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arthaprajna
Fin-Glory
Arthaprajna
FINANCE
funding
saving
benefit
"Have a control over money, or money will control you forever."- Mayura Shetty

Fin Glory

FROM THE EDITORS DESK....

Greetings from PIM Family...!

> **"A wise person should have money in their head, but not in their heart."**
> **-Jonathan Swift**

We the Fin-Glory are happy to present before you all the 8th issue of 'Arthaprajna' volume-13. This issue has different varieties of article that gives a glimpse of knowledge and facts to our readers. The first article in Fin-Stocks column talks about Derivatives, whose main purpose is management and mitigation of risks. The second article is Fin-personality of the issue Aarthi Subramanian. She is a name to reckon with in the corporate world standing as an additional director of Tata Industries.

The third article is one of the technical analysis tools, Bollinger Bands that analyse volatility of prices. The last two articles speak about disruptive innovation and ESG under Fin-tech and Fin-wing column.

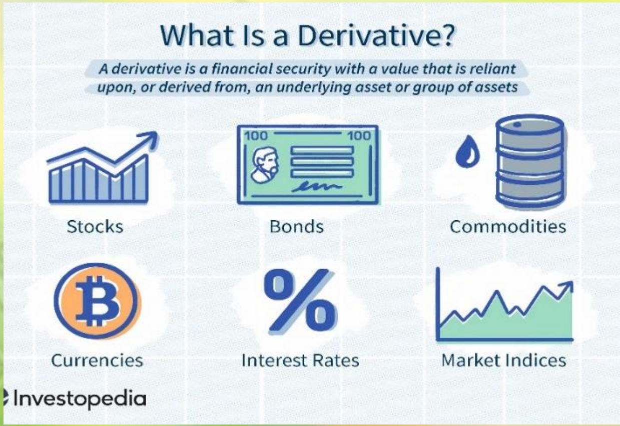
At the end, we have Fin-quiz for you to answer and be the winner. We have also included the answer for the previous issue particularly in the quiz at the end along with the name of the winner. We look forward to your valuable feedback and replies at arthprajna@pim.ac.in

Regards,
Naveen R.Bhat
Chief Editor
Arthaprajna Team - 2021

FIN-STOCKS

DERIVATIVES

Derivatives are contracts that derive values from underlying assets or securities. The underlying assets from which these contracts derive values can be stocks, bonds, indices, currencies or commodities like coffee, sugar, wheat and cotton etc.



Derivatives serve the purpose of risk management. Derivatives futures contracts originated with farmers and traders hedging their produce against future price fluctuation risks. Derivatives work on the principle of risk transfer, depending upon the roles put on by different market players.

Two prominent market players in derivatives are hedgers and speculators:

- **Hedgers** are underlying assets owners, who wish to transfer future price fluctuation risk.
- **Speculators** are the risk consumers who take positions in derivatives contracts based on the predictions of future movement of prices of the underlying assets. Speculators hold derivative position with or without owning the underlying assets.

Types of derivative contracts:

- **Forwards**: The Contract between two parties, where payment takes place at a specific time in future at todays' pre-determined price.
- **Futures:** Contracts to buy or sell an asset on a future date at a price specified today. A future contract differs from forward contracts; in that the future

contract is a standardized contract written by a clearing house.

- **Options:** Contracts that give the owner rights but not the obligation to buy or sell an asset. The price at which the sale takes place is known as strike price and is specified at the time the parties enter into the option.

By:

FIN-PERSONALITY

AARTHI SUBRAMANIAN

Aarthi Subramanian serves as Non-Executive Director at Tata Consultancy Services effective from august 17th,2017. She currently serves as Executive Director, Global Head, Delivery Excellence, Governance & Compliance of the company. She is the Global Head of Delivery Excellence Group responsible for governance of service delivery, compliance and risk management. She was appointed as the Executive Director to the Board of TCS on March 12, 2015 for a period of three years.

Aarthi is passionate about enabling TCS' best practices and experience in service delivery, while driving a strong continuous improvement culture and mindset. Prior to this role, Aarthi was the head of Delivery for seven years with the TCS Retail & CPG Business unit, where she was responsible for several strategic accounts and major clients. She led the team to achieve excellence in customer service through relentless customer focus, rigor in service delivery, and proactive value addition focus. Aarthi has played a key role in setting up SAP Center of Excellence in Chennai.

Aarthi started her career as a graduate trainee in TCS in 1989. She went on to become an analyst, project manager and then moved from a Delivery Manager to a Senior Executive role in TCS. During her career of 25 years, she has worked in diverse roles in India, Sweden, US and Canada and has rich experience in Account Management, Delivery and Large Program Management. Aarthi also had a stint of over five years with Informix Software. She holds a B. Tech in Computer Science from National Institute of Technology, Warangal and a Master's degree in Engineering Management from University of Kansas (USA).

As the Non-Executive Director of Tata Consultancy Services, the total compensation of Aarthi Subramanian at Tata Consultancy Services is Rs.5,40,000. There are 9 executives at Tata Consultancy Services getting paid more, with Rajesh Gopinathan having the highest compensation of $133,794,000.

By:

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2nd MBA

FIN-TOOL

BOLLINGER BANDS

Bollinger Bands is a technical analysis tool developed by John Bollinger in 1980s for stock trading. The band comprises a volatility indicator that measures relatively high or low for a stock price in relation to previous trades. Volatility is measured using SD (standard deviations), which changes with increases or decreases in volatility. The bands widen when there is increase in price, and narrow when there is a price decrease. Due to dynamic nature, Bollinger Bands can be used to trade various securities.

Day Trading Downtrends with Bollinger Bands

Bollinger Bands can be used to determine how strongly a stock is falling and it is potentially reversing to an upside trend. In a strong downtrend, price will run along lower band, and this shows that selling of stock remains powerful. But if price fails to touch or move along with lower band, it is an indication that downtrend may lose its momentum.

Trading W-Bottoms and M-Tops

W-Bottoms and M-Tops were part of Arthur Merrill's work that identifies 16 patterns with basic W-Pattern and M-Pattern, respectively. Bollinger Bands use 'W' patterns to identify W-Bottoms when the second low is lower than first low but holds above lower band. It occurs when a reaction low form closes to or below the lower band.

Limitations of Bollinger Bands

Although these tools are helpful for technical traders, there are few limitations that traders should consider before using them. One of these are that Bollinger Bands are primarily reactive, not predictive. The bands will react to changes in price movements, either uptrends or downtrends, but will not predict prices. In other words, like most technical indicators, Bollinger Bands are a lagging indicator. This is because the tool is just based on simple moving average, which takes the average price of several price bars.

By:

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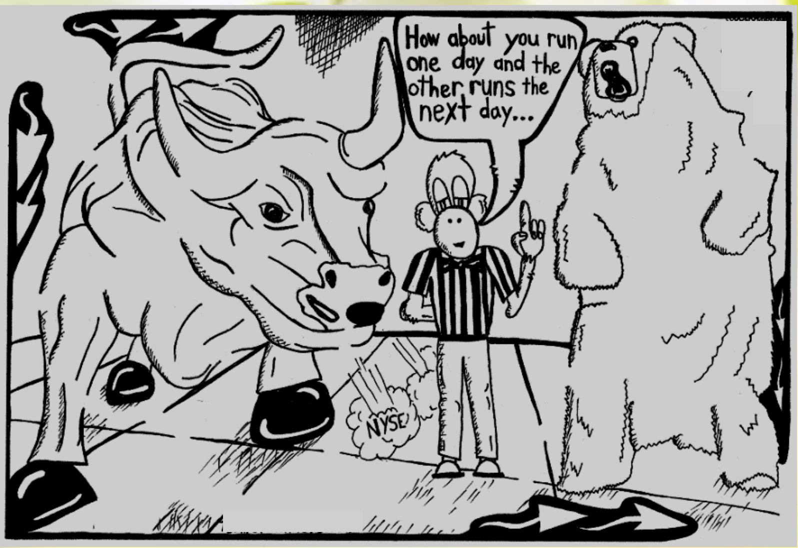
FIN-TOON



By:


Srilekha Bhat
2nd MBA

"You can't control the volatility of the market, but can control the volatility of the actions."- **Mayura Shetty**

FIN-TECH

DISRUPTIVE INNOVATION

Disruptive Innovation either creates a new market and value network or enters at the bottom of an existing market, gradually displacing established market leaders' product and alliances.

Example: Netflix is a disruptive innovation because it changed the way people consume entertainment on a regular basis. Everyone wanted to switch away from their typical TV channel and DVD movies after the arrival of low cost, high quality and a new perspective on television shows. Blockbusters made billions when it switched its business model to an internet streaming service. Netflix began to attract non-customers due to its more accessible and flexible online service.

Disruptive Innovation is one the 4 types of Innovation in the Innovation matrix:

- **Sustaining:** A significant improvement on a product that aims to sustain the position in existing market.
- **Disruptive:** Technology or new business model that disrupts the existing market.
- **Incremental:** Gradually, continuous improvements on existing product and service.
- **Radical:** Technological breakthrough that transforms industries often creates a new market.

Characteristics of Disruptive Innovation:

- Higher risks
- Lower margins, at least in the beginning
- Often involves new technology and new business model
- Happens slowly at first until reaches the mainstream after which grows exponentially
- Either disrupts an existing market or creates a new market segment in the existing one
- Sales arguments and measures of value are usually fundamentally changed.

3 Tips for understanding the theory of disruptive Innovation:

- Not all innovation is disruption
- Disruption can be low ended or new market
- Disruptive innovation is a process, rather than a product or service

So, to conclude disruption describes a process whereby a smaller company with fewer resources is able to successfully challenge established incumbent business.

By:

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FIN-WINGS

ESG (Environmental, Social and Governance)

ESG refers to the three core factors in measuring corporate sustainability. The term is derived from the concept of **“Triple Bottom Line”**. Also known as **“People, Planet and Profits”** (PPP), which was introduced in the 90s.

The idea was that companies should focus on each of the three Ps and not just “Profit”. This concept evolved by stating that ‘People’ and ‘Planet’ are equally important for a commercial enterprise to be sustainable and profitable. Today it forms a foundation for doing business sustainably and responsibly.

How a company contributes to and performs on environmental challenges, such as pollution, waste, deforestation, greenhouse gases and climates etc. is measured by environmental criteria.

Social criteria look at how a company treats its people. It looks at human capital management, diversity and equal opportunity, working conditions, health and safety and misleading sales, etc.

The governance criteria look at how a company is managed and assesses remuneration of its executives, tax practices and strategy, corruption and deliver strong returns if they create value for all of their stakeholders.

ESG criteria are an increasingly popular way for investors to evaluate companies in which they might want to invest. By strictly following and implementing ESG criteria companies may be able to avoid exposing themselves to risk to avoid public scrutiny.

Many mutual funds, brokerage firms and robo -advisors now offer products that employ ESG criteria. It also helps investors avoid companies that might pose greater financial risk due to their environmental or other practices.

By:

Rini P J
2nd MBA

WINNER

SAMEER

1nd MBA

FIN-QUIZ

CLICK HERE

TO ANSWER

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