The BAF Times

An Initiative of M.L.Dahanukar College of Commerce

Volume I, Issue 6 February 06, 2021

Foreward by the Principal

Idea behind this Weekly Newsletter

Dr. D.M.Doke
Principal

Being a Commerce College, students are expected to know the changes in the business world. This weekly newsletter will help the students get acquainted with a glimpse of what happened in the week gone by. It will also have insights into various business and commerce related updates which will help you gain indepth knowledge. Make it a point to read each and every article in this issue and stay updated so that you don't get outdated.

Inside This Issue

Reality Bytes

Dr. Sudha Subramaniam
Core Faculty, M.L.Dahanukar College of Commerce

Prompt Corrective Action (PCA) was definitely in the pipeline ever since the rollout of the Basel Framework. However, with the extensive digital initiatives and worldwide networking, the RBI has pulled the plug on any ultra vires by intensifying audit procedures for Banks, revamping the Banking set-up on the basis of eliminating/minimising non-performing assets. Maintaining integrity, efficiency, safety and security of transactions has come under the scanner.

The December 2020 outages at HDFC Bank's data centres were sorted out with high level cloud architecture among others. However, a special audit under Section 30(1-B) of the Banking Regulation Act, 1949, has been called for by appointing an external professional information technology (IT) firm to conduct the audit, the cost of the audit to be borne by HDFC Bank under Section 30(1-C) of the Act.

Off-site surveillance as well as onsite monitoring measures were always part of the RBI guidelines. However, the RBI is now moving full steam with Risk-Based Internal Audit (RBIA) for select non-bank lenders and urban co-operative banks. Currently the entities have their own distinct internal audit systems. Apart from introducing uniformity in reporting, RBI has visualised compliance with the RBI's upgraded framework for the Banking Sector by March 31st 2022.

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Moreover, having come through the saga of Nationalisation of Banks and the resistance ably quelled by our then PM Smt. Indira Gandhi, it is now a full circle for a sea-change to privatisation on the anvil. PM Narendra Modi and team with Finance Minister Nirmala Sitharaman spearheading the initiative and spelling out the plan in her budget speech, the ball has been set rolling. A melodramatic and sea-change turnaround is in the anvil for the Banking Sector in India.

Looks like Raghuram Rajan, former RBI Governor and former advisor to the IMF had foreseen the possibilities of the new agenda and has been a strong contender for letting private investors who have both financial expertise as well as technological expertise run banks, in the distinctive Indian scenario. However, both Rajan and Viral Acharya, former Deputy Head of the RBI are strong in their contention that Corporate Houses must not be allowed to acquire significant stakes in the Banks. Their analysis is based on the fact that Industrial Houses with an in-house Bank would thereby easily avail financing for their own needs. Such connected lending will result in loans owned by the borrower and will be a pitfall for financial integrity.

Keynesian Economics and the money-multiplier effect will definitely be unleashed in the global economy in an increasing way and transactional efficiency in the Indian Banking Sector would spell success for the economy. However, time is of the essence and there are possibilities of many a slip between the cup and the lip while running the race in the global terrain. Collaboration could be key, but retaining core growth has to be a focussed attempt.

The IPO Season is Back with a bang on the D-Street

Ms. Madhura Gawade
Alumni, M.L.Dahanukar College of Commerce

An Initial public offering (IPO) or stock market launch is the process of issuing stock for sale for the first time by private corporations to the public. After the IPO, shares are traded freely in the open market. Although IPO offers many benefits, there are also significant costs involved to the company, chiefly those associated with the process such as banking and legal fees, and the ongoing requirement to disclose important and sometimes sensitive information. Details of the proposed offering are disclosed to potential purchasers in the form of a lengthy document known as a prospectus. SEBI has mandated that 35 percent of any IPO should be reserved for retail individual investors. In accordance with SEBI circular no. CIR/CFD/POLICYCELL/11/2015, all IPO applications should be supported by ASBA (Application supported by Blocked Amount) facility. Under this facility, investors apply for public or rights issues via their bank accounts. An amount equivalent to the total cost of the number of shares the investor is applying for within the reserved IPO price gets blocked in the bank account once the application is made.

Indigo Paints, Home First Finance, Mrs. Bector Food Specialist, Burger King received flattering response from investors resulting in over subscription. However, while investing one needs to make well-informed decision feasibility as shares are subjected to market risks.

Investigation Powers Of SEBI

CS Anand Kankani
Practising Company Secretary

SEBI has been established on the lines of Securities & Exchange Commission (SEC) of USA which was set up with a view to regulate the securities market and check the unfair trade practice on the stock exchange. While SEC was set to restore investors' confidence post 1929 stock market crash, the urgency to establish SEBI as capital market regulator arose out of the Harshad Mehta Securities Scam. SEBI was established in 1988 but got its legal recognition & power from the SEBI Act of 1992.

The primary focus of SEBI is to meet the needs of – Issuers, Investors and Intermediaries associated with Securities Market. As a quasi – legislative and quasi – judicial body, SEBI can draft regulations, conduct inquiries, pass rulings and impose penalties. When it exercises its quasi – judicial functions, its decisions are subject to appeal to Securities Appellate Tribunal (SAT) and further to Supreme Court.

Where SEBI has reasonable grounds to believe that a "transaction" in securities is detrimental to the investors or securities market or if any person associated with securities market has violated any provisions of the Act, Rules or Regulations, it may order for investigation for the affairs of such person.

Though SEBI is not a court, but under section 11(3) of SEBI Act, 1992, it has been given the powers of a civil court that can be exercised while trying a suit. It can summon and enforce the attendance of person, examine them on oath, require the discovery & production of books of accounts, inspect them.

SEBI in the interest of investors or securities market can restrain any person or prohibit them to access the securities market. Interestingly, such an order can be passed by SEBI even when the investigation or inquiry is pending (ad-interim orders). This acts as a preventive measure but principle to natural justice has to be followed.

SEBI has also been empowered to recover the illegal gains made by a person by any unlawful conduct by issue of disgorgement order.

Another tool to avoid market manipulation practices and insider trading is "cease & desist proceedings". If SEBI finds, after causing investigation finds that any person has violated or is likely to violated any provision of SEBI Act, or Rules or Regulations made thereunder, it can also pass an order calling for such person to "cease & desist" from committing or causing such violation. With this, SEBI can make sure that such persons do not to solicit or undertake any activity in securities market directly or indirectly.

With almost 3 decades of its existence, the journey of SEBI has been one of struggle and fighting for its existence in its initial years. However, now it has a pivot role in the Indian Financial System. The powers of SEBI have been enhanced by Parliament of India from time to time. Even though, the role & jurisdiction of SEBI has been challenged & reviewed before the Supreme Court.

Today, SEBI has now become one of the most powerful regulators not just in India but also in the world.

More to Start-Ups!

Ms. Sampatti Joshi
TYBAF

Government earmarked Rs.945 crores for the Startup India Seed Fund over the following five financial years. This is the scheme which was announced by Prime Minister Narendra Modi in the month of January; it will begin its operation from 1st April 2021.

The Seed Fund scheme tries to focus on the Department for Promotion of Industry and Internal Trade (DPIIT) registered startups, which are more or less 2 years old at the time of their application. This fund, aims as disbursing Rs.945 crore over a period of five years. The eligible startups will be thoroughly evaluated by the EAC (Experts Advisory Committee), which is constituted by the DPIIT. The selected startups will be offered up to Rs.20 lakhs as a grant for proof of concept and up to Rs.50 lakhs through convertible debentures or debt.

The fund allocated purposes to provide assistance to early-stage startups, especially in the sectors of waste management, social impact, water management, financial inclusion, space, biotechnology and defence which do not usually attract the institutional venture capital funding. Further details about eligibility for incubators and startups can be checked on the www.startupindia.gov.in website.

This provision will surely provide aid to many startups in India. The Make In India scheme will also be boosted. In the coming five years, the aim is to make our startups into a global giant.

One Nation, One Ration!

Ms. Aprose Bismi
SYBAF

One Nation One Ration Card scheme of the Union Government is being implemented by 32 States and Union Territories, reaching about 69 crore beneficiaries said finance minister Nirmala Sitaraman on Monday while announcing the Union Budget.

She further added that migrant workers will definitely get benefited from this scheme, those staying away from their families can partially claim their rations where they are stationed, while their families in their native place can claim the rest.

She also proposed the launch of new portal that will collect all relevant information on gig workers, building and construction workers, among others so that they can also be benefited.

The Government will also conclude the implementation of four labour codes and social security benefits will be extended to gig and platform workers. As 32 States and Union Territories, reaching about 69 crores beneficiaries covered that’s a total of 86% beneficiaries covered. The remaining 4 states and UTs will be integrated in the next few months.

Govt Eliminates Subsidy on Kerosene Via Small Price Hikes

Ms. Ruchi Burman
TYBAF

Industry sources said the Government in 2016 allowed state-owned fuel retailers to raise the price of kerosene by 25 paise a litre every fortnight to cut the subsidy burden.

The Government has eliminated subsidy on poor man's fuel kerosene through small fortnightly price increases and the fuel sold through the public distribution system (PDS) is now priced at market rates. The Union Budget for 2021-22 makes no provision for payment of subsidy on kerosene in the fiscal year beginning April, according to budget documents tabled in Parliament.

In the current fiscal ending March 31, the kerosene subsidy was Rs 2,677.32 crore, down from Rs 4,058 crore in the previous financial year, the documents showed.

The subsidy was eliminated by February last year. In all prices were hiked by Rs 23.8 per litre in under four years – From Rs 15.02 a litre in Mumbai to Rs 36.12 a litre.

Subsequent to that, the PDS rates have revised monthly in tandem with the benchmark international oil prices.

So the rates in May 2020 fell to Rs 13.96 a litre but have more than doubled since then to Rs 30.12 a litre. In the last price increase in January, rates went up by Rs 3.87 a litre.

Kerosene consumption showed a de-growth of 28.4 per cent in April-December 2020, according to the Oil Ministry's Petroleum Planning and Analysis Cell (PPAC).

States of Andhra Pradesh, Delhi, Haryana and Punjab have been declared kerosene free while Gujarat, Bihar, Uttar Pradesh and Maharashtra have voluntarily surrendered a certain quantity of PDS kerosene allocation, according to PPAC.

While petrol price was deregulated in June 2010, diesel rates were freed in October 2014. This meant end of subsidy on the two fuels.

Subsidy continued only on cooking gas (LPG) and kerosene. On LPG, the budget has provided for a subsidy of Rs 12,480 crore in 2021-22, down from Rs 25,520.79 crore in the current fiscal and Rs 35,605 crore in the previous year.

Sputnik ready to set up in India

Ms. Isvarya Rajagopalan
FYBAF

After Dr. Reddy's decision to join hands with Russian Direct Investment Fund (RDIF), Suptnik V is all set to enter India's pharmaceutical market. According to The Lancet, a prime medical journal has proved that Sputnik V vaccine is 91.6% effective against deadly virus Covid-19. Disclosure of this fact has gushed up share prices of Dr Reddy's Laboratories upto 5.01% in the last 2 days.

Last month Dr Reddy's Laboratories had received approval from the Drugs Control General of India (DCGI) to conduct phase 3 clinical trial for the Sputnik V vaccine for COVID-19. Sputnik V vaccine is fourth such vaccine in the world to have their results published on leading peer-reviewed journals following the shots developed by Pfizer, BioNTech, Moderna and AstraZeneca.

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16 nations have approached Sputnik V Vaccine including Venezuela, Hungary, UAE, Iran. It is considered to be affordable vaccine throughout the world costing less than $10 per shot .

Keeping in mind the urgent need for vaccine, Dr Reddy Laboratories are planning to launch the Sputnik V Vaccine by March under Emergency Use Authorization.

To go for ₹1-trillion LIC IPO at one go is not advisable: DIPAM Secretary

Mr. Advait Gaikwad
FYBAF

The FY22 Budget made big ticket announcements on disinvestment, including a public sector enterprise policy, clearly delineating the strategic and non-strategic sectors as well promising selling off two public sector banks and a general insurance company. Tuhin Kanta Pandey, Secretary of the Department of Investment and Public Asset Management (DIPAM) in the Ministry of Finance, in an interview illustrated the road ahead.

The issue of the office memorandum will be conducted soon and that is basically the crux of the policy barring that the policy also has a mechanism that there will be a role for NITI Aayog, core group of secretaries on disinvestment and alternate mechanism of group of ministers to conjecture the “bare minimum" PSUs. When the actual disinvestment takes place, the usual process through the Cabinet Committee of Economic Affairs will be followed because the timing will depend on the appropriate sequencing, market interest etc. As the appetite in the private sector slowly fabricates up through recovery, there will be greater benefactions for disinvestment.

The size will depend on market appetite, how much can be marketed at one go. Conventionally, the maximum issue size of ₹6,000-7,000 crore is needed. Suddenly to expect rupee one trillion at one go may not be advisable. It can be done in a phased manner.

Broadly the intention is that this is a very important reform that states should follow. In order to spur growth, there is a need of resources. More conspicuously for capital formation and capex cycle, you need to unlatch the value of surplus assets and also monetize core assets.

Sensex reaches 50k again and closes with the help of budget bull run

Ms. Dipti Jadhav
FYBAF

The budget bull run rally was there till Wednesday as it was the third consecutive session that added about 458 points to close at 50,256 points, it’s the very first time to close above 50k. While NSE, the Nifty was up by 142 points or 1% at 14,790.

Considering from last three consecutive session the Sensex gained nearly 4,000 points which is boosted due to the FM’s positive changes in the market, these includes combining several securities law into one unified securities market code, divestments of two banks and an insurance company, and setting up an assets management company to handle bad loans.

Wednesday’s rally in the market also made the Investors richer by Rs 12.3 lakh crore with BSE’s market capitalisation now at Rs 198.2 lakh crore. This is also the highest market capitalisation ever. Sensex gain was led by HDFC securities, HDFC Bank, Infosys. While, Kotak Bank, ITC closed lower and limited gains partially.

New changes in Foreign e-commerce rules

Ms. Tanisha Singh
TYBAF

Under pressure from sellers as well as bodies such as Confederation of All-India Traders (CAIT) to investigate the marketplaces, the Indian Government is amending its foreign investment policies for e-commerce, a move that could compel some of the foreign e-commerce operators to reconstruct their ties with some major sellers.

The e-commerce rules presently recognize two e-commerce business models, namely, the marketplace model and the inventory-based model. While regulating e-commerce entities, the rules have separate specified provisions for the marketplace and inventory-based entities, and for sellers who sell on the platform operated by a marketplace e-commerce entity. It only allows foreign e-commerce players to operate as a marketplace to connect buyers and sellers. It prohibits them from holding inventories of goods and directly selling them on their platforms. Now, the Government is also considering altering some provisions to prevent the e-commerce firm to hold an indirect stake in a seller through its parent firm. These changes are likely to hurt Amazon the most as the company holds indirect equity stakes in two of its biggest online sellers in India — Cloudtail and Appario Retail.

Also, under the existing rules of wholesale ties, a seller is free to buy up to 25% of its inventory from the e-commerce entity's wholesale or another unit and then sell them on the e-commerce website. However, the Government now is considering changes that would effectively prohibit online sales by a seller who purchases goods from the e-commerce entity or its group firm and then sells them on the entity's websites.

India's retail market is dominated by small stores and sellers who are feeling the competitive heat because of the rapid growth of large e-commerce marketplaces. To address their challenges, India's Government has passed new rules and regulations aimed at restricting how large e-retailers conduct e-commerce within the country. But the new e-commerce policies could also challenge the local economy. For example, the new e-commerce regulations have reportedly already caused reduced sales for local sellers that rely on sales through the e-commerce giants. Amazon India and Flipkart, which together account for more than 70 percent of the country's online sales to consumers, have reportedly pulled thousands of products offline.

Increase in prices of Mobile, Refrigerator, ACs among other items with hike in Custom Duty on Imported Goods

Ms. Anuja Rajpurkar
TYBAF

With the announcement of Budget 2021, came the news of a possible increase in prices of various daily products. Here's a brief look at commodities which will experience a price rise.

Mobile phone users will have to pay marginally more for Smartphones with the Government withdrawing exemptions on some mobile phone parts and charger parts as announced in Budget 2021. The Government proposed to assign a 2.5% custom duty on electronic components used in mobile devices.

The rate of customs duty on Printed Circuit Board Assembly [PCBA] of charger or adapter has been increased from 10% to 15%, the Government added. All goods under this tariff item other than the charger adaptor will continue to attract the existing effective rate of BCD at 10%. Completely built-up units (CBUs) of battery chargers attract

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15-20% customs duty while handsets attract 22.5%. The impact of custom duty on consumers is expected to be in range of 0.3%-04% as explained by Pankaj Mahindroo, Chairman of Indian Cellular and Electronic Association(ICEA).

Due to an increase in basic custom duty, prices of refrigerators & Air Conditioner are likely to go up as custom duty will be levied on main components of both commodities. Compressor of Refrigerator/Air Conditioner which will now have 15% rate instead of the earlier 12.5%. Similarly, specified insulated wires and cables will attract 10% custom duty against the earlier 7.5%.

The increase in custom duty on imports is in line to boost the PM's motto of Make in India and in order to increase competition and development in domestic production.

Following is the summarised list of Imported Items that will become costlier

- Camera Module
- Connectors
- Raw Silk & Cotton
- Compressors for Refrigerator & AC
- LED lamps, parts and spare parts
- Mobile Phone Charger Components
- Solar Inverters and Lanterns
- Input of Lithium Battery
- Windscreen Wipers
- Mobile Phone parts (PCBA)
- Leather products.
- Insulated Wires & Cables.

However some imported items will become cheaper, they include items like Gold & Gold Dores, Silver & Silver Dores, Platinum, Palladium as well as Medical Devices imported by International Organisations.

The following changes in Custom Duty on Imported goods will take place from the start of new Financial Year, April 2021.

MSME Loan Scheme in Maharashtra

Ms. Preeti Yadav
TYBAF

We humans by our tendency to underestimate a value lesser than one, say 0.876297....are blindfolded to the fact that this figure multiplied into lakh times would equal to 87,629.7...this illustrates that MSME, though are small units of business contribute 29 % of GDP and 48 % to exports of the nation. Around 11.6 crore people are employed in MSME sector. Our Government wants to prioritize these sectors to scale the height of 5 trillion economy by 2024. Minister of state for MSME Pratap Chandra Sarangi authorised loan disbursement of 14,364.30 cr to MSME units in Maharashtra under Emergency Credit Line Guarantee Scheme.

Enterprises are categorized as manufacturing units and secondly as rendering of service, further stratified into micro, small and medium enterprises based on plant and machinery for manufacturing and Equipment for services. And further classifications were altered by changing limits of Investments under MSME Act 2006, on 1st July 2020.

Out of total credit exposure of 101 lakh crore, MSME reserves 22.8 lakh crores [35%]. After scrutinizing the records, NPAs of micro units stayed stable with (exposure of about less than a crore) and saw least downward trend of around 0.2 % (approx). Whereas SME segment has 1 to 25 cr exposure of NPAs. Private Banks and NBFCs have increased the market share in SME and Micro enterprise, on the contrary Public sector banks are seemingly scaling down.

The most imperative scheme of Maharashtra government for MSME is to generate 10 lakh jobs for this sector. Coming to the loan scheme of the state,By [Credit Guarantee fund Trust for Micro and Small Enterprise].i.e CGTMSE established by Government of India and SIDBI about 2cr loans

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were sanctioned. Repayment period is extended upto 10 years inclusive of maximum 2 years of moratorium. And if collateral security is provided, incentive is rendered by reducing the rate of interest.

Soon, in the near future MSMEs will flourish with new job opportunities, startups, growth and prosperity, global recognition, etc. And make India a developed country one day!

Quick Glance of What Went By

Pocket News

Mr. Manuel Fernandes
TYBAF

- Govt. to privatise 6-10 airports by April, plans to club unviable airports.
- A Supreme Court Panel said that the value of a tree is ₹74,500 multiplied by its age.
- Investor Wealth jumps by ₹12.3 Lakh crore in 3 days since Budget.
- BMC unveils ₹39,038.83 cr budget for FY 2021-22.
- Exports grow 5.4% in January, trade deficit narrows, Drugs & pharma exports jumped by 16.4%.
- RBI keeps repo rate unchanged at 4%. Reverse Repo rate at 3.35%.
- Govt. dues to Air India for VVIP Flights at ₹498.17 Cr, Hardeep Singh Puri tells Rajya Sabha.
- RBI unveils risk based internal audit system for NBFCs, urban co-operative banks.
- Reliance receives world's first carbon neutral oil from US.
- Govt. formally seals ₹48,000 cr deal to procure 83 Tejas LCA from HAL.
- Sri Lanka scraps deal to develop major port with India.
- India to get 8 new cities in 8 states to meet the demand for urbanization as finance commission grants ₹8,000 crore.
- Govt. allocates ₹830 crore for startups.
- Reddit users push Silver price to $30 per ounce in US, hits 8yr high on Feb 1.
- Finance Minister announced that the Government will be borrowing a sum of about ₹12 lakh crore in FY22, states will get 41% share of taxes.
- FM unveils scheme to set up 7 Mega Investment textile Parks in 3 years.
- MSME allocation doubled to ₹15,700 crore for 2021-22.
- Government to bring pre-filled ITR forms with capital gains, interest income
- Fiscal Deficit pegged for FY21 @ 9.5% of GDP, FY22 @6.8%.

NOTICE

3 days workshop on Road Cycling
organised by
Gymkhana Committee

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NOTICE

Book Review Competition organised
by
Reader's Club

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Terminology of the Week

Green Shoe Option

It is an over-allotment option. In the context of an initial public offering, it is a provision in an underwriting agreement that grants the underwriter the right to sell investors more shares than initially planned by the issuer if the demand for a security issue proves higher than expected.

If you wish to contribute your articles to be featured in the next issue, please mail your articles on swapnils@mldc.edu.in or contact on 9987094858 by Wednesday of every week and wait for the issue to be released on Saturday.

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