



THE FINANCIAL BUG

From the Editor's desk

The Financial BUG, a newsletter prepared by the BFM students is an initiative which helps to disseminate information about important news and events which affect the economy of our country. The aim is to inculcate a practical understanding of our learning's.

The newsletter contains different segments or sectorial news covered by the committee. The newsletter is prepared under the guidance of Pooja Ma'am. We hope it is appreciated and students get the most benefit out of it.

Lastly,

An initiative is always taken up by a few people, we the BFM's editorial team invite everyone who wishes to put forth their ideas or articles in the journal. Simply mail us your article at ejournalbfm@gmail.com.

We would be happy to put up your articles on the bulletin. Articles could be regarding to any topic or event that has occurred in the recent past. Suggestions regarding the same will be looked upon.

- Tejas Desai

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Sensex, Nifty See Divergent Trend

A divergent trend was witnessed between the two key benchmark indices. The barometer index, the S&P BSE Sensex, was trading with small gains whereas the 50-unit CNX Nifty was trading with small losses. The market breadth indicating the overall health of the market was weak. The Sensex was currently up 34.57 points or 0.13% at 26,557.66. The Nifty was currently off 3.85 points or 0.05% at 8,040.30. The losses for Nifty versus gains for the Sensex were because Nifty constituents which are not a part of the Sensex viz. Cairn India, Tech Mahindra, Punjab National Bank, Lupin, Kotak Mahindra Bank, Bank of Baroda, Bosch, Asian Paints and Zee Entertainment Enterprises dropped.

Shares of select FMCG firms were mixed. Power generation stocks also witnessed a mixed trend. Earlier during the trading session, the Sensex and the 50-unit CNX Nifty, both, hit their lowest level in almost 5 weeks.

In overseas markets, European shares dropped in early trade there. Asian stocks edged lower on worries about Greece and on expectations that the US Federal Reserve will start raising interest rates in September. US stocks declined yesterday, 8 June 2015, with the tech stocks leading the market lower.

Foreign portfolio investors (FPIs) sold shares worth a net Rs 749.12 crore yesterday, 8 June 2015, as per provisional data released by the stock exchanges. Domestic institutional investors (DIIs) bought shares worth a net Rs 529.82 crore

yesterday, 8 June 2015, as per provisional data released by the stock exchanges.

At 13:17 IST, the S&P BSE Sensex was up 34.57 points or 0.13% at 26,557.66. The index lost 76.59 points at the day's low of 26,446.50 at onset of the day's trading session, its lowest level since 7 May 2015. The index rose 67.05 points at the day's high of 26,590.14 in afternoon trade.

The CNX Nifty was down 3.85 points or 0.05% at 8,040.30. The index hit a low of 8,007.55 in intraday trade, its lowest level since 7 May 2015. The index hit a high of 8,057.15 in intraday trade.

The BSE Mid-Cap index was off 16.22 points or 0.16% at 10,177.78. The BSE Small-Cap index was off 14.66 points or 0.14% at 10,682.90. Both these indices underperformed the Sensex.

The June-September southwest monsoon is critical for the country's agriculture because a considerable part of the country's farmland is dependent on the rains for irrigation.

In overseas markets, European shares edged lower today, 9 June 2015. Key benchmark indices in France and Germany were off 0.28% to 0.41%. In UK, the FTSE 100 index was up 0.04%.

The Group of Seven leaders (G-7) called for action on Greece as talks between the nation and its creditors continued yesterday, 8 June 2015. Greece deferred a payment to the IMF last week and needs to crack a deal or get another extension before its euro-area bailout package expires on 30 June 2015.

Asian stocks edged lower today, 9 June 2015, on worries about Greece and on expectations that the US Federal Reserve will start raising interest rates in September. Key benchmark indices in Singapore, South Korea, Taiwan, Japan and Indonesia were off 0.06% to 2.63%.

Chinese shares slipped after weak inflation data. In mainland China, the Shanghai Composite index was off 0.64%. In Hong Kong, the Hang Seng index was off 0.91%. China's consumer inflation in May was at its weakest level in four months, official data showed today, 9 June 2015. China's consumer price index rose 1.2% in May from a year earlier, slower than a 1.5% year-over-year rise in April, data from the National Bureau of Statistics showed. The producer-price index, which measures prices of goods at the factory gate, dropped 4.6% in May from a year earlier, matching a 4.6% year-over-year fall in April. Factory-level prices have now been declining for 39 consecutive months since March 2012 as

weak demand leaves excess capacity in key industries like steel and cement and drives prices lower.

Investors in China await MSCI Inc.'s decision in New York later in the global day today, 9 June 2015, on whether to include Chinese domestic stocks in its indexes, which are tracked by billions of dollars of global funds and could draw millions of new investors into Chinese shares.

US stocks declined yesterday, 8 June 2015, with the tech stocks leading the market lower. The slump in the main stock-market indexes marked the third consecutive session, with the Dow industrials erasing year-to-date gains.

A two-day meeting of the Federal Open Market Committee (FOMC) to review US monetary policy is scheduled on 16-17 June 2015

-Collated by

Yashika Mehta, TY BFM

Mutual Funds Find India Friendlier Than China: Morningstar

Mutual funds find Indian market more investor friendly than China's although some of its practices are not at par with global standards, says a Morningstar report. According to the Fund Investor Experience Report, of 25 countries, Korea and the US were named as the most investor- friendly markets while China was the least investor-friendly.

"With an overall grade of C+, India has a mix of outstanding practices and others that fail to meet global standards, relative to other markets evaluated in this report,"

Morningstar, a provider of independent investment research said adding that the Indian fund market lacks any asset-based commissions. From 'A' to 'D+', there are nine grades in the report. Morningstar evaluated countries in four categories that are weighted to calculate the overall grade: Regulation and Taxation, Disclosure, Fees and Expenses, and Sales and Media. In the Regulation and Taxation category, India receives a B- grade.

In the Disclosure category, India received a C+ grade. India requires disclosure of full

fund portfolio holdings monthly instead of on a semi-annual basis typical of other markets evaluated in the report. India is one of only two countries that hold this distinction, the report said. Korea received an A this year because of its improved sales practices, while the United States garnered the highest score for the fourth time. The Netherlands and Taiwan got an A- grade, while United Kingdom got B+ and Sweden

received B. The countries that received B-ranking include Australia, Denmark, Finland, Norway and Switzerland. India along with Canada, Germany, New Zealand and Thailand got a C+ rank, while Belgium, France, Hong Kong, Singapore, South Africa and Spain got C.

-Collated by

Nalini Gupta, SY BFM

The Effect Of Deficit Monsoon On The Indian Economy

Anything less than 90% of the average rainfall in a region is regarded as deficient rainfall. The most obvious victims of deficient rainfall are the farmers. Without proper rainfall they are left with absolutely no hope. In a nutshell, improper rainfall also contributes to increase in inflation. While proper rainfall can help food production reach unprecedented levels, deficient rainfall can lead to paucity in the total agricultural production.

Previous Instances: 2009 was one of the worst years in recent memory in terms of drought. During that year, the shortage in rainfall was 22-23%. In the last 40 years India has seen five droughts, which can be classified as severe. 1972 was the worst with India seeing a rainfall deficit of 24%. In 1979, 1987 and 2002, India saw rainfall deficit of 19% each. Together these five droughts have pulled back India's GDP growth by 2.10%.

What Will Happen in 2015? The Indian Meteorological Department (IMD) has already declared that this year will be a rain-deficient one. The rainfall that has occurred

so far this year is 19% less than what could be regarded as normal. In all probability, agricultural production will be less and this will increase inflation, especially in sectors such as energy and food products. Growth is expected to come down to lower than 6%.

Impact on growth: It is expected that at the end of the ongoing year growth in agricultural sector would reduce by 5% from the previous year. This will also take away 0.7% percentage points from the overall GDP growth of India

Impact on agriculture: Output of food-grain is supposed to be reduced. This will also hamper the overall growth in this sector. If it is a drought then food production will be reduced by 10% compared to the previous year.

Impact on food inflation: Normally, whenever there is poor monsoon, food inflation goes up by 4 to 5 percentage points. In 2009 the situation was much worse. In the ongoing fiscal WPI is expected to stay above 7% and could go up to 9%. In case of the last five droughts, WPI inflation

stayed in the region of 8.5%, with WPI food inflation slightly lower at 8%.

Impact on current and fiscal account balance: As a result of the deficient rainfall current account balance would be reduced by 0.3 percentage points. This year, agricultural exports will be lesser than before and imports will be higher because of the reduced production. Similarly, fiscal deficit will increase by 0.2-0.4 percentage points. A number of drought-relief measures will be taken and ferrying food stocks from one place to another will become costlier. Minimum support prices are supposed to

increase and the various employment guarantee schemes will have to increase their allotments to deal with the precarious situation. All these factors will increase the fiscal deficit.

A weak monsoon is likely to be **credit negative for India** as it is expected to push up food inflation, lower agricultural output as well as add to government deficits, global rating agency Moody's said on Monday.

-Collated by

Priya Muralidaran, SY BFM

Maggi Noodle Crisis: How It All Began

The packets of Nestlé's Maggi 2-Minute Noodles that triggered India's worst food scare in a decade almost got lost in the post.

Returned months later to the north Indian food inspector who first sent the samples - after a detour via Shimla in the Himalayas - the consignment eventually reached a laboratory in Kolkata, where tests found seven times the legal levels of lead.

From there, what began as a minor labelling dispute that according to a local magistrate could have been settled with a \$400 fine, spiralled into Nestle's worst public relations crisis to date in India. Uttar Pradesh, where the crisis began, has a population the size of Brazil's but the state's Food and Drug Administration (FDA) has only five laboratories - or one per 40 million people. Asked by the central Food Safety and Standards Authority of India (FSSAI) to run checks, FDA officials in another state did

not know the lead limit, FSSAI head Yudhvir Singh Malik said.

But the FSSAI has nonetheless stood by its testing, saying in a report on Friday they had "overwhelming evidence" that Maggi noodles were "unsafe and hazardous". India has also filed for damages from Nestle. Regulators have not said how the product might have become contaminated. The Swiss-based company has challenged the test findings and stresses its snack is safe. In its representations to the FSSAI, Nestle said the sample could have been contaminated during its lengthy transit, although it gave no evidence that was the case.

Holi checks: Nestle's woes began last year, on the eve of Holi - India's spring festival of colours and a time of indulgence for many - when inspectors were on the lookout for adulterated foods at retailers in Barabanki, a town of 150,000 in Uttar Pradesh.

Inspectors picked up samples of Maggi noodles, sold in an instantly recognisable bright yellow package for as little as a dozen rupees (under 20 US cents), from a local supermarket. The samples were sent to a state laboratory in Gorakhpur, which reported on April 24 that labelling containing the words "No added MSG" violated Indian regulations.

According to a local magistrate, the same Gorakhpur lab had found monosodium glutamate in Maggi noodles in 2013. The retailer who sold the noodles paid a fine of Rs 25,000 (\$400) for a similar violation. That was the end of the matter. Nestle appealed against the April 2014 ruling, however, stating that the noodles contained MSG as the result of a natural process.

Lost in the post: Nestle paid Rs 1,000 to have the sample from the Barabanki supermarket tested at the Central Food Laboratory in Kolkata, a government referral lab. It was sent by government post only to be returned two months later from Shimla, said local food safety officer Singh. When the Kolkata lab presented its results in a report dated April 7 - more than a year after the samples were first taken - as well as

confirming the violation of labelling rules it said the sample had tested positive for lead. Nestle said it would be inappropriate to comment on the details of the tests. But its arguments challenging the findings were presented in an eight-page notice published by the FSSAI on Friday that ordered the withdrawal of Maggi noodles.

Adhikari declined to comment when asked whether the Kolkata lab had found similar results in further tests on Maggi noodles. The test on the Barabanki batch showed a lead content of 17.2 parts per million (ppm), compared with a legal limit of 2.5 ppm, a copy of the lab report seen by Reuters showed. In the first public appearance by management since the scare began, group CEO Paul Bulcke told reporters in New Delhi that Nestle's own and third-party tests had found that the product was "safe for consumption".

Nestle now has less than two weeks to convince the regulator why product approval for its noodles should not be withdrawn.

-Collated by

Tejas Desai, TY BFM

Failed To Get Train Ticket Confirmed? Convert It To Air Ticket

In some good news, IRCTC is offering passengers who fail to get their waitlisted ticket confirmed an option to convert it into an airline ticket at a competitive fare. The railway PSU has already tied up with budget carrier GoAir and have sold about 100 tickets through this scheme in the past one month. "We have also entered into an understanding with SpiceJet under the scheme and plan to rope in other domestic carriers too," said IRCTC spokesman Sandip Dutta. However, the scheme applies to tickets booked at least three days prior to the date of the journey. The flight tickets would be made available only for the day of the train journey or a day after that. IRCTC would be sending mails to waitlisted passengers who seek to avail the benefit under the scheme. Passengers booking train

tickets right from sleeper class to AC classes can avail the facility, Dutta said. "For such passengers, the airline ticket would be competitively priced and cheaper by as much as 30-40 per cent," he said. The airlines would be placing their unsold tickets with IRCTC, a move that not only promises a boon for the domestic carriers but an added option for the passengers in reaching their destination without having to abort their trip. With an average seat factor of about 70 to 75 per cent, most of the domestic airlines fly with about 20 per cent seats empty in their plane and IRCTC plans to make the best use of it.

-Collated by

Ameesh Shah, TY BFM