



The FINANCIAL

Annual Magazine, 2016

INSIGHTS

Interview with Bandhan Bank CFO,
Sunil Samdani
IT Sector Report

Volcanomy: Expecting the Unexpected

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Message from the Dean.....



DR. DEBASHISH SANYAL

Dr. Debashish Sanyal is currently the Dean, School of Business Management and Vice-Provost- Management. Prior to joining NMIMS he was Dean (Academic Program) at Management Development Institute, Gurgaon, and also headed EMBA program at SP Jain Centre of Management. With more than 30 years of experience Dr. Sanyal has received numerous honors for teaching.

At NMIMS, it has been our endeavour to increase the rigour and the intensity of our program to arm students to win every battle in the corporate world. We are acutely conscious of our responsibility in building a management workforce that is capable of meeting the business needs of India and the World.

Finomenon, the finance cell of NMIMS, has been another rung in fulfilling that responsibility, and an important one at that! From organising conferences and special sessions to writing blogs and magazine articles, *Finomenon* has done it all to hone the skills of our students in the field of finance.

I take pride in the fact that NMIMS produces some of the best professionals in the banking and financial sector. All the big names in the world of finance are here every year to hire our students is a case in point. We believe a class is not a textbook- or library-driven environment. Engaging students with the world of business is a chosen method of knowledge transfer at NMIMS and *Finomenon* plays a role in executing that.

This magazine documents some of the milestones achieved by *Finomenon*. I would like to take this opportunity to congratulate the senior committee for excelling in their initiatives. The road has not always been easy, but then we encourage our students to take the road less travelled and find the rainbow along the way.



Message from Faculty.....



DR. MAYANK JOSHIPURA

Dr. Mayank H Joshipura is Professor and Program Chairperson – MBA Capital Markets, SBM NMIMS, Mumbai. He has one and a half decade experience in Management education and Consulting.

He has keen interest in areas of Derivatives, Portfolio Management, Financial Econometrics, Mergers and Acquisitions, Corporate Finance.

2016 was the year of unexpected. From the BREXIT with UK voting itself out from EU to the election of Trump as the US president to the Demonetization- the unexpected move by Modi, we have seen it all. Hence the theme for this year's Illuminar and Magazine was decided as "Volcanomy: Expect the unexpected".

Finomenon the finance cell of NMIMS has done substantial work in college, from getting speakers for guest sessions to successfully organizing various inter B-School competitions. I am glad to announce the release of The Financial- Annual Magazine on the theme of Illuminar – Volcanomy.

2016 has been quite a successful year for NMIMS. We have successfully launched Samriddhi – A student run investment fund. As we had hoped, Samriddhi became a platform enabling students to learn the nuances of different sectors, giving them real investment exposure. We are looking forward to take this step to next level through continuous learning and building closer relationships with the corporate world. Also in our continuous efforts to integrate theory with real world practices, we reached yet another milestone by inaugurating the Finance Lab with 12 Bloomberg terminals in our Campus where students can gain hands on experience on using the information and technology relied on by financial professionals all over the world. This Lab will not only help enhance research practices and improve analysis of data and market-moving events but also prepare the students for a challenging employment marketplace.



Message from the Editor..



AKHIL JAIN

Prior to Joining NMIMS, Akhil was a Mechanical Engineer from IIT Delhi, having close to 3 years of work experience in Project Management Field. He has won many Case study competitions and was a Regional Finalist in Delloite Mavericks.

Will India rejoin the ranks of one of the fastest growing major economies the next fiscal year, even as the effect of massive cash crunch is expected to drag lower growth for few months in 2017?

The last quarter has found itself to be quite interesting from the previous one with the volatility in markets due to expectation of fed hike, US elections, and most importantly sudden announcement of demonetization of bank notes.

From oil crisis in previous year and devaluation of yuan to Brexit, Trump coming to power and Demonetization. India has not been able to reach its full potential due to either macro or micro reasons.

However, all of this has not stopped intrinsic growth India is expecting for last few years.

The topic for this edition is "Volcanomy - Expecting the Unexpected", with this topic we linked the unpredictability of a volcano with modern economy keeping in view the recent events that have been taking place.

This year marked new beginning for Finomenon in terms of launch of Samriddhi - Student Run Investment Fund, Investor meets, new competitions like best finance manager and successful series of workshops and sessions under SummerThan and WinterThan, helping students in summer and final placements as name suggests.

In future, we will continue to enhance value to all our students by focusing our attention on providing a platform which gives instant access to students for conceptual understanding of any area of finance.

As we celebrate beginning of new year and on the verge of end of this year's Finomenon's journey, I feel privileged to have been part of one of the most successful year for Finomenon. Last but not the least, on behalf of whole Finomenon Team, I would like to thank our esteem advisory board members of Samriddhi - Mr. Vinay Khattar, Head of Department Edelweiss and Mr. Jayesh Gandhi, Sr. Portfolio Manager, Birla Sunlife AMC, Faculty Members, Management team and student bodies for their continuous support and commitment to Finomenon.



VOLCANOMY

Expecting the Unexpected



2016 has been a year of uncertainty. It was marked by a dramatic turn of events that opened unexplored avenues in the local and global economy. As the world moves into a regime of uncertainty where even experts are left baffled by the outcomes across the globe, the need of the moment is to expect the unexpected to avert potential crises that can arise out of these outcomes. The term “Volcanomy” seems apt in this context where the world economy is prone to volcanic events that could erupt at any moment. Economies around the world need to take cognizance of this and come up with safeguards against such sudden eruptions. This calls for robust forecasting and it is even more imperative to view the events as precursors to a future that can distort the economy even further. Illuminar 2017 aims to tackle this very issue and brings to the forefront what lies ahead in the future for India and the world. Looking back at 2016, there are a few major events that can be

termed “disruptive”. In a chronological fashion, these are:

- Brexit referendum
- Impeachment of Brazilian president Dilma Rouseff
- Donald Trump election
- Demonetization
- Italian constitutional refer-

Northern Ireland voted to remain in the European Union. The referendum led to the resignation of Mr. David Cameron and the appointment of Ms. Theresa May as the new prime minister. Post the Brexit vote, the pound dropped to a 31-year low and it fell even further at the end of 2016. In addition, Britain also lost its AAA credit rating and this could mean that the cost of borrowing for the government could increase. This was followed up by an interest rate cut by the Bank of England from 0.5% to 0.25% to provide impetus to the flagging economy. For Britain to leave the European Union, it must invoke Article 50 of the Lisbon Treaty which gives a time of two years to leave the EU. Theresa May has announced that the process will be initiated by March 2017 with a targeted departure by the summer of 2019. However, since Article 50 has not been used before, it is not sure when Britain will actually leave the EU. This is because Britain’s exit must be agreed upon by all the members of the EU and this will be a



Brexit Referendum

A referendum was held in June 2016 wherein citizens of Britain voted to leave the European Union by 52% to 48% who wanted to remain. Both England and Wales voted to leave while Scotland and

time-consuming process. Nevertheless, with Britain leaving the European Union, new trade agreements must be signed with the EU and lots of existing trade agreements must be reviewed and this can harm Britain as it is not at the bargaining end of the spectrum. New trade agreements with EU are the most critical as EU will allow tariff free trade only if Britain will allow EU nationals to continue living in Britain. However, Britain wants to cap the number of EU nationals living in Britain and this can pose geo-political problems yielding “hard” Brexit while coming to a consensus can yield a “soft” Brexit. A Brexit vote can also cause internal turbulence within Britain as Scotland feels left out as it voted to remain and this increases the likelihood of a second independence referendum causing even more uncertainties in the British economy.

Impeachment of Brazilian president Dilma Rouseff

In August 2016, the Brazilian Senate impeached Ms. Dilma Rouseff and removed her from office for the rest of her term. She was convicted of charges of manipulating the federal budget to conceal a

looming fiscal deficit thereby painting a better picture of the economy. This was done to improve her party’s prospects during the elections in 2014. This marked an end to a 13-year rule by the Workers’ Party when the economy bloomed amid lots of corruption scandals. This also



marked a shift in power from the Workers’ Party to the Brazilian Democratic Movement Party wherein the vice president under Ms. Rouseff, Mr. Michael Temer, took over as the President of Brazil for the remainder of the term. Mr. Temer and his cabinet is also plagued with corruption charges and this creates a gloomy outlook for the Brazilian economy that is ranked the world’s 9th largest by nominal GDP and 5th largest by purchasing power parity.

Donald Trump Election

The republican presidential candidate, Mr. Donald Trump, was elected as the 45th President of the United States of America when he beat the democratic presidential candidate, Ms. Hillary Clinton, by 74 electoral votes. However, the popular vote count showed Clinton leading which makes Donald Trump the fifth presidential candidate to win the election but lose the popular vote. His victory has been a shocking turn of events as exit polls predicted a Clinton victory. Trump’s election has major ramifications in the Indian and global economies.

Trump’s plans to renegotiate all trade treaties will impact India and other major economies. He has also voiced his displeasure about the H1B visa program and vows to bring jobs back to America. This will potentially impact immigration and India will be hit hard as a result. However, Trump’s open criticism of China and Pakistan will stand to help India secure a foothold in the Indian subcontinent. This can give a fillip to strong India – US relations in terms of defense and other business ties.



stand can also prove to be devastating as the appointment of Scott Pruitt, who is a climate change denier, as the administrator of the United States Environmental Protection Agency will give a fillip to fossil fuel companies and have a negative impact on the battle against climate change and global warming. Trump's military intentions are also unclear and any military intervention can cause even more uncertainty in the global markets. Finally, Trump's election marks the alarming rise of reverse globalization as economies around the world are increasingly shutting the doors to international collaborations that helped the world

came as a shock wave across the globe, another shock wave emanated from India when the Prime Minister, Mr. Narendra Modi, announced that the ₹500 and ₹1000 notes ceased to be legal tenders, putting in place the demonetization drive. The reasons cited by the Prime Minister were to bring out the black money that has been stashed in India and to curb terror financing that has been rampant owing to the circulation of fake currencies. The new ₹2000 note and later the ₹500 note were equipped with better security features to circumvent printing of counterfeit notes. This move was completely disruptive as around

run at full capacity, it is estimated to take four months to a year for the currency supply to be fully restored. However, this demand-supply mismatch provided the government an opportunity to push for a cashless economy. Up until demonetization, 95% of all transactions was done by cash. Post demonetization, there has been a surge in the digital wallet users, cryptocurrencies like Bitcoin and electronic payment systems. This will help the government increase tax revenues and curb black money.

Considering all the above-mentioned factors, the cash crunch coupled with India's high dependence on cash for transactions will hit the economy hard in the short run, particularly the services sector. The Indian Central Statistics Office has revised the growth forecast to drop to 7.1% this fiscal year. Demonetization will also have a negative impact on inflation as consumer spending comes down particularly in sectors such as Real Estate. The long-term impact of demonetization is uncertain and it requires more time to gauge the actual impact of demonetization in the Indian economy.



economy accelerate in the 20th century.

Demonetization

At around the time of Trump's election in November 2016 which

and 6 billion notes in the denomination of ₹1000 were withdrawn and in order to meet the demand for the currency, the printing presses were running at full capacity. Even if the presses were to

85% of the value of currency in circulation was withdrawn overnight in a surprise move. Over 16 billion notes in the denomination of ₹500

Italian Constitutional Referendum

Italy has a bicameral system where both the chambers, namely the Senate of the Republic and the Chamber of Deputies, have the same powers. This bicameral system was often cited as the reason for deadlock in the parliament and policy paralysis. In December 2016, Italian citizens voted to reject a reform that sought to reduce the Senate's powers and cut the number of senators by two third to 100. One school of thought felt that the reform strived to accelerate the decision-making process while another school of thought felt that this tipped the balance of power in favor of the Chamber of Deputies. The Prime Minister of Italy, Mr. Matteo Renzi, was a strong proponent of this referendum and pledged to resign in case the reforms were rejected. The fact that Italy rejected the reforms by 60 percent to 40 percent shows a lack of confidence in the Italian government. Considering the fact that Italy is the third biggest economy in the European Union, this referendum creates an economic turmoil in Europe owing to the uncertainties created in the Italian political space. The result of this referendum provides a boost to the Five Star Movement in Italy that is a strong proponent of Italy exiting the European Union. Any such move will magnify the uncertainty prevalent in the Europe and send shock waves throughout the world.

LET'S TALK BUSINESS

For our annual Yearbook's Corporate Connect section, we sat down with **MR. SUNIL SAMDANI**, CHIEF FINANCIAL OFFICER, BANDHAN BANK.

Bandhan Bank started as a micro-finance company in 2001, and have recently received the banking license from the Reserve Bank of India in 2014. Headquarters in Kolkata, Bandhan is the first bank to be set up in the eastern India after Independence. Presently, Bandhan Bank has 3,383 touch points pan India consisting of 744 bank branches, 2,371 Door-step Service Centres (DSCs) and 268 ATMs, serving more than 9.7 million customers.



Mr. Sunil Samdani started his career with Anand Rathi Securities as a Business Development Manager, before he moved on to Mattel Toys India. After his tenure at Firstsource Solutions Ltd., he joined Development Credit Bank as the Vice President of Head Strategy and Business Analytics. He has spent nearly 2 years at Bandhan Bank as the Chief Financial Officer, after moving from Karvy Financial Services Ltd, where he served as the CFO for over 6 years.



The interview was conducted by Disha Gurnani, Junior Member, Finomenon.

DG: The microfinance model has been successful for Bandhan Bank. What do you

attribute this success to?

SS: This success can be attributed to:

- People working with the Bank.
- Discipline in the process of delivery.
- Culture and values of the organization.
- Continue the above after converting into bank and not trying to tweak the delivery model.

DG: Microfinancing has mostly recovered since the Andhra crisis of 2010. Where do you see this industry heading in the next five to ten years?

SS: I see the industry growing at a CAGR of 30% plus over the next five years.

DG: Of the various companies that applied for a universal bank license, why do you think that Bandhan Bank made it to the final two?

SS: Financial Inclusion being one of the major criteria for selection, I believe, Bandhan was best suited to meet the criteria.

DG: With the sanction of universal license, what are the challenges that Bandhan Bank is facing in this transition?

SS: Any change is difficult and this was the big change for Bandhan. It was the first time in that world that

a microfinance company was converting into a bank and that too at such a large scale.

Few Major Challenges:

- Cultural mix between the microfinance veterans and the new recruits from the banking domain.
- Technology change with new IT-system implementation and migrating from old system to new.
- Changing the organization from single product to multi-product organization.
- Working in a more stringent regulatory environment.

DG: 2016 has been a year of surprises. Demonetization has completely changed people's

expectations of India's growth figures. According to you, how has demonetization

affected the economy?

SS: Demonetization is a bold step. While it has its own advantages for which it was

done, it is also very apparent that it has slowed down the economic growth temporarily.

I believe it will take couple of quarters to recover.

DG: Do you think it has had a significant effect on Bandhan Bank and the industry as a whole?

SS: As I said earlier, it has impacted industries all across including BFSI and Bandhan Bank is no ex-

ception. However, having converted into a bank from a NBFC, we were able to collect the old notes and accordingly, our recovery was better than other MFI's. Secondly, due to shortage of currency in the system, the new disbursements have slowed down.



DG: In the wake of demonetization and the Prime Minister's call for a digital India, what direction is Bandhan Bank planning to take in regard to digital banking? Also, what is its strategy with regard to competition from payment banks?

SS: Bandhan Bank has issued debit cards to all its nearly 100 million customers. Most of its transaction today happens through POS machines (HHD). With regards to competition from payments bank, we can do all those activities that a payment bank can do plus a lot more. Further, we have a huge customer base. Hence, we don't see them as a major disruption.

DG: Bandhan gives an impression of making most of its profits from retail customers. Where does corporate lending fit into the scheme of things?

SS: Every bank or organization has a customer segment which specialises in delivering and catering to their needs. Bandhan has specialised in retail segment. However, we are a universal bank and we will be developing our capabilities to service all segments of customers over time. But in the immediate future, we see lot of opportunities untapped in this segment and would continue to focus on them.

DG: Apart from the usual sources of revenue, is Bandhan Bank looking at creating value through its treasury operations?

SS: Treasury of any bank is an important vertical. Treasury typically constitute ~30% of banks total assets. Thus this vertical has to create value for a bank overall to create value.

DG: Bandhan Bank has actively targeted rural markets as its core competency. According to you, how much focus does it put on training, skill development and creating employment opportunities for the rural poor?

SS: As I said earlier one of the key reason for Bandhan's success is its people culture and values. Capacity building and culture and value alignment is very important for us. Hence training, skill development is a continuous process. There are about 8 training centres across India which provides training to Bandhan Staff throughout the year.

WINNING ARTICLES



Demonetization: It's an Epic – India Rewrites Mahabharata In Waging War Against Blackmoney”

India is always known for its epics and 8th November was no different and is a day to reckon with in times to come. At the stroke of midnight on 8th November 2016, all 500 and 1000 rupee notes burn to ashes. It's Mr. Modi's surgical strike to counter financial terrorism through *Black Money trade*. Mr. Qazi, an arms trader operating from Srinagar, who was about to execute a big bucks deal with a terrorist outfit in Iraq receives a huge punch which is powerful enough to thwart his Hawala money transfer plans. He makes frantic calls to all his accomplices but alas, a solution is difficult to come by. With banks closed for the next two days, his last attempt to translate the unaccounted money into the regulated

channel meets with failure and dejection is all what he experiences. Not only Mr. Qazi, the meticulous nature of the move will go a long way in creating a milestone in the “*Kala Dhan Swadhinta movement*” with a magnanimous global impact.

If we dive deeper we can see that the move has impacted 86% of money in circulation which amounts to 14 Lakh crore or \$217 Billion. The Government's bold and courageous step to weed out unaccounted money flow will have massive long term benefits for the economy. Some Analysts forecast that the government's move will unveil black money to the tune of Rs 4,60,000 crore. Through this move, the quantum of India's economy moving through the digital pipes will witness a massive growth. Also with limited tax arbitrage between organized and unor-

ganized markets, India is all set to experience a much sharper move from unorganized to organized segment. Consequently this move will give an impetus to the mission of moving to a cashless economy and the new age digital and e-transactions enabled banking will get the necessary boost. People today have understood the need of e-wallet and online payments with cash not available in abundant supply. Some of the finance pundits are also up with their share of arguments that the move will have little impact as they draw the example of demonetization drives undertaken during the time of Moraji Desai in 1978, when such a move did not account much towards such erosion.

They argue that at that time the shadow economy was around 16.5% which has grown over the

years to touch 25% of India's GDP as of 2016. Considering India's nominal GDP closer to a mammoth \$2.384 Trillion, as per IMF, this 25% is a number to reckon with. Apart from the historical facts they also bring to the table



Source: Pellegrini, Sanelli & Tosti, 2016

the logic that with large denomination currency like Rs 2000, it will be easier for hoarders to transmit large funds into cash of lesser volume. They also argue that the unaccounted cash in all likelihood would find an accomplice in the glittering metal "Gold". There are obvious disruptions, but one has to appreciate that none of the impactful steps ever taken in history has ever been without its share of disruptions. "Change is Constant" they say, and demonetization is a sheer reflection of that theory. Analysts have given contradicting views but their views seem to concur on the point that in the short term this move is going to be detrimental to the GDP. It is likely that in the next 6 months, the consumption pattern in the economy

is going to be dented but one has to shed the myopic lens and put a punt with a long term perspective. Industries like FMCG, automobile, oil & gas, consumer durables which are expected to depict a negative trend in the short run will rebound with a vengeance over long term.

As per recent data, the total inflow of deposits into the banks has been over INR 5 Trillion with an outflow of just about a trillion rupees. These net deposits of INR 4 Trillion, which are mostly low cost deposits will have a major impact on the profitability of the banks and reduce their cost of funds. With the current mandate rolled out by RBI, wherein a bank has to use its Marginal Cost of Fund based lending rate, the lending rates are expected to come drop significantly. Cheap availability of credit with abundant flow of money will give a huge fillip to investment and consumption leading to positive effect in the economy in the medium to long term. With RBI also set in to reduce Repo rates further there will be enough ingredients to turn the economy into a buoyant one. Reduced asset servicing rates and

City	Nov 2015 (in ₹ crore)	Nov 2016* (in ₹ crore)	Percentage increase
Surat	7.19	100	1,291
Mumbai	3,185	11,913	274
Hyderabad	8	208	2,500
Ahmedabad	78	170	118
Chennai	24	80	233
Rajkot	3.34	34.27	926

Tax Collections by Municipalities – Credits: HT

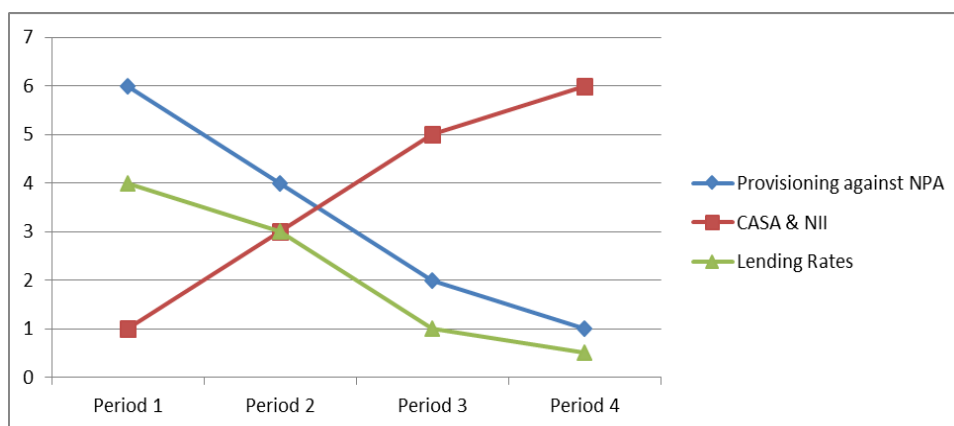
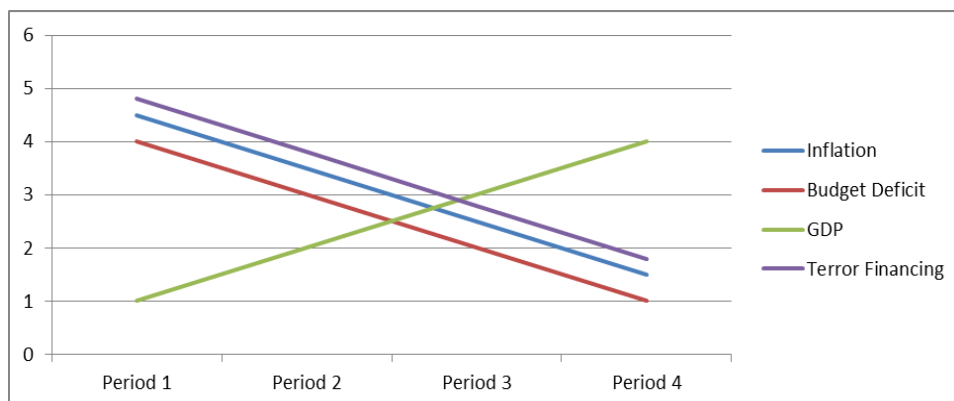
deposit rates will drive incremental domestic flows into the stock

markets and reduce dependence on foreign institutional investors. Shock in black economy will push more business in the official economy leading to buoyancy in tax revenues for the government. The results are already beginning to show with tax collections increasing by 270% at 47 urban local bodies in November 2016 as compared to last year. Against a base collection figure of INR 3607 Crore last year these units have already muscled collections over 13,000 crore till November. Taking some examples, Mumbai municipality has collected around Rs 12,000 crore in November as against Rs 3000 crore last year, likewise Surat Municipality collected over Rs 100 crore as compared to a mere 7 crore last year. This will boost up the government coffers and will give it a cushion to spike up the Public expenditure. Additional resources will also augment government's capacity to undertake public spending and implement social sector schemes and will also help to reduce the budgetary deficit over a long term. Today all the critics who are opposing the bold step by government, by pointing to the cash crunch and the turmoil and hassle for masses, should take inspiration from Akodara village in Gujarat. This village adopted e-payment environment long back which was set up by the State Government in co-ordination with ICICI Bank. All transactions are executed through mobile e-transfers and online.

Adaptability to change and embracing new practices is the key. Apart from transacting through SMS, the people of this village also use Unstructured Supplementary Services Data (USSD) on the National USSD Platform (NUUP) with their registered mobile numbers to avail additional banking facilities. This is a live example of a village embracing technology and change and should serve as a role model for other villages and urban areas in India. The demonetization drive has disrupted the traditional way of transacting and has forced people to look at other technology enabled options. Consequently, digital wallet transactions have increased the velocity of monetary flow through the e-platform. E-Banking also indirectly has a positive impact on the GDP and is explained in the

with factors like Inflation, GDP, Budget deficit, Terror Financing, Lending rates, CASA, NII.

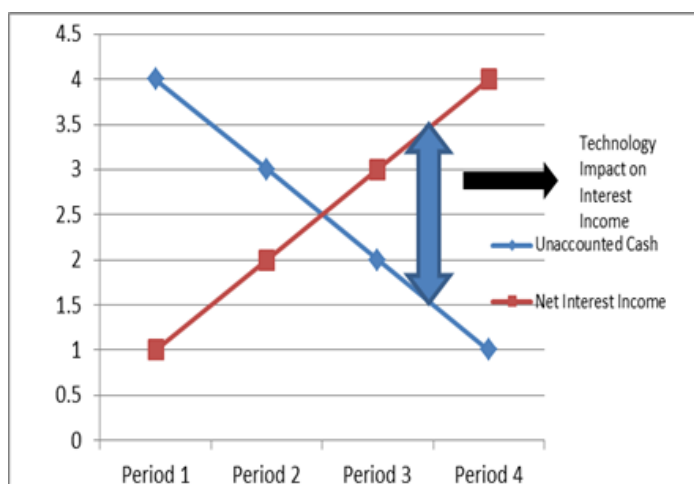
figures that predict a depletion of about 20% to 30% in terms of terror financing. Outfits like The



There is a clear positive relationship with factors like GDP and CASA & NII and inverse relationship with issues like inflation, terror financing, budget deficit, provisioning against NPA and lending rates.

Some interesting data also reveals that the impact of the

Northeast insurgent groups and CPI (Maoist) have taken a hit close to Rs 780 crore and the Pak militant groups like Lashkar-e-Toiba, Jaish-e-Mohammed and Hizb-ul-Mujahedin have got a blow close to Rs.20 crore⁹. This bold move by the Modi administration is going to have a tectonic impact on the parallel unscrupulous economy. The GDP is likely to see a jump of 1.4% over the long term and touch 8.6% to 9% p.a. We are also witnessing a spike in the Jan Dhan Yojana accounts which have garnered over Rs 27000 Crores and the over 45% dormant accounts of PMJDY have become active post the announcement. This will also help the cause of Financial Inclusion being undertaken by

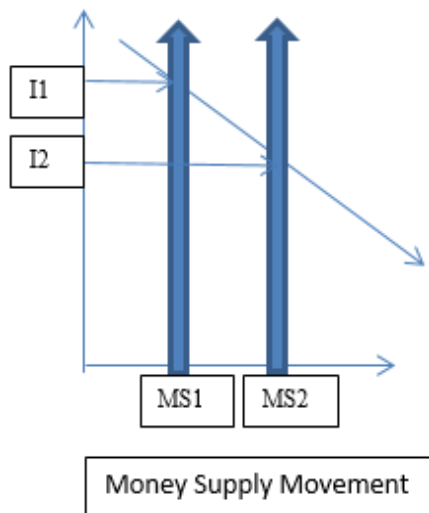


adjoining graph. This also helps in boosting the Net Interest of the Banks by bringing in the unaccounted cash into the system. Further graphs below show the relationship of demonetization

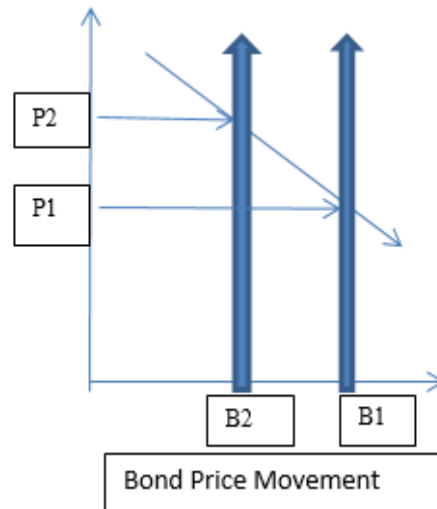
move will help in reducing the under the cover drug deals across the country especially in areas like Malda in West Bengals and certain parts of Punjab. Even the terror units have taken a hit and the news mills are ripe with

the exchequer in a big way. Inclusion being undertaken by the exchequer in a big way.

Also with less pressure of inflation the G-Sec Bonds are witnessing a bull market further helping banks make nominal gains on their substantial fixed income securities holdings. To infuse



money flow in the economy the RBI is likely to conduct Open Market Operations wherein it is



further expected to buy -in bonds to push up the prices. The graphs below have been derived to reflect this bond market phenomenon.

If we closely analyse we can

clearly see that the interest rate gets relaxed from I1 to I2 with the increase in Money supply from MS1 to MS2 and the Bond Prices on the other hand increased from P1 to P2, with the purchase of bond in open market and thereby providing the thrust to bond investors.

Explanations are not enough, neither are graphs but we should be confident that this move from the government will stand through the test of time and impact the Indian economy in a positive way. Just hold your breath! If you haven't watched Vishwanathan Anand making his chess moves ... you've just witnessed one of the best ones from Modi. "Checkmate - Black Money".

Written By:



RAHINE BOSE, ISB HYDERABAD

Rahine has done his B.Com (Hons) from Calcutta University and MMS from Sydenham Institute of Management, Mumbai. He has more than 8 years of rich experience in sales and business development at ICICI Bank Ltd. Currently, he is pursuing PGP at Indian School of Business (ISB). He is passionate about writing on banking sector developments and an avid sketch artist.



VIJAY VERMA, ISB HYDERABAD

Vijay, a CA and CFA, is currently pursuing PGP at Indian School of Business (ISB). He has over 10 years of experience in Financial Sector. In last role, he was operating as the Associate Director in India Futures & Options group at BNP Paribas Securities and has worked at senior levels in other companies like ICICI Bank, Deutsche Bank and Adventity.

WINNING ARTICLES



President Trump: Should the Global Economy tremble in fear?

9th November 2016. The world watched in awe when businessman-turned-TV personality Donald Trump was elected the next leader of the free world, amidst vociferous protests.

Trump's message to "losers and haters" is that his "IQ is one of the highest – don't feel stupid or insecure". Love him or hate him, you simply cannot ignore him.

While the world wants to know where they figure in Trump's policies and what's in it for them, Trump only thinks about America. Controversy and Trump go hand in hand, so here we give you the lowdown on all things Trump.

The Wolf of Wall Street

'Eminent economists have described Donald Trump's fiscal policy as absurd. But the jump in the stock market after his election indicates that Wall Street approves of President Trump. Trump plans to go on a full-blown fiscal stimulus if he has his way.

The deepest dive in his tax plan is the corporate tax, which will fall from 35% to 15%. Yes, you read that right, US will go from a country charging the highest corporate tax to providing tax breaks for businesses. Simplification of the tax code could be beneficial for smaller businesses. Trump is after all a businessman at heart. Stock buybacks would increase by 30%, owing to the fact that US companies with off-shore capital will repatriate the money to US. Sole proprietorships will also be included under this tax umbrella. Your dentist can celebrate be starting to eat more sweets!

Pharmaceuticals stand to gain as, unlike Hillary Clinton, Trump has not proposed any cap on drug prices. Gun manufacturers are big winners, as Trump is completely in favor of the 2nd Amendment, that provides Americans the right to possess their beloved guns.

No more tax planning

Trump's tax plans may benefit the common American man, by raising the threshold at which a worker starts paying income tax. The wealthy, too, gain from his policies, with the highest tax rate dropping down by over 6% to 33%. The top 5% of the US earners will have their disposable income increase substantially. Trump is also simplifying the entire tax structure by combining seven tax slabs into three - perhaps something US learned from India?

Trump has never been a supporter of the disadvantaged, and true enough, he plans on eliminating tax exemptions for single parents. Here at least, Trump has got it right: what we tax is more important than the overall tax rates. It's the classic debate of quality over quantity, as different taxes have dissimilar bearings on the economic growth. Sceptics say that the permanent cuts he is proposing are too extreme.

Then again, anything related to Trump has Extravagance attached to it.

The Great Wall of Debt

Trump's fiscal plan can be summed up in one statement of his - "The point is, you can never be too greedy". The expansionary fiscal plan comes with its share of drawbacks. The US budget deficit is projected to climb to \$30 trillion in 2026, a \$6 trillion increase. The budget deficit might reach to the 10% of the GDP, which was the case during the 2008 financial crisis. Is this a portent of impending times? Though the increasing budget deficit may be offset by the 8% expected growth in the GDP, to sustain the stimulus, real economic growth would have to exceed 10% annually for a decade. If Trump has his way, Federal debt would reach 110% of GDP by 2033.

Trump v/s Fed

Trump has proclaimed himself to be the "King of Debt", and in a credit card debt ridden economy of America, this rings a bell. He is against the potential December interest rate hike by the US Federal Reserve. We might see the President trying to poke his nose into the Fed's monetary policy in the future.

Moreover, Trump is proposing the fiscal stimulus when the US economy is close to full employment, which is a sure shot way to cause demand pull inflation. In an effort to balance the stimulus proposed by Trump, the Fed might adopt Quantitative Easing

to refinance the debt. This means that the Fed will print more Dollars and since all currencies are linked to the USD, it will lead to a currency crisis.

The increasing public spending could also crowd out the private investments. Interest rate sensitive areas like the realty and automotive sector will see reduced private investments.

Building the buildings

Trump has been advised to spend the \$137 trillion from tax credits, to boost private spending in infrastructure. This will propel the supply side growth which encourages long-term productivity. Trump says he knows how to build, but hopefully he doesn't involve Uncle Sam too much in buildings! The World Competitiveness Yearbook ranks USA in the 1st place when ranking nations on the quality of infrastructure but puts USA in the 73rd place for wastefulness of government expenditure. Maybe someone should show this data to Trump and advise him to adhere to a spending limit, especially in the area of infrastructure development.

Make in America

Trump's 'America First' motto is the basis of the trade protectionism policies that he favours. During the presidential elections, he pounced on the fact that America faces a trade deficit with China, claiming that China is "killing us" by their inexpensive goods. To counter the trade deficit, he plans to slap heavy trade tariffs

of up-to 45% on imports.

Trump's ire is not just towards China. It extends to most countries in the world. One of the actions he plans to take in his first 100 days is to renegotiate the important trade agreements such as NAFTA with America's neighbours Mexico and Canada, Trans-Pacific Partnership (TPP) with 11 Asia-Pacific countries as well as Transatlantic Trade and Investment Partnership (TIPP) with the European Union (EU).

Protectionism may boost aggregate demand for American goods as local manufacturers face less competition. It is aimed at encouraging companies to manufacture in America, thus providing employment to the unemployed. Trump calls himself the "greatest jobs president God has ever created". However, these arm-twisting tactics may have serious repercussions. First, imposing tariffs and custom duties on foreign goods could prompt other countries to in turn take similar action on American produced goods. This can escalate into a full-scale trade war, which will only hamper the prospects of American exports. Second, decreasing competition can adversely affect the American consumers. As lower-priced foreign goods have been weeded out by the government, low income consumers who benefitted from inexpensive imports now have to buy at the price set by the local manufacturers.

Change in world dynamics: The Good, The Bad and The Ugly.

The Good

There are 3 forces in play in Syrian conflict: ISIS, the current government of Bashar al-Assad supported by Russia, and the rebel forces backed by the US led coalition. Currently, negotiations between the US led coalition and Russia are at a standstill. When Trump ascends to power, there is a likelihood that he may restart these negotiations and reach an agreement due to his amicable relationship with Vladimir Putin. If they agree to back one united force against ISIS, then the terrorist organisation can be wiped out, benefitting not just Syrian citizens but the entire world.

The Bad

The countries that may be negatively impacted with Trump's presidency are China and Pakistan. America has been the cash cow for Pakistan as they have provided \$30 billion in aid to fight radical Islam. Trump, who has called Pakistan "Probably the most dangerous country", may try to influence Pakistan's policies by threatening to cut off the fund flow.

In 2015, China had a trade surplus of about \$366 Billion from US trade; Trump can alter these trade policies cutting down Chinese imports. Also, US had lost about 5 million manufacturing jobs while the manufacturing sector in China has been booming. There is a high chance that

Trump will try to bring back the lost manufacturing jobs to US and this can adversely impact the Chinese manufacturing sector. On the other side of the coin, if Trump calls off the TPP (of which China is not a part), it may be beneficial to China since its competition in Asia-Pacific region will be reduced.

The Ugly

Trump has always been vocal about the unfairness of many of the international security agreements. He wants to give an ultimatum to the countries protected by America that either they have to pay for the expenses or the army could be withdrawn. In the wake of such a scenario, Russia may take steps to fulfil its long-time ambition of restoring to its past status of super power. If NATO weakens, it may encourage Russia to extend its influence to the Eastern European Nations either by providing them aids or by annexing them.

Apart from NATO, US has other defence treaty with South Korea and Japan which keeps North Korea and China in check respectively. If Trump revokes these Mutual Defence Treaties, then there is chance that North Korea and China may start showing aggression. This may prompt South Korea and Japan to increase their defence spending as well as start nuclear proliferation which will place the world a more dangerous place.

Immigrants Booted Out

Trump's infamous Mexican wall will adversely impact not only Mexico but also America. As majority of the construction workers in America are immigrants from Mexico, the unskilled labour force required for sectors like construction will not be available anymore. Mexico will experience a wave of deported citizen thus increasing the unemployment rate in Mexico.

Trump is planning to target not just the unskilled immigrants but also the skilled workforce that has migrated to America such as the Indian citizens with H1B visa. For countries like India, in the short run, this policy may cause an increase in their unemployment rate and decrease in FOREX remittances, but in the long run the reverse brain drain will prove to be beneficial for the growth of these developing countries.

Women's Wrongs

According to the World Economic Forum, women are lagging 118 years behind men, economically, socially and politically. At a UN conference, Hillary had said that women's rights are human rights. In stark contrast, Donald Trump has admitted to passing sexist comments that degraded women and is strictly against abortion, in any scenario. A world leader with this mindset surely undermines the productivity of half of the potential workforce.

Climate Unchanged

Trump has taken the Republican's anti-climate policy to the next level by declaring global warming to be a myth spread by China to root out their American competitors. In his election campaign, he proposed to scrap America's Environment Protection Agency as well as withdraw from the Paris Agreement which had been ratified by 190 countries including US. This may stem the flow of aid for development of clean energy technology which US has been providing to the developing nations such as India, deterring them from investing in clean technology com-

panies. On the other hand, oil and gas companies stand to benefit from his energy policy. If the US turns a blind eye towards carbon emissions, the environment stands to lose.

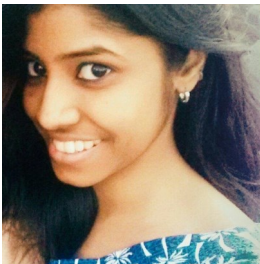
Will the world be Trumped?

The word absurd probably does fit Trump well. His extreme right-wing school of thought along with his fickle-mindedness, makes it hard to predict the impact of Trump's presidency because his policies keep wavering according to his whims and fancies. Although his election has sent ripples across the entire world, we believe that this vola-

tility is short-lived. As was with Brexit, the global markets bounced back after a temporary shock. As Heraclitus said, change is the only constant, and our world seems to adapt to any challenge thrown at it.

Trump's policies are promises, not proposals. The world can only wait and watch if Congress lets Trump deliver on his assurances or leaves them as empty promises. President Trump has to potential to 'Make America great again', but what that means for the rest of the world, only time will tell.

Written By:



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IT Sector Report

Current State of IT Industry

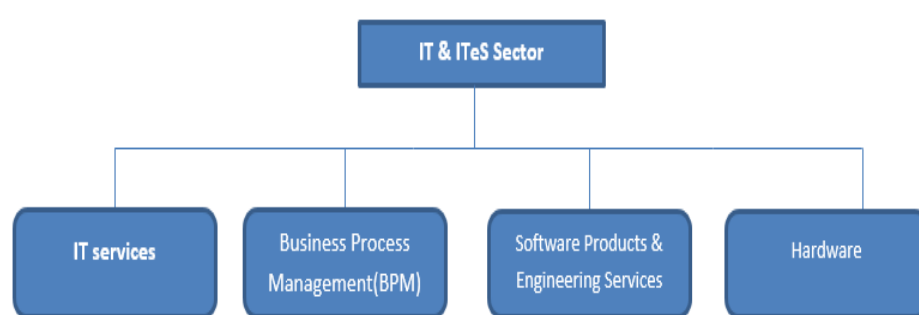
The future of technology is undergoing a significant change driven by movements in demand and supply equations, technology trends, socioeconomic and geopolitical factors. While the demand-supply equation is being impacted by trends like vendor consolidation, the business environment is being influenced by the forces of oil price fluctuations and volatility in currency & financial markets. These forces are creating an impact on GNIs and GDPs of nations as well as incomes and finances of businesses. The new technology trends and their potential of directly impacting businesses are also changing the buyer behaviour making it business-centric. In addition to the IT leaders in an organization, the buying decisions are now being strongly influenced by the business leaders, as they realize the direct impact of technologies like digital, analytics and automation on their organizations. As per NASSCOM, 80% of the incremental expenditures over the next 10 years will be driven by digital technologies such as platforms, cloud-based applications, big data analytics, mobile and social media along with services required to integrate these technologies with legacy technologies. In addition, with continuous investments in new technologies, analytics services, engineering, integrated services and automation are emerging as the largest drivers of growth. As

per Gartner, the IT industry will grow at an overall rate of 3.1% in 2017.

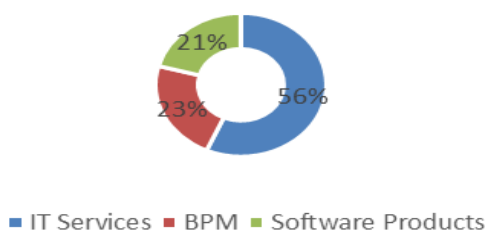
Market Size

The Indian IT sector is expected to grow at a rate of 8-9 per cent for FY2016-17 in constant currency terms. The sector is also expected

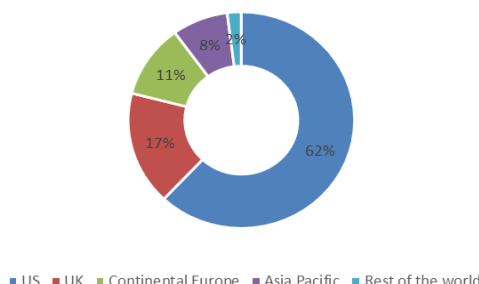
per cent of the country's GDP. India's internet user base reached over 400 million by May 2016, the third largest in the world, while the number of social media users grew to 143 million by April 2015 and smartphones grew to 160 million.



Sector-wise Revenue Breakup of Exports



Exports Across Geographies



Segments of IT & ITeS Sector

Key Players:

Tata Consultancy Services
Infosys
Wipro
HCL
Tech Mahindra

Revenue:

The main revenue generators for IT Industry have been listed below:

Technological services
Enterprise solution
Assurance Services
Infrastructure Services
Asset leveraged Solutions
Business Process Service

Cost Drivers:

1. Employee Benefits:

Employee benefits which include salaries paid to the employees as well as other incentives given to

triple its current annual revenue to reach US\$ 350 billion by FY 2025. India ranks third among global start-up ecosystems with more than 4,200 start-ups. India's internet economy is expected to touch INR 10 trillion (US\$ 146.72 billion) by 2018, accounting for 5

employees while working in the firm constitute the maximum of the primary expenses incurred in the IT sector. On an average, 40% of the revenue is spent to meet the employee benefit expenses.

2. Research and Development:

R&D is one of the constituents on which IT companies depend to boost up their technological advancements. The spending done by IT companies towards R&D is nearly 1%. Most of the expenses incurred as R&D costs are based on the digital technologies that are helping 're-imagine' the relationship between consumers and businesses across industries and the continuing industrialisation of software and computing.

3. Operating Expenses:

Nearly 12% of the total revenue was spent on meeting out the operating expenses. The trend has remained the same over the past 3 years where nearly 11%-12% of the total industry's revenue is spent to carry out the industry's day to day activities.

Growth Drivers:

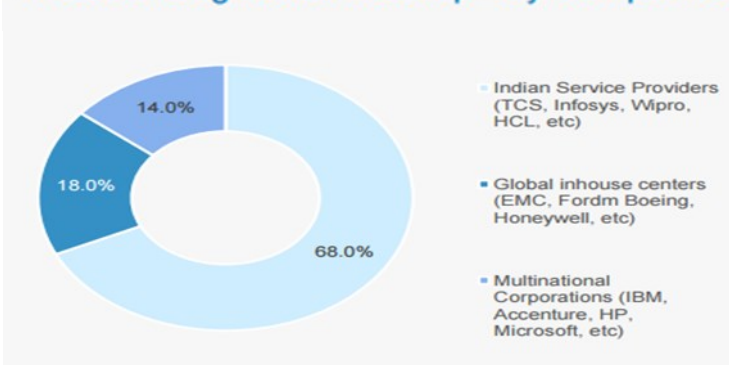
Government push in creating a digital India. After demonetisation, Govt. is trying to push the cashless transaction system. So, with the increased penetration of smartphones, IT sector will continue to create strong demand in the market

Robust infrastructural changes happening across country

Technology mission for services in villages and schools, training in IT

skills and E-Kranti for government service delivery and governance scheme

IT Sector Segmental Breakup - By Companies



More liberal system for raising capital, seed money and ease of doing business.

Evolution of the Indian IT Sector – What's next?

Ever since the early 1990s when the companies in the US started to outsource jobs, the Indian IT sector has climbed up the value chain from providing maintenance services to high-end, customized services and solutions like enterprise application and remote infrastructure management. The core competencies of the IT sector have attracted cumulative Foreign Direct Investment (FDI) inflows worth US\$ 21.02 billion between April 2000 and March 2016. Having proven its capability as the top-most off-shoring destination of the world, the IT firms in India are set to not only expand their verticals such as education and wellness, but also provide a spectrum of new offerings based on various emerging technologies.

Social, Mobility, Analytics and Cloud (SMAC) are collectively expected to offer a US\$ 1 trillion

opportunity, with the largest opportunity provided by Cloud, followed by social media. The Inter-

net of Things sector in India is expected to reach \$15 billion by 2020, with a higher revenue from the industrial IoT, when compared to

consumer-driven IoT. Also, with the recent steps taken by the Government of India to encourage financial inclusion, the Fintech services like payments processing and trading solutions are likely to disrupt the financial sector in India. Lastly, cyber security, which is the biggest challenge that has resulted with the embracement of technology, also provides significant opportunities for the Indian IT sector as the Government of India aims to grow the Indian cyber security products and services industry to \$35 billion.

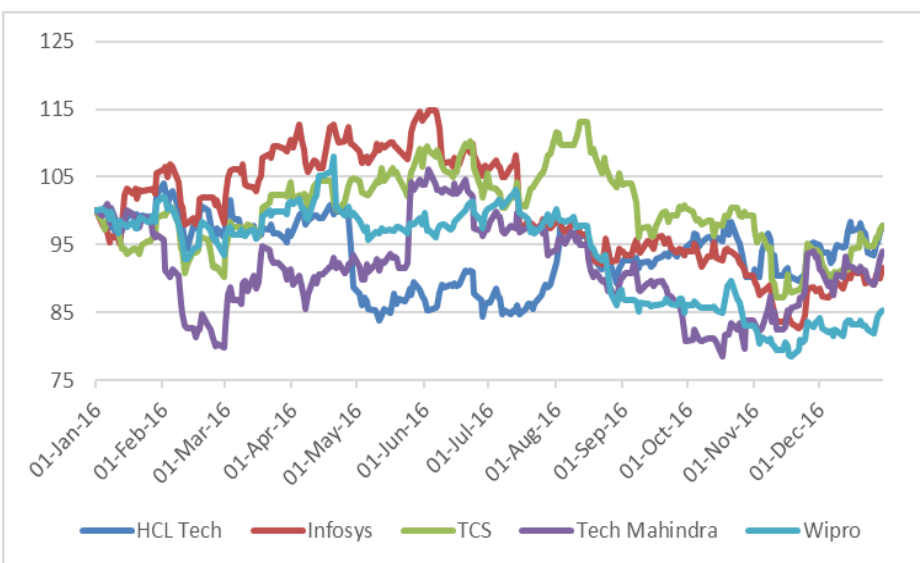
Outlook of Indian IT Sector

The Indian information technology (IT) services sector, which is largely volume-driven at present, is expected to grow steadily till 2020-21, but at the slower growth rate, when compared to the previous five years. The enhanced competition will result in the firms lowering their margins. The increase in wage hike and a weak rupee-dollar exchange rate will further add pressure to the operating margins.

However, the anticipated increase in the productivity of the employees will offset some contraction in the margins. Although Brexit is set to be completed in 2019, the billing rates are already being affected at present. The 'Protect and Grow American Jobs Act', when implemented will provide further restrictions to the IT firms with respect to the visa fees as well as employability. Further, the increasing automation and use of artificial intelligence, machine-learning and robotics is likely to shave off a significant number of incremental job opportunities.

The growth drivers of the Indian IT sector will be some of the cost-optimization measures undertaken by the clients. Also, the domestic growth will be supported by IT initiatives by the Government of India such as Digital India. According to estimates, government spending on digitization, IT infrastructure upgradation, and technology implementation in healthcare, manufacturing, and agriculture is expected to provide the industry a \$5.9 billion opportunity. But the long payment cycles and delays in implementation

of government programs will affect the IT sector. start-ups cutting across multiple business segments and functions,



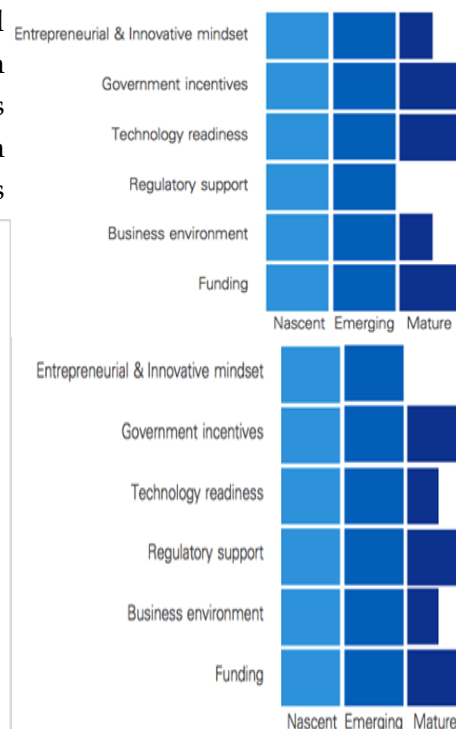
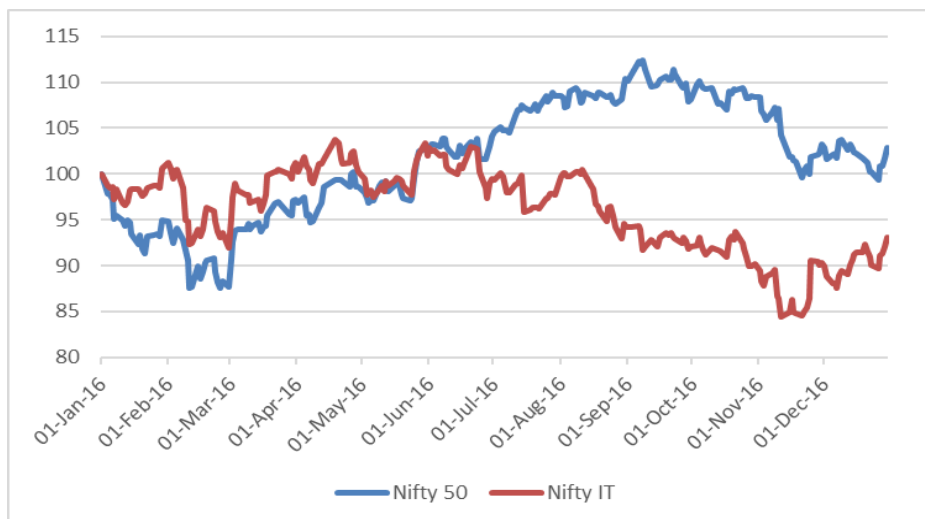
Comparison of Nifty IT Index and Nifty 50.

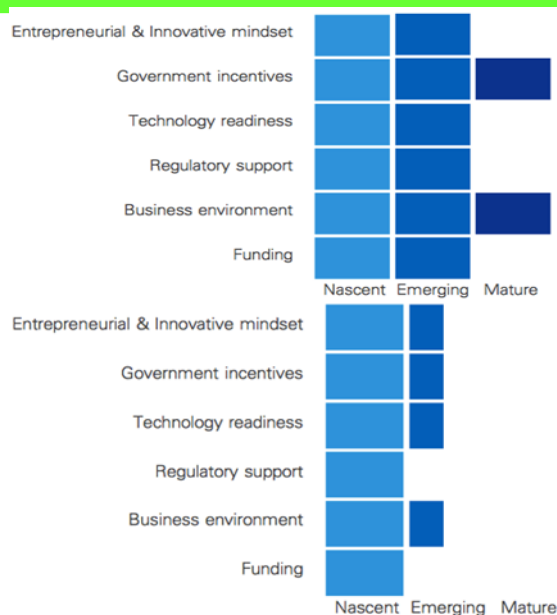
Market performance of IT companies

Emergence of Fintech

Emergence of fintech companies in India is just a beginning of the transformation in the payments, lending and personal finance space that has attracted significant investor interest in the recent times. Fintech is enabling the entire value chain of the traditional financial institutions to establish better connects with customers and to provide new offerings in the market. There are numerous

predominantly in payments and lending space. According to KPMG, the following factors are required to become a fintech hub- Entrepreneurial and innovative mindset, Govt. programs and incentives, technology readiness, regulatory support, business environment and funding. The current status of these parameters as evaluated by KPMG in various countries are shown in these charts (For US, UK, Singapore and India)





Changes in Business models of IT Firms:

IT companies are experiencing changes from multiple dimensions and are trying to incorporate the same in their business model. It includes changes in Products & Business Services, Business development and Structural Changes.

Business development:

IT companies are investing in building platforms and product based solutions to drive future growth opportunities. More importantly, the industry is expanding into newer geographies and verticals where the growth is 1.4 times that in the mature markets. Emergence of a vibrant start-up product ecosystem creating solutions for India and the world also enhanced the product opportunity for India.

Products & Business:

IT services is being driven by SMAC - cloud enablement, custom designing applications for mobile. With the return to focus on infrastructure projects (largely

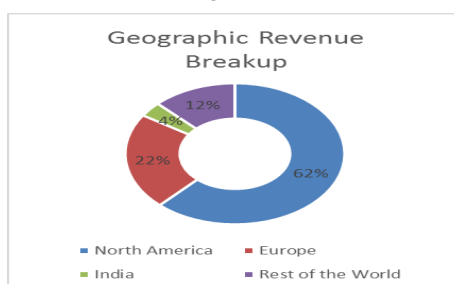
in later half of 2014), there is an uptick in demand for SI and IT consulting. SMEs are also increasingly opting for managed and data centred services as a cost saving measure. Software products are growing on the back of demand for mobile app development, security software, system software, customer analytics products, etc.

Structural Changes:

Also, Indian offshore firms are currently very much dependent on H-1B and L-1 visas. Majority of Indian companies that operate have significantly more than 50% of their workers on H-1B/L1 visas. Hence, these companies' business models are based on their ability to move Indian and other foreign nationals in and out of the U.S. For example, TCS said it is refining the business model to reduce the amount of work at customer locations and move work to other remote locations and hiring of more local nationals in key markets. In short, it will do a little of both: push more work offshore and hire more American workers.

Infosys

Infosys is mainly engaged in consulting, engineering, technology and outsourcing services. It pro-



vides end-to-end services to different segments mainly BFSI, manufacturing, energy, life science and telecom. Infosys operates through 30 offices across India, US, UK, Japan, China, Canada and Australia.

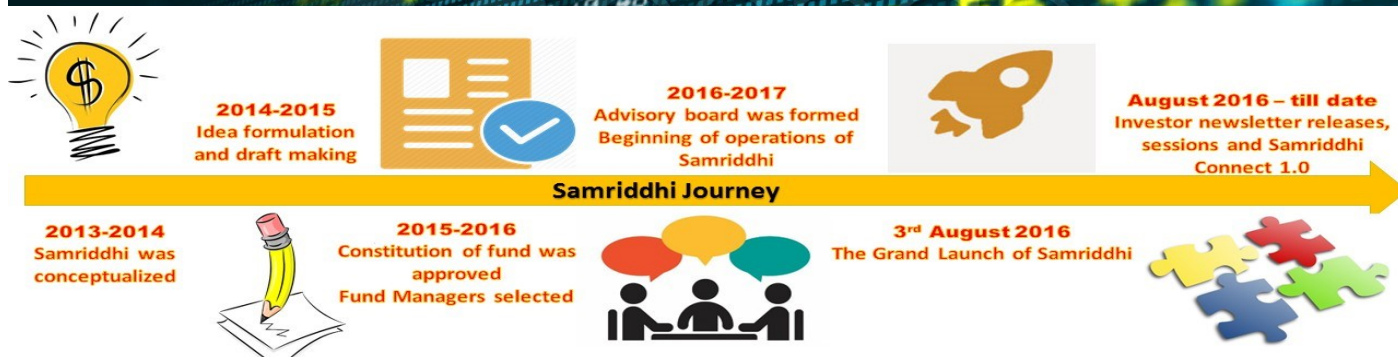
Outlook

Infosys revised its guidance owing to uncertain client spending in FY17. It has lowered its revenue growth to 8.4-8.8% in constant currency terms. It has won 8 large deals worth US\$644 million in Q3FY17 and is expected to have healthy growth in FY18 also. Infosys's current performance was impacted by ramp-down of RBS project and seasonally weak quarter. But its EBIT margin were at 25% mainly due to increase in utilisation (81.9% vs 80.6%) and rupee depreciation. It is expected to remain same in next year also but there will be negative impact on the company due to change in visa policies of US. So the company is planning to hire more locals to mitigate this risk.

Q3 FY2017 Result Analysis

(Rs in Crores)	Q3F Y17	Q3FY 16	YoY (%)	Q2FY 16	QoQ (%)
Net Revenues	17,273	15,902	8.6	17,310	(0.2)
EBIT	4,334	3,959	9.5	4,309	0.6
APAT	3,708	3,465	7.0	3,606	2.8
Diluted EPS (Rs.)	16.2	15.2	7.0	15.8	2.8

SAMRIDDHI JOURNEY



Samriddhi, a student managed investment fund, is the investment arm of Finomenon – The Finance Cell at NMIMS, Mumbai. It was conceptualized in June 2016 as a Diversified Fund with the objective of providing future managers a real world portfolio management and security analysis experience. The fund works under the guidance of the HOD – Finance, NMIMS and an advisory board comprising of people from leading business houses in the financial services sector. This unique and exemplary endeavour of a student managed mutual fund gives our finance whiz-kids an edge over the others with an unmatched experience and first-hand learning opportunity. Our focus is not just on providing excellent returns on investment to the investors but also on increasing the investor education. Samriddhi is a unique platform enabling students to learn the nuances of different sector while studying and also, giving them real investment exposure even before they step into the real investment world.



broad asset classes (stocks, debt and cash) driven by a top-down process, beginning with an analysis and forecast of macroeconomic conditions and implications for each asset class and subclass.

The fund's success has begun to attract more student

investors, whose number has now risen to approximately 250. We look forward to take this initiative to the next level through continuous learning and building close relationship with the corporate world.

SECTOR REPORT



TELECOM SECTOR IN INDIA

KEY AREAS

- ⇒ Overview
- ⇒ Reliance Jio launch and its effect on the telecom sector
- ⇒ Spectrum auction
- ⇒ Impact of GST on telecom sector

India is the second largest telecommunications market in the world and has seen a rapid growth in the past one and a half decade. Due to strong adoption of data services on mobile handsets, the market revenue has grown registering a CAGR of 5.2 percent between 2014 and 2017. According to the data released by Department of Industrial policy and promotion, the industry has attracted FDI worth 18.38 billion US dollars.

2016 has been a critical year for Indian

Telecom Industry. Due to the increasing pressure on profitability, excessive competition, favourable M & A policies and spectrum sharing and trading guidelines the sector is approaching a much-awaited market consolidation.

Traditionally, the revenue generated in Indian telecom sector has been voice driven. However, the business model is now shifting from a voice driven to a more data centric model. With the increasing adoption of smartphones

and content availability increasing, average data consumption per user is increasing. Mobile banking transactions are also on increase as India is transitioning towards a digital economy.

With the recently concluded spectrum auction, mobile spectrum map of India has been redrawn, the auction has paved way for entry of a new 3G operator in at-least 6 circles and enough capacity has been created for new 4G entrant in all 22 circles.

Reliance Jio launch

Reliance Jio will not only disrupt telecom business but also disrupt media and software business through ownership of aggregation and delivery. Reliance Jio expects to achieve an ARPU (average revenue per user) of approximately 300 Rs. on a subscriber base of 100 million within 12 months of commercial operations. However, these numbers are extremely optimistic and has been proposed on the basis that free voice services and rock bottom data prices will bring in influx of users and they will stay in Reliance Jio network. Reliance Jio plans has been designed such

that it will increase adoption in initial stages but migrate to higher ARPU plans. By opting for Reliance Jio, average monthly bill for a user can come down by 50-60%. Reliance Jio also has a clear focus on VAS since they are offering Apps worth 15000 free. Other operators will be forced to refresh VAS offerings in an effort to fight back. However, partnerships with VAS providers and start-ups can potentially lead to net neutrality issues as seen in the past with Airtel Zero and Facebook free basics.



Reliance's aggressive pricing model will not only bleed its rivals but it will also effect its own prospects in near term. A price war is expected to be unleashed between existing telecom players. Vodafone and Idea will be forced to invest more aggressively or consolidate. Other telecom service providers will be forced to change their business model and network in use which will mean further capital expenditure spending for them. Key players will look to invest in profitable and bigger circles and rationalize spectrum in others. They will be forced to divest non-core assets to free up capital for investment in 4G LTE infrastructure that Reliance Jio has built.

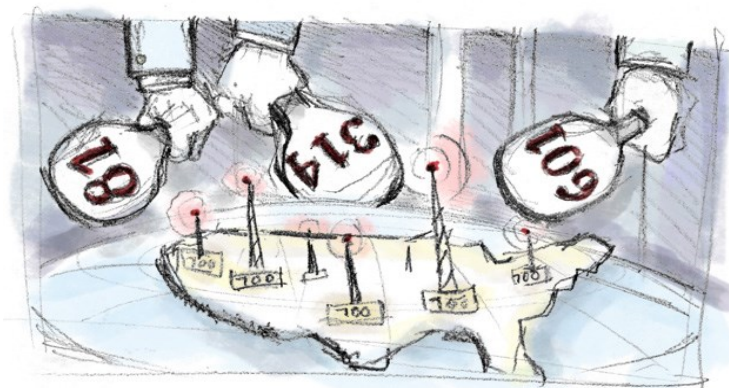
Reliance in the past had faced struggles while trying to scale up its CDMA handset business, hence there is scare that the Jio venture might not become profitable Reliance.

Reliance stock prices had been rising up 7% since the speculations of Jio launch however after the launch it went down by 2.73% because investors were not clear

as to how long company will take to make money from its telecom venture due to its aggressive pricing game. Reliance in the past had faced struggles while trying to scale up its CDMA handset business, hence there is scare that the Jio venture might

not become profitable for Reliance. Road to profitability is going to long tough haul for Reliance Jio. A sustainable revenue model for Reliance at this point seems to be very hazy.

Spectrum Auction



The government had decided to auction approximately 2355 MHz of spectrum. India has 22 different telecom circles and the spectrum offered were in various frequency bands. A total of 126 circle band combination was up for auction. Out of these only for 10 the winning bid was above the reserve price. One of the reason for lower than expected revenue from the spectrum auction might be that the reserve prices were set reasonably high since it was observed that the best performing band was

1800Mhz one and the reserve price for it rather low.

If we look at the participants for the auction, Vodafone was the biggest spender. Vodafone which recently infused 7.2 billion dollars in its Indian arm bought spectrum worth more than 3 billion dollars while market leader Airtel spend bought worth 2.13 billion and Idea bought 1.92 billion dollars at the auction.

If we look at the bidding trends in this action, its visible that the Telcos had bid on 1800 MHz and 2300 bands which can handle 4G traffic instead of the best performing 700 MHz band for the first time. Vodafone, Idea and Bharti Airtel are beefing up their high-speed data network to compete with Jio.

Impact of GST on Telecom Sector

In the newly proposed GST tax slabs, telecom sector falls in 18% tax slab which is higher than the 15% service tax the sector attracts now. This increase in tax rate will have a significant and direct impact on subscriber cost and will cripple the telecom industry. Telecom operators have said that the according to the Essential Services Act, 1968, Telecom was designated as an essential service.

Telecom operators have said that according to the Essential Services Act, 1968, Telecom was designated as an essential service. Hence the mobile services under GST regime should be clubbed under essential services. Essential services come under lower tax rate i.e., 12%. Mobile service providers are also urging finance ministry to allow them the advantage of single pan-India registration for tax compliance under new regime as state-wise registrations will be almost difficult to comply with.

The Cellular Operators Association of India (COAI) has also suggested that one time spectrum payment during spectrum allocation should not be subject to the service tax of 15% as it will further increase the cost of providing ser-

vices. It also suggested that the telecom charges which are payable by one operator to another such as interconnection, bandwidth charges and roaming should not be counted as royalties and hence should not be taxed at 20% TDS (tax deducted at source).

Vodafone IPO Release

The number 2 mobile carrier by market share and revenue, Vodafone, decided to come up with an IPO in late September or October. The IPO was expected to raise between 13000 crore and 20000 crore, which would surpass the largest IPO released till now by Coal India. However, this IPO released has been delayed as the company was waiting for its new rival Reliance communications to officially launch its services. The competitive pressure put by Jio

have cast a cloud on its plans for IPO. It also wrote down the value of its business by Rs. 36400 crores.

In September, Vodafone India had received an infusion of Rs. 47700 crores in fresh capital from its parent company to expand business in India, clean up its balance sheet of loans and for spectrum purchases.

Overview

The financial distress of operators and increasing pressures on profitability have set-in a sector consolidation. The industry is likely to stabilise to five to six players in long term. The players will witness a stagnant EBITDA due to prevalent pricing pressures and it is further going to be impacted by near-term decline in wireless data revenue growth. A lot would depend on the data volume growth of all operators.



ABOUT THE AUTHOR



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Shalini Kumar has completed her Engineering from Heritage Institute of Technology, Kolkata. After graduation, she has worked with Tata Consultancy Services for almost 3 years prior to joining MBA course at NMIMS.

FINOMENON JOURNEY 2016



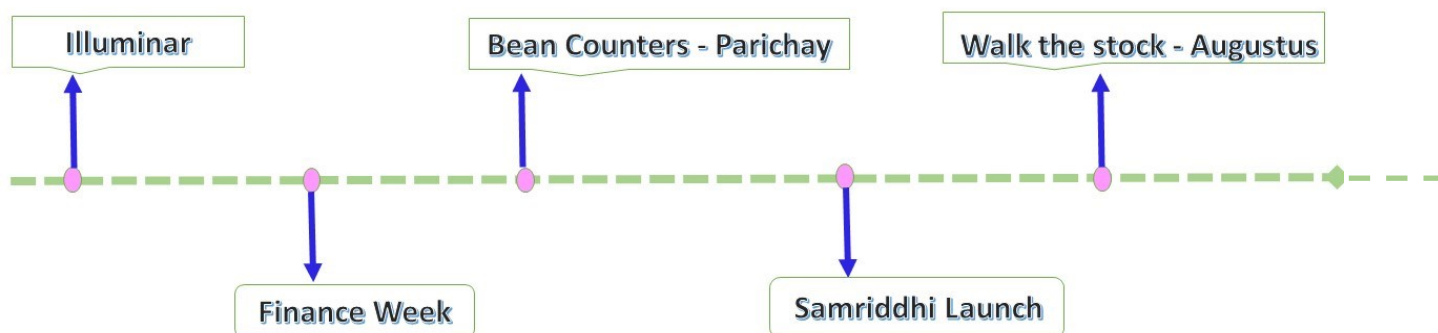
Our Journey

Finomenon is not just a cell, it is The Mecca of Finance at NMIMS.

One of the most coveted cell, it has evolved as a platform for building long-standing and mutually beneficial relation-

ships between corporate and the student community. Finomenon directs its activities in grooming the future leaders of Global Financial Industry by providing them opportunities to work with business leaders, alumni and fac-

ulties and strives to bridge the gap between students and corporate world by providing students the opportunity to interact with Industry stalwarts and showcase their success.



Illuminar

Illuminar is the flagship finance conclave of NMIMS Mumbai. Illuminar was conceptualized to bring together industry leaders from various domains and bridge the gap between industry and student community.

Illuminar

The year 2016 started with Illuminar on Jan 10th with the theme Local Bull for a Global Bear.

We had eminent speakers like Mr. Ajay Bohra, Co-founder & CEO Credila Financial Services, Mr. Shirish Rahane, MD & CO-Head-Research, IDFC; Mrs. Lak-

shmi Iyer, CIO - Fixed Income & Debt, Kotak Asset Management company, Mr. Sunil Sanghai, MD & Head-Global Banking, HSBC India and Mr. Ambareesh Baliga, Independent Market Expert.



Finance Week

Finance week is a week long saga of serious competitions and fun events. This year we had Dice of Zeus : An I-banker's frenzy , Stock Mogul : Online trading game

and SimQuest : A business simulation game.

We had registrations from top B-Schools and the event was a huge success. It was a melting pot of excitement, enthusiasm, victory and smiles.



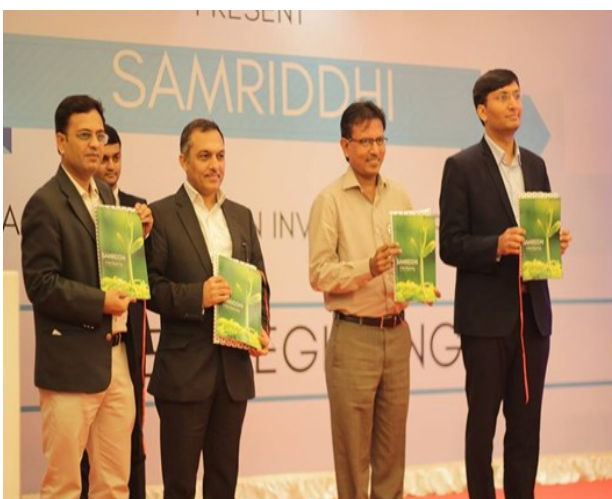
Finshodhan

Dravyaneeti

Samriddhi Connect 1.0

Summerthan

Winterthan



Samriddhi

Finomenon's biggest ever initiative – Samriddhi, a student managed investment fund, was launched in a grand way with industry experts like Mr. Nilesh Shah (MD and CEO, Kotak Mahindra AMC), Vinay Khattar (Senior VP, Head Research, Edelweiss Securities) and Chintan Haria (Fund Manager and Head of Product Development and Strategy, ICICI Prudential AMC) sharing their valuable insights and recommendations on how to make responsible bets and tread carefully in the volatile equity markets.

As a part of Augustus, Finomenon organized the event Walk the Stock, a mock stock trading competition. The event promised to give the students an experience of real world stock trading and it truly lived up to the expectations. The competition got a tremendous response with a lot of registrations and ultimately eight teams making it to final rounds.

Summerthan

Finomenon came up with a number of initiatives like Fintern, preparation material for the batch, dossiers, Industry reports, CheatCode session to make sure that the students are fully geared up to face the summer storm. The cheat code session got phenomenal feedback from the first-year batch. It also conducted a session by Mr. Ashutosh Bhargava on the topic Assessment of Indian Economy to help students understand the macroeconomic conditions in India and what we are looking at for the next few quarters/years.



Finshodhan

Restricted to only Finomenon Juniors

Finshodhan 1.0 was a chance to showcase mettle and knowledge. It was a huge opportunity to learn and prepare for summer placements. The presentation swere then shared with the whole juniors batch, as a part of summerthan, in a quest to prepare them for summer placement and keep them up to date with the financial issues.





paragana 16
Changing all Constants

DRAVYANEETI
PRESENTS

**APHELION CASE STUDY
&
MOOLYANKAN**

WHEN:
NOVEMBER 10-13, 2016

**PRIZES WORTH
RS. 200,000**
Cash Component: Rs. 110,000
Our Proud Sponsors




**REGISTRATIONS
NOW OPEN!!**

FinShiksha

Dravyaneeti

Finomenon launched Dravyaneeti as a part of Paragana 2016- The Cultural and Management fest of NMIMS. As a part of Dravyaneeti, we had launched two competitions - Aphelion which was a case study challenge and Moolyankan an equity research competition. Aphelion case study was a live business case study set to test the students on their strategizing skills and analytical abilities. Moolyankan was a Pan India Equity Research Competition and a great opportunity to know the intricacies involved in equity analysis. Moolyankan registrations this year had crossed our expectations with a number of teams from the tops IIMs and other reputed B-Schools registering for the event. Industry Experts with years of experience in Finance judged the two events and gave valuable feedbacks to the contestants.

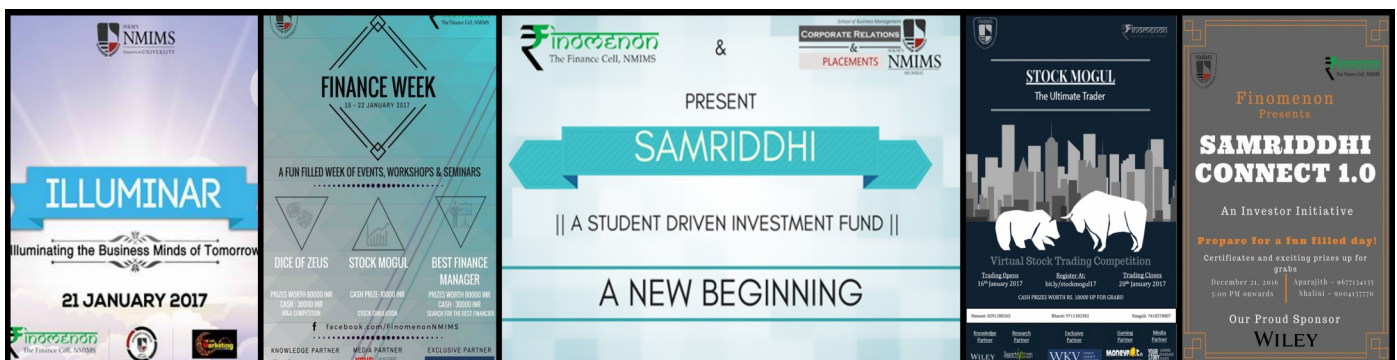


Winterthon

Finomenon believes in helping out and be available all the time for Junior batch and senior batch. Finomenon played an important role in batch preparation during Finals as Winterthon initiative where we as a team prepared GD topics, blog articles, company and industry research reports and put on the finomenon blog. Beside is a snapshot of the blog. <https://nmimsfinomenon.wordpress.com>

Samriddhi Connect

In an attempt to engage the whole batch with Samriddhi initiative and generate interest, Finomenon conducted Samriddhi Connect 1.0, which consisted of a fun competition and an Investor's meet. The competition involved a first round of online crossword quiz after which we had an auction round involving companies, CFO's and CEO's. The auction round was interesting and challenged the analytical abilities of the finalist. The Investor meet session was really interesting with investors actively debating about the recent upheavals in Indian and world economy and their impact on stocks.





Keshav Bagri

Keshav has done his B.Sc. in Economics from St. Xavier's College, Kolkata. He was a National Runners Up in Mahindra War Room Season 8. He is currently working as an Analyst in the Corporate Treasury division of Goldman Sachs.



Tell us about your internship experience.

I interned at BMR Advisors (Mumbai) in their Mergers & Acquisitions department. It was a front end (boutique) investment banking role where I had to deal with start-ups and VC/PE investors to see funding deals through. The work that I was given to do would be anybody's favorite JD in MBA and I loved it too but at the same time, it was a very, very difficult culture to work in. They made me realize that from then on, life won't be served on a silver platter to you and you have to fight for every hour of it. As you can judge, I took back a lot of learnings (the type you receive in adverse environment) and undoubtedly some amazing work.

Any memorable moment in your college life in NMIMS.

It's clichéd to say but it's hard to pick one! This one was during the last few weeks of college. One evening, Aditya (a close friend) and I were bored to death. At around midnight, we took his car and packed a lot of ice cream. We called on all our close friends, apartment after apartment, and surprised them with free ice cream. We had to pull some people out of their slumber and made them eat ice cream, at 2 in the night! We got done with the visits by 4AM after which we went to silver beach and sat there for 2 hours before driving to Bandra fort to witness the morning spirit. Had breakfast somewhere, got back home for a shower and were just in time for the 9 o'clock class!

What were your favorite subjects?

- 1) Strategic Financial Management by Prof. Anupam Rastogi – Ruthless and intense. Every fin guy must experience this
- 2) Marketing for Entrepreneurs by Prof. Amit Rangnekar – This will remain with you long after MBA and you'll fall in love with businesses.

What were your key takeaways from the MBA program?

I'll keep it to one which I think is the most important. Now I look into things from a business perspective (and not from consumer perspective). You start appreciating the level of effort and thinking that goes into making a product or a service when you read case studies or listen to practical examples from professors. Sometimes when you read how a product that you have been using was actually ideated, it can blow your mind. Now when I look at any product or service, I can reason that they are trying to address this gap in the market or they are trying to take on this competitor etc.

How did your experience at NMIMS help you find your first position after graduation?

NMIMS gets you your first position after graduation – that's all I'll say .



Abhishek Agrawal

Abhishek has done his Engineering in Computer Science from WBUT, Kolkata. Prior to joining MBA, he had worked with DhanDhan & Associates. Currently he is working with J.P Morgan.



How was your internship experience?

I interned at Titan Company Limited (Bengaluru), handling end to end functionality of corporate finance. I performed variance analysis of advertising costs and suggested cost minimization measures for optimal budget allocation. Also, identifying and evaluating risks related to advertising activities across business segments and implementing control measures along with preparing a Standard Operating Procedure and Schedule of Authority for sanctioning of advertising cost across divisions were part of my role and responsibilities.

How did your experience at NMIMS help you find your first position after post graduation?

I have immensely benefitted from the knowledge and exposure, especially in finance which I had gained from NMIMS. The strategic location of the college has helped in building relationships with the industry stalwarts and professionals. Being a part of the finance cell at NMIMS was a big confidence booster. I attribute my learning to handholding and mentorship of Prof. Joshipura and Prof. Manjrekar. They have indispensably contributed in developing my learning curve. I had the privilege of representing the institute at various events and competitions at various platforms.

What were your key takeaways from the MBA programme?

MBA gives you an once-in-a-lifetime chance to reflect and analyze large-scale business issues. You will look at the big picture not just the granular, specific, narrow slice of the industry. This global, high level business perspective is what will turn you from a good business person into a skilled, savvy leader. Moreover, try to be the best in whatever you are doing. Do it and everything will follow.

Any memorable moment in your college life at NMIMS?

One of my memorable moment was when we became the national finalist at CFA Research Challenge. I was also the winner of Pitstop 2.0, a racing car simulation competition at NMIMS Mumbai

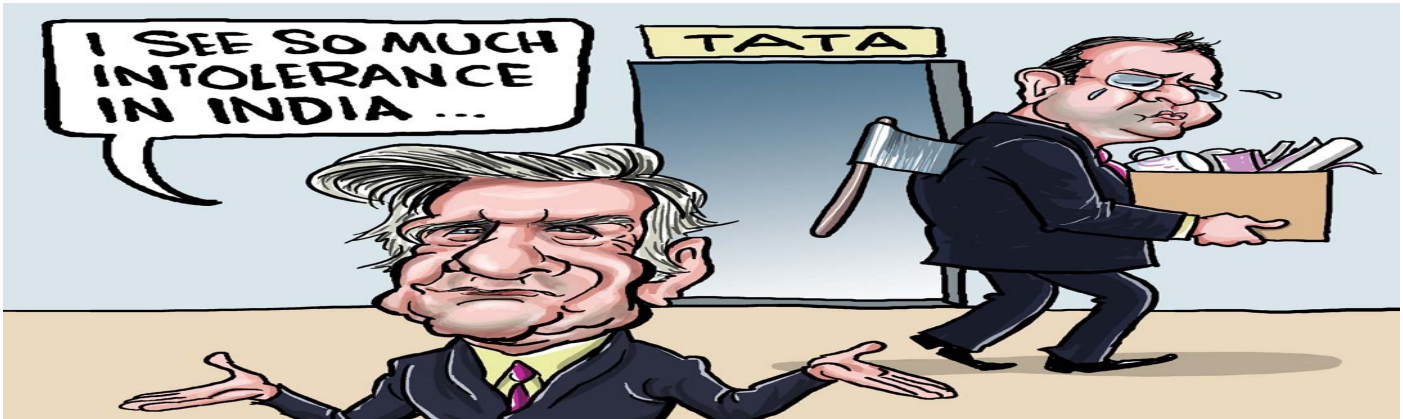
What were your favorite subjects?

Mergers and Acquisition (M&A) and Corporate Finance.

How is your life after MBA?

After completing my MBA, I joined Credit Suisse as an analyst. There is a huge difference in the corporate environment and people as compared to college. I have great memories of my college life. I wish that I could extend my college days.

TATA SONS V CYRUS MISTRY



The Story So Far

In what has appeared to be one of the most bizarre events to occur in the lush history of Tata Sons, the whole drama around the removal of Cyrus Mistry has really hurt the image of the brand Tata, around the globe. Let's look at what has really happened.

On October 24th 2016, Tata Sons' Board announced the removal of Mr. Mistry from his position as the chairman of the Tata Group. At the same time, the board decided to do away with the Group Executive Council (GEC) which was formed under Mistry's leadership, and form a committee to select Mistry's successor. However, Mistry still remained the chairman of individual group companies, which was the major cause of concern for the board, since that required approval from the shareholders.

On October 26th 2016, Cyrus Mistry wrote a letter to the board highlighting what actually went on internally and the problems he had to face during his tenure. In the following week, Mistry upped the attack on the board. In the meanwhile, Ratan Tata wrote a letter to the employees explaining that the removal was necessary for the future of the group. But there were more questions than there were answers from the parties involved. Why did they decide to oust Mistry just 4 years after his appointment? More importantly, can the board just remove the chairman like that?

To answer the first question, Tata Sons have claimed that the removal was due to the decline of trust amongst the members of public for Tata, and at the same time, the shift away from the culture and ethics that the group is known for. Add to this, the parent holding company Tata Trusts, which owns two-thirds of the controlling share in Tata Sons, was not particularly amused as to how the performance was becoming largely dependent on TCS and Jaguar-Land Rover.

To answer the second, Tata Trusts gave itself special rights, prior to the appointment of Mistry, to nominate, appoint and remove the chairman of the Group. Such an amendment was made in an Extraordinary General Meeting (EGM) held on December 6th, 2012.

Mistry's Side Of The Story

While the board claims dipping trust, and poor handling of the group companies for the removal, Mistry has a different opinion in the matter. He has defended himself by claiming that he inherited the group when it already had a lot of problems. He has questioned the decision of Mr. Tata to venture into the aviation industry, has questioned the aggressive bidding for the Mundra Power Project, and has questioned the decision to continue with the Nano car. He has claimed that he found it difficult to function freely given Tata's interference in the crucial decision-making areas.

In the email addressed to the board where he has mentioned the problems that he faced, it is mentioned that the group is in possible risk of facing a write-down of Rs. 1.18 trillion, which is around two-thirds of the group's net worth of Rs. 1.74 trillion.

The Group will now have to address this major problem at hand, and at the same time, answer to all the stakeholders.

What Happens Now?

Even though Cyrus Mistry had been removed from the chair of Tata Sons by the board, he still remained as the chairman for several Tata Group companies including Tata Consultancy Services (TCS), Indian Hotels Ltd., Tata Steel Ltd., Tata Chemicals Ltd., and Tata Power Ltd. The Tata Group has called for Extraordinary General Meetings (EGMs) for all these group companies to initiate the removal of Mistry from the board.

On December 12th 2016, Mistry had been removed from the board of Tata Industries after a shareholder vote. Similar vote-outs took place for Tata Consultancy Services (TCS) and Tata Teleservices. All this resulted in Mistry himself resigning from the boards of all the remaining group companies on December 20th 2016.

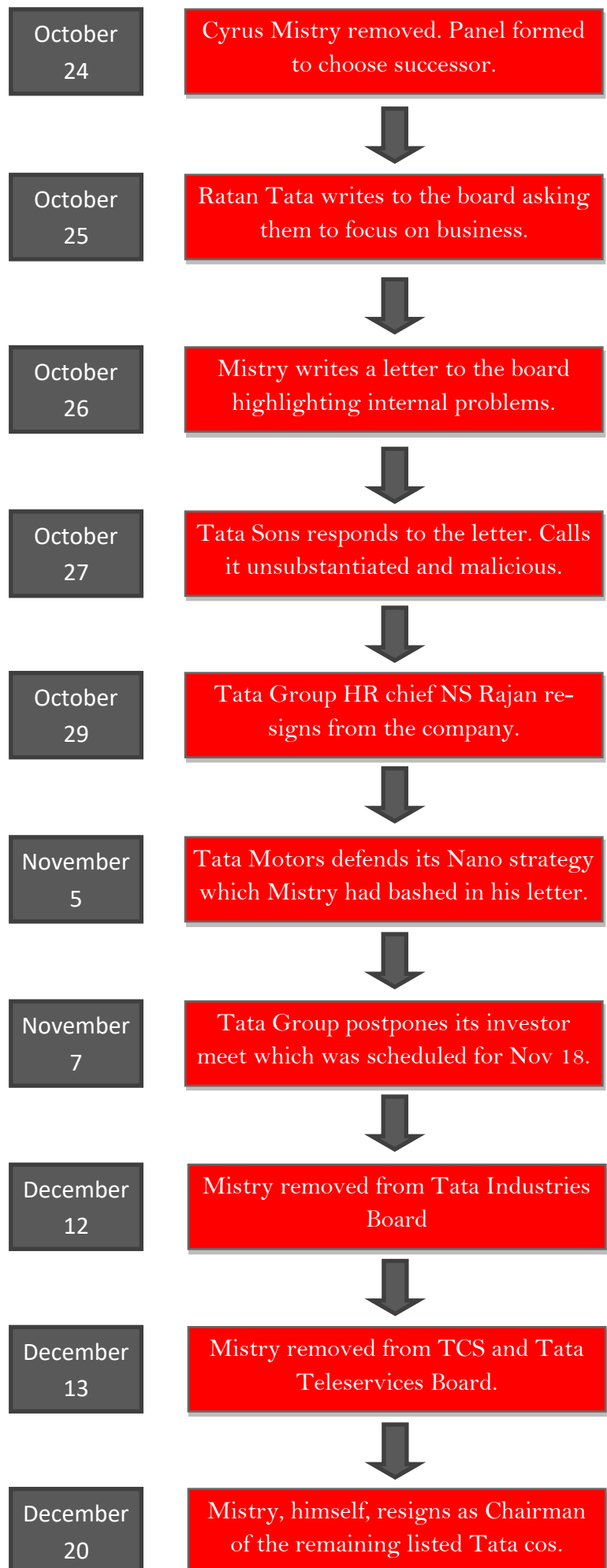
He has since hinted at moving Tata Sons and Ratan Tata to court to get justice against his abrupt removal from both the chairmanship and the board of the Tata Group of Companies.

The major problem for Mistry lies within the ownership of Tata Sons. Shapoorji Pallonji Group is the second largest shareholder in the Tata Sons Group with a 18.5% stake. When the valuation for Tata Sons goes down, the wealth for Mistry, as well as the Pallonji Group goes down affecting the Pallonji Group's value in turn.

What unfolds next in this unexpected saga remains under close scrutiny from both the stakeholders and the media.

**HEMANT SULTANIA, NMIMS MUMBAI**

Hemant has completed his B.A.(Hons) in Economics from Sri Guru Gobind Singh College of Commerce, University of Delhi. Now pursuing MBA from NMIMS, Mumbai, he plans on taking up Finance. He is passionate about Manchester United, and enjoys listening to Coldplay.



URJIT PATEL - O CAPTAIN! My CAPTAIN!

MEET THE NEW RBI GOVERNOR

RBI'S DEPUTY GOVERNOR URJIT PATEL WAS ON SATURDAY NAMED AS THE NEXT GOVERNOR OF THE CENTRAL BANK. MORE ABOUT HIM:

EARLIER POSITIONS HELD:

- **HE WAS** first appointed as Deputy Governor for three years in January 2013 and was given an extension this January.
- **HE IS** known as 'inflation warrior' of Raghuram Rajan
- **PATEL WAS** advisor (Energy and Infrastructure) with Boston Consulting Group,
- **HE HAS** also worked with Reliance Industries in the past.
- **HE HAS** worked with the IMF between 1990 and 1995 covering the US, India, Bahamas and Myanmar desks.

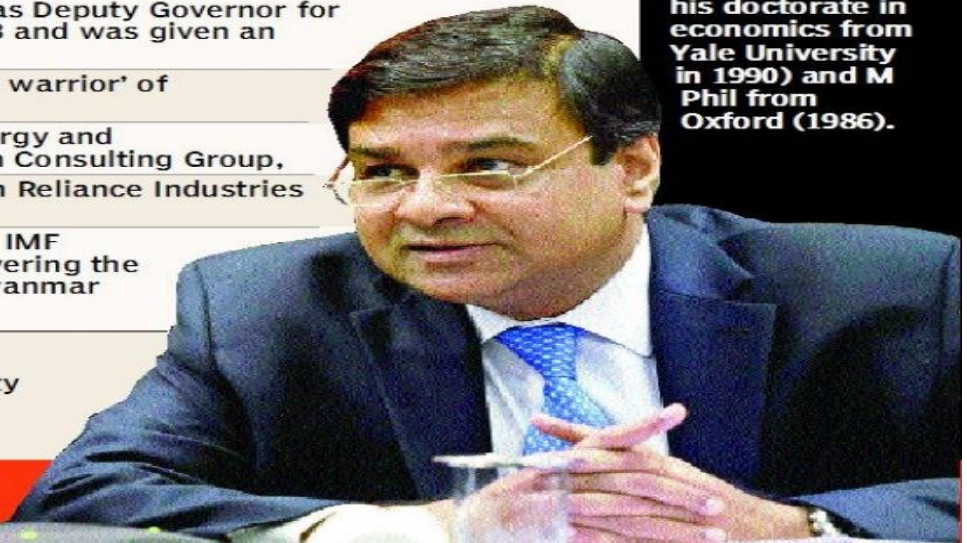
TRADITION CONTINUES

He will be the eighth Deputy Governor to be made Governor at RBI.

He will be 24th RBI governor

EDUCATIONAL QUALIFICATIONS

■ **HE HAS** done his doctorate in economics from Yale University in 1990) and M Phil from Oxford (1986).



On June 18, 2016, the world renowned "Rockstar economist" put rest to all the speculation about his continuation at the helm of Reserve Bank of India. The former Governor, Raghuram Rajan announced about his decision to move back to the world of academics in a message posted on the central bank's website. The man who called himself "a banker on the move," who downplayed the government's euphoric view of the economy saying India was like a one-eyed man in the land of the blind, and who, one day, said: "My name is Raghuram Rajan and I do what I do," would no longer be available to invigorate otherwise sober discussions of interest rates and inflation at live broadcasts of the bank's bimonthly news conference. India Inc led by Anand Mahindra, Deepak Parekh, NR Narayana Murthy, Kiran Mazumdar-Shaw, Mohandas Pai felt that the decision of Rajan to not take a second term will be a "nation's loss", while the inflation lieutenant of Rajan- the taciturn-natured Urjit Patel assumed the role of RBI Governor on September 4, 2016.

Born in Kenya, Urjit Patel holds degrees from London School of Economics, University of Oxford and Yale University. He defeated the other contenders for the post that included ex-governor Rakesh Mohan, ex-deputy Subir Gokarn and State Bank of India chairperson Arundhati Bhattacharya. It is worth noting that Patel worked at the International Monetary Fund for five years. In 1996-1997, he was deputed to the Reserve Bank of India from IMF and after completing two years of deputation at the RBI; he became Consultant to the Ministry of Finance (Department of Economic Affairs) of the Government of India and remained at that post from 1998 to 2001. In 2013, he was appointed as Deputy Governor of the RBI and headed a committee on Monetary Policy Reform. Before becoming the Deputy-Governor of the RBI in 2013, he applied for the Indian Passport and his recommendation later to the Home Ministry was written by none other than Manmohan Singh (the then Prime Minister of India) According to sources, he declined an offer to head the BRICS bank in Shanghai.

In his maiden news conference as the Governor of RBI, everything seemed to underline the change Mr. Patel's reign will bring in what is probably one of India's most respected institutions. He signaled that he has an altogether different style. He admonished journalists for trying to eschew the one-head-one-question rule, and refused to answer follow-ups. Confronted with the same situation, his media-friendly predecessor would use a benevolent scolding as an introduction to an answer that would inevitably come.



Patel – Another Rajan in making?

Only if one could overlook the outward charisma and the celebrity status that has been given to Raghuram Rajan and rightfully so, one could see that Patel would be all about the continuity of the same policies that Rajan initiated. His insight into fighting inflation is shared wholeheartedly by the successor who is most likely to continue the good work. That should be all that matters. It is being said that Patel had a great role in designing the inflation-targeting regime which makes it easier to understand that they are not so different after all and that there is hope that the new governor will take a stance against all the odds that lie ahead. It will be interesting to see how he manages to cut down inflation rate which is at 6% but the government is not going to be happy until it is down to 4%. His approach on RBI's monetary policy from focus of wholesale price (WPI inflation) to consumer price (CPI inflation) has been lauded by Raghuram Rajan which shows they are on the same page. He will be seen continuing with the smart decisions that witnessed alongside Rajan when he was the deputy governor, taking over responsibilities when the former was

outside India.

However, Rajan has always been popular for his eloquence and charisma that he aptly used to stress upon the economical need of the country. His not so friendly ties with the government and open battles make him the rock star RBI governor while the new guy is a tamed low-key banker who would do better than to risk losing the favor of the ruling government. It is not being predicted that Patel will try to divert or change the monetary policies that were initiated by Rajan. It is more likely that they will be kept intact. What makes these two gentlemen differ is their contribution. While Rajan will always be the torch bearer who took the bold steps to bring in transformation, Patel will always be the follower who kept up the good work started by Rajan. Economic history of India shall always remember Raghuram Rajan as the hawk who took the courage to stand for what everyone else doubted. He is the man who took the big risk upon his reputation while implementing the policies. Patel, though respected by everyone, is the silent dove, a man of few words. Patel's silence could reward him in times to come if his appointment is apolitical and he

RBI Under Patel

The banking sector continues to face "significant" levels of stress but the financial system remains stable overall after moves to enhance transparency. In the twice-yearly Financial Stability Report, it was noted the gross non-performing advances ratio of commercial banks, a measure of stress in the sector, had increased to 9.1% in September from 7.8% in March, pushing the overall stressed assets ratio to 12.3% from 11.5%. Stressed assets levels could increase further under baseline case scenarios, especially at state-run lenders, but the overall financial system has remained stable after recent moves forcing banks to account for the true extent of bad loans in their balance sheets. While the domestic banking sector continues to face significant levels of stress partly reflecting legacy issues, on balance, enhanced transparency has helped to reinforce the stability of India's financial system. Patel mentioned that domestic economic conditions remained stable, adding India had seen significant moderation in inflation, although he also noted growth momentum has slackened recently.

Perhaps, the one of the biggest moves in the history of RBI has come under the tenure of Urjit Patel, which is the implementation of demonetization. But, it should be noted that the announcement was made by the Prime Minister, rather than the governor of RBI. Beginning late evening of 8 November, government functionaries have dominated the demonetisation scene with the RBI largely reduced to an agency whose job is to only notify what is already there in public domain. This has led to



manages to keep his peace with those in power. His silence and taciturn could go a long way in giving him a rather more secure job promise. He is currently not doing all the talking and his focus seems to be on his research.

sharp criticism made by former RBI governors and deputy governors, economists and now, even RBI staff unions, who have lamented central bank's current plight. A letter written by various employee unions under the United Forum of Reserve Bank Officers and Employees, to governor Urjit Patel, has raised the issue of Modi-government "impinging on RBI autonomy" and has asked Patel to act against the finance ministry's "unwarranted interference" in its operations. "

Many other noted personalities, including former RBI top brass, have cited the problem of RBI being forced to toe the Modi-government's line and the danger of an RBI sans its integrity. Similarly, Y V Reddy and Bimal Jalan, former RBI governors, too have spoken out in support of central bank's autonomy. In separate media interactions, both of them highlighted why the government must strive to maintain RBI's autonomy in the interest of the larger economy. Jalan was RBI governor between 1997 and 2003, succeeded by Reddy till 2008, followed by D Subbarao and Raghuram Rajan.

Recently, the *Bloomberg* news reported that the RBI refused to share specific details on the government's decision to recall high-value banknotes, citing threat to the country's sovereignty, integrity and security besides danger to life. This response is perplexing since RBI is the guardian of sovereign currency and the only authority equipped to respond on the details of demonetisation, though note ban was largely a political decision. Theoretically, the central bank is not an absolutely independent organisation, it is answerable to the finance ministry.

But, demonetisation has probably been only a trigger to expose the change in the working style of the central bank post the Raghuram Rajan era. The RBI leadership under Urjit Patel has so far been a near-failure to carry forward the virtues the central bank has guarded over several decades.

For the sake of India's aspiring economy and its larger democratic ideals, it is vital that the RBI's autonomy is protected. This is the reason some of the former RBI governors, including those who came from North Block, have had to lock horns with finance ministry in the past on matters pertaining to RBI's independence. Right now, the duty of regaining the central bank's lost glory primarily rests with current governor, Urjit Patel, who has so far largely remained silent on the issue. Patel must stand up now to save the stature of

URJIT PATEL'S POLICY STAND

ON INFLATION (2014)

The foremost and dominant objective of monetary policy must be to anchor inflation expectations. A monetary policy framework with inflation as the nominal anchor is also consistent with flexibility in exchange rate management... (The) positives associated with inflation as an anchor are that it is simple, easily communicated and, hence, well understood by the public at large. By promoting low and stable inflation expectations, it contributes to producing a desirable macro-economic outcome.



ON FISCAL PROFLIGACY... (2006)

Unless India discovers a way of tying its fiscal Ulysses to the mast, the siren song of fiscal retrenchment tomorrow but fiscal expansion today will continue to lead policymakers astray.

...AND HOW TO CURB IT (2010)

...an inbuilt carrot-and-stick strategy that brings in the judiciary and thus integrates the central and state governments in a manner that holds them credibly accountable and, more importantly, rewards and punishes (enforces) each other's fiscal performance.

ON D. SUBBARAO (2012)

This is an astonishing series of nihilistic statements—unassisted by evidence or even a hint of scientific thoroughness—from the central bank head pleading either hopelessness on account of India being a large and diverse Federal entity, or, a form of muddled eclecticism.

ON THE ROAD AHEAD (2015)

...rebalance the reform agenda from... legislative amendment... to addressing policy-induced distortions that undermine monetary policy efficacy and transmission. Second, address the challenge of multiple roles/objectives and limited instruments.

Source: Mint research

ADHARSH MANI VS, NMIMS MUMBAI

Adharsh completed his Bachelors in Mechanical engineering from Thiagarajar College of Engineering, Madurai. He worked at Tata Consultancy Services, Bangalore, before joining NMIMS to pursue MBA. He plans to specialize in Finance. He likes to read books and play badminton in free time.





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