FR. AGNELS' BUSINESS SCHOOL

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MONEY$PEAKS

GST Council Revises Tax Rates

Supreme Court bans BS-III Vehicles

Deena Mehta : First Women President of BSE

Modi's Coal Reforms

Indian Economy to Surpass Germany by 2030

Emami's Journey
Mr. R.S. Agarwal
Mr. R.S. Goenka

New Banking Regulation Act For NPA Recovery

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QUARTERLY

NEWSLETTER

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Dear Reader,

We are thrilled to introduce the volume I, 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 section on 'Financial Terminologies', 'Crossword Puzzle', 'It's All About Numbers' and many more. A sneak peek at the journey of some well-known corporates (Corporate Blog and Youth Icon) is very motivating for the young readers. Happy reading and stay tuned for the next issue!

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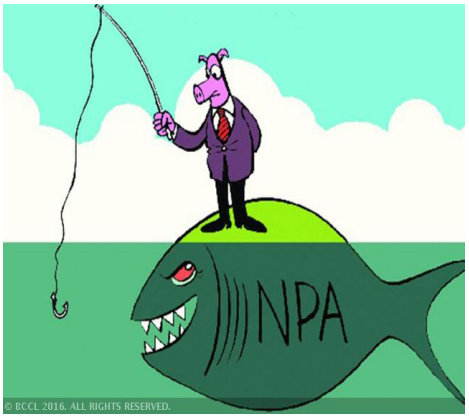
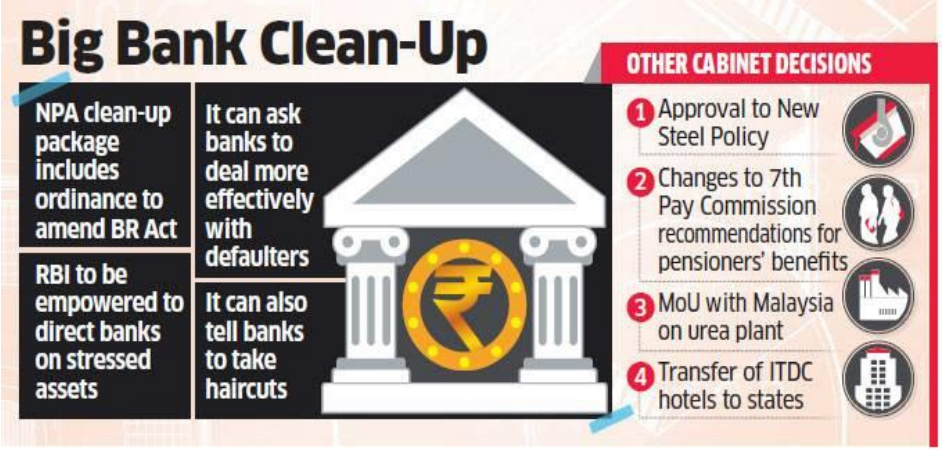


Cabinet Modifies The Banking Regulation Act For NPA Recovery

"We should reduce the ability of the fraudster or the wilful defaulter, who can pay but simply is disinclined to do so, or the fraudster, to get away.

- RAGHURAM RAJAN"



In order to crack down on loan defaulters, government has recently brought a new ordinance towards NPA recovery. NPA resolution is one of the most important economic issues hampering our country's credit growth today. Indian Banks Balance sheet needs restructuring to resolve the growing NPA issues and hence amendment of the Banking Regulation Act was required. Therefore, by amending Section 35A, of the Banking Regulation Act, Indian lenders have got a better road map ahead to deal with the NPA problems, thus helping them make their balance sheet better.

The NPA ordinance was required since the Public Sector Banks had a sharp fall in profits as they set aside hefty amounts of losses on account of NPAs. As per 'Care Ratings' report, the total NPA with banks (i.e. both private and public sector banks) is around 6.97 lakh crores by December 31, 2016. The consequence of the ordinance may lead to banks resorting to do haircut for or write off the NPAs by December 2017.

Earlier the steps taken by RBI were: (1) As per RBI, Joint Lender Forum (JLF) was empowered to take quick decisions but it became an escape route for big defaulters. This was due to the delay in decision making since debt restructuring required approval of 60% of the consortium lenders which was evaded. (2) Another one was Strategic Debt Restructuring (SDR) which empowers the lenders convert part of their loan in an ailing company into equity, with at least 51% stake. These measures were fundamentally postponing bank's NPAs for later years.

New Ordinance has inserted Section 35AA and section 35AB in the act by the Union Cabinet to recover NPA by one-time settlement scheme for top defaulters before initiating stringent step against them as well as setting of a bad bank to deal with problem of non-performing asset. The government may also ask banks to go for further haircut or write off the NPAs. There could be provision which will make a wilful defaulter a criminal offence. The bankruptcy code seeks to consolidate the existing framework and create a uniform institutional structure to deal with insolvency. Banks do not need to wait for 90 days to start loan recovery instead wait for only 30 days before they can take action.

In short, this new ordinance has made the NPA recovery process shorter by cutting layers and shifting the major work of recovery to the RBI. The crux of the ordinance is 'RBI is respected and feared and so it should produce better results than efforts so far'.

However, global rating agency, Moody's made some pertinent remarks about the new NPA ordinance. It said, "These measures (Ordinance) improve the efficacy of Non-Performing Loans (NPLs) resolution mechanisms and are a credit positive. However, they do not address the lack of capital at the state-owned banks that has prevented them from writing down NPLs to realistic levels. We continue to expect NPL resolution to be a relatively long drawn out process."

- **Onkar Shinde**

SEBI's STRICT MONITORING ON ALL IPOs

In India's capital markets, around 4,005 companies entered for initial public offering (IPO) to raise aggregate funds of Rs 41,319 crores during the 4-year period between April 1993 and March 1997. The IPOs accounted for more than 9% of the market capitalisation of Bombay Stock Exchange (BSE) during the same period. Many companies raised money from the public and several other companies also duped investors in the pretext of public offer and disappeared from the market. There are 238 companies in the Ministry of Corporate Affairs' list of 'vanishing companies' and out of that, 87 remained untraceable till March 2012. The compulsory check was made for all companies; post SEBI having noticed a mismatch between the stated purpose of the IPO and its end use. During the period 2011-2013, it was found that around 15% (i.e. 8 out of 51) public issues were over the size of Rs 500 crores whereas more than 80% of the issues had issue size of less than Rs 500 crores. Firms have used IPO money for purposes other than the listed objectives either by obtaining shareholder approval or by masking the uses. Such unfair means of siphoning investor's money still continues and has led to the SEBI's proposal. The proposal which was made on April 13, 2017 was the mandatory appointment of a monitoring agency for companies raising less than 500 crores through initial public offering (IPO). This will help to keep a track of the investors' funds.

Before the proposal, only companies with an issue size of over Rs 500 crores had to appoint a monitoring agency. The bankers to the issue usually took up the role of monitoring agency and provided up-to-date information about the use of funds by the company.

Other issues which SEBI is expected to look into apart from the use of IPO funds are (1) to reduce paperwork for foreign portfolio investors, for bringing money into the country and also allow systemically important non-banking finance companies (NBFCs) in the institutional category for public issues. (2) The SEBI is also likely to allow options trading for commodities. (3) It is working on to allow unified licence for brokers. (4) Use of e-wallet for investments in mutual funds is another area awaiting SEBI's approval.

The board is soon expected to come up with the revised norms on the stated issues. To conclude, SEBI's proposal on IPO funds (less than 500 crores) is a positive step since it will provide protection to the investors against misuse of their funds.

- **Pooja Jamnekar**

This is a big move by SEBI. Earlier, companies coming up with public offerings of raise less than Rs 500 crores were not required to have any monitoring agency.

Modi's Coal Reforms Reduces Power Costs

Coal combustion is the largest source of energy production in the world, accounting for 40% of all electricity worldwide, due to its abundance and low market price.

To improve the quality of coal and efficiency in supply chain management, The Coal Mines (Special Provisions) Bill, 2015 has been passed.

The clearance of the coal mines bill has given a boost to coal sector reforms. The ordinance, for the first time in more than 40 years, allowed commercial mining by private companies.

Coal sector reforms initiated by the Modi government are beginning to payoff now. Initiatives to improve coal quality and efficiency in the supply chain have brought down the cost of power from coal-fired plants in spite of upward revisions in coal prices, central cess and railway freight in the last three years.

Decline in the cost of power has accrued mainly from power stations burning less coal to generate each unit of electricity on assured quality of domestic fuel. There is also import substitution worth Rs 23,349 crore, which saves fuel costs.

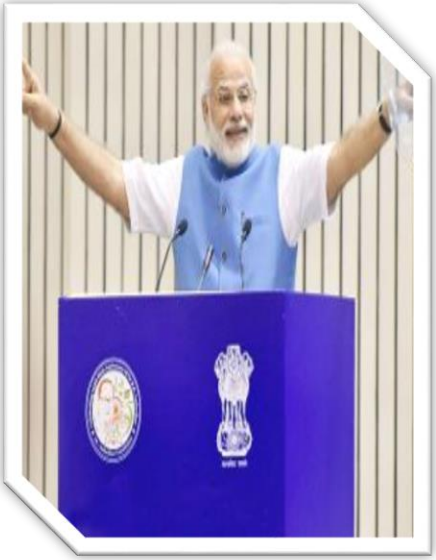
According to government data, power stations are now burning 8% less coal than they used to three years ago for each unit of electricity. State-run NTPC, which accounts for 17% of all generation capacity in the country and is the key supplier to states, reduced its coal consumption by 5.5% in 2016-17.

NTPC's coal cost stood at Rs. 2 per unit in 2014-15 and should have risen by 33 paise due to upward revisions in coal price, government cess and railway freight. Remarkably though, it stood at Rs. 1.94 per unit for 2016-17. In other words, even after paying 33 paise more since 2014-15, NTPC's power costs 6 paise less today.

Similarly for 'DISCOMs' - Electricity Distribution Companies, this actually means a saving of 39 paise per unit, which translates into savings of hundreds of crores of rupees.

To conclude, cost of power is dependent on consumption of coal. Reduced consumption of coal will lead to lower cost of power which will ultimately benefit consumers by way of lower tariff. But in reality DISCOMs which have been bleeding at bottom lines and have suffered commercial losses may not be able to reduce monthly bills of consumers immediately. But they will find it hard to justify demand for tariff hike to state regulators. In the long run, however, cheaper power will result in lower tariffs once the DISCOM reforms take root.

- **Aayesha Kakti**



"UDAY will bring down the cost in the entire eco-system of power, coal, and renewable energy by about Rs.1.8 trillion every year by 2019"

- **Piyush Goal**

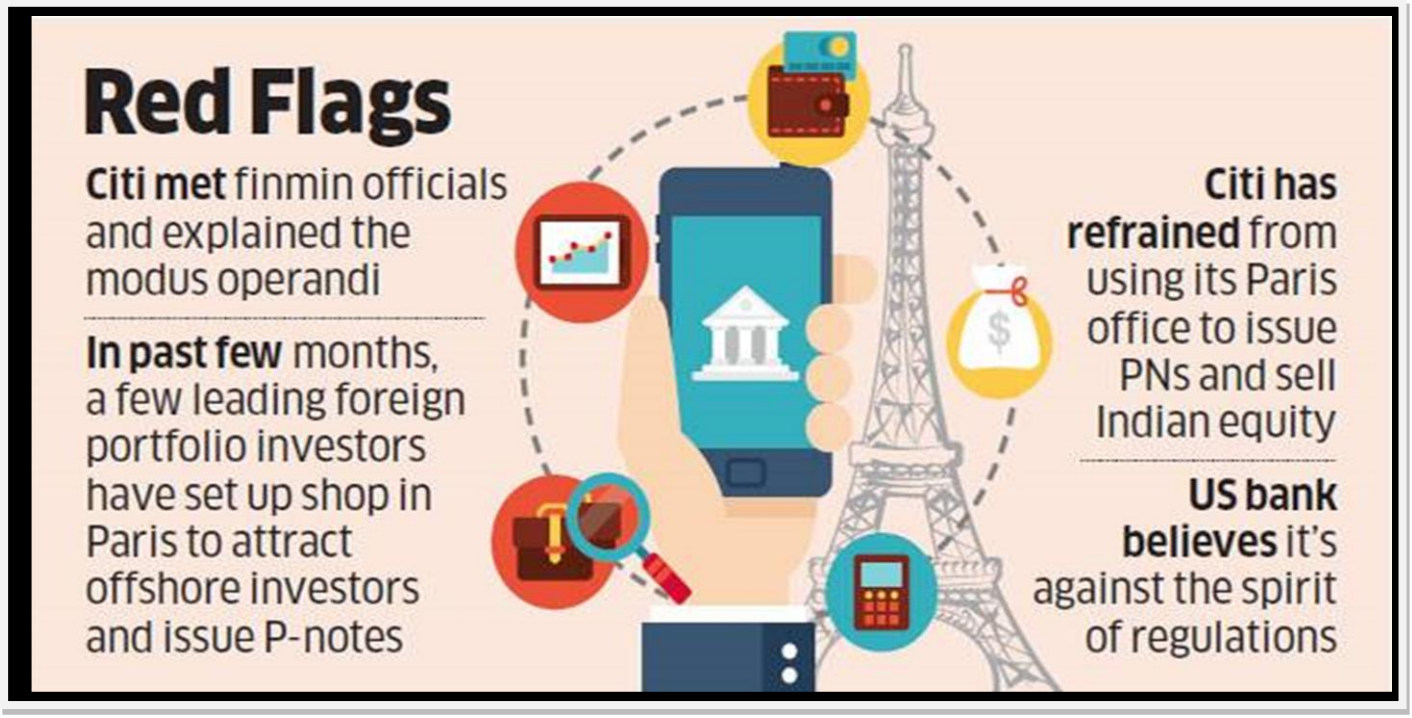
Union Minister of Coal, Power, New and Renewable energy

Paris Replacing Mauritius As Tax Haven

Citibank has warned Ministry of Finance (MOF) about Paris becoming a new tax haven replacing Mauritius. Few leading Foreign Portfolio Investors (FPIs) started trading businesses in Paris and issued participatory notes (PNs) in the capital city of France, in order to attract new offshore investors. These PNs are offshore derivative instruments with listed Indian shares as underlying assets. Previously till 31st March, 2017 Mauritius was considered to be preferred location for such businesses. Now with the revision of tax treaty between India and Mauritius, there will be capital gain tax on Indian securities from any Mauritius entity on or after 1st April, 2017. New doors opened for some of the global banks and funds, and they are now taking advantage of India's treaty with France to escape tax burden. Under the new agreement between India-Mauritius and India-Singapore treaties, short-term capital gains tax is 7.5% for two years and 15% subsequently. However, tax treaties with European countries including Netherlands, France, Spain and Sweden do not provide for any tax on short-term capital gains. Many French banks were offering P-note products with a written assurance that there would be no tax on FPI returns, with a promise to satisfy the General Anti-Avoidance Rule (GAAR) test. GAAR states that market gains could be taxed if the Indian tax department suspects whether the investment vehicle lacks substance and is aimed to solely evade tax. The key requirement for the compliance with GAAR provisions is to demonstrate substance in the form of relevant people, infrastructure, key activities, etc. within France jurisdiction. As long as these conditions are satisfied, the treaties benefits should be made available.

Apart from the above GAAR and Capital gain rules, the following rules and regulations are also to be observed by the MOF: (1) issuer should follow the regulations of ODI (overseas derivative instruments) issuance program, (2) From a tax perspective, structures could be scrutinised to primarily avoid taxes (3) In addition to capital and liquidity exposures, a PN issuance program requires significant risk management capabilities. All such factors needs to be looked at collaboratively before the MOF proceeds with any further treaty revision with France.

- **Ambika Satheesh**



Supreme Court Bans BS-III Vehicles

On 29th March 2017, the Supreme Court of India passed the judgment for banning sale of BS-III vehicle with effect from 1st April 2017 and this shattered the entire automobile industry. Bharat Stage (BS) Emission Standards are governed under the Central Pollution Control Board of India to regulate the air pollutants released by the vehicles in India. BS-III was introduced in 2005 and implemented nationwide by 2010. BS-IV was introduced in April 2010 in 13 Metro Cities. Higher the BS version, lower the emission of pollutants. As there was non-availability of BS IV Fuel all over India during April 2010, the emission norms were not introduced all over. So the automobile industry continued to manufacture BS-III engines vehicles. Reacting to the recent Supreme court judgement, the Society of Indian Automobile Manufacturers (SIAM) said that the automobile industry will manufacture the BS-IV engine vehicles. The major issue with manufacturers was the stock of vehicles with BS3 engine which were 824,275 vehicles, i.e. 96,724 commercial vehicles, 6,71,308 two-wheelers, 40,048 three-wheelers and 16,198 cars. As a result, automobile companies incurred losses amounting to Rs. 1,200 crores.

Impact of Ban on Companies:

Stock of 8 lakh BS-III vehicles were sold for huge discounts ranging from 30%-100% within 2 days. Companies had to give huge discounts to liquidate (sell off) the stock pile. Market leader Hero Motor Corp offered discounts up to Rs. 12,500 on scooters, Rs. 7,500 on premium bikes and Rs. 5,000 on entry level motorcycles. Honda motorcycle and Scooter India (HMSI) offered discounts of Rs. 10,000 on scooters and Rs. 22,000 on motorcycles. Other companies like Suzuki also offered discounts up to Rs. 4,000 and provided free helmets. Bajaj Auto also offered free insurance ranging from Rs. 3,000 to Rs. 12,000. Further, the HMSI offered Honda NAVI free with purchase of CBR250R or CBR150R. To add to the list, Triumph and Ducati also offered discounts up to Rs. 3,00,000. The car dealers offered discounts on passenger cars of TATA motors and Mahindra & Mahindra ranging from Rs. 70,000 to Rs. 1,50,000.

Impact of ban on Buyers:

After the judgment was passed, customers rushed to their nearest dealers before the shop was opened. Positive response from buyers as huge discounts was offered. The buyers were happy with the dealers as they were prompt in not only selling but also in registering of vehicles (i.e. all the documentation had to be done by 1st April 2017). This was in addition to the huge discounts received by them (buyers). People were happy with the judgment as the BS-IV engine would emit 80% less pollutants than the BS-III engine.

- **Nitesh Wani**

Emission Standards for Heavy Duty Commercial Engines

Heavy Duty Vehicles (GVW > 3500 kg)

	Effective date	Category	Test cycle	CO (g/kWh)	THC (g/kWh)	NOx (g/kWh)	NMHC (g/kWh)	CH4 (g/kWh)	PM[a] (g/kWh)	ELR smoke (m^{-1})[e]	Free accl. smoke (m^{-1})[e]
Diesel, CNG or LPG Engines	1.04.05 BS-III	Diesel, CNG or LPG vehicles with GVW >3500	Engine Steady state cycle (ESC)	2.10	0.66	5.00	NA	NA	0.10 / 0.13[b]	0.80	2.45
		Diesel , CNG or LPG vehicles with GVW >3500 with advanced exhaust after treatment system	Engine Transient Cycle (ETC)	5.45	0.78	5.00	NA	NA	0.16/ 0.21[b]	0.80	2.45
	1.04.10 BS-IV	Only Diesel vehicles with GVW >3500	Engine Steady state cycle (ESC)	1.50	0.46	3.50	NA	NA	0.02	0.50	1.62
		Diesel, CNG or LPG vehicles with GVW >3500	Engine Transient Cycle (ETC)	4.00	-	3.50	0.55[c]	1.10[d]	0.03	NA	NA

a - Only for Diesel Engines.
b - For engines having swept vol. <0.75 liter per cylinder & rated power speed >3000 rpm.
c - A manufacturer may choose to measure the mass of THC instead of NMHC
d - Only for CNG vehicles.

For BS IV

2010.04	NCR,13 cities
2015.07	Above plus 29 cities mainly in the states of Haryana, Uttar Pradesh, Rajasthan and Maharashtra
2015.10	North India plus bordering districts of Rajasthan(9 states)
2016.04	Western India plus parts of south and East India
2017.04	Nationwide

Emission Standards for 2 Wheeler Vehicles

Deterioration Factors (BS III)

Engine category	CO	HC+NOx	PM
2W (Gasoline engines)	1.20	1.20	-

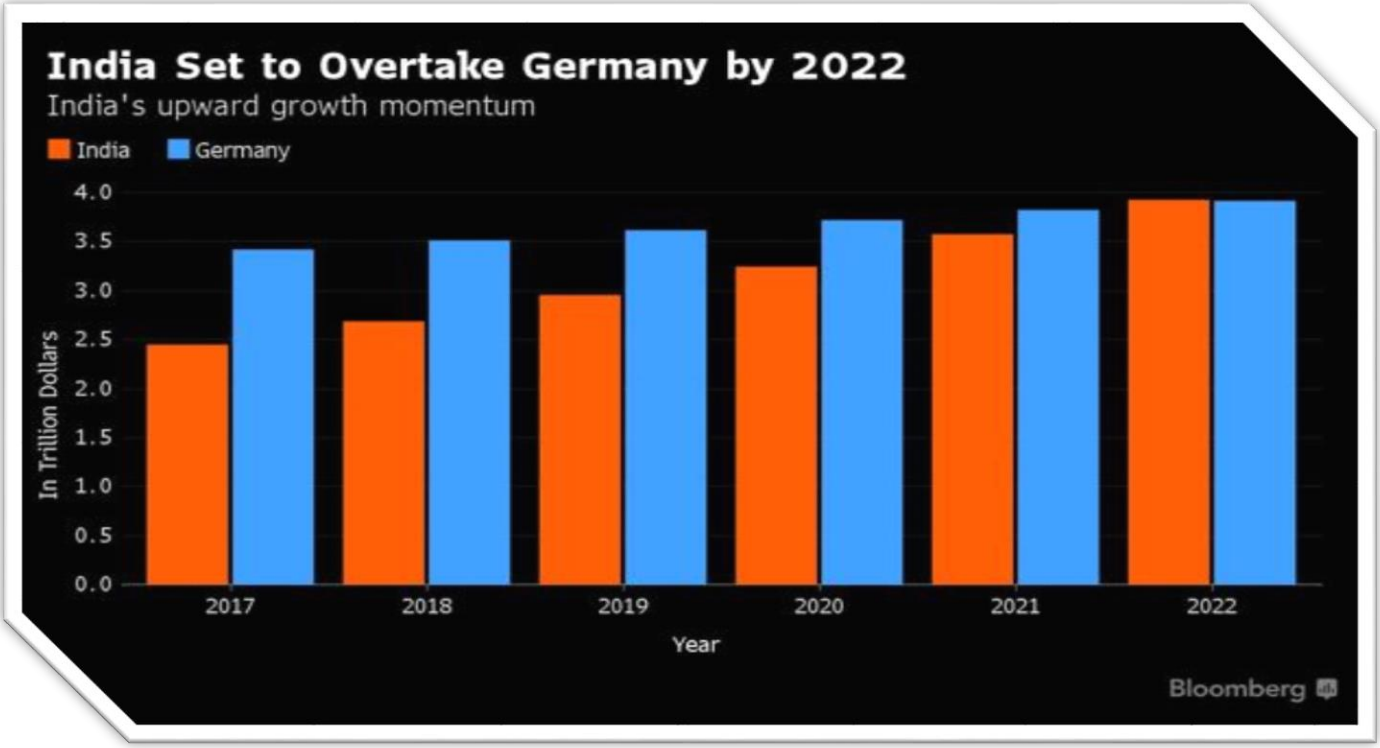
BS - III Type I Limits

	Effective Date	Category	CO g/km	HC + NOx g/km	PM g/km
Gasoline	1.10.2010	2W	1.00	1.00	-

Emission Standard History for 2 Wheeler Vehicles

2 Wheelers	CO (g/km)	HC (g/km)	HC+NOx (g/km)
1991 Norms	12- 30	8 - 12	-
1996 Norms	4.50	-	3.60
BS - I Norms (2000)	2.00	-	2.00
BS - II Norms (2005)	1.50	-	1.50

Indian Economy to Surpass Germany by 2030



India is poised to become the third largest economy by 2030 after the U.S. and China. To attain this position, India is expected to surpass the economy of four developed nations i.e. Japan, Germany, Britain and France.

According to estimate by the United States Department for Agriculture Economic Research Service (USDA), World Bank and IMF, the Indian economy will expand annually at an average 7.4% to $6.84 trillion by 2030. This will make it bigger than that of the economies of Japan ($6.37 trillion) and Germany ($4.38 trillion). The report also states that India's annual economic outputs will double that of Britain ($3.6 trillion) and France ($3.44 trillion) in the next 15 years. Measured in terms of gross domestic product (GDP), the US will continue to be the global leader with an annual economic output of $24.8 trillion in 2030.

As per PricewaterhouseCoopers (PwC) report titled "The world in 2050", India's GDP in terms of purchasing power parity (PPP) is expected to grow to $30 trillion by 2040, from $8.7 trillion in 2016, while US will grow from $18.6 trillion to $28.3 trillion in the same period. China will continue to lead the chart with its GDP rising from $21.3 trillion to $47.4 trillion by 2040.

Currently, the major challenges affecting our country's economic growth are: (1) the pilling of stressed assets (i.e. bad loans) in the banking industry, (2) overhaul of the tax system and (3) revival of lackluster productivity. India may also face the challenges in the wake of implementation of Goods and Service Tax (GST), which is likely to go on stream from July 1. An urgent remedy is needed to stem the rising Non Performing Assets (NPA) problem as India's prolonged bad loans have been a key concern in the wake of rising corporate defaults. 'Make in India' initiative has played a major role in boosting country's manufacturing sector. The ease of doing business initiative has promoted 'Entrepreneurship'.

Despite facing major challenges IMF believes in India's growth potential to remain intact due to consumption and demand in the economy. Also IMF's positive estimation has created a lot of buzz in the world market and acted as a catalyst to boost investment in Indian economy.

After 70 years of independence, India is set on the path which will help it overtake its former colonial power.

- Rajnish Pandey

"When German companies take over firms in India, it is seen as normal.
When an Indian buys one or two firms in Germany that is something special"
-Tulsi Tanti

RBI Proposes Budgetary Long-Term Finance Banks

NEW BANKS IN THE MAKING

WHAT ARE WLTF BANKS?

- Wholesale and long-term finance (WLTF) banks will fund the infrastructure sector and corporate businesses

OBJECTIVE

- To raise funds through bonds, current accounts and minimum term loan of ₹10 crore

CONDITION

- WLTF banks will be required to maintain CRR, not SLR

ELIGIBILITY

- Licence would be on-tap and eligible promoters would be same as commercial banks

CURRENT RULE

- Industrial houses and corporate groups are not allowed to float full commercial banks

India's financial sector is dominated by banks. As of June 2016, commercial banks account for about 67% of the total financial sector assets in the country and almost three-fourth if combined with co-operative banks. Banks in the country are operating in retail as well as corporate segments, offering varieties of financial products and services.

In an effort to introduce new ideas and develop niches to ensure that more segments are covered, Reserve Bank of India (RBI) released a discussion paper seeking comments on a new category of banks — Wholesale and Long-Term Finance (WLTF) banks. These banks will fund large projects and primarily focus on lending to infrastructure sector and small, medium & corporate businesses.

The proposal was initiated as the financial sector was not able to meet the needs of large corporate houses, public infrastructure and small and medium-sized enterprises in many parts of the country. This was an opportunity for specialized banks to take up long-term financing of the corporate and refinancing of the MSME sector lenders within the existing banking structure.

The introduction of (WLTF) banks could act as a steady and additional source of funding for small, medium and large businesses, and infrastructure sector over a long term. Easing up the pressure of long-term maturity loan assets in the books of commercial banks, encouraging product innovation, appropriate price discovery and superior market liquidity are some of its benefits.

- **Girija Likhite**

What is a wholesale & long-term finance bank (WLTF)?

It will be a combination of a term-lending institution and an investment bank

What will be the eligibility criteria?

Promoters eligible to apply for banking licence can apply. However, minimum capital proposed is Rs 1,000 crore

How will WLTF raise money?

While they can't accept savings deposits, they can raise money from current accounts, bulk fixed deposits, and bonds

SMART IDEA

- RBI proposes wholesale and long-term finance banks which will fund long-gestation projects in infrastructure
- Minimum capital set at Rs 1000cr much higher than other niche banks
- Banks cannot take savings deposits. They can mobilise term and current account deposits

GST Council Revises Tax Rates

Goods and Services Tax (GST) is an indirect taxation in India, merging most of the existing taxes into single system of taxation.

The Goods and Services Bill (GST) is expected to be effective from July 2017. After Lok Sabha passed 4 crucial bills related to GST late last month, Rajya Sabha has cleared the bill without any modifications. GST is acclaimed as the biggest, most powerful financial reform bill to have passed since Independence. It unifies the nation with one tax regime i.e. whether you are selling a product from Assam or Karnataka, it won't matter henceforth.

At the final meeting of the GST Council, our Finance Minister – Arun Jaitley came out with a 213-page draft which had the complete list of the products with the slabs of tax rates. It provides a complete laydown of the different rate of taxes on the different category of products. For some of the products it is a waiver on the existing tax, but for most of the goods, the prices will see a sharp rise. The tax on capital goods has come down from 28% to 18%.

The committee has fixed on a four slab rate of taxation, upon which all the products are going to get classified. A total of 1,211 items were slabbed according to their category and rates were fixed. Among these, services industry, transport, finance, insurance and hospitality are also included. The taxes are set on a four slab rate – 5%, 12%, 18% and 28%.

GST rates are big relief for the common man, as 81% of the necessity products like milk, cereals, eggs, salt, jaggery, honey, etc. are exempted from the GST bracket. Specific services are also exempted from GST. Further most of the FMCG products like toothpaste, hair oil, & soaps got cheaper from 28% to 18%. GST has led to coal becoming cheaper; which will have a positive impact on electricity rates. Electricity tax rates thus were lowered at 5% from the earlier rate of 11.69%.

All these rates are in favour of common man, since the providers of these products will need to strictly follow the GST rates, adopt it and pass it on to the final consumers. Mobile phone users will have to pay extra Rs. 30 on every bill of Rs. 1,000. Also headsets will get costlier by 5%. Small cars will be at the 28% tax bracket and all the luxurious cars will have higher cess.

The tax on capital goods has come down from 28% to 18%. This is a message to the corporate and the private sector businesses to start reinvesting in new capacities and create fresh employment opportunities. Within the service sector, hotels, restaurants and tourism will have lower tax slabs resulting in higher employment prospects.

Removal of tax barriers with flawless credit will make India a better place to do business both domestically and internationally because of the following: (1) It will lead to economies of scale in production and efficiency in supply chain. (2) Removal of cascading effect of taxes included in cost of production of goods and services will significantly reduce the cost of indigenous goods and will indirectly promote 'Make in India'. (3) Integration of the existing multiple taxes into single GST will significantly reduce cost of tax compliance and transaction cost. (4) Stable, transparent and predictable tax regime will also encourage local and foreign investment in India, creating sizeable job opportunities. Therefore, GST is expected to have a favourable outcome on the economy.

- Shikha Pandhi

Impact Of GST On Various Sectors:

Sectors	Impact of tax rate	Inventory management	Logistics	Organised players	Overall Impact
Cement	Positive	Positive	Positive	Positive	Positive
Consumer durables	Positive	Positive	Positive	Positive	Positive
Telecommunications	Neutral	Neutral	Negative	Neutral	Negative
FMCG	Positive	Positive	Positive	Positive	Positive
Pharmaceuticals	Positive	Positive	Positive	Neutral	Positive
Automobile	Positive	Positive	Positive	Positive	Positive
Textile	Negative	Positive	Positive	Positive	Neutral
Metals	Negative	Neutral	Positive	Neutral	Positive
Buildings/Home materials	Positive	Positive	Positive	Positive	Positive

For Services:

ITEMS(SERVICES)	GST RATES
Tariff of Air Conditioned Hotels, Liquor serving Hotels and Bars, Tariff of Hotels ranging in between Rs 2,500 to Rs 5,000, Services relating to Telecom and Finance	No Tax
5-star hotels, race club betting, cinema	28% (with full ITC)
Supply of Food/drinks in restaurant having facility of air-conditioning or central heating at any time during the year	18% (with full ITC)
Transport of passengers by air in economy class	5% (with full ITC)
Supply of Food/drinks in restaurant not having facility of air-conditioning or central heating at any time during the year and not having licence to serve liquor	12% (with full ITC)
Transport of passengers by air in other than economy class	12% (with full ITC)

GST Rates:

For Goods:

ITEMS(GOODS)	GST RATES
fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasad, salt, bindi. Sindoor, stamps, judicial papers, printed books, newspapers, & bangles.	No Tax
Fish fillet, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, kerosene, coal, medicines, stent, & lifeboats.	5%
Frozen meat products , butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices, Bhutia, namkeen, Ayurvedic medicines, tooth powder, agarbatti, colouring books, picture books, umbrella, sewing machine, & cellphones .	12%
Flavoured refined sugar, pasta, comflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers and monitors.	18%
Chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with chocolate, pan masala, aerated water, paint, deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, shavers, hair clippers, automobiles, motorcycles, aircraft for personal use.	28%

"Our aim is economical and educational empowerment of the poor. GST can help us achieve this aim," PM Narendra Modi

CORPORATE BLOG

Their Journey From 'Kemco' to 'Emami'!

emami limited

Making people healthy & beautiful, naturally

Mr. R.S. Agarwal and Mr. R.S. Goenka

"The Emami Group is positioned to emerge as a multi-product and multi-service conglomerate enhancing life quality of people in whichever market it selects to be present in"

THE BEGINNING:
"All lasting business is built on friendship". Our story is also about two bodies, one soul buddies who redefined the FMCG space. Mr. R.S. Agarwal and Mr. R.S. Goenka were childhood friends. They decided to get into business together for a rather unusual reason i.e. an opportunity to keep meeting each other. So they quit their high profile job as Chartered Accountants in Birla Group and plunged into business. During those days there was labour unrest and political problems too. The Indian FMCG market was also dominated by multinationals. Despite of all these, with sheer grit and determination the two started a small cosmetic business in the name of "Kemco Chemicals" in 1968, with a capital of Rs. 20,000. Kemco Chemicals was an Ayurvedic medicine and cosmetic manufacturing unit. They started from a 40 square feet office in Kolkata's Chira Bazar street and they chose cosmetics as it involved low capital and was less risky (chances of losses were minimum).

INNOVATION THE KEY FACTOR:
Steve Jobs has rightly said "Innovation is the only way to win". Various pioneering products were launched under the brand name Emami. These were - Emami Talcum Powder, Emami Vanishing Cream, Emami Cold Cream and Glycerine Soap. The imported French perfume fragrance and innovative packaging in laminated plastic containers with international standard, Japanese pasting of labels with chic golden borders and motifs made the products an instant hit in the market. Nothing similar was available in the market and the products were perceived to be imported. Huge consumer response yielded good margins. As a result, a chain of distributors was established and the sale of Emami products spread from West Bengal to the rest of Eastern India and gradually to other states. It helped them to chart the path towards success.

TAKING OVER HIMANI LTD:
In 1978, Emami took over a sick unit called Himani Ltd. It was a 100-year-old company. As per Hesiod "Acquisition means life to miserable mortals". This holds true, as Mr. Agarwal and Mr Goenka transformed the company into a profitable venture.

LAUNCHING BOROPLUS & NAVRATNA:
Eighties and Nineties was very eventful for Emami. After acquiring Himani, they came out with a brand Boroplus cream. It was launched post the acquisition. In the early 80's, they tasted their first real success, when Boroplus Antiseptic cream became an instance hit. Today Boroplus is not only the largest selling Antiseptic Cream in India but also in Russia, Ukraine, and Nepal. In the year 1989 they introduced Navratna Cool Oil. It was also an astounding success.

FIRST PUBLIC ISSUE: In 1995, Kemco Chemicals, the partnership firm was converted into a Public Limited Company under the name of Emami Ltd. Emami got listed on BSE in 1995 and on NSE in 2007. The share was sold at Rs. 70. Today Emami's share trades over Rs. 11,00 on the stock exchange.

EMAMI, A PIONEER OF IDEAS: Till the year 2005, nobody was present in the men's fairness category. To capture this untapped market, Emami came out with 'Fair and Handsome' cream in the year 2005. They also got the first mover advantage from this launch. 'Fair and Handsome' earned revenue of Rs. 40 crores in the first year itself.

THE ZANDU TAKEOVER: The big opportunity came Emami's way in 2008 when it acquired 100 Euros Zandu brand from Vaidya family for Rs. 726 crores. At the time of acquisition Zandu was making a profit of Rs. 20 crores. Post-acquisition, in the first year itself, Emami's profit multiplied to more than Rs. 70 crores. These acquisitions and new launches have seen Emami beating the industry growth rate. During the first half of the FY 2015, the FMCG sector's size was Rs. 130,000 crores and its volume growth was 11% in the same period. However, Emami's volumes grew at 22% during the same period.

GROWING THROUGH DIVERSIFICATION: Inspired by these successes, the two friends diversified into other businesses. They expanded into paper, edible oil, health care, pharmacy retail, biodiesel, real estate, writing instruments, cement, books and leisure retail, solar power and contemporary art. They are also in the process of acquiring coal mines in Indonesia.

THE POWER OF STAR:
Since its inception the company has had over 60 celebrities endorsing its various products. Amitabh Bachchan and Shah Rukh Khan have been the endorsers for one of its well-known brand, Navratna oil. Some of the other celebrity endorsers for Emami Ltd. were Hrithik Roshan, Madhuri Dixit, Kareena Kapoor, Kathak dancer- Birju Maharaj and many more.

EMAMI'S GLOBAL REACH:
Today Emami is a 12,000 crore Group with a valuation of over 45,000 crores. With a significant presence through its business, Emami's global reach extends to more than 63 countries including India, GCC, UK, Sri Lanka, Bangladesh, Nepal, African and the CIS countries. It has 11 key businesses and 25,000 employees on board. It has seven manufacturing units, 31 depots in 29 states & 3,500 distributors pushing its products through 4 Million retail outlets. Its 5 overseas subsidiaries cater to Indian diaspora in 65 countries. It has market capitalization of nearly Rs. 250 billion (US$ 3.8 billion).

SUSTAINABLE GROWTH AND EXCELLENCE: Emami has a long history. The company is built over time in a much focussed manner i.e. brick by brick. They concentrated on building the brand. Clearly the product quality has been there along with a well-built distribution network. Considering the size of our country, the two elements are very important for any FMCG company i.e. 'Brand' and 'Distribution'. Emami has not only got some great brands in the portfolio but also has built a distribution network which can reach out to half a million retailors. Further they have also built high entry barriers to win against competition which is their asset. Today, as the Emami Group has grown to become a more than 10,000 crore enterprise, one thing has remained unchanged i.e. the strength of the Agarwal and Goenka partnership. They are now getting ready to handover their reign to the next generation - their children.

- **Shamsiya Idreese**

Snapshot of Major Brands

Brands	Segment	Market Size (₹ in bn.)	Market Size ($ in Mn)	Market Share (%) 2011	Market Share (%) 2016
Navratna Oil	Cooling oil	8.5 bn	131 mn	52%	61%
BoroPlus Cream	Antiseptic Cream	4.6 bn	71 mn	75%	70%
Zandu & Mentho Plus Balms	Balms	9.0 bn	139 mn	56%	59%
Fair & Handsome	Men's Fairness Cream	3.9 bn	59 mn	58%	60%
Kesh King	Ayurvedic Hair and Scalp care	7.2 bn	111 mn	-	34%
Navratna Cool Talc	Cool Talc	5.5 bn	84 mn	13%	26%

EMAMI'S DIVERSIFIED BUSINESS GROUP

PRODUCT OR SERVICE	COMPANY	POSITION
BORO PLUS	Emami Ltd.	India's largest Anti-septic Cream
NAVRATNA OIL (FMCG)	Emami Ltd.	India's largest Cool Oil
ZANDU BALM (FMCG)	Emami Ltd.	India's largest Balm
FAIR AND HANDSOME (FMCG)	Emami Ltd.	India's largest Fairness cream for Men Category creator
BOIDIESEL	Emami Agrotech Ltd.	Only manufacturer in Eastern India
EDIBLE OILS	Emami Agrotech Ltd.	3rd largest in India 3500 tons per day
NEWSPRINT AND PAPERBOARD	Emami Paper Mills Ltd.	Largest newsprint manufacturer in India
WRITING INSTRUMENTS (BALL POINT TIPS)	CRI Ltd.	World's 3rd largest tip manufacturer
REAL ESTATE	Emami Infrastructure Ltd.	Largest player in the East
CEMENT	Emami Cement Ltd.	Investment of RS. 300 crores
ART GALLERY	Emami Chisel Ltd.	One of the largest in India
PHARMACY RETAIL	Emami Frank Ross Ltd.	More than 150 outlets Largest Leisure store in India
SOLAR POWER	Emami Power Ltd.	A 500 MW vision
BOOKS AND LEISURE RETAIL	Starmark	Leading online store
HEALTHCARE	AMRI Hospitals Ltd.	Largest chain of hospitals in Eastern India

PERSONALITIES

DEENA MEHTA: BSE's First Female President, A Well-Endowed Stockbroker

Deena Mehta, 56, the country's first female stockbroker, from South Mumbai, one of the city's most prestigious neighbourhoods. She is one of the first few woman members of Bombay Stock Exchange who successfully became its president and is also a businesswoman, investor, financial advisor, chartered accountant and social activist. From January 1998 till date, she has been the Managing Director and Chief Executive Officer of Asit C. Mehta Investment Intermediates Ltd. (Trading Member of the Exchange). She was appointed as a Director on the Board on 7th August, 2009.

She is a commerce graduate from Mumbai University, Chartered accountant, MBA (finance) from the country's top B School Narsee Monjee Institute of Management Studies, Mumbai. She also holds Diploma in Stock Exchanges studies from the BSE and Post Graduate Diploma in Securities Law from Government Law College, Mumbai.

She has held key positions in the Capital Markets where her vast experience in functional areas of Banking, Finance and Capital Markets rendered valuable services to the Exchange. She served as an active participant member on various committees at the BSE. She is a member on various SEBI committees related to the Secondary Stock Market. In past, she has served as a Director of the Board of Central Depository Services (India) Limited and the Board of BOI Shareholding Limited - a joint venture of BSE with Bank of India.

She is an executive member of South Asian Federation of Exchanges (SAFE), a federation of stock exchanges in SAARC region and also a visiting faculty on "stock markets" at IIM (Ahmedabad).

Ms. Mehta says that keeping women and children out of the financial arena is something a family cannot afford today so "Simply sticking to fixed deposits will not help, because inflation will eat away your money. Understanding the market is necessary, and not difficult. If you can take the pains to learn, you will not only make money, you will also contribute to family fortunes".

"Women must educate themselves about investing, especially in the market, because if you miss the market, you are missing a lot, and losing a lot of money in the process."

- **Deena Mehta**

- **Ambika Satheesh**

Richa Kar : CEO, Young Entrepreneur, Founder of Zivame

YOUTH ICON

E-commerce (online shopping) sector is on the move and booming. Looking at this upcoming market, Richa Kar Co-Founder and CEO of ZIVAME, felt that jumping onto the E-commerce bandwagon is only the first step to success. Her objective was to become a leader in this category.

Richa has completed her education from the reputed college of BITS Pilani. She further completed her PGDM from NMIMS. She took up a placement offer from SAP (Retail Consulting) and worked for 4 years, before starting up with her own venture i.e. Zivame.

The idea behind the big company came to Richa's mind from her past work experience with SAP. In SAP she got to work with big brands like Victoria's Secret. She was amazed to see that more than a quarter of their sales are through the online channel which gave her this idea of starting up an online Lingerie channel. The seeds of ZIVAME were thus sown.

Founded
August 2011

Founder
Richa Kar

Offline stores
3

Presence
Delhi, Pune, Bangalore

Average daily footfall
25

Anytime a venture or a company is named, the first thing that comes to anyone's mind is that it should be catchy and easy to pronounce. Richa and her team came up with the name Zivame. Ziva is a Hebrew word which means Radiance or splendour. "Me" is something that she added, so it became 'radiance me'.

In every business, managing adequate inventory level is very important. For maintaining a healthy inventory, cash is needed. Thus, for the funding endeavour, Richa met Vani Kola and was very quick to crack the funding deal. Vani is the founder of IndoUS Venture partners.

Further, Richa didn't have any gender biasness. For her both male or a female entrepreneur are same. She also believes that the challenges and advantages for both man and woman entrepreneur are the same.

Today the company has sales all over India except Lakshadweep. Opened in 2011, Zivame has acquired around 5 million customers. Richa stepped down from the CEO post in March 2017. She is still a part of the Board of directors. She strongly aims to make the company worth Rs.100 Crore in the next 5-7 years.

Richa's zeal, commitment and dedication towards her work is worth idolizing for all those who are of the start-up genre.

- Steena Pinto

Financial Terminologies

Due Diligence: Due diligence is the process of examining all the material facts of a contract or a deal before a legal contract is signed by both the parties. It also means verifying the accuracy of a statement.

Chattel Mortgage: Chattel mortgage is a loan extended to an individual or a company on a movable property. Here, the 'chattel' or the movable personal property could be a car or a mobile home, that can be used as a security to extend the loan or an acquisition.

Balloon Payment: Balloon payment is the lump sum payment which is attached to a loan, mortgage, or a commercial loan. This payment is usually made towards the end of the loan period. Balloon payment is higher than what we pay towards the loan on a monthly basis.

Abandonment Value: Abandonment value is the equivalent cash value of a project if it is liquidated immediately after reducing all debts which need to be repaid.

Tax Planning Funds: Tax-planning funds cater to the investors' need of minimizing tax burden on the returns from investments. They are also called equity-linked tax saving funds or ELSS. These are close ended schemes with a lock-in period of 3 years.

Bullish Trend: A 'trend' in financial markets can be defined as a direction in which the market moves. 'Bullish Trend' is an upward trend in the prices of an industry's stocks or the overall rise in broad market indices, characterized by high investor confidence.

Floating Stock: Floating stock can be defined as the total number of shares of a stock that are available for trading in an open market. It can be calculated by subtracting the sum of closely-held shares (shares that are not publicly traded) plus restricted stock (non- transferable stock of a company) from the company's total outstanding shares.

Management Buy Out (MBO): Management buyout (MBO) is a type of acquisition where a group led by people in the current management of a company buy out majority of the shares from existing shareholders and take control of the company.

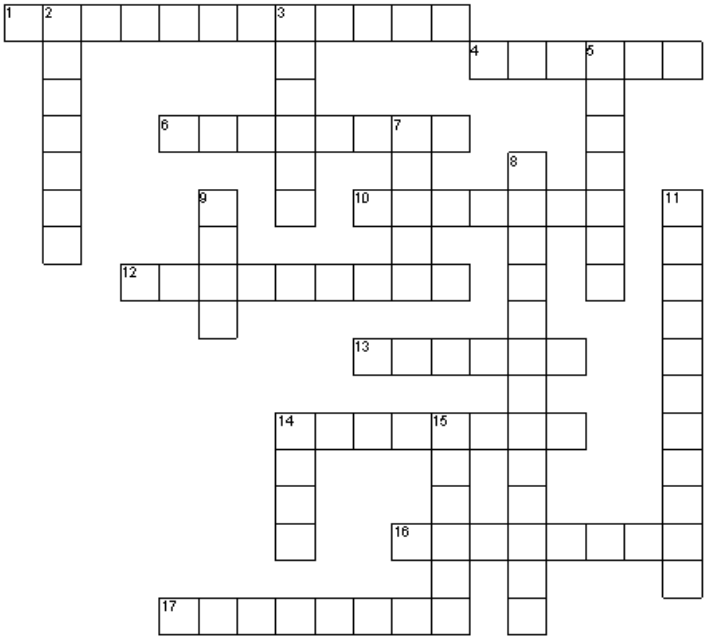
Maturity Profile: Maturity is a term defined with respect to bonds which have fixed maturities after which they cease to exist on payment of the principal and the stipulated interest. A maturity profile is the asset's profile based on the time remaining to the scheduled or specified maturity.

Green Shoe: Green Shoe option is a special provision in an IPO prospectus, which allows underwriters to sell investors more shares than originally planned by the issuer. This would normally be done if the demand for a security issue proves higher than expected.

Sweep Account: Many Banks have introduced a savings cum fixed deposit product called a "Sweep Account". Here the account holder decides the minimum amount to be kept in his/her savings account. Any excess over it automatically gets transferred to a fixed deposit account. Whenever cash is needed, the bank can just transfer or 'sweep' in funds to the savings account.

Credit risk: The risk associated with an investment where the borrower is not able to repay the amount to the lender. This can occur on account of poor financial condition of the borrower, and it represents a risk for the lender.

Crossword: Your Tricky Puzzle



Here's Your Clues:

Note: There are no space between words

Across	Down
1. rate and efficiency of work	2. proof of payment
4. ask the bank to advance money	3. put money into a company or business
6. money paid for loan	5. money paid to owner of copyright or patent
10. owner's investment in his business	7. part of the capital of a company
12. promise to repair or replace	8. where shares are bought and sold
13. amalgamation of two companies	9. money lent
14. legal agreement	11. amount of money spent
16. total sales of a company	14. neither cheque or credit card
17. share profits paid to shareholders	15. money returned

Answer to Previous Puzzle

1D	E	2B	T	O	3R		4E	5Q	U	I	T	6Y
E		A			E			U				I
7F	I	S	C	A	L		8D	I	V	9I	D	E
E		E			I			D		N		L
R					E					T		D
			10I	N	F	11L	A	T	12I	O	N	
13A						E			N			14R
15C	O	S	16T			S			17H	I	R	E
C			R		18I	S	S	U	E			B
O			E			O			R			A
19U	N	K	N	O	W	N			I			T
T			D						T			E
20T	R	U	S	T	S		21A	S	S	E	T	S

IT'S ALL ABOUT THE NUMBER$

RBI RATES	%	As on
Policy Repo Rate	6.25	31st May '17
Reverse Repo Rate	6.00	31st May '17
Marginal Standing Facility Rates	6.50	31st May '17
Bank Rate	6.50	31st May '17
CRR	4.00	31st May '17
SLR	20.50	31st May '17
Base Rate	9.10 - 9.60	31st May '17
MCLR(Overnight)	7.75 – 8.10	31st May '17
Savings Deposit Rate	4.00	31st May '17
Term Deposit Rate(>1year)	6.25 – 6.90	31st May '17

RBI EXCHANGE RATES		As on
INR / 1 USD	64.5883	16th June 2017
INR / 1 Euro	72.0482	
INR / 100 Jap. YEN	58.0500	
INR / 1 Pound Sterling	82.5116	

GOVERNMENT SECURITIES MARKET		
7.72% GS 2025	6.8231%	*Cut off at the last auction
91 Day T-bills	6.2735%*	
182 Day T-bills	6.3946%*	
364 Day T- bills	6.4346%*	

KEY ECONOMIC INDICATORS		
Index of Industrial Production (IIP)	117.9	30th April '17
% change in IIP (Y-o-y)	3.1%	Apr '17 over Apr'16
Consumer Price Index (CPI)	131.4	31st May '17
% change in CPI (Y-o-y)	2.18%	May'17 over May'16
Wholesale Price Index (WPI)	112.8	31st May '17
% change in WPI (Y-o-y)	2.17%	May'17 over May'16
GDP(Y-o-y)	7.1	2016-2017

SHARE MARKET		
BSE	31,155.91	14th June'17
NIFTY 50	9,618.15	14thJune'17

COMMODITY MARKET		
Crude Oil (WTI)	46.18	As on 14th June'17
Brent Crude	48.52	
Gold (per 10gm)	28944	
Silver (1kg)	38771	

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