

Som-Lalit Institute of Management Studies

Subject: Financial Markets and Services

Subject Code: 4539292

Author: Dr Riddhi Dave

### Valuing Polycab IPO

Polycab is engaged in the business of manufacturing and selling wires and cables and fast moving electrical goods (FMEG) under the POLYCAB brand. The company is among the largest manufacturer in the wires and cables industry in India. For Fiscal 2018, it had a market share of approximately 18% of the organized wires and cables industry and approximately 12% of the total wires and cables industry in India, estimated at INR525 billion based on manufacturers realization (Source: CRISIL Research). Polycab manufactures a diverse range of wires and cables and its key products in the wires and cables segment are power cables, control cables, instrumentation cables, solar cables, building wires, flexible cables, flexible/single multi core cables, communication cables and others including welding cables, submersible flat and round cables, rubber cables, overhead conductors, railway signaling cables, specialty cables and green wires. In 2009, it diversified into the engineering, procurement and construction (EPC) business, which includes the design, engineering, supply, execution and commissioning of power distribution and rural electrification projects. In 2014, the company diversified into the FMCG segment and its key FMEG are electric fans, LED lighting and luminaires, switches and switchgears, solar products and conduits and accessories.

Promoters of Polycab – Inder Jaisinghani, Ajay Jaisinghani, Ramesh Jaisinghani and Girdhari Jaisinghani

<b>Polycab IPO details</b>	
<b>Subscription Dates</b>	5 – 9 April 2019
<b>Price Band</b>	INR533-538 per share (Employee discount – INR53 per share)
<b>Fresh issue</b>	INR400 crore
<b>Offer For Sale</b>	17,582,000 shares (INR937.12 – 945.91 crore)
<b>Total IPO size</b>	INR1,337.12 – 1,345.91 crore
<b>Minimum bid (lot size)</b>	27 shares
<b>Face Value</b>	INR10 per share
<b>Retail Allocation</b>	35%

<b>Listing On</b>	NSE, BSE
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Objectives of Polycab India IPO:

- Scheduled repayment of all or a portion of certain borrowings – **INR80 crore**
- Funding working capital requirements – **INR240 crore**
- General corporate purposes
- Issue expenses

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
<b>Total revenues</b>	5,747.3	6,122.2	6,986.0
<b>Total expenses</b>	5,481.9	5,760.9	6,409.7
<b>Comprehensive income</b>	182.9	232.3	373.2
<b>Net margin (%)</b>	3.2	3.8	5.3

Based on the above information as provided by the company regarding its upcoming IPO, you are supposed to analyze the IPO and answer the following questions.

**Questions:**

- 1) Will you subscribe this IPO? Justify your answer.
- 2) Apart from information given above what other details you need to analyze before taking the above decision. Mention all sources you may need to arrive at the decision. And also explain: Employee discount – INR53 per share is mentioned, what does that mean?

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### **Happiest Minds : Will it Make investors Happy?**

Incorporated in 2011, Positioned as "Born Digital. Born Agile" Happiest Minds Ltd is a Bangalore based IT service provider company. The business of the company is divided into three categories; Digital Business Service (DBS), Product Engineering Service (PES) and Infrastructure and Management Security Service ( IMSS).

The DBS unit offers digital application development & modernization, assistance in designing & testing of operations, management of the platform, consulting and domain led offerings.

PES unit helps by transforming the potential of digital by making the product secure and smart. Wherein, IMSS provides an end to end monitoring and management capability for applications and infrastructure of the clients.

As of June 30, 2020, Happiest Minds had 148 active customers and has a global presence in countries like US, UK, Australia, Canada and the Middle East. The business units of the company is assisted by the 3 Centres of Excellence which are Internet of Things, Analytics / Artificial Intelligence, and Digital Process Automation. In Fiscal 2020, 96.9% of the company's revenues came from digital services which is one of the highest among Indian IT companies.

Happiest Minds delivers services across industry sectors such as Retail, Edutech, Industrial, BFSI, Hi-Tech, Engineering R&D, Manufacturing, Travel, Media and Entertainment.

#### **Competitive Strengths**

1. Focused on software product development
2. Strong Brand in offering Digital IT services
3. End to End digital lifecycle
4. Agile Engineering and Delivery

Company Promoters:

Mr. Ashok Soota is the promoter of the company.

Company Financials:

Particulars	For the year/period ended (Rs in Million)			
	30-Jun-20	31-Mar-20	31-Mar-19	31-Mar-18
<b>Total Assets</b>	5,730.8	5,081.5	4,135.2	3,869.9
<b>Total Revenue</b>	1,869.9	7,142.3	6,018.1	4,891.2
<b>Profit After Tax</b>	501.8	717.1	142.1	(224.7)

Objects of the Issue:

The company proposes to utilise the Net Proceeds from the fresh issue towards funding the following objects:

1. To meet long term working capital requirement; and
2. General corporate purposes

Happiest Minds IPO Details

<b>IPO Opening Date</b>	Sep 7, 2020
<b>IPO Closing Date</b>	Sep 9, 2020
Issue Type	Book Built Issue IPO
Face Value	₹2 per equity share

IPO Price	₹165 to ₹166 per equity share
Market Lot	90 Shares
Min Order Quantity	90 Shares
Listing At	BSE, NSE
Issue Size	42,290,091 Eq Shares of ₹2 (aggregating up to ₹702.02 Cr)
Fresh Issue	6,626,506 Eq Shares of ₹2 (aggregating up to ₹110.00 Cr)
Offer for Sale	35,663,585 Eq Shares of ₹2 (aggregating up to ₹592.02 Cr)

Based on the above information as provided by the company regarding its upcoming IPO, you are supposed to analyze the IPO and answer the following questions.

**Questions:**

- 1) Will you subscribe this IPO? Justify your answer2) Apart from information given above what other details you need to analyze before taking the above decision. Mention all sources you may need to arrive at the decision and also explain: Minimum order quantity of 90 is mentioned. What does that mean?

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### **Mutual Funds Industry in India: The Roadmap Ahead**

The Mutual Funds industry, despite registering a growth of 20%, has only two crore investors. This tells you that the industry is under-penetrated. Although technology has played a critical role in reaching out to a large audience, a lot of work is yet to be done. The economic slowdown due to the Covid-19 pandemic has had a severe impact on a number of industries. The Mutual Funds Industry is no different which has faced a lot of challenges, not only owing to the pandemic induced economic slowdown due to COVID 19 but also due to some specific events.

The footprints need to be expanded by opening branches in locations that are underserved. There is a need for investor education initiatives to continue, and the industry must maintain momentum. Equity is still the primary asset class for the retail investor, but promoting debt mutual fund schemes is equally essential. The promotion of such schemes can help in tackling the present-day challenge of the slow growth of this industry.

#### **Issues with respect to Debt Servicing and Liquidity**

The Securities and Exchange Board of India recently allowed valuation agencies appointed by AMFI (Association of Mutual Funds in India) to not consider as default any delay in payment of interest/principal or extension of the maturity of security by the issuer in case it has arisen only due to the Covid-19 pandemic induced lockdown or the RBI moratorium.

It will reduce the immediate pressure to some extent in terms of devaluation of the instruments, but it could look like a quick fix or postponement of the default to a later stage without taking the steps for value preservation or value enhancement.

Even prior to the lockdown, the issue related to liquidity was prevalent, and the RBI was sought for a solution. The present issues like liquidity concerns and issues relating to high-risk credit are not new. It has been there for the last few years. The Reserve Bank has announced a liquidity facility for mutual funds and has opened a 50,000 crore rupees window for high-risk debt mutual

funds. The scheme was available from 27<sup>th</sup> April to 11<sup>th</sup> May, unless the allocated amount is used earlier.

Here, the preferred mechanism to infuse liquidity is the repo window that operates under the Liquidity Adjustment Framework as per which the Reserve Bank lends to banks for specific on lending to mutual funds. Such exposure to mutual funds shall be exempt from capital market exposure limitations as per the current prudential regulations applicable to banks.

### **The Mutual Funds Industry still face certain issues in terms of-**

- **Customer Engagement and Education**

Investors have been unaware of the benefits of investing in **mutual funds**. It is because financial literacy and financial inclusion have been low. The investors must be educated about risk-return, asset allocation, fund objective, portfolio diversification, fund switching, etc. If the financial health of the investors is not taken care of, then arising issues are inevitable.

- **Product centered approach**

The industry is product-centered, and it falls short of the expectations in meeting the needs of the customer, especially at the time of economic uncertainty and market volatility. Therefore there is a need for the industry to be customer-centered. A large number of mutual funds schemes can make investment decisions difficult and complex KYC norms, submission of documents, etc. further restricts the investors.

- **Shortage in types of mutual funds**

There has been a shortage in the types of mutual funds available in the market, and the available products don't meet all requirements of the people. There is a paucity of new innovative products, and products like real estate funds, hybrid funds, and exchange-traded funds do not have many options. The products with capital protection or safety features must be devised to tackle this challenge.

- **Shrinking margins and consolidation**

Events such as the global economic crisis, increasing fund management costs, upper limits on fund charges, increasing challenges, and competition in the industry has made it difficult for small players to survive. Consolidation is expected to bring stability to the industry.

- **Regulatory Framework**

Although the regulator i.e., SEBI, has introduced several measures to protect the interests of the small investors still there is a requirement of more proactive, robust regulatory implementation and compliance systems supporting the growth and the needs of the industry.

- **Cost Management**

This is another issue hounding the MF industry. The ever increasing charges of fund management can never be allowed, especially when the profit margins are shrinking. There is a need for better cost management, and excessive churning of investments and asset-liability mismatch should be reduced.

### **Role of technology in resolving the issues in the Mutual Funds industry?**

Apart from the substantive issues, there are also procedural difficulties in the system. At a time when the country is under lockdown, there is a need to move to a digital platform for reducing the procedural challenges to some extent. Investment in technology has brought results, and it is expected to be the most significant enabler for growth as mutual funds have witnessed increased traction from online channels such as fintech platforms, etc.

Fintech platforms can be helpful in this space, and there are some players working towards it. It would be useful to have the regulator sponsor on these platforms to ensure better outreach.

The above is the article is written by Mr Ashish .M. Shaji accessible at <https://enterslice.com/learning/current-issues-in-mutual-funds-industry/>. Based on the above article answer the following questions.

- 1) Discuss the challenges faced by mutual fund industry in India and how you as a financial expert can advice your client in overcoming this challenges?
- 2) Analyse the role of technology in growth of mutual fund industry.



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### **Crowdfunding: A Catalyst for social entrepreneurship?**

For Mark Dharmai, an international para badminton player and World No. 3 in Men's doubles and Mixed doubles category, it was a dream to win a gold for his country. But being a fisherman's son, he had limited resources to fund his coaching, travel, etc. A campaign on crowdfunding platform Fuel A Dream helped him raise close to Rs 8 lakh. It also increased his popularity and got him a chance to do a TV commercial for Brooke bond. Plus, he was selected for ASIAD and invited for TED Talk.

This is just one of the many success stories of crowdfunding in India. While still at a nascent stage, crowd-funding has grown by leaps and bounds in the past decade. As per Statista, the total transaction value of crowdfunding is projected to reach \$9.4m in 2021 in India. While equity crowdfunding is still not allowed in India, the other forms of crowdfunding – donation-based, reward-based, debt-based and peer-to-peer – are gaining steam. "Crowdfunding is about storytelling, communication, technology and consumer behaviour coming together. It's not the amount of money raised that's important but the impact that it creates," says Ranganath Thota, Founder and CEO, Fuel A Dream.

One of the early success stories of modern day crowdfunding in India is of Adhitya Iyer, author of *The Great Indian Obsession: The Untold Story of India's Engineers*. Back in 2014, Iyer started a campaign on Kickstarter to fund the book he wished to write on India's obsession with engineers. Himself an engineer, Iyer had realised there were many more like him, working in a field that wasn't their true calling. "Crowdfunding was unheard of in India back then. Yet, my campaign received \$1 .. \$14,000 as funds. The biggest advantage of crowdfunding is that it's a great marketing tool. Even before my book was published, there were people who knew about it and wanted to buy it," says Iyer.

Valued at \$50 million, HoloSuit, is another example of crowdfunding success. Founded by Harsha Kikkeri and Shwetha in 2016, HoloSuit is the world's first affordable, bi-directional, wireless and easy-to-use full body motion capture suit. It allows users to point, touch and feel 3D objects and helps in creating a complete immersive experience. The campaign was one of the most successful ones on Catapooolt – an entrepreneurial crowdfunding platform. "The domain experts part of the crowdfunding platform. "The domain experts part of the crowdfunding

platform showed a lot of interest in our technology. It allowed a lot of exposure, and media coverage and helped build strategic partnerships,” says Kikkeri, Founder and CEO, HoloSuit. The education vertical of the company also won the National Startup Award in 2020.

Experts suggest that building a culture of trust is essential for the funding of companies. While crowdfunding is still largely a developed-world phenomenon, its potential to stimulate innovation and create jobs in the developing world has not gone unnoticed. It has also turned to be a boon for creative artists. When Kenny Basumatary planned to finance the release of his second film — Local Kung Fu 2 – he chose crowdfunding. With a budget of just Rs 90,000, he created an action comedy that won over Assam – his home state. Kenny, till now, has directed four films – most of them crowdfunded through Wishberry — a reward-based crowdfunding platform for creative artists.

The above write up is taken from article written by Pallavi Chakravory , published in Economic times accessible at <https://economictimes.indiatimes.com/small-biz/entrepreneurship/crowd-fundings-tryst-with-success/articleshow/81464803.cms>

Based on this answer the following.

- 1) Explain crowdfunding and compare it with traditional means of financing.
- 2) Evaluate the role of crowd funding in promoting social entrepreneurship.

