



SYMBIOSIS SCHOOL OF BANKING AND FINANCE

ART'HAKSHETRA

Magazine 2020



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DIRECTOR'S MESSAGE

Banking and Finance sector is playing a vital role in financing economic development. BFSI sector in India is valued at Rs. 81 trillion and is likely to become fifth largest in the world by year 2020 and third largest by year 2025. The BFSI sector has seen an exponential growth in the last decade or two and has a promising future. Symbiosis School of Banking and Finance (SSBF) is a key provider of trained managers to the ever growing BFSI sector. SSBF's two-year MBA program in Banking and Finance is designed to provide specialized knowledge and training of the evolving banking functions and their rising complexities. We upgrade our curriculum every year to keep up with the ever-changing banking canvas. Industry relevant coaching is the core of our curriculum. We believe in the holistic development of our students and support our excellent curriculum with industry recognized certifications. Students are encouraged to be a part of student driven committees in various domains like Bloomberg, Website, Sports, PR, Placement, etc. and organize and participate in various events. This helps in their all-round development. Various initiatives of internationalization as also diverse student population help students understand and work in different cultures. Various debates, quizzes, business awareness programmes, guest lectures of the industry experts, etc. help students keep updated about the economy around them and generate new ideas. In a nutshell, SSBF aims to deliver a trained manager to the BFSI sector with a minimum training intervention after recruitment.



Dr. Manisha Ketkar

COMMITTEES



Placement Committee

Public Relations
Committee



Creative Committee

COMMITTEES

Sports Committee



Co-Curricular
Team

Corporate Interface



COMMITTEES



Banking Drive Team



ISR Team



Equity Research Cell



Alumni Committee

COMMITTEES



Website Team



E-Bulletin Team



E-Cell



Editorial Team

EVENTS

SYMPOSIUM

Symposium 2019-Symbiosis School Of Banking And Finance Organised Symposium 2019 With The Theme “Resilience And Dynamism Of Financial Intermediation” 21 September 2019. The guests were welcomed by Dr. R Raman, Director of SIBM Pune and Dean - Faculty of Management at Symbiosis International (Deemed University). It was followed by the lighting the lamp. The keynote address was given by the guest of honour for symposium 2019, Mr. Pankaj Sharma (Chief Operating Officer, RBL Bank). There were panel discussions during the event and the topic for the of discussion was “Financial Intermediation: The Digital Way”. For the same, the panellists were Mr. Pankaj Sharma (Chief Operating Officer, RBL Bank), Mr. Rohit Kilam (Head Technology and Digital Lending, Aditya Birla Finance Ltd.), Mr. Prasanna Lohar (Head Innovation, Development Credit Bank Ltd.), Mr. Shiv Kumar Bhasin (Chief Technology and Operations Officer, National Stock Exchange of India Ltd.), Mr. Ashok Mathur (Ex-banker and innovator) and Mr. Anirudha Ambekar (Sr. Product Manager, Digital Banking and Payments Technology, Barclays UK). The moderator for the event was Mr. Anirudha Ambekar. Sir started the discussion by throwing some light on the financial crisis of 2008 and its after effects, technology innovations like Cloud Computing, Artificial Intelligence and Machine Learning. Sir spoke about shared economy and subscription economy, the impact of UPI transactions and volume of transactions taking place in India, how we are performing as compared to China and the impact of all these on financial intermediation. Mr. Ashok Mathur spoke on how technology is creating opportunities for households, corporates and firms. Mr. Prasanna Lohar spoke on how with so many technological advancements happening, what are its impact on the intermediation model of the industry. Sir said that it is important to adopt the right technology at the right time. Technology is the driving factor to be successful, to understand customer’s portfolio and also to know what the customers need. Mr. Shiv Kumar Bhasin talked about the changes in the capital market and on disintermediation. Sir also explained some of the key aspects of the blockchain technology and its impact on financial intermediation.



AARAMBH

Aarambh 2019 - To enter a theatre for a performance is to be inducted into a magical space, to be ushered into the sacred arena of the imagination, while enjoying the awe-inspiring drama that unfolds. This would be increasingly wonderful when one is bestowed with the support and warmth of one's peers. Aarambh is an auspicious yearly event that is celebrated by students of Symbiosis, Lavale campus, wherein each institute performs a format of performing arts that includes dancing, cultural plays and singing, on a set theme. Students of the freshman year at Symbiosis School of Banking and Finance (SSBF) gracefully stepped out of their respective comfort zone to amaze the audience with their humble yet breathtaking performances. Specially, but deliberately, the event this year was made progressively more informative with the theme of 'Yin and Yang', for which SSBF's act revolved around the death of acceptance of the survival of nature in the minds and hearts of singletons. The opening of the evening's performance by SSBF was commenced by a singing performance that allowed the crowd to submerge and feel the eloquence and sweetness of the performing voices. That being done, it was time to behold a magnificently choreographed dance on a carefully chosen song that beautifully brought out the meaning of this year's theme. It was like witnessing a rhythmical movement of the well-versed dancers who were moving on a pulsating background tune. As if it was not all to suffice the hunger of cheering crowd, the acrobatics elements of the ongoing performance only added to the excitement of already engaging throng. The evening was spectacular to say the least.



DALAL STREET ARENA

Dalal Street Arena- Warren Buffett rightly quoted “The most important quality for an investor is temperament, not intellect.”

Keeping this dogma in mind, individuals from all over Pune entered this arena of opportunities, an arena where acumen and instincts play through, an arena we have christened DALAL STREET ARENA 5.0, the annual mock stock event organised by Symbiosis School of Banking and Finance. The event kicked off with a captivating speech by the Guest of Honour- an investment management consultant, highly accomplished in his field - Mr. Prasad Kalbhande. His opening quote “Wealth is in the hands of few- because they think differently and take calculated risks”, allured the young minds of the audience into a world of thought. His justifiable difference between being rich and being wealthy, stating that the market is full of people with riches, but who lack wealth, developed a keen insight for the topic. He beautifully explained the rationale and analysis behind placing every order, for it to be effective, coupled with the variations in trading and investment, simplified the opinions of many into a single chain. The session came to an end with Mr. Kalbhande leaving behind a tip “Become financially literate. Spend time learning the markets and you will grow along with your wealth”. With refreshments out of the way, the stock market trading floor was set for skills and dexterity to be displayed. Shortly, applying the ideology of “knowing the value and not the price”, the calm and tranquil auditorium turned into a ruffled environment tied with heaps of determination and fortitude and there was no mistaking that trading had begun! Chaos, grins, laughter and screams of excitement that filled the room, all drew attention to one thing, that yet again SSBF soar to great heights. The students managed to pull off yet another successful event with sheer dedication, steadfast hard work and persistent efforts. “An investment in knowledge pays the best interest”, at the end, although just 3 candidates traded their way to victory showcasing patience, discipline, adaptability and mental toughness, all left with oodles of erudition, entirely owing to the triumph of DSA 5.0.



SYNOPIA 2020

Synopia- Synopia 2020 was organised by Symbiosis School of Banking and Finance on 10th and 11th January

2020. How do you describe the thrill of organising an annual fest? Apart from the fun, frolic and platform that it offers, what else does a student expect. The answer lies within the fact that the whole concept of a fest is an acid

test of some students' managerial skills, as well as the flexibility in decision-making of the teachers. So, what goes into organising an inter-collegiate fest that draws big sponsor money and even bigger crowds? It all begins with the forming of a core committee that includes teaching staff as well as student representatives. Students carry out the creative, administrative and logistical part of the festival, not to forget the brainstorming that goes into making each event a success. After

coordinating and combining the collective efforts of the people behind the curtains, formidable results are achieved. Now in the context of SSBF and the annual celebration that it holds each year i.e SYNOPIA, we are going to unravel some of the best experience that SSBF reserves for its student and for the people who participate in it. These experiences hinges on the ability of the students and participants to derive value from various events that are incorporated in this fest. Corporate Chanakya, Shutterbug, Treasure Hunt, Vendue (a simulated auction where a participating group has to form its own cricketing team using analytical and money managing skills), were some of the events that were planned for the first day.

The second day was just as thrilling. Events such as War of the Words, Cambio Paradigma and StarQuest, tested a person's ability of quick thinking and applying creative skills. War of the Words consisted of three rounds, JAM, Ad-Zap and Channel Surfing. Ad-Zap game involved unconventional marketing skills. In Channel Surfing, one team member had to channels with a remote control while teammates attempted to match objects on TV with items printed on a set of 12 cards. Cambio Paradigma was a recreational event that consisted of three games, Dart Football, Port the Water and Touch for Mayhem. In StarQuest, performers came up with random unique acts and splendid performances. A professional rock show by Hanokh and Faizan, and a Stand-up Comedy night by Shaad Shafi, definitely upped the fun quotient of the fest. The event was diligently organized. There was a soul to it that was vibrant, contagious and exuberant.



ETHICON

Ethicon- As the proverb goes, "before becoming anything, be a human", for becoming a human any person should have certain values and ethics. Symbiosis School of Banking and Finance organised Ethicon 2019 with the theme "Building Ethical Precincts for Sustainable Business". The event began with the lighting of lamp. The guests were welcomed by Dr. Manisha Ketkar, Director of Symbiosis School of Banking and Finance. She then gave a welcome address. The keynote address was given by the Chief Guest- Dr. Rabi N. Mishra (Executive Director at Reserve Bank of India). Sir stressed on the fact that ethics starts from Swadharma and humans have the ability to rationalise between what is good and bad. Sir said that greed is inborn in us and we have to overcome it. The panellists for the event were Mr. Pankaj Wahi, Executive Vice President (Finance & Accounts) at ISMT Limited; Mr. Girija Kanta Misra, Senior Banking Professional; Dr. Steward Doss, Assistant Professor at National Insurance Academy; Mr. Lakshminarayan Rath, Chief Vigilance Officer of Bank of Maharashtra; Mr. Rahul Mone, Senior Director at Pentagraph Advisors Pvt. Ltd. The moderator for the day was Mr. Prateek Rampuria, student of SSBF. The discussion commenced with the key point being made that whenever a person faces an ethical dilemma, they should always ask whether the decision is harming any stakeholder. Winning the trust of customer should be a top priority. If one needs to grow, they have to think in terms of long term and always be ethical. The panellists shared their experience from the industry by highlighting the importance of ethics in modern banking and how lack of ethics is the major reason for all financial crisis. Mr. Rahul Mone shed light on what steps a customer should take so as to avoid frauds, the practice of whistleblowing and ways to protect whistle-blowers. Taking the discussion forward, Mr. LN Rath emphasised that while taking any decision, we have to be accountable, transparent and do what we say. The panellists came to the conclusion that it is all about the intention. We should stick to our conscious and never think of going too fast. Most of the ethics we get is from home. So, if we want anything sustainable, we should ensure that we are ethical. The event came to an end with a Q&A session from the students. It was undeniably an informative session which reinforced the sense of honesty amongst the students.



BFSI LEADERSHIP SUMMIT

BFSI Leadership Summit 2020- SSBF successfully organised the BFSI leadership summit for banking, financial services and insurance sector on 22nd February, 2020 at Sandipani, Leadership Development Centre, Symbiosis International (Deemed) University, Lavale. The summit saw participation of many eminent industry professionals who gathered to give students insights into the current environment of financial sector as a whole. The Banking, Financial Services and Insurance (BFSI) sector is embracing transformations at all levels and technology has a pivotal role to play in this paradigm shift. The summit had sessions by esteemed industry speakers - Mr. Prakash Iyer (Board member, Xerox India), Mr. Ashwin Srisailam (Co-Founder and CEO, Ahhaa), Mr. Aman Zaidi (Founder, Fortius). Their sessions made the event engaging for all attendees. They shared their beneficial life lessons which truly made a huge impact on the way we perceive success and failure. "Just as an alchemist turns metal into gold, our job is to turn people into leaders"... such remarks of Mr. Prakash Iyer made us believe in the power of transformation that one can employ to transform a work culture that depends solely on performance demand with little care for workforce emotional needs. The second half of the day had had panel discussions on the topics of technological transformation of BFSI sector, Human resource insights and development of businesses in India. This gave students a chance to experience industry needs and future requirement that will help them to grasp opportunities as and when they come and become employable for their desired role in the industry. Emerging technologies such as Blockchain, Artificial Intelligence & Cybersecurity make their impact on the current financial structure. Data leak, lack of integrity and ethical code of conduct are some of the core issues, nevertheless BFSI's future looks promising. Although these words cannot describe the event in full but they surely are an attempt to give us a glimpse into the proceedings of such wonderful undertaking. It was through and through marvellous.



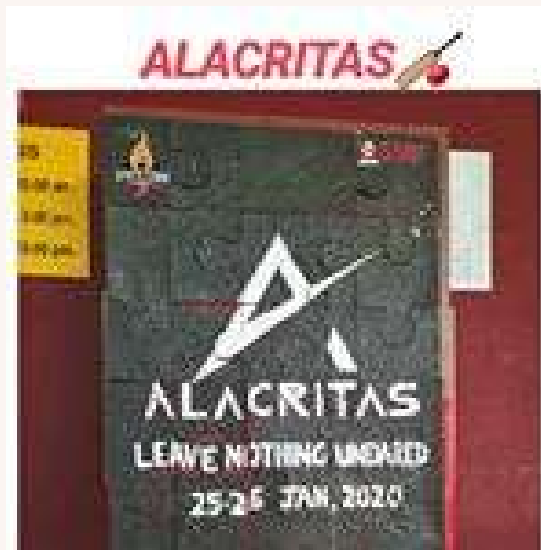
FOUNDATION DAY

Foundation Day- 10th September was the day, we, the family of Symbiosis School of Banking and Finance came together to celebrate the foundation of our institute, a day back in 2010, when the first and foremost stone of SSBF was laid. This day was marked special for the SSBF family, as it reflected the memories, the experiences and the achievements we had over these beautiful nine years. The day started with an alluring 'pookkalam' competition, where both the batches took part and made the college look like a doorway to heaven. A traditional Ganesh Puja brought in the positive vibes to start the celebrations and the decorations turned the college into a creative haven, with all the adornments. The delicious lunch was savoured by the students and staff, who were dressed in their best-looking traditional attires. The performances, the 'shero shayari' and the games were the highlights of the day. And of course, the celebration ended with those perfect selfies. In the end, foundation day is all about reminiscing the memories, preparing ourselves for the exciting times to come and many more milestones to achieve in the coming years.



ALACRITAS

ALACRITAS 2020 was the sports event organised by the sports committee of Symbiosis School of Banking and Finance for 2 days on Lavale hilltop ground exclusively for corporate players. It was interesting to watch corporates ditch their ties and brief-cases for their sports shoes. The teams grabbed every opportunity to be the best team at the Gentlemen's Sport. The event was a big hit with the participation of 10 teams. In this event of 2 days, tremendous exciting matches were witnessed which leave the crowd in awe most of the times. The event was appreciated by the participants and by many institutes. The event was full of adrenaline and thunder! The event was graced by Mr.Udit Birla, Dr. Ananya Panigrahi, Mr.Suyash Yadav and the guest of honour Mr.Satish Gaikwad.



SANGRAM

Sangram 6.0 – The flagship sports event of SSBF was held on 4th february 2020. Amidst the pleasant spring time, the heat of excitement rose to the zenith. The tagline for this year was “The Ultimate Faceoff”. Students and faculty got to showcase their talent in Squash, Football, Basketball, Badminton, Throwball, Cricket, Discuss and Kho-Kho. For the first time ever, a Sport Quiz Contest was included in Sangram, that tested participants on sports facts and knowledge. The Box Cricket League, an IPL style cricket tournament, was undoubtedly the biggest attraction of the event. It was played between ten teams over three days. Unlike other games where juniors and seniors competed against each other, the teams were a mix of both batches. The first Day of the event started with a bang. Faculty BCL was won by Team Don against Team Gama by 54 runs. Simultaneously in badminton, for boys, juniors took the title and for girls, the seniors beat the juniors. In squash, Seniors Boys won the match by 2-1. The juniors hit back with a win in discuss throw. Hence it was a tie. Day 2 began with vibes of sportsmanship and zeal. In basketball and throw ball, the seniors girls ruled and won by 28-4 and 2-0 respectively. This was compensated by the junior cricket team who beat their seniors by a shocking 139 runs. In the end it was the seniors who won Sangram 6.0. Day 3 was all about BCL semi-finals and final. Team Gabbar with their cricket skills, team work and dedication, beat every other team to win the much valued trophy. The students and the spectators turned up in large numbers to support their teams and enjoy the spirit and essence of sports and sportsmanship. The entire credit of organizing the event goes to the Sports Committee of SSBF who was responsible for execution of the entire event, right from planning the events and garnering sponsorship, to engaging in the hospitality of players and spectators. SSBF boasts of excellent sports infrastructure. Sports activities are widely encouraged at SSBF. As the grand sporting event came to an end, the sense of excitement was palpable in the air- excitement that translated into action, as teams put in their blood, sweat and tears on the big day. Blazing ambition coupled with relentless determination has always been a lethal combination, which was witnessed in Sangram 6.0. It was much evident that healthy competition, laced with tons of fun- that’s what Sangram was all about!



EXPERTS OPINION

Tête-à-Tête

with Mr. Vinod K Sharma, Head - Private Client Group & Capital Market Strategy

at HDFC securities and Prateek Rampuria, Student at SSBF (Batch 2018-20)

Dear readers,

In my conversation with Mr. VK Sharma, I had the profound privilege to discuss at length about the Indian economy, the capital markets position and specific characteristics that make our financial ecosystem one to be envied of by many economies and nations. The equity and commodities segment has seen a dramatic evolution, in a good way, has enabled deeper penetration of financial products and developing a preference for varied financial instruments for investments that deviates from the standard bank deposits or gold.

While debt market in India, in isolation, has further scope of spreading its wings into the horizons of the financial ecosystem, the mutual fund industry has harnessed unparalleled growth ratios in the past few years. The theme around India was, and still is revolving around consumption. With suitable demographic dividend and a prosperous technological, infrastructural, agricultural as well as manufacturing foresight, there is going to be a significant distribution of income in the hands of the poor and a shift to financial savings. With increasing personal expenditures, we will be able to monetize this factor for the spur in our growth trajectory.

Speaking particularly in terms of equity investments, in recent terms 2016-18 witnessed exemplary success of fresh capital raising issues which reflected a sense of confidence in our economy and capabilities. However, the risk in equity always prevails due to short term turbulence's that jitters the investor's confidence and behaviour. History has proven that a consistent and dedicated compilation of a fundamentally strong portfolio with conviction over long term (5 years, 10 years or plus, so on and so forth) has yielded fantastic returns that will shy away the returns of any other investible security.

The fundamental aspects are crucial for an investor to track of his companies. Return ratios, shareholding patterns and pledges, change in management or exchange of shares by promoters, status of fresh debt or existing repayments, competitive stance of the service or the product in its market, growth vision, historic performance and execution of plans by the company, contingency planning, etc. are just a few areas of focus amidst the constellation of factors that might impact your investment. For investors with a non-finance background or passive investors, mutual funds have played a pivotal role in utilising and managing their funds for short as well as long term growth objectives. Assigned fund managers, who are maestro in their field, handle varied portfolios that have different investment objectives. A risk-averse investor, for example, might opt for a hybrid plan that involves a mix of both equity investments and investments in debt securities whereas a high risk-taking investor might opt for a complete equity plan that may even be sectoral and not diversified. Ultimately, it completely depends upon the investor's risk appetite.

When we talk about the future, short term uncertainties for India will still join the dots towards a brighter upswing. With policies to nurture business, reduce red-tapism, increase transparency with the advent of technology as well as structuring of regulations, there will be an economic transformation leading to reduction in import dependency vis-a-vis containment or reduction of Current Account Deficit in a long run, expanding employment opportunities and a positive and booming growth environment.



Mr Vinod K Sharma and Prateek Rampuria

Cryptocurrency: A look into its Model and the Indian Scenario

There is no doubt that the information age and information technology have created many golden opportunities in several respects. One of the platforms that benefit from this technology and the internet is the financial and business sectors. One of the best financial practices that have emerged over the past few years is Cryptocurrency. A cryptocurrency (CC) can be defined as any form of exchange, other than real-world currency, which can be used in many financial transactions whether it is a physical or real transaction.

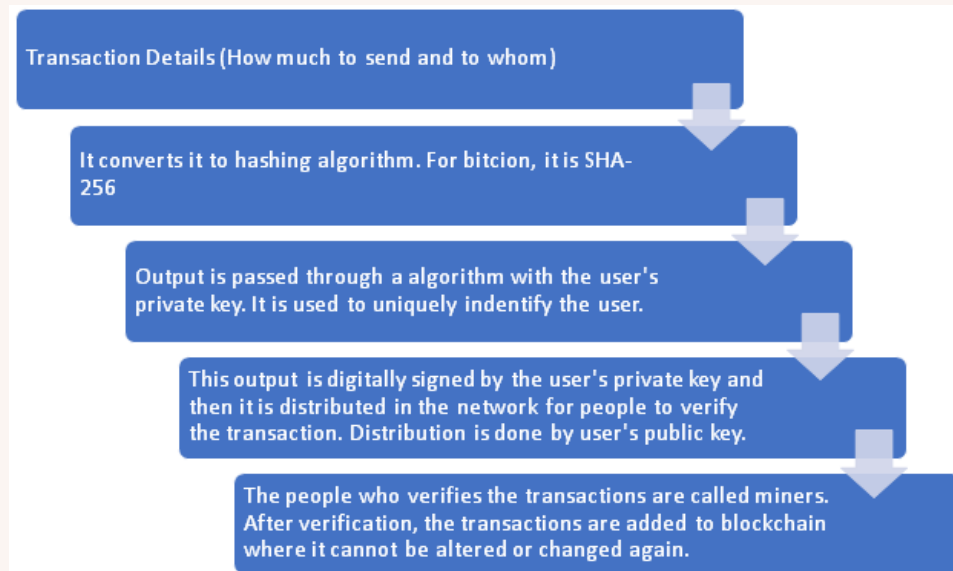
It all started in 2009 when the "Satoshi Nakamoto's White Paper" first coined the word cryptocurrency which is soon after the crisis of 2008 and people were started to doubt the working of banks. A cryptocurrency is a digital or virtual currency that is meant to be a medium of exchange. The White Paper talked about the cryptocurrency called Bitcoin. There's a limit to how many units can exist. I.e. for bitcoin, it is 21 million. The cryptocurrency has its independent control system, it operates independently and has no central authority. In another term, it's decentralized. Some of the characteristics of the cryptocurrency are as follows:

- There's a limit to how many units can exist
- It easily verifies the transfer of funds. For example it takes 10 minutes for a transaction to happen in bitcoin and 20 seconds for a transaction in ethereum.
- It has no central authority.
- It has little to no transaction cost.
- 24/7 access to money
- There's no limit on purchase and withdrawals as the banking system.
- Anyone can use the system
- International transactions are faster.



The Model of Crypto:

Cryptocurrency works on cryptography and blockchain technology. Cryptography is a method of using encryption and decryption to secure communication in the presence of a third party. To understand the model of how it works, we will take bitcoin in our example.



Major Cryptocurrencies use blockchain technology which is nothing but a technology that involves

transactions being added to a container called a block or creating a chain of blocks in which is not possible to further alter the data. These whole processes are carried by miners. Currency is mined using a method called proof-of-work which is a form of mathematical puzzle that needs to be solved

before a block can be added to the blockchain. Bitcoin is a fully digital currency and one can exchange bitcoins between computers, a worldwide peer to peer network. The whole point of most peer to peer networks is sharing stuff, like letting people make copies of super legal music or movies to download. But

if it's a peer to peer network and you can share, what's stop us from making a bunch of counterfeit copies and be fabulously wealthy. The answer is again blockchain. Blockchain records every single bitcoin transaction that has ever happened. So when you are sending someone bitcoins, it's not like you're sending them a bunch of files. Instead, you're writing the exchange down on that big ledger- Something like for example, "Kevin sends Vaishnav 5 bitcoins." Blockchain is a central record

with no official group of people who update the ledger every time and keep a track of everybody's money as a bank does. This is where it's called decentralized. But here the question arises that if thousands of people are separately maintaining the bitcoin blockchain, how the ledgers are kept in sync?

There are lots of volunteers keeping ledgers so when someone wants to send or receive bitcoins, one needs to announce it to everyone so that people keeping track can update their ledger. For every transaction, one announces three things to the network:

- Account No of the sender
- Account No of the receiver
- No of bitcoins in the transaction

This in technical terms is done by the user's private and public key. Private Key signs the data (mark it) and the public key sends its signed data to the network. So if the public key works, that is the proof the message or data was signed by the private key.

Once the confirmation of a successful transaction, a transaction can't be reversed. By nobody and nobody means nobody. Not you, not your bank, not the president of the United States, not Satoshi, not your miner.

The Indian Scenario:

With a population of 1.3 billion people, India is the market for almost everything. With almost 40 percent of the population connected to telecom and internet services, Bitcoin and other cryptocurrencies have been operating within the country for the last few years now. Since 2012-13, Bitcoin transactions started to take place in the country. This was a very naïve and early-stage development of bitcoins in India. By the end of 2013, Bitcoin started to gain a level of popularity that was spreading across many countries. Few businesses began to accept Bitcoin payment. A pizza shop called Kolonial in the Worli area of Mumbai became the first restaurant service in India to accept Bitcoin payments. In a short space of time, cryptocurrency exchanges began to give services within the country. Pioneers like BtcxIndia, Unocoin, etc began offering cryptocurrency exchange and trading services in India. In the meantime, others like Zebpay, Koinex, and Bitcoin-India were added to the list. With the expansion of services by crypto trading and exchange platforms, the crypto market in India has grown from its modest level in 2013 to what it is today. Apart from these online exchanges, there are also several over-the-counter (OTC) crypto shops in the country.

On November 8, 2016,

Prime Minister Narendra Modi announced demonetization. This move made 86 percent of the paper currency worth no use. Rich people thought of a new way to seize that wealth without incurring significant tax burdens and government raids. It became a common practice for some to buy large orders for Bitcoin or other cryptocurrencies and sell them the next day. Indians also realized that the "real" money is valueless if it's not backed by anything. Alternative models of currency started to gain momentum in this period. The 2016 demonetization policy somewhere helped in the emergence of the cryptocurrency market in India.

Despite having a huge population, India only holds almost 2 percent of the global cryptocurrency market. This is because that the Reserve Bank of India has never promoted the digital currency. There is a lack of mining facilities, strict government laws disrupting the expansion of cryptocurrency. The Reserve Bank of India (RBI) has been consistent in warning citizens of the risk associated with cryptocurrencies. While the government of the country hasn't exactly been endorsing it. With the Supreme Court overruling RBI's decision to ban Cryptocurrency and allowing the trade, the coming years will reveal the trend in which the crypto market will move as far as India is concerned

- Kevin Vaishnav

Franklin Templeton a nightmare for investors, many more to happen

On 23rd April, Franklin Templeton Mutual Fund announced its decision to wind up six debt schemes with a combined asset base exceeding Rs 25,000 crore. The fund house said that redemption pressures, coupled with reduced liquidity in the bond markets, had compelled it to take this decision. The Association of Mutual Funds of India (AMFI) has sought to quell the panic, assuring investors that a significant share of fixed income fund assets is invested in superior credit quality securities, and that the schemes have liquidity to ensure normal operations. While this may well end up being a localised event, there are concerns over its possible ripple effects. This event could lead to risk aversion on the part of both investors as well as fund managers. Risk averse investors may rush to withdraw from similar funds, while fund managers may now prefer the safety of more liquid higher rated paper, leading to further stress in the bond markets.

Over the past month, investors have pulled out billions from debt funds, as fears that the disruption in economic activity caused by the lockdown will impair the ability of corporates to service their debt obligations, have gained traction. This surge in redemptions has created liquidity issues for fund houses. The Franklin Templeton schemes were largely directed towards high-yield instruments. In the current environment of risk aversion, finding buyers for low-grade credit papers is a daunting task. And even if it did find buyers, it would have had to take huge haircuts. Debt funds are a key source of funding of corporates. And if the redemption pressure builds up, and they are unable to offload their portfolios in the market, or their borrowings are not sufficient to cover their obligations — SEBI has imposed a limit of 20 per cent of assets under management for such loans — then funding to corporates will come under severe strain. Credit flows beyond the higher investment grade firms are likely to come under pressure, and liquidity issues may slowly go into solvency issues.



The results of the latest round of the RBI's targeted long-term repo operations suggest banks are unwilling to take on credit risk. Who will then take on the credit risk? To begin with, the Reserve Bank of India should consider providing direct liquidity to intermediaries, perhaps along the lines of what was done during the financial crisis of 2008-09. The costs of intervening early are less than the price of delayed action.

Franklin Templeton Mutual Fund on 8th May tendered an unconditional apology to the market regulator SEBI for its senior official's comment that sudden regulatory changes were to be blamed for its sudden decision to wind up six debt mutual fund schemes. The fund house claimed that media outlets quoted Jenny Johnson, president & CEO, Franklin Templeton, out of context, before offering an apology to the market watchdog.

The main reason behind this wind up is SEBI's new guidelines of capping mutual fund exposure to unlisted NCDs at 10% of fund corpus. But fund had invested in these securities an ample amount of fund in October, 2019 and many redemptions was taking place which had put fund house into liquidity crisis. Analyst forecasted that investors would lose around 20% of money in these 6 debt schemes.

Analysts fear that the effects of the coronavirus are only beginning to play out in the financial sector and that more stories like this will continue to emerge. Mutual funds have been a significant source of investment in India's markets since 2016, and any changes to those trends could have a number of side-effects for companies hoping to raise money.

- Jimir Doshi

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