



# The Finnacle Express

Volume 1, Issue 28 July 2024

## The Finance Newsletter Of NMIMS HYDERABAD



Budget FY  
2024-25



Microsoft - 'Blue  
Screen of Death'



RBI's MPC



M & A  
Transactions



## MARKET UPDATES

Indian indices after Budget 2024 for FY-2025 have dropped from the day's high, leading to the Sensex closing at 80,429, NIFTY 50 closing at 24,479, and Bank NIFTY closing at 51,778. We saw NIFTY 50 crossing the 25,000 mark on or before the Union budget itself. Since the first quarter has come to an end, the listed companies have started reporting their quarterly results for FY-2025. A few major MNCs that reported their earnings are listed below:



The company has reported US dollar revenue of \$4,714 million, which is 3.3% higher than MQ4 FY-24, exceeding the estimate of \$4,665 million and beating street estimates. Revenue in rupees has increased by 3.7% sequentially to ₹39,315 crore, also above street estimates of ₹38,905 crore.



RIL has reported a 5% decline YoY in its consolidated net profit to ₹15,138 crore for this quarter, against ₹16,011 crore in the same quarter of the previous year. The company's revenue from operations increased 12% YoY to ₹2.36 lakh crore in the reporting period



We understand your world

The private sector lender reported a 2% QoQ fall in net profit at ₹16,175 crore. The bottom line was up 35% YoY. The net interest income (NII) rose 2.6% sequentially to ₹29,837 crore, compared to ₹29,078 crore in Q4 FY24.



The company reported a 64% decline in its consolidated net profit at ₹845 crore in Q1 FY-25. Its revenue from operations in Q1 FY-25 increased 2% YoY to ₹42,943 crore. EBITDA for Q1 FY-25 fell 22% YoY to ₹5,510 crore, while margins declined 390 basis points to 12.8%.

**The Indian stock market has reached its new high, driven by various growing industries such as renewable energy, real estate, railway, defence, automobile, etc. One of the major performers has been the defence industry in the month of July.**



# SECTORS IN FOCUS

## Performance of Defence Stocks

Defence stocks such as Mazagon Dock, Zen Technologies, Bharat Electronics Limited, and Hindustan Aeronautics Limited have reached new highs. The performance of a few stocks is presented below:

### Mazagon Dock :

Mazagon Dock Shipbuilders (MAZDOCK), a Navratna public sector company, saw its market capitalization touch a record high of ₹1,13,420.4 crore, crossing the important milestone of ₹1 lakh crore for the first time ever on 4th July 2024. The stock has delivered 140% so far in FY 2024. The company, which debuted on the bourses in October 2020 at an IPO price of ₹145 per share, has gained over 3,000% in less than four years of listing.

### Zen Technologies :

Zen Technologies (ZEN) is a niche player in the defence simulator-based training market. The addressable markets for simulators and counter-drones in India are estimated at approximately ₹140 billion and ₹120 billion, respectively, over the next five years. The company has a healthy order book of ₹14 billion and a likely inflow CAGR (Compounded Annual Growth Rate) of 37% over the next three years. The company has a diverse customer base spanning over 100 government customers and enjoys customer loyalty, with 90% repeat orders. In FY24, the company secured orders worth ₹13.6 billion, taking the total order book to ₹14 billion, diversified across both simulators and anti-drones. The stock has delivered a return of 75% YTD (Year to Date) and has made its new 52-week high of ₹1,487 in July.

## India's Defence Sector Growth

India's defence sector has seen remarkable growth, with domestic production reaching a record ₹1.27 lakh crore in FY 2023-24. This marks a 16.7% increase over the previous year and a staggering 60% growth compared to 2019-20. Defence exports also soared to an unprecedented high of ₹21,083 crore, reflecting a nearly 35% increase over the last fiscal year.

### Insights from Budget FY25

The Indian government has allocated ₹6,21,940 crore for the defence budget for FY 2024-25, marking an increase from the previous year's allocation of ₹5,94,000 crore. The capital outlay for the defence sector has been set at ₹1,72,000 crore. This substantial allocation represents 12.9% of the total government budget for 2024-25. Defence Minister Rajnath Singh highlighted that ₹1,05,518 crore of this budget is dedicated to domestic capital procurement, aiming to boost self-reliance in the defence sector.



# MICROSOFT 'BLUE SCREEN OF DEATH' OUTAGE

## Abstract

Users worldwide encountered a major disruption when their devices crashed upon start up. The culprit? A recent update from CrowdStrike, a US-based cybersecurity company that offers endpoint security solutions to numerous organizations globally. The issue affected millions of Windows computers, leading to widespread chaos—from malfunctioning supermarket checkouts to grounded airport operations. Fortunately, Mac and Linux users remained unscathed. Early on Friday, a global disruption affected multiple services and products across various domains, including airlines, hotels, and office establishments. The culprit? The notorious “Blue Screen of Death” error, which struck most Microsoft Windows devices. Chaos ensued as critical systems faltered, leaving users stranded and businesses scrambling to restore functionality.

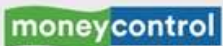
In India, operations across several offices remained impacted. Several major airlines also reported being unable to check in passengers, while the Mumbai airport was unable to process the check-in for several airlines and passengers, an official said.

"This seems to be a global issue. We are working with them (Microsoft) to identify the root cause," an official from the Ministry of Electronics and Information Technology said. In a statement on X, Microsoft said it was "investigating an issue impacting users' ability to access various Microsoft 365 apps and services."



## Global Effect

- Bank services in Australia and New Zealand were disrupted as they lost access to computer systems, according to media reports. Australia's largest bank, Commonwealth Bank, said some customers had been unable to transfer money due to the outage.
- During the Asian trading session, LSEG said its news services were experiencing a global technical issue that prevented news from being published on its platform, as well as spot and forward prices for currencies at 0600 GMT



*"Yesterday, CrowdStrike released an update that began impacting IT systems globally. We are aware of this issue and are working closely with CrowdStrike and across the industry to provide customers technical guidance and support to safely bring their systems back online."*

**SATYA NADELLA**

CHIEF EXECUTIVE OFFICER  
MICROSOFT



## How Did Indian Markets Manage to Avoid the Outage?

1) Since the Indian exchanges and regulators spend much less on IT than their global peers and yet still remained unaffected, it reflects what Sanjeev Sanyal, a member of the Economic Advisory Council to the Prime Minister (EAC-PM), wrote on X.

2) The NSE spends ₹570 crore on IT costs, according to a report by Business Today, which adds that this is extremely modest compared to the London Stock Exchange Group (LSEG), which spends ₹6,556 crore, NASDAQ, which spends ₹1,949 crore, and the Hong Kong Exchange (HKEX), with the highest figure of ₹6,807 crore



Satya Nadella, Microsoft CEO, broke his silence over the CrowdStrike snag after Windows across the globe faced an outage. CrowdStrike is a US-based cybersecurity company that provides endpoint security to several organizations globally.



### CrowdStrike's Response

CrowdStrike admitted the issue, associated it with their Falcon sensor, and rolled back the bad update. However, all affected machines will still need the intervention of a human being. IT admins are having to boot into safe mode and delete system files, a tiresome task for cloud-based servers and remote laptops.

If your primary work machine is Windows, I believe both Microsoft and CrowdStrike just gave you permission to take a long weekend.

# BUDGET FY 2024-25

Narendra Modi led NDA government presented its 10th consecutive Union Budget on July 23rd 2024.

Finance Minister Nirmala Sitharaman presented the Union Budget compiled by the Department of Economic Affairs (DEA), Ministry of Finance.

She emphasized on the need to focus on different castes, the poor, women, youth and the farmers which are the major drivers of the Indian economy.

## Budget themes:

- Employment
- Skilling
- MSME
- Middle class



## The government is going to focus on following aspects for FY25

- Productivity and resilience in Agriculture
- Manufacturing & Services
- Infrastructure
- Employment & Skilling
- Urban Development
- Innovation and R&D
- Inclusive Human Resource Development and Social Justice
- Energy Security
- Next generation reforms

- Big Bonanza for Bihar: Union government allocated 26000Cr for various road projects in Bihar on the back of JDU's support to NDA for forming the government, will also try to attract financing from multilateral development agencies i.e. ADB, World Bank, JBIC etc.
- GoI also launched a plan called "purvodaya" to foster all round development in Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh.
- Mega Infra boost announced for Andhra Pradesh- government will arrange 15000Cr this Fiscal for development of capital city of Andhra Pradesh.

## Priorities this Fiscal

### Productivity and resilience in Agriculture

- A new National Cooperation Policy will be rolled out by the government for development of the cooperative society.
- Transforming Agricultural research
- 109 new high yielding and climate resilient varieties of 32 field & horticulture crops will be released.
- Government will work towards making Indian economy Atmanirbhar to develop resilience against supply side shocks.
- Government is also pushing for natural farming by intending to engage 1Cr farmers in organic farming in the next 2 years.

### Employment & Skilling:

GoI has launched three Schemes to uplift the employment levels and for upskilling the youth.



### Scheme A: For first time employees

One month wage to new entrants in all formal sectors in three installments upto 15000. Expected to benefit 210 lakh youth

### Scheme B: Intending to create jobs in manufacturing

Gol will provide incentives to both employees and employers for EPFO contributions in the specified scales for the first 4 years. Expected to benefit 30 lakh youths.

### Scheme C: Providing support to employers

Government will reimburse contributions of employers of upto 3000 per month for 2 years for all new hires. It is expected to generate 50 lakh jobs.

### Scheme D: Up-skilling the youth

- 20 lakh youth will be skilled over a 5-year period. 1,000 Industrial Training Institutes will be upgraded.
- Loans up to 7.5 lakh with a guarantee from a government promoted fund which is expected to benefit 25000 students per year.
- Financial support for loans up to 10 lakh for higher education in domestic educations. Government will provide annual interest subvention of 3%.

### Scheme E: Internship opportunities

Scheme for providing internship opportunities in top 500 companies to 1Cr youths in 5 years.

Allowance of 5000 per month along with a one time assistance of 6000 through the CSR funds.

### Infrastructure:

Government intends to spend 11.11 lakh Cr which is 3.4% of GDP towards infrastructure sector.

- 1.5 lakh Cr will be rolled out to states as interest free long term loan to support infra development.
- Phase IV of PMGSY (Pradhan Mantri Gram Sadak Yojana) will be launched to provide all whether connectivity to 25000 rural households.

### Energy Security:

- Initiatives will be taken with the private sector in the field of Nuclear Energy and setting up Bharat Small Reactors.
- AUSC Thermal power plants: A joint venture between NTPC and BHEL will set up a full scale 800MW commercial plant.
- PM Surya Ghar Muft Bijli Yojana: 1Cr households will obtain free electricity of up to 300 units every month. So far there are 1.28 Cr registrations and 14 lakh applications.

### Facts and Figures

- Revenue Receipts expected to stand at 31.3 trillion for FY25
- Revenue expenditure expected to stand at 37.1 trillion for FY25
- Capital Receipts expected to stand at 16.9 trillion for FY25
- Capital expenditure expected to stand at 15 trillion for FY25
- Fiscal Deficit target for FY25 has been revised at 4.9% from 5.1%, with a target of 4.5% for FY26, Gol is undergoing a fiscal consolidation.
- 27% of government's revenue flows from borrowing followed by Income tax (19%), GST (18%) and corporate tax (17%)
- 21% of government's revenue expenditure is towards state's shares of taxes and duties followed by Interest payments (19%) and towards Central sector schemes (16%).

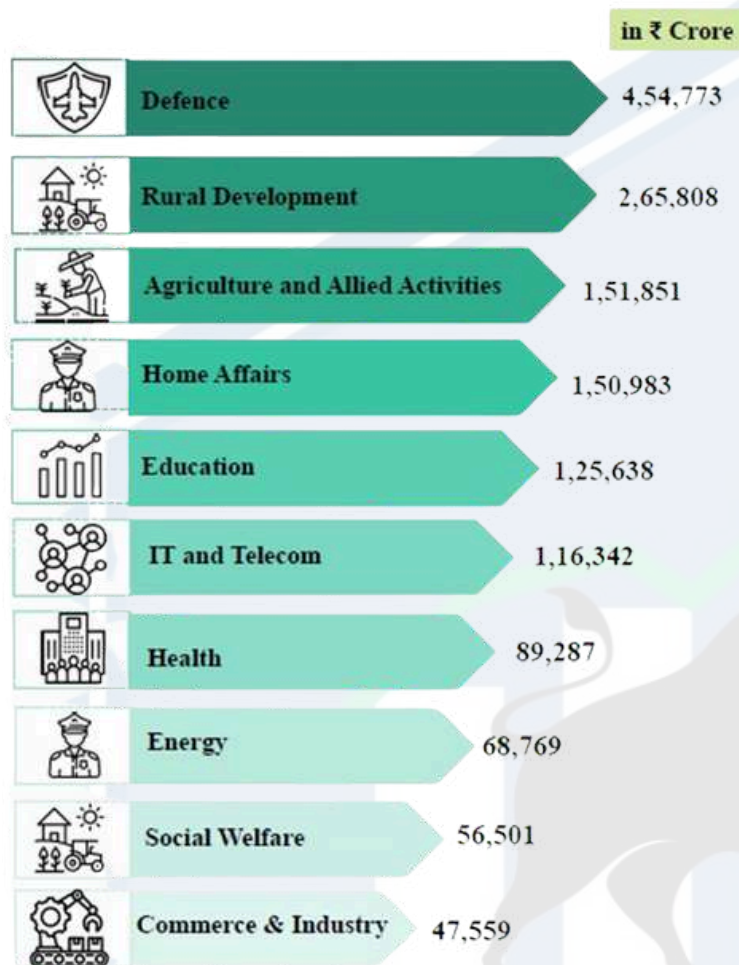
### New Tax Regime

Before Budget		After Budget	
Total Income	Rate of Tax	Total Income	Rate of Tax
Upto 3 Lakh	Nil	Upto 3 Lakh	Nil
3 lakh – 6 Lakh	5%	3 lakh – 7 Lakh	5%
6 Lakh – 9 Lakh	10% + 15,000	7 Lakh – 10 Lakh	10% + 20,000
9 Lakh – 12 Lakh	15% + 45,000	10 Lakh – 12 Lakh	15% + 50,000
12 Lakh – 15 lakh	20% + 90,000	12 Lakh – 15 lakh	20% + 80,000
More Than 15 Lakh	30% + 1,50,000	More Than 15 Lakh	30% + 1,40,000



## Allocation to different Ministries:

### Expenditure of Major Items



## Changes in Customs duty:

- Customs duty on gold and silver has been lowered to 6%, while customs duty on platinum has been lowered down to 6.4%
- Customs duty on mobile phones, mobile PCBA and chargers has been lowered to 15%.
- Promoting manufacturing of solar cells and panels, custom duty has been exempted from more no. of capital goods.



## Rationalization of capital gains:

- Short term capital gains tax remains unchanged at 20%
- Long term capital gain tax (LTCG) has been increased from 10% to 12.5% which was a negative news for the investors. Effects of this news was evident in the markets with Nifty 50 coming under a selling pressure around noon.
- Corporate tax rate on foreign companies has been reduced from 40% to 35%.



# M&A TRANSACTIONS IN INDIA

M&A transactions in India are governed by various regulatory bodies and laws, including the Companies Act, 2013, and regulations set forth by the Securities and Exchange Board of India (SEBI). Certain transactions may also require approval from the Competition Commission of India (CCI) to ensure they do not create monopolies or significantly reduce competition in the market.

## Drivers of M&A in India:

- 1. Market Consolidation:** Companies often merge or acquire to consolidate their market presence and gain economies of scale.
- 2. Access to Resources:** Acquisitions can provide access to new technologies, intellectual property, or distribution networks.
- 3. Strategic Expansion:** M&A activities are often driven by the desire to expand into new geographic markets or diversify product offerings.
- 4. Cost Efficiency:** Combining operations can lead to cost savings through synergies in areas such as production, distribution, or overheads.
- 5. Market Access:** Acquiring companies may seek to gain access to a new customer base or enhance their brand presence.

Overall, mergers and acquisitions play a significant role in shaping the corporate landscape in India, facilitating growth, and driving strategic objectives for companies across various industries



## Recent News in the Indian Market about M&A:

- 2024 started off well, with more than a 50% jump in January to touch \$6.3 billion.
- Reliance's media companies have announced a merger with Disney India, resulting in their media assets reaching a combined value of around \$8.5 billion.
- However, Sony's planned \$10 billion merger with Indian company Zee Entertainment got scrapped, as, according to reports, Zee could not meet the closing conditions as per the merger agreement.
- Singapore recently gave approval to the merger between Air India and Vistara, with the condition that the parties maintain pre-COVID level capacities and appoint independent auditors to monitor compliance with their stated capacity commitments. The companies have been instructed to submit annual reports as well.
- Tech Mahindra's board of directors recently approved its merger with three of its wholly owned subsidiaries, namely Perigord Premedia (India) Private Limited, Perigord Data Solutions (India) Private Limited, and Tech Mahindra Cerium Private Limited.
- Startups such as Pine Labs, Zepto, and Meesho are considering merging their Singapore holding companies with the operational companies in India, considering the high valuations that they may get inside India's capital markets.

# RBI's MPC

## (Monetary Policy Committee)



RBI Governor:  
Shashikanta Das



Dy. Governor:  
Dr. Michael Debrata Patra



Member 1:  
Dr. Shashanka Bhide



Member 2:  
Dr. Ashima Goyal



Member 3:  
Prof. Jayanth R Varma



Member 4:  
Dr. Mridul K. Sagar

RBI MPC was constituted under the Reserve Bank Act, 1934 with an intention to bring transparency & accountability in formulating the monetary framework of the Indian Economy. The monetary policy focuses on propelling economic growth and price stability (Inflation)

India went for Inflation targeting in 2016 for the first time under the chairmanship of Urjit Patel, a target of 4% was set with a leeway of 2% on either side, making the ideal range of 2-6%.

There are multiple quantitative ways and qualitative ways in which the RBI ensures price stability without curbing economic growth.

### Monetary Policy Tools

**Quantitative tools:** To control the quantity of supply of money

**1. Reserve requirements:** Maintaining cash reserves protects the lending institutions from a bank run or any other liquidity related problems.

**I.CRR (Cash Reserve Ratio):** Currently at 4.5%. Banks are obligated to maintain 4.5% of their NDTL (Net Demand and Time Liabilities) in their account maintained with RBI on a fortnight basis. RBI pays no interest on the reserves.

### II.SLR (Statutory Liquidity Ratio):

Currently at 18%. Banks are obligated to invest 18% of their NDTL in either gold, g-sec or cash. As government securities are highly liquid and interest bearing financial instruments, it has become the common preference of all financial institutions.



## 2. Policy Rates:

### I. LAF (Liquidity Adjustment Facility) :

Policy rate or the Repo rate (Repurchase rate): Currently at 6.50%. It is the rate at which RBI lends funds to banks in exchange of govt. securities which are kept as collateral by banks.

RBI increases the repo rate when it wants to curb higher inflation or influence the short term interest rates in the money market.

Reverse Repo: Currently at 3.35%. This is the rate at which banks can deposit their surplus funds with the RBI in exchange of govt. securities as collateral. RBI lowers the reverse repo when the inflation is on the higher side of the target range.

### II. MSF (Marginal Standing Facility):

Currently at 6.75%. It is the rate at which RBI lends for a day to banks to fulfil their obligation of maintaining the CRR on an overnight basis. MSF is maintained at a higher level as compared to bank rate to penalize the banks for failing to maintain adequate amount of reserve.

MSF is also used to influence the short term interest rates in the money market as it wants to promote the interbank lending and borrowing. RBI increases the MSF if the interest rates in the money market is on the lower side and lowers the MSF if the interbank interest rates are on the higher side.

**III. Bank Rate:** Maintained at 6.75%. This is the rate at which RBI lends money to banks for over 1yr.

**IV. SDF (Standing Deposit Facility):** Currently at 6.25%. It is the rate at which banks deposit their surplus funds with the RBI, but there is no collateral involved in the transaction which differs it from the Reverse repo. As RBI doesn't provide any collateral in exchange, a higher interest rate has to be paid to the banks.

## 3. Market operations:

**I. OMO (Open Market Operations):** Under OMO, RBI buys and sells short term and long term govt. securities from the market. RBI purchases govt. securities when there is less liquidity in the banking system and sells govt. securities when there is excess liquidity in the market.

**II. Market Stabilization Scheme (MSS):** As per the scheme a market stabilization fund is maintained by RBI in collaboration with the Govt. of India. This fund is used to when RBI wants to maintain a certain exchange rate or wants to stabilize the exchange rates to favor Indian exports and imports.

RBI sells USD when INR is depreciating too much against the green back which makes exports favorable but our imports costlier and buys USD from the market when INR is appreciating beyond RBI's comfort level which makes imports cheaper but our exporters lose their competitive edge.

**Qualitative tools:** To control the flow of supply of money (not a statutory obligation)

### I. RBI guidelines

### II. Moral Suasion

**III. Credit Quality Control:** In order to encourage or discourage borrowings, RBI varies the minimum credit score required to be able to borrow funds from banks.

**IV. Margin requirement:** RBI changes the margin required to borrow funds to encourage or discourage borrowers depending on the economic conditions.

