VOLUME 4 ISSUE 2

Date: 13/03/2020

MONEY SPEAKS

Father Agnel Business School (Vashi)

We are thrilled to introduce the Volume 4, Issue 2 edition of the 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', 'Quiz', 'It's All About Numbers' and many more. A sneak peek at the journey of a well-known personality Mr. Ratan Tata is very motivating for the young readers. Happy reading and stay tuned for the next issue!

QUARTERLY ISSUE

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1. <u>Amazon to create 1 million jobs in India</u>

Introduction:

America’s leading multinational Amazon, has recently announced plans to create 1 million new jobs in India by the year 2025, through continuous investments in the fields of technology, infrastructure and its logistics network. The new jobs created both via direct and indirect channels, will be scattered across various industries, including retail, information technology, skill development, logistics, manufacturing and other allied sectors. It will be in addition to the already existing seven lakh jobs that Amazon’s investments have successfully enabled over the last six years in the country.

Jeff Bezos, the founder and CEO of Amazon Inc., who is visiting the country, had announced on Wednesday that the company has plans to investing USD 1 billion, which would enable the 10 million traders and micro, small and medium enterprises (MSMEs) to come together across India in the online retail sector. Thus, it would enable to earn USD 10 billion in cumulative exports by the year 2025 and also support India’s economic diversification.

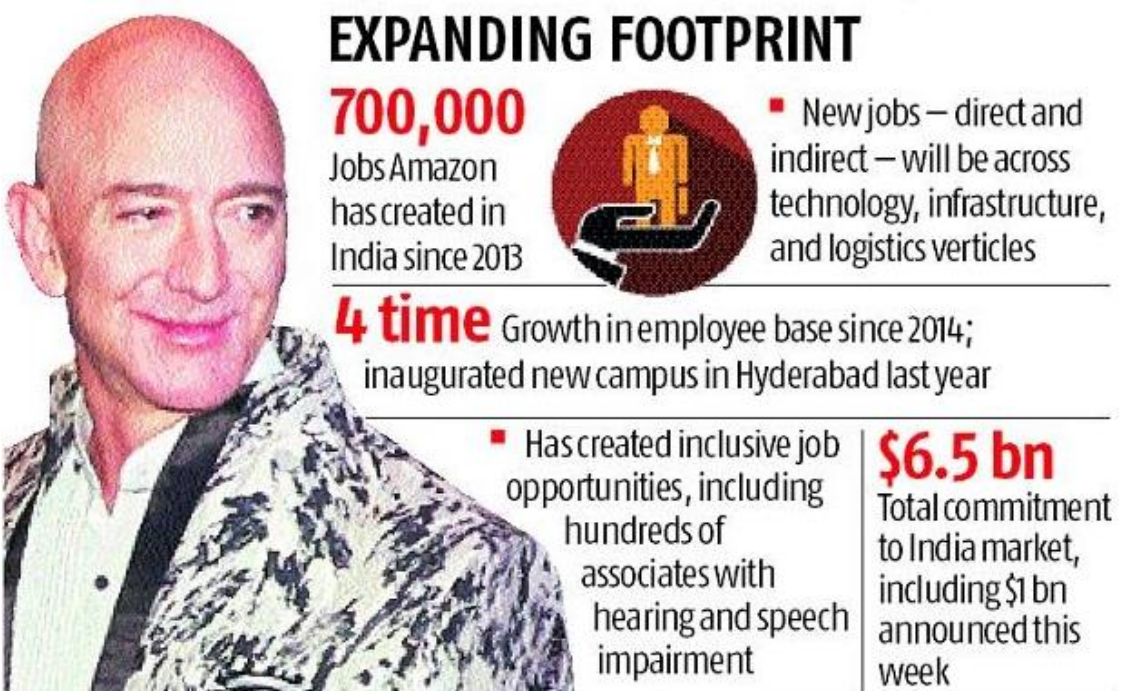
Criticism:

The world’s biggest online retailer was, on Thursday, criticized by Union Minister Piyush Goyal. He was under the intent that Amazon’s plan is to ’finance losses’ rather than ‘doing a favor for the country’. To counter the said criticism, Bezos, in a statement to the press, stated on Friday that Amazon is investing to create one million new jobs in India by the next five years. The firm has seen immense contributions from its employees, ‘extraordinary’ creativity from the small retail businesses partnered with them, and also the level of enthusiasm from the customers who shop with them. Hence, the firm is planning to make it more customer – friendly.

Current Scenario:

So far, Amazon has committed to contributing USD 6.5 billion to the Indian Market, including USD 1 billion which was recently announced; so that it could tap the Indian e-commerce market by the next few years. In order to promote employment and skill-building initiatives, the Indian government has prioritized job creation and skill initiatives. This would help in training over 400 million people by the year 2022.

Seattle – headquartered Amazon has stated that it has contributed to creating job opportunities for people with speech impairments and hearing disabilities. This has been done in a number of locations in the United States, at its various fulfillment centres, sorting stations and delivery stations. It also operates an all-women delivery station for individuals with autism and intellectual disabilities. The company is also looking forward to expanding growth opportunities with more than 550,000 traders and MSMEs, including local stores, though its 'Saheli, Karigar and I Have Space' programs.



- **Jason Fernandes**

2. Government proposes no tax on LTCG with 2-year holding period

Introduction:

The Government of India has engaged in conversations with tax advisers and experts on removing tax on long term capital gains (LTCG) which caused many criticisms in the FY19 Budget. Tax advisers are advising considering various options, which would enable the government to attract more foreign long-term investment. One such proposal is to remove the LTCG tax as implemented on listed equities.

The government is also in talks to change the definition of 'long – term' w.r.t. capital gains from a year to 2 years, as stated by people having knowledge of the discussions. The current rate of tax as levied on LTCG is 10%.

The current policy is in tune with Prime Minister Narendra Modi's speech in New York in September last year where he promised foreign investors that the government was working towards bringing tax on equity investments in line with global standards. Many major countries around the world do not levy taxes on LTCG.

Foreign Portfolio Investment reached out to Government:

Experts state that it will be a tough phase for the government to come to terms with the aftermath of slashing of the LTCG two years after it was established. They also state that, if the holding period is extended to two years, it would enable the long – term investors to invest further in the market, thus generating additional capital.

Globally, many major developed markets, where India competes for capital, do not have LTCG. Another person close to the development has stated that the government has received many suggestions from various investor forums. All of them have stated that the move as played by the government has created a huge burden on their own investors. The government had plans to generate at least Rs 40,000 crore annually after introducing LTCG, but the departments have not generated enough revenue so far as to meet the stated targets.

Sameer Gupta, tax markets leader, EY India said: At least to the extent the government reverts to the earlier position of long-term capital gains exemption, it will incentivise long-term investors such as sovereign, pension, long-only funds, as they mostly stay invested for more than 12 months. Tax experts say several FPIs had also reached out to the government and sought removal of LTCG.

Dinesh Kanabar, CEO of tax advisor firm Dhruva Advisors has state that, “for the divestment plans to be successful, a robust capital market is very important. Many FPIs (foreign portfolio investors) and other investors expect LTCG on listed securities as assured by the PM in New York, will be relooked by the government at the capital gains tax regime.

The government hopes that a two-year holding period on listed equities would mean that the revenue loss may not be as steep even if the LTCG tax is scrapped. The Controller General of Accounts has stated that, the government is trying out ways to manage the current fiscal deficits that stood at Rs 8.07 lakh crore at the end of November 2019, which is 13% above the estimated full - year target. Considering this year, revenue collections have been below expectations so far. The government had estimated the direct tax collections at Rs 5.5 lakh crore by the end of September 2019, which was 16% short of the internal target as stated by them.

- **Joseph Mendonca**

सत्यमेव जयते

3. Zomato acquires Uber Eats in an all-stock transaction

Introduction:

Online Food delivery and restaurant discovery platform Zomato has purchased the Indian operations of Uber Eats, the food delivery business which was previously run by Uber, for around USD 350 million (INR 2,485 crores), as stated by two people who has information about the deal.

The all – stock transaction which took place between the two companies, will give the US – based ride hailing company about 10% of the shareholding in Zomato. As a standalone brand, Uber Eats will cease to exist, and users on the existing platform will be redirected to Zomato. On the flipside, Zomato will not absorb the team of Uber Eats currently present in India. This would result in around 100 executives either being laid off or be reallocated to Uber's other verticals.

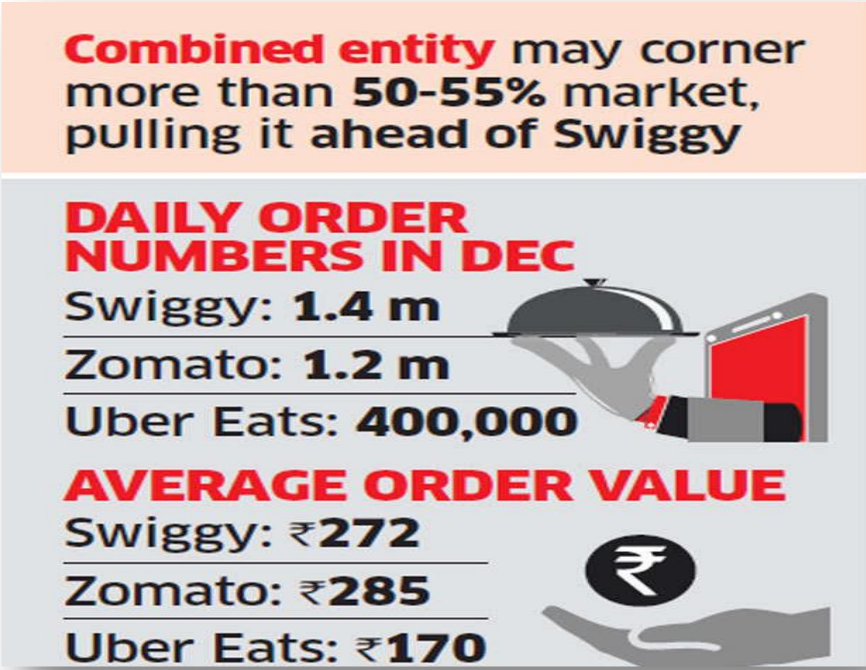
First big move for consolidation:

With the acquisition in progress, the combined entity comprising of Zomato and Uber Eats India is expected to gather at least 50 – 55% market with respect to the value and number of orders handled within a period, pulling ahead of Swiggy.

One of the people familiar with the current scenario has clearly stated that, "the deal between the two parties has been signed and the existing customers will be redirected to Zomato from Uber Eats". He also asserted that, the current takeover will enable Zomato to merge around 90% of the Uber Eats users into its platform.

Another person has informed the media that, acquiring a third party has enabled Zomato to be one step ahead of the competition. It has also helped to consolidate the market, and has helped to deal with the competition in a more efficient way.

An Uber executive, on condition of anonymity, has informed the media that, Uber Eats has a stronger hold over certain parts of Tamil Nadu, Kerala and Madhya Pradesh, as compared to Zomato. He has also mentioned that, Uber Eats owns a 30% market share in above mentioned places.



Uber has been downsizing its loss – making units and geographies, after constantly underperforming the market since its inception. The business was one of the ‘low priority’ ones for the company, having a cash burn of at least USD 20 million in India. In its recent quarterly results announcement last year, Uber said that the Indian food delivery business has been a ‘drag’ for them.

As per the regulatory disclosures made in India, Uber Eats had projected an operating loss of INR 2,197 crores for five months through the month of December 2019. This anticipated loss was larger than what was expected to be incurred by its core business which was INR 1,645 crores as per the valuation report prepared by BSR, an affiliate of KPMG and released in the month of November 2019.

Uber Eats has been on the dumps for over a year. It had come close to selling its assets off to Swiggy in the month of February 2019; but owing to certain disruptions, the deal failed to come through.

Uber had entered the segment of food delivery in the year 2017, when major businesses like Swiggy and Zomato had already captured a large chunk of the major restaurants and chains in ‘exclusive’ partnerships. It had relied heavily on offering discounts to acquire and retain its customers. While it has been successful in establishing its market in some small towns and cities, the ‘already existing’ two larger businesses were at loggerheads for acquiring market leadership.

- **Girish Haldankar**

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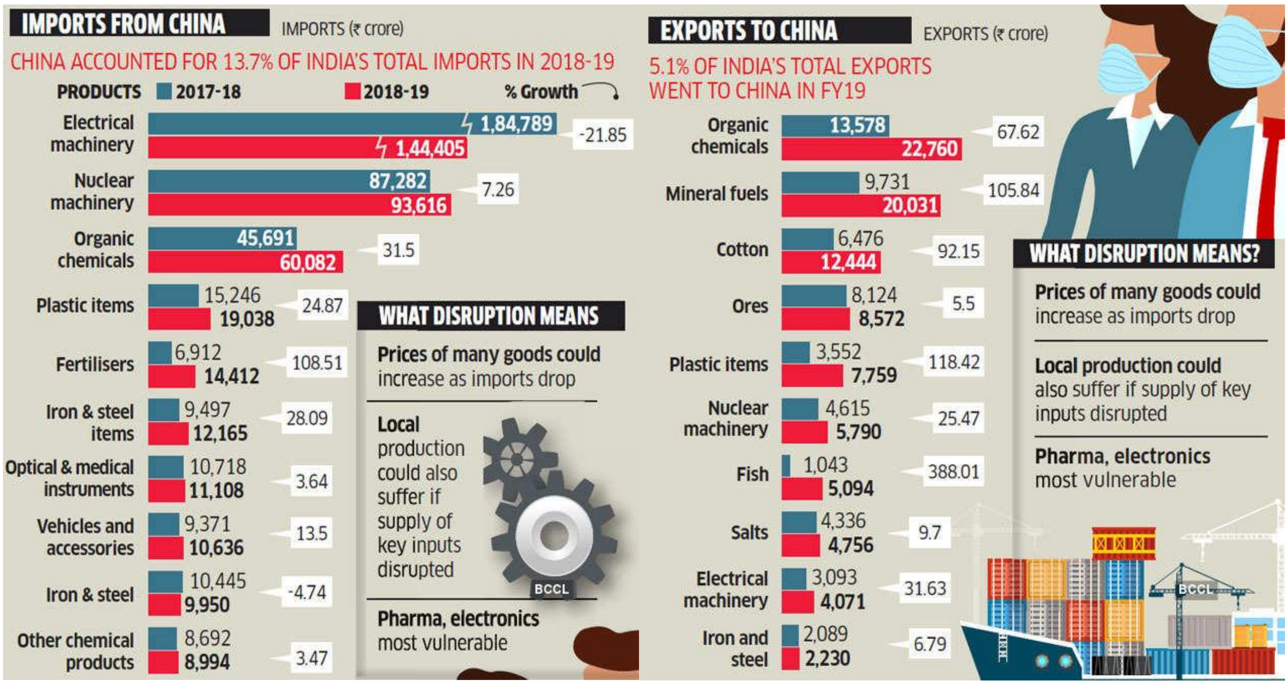
4. Impact of coronavirus on the Indian economy

Indian retail industry has already been facing the heat of China's coronavirus epidemic since many days. There is sincere worry among traders about the supply slump of key materials from China owing to India's overdependence on its neighbour. "All exports have been completely stopped and it is perceived that it may cause substantial disruption in the supply chain of the country," Confederation of All India Traders (CAIT) said in a statement. The trade body has also appealed to the Prime Minister Narendra Modi to constitute a group of ministers to look into the matter. India is heavily dependent on China for import of finished goods as well as raw material which are crucial for various industries, since the imports are cheap. As imports are cheap Indian importers are now facing contingency as there is lack of supply and never looked for alternative.

Due to the widespread of coronavirus, it is highly likely that China won't be able to start exporting before several months. Praveen Khandelwal, Secretary-General of CAIT, in a statement to the press, stated that "India can take the advantage of the gap created in the market due to the onset of coronavirus, and look out for avenues to becoming an alternate hub to exports. This could be achieved by encouraging the people to set up more production facilities in India under the Make in India program". The government must also ensure that India isn't over-dependent on any country so that its economy is saved from crippling, he added.

India is already facing problem of slowdown, and threat from coronavirus might exasperate India's problems. Couple of sectors in India are expected to see some disruptions owing to coronavirus as recently acknowledged by RBI Governor Shaktikanta Das. However, he also said that the government is looking at various option to overcome those trade issues.



- **Manali Jain**

5. <u>Money Speaks Presents : The Corporate Blog</u>

State Bank of India (Rajnish Kumar – Chairman)

Introduction:

The State Bank of India is an Indian multinational, public sector banking and financial services statutory body. Headquartered in Mumbai, Maharashtra, it is ranked as 236th in the Fortune Global 500 list of the world's largest multinational corporations of 2019. Originally founded as Bank of Calcutta in the year 1806, it currently holds a 23% stake in assets, besides holding a one–fourth share of the total loan and deposits market.

Operations:

SBI provides a wide range of banking products and services, ranging from retail banking to corporate banking, investment banking, credit cards, mortgage loans, private banking, wealth management, finance and insurance etc. It has a wide network of branches spread across the major cities throughout India, as also many branches out of India. It currently has 16 regional hubs and 57 zonal offices.

1. ***Domestic Presence:***

SBI has over 24000 branches in India. In the financial year 2018 – 19, it earned a revenue of INR 2.796 trillion (USD 39 billion). The operating income for the financial year 2018 – 19 was INR 554.36 billion (USD 7.8 billion), and the net income was INR 8.62 billion (USD 120 million).

Under the Pradhan Mantri Jan Dhan Yojana as launched by the Government of India in August 2014, SBI had held over 11,300 camps and opened over 3 million accounts by September, out of which 2.1 million accounts were opened by people from rural areas and around 1.57 million accounts from urban areas.

2. ***International Presence:***

State Bank of India had over 191 overseas offices which was spread over 36 countries, around the year 2014 – 15. Thus, it has shown SBI's presence in foreign markets among the Indian banks.

SBI operates several foreign subsidiaries or affiliates, some of them are listed as under:

- Mauritius – SBI (Mauritius) Ltd. currently operates 14 branches, 13 of which are retail branches and 1 global business branch at Ebene (Mauritius).
- USA – SBI has 9 branches in California and 1 in Washington D.C.
- Nigeria – SBI operates as INMB Bank (Indo – Nigerian Merchants Bank). It currently operates 5 branches.
- Nepal – SBI holds 55% of 'Nepal SBI Bank Ltd.' It has branches throughout the country.
- Moscow – SBI owns 60% of Commercial Bank of India. Canara Bank holds the rest.
- South Korea – SBI opened its first branch in Seoul in January, 2016.

Non – Banking Subsidiaries and Service Points:

SBI merged with 5 of its associate banks (State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) on April 1, 2017. Apart from this, SBI holds certain non – banking subsidiaries, which include:

- SBI Capital Markets Ltd.
- SBI Cards and Payments Services Pvt. Ltd. (SBICPSL)
- SBI Life Insurance Company Limited

SBI Life Insurance Company Limited was a result of the merger of SBI (74% of total capital) with BNP Paribas (26% of remaining capital), which took place in March 2001.

The SBI Group held 59,291 ATMs as on March 31, 2017. Since November 2017, the bank has been offering an integrated digital banking platform named 'YONO'.

History of State Bank of India

Year	Particulars
1806	Founded as Bank of Calcutta, later renamed as Bank of Bengal
1840	Incorporation of Bank of Bombay
1843	Incorporation of Bank of Madras
1955	Merger of Bank of Madras, Bank of Calcutta and Bank of Bombay into the Imperial Bank of India
1955	Government of India took control of Imperial Bank of India. RBI held 60% stake, renaming it to State Bank of India
1959	Government passed the State Bank of India (Subsidiary Banks) Act
1963	SBI merged State Bank of Jaipur (Est. 1943) and State Bank of Bikaner (Est. 1944)
1969	Acquisition of Bank of Bihar (Est. 1911)
1970	Acquisition of National Bank of Lahore (Est. 1942)
1985	Acquisition of Bank of Cochin (Kerala)
2008	SBI merged with State Bank of Saurashtra
2009	SBI Board approved the absorption of State Bank of Indore. SBI held 98.3% stake

6. Money Speaks Presents: The Personality Blog

Ratan Naval Tata (Former chairman of Tata Sons)

Ratan Naval Tata (Born 28 December, 1937)
Former Chairman of Tata Sons
Recipient of Padma Vibhushan (2008) and Padma Bhushan (2000)

Alma Mater

- Cornell University (B. Arch.)
- Graduated from Riverdale Country School (New York City, USA)

Ratan Tata, one of the biggest Indian business magnates and chairman of the $100 billion Tata group, is a big inspiration for everyone. He is a great business leader who has not only inspired youth to become an entrepreneur but thousands of others as well.

Ratan Tata studied at Cornell and Harvard universities and started his career by working in the textile divisions of the Tata group. After learning the ropes of the business and showing his potential as a leader, he was given the responsibility of managing the overseas operations of the computer and hotel businesses. It was here that his talent got noticed. In 1991, JRD Tata chose him as his successor despite strong opposition by the senior executives in the company. From 1991 to 2012, Ratan Tata grew the Tata group from INR 10,000 crores to INR 130,000 crores, added 3 more companies and acquired reputed foreign companies. Tata Steel acquired European steel major, Corus, which was a bigger company than itself. Tata Motors acquired Jaguar and Land Rover, which is a reputed British company which makes luxury cars. Also, Ratan Tata is responsible for making the cheapest car in the world at USD 2500, a feat that none of the established companies have been able to accomplish even till now. Ratan Tata was a leader who inspired the company to progress even further. He integrated the loosely tied and diversified companies together.

His contribution to the world has left everyone both amazed and awed. Firstly, we all are amazed by how charismatic he is. He worked actively till the age of 75 years before retiring from active service. Even after retiring, he helps the company with his valuable inputs. There are hardly any people his age who are as active as him. Secondly, his philanthropic efforts are worth admiring. Even though he was a very ruthless businessman, he never forgets to give back to the society. Two-thirds of the Tata group is owned by philanthropic groups. After retirement, he plans to work a lot more for charity. He paid a lot of emphasis on innovation and this helped him grow the business. His cheapest car in the world was a revolutionary project. Even though the car hasn't become an instant success, it will surely live up to expectations. It is commendable how, despite being a relatively new automobile company, Tata Motors was able to achieve what established companies have not been able to accomplish even till now. Another thing that he paid a lot of emphasis on was fore sightedness and showed how to run a successful enterprise.

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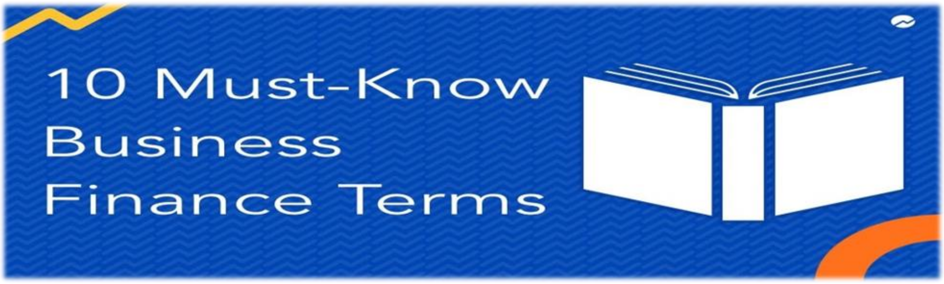
\- **Chhaya Mudduluru**

7. Financial Terminologies



1. **Amalgamation** - An amalgamation is a combination of two or more companies into a new entity. Amalgamation is distinct from merger because neither a company involved survives as a legal entity. Instead, a completely new entity is formed to house the combined assets and liabilities of both the companies.

2. **Asset Turnover Ratio** – The asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The asset turnover ratio can be used as an indicator of the efficiency with which a company is using its assets to generate revenue.

3. **Hyperinflation** – Hyperinflation is a term to describe rapid, excessive, and out-of-control price increases in an economy. While inflation is a measure of the pace of rising prices for goods and services, hyperinflation is rapidly rising inflation.

4. **Indemnity** – Indemnity is a comprehensive form of insurance compensation for damages or loss, and in legal sense, it may also refer to an exemption from liability for damages.

5. **Insider Trading** – Insider trading is the buying or selling of a publicly traded company's stock by someone who has non-public, material information about that stock. Insider trading can be illegal or legal depending on when the insider makes the trade. It is illegal when the material information is still non-public.

6. **Compound Annual Growth Rate** – Compound annual growth rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment's lifespan.

7. **Employee Stock Ownership Plan** – An employee stock ownership plan (ESOP) is an employee benefit plan that gives workers ownership interest in the company. ESOPs give the sponsoring company, the selling shareholder, and participants receive various tax benefits, making them qualified plans. Companies often use ESOPs as a corporate-finance strategy and to align the interests of their employees with those of their shareholders.

8. **EBITDA** – EBITDA, or earnings before interest, taxes, depreciation, and amortization, is a measure of a company's overall financial performance and is used as an alternative to simple earnings or net income in some circumstances.

9. **Gross Margin** – Gross profit margin is a metric used to assess a company's financial health and business model by revealing the amount of money left over from sales after deducting the cost of goods sold. The gross profit margin is often expressed as a percentage of sales and may be called the gross margin ratio.

10. **Bayes' Theorem** – Bayes' theorem, named after 18th-century British mathematician Thomas Bayes, is a mathematical formula for determining conditional probability. The theorem provides a way to revise existing predictions or theories (update probabilities) given new or additional evidence. In finance, Bayes' theorem can be used to rate the risk of lending money to potential borrowers.

8. Finance Quiz

1. Which agency estimates the national income of India?

a) Reserve Bank of India
b) Planning Commission
c) Ministry of Finance
d) Central Statistical Organization

2. Which of the following is known as plastic money?

a) Bearer cheques
b) Credit cards
c) Demand drafts
d) Gift cheques

3. Which of the following is not a direct tax?

a) Estate duty
b) Agricultural income tax
c) State excise
d) Corporation tax

4. Which of the following taxes is levied and collected by the union, but assigned to the states?

a) Sales tax
b) Octroi
c) Excise
d) Consignment tax

5. In India, inflation is measured by

a) Wholesale price index number
b) Consumer price index
d) National income deflation

6. Which of the following programs meets the credit needs of poor women?

a) Mahila Samriddhi Yojna
b) Rashtriya Mahila Kosh
c) Indira Mahila Yojna
d) Mahila Samakhya Programme

7. National income is the

a) Net National Product at Market price
b) Net National product at factor coast
c) Net domestic product at market price
d) Net domestic product at factor cost

8. Which of the following programs aims at the promotion of savings among rural women?

a) Rashtriya Mahila Kosh
b) Mahila Samriddhi Yojna
c) Indira Mahila Yojna
d) Javhar Rozgar Yojna

1-D, 2- B, 3- B, 4- C, 5- B, 6- B, 7- C, 8- B

RBI Rates

RBI RATES	%	As on
Policy Repo Rate	5.15	12th March, 2020
Reverse Repo Rate	4.90	12th March, 2020
Marginal Standing Facility Rates	5.40	12th March, 2020
Bank Rate	5.40	12th March, 2020
CRR	4.00	12th March, 2020
SLR	18.25	12th March, 2020
Base Rate	8.45-9.40	12th March, 2020
MCLR(Overnight)	7.50-7.90	12th March, 2020
Savings Deposit Rate	3.25-3.50	12th March, 2020
Term Deposit Rate(>1year)	6.00-6.40	12th March, 2020

GOVERNMENT SECURITIES MARKET	
6.45% GS 2029	6.1252%
91 Day T-bills	4.8696%
182 Day T-bills	5.0158%
364 Day T- bills	4.9597%

RBI EXCHANGE RATES		As on
INR / 1 USD	74.58	12th March, 2020
INR / 1 Euro	82.86	
INR / 100 Jap. YEN	70.76	
INR / 1 Pound Sterling	93.77	

SHARE MARKET		
BSE	32778.14	12th March, 2020
NIFTY 50	9590.15	12th March, 2020

COMMODITY MARKET		12th March, 2020
Crude Oil (WTI)	2303.78	
Brent Crude	2439.51	
Gold (per 10gm)	44480	
Silver (1kg)	48400	


Thank You