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Now that we have experienced our “first high” of IMT, club FinNiche applauds all the juniors who have showcased their talents at IMT. After all the cultural activities, many events are lined up from different clubs and committees to act as an ice breaker within the college like Sports Night and Survivor.

With high excitement and enthusiasm around, club FinNiche launches its new version of FinXpress. With this new version, we are pleased to present our readers with a wide range of articles from national and international domain. Firstly, in the national section we will discuss about the Dilution Powers of RBI following with an article on Consumer Protection Bill. Next, in the international column, Chinese stock crash will be discussed which will be followed by a detailed discussion on Federal Reserve meet held on July 29th, 2015.

Along with the articles, we present a new section called FinWord where some financial terms will be explained in detail. Along with FinWord, we have introduced News Snippets where the latest news headlines will be covered.

Hope everyone likes the revamped version of magazine. Club FinNiche welcomes any comments, suggestions or criticism regarding the magazine. Please do write to us and share your ideas.

Happy Reading!

Regards

The Editorial Team

Club FinNiche

Debt Management Becomes Doubtful

Mr. Narendra Modi's government has recently celebrated its first birthday but nevertheless it has been entangled in a web of controversies right from its inception. The opposition has alleged that the Modi government has many fallacies and has been very skeptic.

One of them being the proposal to strip off the veto of RBI by drafting the revised proposal for Indian Financial Code(IFC). Apparently this may concentrate powers in the hands of finance ministry. This also amounts to replacing various laws which have been in existence even before independent India.

The privilege of making monetary decisions has always resided in the basket of RBI Governors. These decisions have always pulled out the nation from the clutches of the demons of financial crisis gripping the global economy.

If this rule comes into existence the government will have the authority to appoint a majority of the members of Monetary Policy Committee(MPC).

In spite of the claims by the government that RBI don't have to do away with most of its privileges, still the government bill

MPC has unveiled the secret.

There has been contrasting viewpoints as well. "While foreign investors are nervous about politicians preferring loose monetary policies instead of tight policies of independent RBI, I don't see much problem with a good balance between Government and RBI," says Samir Lodha, Managing Director, QuantArt, a foreign exchange advisory firm.

"This could have positive reaction from the stock markets as the market can hope for aggressive rate cuts. We heard many times in the past that majority's views being less hawkish on benchmark interest rates," says G. Chokkalingam, Founder & Managing Director, Equinomics Research and Advisory Pvt. Ltd.

In this background, on the issue of inflation versus growth, a larger number of decision-makers taking more proactive initiatives in favor of growth have a higher probability than a single decision maker who is known for worrying a lot on inflation. Therefore, "we believe that the markets may react positively to this development," Mr. Chokkalingam adds.

The 2015 finance report has proposed to demote the KING bank of India “RBI” to only a managerial level by removing the control of interest rates from the central bank.

While some have welcomed this decision with open hands, others have shown it a cold shoulder. This plan has triggered a cold war between these two groups of people. Those against this move have argued that this may violate the independent monetary policy of India. However the other section of people cherish a completely different view –they view this as a step forward to modernization.

The government explains its stand by stating that this is just a baby step towards the greater goal of curbing the escalating rate of inflation of India.

The 10 membered Finance sector legislative reforms commission (FSLRC) has proposed that the reason that power of RBI should be snapped to half is should only regulate the inflow of foreign funds where as the outflow of funds should be looked over by the respective state governments. However, on a surprising turn of events, four of the members-K J Udeshi, Y H Malegam, Jayanth Varma and P J Nayak- have expressed their dissent on this subject.

This was compiled into a report presented by Commission Chairman B N Srikrishna to Mr. Arun Jaitley. The agenda of this report was to restrict role of RBI to regulate the banks only. The NBFC's should fall in the baskets of the proposed Unified Financial Agency(UFA).

Presently, the sole power of interest rate determination lies in the hands of the International monetary Fund chief economist, The governor Of RBI, Mr. Raghuram Rajan. However he has to report to the finance minister of india at the end of the day.

The budget speech 2015 delivered by Mr. Arun Jaitley announced that there was a consensus between RBI and the central ministry to a monetary policy including an inflation target of 4% with 2% tolerance.

However there was no consent on the composition of the committee. The central bank is likely to resist the new proposals and when RBI Governor Raghuram Rajan was asked about this matter he commented that the FSLRC recommendations, especially with regard to regulatory functions, as "schizophrenic" and argued that implementing them could turn the central bank into a "paper tiger".

NATIONAL

BY ALANKRITA PANDEY

Consumer Protection Bill

SNIPPETS

- Bill proposes "mediation"
- Establishment of an executive agency 'Central Consumer Protection Authority' (CCPA)
- Provisions for "product liability"
- Stringent penalty, including life imprisonment in certain cases

The consumer affairs ministry headed by shri Ram Vilas Paswan has come up with new "Consumer Protection Bill, 2015" on 29th July.

This new bill will replace the 29 - Year - old Consumer Protection Bill, 1986. The 1986 bill was amended thrice earlier in 1991,1993 and 2002. The new bill is expected to get introduced in the ongoing monsoon session of parliament.

Need to Modernize

In the wake of burgeoning e-commerce, complex products and services, this new bill holds great relevance. Especially after the Maggi controversy , apprehensions in the mind of consumers have increased. The new bill is expected to put a curb on all the means of unfair trade and unethical practices.

Key Features

To protect and enforce the rights of consumers , establishment of executive agency 'Central Consumer Protection Authority' (CCPA) is proposed.

This agency will play its role as and when required to prevent unfair trade practices,



**THE CONSUMER
PROTECTION ACT**
WHAT YOU NEED TO KNOW

to initiate class action including enforcing recall , refund and return of products.

Along with this the new bill has provisions for product liability and to take action against defaulting manufacturers/service providers if product/services causes personal injury, death or property damage.

One of the important provisions of the bill is "mediation" . As an alternate dispute resolution mechanism, this provision will help in speedy disposal of court cases .

Setting up of 'circuit bench' and enabling provisions to e-filing of complaints will further help in on time justice.

INTERNATIONAL

BY BHAGIRADH SISTA

China's Stock Market Crash

SNIPPETS

- Stock market bubble burst
- Leveraged investing
- Formation of massive bubble
- Government's intervention and measures taken
- Future scope of the economy

History

Chinese 25 year long experiment with capitalism has seen a growth more than 2000% since 1990. But this summer, something unexpected has happened. The stock market bubble exploded this time in China on June 12th 2015. In this due course, the companies whose share price were on a rise were not actually doing any better. The rise of prices was actually due to high demand and people bidding the prices up. The cracks in the bubble were seen when a few big companies witnessed a free fall of their stocks. This unfolded the biggest problem of all, the margin calls. To know this, we need to understand leveraged investing.

Leveraged Investing

It's a scenario where most of the individual investors or the retail investors who invest in shares will not invest with their own cash but they do it with their money as a collateral to borrow much more money they had to invest. This was one of the factors for the bubble burst.

President Xi faces the "Most serious crisis to date".

The Complete Saga - Explained:

In the year 2000, China had its GDP

jumped by an average of more than 10% per year. But the acceleration of the growth slowed down in 2008 due to global recession. It had recovered from recession but in 2010 again witnessed a negative growth of GDP.

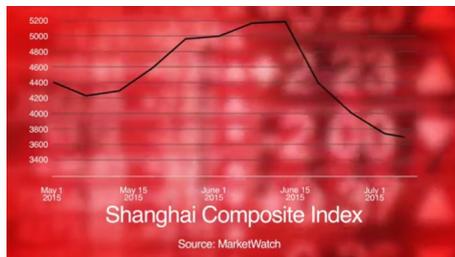
In 2015, Chinese GDP is around 7%. This is a fantastic rate for a highly developed countries like the USA but for China it's a huge disappointment, because the government here has to put the economy on the development fast track. The president of China, Xi Jinping has promised his people of increasing the wealth, well being and the power of the nation.

In the last couple of years, as an attempt to stimulate the national wealth, Xi's government relaxed on it's domestic stock market norms, opening the market to many of its citizens for the first time. The working class suddenly gained the ability to accumulate their savings and much more wealth which they never used to do. Hence, the market is flooded with huge number of accounts. There are currently more than 19 million retail stock traders in China. Among these half the number i.e. around 8.5 million have joined the market only an year ago. The surprising thing here

was more than 67% of the stock traders were holding not more than just a high school education.

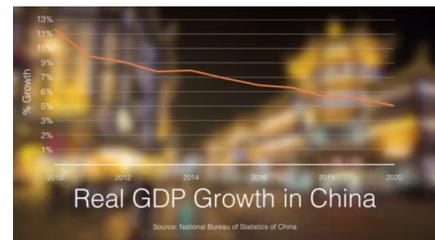
They were not enough qualified analysts to judge the Strengths and Weaknesses of the companies listed on the exchange. This tsunami of the new unchecked marketing activity has created two extremely dangerous problems to the country.

One, the formation of a massive bubble which set the value of the companies to highly inflated levels. Two, feverish competition to attract investors, banks and other fund managers promised astronomical profits that were completely unrealistic. Over the period, the stock market has become a casino with trades seen as bets instead of what they are. The power truly compounded this dangerous situation when the government's decision to use state run media to cheerlead the investments in the surging market. Its optimism grew so blind that the government started selling off its junk assets at drastically overvalued prices back to its own people



who were ignorant to the actual risks on these investments. This sort of approach caused market to soar even more higher, more than double within one year, becoming second most valuable market in the world.

In the late June this storm plunged from a high from 5100 all the way to 3700 in the Shanghai Composite Index. More than 3 trillion USD was wiped out. The nation was in a shock. The government immediately hit the panic button banning the companies, executives and any investors holding more than 5% of the company for selling any shares. They enacted the nuclear options suspending trading completely in companies that together hold more than 40% of the whole market. They've been pumping more than hundreds of millions of dollars into the market as a desperate attempt



to stop the freefall. And the dust finally settles when the sell off is over. The investor conference will slowly be loaded. Chinese market could slide all the way back where it was before the boom began. If this happens, overall economic growth in China would likely stay well below 7% for the near future.

All this lost credibility may not cause the communist parties an immediate downfall but the party will have more significant difficult time in convincing the people that it knows how to best guide them to the economic trained world. Also China has a bigger problem. The growth of debt is dominating the growth of nominal GDP of the country.

INTERNATIONAL

BY NISHANT RATHI

Dovish Fed leaves option open for rate rise

SNIPPETS

- ECI registered 0.7% gain in Q1 2015
- Inflation increased at 2.2%
- Market sentiments are high on rate hike in September

With Wall Street speculating about rate cuts and tighter policy, the US Federal Reserve on 29th July declined to raise interest rates and has maintained a poker face regarding any future increase in interest rates.

The U.S. central bank has left its key rate in a range of 0% to 0.25%, where it has been since the depths of the Great Recession more than six years ago.

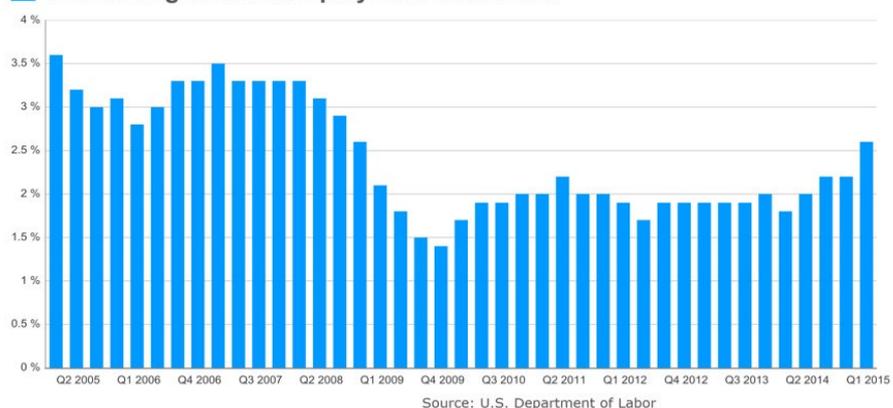
Fed officials have indicated to hike rates at least once this year, especially after the improvement in the US labor market. Fed Chairwoman Janet Yellen's remark that the economy "can not only tolerate but needs higher rates" had kept the markets buzzing regarding rate hike.

The Employment Cost Index (ECI) which is majorly evaluated for rate hike has been below 3% for seven years. The index typically rose 3% to 4% annually in the years before the recession.

A strong 0.7% gain in the index in the first quarter had economists expecting that wage inflation might be starting to pick up. But a survey by MarketWatch expect the ECI to decelerate to a 0.6% rise in the second quarter.

"Despite a tighter labor market, and all of the stories about pay increases at various large firms, wage growth is not picking up meaningfully," said Jennifer Lee, senior economist at BMO Capital Markets, in a research note.

■ 12-month growth in employment-cost index



The Fed would like to see the employment costs closer to 3% without engendering inflation as higher wages would give room to the Fed to hike interest rates because that would be a sign that the economy was on firmer footing.

Inside GDP report

According to Commerce Department Gross domestic product rose at a 2.3% annual rate from April to June. The latest reading on GDP has been influenced by higher consumer spending on high value items like new cars, trucks and stronger housing markets. Buoyed by an influx in hiring, the economy has witnessed modest upturn in growth during second half of the year.

U.S. exports, meanwhile, snapped back with a 5.3% increase after a 6% drop in the first quarter. Imports rose at a slower 3.5% pace. The improved trade figures also gave the economy a small boost.

The worst part of the second-quarter report was tepid business investment. Compared to 2014, spending on large structures such as oil platforms fell 1.6%, largely because of a broad retreat by energy firms because of drop in petroleum prices. Outlays on equipment declined 4.1% and the value of

inventories fell slightly to \$110 billion from \$112.8 billion. Strong dollar and weak global growth have particularly hurt manufacturers. Still, business investment will stabilize in the second half of 2015 now that the pullback in the energy sector has largely run its course.

Inflation increased at a 2.2% annual rate after falling by 1.9% in the first quarter, a decline tied mostly to plunging gasoline costs. That is well within the Fed's comfort zone, though the central bank would like to see inflation rise a bit more.

The Fed will ensure that the two employment reports between the July and September meetings aren't "duds," and that no global risks flare up before the U.S. central bank signals its intention to move on rates.

Many economists think that signals of a September hike are not likely to come until after the next employment report on Aug. 7.

The Fed will want to start earlier so that the whole path toward normalization can be shallower and therefore has a less disruptive impact on the financial markets. This has really raised expectations that September is definitively on the table.

TRENDING NEWS

COMMODITIES

GOLD-
INR 24813

SILVER-
INR 34025

CRUDE OIL-
INR 3038

EXCHANGE RATES

INR 64.1235 / 1
USD

INR 70.3569 / 1
EURO

INR 52 / 100
YEN

INR 99.96 / 1
STERLING

RBI likely to hold rates on Tuesday

The Reserve Bank of India (RBI) is expected to hold interest rates at its monetary policy review on Tuesday and is more likely to cut rates by the end of the year when there is more clarity on the monsoons.

Consumer price-indexed (CPI), or retail, inflation rose to an eight-month high of 5.4 percent in June riding on costlier food, fuel, housing, clothing and footwear.

While the CPI-urban for June inched higher to 4.55 percent, the CPI-rural jumped to 6.07 percent from 5.52 percent in May.

At its last review in June, RBI cut the repo rate, at which it lends short-term to commercial banks, from 7.5 percent to 7.25, but left other parameters like the cash reserve ratio (CRR) and statutory liquidity ratio (SLR) unchanged at 4 percent and 21.5 percent, respectively.

Income Tax Department Notifies ITR Forms for Companies, Firms

The income tax department has notified tax return forms for non-salaried class, including companies, partners in firms and individuals deriving their income from proprietary business or profession. The Central Board of Direct Taxes

(CBDT) has notified ITR 3, 4, 5, 6 and 7 for Assessment Year 2015-16. These forms are used by non-salaried entities to file income tax returns.

As per the notification, companies and firms filing returns under ITR-5 and 6 would be required to specify whether they are Foreign Institutional Investors (FII)/ Foreign Portfolio Investors (FPIs) and will have to furnish SEBI registration numbers.

Mahawar takes over as ONGC director of onshore operations

Ved Prakash Mahawar took over as the director (Onshore) of state-owned Oil and Natural Gas Corp (ONGC) on Saturday.

"As director (Onshore), a board level position, he will be directly looking after all the onshore operations spread across the country which significantly contribute towards ONGC's overall physical performance," the company said in a statement.

He replaces Ashok Verma, who superannuated on Friday.

Prior to his elevation, Mahawar headed ONGC's Tripura fields as executive director-asset manager.

"Under his leadership, Tripura Asset saw an increase in gas production by more than two folds," the statement said.

E-commerce boosting Chinese farmers incomes

Internet aided by e-commerce is boosting income of Chinese farmers and helping in turning the backward agricultural sector into a lucrative modern industry.

Such innovation is a new trend in Chinese farming, a welcome change of direction for a rural economy that has long been seeking modernisation.

Watching the positive changes being brought about by internet, China's cabinet unveiled an "internet Plus" action plan last month targeting integration of the internet with traditional sectors to make them smarter and more efficient.

Nestle's revival agenda: New products and higher ad spending

Nestle India will consider introducing new products, including under the Maggi brand, while looking to drive growth of other categories with increased advertising spending, as it looks to overcome the setback from the ban on its flagship instant noodles.

The company's newly appointed Managing Director, Suresh Narayanan, who officially took over the role on Saturday, said at a media briefing that bringing Maggi back to the market was at the top on his five-point agenda.

Major car makers post healthy sales growth in July

Car sales in India witnessed an upward swing in July with major companies, including market leader Maruti Suzuki, Hyundai, Tata Motors and Honda, posting healthy double-digit growth riding on improving sentiments and launch of new models.

Maruti Suzuki said its domestic sales increased by 22.5 per cent last month to 1,10,405 units, as against 90,093 units in July last year.

Rival Hyundai Motor India saw its domestic sales growing by 24.7 per cent at 36,500 units last month as compared with 29,275 units in July 2014 riding on newly launched SUV Creta, i20 Active and Elite i20 models.

Six of top 10 Sensex firms add Rs 28,618 crore in market capitalisation

The combined market valuation of six of the top 10 most valued Sensex companies rose by Rs 28,618.35 crore last week, with ITC and CIL emerging as the biggest gainers whereas RIL, Infosys, ONGC and HDFC suffered a cumulative loss of Rs 21,147 crore.

The market capitalisation (m-cap) of ITC surged by Rs 9,542.27 crore to Rs 2,61,570.48 crore, the most among the top 10 companies.

MARKET

INDIAN MARKETS

Indian shares ended more than 1 percent higher on Friday, led by banks on the government's plan to inject extra capital into state-run lenders struggling with bad loans, and as worries over corporate earnings eased. The BSE index ended up 1.48 percent, while the NSE index closed 1.32 percent higher. Both indexes ended the week largely flat. For the month, the BSE index gained 1.20 percent, while the NSE index added 1.96 percent.

	Open	High	Low	Close
SENSEX	28,544.28	28,578.33	27,416.39	28,114.56
NIFTY	8,623.90	8,654.75	8,321.75	8,532.85

BSE SENSEX



CNX NIFTY



FIN-WORD

BY SHILPA KUMARI

Balloon Payment

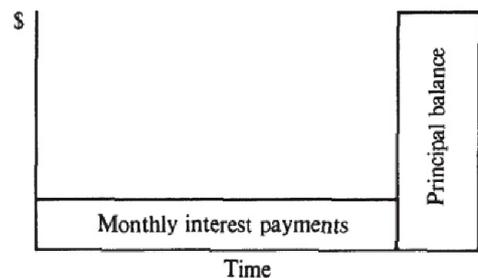
Balloon payment is a kind of loan payment where the bulk payment is done at the time the loan has to be entirely paid off. It helps the borrower to pay small prior installments which is mostly the interest incurred on the loan amount and pay the huge amount at the end which is mainly the amount of loan borrowed or the principal amount of the loan.

Normal loan payment is usually done in equal installments and the entire amount is paid off by the end of the loan period. So we can say that in normal case the payment is quite regular and the customer has to be ready with a decent amount every month unlike balloon payment where there is a huge difference in the amount paid initially and the one paid at the last.

The provision of balloon payment can be of great help to people with seasonal sources of income. It is convenient for them to cater their expenses during the time when do not have any income and can pay the loan as balloon payment when the season comes. However, people are very easily tempted to enter into balloon

payment method due to the benefits of small payments in earlier installments but that may not be wise for them.

Customers may face a situation when they do not have the balloon amount at the



BALLOON PAYMENT

time of its payment. In that case the customer will either have to return the items bought from the loan to the lender thereby losing the initial installment already paid, or the borrower can go with the option of refinance (take additional loan to repay the existing loan)

Balloon payment, clearly has an advantage of small initial installments over normal payment method but is recommended for organizations or people who do not have cash inflow in near future but expects cash inflow at the time balloon payment has to be made.

PERSONALITY

Dr. A. P. J. Abdul Kalam

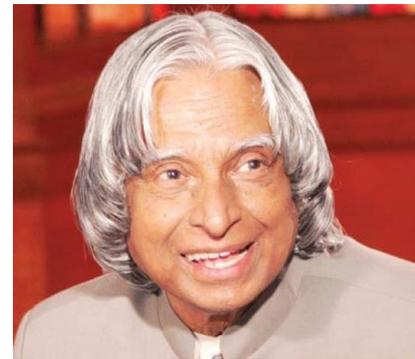
An era ended on Monday 27th July 2015 when former president Abdul Kalam famous as the “Missile man” of India and later as “the people’s president” passed away. He collapsed while delivering a lecture in IIM Shillong, suffering a cardiac arrest. Even in his last moments Kalam, true to his life long dream of empowering India, was sharing his thoughts and dreams with students.

Considered the most popular President, Kalam became the eleventh president of India and occupied the post between 2002 and 2007. But the absence of consensus denied a second term in office for a man who originated from outside political spectrum.

Kalam was born on 15 October 1931 to a Tamil Muslim family in Rameswaram in the Indian state of Tamil Nadu. His dad, Jainulabdeen, was a devout Muslim. Kalam was raised in a multi-religious, tolerant society; one with a dynamic viewpoint. His dad regularly cited from the Quran to make the youthful Kalam see the world without apprehension. He had seven siblings.

Being a bright student, Kalam always had the support of his schoolteachers.

Schwarz High School’s Iyadurai Solomon



often told Kalam that if he truly, intensely desired something, he would get it. “This made me fearless,” said Dr Kalam. And outside school, Ahmed Jallaluddin, who later became his brother-in-law, and Samsuddin, encouraged Kalam to appreciate nature’s wonders. So at once, while growing up, he was exposed to a religious and a practical way of looking at the world.

As a boy he was fascinated with the flight of birds, but it was years later he realized that he wanted to fly aircrafts. After finishing school, he took up Physics at St Joseph’s College, Trichi, but towards the end he was dissatisfied. When he discovered aeronautical engineering, he regretted having lost three precious years. But he was glad to have discovered Leo Tolstoy, Thomas Hardy and F Scott Fitzgerald and other English poets in his college years.

In spite of the fact that Kalam has led several projects in his life, he's treated each one like his last. His counselor, Major General R Swaminathan described Kalam's prosperity as a pioneer. "He has this unique ability of being a leader and also a laborer. He can tackle any role with ease."

When Dr Kalam's first real venture SLV 3-failed, he was practically broken. Also around this time, Kalam's childhood mentor, Jallaluddin, passed away. "A piece of me also died..." said Dr Kalam. Be that as it may, he never considered stopping after SLV-3. "I knew that for success, we have to work hard and persevere " And thus, SLV-3 was launched again, this time with success. He drew strength from philosophy, religion and literature to tide by his professional setbacks; likewise an existence with few partners. In time, he additionally learnt to manage professional envy and uncooperative colleagues.

Kalam played a vital part in India's Pokhran-II nuclear test in 1998, the first since the first atomic test by India in 1974. He is chancellor of Indian Institute of Space Science and Technology (Thiruvanthapuram), a teacher at Anna University (Chennai) and a visiting faculty at numerous other scholastic and exploration establishments all over India.

Success followed after Dr Kalam. Prithvi, Agni, Akash, Trishul and Nag rockets

were gigantic successes. He was granted the Padma Bhushan and Bharat Ratna, and afterward he became the President of India; one of only a handful couple of presidents who have touched the hearts of such a large number of youngsters in the nation. Since he came from a poor background, he knew the importance of education in changing one's future.

Post presidency Kalam in May 2012, Kalam launched a programme for the youth of India called the What Can I Give Movement, with a central theme of defeating corruption. In the 2011 Hindi film "I am kalam", Kalam is portrayed as a positive influence on a poor but bright rajasthani boy named Chhotu, who renames himself Kalam in honour of his idol.

His vision and teachings are without any peer and we remain hopeful, will keep leading the youth of nation forward. In the end in his own words he describes his dreams for India

"I climbed and climbed

Where is the peak, my lord?

I ploughed and ploughed,

Where is the knowledge treasure, my lord?

I sailed and sailed, where is the island of peace my lord?

Almighty bless my nation, with vision and sweat resulting into happiness".

-Dr A.P.J Abdul Kalam