



Fr. C. Rodrigues Institute of Management Studies

VOLUME 3
ISSUE 4

MONEY SPEAKS



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Zerodha-Discount Brokerage

Ms. Nishi Vasudeva



MONEY SPEAKS

Father Agnel Business School (Vashi)



QUARTERLY ISSUE

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We are thrilled to introduce the Volume 3, Issue 4 edition of finance newsletter. This is intended to be a quarterly issue covering news from the financial world. The newsletter is also aimed at spreading financial literacy through our sections on 'Financial Terminologies', 'Quiz', 'It's All About Numbers' and many more. A sneak peek at the journey of some well-known Corporates ('Corporate Blog' and 'Personality Blog') is very motivating for the young readers. Happy reading and stay tuned for the next issue!

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Debit cards double in 5 years, but ATMs see only 20% rise



The number of debit cards in India has doubled to 94 crore in February this year from 42 crore in August 2014 when Jan-Dhan Yojana was launched. However, the number of ATMs has increased only 20% from 1.70 to 2.02 lakh, and a stand-off between banks, ATM companies and cash logistics firms on sharing costs are holding back investments. While cash in circulation has jumped to Rs 21.36 lakh crore, the ATM network of banks has shrunk from 2.06 lakh a year ago to 2.02 lakh this year. At the heart of the stand-off is the question who will bear the additional costs for ATMs over the RBI's new security guidelines. Public sector banks did float a procurement process for new machines, but the transaction did not materialise as there was no consensus on who will bear the increased costs. As per new guidelines of RBI the cash vans used by banks must have multiple security features including GPS and armed guards. It has also placed limits on the extent of cash that can be carried in the vans.

Significantly, it has asked banks to switch to a 'cassette swap' system where currency notes will be transported in metal canisters, which will be loaded directly into ATMs and the cash loaders will not have access to currency notes. Banks must upgrade a one third of their network every year and cover all machines by March 2021. With banks outsourcing deployment of ATMs, Management service providers who operate the networks or even rent out machines to banks have a large role to play. Banks, which are trying to contain costs, are refusing to pay more for the same services. The cash logistics companies are seeking an additional Rs 4,900 per ATM per month because of the increased security features. The increased costs are a disincentive for ATM deployment. Although RBI has issued licences to several new bank, many of them are looking at riding the existing banks networks, as paying the interchange is cheaper than building your own network. The interchange issue is being addressed by the RBI and a recent meeting was called by National Payments Corporation of India (NPCI) and the interchange is likely to be increased from Rs 15 to Rs 18 per transaction.

Bandhan Bank - OFS route to trim promoter shareholding



Bandhan Financial Holdings, the promoter entity of Bandhan Bank has been told to reduce its 82% stake to 40% in order to comply with the Reserve Bank of India's bank licensing guidelines. Bandhan Bank, which started operations on 23rd August, 2015 with a promoter holding of 89%, was given a deadline of 3 years to cut down on its promoter stake. The deadline for Bandhan Bank was on 23 August 2018. In March of 2018, the promoter holding was brought down from 89% to 82% via an Initial Public Offering.

Since Bandhan Bank was not able to reduce its promoter shareholding to 40% as required under the licensing condition within the stipulated time, it was barred from opening new branches without the prior approval of the RBI in September of 2018. The RBI has also frozen the salary of the bank's MD and CEO at the existing level till further notice.

The Bandhan bank in January 2019 announced the acquisition of Gruh Finance Ltd. from Housing Development Finance Corporation (HDFC), and the merger is likely to take place as soon as approval is received from the National Company Law Tribunal. This deal is expected to reduce the promoter holding of Bandhan Financial Holdings in the bank to 61% from 82%.

To trim its promoter stake further, from 61% to 40% Bandhan Bank is now planning to go for Offer-for-Sales (OFS) route as opposed to going for any more acquisitions, according to its Managing Director and Chief Executive Officer, Chandra Shekhar Ghosh. OFS is a method of selling shares through an exchange platform for listed companies. The Securities and Exchange Board of India introduced the OFS mechanism in 2012, allowing promoters to dilute their holdings in listed companies. Only the top 200 companies in the share market can avail this facility, and promoters or shareholders who own more than 10% of the share capital in those companies can offer shares through OFS. The bank assured that it is taking all necessary actions to comply with licensing condition.

– RAWAAN PARKAR

Vodafone-IDEA announces multi-million dollar IT outsourcing deal with IBM



"If you deprive yourself of outsourcing and your competitors do not, you're putting yourself out of business"

Vodafone Idea Ltd, India's largest telecom mobile, broadband and entertainment service provider has signed a new \$700-800 million, 5-year technology outsourcing contract with IBM, a deal which is expected to contribute a major part to the Rs 8,400 crore annual opex savings that the telecom market leader has set out to achieve by FY21. This renewed five-year strategic collaboration has opened new opportunities for the company to partner together in domains like cloud, AI and IoT.

The IT outsourcing contract comes a few months after VIL signed network equipment supply contracts with the likes of Nokia, Ericsson, Huawei and ZTE for a common network aimed at bringing in cost savings as well as expanding 4G coverage, which is critical in its battle for subscribers.

According to the deal, IBM will support Vodafone India's IT transition to the IBM hybrid cloud, allowing the company to leverage and integrate existing IT resources and data assets with private cloud environments. It will support Vodafone India's speed-to-market and improve the efficiency of its network and IT operations.

Technology outsourcing integration and networks integration are the two major components of merger synergy benefits that the telecom market leader is targeting by delivering solutions in areas like cloud, AI and IoT. AI solutions will be providing a secure environment to ensure regulatory compliances, data protection and threat detection. Applications and infrastructure data centres, disaster recovery centre, and further accelerate existing cloud usage. The pact will also offer a platform for quick initiatives in Internet of things (IoT). IBM is supporting with an option of extended flexible payment plan structure for the term of the contract through its IBM Global Financing which will help in enhancing business processes and providing significant customer value.

We would say this deal will accelerate Vodafone Idea's progression to an open, agile, and secure IT environment.

– ASMITA GAYKAR & PRATHAMESH NAGWEKAR

Impact of Repo rate cut on debt mutual funds



The Monetary Policy Committee (MPC) of the Reserve Bank of India has reduced the repo rate for the third consecutive time by 25 bps. However, this third cut was the first unanimous decision in this rate cutting. Repo rate is the rate at which Reserve Bank of India lends money to commercial banks in the event of funds shortfall. It is used by monetary authorities to control inflation.

Repo rate has come down to 5.75% in the month of June 2019, which has happened for the first time since 2010. However, this reduction of 25 bps was expected from many of the money market participants. Some were even expecting a larger cut or are expecting several cuts in the coming months. The larger cut was not given because RBI wants to prioritize growth over inflation. A falling interest rate scenario is beneficial to debt instruments as the relationship between yields and price of bonds is inverse. This helps in increasing the Net Asset Value (NAV) of debt funds. However, it is advisable to not invest in long term bond funds so early, simply because higher the duration, higher the risk. So, investing in short & medium funds is the best solution for conservative investors. The other reason not to invest in debt mutual funds is because of negative news which has come out lately about IL&FS and DHFL, these cases have reduced the investors reliance towards debt funds. Sharp fall in NAV of debt funds is a new experience for most debt fund investors, thus they should be careful with their investments at this time.

It is advisable for investors with low risk appetite to invest in liquid funds so that they can avoid any sharp volatility in their investments. Investors should also keep in mind that the credit crisis of bond markets which started in September 2018 is not over yet and hence they should remain careful and keep a check on their priorities.

Reliance-Hamleys-Buyout



Availability of good quality toys is a huge issue in the Indian market as Rs.4,500 Crore toys market is virtually stagnant. About 80 per cent of branded toys in the country are imported and they are very expensive and Indians are price sensitive so they go for cheap Chinese made toys. The mobile games took great attention of kids away from physical toys. This resulted into closure of many toy stores, while organised retailers have cut down space for toys as the footfalls have dipped to 60 per cent. The only serious toy retailers in India are Hamleys and Crossword.

On 9th may 2019, Reliance agreed to purchase 100% stake of 259-year-old British toy store chain Hamleys founded in 1760 from C. Banner International Holdings for \$88.5 million in cash, in a transaction that will increase Reliance Brands to be a dominant player in the global toy retail industry. With 167 stores spread across 18 countries, Hamleys will give huge opportunities to Reliance Retail as global footprint. Bringing Hamleys into Ambani's industries will make Reliance on the global map for the first time that is an overseas retailer. About acquiring the Hamleys advance talks were being going since 8th April, 2019.

In 2008, Tata Motors acquired Jaguar Land rover and became an international brand. Reliance Industries is also pursuing a same business trajectory. After launch of Reliance Jio, the Reliance Industries has shifted its focus from oil and petrochemicals to telecom and retail and is now looking to balance both to make remarkable progress in the online / e commerce segments Hence acquiring this British toy store chain Hamleys is of the most advantageous deal that will help becoming strong competition for other global retailers like Amazon and Walmart. Reliance's revenue from its 88 retail stores in 29 cities has also doubled last year to Rs.36,000 crore. Reliance Industries shares rose to 2 per cent, snapping four straight sessions of fall, in early deals after acquiring Hamleys. This deal will help to increase revenue and reduced the dependency on its petrochemicals and energy industries that in oscillation due to changing global oil prices.

Yes Bank Dilemma



The Reserve Bank of India seems to be continuing its close watch on developments at private sector lender YES Bank, leaving investors a worried lot as the bank's scrip fell 8 per cent on 15th May 2019.

The private sector lender's scrip fell 8.01 per cent and closed at 143.65 apiece on the BSE after the central bank appointed its former Deputy Governor R Gandhi on the board of YES Bank as additional director. According to BSE data, the scrip touched a new 52-week low of 142.50.

YES Bank stock has fallen over 50 per cent during the last one year, 18 per cent in the last 6 months, over 37 per cent in one month and around 28 per cent in the first week of May month. The reason behind fall is downgrading rate by rating agencies, increasing NPAs of bank, Net loss in January-March quarter and slash in target price by brokerages.

Rating agencies like CARE Ratings, Brickwork Ratings (BWR), ICRA and India Ratings downgraded outstanding ratings of the private sector lender which factored in the bank's weak financial performance as of Q4 and FY19, increased levels of non-performing assets (NPA), higher slippages, especially in Q4, increased provisions and its impact on net profits and capital adequacy ratios. They have also downgraded the bank's long-term ratings with a negative outlook. The brokerages target price was also slashed. They said that the private lender's challenges will persist in the next quarter as well and sudden change in the asset quality post CEO transition is a key negative for the stock's performance in the future.

According to researchers, investors should stay away from this stock at current levels as the results may remain weak for a couple of quarters.

– SONALI CHOUDHARY

BJP 100 Trillion Promise



The BJP's poll promise to invest Rs 100 trillion in infrastructure seems to be fraught with problems like very little personal sector appetency and institutional capabilities. A re-look at written agreement frameworks and quicker project award, together with accessibility of land, are vital determinants to create any investment doable.

In 5 years, it might lead to an average annual expenditure of Rs 20 trillion. In accordance to the NDA government's last Budget, the government's cost on four major infrastructure heads of energy, transport, IT and telecommunication, and concrete development is calculable at Rs 2.69 trillion for FY20. It's not clear however, how the sizeable increase in investment will be created.

The BJP sees investment being created in sectors which includes building 60,000 kilometres of national highways, connecting all villages with rural roads, making 100 new airports operational, modernizing 400 railway stations, and covering fifty cities through metro networks. The next generation infrastructure includes gas grids and water grids, regional airports, and road side amenities on the national highways. In addition to ensuring efficiency in the economy this will also lead to creation of a large number of jobs.

According to J Padmanabhan, director of Infrastructure Advisory at CRISIL, a continued focus on roads and additional stress on railways ought to be the priority of the subsequent government. Each, the railways and aviation sectors would need private investment, whereas power and urban development also benefit attention.

According to a CRISIL estimate, key infrastructure sectors would need an investment of Rs 50-55 trillion through 2018-23. Quality infrastructure isn't simply vital for economic but also for social development, since it helps in integration and modernizing the living conditions of citizens.

According to Vishwas Udgirkar, partner at Deloitte, governments over the past 20 years have acknowledged the importance of infrastructure like roads, power, telecom, urban infrastructure, etc. "This is seen from various initiatives, reforms, and a programmatic approach being taken to expand infrastructure. However, we are now at a crossroads, where new challenges have emerged, technological advances and advent of industry 4.0 is changing the ecosystem at an unprecedented pace, and the market is demanding new models for implementing projects in both traditional and emerging infrastructure segments".

– NIKHIL YADAV & TANMAY SAVLA

Money Speaks Presents: The Corporate Blog



What traditional broking firms have not done well is to introduce markets to the masses, “We are the only firm that is adding new people to the ecosystem.” **Nitin Kamath**

Zerodha is Bengaluru-based technology-centric financial service company that offers brokerage-free equity investments, retail and institutional broking and commodities trading. It is "India's first online discount brokerage firm" having debuted the "discount broking" model in India which is popular in developed markets. A discount broker is different from a full-service broker in that it does not offer research services to its client, such as buy or sell recommendations. The cost it saves by not having a full-fledged research team, it passes on to customers via a low brokerage.

Zerodha is founded in 2010 by brothers Nithin Kamath and Nikhil Kamath with a aim to make trading barrier-free hence named Zerodha; it comes from the words 'zero' and 'rodha', the latter means obstacles. The start-up kicked off with a team of five people, which has now gone up to an employee count of nearly 1,300. It was a slow transition that happened over the last eight years. In first year of operations, it opened 3,000 accounts which have now reached to 8.47 lakhs clients. Over time, Zerodha has used technology heavily to differentiate itself. Its trading platform Kite on web and mobile, accounts for more than 10 percent of all retail trading turnover in India. It recently launched Coin, an online platform to buy direct mutual funds.

Zerodha, which spends zero money on advertising, runs a free education programme called Varsity where all matters related to stock markets are shared. Zerodha has also invested in several fintech startups with the goal of growing the Indian capital markets through Rainmatter, a fintech fund and incubator.

Zerodha has been awarded “Best retail brokerage firm in India for 2018” by the National Stock Exchange (NSE), "Economic Times Startup Awards 2016" in the "Bootstrap Champ" category, "Emerging Equity Broking House Award" in 2015 and BSE-D&B in 2014.

– DARIUS STALLONE

Money Speaks Presents: The Personality Blog



“If you give me a choice between attitude and skill, I will pick attitude”. - Nishi Vasudeva

Ms. Nishi Vasudeva is BA (Economic) from, Delhi University and an MBA from IIM Calcutta with over 38 years of experience in the Oil sector across core functions including Strategy, Marketing, Retail, and Information Systems.

She is the first lady to be appointed as the Chairman and Managing Director of Hindustan Petroleum Corporation. Before taking over as the CMD, she served as the Director of Marketing and Executive Director-Marketing Coordination.

She was a key member of the Sundararajan Committee, constituted by the Ministry of Petroleum and Natural Gas, which carried out an in-depth analysis of the Petroleum sector and was instrumental in laying down several key reforms. She has also been elected as the Vice President to the Executive Committee of the World Petroleum Council in a toughly contested election.

Ms. Nishi Vasudeva is the only Indian to be awarded as the prestigious Platts “Global CEO of the Year” in the energy sector. She has several other awards & recognitions to her credit, including Platts “Asia CEO of the Year” (2014-15), “Outstanding Woman Manager Award” (2010-11) – by SCOPE, Government of India, 5th position in the list of “Most Powerful Women in Asia Pacific”- FORTUNE magazine, and “Most Powerful Women in Indian Business” by Business Today for three consecutive years. Awarded “Best CEO Super Large Companies” (turnover > Rs. 1000 billion) and “Best CEO Oil & Gas” by Business Today. She is also the proud recipient of the SCOPE Award for Excellence and Outstanding Contribution to Public Sector Management under the Individual Leadership Category for the year 2013-14 presented by the Hon’ble President of India.

She is currently an Independent Director on the board of HCL Technologies Limited, L&T Finance Holdings Limited and Atria Convergence Technologies Limited.

FINANCIAL TERMINOLOGIES

- 1) **Vostro account:** Vostro account is a local currency account maintained by a local bank for a foreign or correspondent bank. For a foreign bank, it is a nostro account.
- 2) **Junk Bonds:** Junk bonds are bonds that carry a higher risk of default than most bonds issued by corporations and governments. These are the bonds struggling financially and have risk of not paying their interest payments or repaying the principal to investors.
- 3) **Dividend reinvestment plan or DRIP:** It is an equity option in which the investor does not receive quarterly dividends directly as cash; instead, the investor's dividends are directly reinvested in the underlying equity.
- 4) **Burn rate:** The burn is the rate at which a new company is spending its venture capital to finance overhead before generating positive cash flow from operations.
- 5) **Capital asset pricing model:** A model that shows the relationship between the expected risk and expected return on investment, based on the accepted theory that the higher the risk associated with the investment, the higher the required return.
- 6) **Escrow account:** An escrow account is an account where funds are held in trust while two or more parties complete a transaction. The funds will be disbursed after they have fulfilled the escrow agreement.
- 7) **Hybrid security:** A security which contains multiple components, most frequently debt and equity. For example: convertible bond, which is a hybrid security because it has features common to a bond, but also is dependent upon the performance of the stock for which it can be exchanged.
- 8) **Recapitalization:** The restructuring of a company's balance sheet by either increasing or decreasing the amount of corporate debt. The aim is to alter the capital structure of a company to improve its profitability.
- 9) **Private placement:** The sale of securities to institutional investors or wealthy individuals which are not registered with a recognized exchange. These transactions are frequently facilitated by an investment bank.
- 10) **Hurdle rate:** The expected rate of return on a potential investment that an investment manager demands before committing his money. It is an arrangement that caps the downside risk for investors.

FINANCE QUIZ

1. **In financial Market, which of these is the financial function and not intermediary function?**
 - a. Transfer of resources
 - b. Price determination
 - c. Promoting Investment
 - d. Sale mechanism

2. **_____ Market is a market for new issues or new financial claims. Hence it's also called new issue market.**
 - a. Secondary
 - b. Equity
 - c. Capital
 - d. Derivative
 - e. Primary

3. **A portfolio is**
 - a. A collection of personal liabilities
 - b. A collection of financial assets
 - c. A collection of various debt instruments
 - d. the information collected by banks to evaluate a customer's borrowing capacity

4. **Financial inclusion includes the following except**
 - a. Bank accounts
 - b. Financial Advice
 - c. Insurance
 - d. High credit

5. **Financial inclusion means**
 - a. Retail banking
 - b. Financial data
 - c. Wholesale banking
 - d. Financial statements
 - e. Bringing all poor people under banking net

6. **What is the full form of FINO?**
 - a. Financial Investment Network And Operations
 - b. Financial Inclusion Network And Operations
 - c. Farmer's Investment In National Organization
 - d. Farmer's Inclusion News And Operations

- 7. The time value of money must be considered in total outlay decision because**
- Cash inflows and out flows occur at different point
 - Inflation greatly reduce the outflows
 - A dollar received in future is more value able than a dollar today
 - Cash flows are not known with certainty
- 8. During inflationary periods, interests rates _____**
- Rise
 - Fall
 - Stay unchanged
 - Erratic behavior
- 9. MUDRA bank will be a**
- Commercial bank
 - Regulating Agency
 - Refinance Agency
 - Credit rating Agency
- 10. Which of these is the feature allowed only to payment banks?**
- Demand deposits
 - Fixed deposits
 - Recurring deposits
 - Savings
- 11. Statement of cash flows are included in**
- Operating activities
 - Investing activities
 - Financing activities
 - All of the above

ANSWERS(QUIZ): 1)C. 2)E. 3)B. 4)D. 5)E. 6)B. 7)A. 8)A 9)C 10) A 11)D

ITS ALL ABOUT THE NUMBERS

RBI Rates	Percentage as on June' 19
Policy Repo Rate	5.75
Reverse Repo Rate	5.50
Marginal Standing Facility Rates	6.00
Bank Rate	6.00
CRR	4.00
SLR	19.00
Base Rate	8.95-9.40
MCLR (Overnight)	8.05-8.50
Savings Deposit Rate	3.50
Term Deposit Rate (>1 year)	6.25-7.50

SHARE MARKET	18/06/2019
BSE	39046
NIFTY 50	11691

GOVERNMENT SECURITIES MARKET	
7.26% GS 2029	6.9305
91 Day T-bills	5.9428
182 Day T-bills	6.1173
364 Day T-bills	6.1288

RBI EXCHANGE RATES	18/06/2019
INR / 1 USD	69.50
INR / 1 Euro	77.83
INR / 100 Jap. Yen	64.16
INR / 1 Pound Sterling	87.17

KEY ECONOMIC INDICATORS		
Index of Industrial Production	126.8	April' 19
% change in IIP	3.425	April' 19 over April' 18
Consumer Price Index (CPI)	142.4	May' 19
% change in CPY	1.859	May' 19 over May' 18
Wholesale Price Index (WPI)	121.2	May' 19
% change in WPI	2.451	May' 19 over May' 18



THANK YOU

