

Problem Statement

FINANCIAL RISK IS A CRITICAL CONCERN FOR BUSINESSES OF ALL SIZES AND INDUSTRIES.

FINANCIAL RISKS CAN ARISE FROM MANY SOURCES, SUCH AS:

- **Market risk**: This refers to the potential for losses due to fluctuations in financial markets such as stock prices, interest rates, and foreign exchange rates.
- **Credit risk**: This refers to the potential for losses due to the failure of counterparties to fulfill their financial obligations, such as defaults on loans, bonds, or other debt instruments.
- **Liquidity risk**: This refers to the potential for losses due to a lack of liquid assets to meet short-term financial obligations.
- **Operational risk**: This refers to the potential for losses due to internal failures or external events that impact business operations, such as cybersecurity breaches or natural disasters.
- **Regulatory risk**: This refers to the potential for losses due to changes in laws or regulations that impact business operations, such as tax laws or environmental regulations.

Proposed Solution

“Hedging financial risk by options contracts on the Bank Nifty is a popular strategy used by investors and traders in India. The Bank Nifty is an index that tracks the performance of the banking sector in India, and options contracts on the Bank Nifty allow investors to hedge against potential losses due to market volatility or other financial risks.”

Proposed Solution

“Herewith I Propose Regular Earning by Trading BankNifty Options Contracts to mitigate financial risk in our Business Operations.”

“We will use Iron Condor & Credit Spread Strategy in BankNifty Weekly Options Contracts; as per the Trend of the Banknifty Index”

“The Capital Required, Profitability, Projected Balance Sheet, is as following”

COST OF PROJECT			
<i>(INR in Lakh)</i>			
Sr. No.	Particulars	Means Of Finanace	Amount
1	Machinery and Equipment	Own Capital	1.5
2	Working Capital	Term Loan	30
Total			31.5

MACHINERY AND EQUIPMENTS		
<i>(INR in Lakh)</i>		
Sr. No.	PARTICULAR	COST
1	Furniture & Fittings	0.2
2	Computer / Laptop	0.8
4	Electricity Power Backup	0.5
Total		1.5

DEPRECIATION ON FIXED ASSETS			
<i>(INR in Lakh)</i>			
Year	Cost	Depreciation	WDV/COST
1	1.50	0.23	1.28
2	1.28	0.19	1.08
3	1.08	0.16	0.92
4	0.92	0.14	0.78
5	0.78	0.12	0.67

CALCULATION OF WORKING CAPITAL		(INR in Lakhs)	
PARTICULAR	Cost Per Lot	No Of Lots	Product Cost
Hedging with derivatives is a common strategy that companies use to manage financial risk. Intraday BankNifty Weekly Options Contracts	0.30	100.00	30
Total Product Procurement Cost			30

Total Product Procurement Cost is Blocked & released Daily. it remains as it is throughout the year. it is never spent. it will be returned to the lender at end of the year.

ADMINISTRATIVE EXPENSES					
			(INR in Lakh)		
YEAR	1st	2nd	3rd	4th	5th
Salary	30	30	30	30	30
Phone / Internet B	0.03	0.03	0.03	0.03	0.03
Electricity Power B	0.02	0.02	0.02	0.02	0.02
Total	30	30	30	30	30

RECEIPTS OF GROSS INCOME		
Sr. No.	Particulars of Receipts of Gross Income	Amont
1	Minimum Avarage Income Annual	86.40
Total (INR In Lakhs)		86.40

PROFITABILITY STATEMENTS					
			<i>(INR in Lakh)</i>		
YEAR	1st	2nd	3rd	4th	5 th
INCOMES	86.40	86.40	86.40	86.40	86.40
Total (A)	86.40	86.40	86.40	86.40	86.40
EXPENDITURES					
Product Procurem	0	0	0	0	0
Administrative Exp	30	30	30	30	30
Interest on term loa	18.00	0	0	0	0
Dep. On fixed asse	0.23	0.19	0.16	0.14	0.12
Total(B)	48.28	30.24	30.21	30.19	30.17
Net Operating Prof	38.13	56.16	56.19	56.21	56.23
Net Profit after tax	38.13	56.16	56.19	56.21	56.23
Cash Accruals	38.35	56.35	56.35	56.35	56.35

PROJECTED BALANCESHEETS					
			(INR in Lakh)		
YEAR	1st Year	2nd Year	3rd Year	4thYear	5th Year
LIABILITIES					
Own contribution	1.5	39.63	95.98	152.33	208.68
Net profit after tax	38.13	56.35	56.35	56.35	56.35
subTotal	39.63	95.98	152.33	208.68	265.03
Term Loan	30	0	0	0	0
Total Liabilities	69.63	95.98	152.33	208.68	265.03
ASSETS					
FIXED ASSETS	1.28	1.08	0.92	0.78	0.67
CURRENT ASSETS	30				
Cash & Bank Balances	38.35	94.89	151.40	207.89	264.36
Total Assets	69.63	95.98	152.33	208.68	265.03

PROJECTED CASH FLOW STATEMENTS					
			(INR in Lakh)		
YEARS	1st Year	2nd Year	3rd Year	4th Year	5th Year
SOURCES OF FUND					
Opening balances	0.00	38.35	94.89	151.40	207.89
Own capital	1.28	0.00	0.00	0.00	0.00
Term Loan	30.00	0.00	0.00	0.00	0.00
Cash Accruals	38.35	56.35	56.35	56.35	56.35
Total	69.63	94.70	151.24	207.75	264.24
APPLICATIONS					
Fixed Asset Cost	0.23	0.19	0.16	0.14	0.12
Repayment of Term	30.00	0.00	0.00	0.00	0.00
Closing balance	38.35	94.89	151.40	207.89	264.36
Total	68.58	95.08	151.57	208.03	264.48

DEBT SERVICE COVERAGE RATIO	
	<i>(INR in Lakh)</i>
YEARS	1st Year
Net profit after tax	38.13
Depreciation	0.23
Fixed Assets	1.28
Interest	18.00
Total(A)	57.63
Repayment Term L	0
Interest	18.00
Total(B)	18
D.S.C.R	3.20
D.S.C.R	3.20

LOAN REPAYMENT AND INTEREST				
Rate of Interest :- 5% Monthly			(INR in Lakhs)	
Year	Month	PrincipalBalance	Principal Payout	Interest
I	I	30	0.00	1.50
	II	30	0.00	1.50
	III	30	0.00	1.50
	IV	30	0.00	1.50
	V	30	0.00	1.50
	VI	30	0.00	1.50
	VII	30	0.00	1.50
	VIII	30	0.00	1.50
	IX	30	0.00	1.50
	X	30	0.00	1.50
	XI	30	0.00	1.50
	XII	30	0.00	1.50
Interest & Principal Payout			30.00	18.00

THANK YOU