FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM

ABOUT US

Finartha, the finance club of Management Development Institute Murshidabad formed with the ambitions of bridging the gap between the academic and professional worlds. As a student—run organization, the club brings together students with a shared interest in Finance to enjoy presentations from industry professionals, competitions, quizzes, finance-related discussions, casual and formal networking events as well as a variety of social events. It provides the platform for interactive discussions and orients oneself towards the world of business and commerce. The club plans to get into media through social as well as print media to update the students, academic professionals and industry veterans about its various activities. It thrives on providing the students with additional resources needed to develop themselves into strong candidates for the prospective job market. If one is zealous enough for the activities which go into finance and its substrates then 'Finartha' is the platform to quench that zeal.

FINA₹THA

MDI MURSHIDABAD | Management Development Institute

FIN-O-DATE THE FINANCE MAGAZINE

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TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Wipro	644.30	670.80	4.11	676.80/650.10
Infosys	1771.60	1820.85	2.78	1842.00/1806.75
HCL Tech	1159.75	1171.40	1.00	1182.90/1165.00
Power Grid Corp	208.20	205.05	0.84	210.50/205.05
Sun Pharma	764.45	753.50	0.59	772.35/753.50

INDEX

- **SENSEX** 57011.74
- **NIFTY 50** 16985.20
- **NASDAQ** 15169.68
- **DOWJONES** 35365.44

CURRENCY

- **USD/INR** ₹ 76.31
- **GBP/INR** ₹ 101.00
- **YEN/INR** ₹ 0.67
- **EURO/INR** ₹ 85.78

LATEST BY:
Dec 19, 2021

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
IndusInd	928.30	883.00	4.88	929.00/880.25
Tata Motors	491.95	470.20	4.42	488.85/468.20
ONGC	145.35	139.40	4.09	145.10/138.20
Kotak Mahindra	1860.75	1793.80	3.60	1859.95/1790.00
HUL	2309.50	2230.25	3.43	2308.95/2226.00

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
HDFC Life	BUY	650	720	740	640
Ramco Cement	BUY	920	1000	1040	900
ACC Cement	BUY	2200	2350	2450	2170

Market Watch

- After Bank of England, Federal Reserves also decided to raise interest rates.
- Sentiments of India market is Bearish due o rising cases of Omicron variant in the country.
- Market might continue downtrend for this month.
- NIFTY IT & CNX Pharma could be bullish for the upcoming week.

EDITED BY: ADARSHA NAMAN | MDIM | PGDM 2021-2023

WHAT'S BREWING IN THE MARKET?

RBI USHERS IN CORRECTIVE ACTION SCHEME TO BETTER CONTROL NBCFS

The Reserve Bank of India on Tuesday announced a Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs), to strengthen applicable supervisory tools. This is in line with the PCA framework for banks, whose aim was to help improve their financial conditions and governance issues. The framework will apply to all deposit-taking NBFCS, all non-deposit taking NBFCs in the middle, upper and top layers, including investment and credit firms, core investment firms, infrastructure debt funds, infrastructure finance firms and microfinance institutions. It has excluded NBFCs not acceptingor not intending to accept public funds, primary dealers and housing finance firms, along with government-owned ones. This willtake effect October 1, 2022, the RBI said in a circular. The objective of the framework is to enable supervisory intervention at the AP propriate time and require the supervised entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health, the RBI said. Among large NBFCs (assets exceeding 25,000 crore), rating agency ICRA noted that three entities were in breach of the net NPA criterion as of September. However, all the entities have established parentage.

FDI MAY DECLINE 20% IN FY22 TREND TO WEIGH ON RUPEE: UBS

Inflows into India via foreign direct investments (FDI) may decline by about 20% this fiscal after the all-time high investments of close to $82 billion I received in FY21, UBS Global said in a research report on Thursday.
"India's net FDI inflows: have slowed in the first half of calendar year 2021 after very strong FDI inflows in the second half of 2020," UBS said in the report. Net FDI inflows in India are not expected to fully offset the country's current account deficit this year, but the reshoring of supply chains due to the pandemic is a relative positive for more investments into India and ASEAN countries, the Swiss firm suggested. FDI in flows in the first half of this year were about $31 billion. "It appears that the reshoring dynamic is impacting South Asian economies than China," it pointed out. Asia is expected to receive the highest FDI this year, going well past the previous record net inward FDI of $252 billion in 2013. UBS economists expect FDI inflows into India to rise to about $85 billion by FY26 and to almost $100 billion over five years.

BYJU'S SAID TO BE IN TALKS TO LIST IN U.S. VIA A SPAC

Tiger Global-backed Byju's is in talks for a U.S. listing through a deal with veteran dealmaker Michael Klein's blank-check firm that could value the Indian EdTech firm at $48 billion, a source told Reuters on Thursday. Byju's, which offers on line education and caters to all age groups, has benefited from a boom in online education as schools and in-per son classes were forced shut by the COVID-19 pandemic. Discussions with Chur chill Capital's special purpose acquisition company (SPAC) about the deal that could happen in mid-2022 are in advanced stages with plans to raise about $4 billion, the source added. While the negotiations are not final, Byju's will also consider a dual listing and if the deal does not come through, the company could seek a listing in India next year, the source said. Indian startups have been on a tear in 2021, with several entering the "unicorn" club of $1 billion valuation. In the U.S., several companies have used the SPAC route to go public. SPACs are publicly listed investment vehicles that have no operations and are raised with the intention of merging with a private company.

REGULATION NEEDED FOR CRYPTOCURRENCIES: IMF

International Monetary Fund (IMF) Chief Economist Gita Gopinath has made a strong case for regulating cryptocurrencies, saying it will always be a challenge to ban them as they operate from offshore exchanges. Ms. Gopinath also suggested a global policy and coordinated action for regulating cryptocurrencies. "I think cryptocurrencies are a particular challenge for emerging markets. It seems to be more attractive to adopt cryptocurrencies and assets in emerging economies than in advanced economies," she said while addressing an event organized by the National Council of Applied Economic Research (NCAER) Wednesday. India is contemplating bringing a Bill in Parliament to deal with the challenges posed by the unregulated cryptocurrencies. Currently, there are no particular regulations or any ban on use of cryptocurrencies in the country.

RUPEE SLUMPS TO 20- MONTH LOW AGAINST DOLLAR IN FII OUTFLOWS

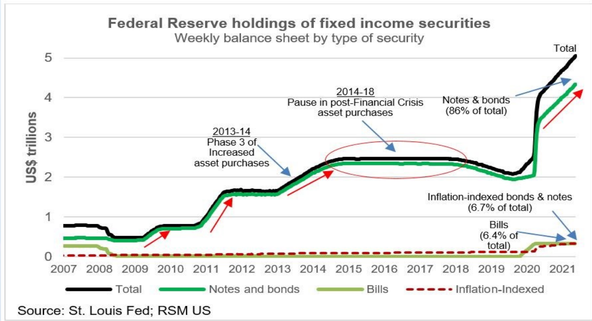
The rupee plunged by 44 paise to close at a 20-month low against the U.S. dollar on Wednesday as consistent foreign fund outflows and risk adverse sentiment weighed on the local currency. Growing concern over the Omicron variant of the corona virus, after the WHO warned of high transmissibility risks, hit the appeal of riskier assets. The rupee has been under pressure for the past five weeks due to consistent forex outflows on expectations of faster rate of tapering by the U.S. Federal Reserve to rein in rising inflation. The local unit has declined innine out of 11 trading sessions this month, weakening by a total 119 paise or 1.58% against the dollar. The rupee breached the 76 level and closed at 76.32, a level not seen since April 24, 2020. The rupee records its sharpest single-day decline in almost eight months. "So far this month, nine out of 11 trading sessions, rupee depreciated following policy divergence between RBI and U.S. Fed, along with foreign fund outlaws from domestic equities," said Dilip Parmar, Research Analyst HDFC Securities. A higher trade deficit number and the surge in wholesale price index-based inflation also impacted the rupee, Mr. Parmar said. Sriram lyer, Senior Research Analyst at Reliance Securities, cited increasing bets that the Fed could accelerate the pace of policy normalization and signal more rate increases for next year as weighing on the rupee. Foreign institutional investors were net sellers in the capital markets, pulling out 763.18 crore on Tuesday, provisional data show.

“TAPER TANTRUMS AND INDIAN RUPEE”

In an ever revolving and pertinent questions that surfaces every time the economy shifts from the equilibrium is “How to maintain it back to its original stance?” For the few months there have been some unavoidable questions that need to be answered by the US government and policymakers amidst the ebbing pandemic situation. One of the powerful economies are facing crisis and the US Federal Reserve decided to pull back their bond-buying stimulus program of Quantitative Easing (QE) and go for Tapering. It will be interesting to understand what Tapering and QE means and what could be the outcomes on Indian economy due to this move.

WHAT IS QUANTITATIVE EASING?

During the Covid crisis, Federal Bank of US pumped money into the economy by buying US Govt. bonds which is also called Quantitative Easing. The sharp contraction and deep uncertainty about the course of the virus and economy sparked a “dash for cash”—a desire to hold deposits and only the most liquid assets—that disrupted financial markets and threatened to make a dire situation much worse. So to keep the credit flowing, Federal Reserve purchased a large portion of U.S. government and mortgage-backed securities and lending to support households, employers, financial market participants, and state and local governments. This massive debt purchasing tool was previously used during the Great Recession(2008). The Fed again adopted this policy in March 2020 after the COVID-19 pandemic resulted in a national lockdown. By November 2021, the Fed had bought over US$4 trillion worth of Treasurys and other securities.



WHAT IS TAPERING?

Presently the Federal Reserve is following 'Tapering'. Tapering refers to the theoretical reversal of quantitative easing (QE) policies, which were implemented to stimulate economic growth. Tapering refers specifically to the reduction in the purchasing of and accumulation of assets/bonds. The U.S. central bank began tapering in November 2021, scaling back total purchases by $15 billion a month, from $120 billion to $105 billion. The Fed decided to double the pace at which it tapers on Dec. 15. Rather than $15 billion, the Fed will reduce purchases by $30 billion every month. At that pace it will no longer be purchasing new assets by early 2022. The Federal Reserve would stop this Tapering process by March 2022 and THEN it will start increasing the INTEREST rates (opposite of Quantitative Easing) to bring down the inflation which is running at a multi decade high level. It will be interesting to note that the annual rate of inflation in the United States hit 6.2% in October 2021, the highest in more than three decades, as measured by the Consumer Price Index (CPI).

IMPACT ON INDIAN MARKETS

So, because of the upcoming interest rate hikes and also due to imminent Omicron threat, the Foreign Portfolio Investors (FPIs) started running out of the Indian Markets (mostly from equities but debt as well) and this resulted in Rupee Depreciation. Actually when FPIs sell shares/bonds in the Indian market then they get RUPEE and then this Rupee they sell in our Forex Market and purchase dollars to return to US. So, the demand of dollars increases and dollar appreciates which results in rupee depreciation.
This rupee depreciation will make our exports more competitive i.e. it will benefit exporters but the cost of our imports will rise which will further increase inflation in India. The RBI governor states that India is in much better position and have sufficient reserves in response to the outflows. He also assures that the 2013 situation that was brought with tapering won’t be repeated. Simultaneously RBI have been slashing down the bank rates and repo rates which are the promoters for the investment.

IPO WATCH: GEMINI EDIBLES AND FATS

ABOUT THE COMPANY

Gemini Edibles and Fats India (GEFIL) is an 11-year-old company based in India that manufactures and distributes edible oils and specialty fats. In Odisha, Telangana, and Andhra Pradesh, GEFIL is the market leader, while in Karnataka, it is the third-largest. They sell to three types of customers: industrial customers, branded retail customers, and bulk merchandise customers. Their edible oil products are sold under the names 'Freedom' and 'First Klass.' Rice bran oil, groundnut oil, sunflower oil, and mustard oil are among the top culinary oils sold under the former name. The latter is the company's palm oil brand. Gemini Edibles offers its branded consumer items through a network of approximately 1,100 distributors and merchants, 30 depots, and 130 salespeople in 640 towns in South India. As of June 2021, the company's 'Freedom' brand of sunflower oil has been sold to over 2,60,000 retail locations. On the Eastern Ghats, GEFIL has three port-based production facilities with a refining capacity of 2,615 metric tonnes per day. As of June 2021, their packing capacity is 3,988 metric tonnes per day.

FINANCIAL HIGHLIGHTS

	2021	2020	2019
REVENUE	78631.08	65713.10	55339.79
EXPENSE	70980.06	63276.48	53644.39
PROFIT AFTER TAX	5707.69	1858.50	1093.46

All values are in Rs. Cr.

IPO DETAILS:

On August 7, market regulator SEBI received Gemini Edibles and Fats India's (GEF India) draft red herring prospectus (DRHP) for its first public offering (IPO). The company intends to raise Rs 2,500 crore through the IPO, according to the DRHP. Existing shareholders and promoters — Pradeep Kumar Chowdhry, Golden Agri International Enterprises Pte, Black River Food 2 Pte, and Investment and Commercial Enterprise Pte — will make the issue wholly an offer for sale (OFS).

Gemini Edibles is funded by Proterra Investment Partners, a worldwide private equity firm that controls around a quarter of the company. Qualified institutional buyers (QIBs) will get 50% of the net issuance, while non-institutional investors would receive 15%. (NIIs). Retail investors will be entitled to 35% of the total.

The issue's book running lead managers (BRLMs) are Axis Capital, Credit Suisse Securities (India), Kotak Mahindra Capital Company, and Nomura Financial Advisory and Securities (India). The IPO's registrar is KFin Technologies. The IPO opening, allotment and listing date is to be disclosed by the company later. Furthermore the company is yet to reveal the price band and lot size of the IPO. The shares will be listed at both National Stock Exchange as well as Bombay Stock Exchange.

OBJECTIVES OF THE IPO:

According to the Red Herring Prospectus filed by the company, it aims to utilize the net Proceeds towards enhancing brand visibility and brand image and provide liquidity to the shareholders and to carry out the Selling Shareholders' Offer for Sale amounting to Rs 25,000.00 million.

CREDIT RATING & BOND RATING

Credit risk is the risk associated with losses stemming from the failure of a borrower to make timely and full payments of interest or principal. Credit risk has two components: *default risk* and *loss severity*.

Default risk is the probability that a borrower (bond issuer) fails to pay interest or repay principal when due.

Loss severity, or *loss given default*, refers to the value a bond investor will lose if the issuer defaults. Loss severity can be stated as a monetary amount or as a percentage of a bond's value (principal and unpaid interest).

The **expected loss** is equal to the default risk multiplied by the loss severity. Expected loss can likewise be stated as a monetary value or as a percentage of a bond's value.
The **recovery rate** is the percentage of a bond's value an investor will receive if the issuer defaults. Loss severity as a percentage is equal to one minus the recovery rate.

Bonds with credit risk trade at higher yields than bonds thought to be free of credit risk. The difference in yield between a credit-risky bond and a credit-risk-free bond of similar maturity is called its **yield spread**. For example, if a 5-year corporate bond is trading at a spread of +250 basis points to Treasuries and the yield on 5-year Treasury notes is 4.0%, the yield on the corporate bond is 4.0% + 2.5% = 6.5%.

Bond prices are inversely related to spreads; a wider spread implies a lower bond price and a narrower spread implies a higher price. The size of the spread reflects the creditworthiness of the issuer and the liquidity of the market for its bonds. **Spread risk** is the possibility that a bond's spread will widen due to one or both of these factors.

Credit migration risk or **downgrade risk** is the possibility that spreads will increase because the issuer has become less creditworthy. As we will see later in this topic review, credit rating agencies assign ratings to bonds and issuers, and may upgrade or downgrade these ratings over time.

Market liquidity risk is the risk of receiving less than market value when selling a bond and is reflected in the size of the bid-ask spreads. Market liquidity risk is greater for the bonds of less creditworthy issuers and for the bonds of smaller issuers with relatively little publicly traded debt.
Each category of debt from the same issuer is ranked according to a **priority of claims** in the event of a default. A bond's priority of claims to the issuer's assets and cash flows is referred to as its **seniority ranking**.

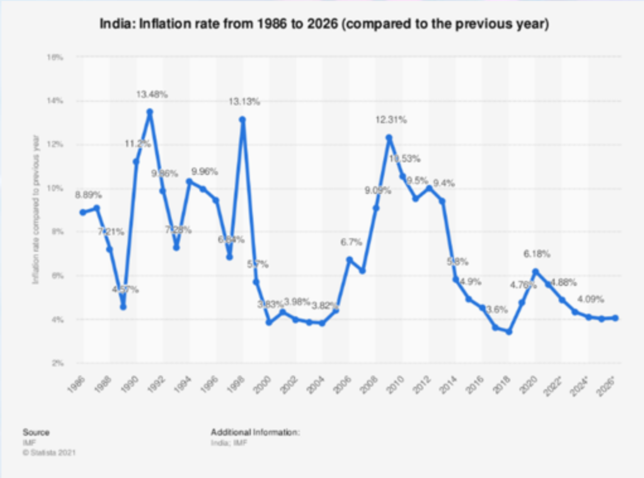
Debt can be either **secured debt** or **unsecured debt**. Secured debt is backed by collateral, while unsecured debt or *debentures* represent a general claim to the issuer's assets and cash flows. Secured debt has higher priority of claims than unsecured debt. Secured debt can be further distinguished as *first lien* or *first mortgage* (where a specific asset is pledged), *senior secured*, or *junior secured* debt. Unsecured debt is further divided into *senior*, *junior*, and *subordinated* gradations. The highest rank of unsecured debt is senior unsecured. Subordinated debt ranks below other unsecured debt.

All debt within the same category is said to rank **pari passu**, or have same priority of claims. All senior secured debt holders, for example, are treated alike in a corporate bankruptcy. Recovery rates are highest for debt with the highest priority of claims and decrease with each lower rank of seniority. The lower the seniority ranking of a bond, the higher its credit risk. Investors require a higher yield to accept a lower seniority ranking.

In the event of a default or reorganization, senior lenders have claims on the assets before junior lenders and equity holders. A strict priority of claims, however, is not always applied in practice. Although in theory the priority of claims is absolute, in many cases lower-priority debt holders (and even equity investors) may get paid even if senior debt holders are not paid in full.

INDIA'S INFLATION INDEX

Retail inflation hit a three-month high of 4.9 percent in November 2021, according to the Consumer Price Index (CPI). Despite its high level, it is comfortably within the Reserve Bank of India's target range of 2-6 percent for the fifth month in a row. Despite both state and federal governments lowering gasoline and diesel taxes, this increase occurred. The fact that core inflation reached 6.2 percent in November 2021 was a big reason for concern. In November, wholesale price inflation hit a new twelve-year high of 14.23%, owing to a surge in primary food inflation as well as increases in fuel and power, as well as oil and gas costs.



The November CPI inflation rate of 4.91 percent was lower than most forecasts, but core inflation of more than 6% is cause for alarm. For the past three months, retail inflation has risen slightly but remained below 5%. Food and vegetables for the non-seasonal rains have accounted for the majority of the increase in prices. The drop in food and crude costs is expected to lead to decreased inflation in the coming months. Inflation may be rising, but it is still well below the central bank's target range, allowing the current low -interest rate regime to be maintained for at least another two quarters unless CPI rises sharply. While the CPI inflation rate of 4.91 percent is within the central bank's goal range, experts feel it is still on the higher half of the band and has been trending higher for the second month in a row. The key factors driving the level higher in this measurement were still fuel and transportation costs. Various input components are subjected to cost pressure from these areas. The extent to which higher prices are passed on to customers, on the other hand, will be determined by the level of demand in each product category. Although not a major issue right now, rising prices will cause customers to be uncomfortable as demand improves. Given the high inflationary expectations, the RBI will keep a close eye on inflation, and we hope that low interest rates will persist, as capital-intensive industries such as real estate are heavily influenced by credit costs at both the consumer and developer levels. The increase in manufacturing and food costs was primarily responsible for the increase in WPI statistics, which reached a new high of 14.23% in November. The difference between retail and wholesale price-based inflation has expanded in recent months, despite analysts' predictions that it will range between 11 and 12 percent in the coming months. Surprisingly, WPI inflation has persisted in double digits for several months, while headline retail inflation has hovered around 5%, well within the central bank's goal range of 2 to 6%. Despite a drop in global crude oil prices and a reduction in fuel prices, there are fears that corporations are attempting to pass on higher costs to consumers due to increased domestic demand. The WPI results were higher than Motilal Oswal's projection of 11.8 percent YoY and the Bloomberg survey of 11.98 percent YoY, according to a report. According to the data, WPI inflation in April-November 21 was 12.2% YoY, compared to a deflation of 0.2 percent YoY in April-November 2020. WPI inflation in 'primary articles' reached an almost two-year high of 10.3% YoY, up from 5.2 percent a month earlier. According to the report, food article inflation jumped to 4.9 percent YoY in November 21 after three months of deflation, resulting in overall high WPI food inflation of 6.7 percent YoY in November 21 compared to 3.1 percent YoY in October 21. According to the data, inflation in manufactured food goods fell to 10.3% YoY in November 2021, down from 12.7 percent YoY in October 2021.

TEAM FINARTHA

The FINANCE CLUB OF MDIM

BATCH 2020-22 & 2021-23

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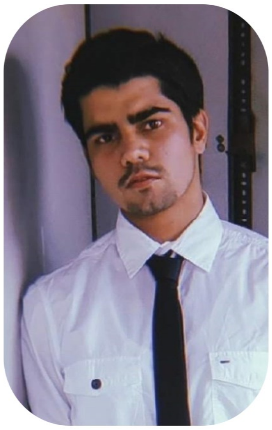


Shubham Bhattacharya **Joy Dutta** **Megha Poddar** **Rahul Dhankhar** **Navin Srivastava**





SHREYAS TEWARI **ADARSHA NAMAN** **MOHAMMAD TABISH** **SHUBH TANEJA** **SHIVANI TRIPATHI**