbes, Bloomberg

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