



FrankBanker
Idea Exchange for Bankers

21st May 2022



ISSUE 17

LATEST FACTS

Repo : 4.40% | Rev Repo: 3.35% | Fx Reserves: \$593.279 ▼

CPI Inflation : 7.79% (Apr 22) | GDP Growth: 5.4% (Oct-Dec21)

Bitcoin: ₹24,89,121.40 ▼ | Ethereum : ₹1,88,676.75 ▼

Brent Crude : \$112.91 ▲ | USD/INR: ₹77.70 ▼

INSIDE



- RBI Actions this week
- **What is DAO?**
- **Fall in Cryptos -Bitcoin and Ethereum**
- **Food Processing industry**
- **Fintech and Banking News**



RBI ACTIONS

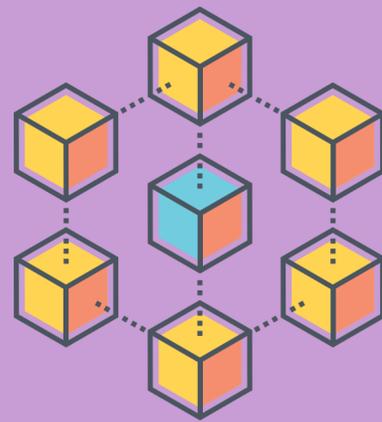


- RBI asked Banks to offer **Interoperable Card-less Cash Withdrawal (ICCW)** . NPCI was advised to support using UPI platform. *This will provide momentum to options like mobile based withdrawals or QR code based ATM transactions*
- Due to challenges faced by exporters in getting payments, the RBI announced a **trade settlement in INR with Sri Lanka outside the ACU process**. *Asian Clearing Union (ACU) is a settlement mechanism where underlying currencies are settled as Asian Monetary Unit (AMU) or 'ACU Dollar'*
- RBI found 6 applications for Universal and SFB licenses, unsuitable. This includes applications by Repco Bank, Sachin Bansal and UAE Exchange. *However 5 more applications are still under consideration*

INFO STORY

What is DAO?

1/2



- **Decentralized Autonomous Organisations** are internet-native member-owned communities without any centralized leadership
- The treasuries of DOA are in Crypto and financial transactions and rules are encoded on a **blockchain** using **Smart Contracts**
- These can be considered as 'companies' but free from any outside influence including that of Government and regulators.
- The concept was first proposed in 2016 with *Genesis DAO* on Ethereum blockchain

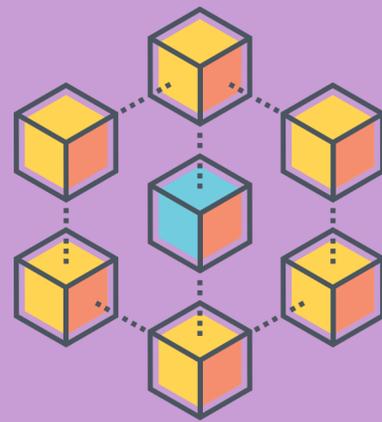
How is a DAO created?

- **Create Smart Contract:** DAO's developers create Smart Contract(s) that govern and define its objectives
- **Raise funds:** DAOs rely on a common currency cache raised from their members. People who believe in its objective purchase a tokens in exchange for a stake
- **Launch:** The code for the DAO is put on blockchain. The project is now no longer under the control of original developers and can only be amended by stakeholders voting together (consensus).

INFO STORY

What is DAO?

2/2



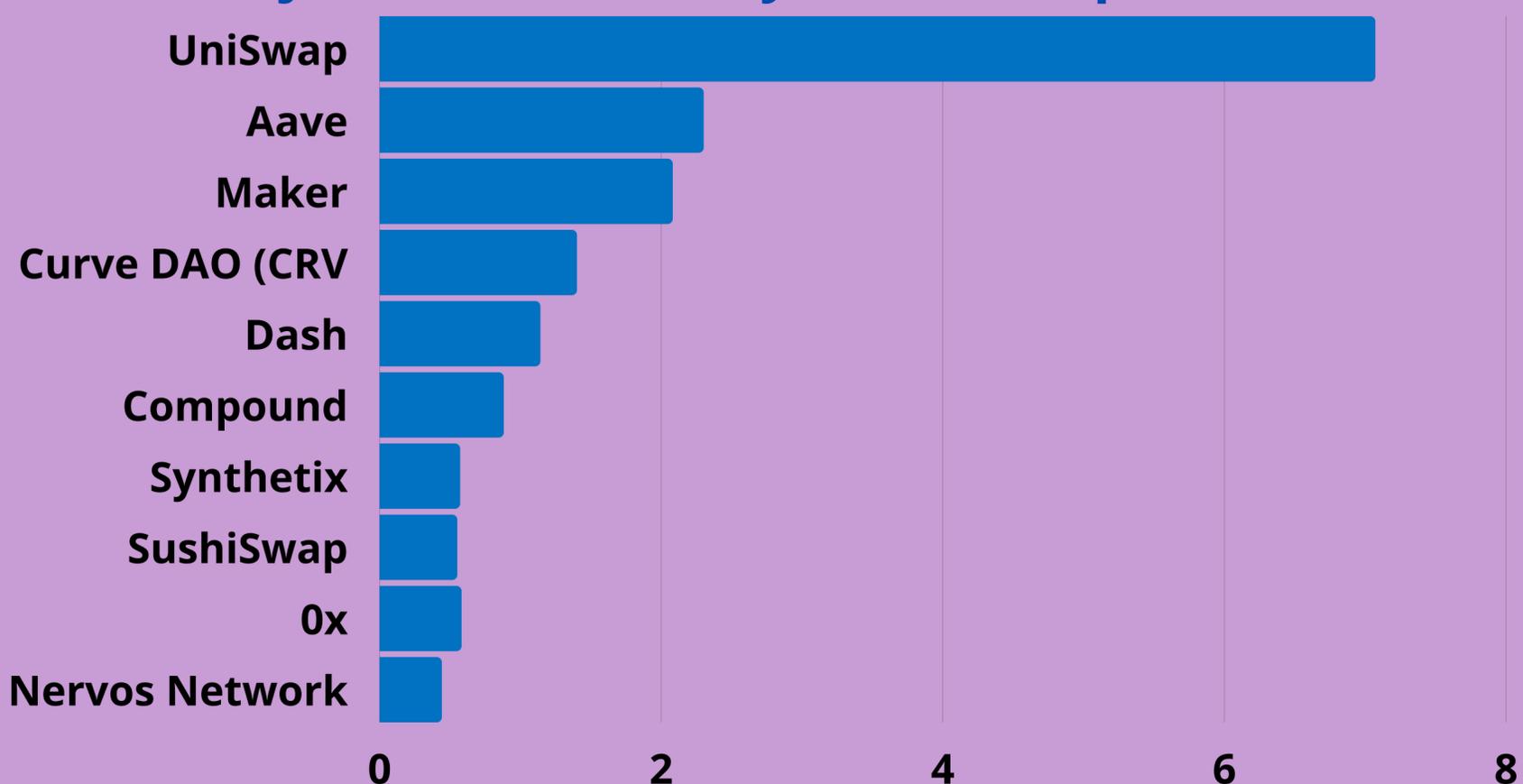
DAO use cases

- **Social cause/Charity:** Members collectively decide the causes they want to support the world over
- **Resource Sharing:** A DAO of service providers can pool funds for sharing office space, softwares etc
- **Venture Capital:** Members pool investment capital and vote on ventures to back. Returns are redistributed amongst DAO-members

Issues with DAOs

- **No legal status** in most jurisdictions
- **Cyber attacks** : 'The DAO', a Ethereum based VC, was hacked and drained of \$50 Mn

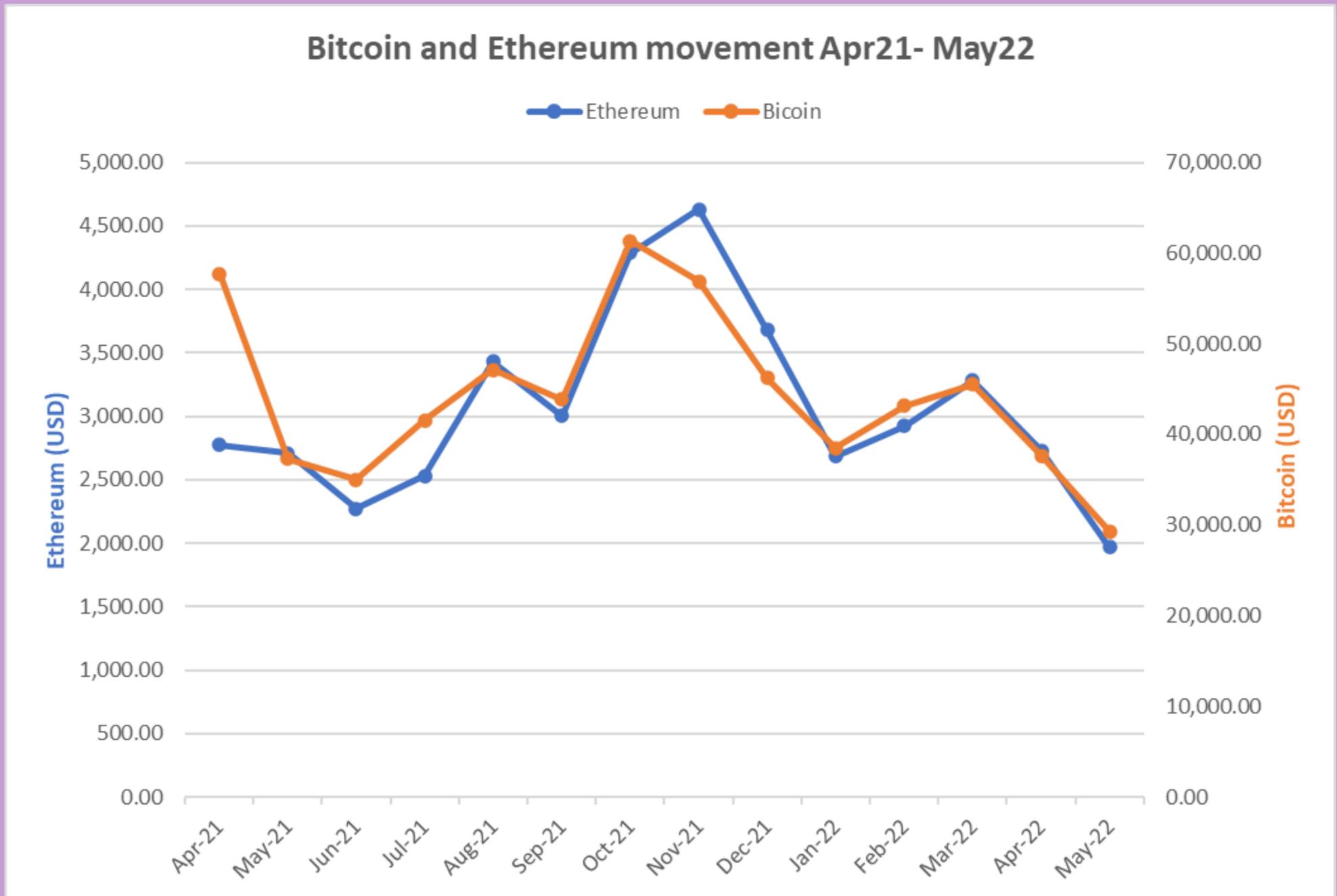
Major DAO Tokens by Market Cap (\$ Bn)



DATA STORY



Fall in Cryptos: *Bitcoin and Ethereum*



- While the graph may look similar, **Bitcoin has dipped by 49%** while Ethereum has dropped by 29% during Apr 21- May 22
- Comparing from **Peak levels** in October and November 21, the fall is more drastic in Ethereum (57%) compared to Bitcoin (48%)
- If Crypto movements are any indication of sentiment, it seems mood has turned negative since March 22



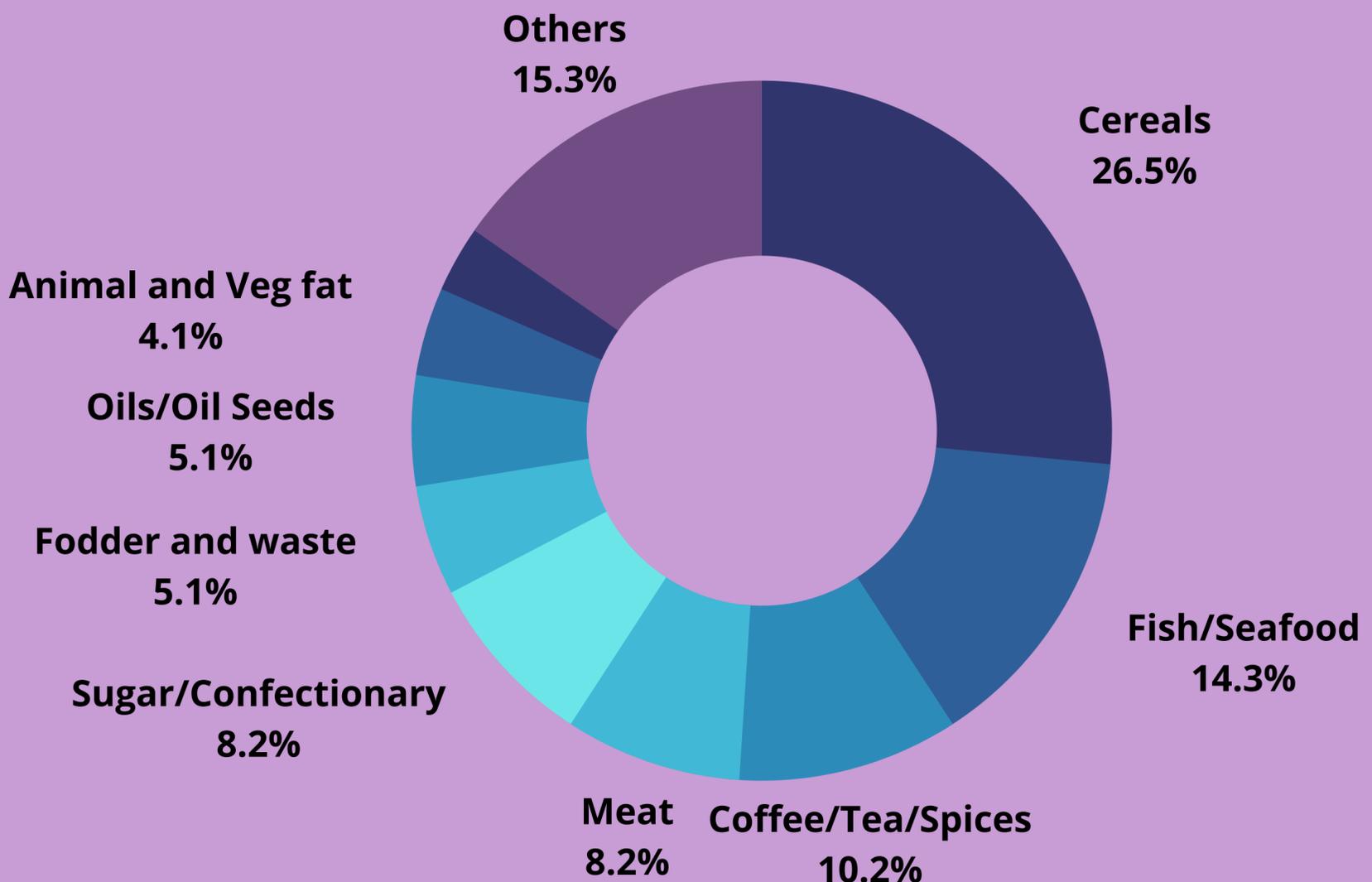
SECTOR STORY

Food Processing Sector 1/2

• Key Stats

- India's food processing industry ranks 5th in terms of output, consumption, and exports
- Accounts for 12.8% of India's manufacturing GDP, 11.6% of total employment, and 10.4% of exports.
- Predicted to reach USD 535 billion by 2025-26, with an annual growth rate of more than 10%
- Processed food **exports** grew from \$5.2 Bn in FY18 to \$8.5 Bn in FY21. Interestingly, **imports** decreased from \$2.9 Bn to \$2.7 Bn during same period

Break up of Food Exports (20-21)

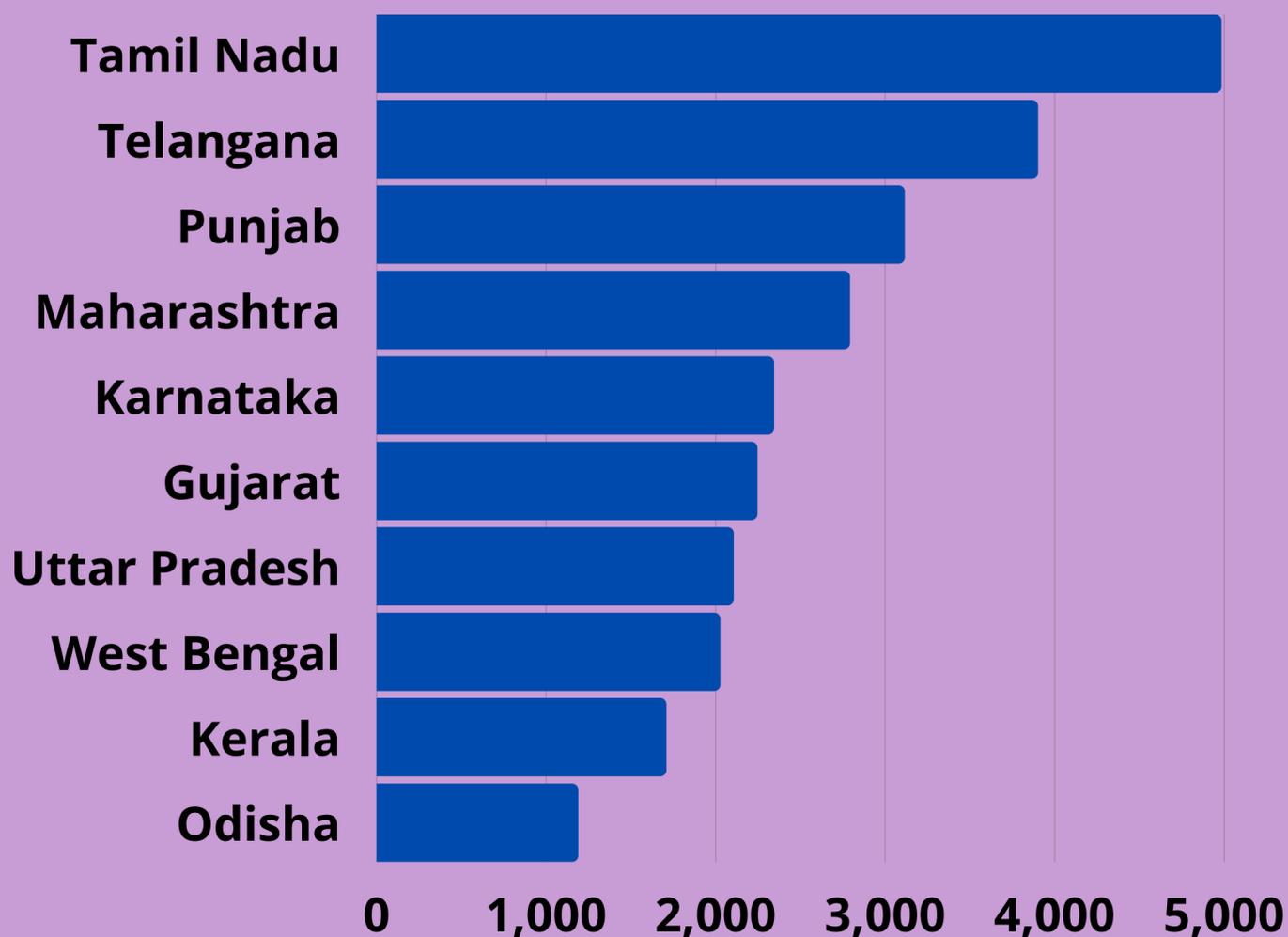




SECTOR STORY

Food processing industry 2/2

- **FDI Policy:** 100% FDI is permitted under automatic route in food processing. *India received FDI of \$393.4 Mn in FY21 despite the pandemic. It went as high as was \$904.9 in FY18*
- **PLI Scheme** for 2021-22 to 2026-27 with an outlay of ₹10,900 crore
- **Top states** based on registered Food Processing Entities



However, number of **unregistered entities** is much larger. For eg. UP has 3.5 Lakhs, WB has 3.2 Lakhs and Maharashtra has 2.3 Lakh unincorporated entities.



FINTECH NEWS

- **PhonePe** plans to acquire two wealth tech platforms, WealthDesk and Quantech Capital Investment Advisors (OpenQ), for \$70-80 Million
- **Innoviti**, a merchant payment solution provider, raised \$80 Mn in Series D funding
- Investment firm **SustVest**, which provides opportunity of fractional ownership in Sustainable energy, raised \$160,000 from angel investors
- **Multipl**, a fintech that encourages granular savings to its users, raised \$3 Mn Pre-Series A round led by Kotak Securities, Blume Ventures, GrowX Ventures, and IIFL

LATEST IN BANKING



- **IDBI Bank divested** its 25% stake in life insurer Ageas Federal Life Insurance for Rs 580 crore to Ageas Insurance International. It also sold its **19% share in ARCIL** to Avenue India Resurgence Pte
- **HDFC Bank** announced creation of a Rural Banking vertical and 1,060 branches in semi-urban and rural areas this year
- **New Development Bank (NDB)** or BRICS Bank announced plans to open Regional Office of India at GIFT City
- CBI filed FIR against Amrapali Leisure Valley Developers Pvt Ltd and its director for allegedly cheating Bank of Maharashtra and Andhra Bank for over ₹230 crore

LET'S KEEP LEARNING



TERM OF THE WEEK

- **Net Working Capital (NWC)** is a measure of a company's liquidity and capacity to satisfy short-term obligations
- It can be seen as a portion of Current Assets that are funded from long term sources.
- It can be calculated as
 - **Long term sources - Long term Applications**
 - **Current Assets - Current Liabilities**
- The benchmark of NWC is set as a % of Total Current Assets (TCA). Generally, NWC of 20-25% of TCA is considered to be good
- It closely relates to Current Ratio. For eg. if the NWC is benchmark is 20% of TCA, the benchmark Current Ratio will be 1.25

Announcement

We are pleased to launch

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