MDI MURSHIDABAD
Management Development Institute

FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM

Weekly financial magazine for the students of MDIM

FINODATE

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.

Issue -129

TOP GAINERS

INDEX

SENSEX	**59307.15**
NIFTY 50	**17,577.75**
NASDAQ	**10,859.72**
DOW JONES	**31,082.56**

Securities	*Previous Closing*	*Closing Price*	*Percentage increase*	*High/Low*
HINDUNILVR	*2600.90*	*2663.60*	*0.37%*	*2663.65/2606.00*
BPCL	*297.10*	*298.75*	*0.13%*	*300.65/297.35*

TOP LOSERS

CURRENCY

- **USD/INR ₹ 82.73**
- **GBP/INR ₹ 93.84**
- **YEN/INR ₹ 00.55**
- **EURO/INR ₹ 81.40**

Securities	*Previous Closing*	*Closing Price*	*Percentage increase*	*High/Low*
TATACONSUM	*770.70*	*758.95*	*-0.35%*	*780.85/755.05*
HDFC	*2369.20*	*2345.00*	*-0.21%*	*2378.80/2342.00*
INFY	*1500.90*	*1497.95*	*-0.17%*	*1506.00/1491.41*

TAKE-O-TRADE

SPOT	*SIGNAL*	*TAKE AT*	*TARGET 1*	*STOP LOSS*
ADANI POWER	Buy	325	400	300
TATA MOTORS	Buy	398	470	300
RELIANCE	Buy	2470	2960	2220

Market Watch

- Ultratech net profit falls 42% to Rs 756 Cr. On higher energy costs.
- Nestle India Profit up 8.3% in sept Q, net sales growth at 5-year high

FINANCIAL NEWS -NATIONAL

Rupee makes a new low against the US dollar and could soon reach "84 levels soon".

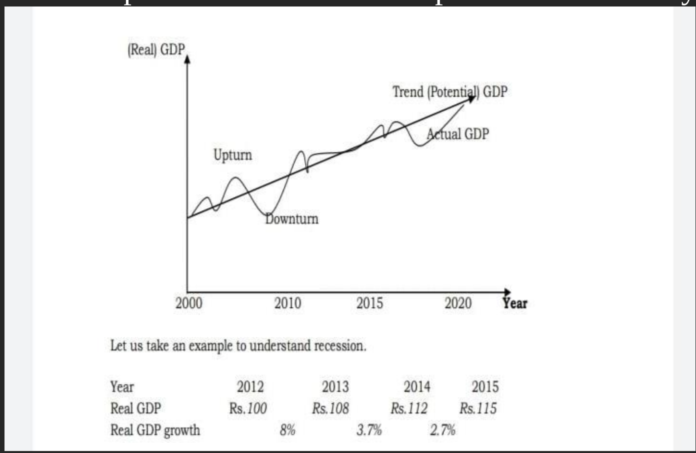
The increase in Treasury yields and the dollar index triggered a wider slide in Asian currencies and equity markets, and the Indian rupee dropped to 83.06 in early trade today. The rupee has previously experienced a session-low of 83.02. Asian stocks fell Wednesday, mirroring a sell-off on Wall Street, and the dollar strengthened as concerns about rising inflation and interest rate hikes came back to the forefront. On Wednesday, the selling of US Treasuries picked up again, driving both short- and long-term Treasury rates to new multi-year highs. Despite a disappointing U.S. housing report, yields had increased. Despite a subpar housing report, the yield on the 10-year U.S. Treasury note reached a new 14-year high. The 10-year US yield increased to 4.139%. "The Rupee suddenly soared to 83 levels after consolidating in the region of 82 to 82.70 for 8 trading sessions. The show started in the final 1.5 hours of Wednesday, when it dropped from 82.43 to 83.03 by 60 paise. Future volatility may become the new norm as both domestic and international forces continue to be important. A psychological level of 83.50 and then 84 will serve as resistances as the pair is now trading in uncharted territory once more. On the other hand, the pair will find firm support at the prior high near 82.70, according to a note from CR Forex Advisors.

RBI may need to revaluate its approach to securing inflation expectations.

Inflation that is higher than desired is a problem for the entire planet. Interest rates are being aggressively raised by central banks. However, the fight to control inflation involves more than just central bank policy tools. It also has to do with what we anticipate as consumers. And the results of the macroeconomic process can greatly depend on what we anticipate. How does that function? What does it mean in terms of monetary policy? What data do we have about how Indian customers perceive prices? Consumer behaviour is influenced in part by people's expectations about future product prices. If they anticipate a rapid increase in price, they might purchase more now, for instance, increasing the rate of inflation. Additionally, households may decide to shift their savings preferences away from safe investments like bank accounts. Workers might demand higher pay, which could result in a spiralling wage-price relationship. Therefore, if inflation expectations are unstable or not anchored around the central bank's inflation objective, the task of managing inflation becomes more difficult. In such circumstances, a brief period of high inflation may cause households to raise their expectations for future inflation. As a result, the central bank will have a harder time fulfilling its inflation mission. The greater interest rate increases necessary to lower inflation to its goal level would therefore limit economic growth. Therefore, household inflation expectations are an important piece of data for central banks, particularly during times of high inflation. As an illustration, US retail inflation in September was 8.2%. At 5.4% in September, the median household inflation outlook for the upcoming year was lower. Even lower, at 2.9%, and just 1% above the US inflation objective, was the three-year inflation expectation. In other words, it appears that the majority of Americans currently think that the current period of high US inflation is not going to endure for very long.

<u>Gross Domestic Product: The Measure Of An Economy</u>

Potential GDP is the real value of goods and services that can be produced when a country's factors of production are fully employed. It is the maximum sustainable level of output that an economy can produce. When an economy is operating at its potential (trend), there are high levels of utilization of the labour force and the capital stock. Potential output is determined by the economy's productive capacity which depends upon the inputs available (capital, land, labour etc.) and the economy's technological efficiency. Potential GDP tends to grow slowly because inputs like labour and capital and the level of technology changes quite slowly over time. Potential GDP growth also changes slowly with time depending on various factors like political set up, governance, infrastructure, health and education of the people, utilization of capital etc. As per economic survey 2015-16, the potential GDP growth of our country is between 8% to 10%. Actual GDP is subject to business cycle swings i.e. the cycles of upturn and downturn. During downturn, the actual GDP falls below the potential level and during upturn, the actual GDP rises above the potential GDP level. Technically, a recession is defined as (at least) two consecutive quarters of negative economic growth as measured by a country's real GDP. A recession is a period of significant decline in total output, income and employment, usually lasting from 6 months to 18 months and marked by widespread contractions in many sectors of the economy. A severe and protracted recession is called depression Economic (growth) slowdown is generally considered as the phase when GDP growth rate of the economy is declining but it may still be positive. In the above example the country is not going through any recession as real GDP (output) of the economy is still increasing even if the growth rate of GDP is decreasing. The recession occurs when the growth rate of GDP becomes negative or output starts decreasing. The above is a case of economic (growth) slowdown and not recession. India has faced recession five times in 1957-58 (-1.2%) [Drought], 1965-66 (-3.66%) [drought/war], 1972-73 (-0.32%) [drought/Oil crisis] and 1979-80 (-5.2%) [Drought/political instability] and 2020-21 (-7.7% projected) [Covid-19]. GDP is significant since it provides information on the size and health of an economy. In general, a growth in real GDP is seen as a positive indicator of the health of the economy. When GDP is shrinking, as it did in many countries during the recent global economic crisis, employment often declines. GDP in a country is usually calculated by the national statistical agency, which compiles the information from a large number of sources. In making the calculations, however, most countries follow established international standards. The international standard for measuring GDP is contained in the System of National Accounts, 1993, compiled by the International Monetary Fund, the European Commission, the Organization for Economic Cooperation and Development, the United Nations, and the World Bank.



GLOBAL FINANCIAL AFFAIRS

In September, consumer inflation in Sri Lanka reached a new high of 73.7%.

According to the statistics department, Sri Lanka's NCPI-based inflation reached a new high of 73.7 per cent in September from a year earlier, up from 70.2 percent in August.

Annual food price inflation increased to 85.8 percent in September, up from 84.6 percent in August, while non-food prices increased by 62.8 percent.

Nandalal Weerasinghe, Governor of Sri Lanka's Central Bank, predicted earlier on Thursday that inflation in the island nation has peaked, with price rises expected to slow this month.

The NCPI measures broader retail price inflation and is released every month with a 21-day lag.

The Colombo Consumer Price Index (CCPI), which is released at the end of each month, increased by 69.8 percent in August. It serves as a leading indicator for national prices and shows how inflation in the city is evolving.

Sri Lanka plans to raise direct taxes in order to reduce the deficit in its upcoming budget for 2023 and put the economy on a more stable footing, according to President Ranil Wickremesinghe.

In September, Japan's core consumer prices reached an 8-year high, rising 3% year on year.

Core consumer prices in Japan rose 3% in September to an eight-year high, according to a government report released on Friday.

The nationwide core consumer price index, excluding volatile fresh food items, exceeded the Bank of Japan's 2% target for the sixth consecutive month, according to the Ministry of Internal Affairs and Communications.

This was due to the Japanese yen falling to 32-year lows against the dollar, which increased import costs during the reporting period, according to Xinhua news agency, citing ministry data.

Inflation in Japan rose for the 13th consecutive month, according to the statistics bureau, as commodity prices continued to rise while the Japanese currency fell, including to more than three-decade lows against the dollar, during the recording period.

As food prices rise, UK inflation returns to a 40-year high of 10.1%.

Last month, British food prices rose at the fastest rate since 1980, pushing inflation back to a 40-year high and putting pressure on the embattled government to balance the books without slashing aid to the country's poorest residents.

Food prices increased 14.6% year on year through September, led by rising prices for staples such as meat, bread, milk, and eggs, according to the Office for National Statistics on Wednesday.

This pushed consumer price inflation back up to 10.1 percent, the highest level since early 1982 and the same as in July.

Climate Finance

Climate finance refers to local national or transnational financing, drawn from public or private financing sources, that seeks to support climate change mitigation and adaptation action.

This type of Finance differs from regular Finance because it is specific to projects or activities that are responding to climate change. Climate finance can be accessed for projects aiming to reduce greenhouse gas emissions or vulnerability to climate change and also increase the resilience of the human and ecological systems. Climate finance has also emerged as an independent source of Finance for climate action because significantly reducing greenhouse gas emissions requires large-scale investments.

How Climate Finance differs from green Finance and sustainable finance:

Climate Finance is often used interchangeably with green finance or sustainable finance however each of these concepts is considerably different.

Green Finance is any structured financial activity that has been created to ensure a better environmental outcome. It could be a product or service that has been created to be more environmentally friendly or a general financial operation that promotes eco-friendly practices. Green finance considers what is commonly known as the triple bottom line- People, Planets, and profits, that is socially inclusive environmentally sound, and financially feasible.

Sustainable Finance is commonly associated with environmental, social, and governance factors to assess the long-term sustainability of companies and projects. Environmental factors could include the use of sustainable resources, Social factors could include human and animal rights as well as consumer protection and hiring practices. Governance factors could refer to management, employee relations, and compensation practices of organizations.

So while green finance and sustainable finance might fall under the same arrow, Climate Finance takes on a much more direct approach to climate change mitigation and adaptation and requires more than a business-as-usual approach. One can always make a distinction on climate finance as it includes specific action on mitigation or adaptation measures. Climate finance also has certain reporting requirements that aim to generate positive, measurable, and social and environmental impact alongside a financial return.

Advantages and Disadvantages of an IPO

The primary objective of an IPO is to raise capital for a business. It can also come with other advantages as well as disadvantages.

Advantages

One of the key advantages is that the company gets access to investment from the entire investing public to raise capital. This facilitates easier acquisition deals (share conversions) and increases the company's exposure, prestige, and public image, which can help the company's sales and profits.
Increased transparency that comes with required quarterly reporting can usually help a company receive more favorable credit borrowing terms than a private company.

Disadvantages

Companies may confront several disadvantages to going public and potentially choose alternative strategies. Some of the major disadvantages include the fact that IPOs are expensive, and the costs of maintaining a public company are ongoing and usually unrelated to the other costs of doing business.
Fluctuations in a company's share price can be a distraction for management, which may be compensated and evaluated based on stock performance rather than real financial results. Additionally, the company becomes required to disclose financial, accounting, tax, and other business information. During these disclosures, it may have to publicly reveal secrets and business methods that could help competitors.
Rigid leadership and governance by the board of directors can make it more difficult to retain good managers willing to take risks. Remaining private is always an option. Instead of going public, companies may also solicit bids for a buyout. Additionally, there can be some alternatives that companies may explore.

Pros

- Can raise additional funds in the future through secondary offerings
- Attracts and retains better management and skilled employees through liquid stock equity participation (e.g., ESOPs)
- IPOs can give a company a lower cost of capital for both equity and debt

Cons

- Significant legal, accounting, and marketing costs arise, many of which are ongoing
- Increased time, effort, and attention required of management for reporting
- There is a loss of control and stronger agency problems.

(Source-investopedia/stockamj)

PERPETUAL BONDS

Perpetual Bonds are the debt instruments. They are perpetual in nature and do not have any maturity date. The buyer of the bond cannot sell it to the issuer before the call option is exercised by the issuer. The call options date are every 5 years from the bond issuance date.

Perpetual bonds in India are listed in stock markets. Any investor can sell the bonds on the stock exchange. These are generally issued by large manufacturing companies or by the financial institutions to fund their long term capital requirement. Banks also issue these bonds and they come under as Additional Tier 1 bonds which gives it features of Quasi Equity which means that in the case of the bank defaults then the investors in perpetual bonds will be paid the last but before the equity investors. Perpetual bonds have some features like there is no maturity date and the call option can be exercised only by the issuer. Since the bonds are listed on the stock exchange any bond holder can sell the bond to other buyer in case of liquidity requirements. The bonds are subordinate to most of the bank's liabilities and terms of the bond contain no limitation on issuing debt. The coupon payments in AT1 Bonds in non-cumulative which means than in case the institution misses out on payment of coupon for a specific time period, it is not obligated to pay the same during the next payout cycle or at maturity of the bond with other maturity proceeds.

The Bonds, in compliance with the Basel III guidelines, are required to have principal loss absorption features through temporary write down/ permanent write down mechanism or any other stipulated mechanism as mandated by RBI. The bank may only pay interest on the bonds to such an extent that it would not likely result in losses in the current year. The coupon payment in AT1 Bonds is non cumulative which means than in case the institution misses out on payment of coupon for a specific period, it is not obligated to pay the same during the next payout cycle or at maturity of the bond with other maturity proceeds. The investors just need to ensure that the financials of the entity are sound,NPA's are low and the banks have the track record of generating profits in the past which will serve as an indicator of the stability of the bank.

CYBER SECURITY THREAT IN THE BANKING INDUSTRY

Threats are continuously changing, and the cybersecurity environment is also dynamic. The stakes are high in the banking and financial industry since there are substantial financial sums at risk as well as the potential for significant economic upheaval if banks and other financial systems are compromised. With new regulations being implemented frequently, it has become crucial for financial institutions all over the world to keep up with trends in banking cybersecurity and growing dangers. Banks are now required to report any incidents that may affect their ability to conduct business or offer services and goods to the federal regulator.

Ransomware has been a major headache for organizations everywhere for a number of years, and it doesn't seem like this will change anytime soon. As the pandemic reaches its third year, reliance on remote work, hybrid workforces, and cloud-based software platforms have greatly expanded. Additionally, this suggests that financial institutions may have cybersecurity flaws now more than before. An increase in cloud-based attacks has emerged as one of the most prevalent cyber threats to the banking sector as cybercriminals have pounced on the fact that more software systems and data are being stored in the cloud. Banks must ensure that the cloud infrastructure is configured securely in order to avoid damaging breaches.

Social engineering poses a serious danger to banking and finance. This could have an effect on both bank clients and staff. Phishing, whaling, or dispersing phony invoices that seem to be from a trustworthy source are just a few examples of the many diverse ways that social engineering can be used. Keep your personnel informed about social engineering methods and how these threats are evolving.

Of course, there are precautions that banks and other financial institutions can take to guarantee that their systems are shielded from typical threats to financial services cybersecurity. This may involve closing the talent gap through collaboration with other businesses and security partners who provide managed services to help with protection, putting in place ongoing security awareness training programs, or evaluating current initiatives to make sure they are relevant and current with the threat landscape.

To increase cyber security for banking, a number of proactive measures can be done. Banks may decide to adopt a "zero trust" strategy and invest in robust security measures. They must ensure that their third-party partners pose no security risks and educate staff members on cybersecurity. Banks can ensure security by putting in place a variety of improved security measures, such as requiring more secure login credentials, encrypting data, taking strict account management procedures, and using two-factor authentication.

IT and security leaders in this industry must keep investing in the appropriate mix of technology and knowledge in order to increase assurance. There is no one-size-fits-all cybersecurity strategy, but ongoing validation of security measures can dramatically enhance a company's security posture. This method, along with the switch from reactive to proactive security, can help financial institutions deal with new threats more successfully.

Image credit : Enterslice

TEAM FINARTHA

THE FINANCE CLUB OF MDIM

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BATCH 2021-23 & 2022-2024


SHREYAS TEWARI


MOHAMMAD TABISH


SHUBH TANEJA


SHIVANI TRIPATHI


ADARSHA NAMAN


CHIRAG SHARMA


ELIZABETH REJI


YADUKRISHNA MR


PRAGASH RUPAN


RAGHBENDRA JHA


ANUNAY CHOUDHARY


HARSHIT VIISHWAKARMA