

EXIM:RTI:2021:127

June 24, 2021

श्री जय बुच

Mr. Jay Buch

के 4 चन्द्रगुप्त अपार्टमेंट

K-4 ,CHANDRAGUPTA APARTMENT

शहजनांद कॉलेज के पिछे

BEHIND SAHAJANAND COLLEGE

अहमदाबाद पिन 380015

AHMEDABAD, Pin:380015

महोदय Sir,

**सूचना का अधिकार अधिनियम, 2005 के तहत जानकारी मांगने के लिए श्रीजय बुच का आवेदन पत्र  
RTI Application of Mr. Jay Buch, regarding information under the Right to  
Information Act, 2005**

<p>1. हम आपके ऑनलाइन आरटीआई आवेदन पत्र संख्या ईएक्सआईबीआई/आर/ई/21/000127 दिनांकित 26 मई 2021 का संदर्भ देते हैं। ऑनलाइन आवेदन पत्र के संदर्भ में, सूचना का अधिकार अधिनियम, 2005 (आर टी आई एक्ट) के तहत आपके द्वारा कुछ जानकारी मांगी है।</p>	<p>1. Reference is invited to your online RTI application no. EXIBI/R/E/21/000127 dated May 26, 2021. In terms of the online application, you have requested for certain information under the Right to Information Act, 2005 (RTI Act).</p>
<p>2. तदनुसार, आरटीआई अधिनियम द्वारा निर्दिष्ट अनुसार तथा 30 दिनों के अंदर जवाब देने की समय सीमा के अंदर, आपके द्वारा माँगी गई जानकारी अनुलग्नक में दी गई है।</p>	<p>2. Accordingly, as specified by the RTI Act and within the 30 days permitted for response, the information requested by you is given at <b>Annexure</b>.</p>
<p>3. यदि आप इस उत्तर से संतुष्ट नहीं हैं, तो इस पत्र के प्राप्त होने के 30 दिनों के अंदर सूचना का अधिकार अधिनियम के अंतर्गत इस लेटर हेड पर दिए गए पते पर सुश्री मंजरी भालेराव, मुख्य महाप्रबंधक तथा एक्ज़िम बैंक के प्रथम अपील प्राधिकारी को अपील कर सकते हैं।</p>	<p>3. Should you wish to prefer an appeal, arising from this response, you may do so within 30 days of receipt of this letter, addressing your appeal to Ms. Manjiri Bhalerao, Chief General Manager and First Appellate Authority of Exim Bank under the RTI Act, at the address stated on the letterhead.</p>

भवदीय Yours faithfully,



(उदय शिंदे Uday Shinde)

केन्द्रीय लोक सूचना अधिकारी

Central Public Information Officer



Ref. Letter No. EXIM:RTI:2021:127, dated June 24, 2021

**Annexure**

<b>Question</b>	<b>Answer</b>
My name is jay buch and the registration number for exim bank management trainee recruitment is 270002535	
Please provide me evaluated copy of my answersheet of the exam held in month of January 2021	Answer sheet is attached as Annexure I
I also request you to provide my score in interview	9
Please provide cut off of written exam, interview and overall cut off for the stream in which I had applied(i.e. corporate loans).	Cut off in enquired stream is as under:  Written: General : 45 Reserved : 40  Overall cutoff for selected candidate: 47.4 #

# To arrive at combined score, 80% weightage was given for written test and 20% for interview.

Q.1 Which one of the following is not an instrument of monetary policy?

- A  Open market operations
- B  Liquidity adjustment facility
- C  Selective credit control
- D  Government spending

60%  
Correct  
96%  
Attempted

Q.2 Which of these following statements related to an arbitrage in financial instruments is INCORRECT?

- A  Arbitrage is an operation in which one can make risk free profits
- B  Arbitrage can occur in exchange rates also
- C  Arbitrage opportunities are very common in present times given the efficient communication system
- D  None of the above

39%  
Correct  
93%  
Attempted



Q.3 Can ECB proceeds be used by resident borrowers for investment in their overseas JV/WOS?

- A  ECB proceeds can be utilized for overseas investment in JV and / or WOS
- B  ECB proceeds cannot be utilized for overseas investment in JV or WOS
- C  ECB proceeds cannot be utilized for overseas investment in JV but can be utilised for overseas investment in WOS
- D  ECB proceeds cannot be utilized for overseas investment in WOS but can be utilised for overseas investment in JV

40%  
Correct

87%  
Attempted

Q.4 Which of the following trade agreements is India NOT part of?

- A  South Asia Free Trade Agreement (SAFTA)
- B  Asia Pacific Trade agreement (APTA)
- C  Regional Comprehensive Economic Partnership (RCEP)
- D  South Asian Association of Regional Co-operation (SAARC) agreement on Trade in Services

72%  
Correct

94%  
Attempted

Q.5 Under section 13(2) of SARFAESI, the secured creditor must give notice \_\_\_\_\_ days' to the defaulting borrower prior to enforcing the security interest

- A  30
- B  45
- C  60
- D  90

40%  
Correct

94%  
Attempted

Q.6 Variable Cost and Sale Price remaining the same, a rise in fixed cost results in

- A  Higher Break Even Point
- B  Lower Break Even Point
- C  No Change in Break Even Point
- D  None of the above

63%  
Correct

95%  
Attempted

Q.7 A loan account was declared as NPA on 25.09.2020. Since then, the account has continued to remain as NPA. As on 30.09.2021, as per IRAC norms, the loan account will be classified as

- A  Substandard asset
- B  Doubtful asset
- C  Loss asset
- D  Stressed asset

41%  
Correct

95%  
Attempted

Q.8 A bank suffers loss due to adverse market movement of a security. The security was however held beyond the defeasance period. What is the type of risk the Bank has suffered?

19%



- A  Market Risk
- B  Market Liquidation Risk
- C  Credit Risk
- D  Operational Risk

Correct  
95%  
Attempted

Q.9 When exchange of currencies takes place on T+1 basis, it is known as

- A  SPOT
- B  TOM
- C  CASH
- D  READY

35%  
Correct  
95%  
Attempted

Q.10 The borrower has transferred the mortgage property in the name of lending bank with the condition that it will be re-transferred to the borrower on repayment of the loan. This is an example of

- A  English mortgage
- B  Registered Mortgage
- C  Simple mortgage
- D  Mortgage by conditional sale

11%  
Correct  
94%  
Attempted

Q.11 IAS 2 permits the following methods for valuation of inventory

- A  FIFO
- B  LIFO
- C  Weighted Average Cost method
- D  (a) and (c)

70%  
Correct  
95%  
Attempted

Q.12 Which of the following is an INCORRECT statement?

- A  The Effective yield on G-SECs depends on the issue price
- B  Maturity period of G-SECs can be between 1 to 40 years
- C  T-bills are coupon bearing securities
- D  T-Bills are issued in three maturities of 91 days, 182 days and 364 days

39%  
Correct  
92%  
Attempted

Q.13 ABC Ltd.'s outstanding trade receivables as on March 31, 2019 was INR 110 crore. The trade receivables as on March 31, 2020 was INR 150 crore. How will this movement of trade receivables impact the net Cash flows from operating activities in FY 2019-20?

- A  An increase in Net operating cash flows by INR 40 crore
- B  Does not have any impact on the operating cash flows
- C  A decrease in Net operating cash flows by INR 40 crore

45%  
Correct  
92%  
Attempted



D  Data not adequate to determine the standalone impact of receivables.

Q.14 A loan account will be classified as NPA if \_\_\_\_\_ remain(s) unpaid for more than 90 days

- A  Interest
- B  Principal Instalment
- C  (a) and (b)
- D  (a) or (b)

30%  
Correct  
96%  
Attempted

Q.15 XYZ Ltd considers launching a new product. The Company plans to sell the product at INR 125 per product and the marketing team informed that they can sell 500 products per month. The Company estimates the fixed costs in the first year will be INR 2 lakh and the variable costs per product in the first year is INR 75. If there is no other income for the Company other than from the proposed sale of the product, will the Company achieve break even sales in the first year with the estimate given by their marketing team?

- A  No, the Company won't achieve break even in the first year
- B  Yes, the Company will achieve break even in the first year
- C  Cannot be determined with the available data
- D  No, if the depreciation expense in the first year is more than INR 1 lakh.

49%  
Correct  
91%  
Attempted

Q.16 Borrowing powers of a company are mentioned in

- A  Articles of Association
- B  Memorandum of Association
- C  As per rules framed by Registrar of Companies
- D  None of the above

35%  
Correct  
96%  
Attempted

Q.17 Which statement about calculation of IRR is true?

- A  It does not take into consideration the timing of cash flows
- B  It assumes that all future cash flows are reinvested at IRR
- C  While assessing 2 different projects, a project with higher IRR is better irrespective of size of both the projects
- D  For wealth maximization, IRR of the project should be less than the cost of capital

33%  
Correct  
94%  
Attempted

Q.18 While calculating the DSCR and ICR for a Company, you notice that both ICR and DSCR are same. This implies the which of the following?

- A  There are no Non-cash revenue or expenses during that year
- B  Depreciation for the year is zero.
- C  There is no debt repayment in the year
- D  Interest for the year is zero and the Company has not availed working capital financing.



41%  
Correct  
89%  
Attempted

Q.19 In IBC, who approves the resolution plan?

- A  Committee of Creditors
- B  Insolvency Professional
- C  Adjudicating Authority
- D  Insolvency and Bankruptcy Board of India

43%  
Correct  
94%  
Attempted

Q.20 Which one of the following statements is correct about Index of Industrial Production (IIP)?

- (i) IIP is an economic Index that tracks the manufacturing and service activity in different sectors of economy
- (ii) IIP in India is compiled and published by Central Statistical Organization every month.
- (iii) IIP provides data of eight core sectors
- (iv) The base year for calculation of IIP is 2014-15

- A  All the above statements are correct
- B  Only i, ii, and iii are correct
- C  Only ii & iii are correct
- D  Only ii, iii & iv are correct.

19%  
Correct  
89%  
Attempted

Q.21 In case of direct quotation, if the forward rate is more than spot rate, the base currency is at

- A  Discount
- B  Premium
- C  At par
- D  Non of the above

58%  
Correct  
95%  
Attempted

Q.22 During FY 2019-20, which of the following items under manufacturing goods sector, had the highest share in India's exports?

- A  Gems and Jewellery
- B  Engineering goods
- C  Pharma
- D  Iron and Steel

32%  
Correct  
95%  
Attempted

Q.23 As a credit officer, you have assessed a project which involves immediate cash outflows followed by series of cash inflows for the next 5 years. You have calculated the NPV and IRR of the project. However, later it was understood that the discounting rate used for calculation is less and it should be higher. What will be the impact of revising the discount rate now, over the previously calculated NPV and IRR?

- A  Increase in NPV and no change in IRR
- B  Increase in NPV and decrease in IRR
- C  Decrease in NPV and increase in IRR
- D  Decrease in NPV and no change in IRR

23%  
Correct  
92%  
Attempted



Q.24 With which of the following country does India have positive trade balance?

- A  China
- B  USA
- C  Saudi Arabia
- D  Australia

55%  
Correct  
96%  
Attempted

Q.25 An investment by way of contribution to the capital or subscription to the Memorandum of a foreign entity or by way of purchase of existing shares of a foreign entity, signifying a long-term interest in the foreign entity is known as

- A  Overseas Direct Investment
- B  Overseas Portfolio Investment
- C  Overseas Company investment
- D  Overseas Institutional Investment

52%  
Correct  
93%  
Attempted

Q.26 Which of the following is not a money market investment?

- A  Commercial Paper
- B  Treasury Bills
- C  Certificate of Deposit
- D  Debentures

78%  
Correct  
96%  
Attempted

Q.27 The following institution helps exporter by providing insurance against the credit risk for his exports

- A  Export-Import Bank of India
- B  ECGC Ltd
- C  General Insurance Corporation (GIC) of India
- D  Life Insurance Corporation of India (LIC) Ltd

61%  
Correct  
96%  
Attempted

Q.28 The following component is the highest contributor to Foreign exchange reserves of India

- A  Gold reserves
- B  Special Drawing rights
- C  Foreign Currency Assets
- D  Reserve Position in the IMF

49%  
Correct  
95%  
Attempted

Q.29 India's first International Financial services centre is located near

- A  Mumbai
- B  Ahmedabad



52%  
Correct  
96%  
Attempted



C  New Delhi

D  Bangalore

Q.30 IEC number is required for:

- A  Import of capital goods by Government Department
- B  Filing of bill of entry with customs
- C  Undertaking any export or import transaction
- D  Receiving gift from relatives abroad.

13%  
Correct  
95%  
Attempted

Q.31 What is the share of service sector in total size of the India's economy (GVA)?

- A  0.55
- B  0.4
- C  0.65
- D  0.3

57%  
Correct  
95%  
Attempted

Q.32 Sale of Transmission Towers by XYZ Ltd, Mumbai to Gujarat Energy Transmission Corporation Limited (GETCO), under a World Bank funded project, will be categorised as:

- A  Domestic Sales
- B  Merchant exports
- C  Deemed exports
- D  Global Sales

25%  
Correct  
93%  
Attempted

Q.33 ABC Bank, expects fall in price of security if it sells in the market. What type of risk the Bank is facing?

- A  Operational Risk
- B  Market Liquidity Risk
- C  Market Risk
- D  Asset Liquidation Risk

45%  
Correct  
96%  
Attempted

Q.34 Prepaid interest is treated as:

- A  Asset
- B  Liability
- C  Revenue
- D  Deferred Expense

75%  
Correct  
96%  
Attempted



Which one of the below is not the objective & function of Export-Import Bank of India?

Q.35

- A  Globalisation of Indian Business
- X** B  Finance for Grass-root enterprises
- C  Outline and suggest strategies to Indian states for development of trade competitiveness
- ✓** D  Policy guidelines to RBI for inflation targeting and thereby promote manufacturing of export goods

29%  
Correct  
95%  
Attempted

Q.36 Retained earnings will change over time because of several factors. Which of the following factors would explain a decrease in retained earnings?

- ✓** A  Net loss
- B  Deferred Tax liability
- C  Dividend Earned
- D  Investments by stockholders

54%  
Correct  
95%  
Attempted

Q.37 Why might a 'confirming bank' be used in a letter of credit? To confirm that:

- A  Adequate insurance exists while the goods are in transit.
- X** B  The exporter will pay on the due date.
- C  The goods are of acceptable quality.
- ✓** D  It will meet the obligations of the Issuing Bank, if required.

59%  
Correct  
95%  
Attempted

Q.38 Government of India, through Export-Import Bank of India finances sovereign Government to enable buyers in those countries to import developmental and infrastructure projects, equipment, goods and services from India, on deferred credit terms. The name of the financial product is

- ✓** A  Line of Credit
- B  Sovereign Credit line
- C  Suppliers credit
- D  Inter-Government credit

33%  
Correct  
94%  
Attempted

Q.39 An importer wishes to have sufficient time to sell goods, before making payment, whilst the exporter wishes to have certainty of payment after shipment of goods. Which method of payment would be preferable to the importer?

- A  Documentary collection payable at sight.
- B  Documentary collection payable 120 days sight.
- ✓** C  Documentary credit payable 120 days from shipment.
- D  50% payment in advance and the balance paid 120 days after the shipment.

36%  
Correct  
92%  
Attempted

Q.40 Which of the following is/are the functions of CERSAI

- A  Checks frauds in unsecured lending
- ✓** B  Maintains registry of equitable mortgages



29%  
Correct  
93%

- C  Recovery of dues through enforcement of security
- D  None of the above



Attempted

Q. This Question is Compulsory to Attempt

1. Analyse the financial statements at Annexure and write down the formula (with its sub components and respective values ), to be used in the numerator and denominator for calculation of the following ratios. (10 marks)

	As At March 31, 2020 (Rs. million)	As At March 31, 2019 (Rs. million)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	21,044.95	25,740.05
Intangible assets	220.87	272.95
Financial assets	49.29	558.55
Right-of-use assets	144.22	-
Intangible assets under development	76.54	13.58
Equity investments	9,044.79	8,442.06
Financial assets		
- Debt funds	2,238.42	2,202.55
- Cash	0.67	0.05
- Other financial assets	685.74	379.93
Non-current tax assets	571.29	396.79
Other non-current assets	18.27	295.21
<b>Total non-current assets</b>	<b>38,768.25</b>	<b>38,201.19</b>
<b>Current assets</b>		
Inventories	10,564.9	8,924.65
Financial assets		
- Investments	2,718.26	146.06
- Trade receivables	7,542.50	8,459.27
- Cash and cash equivalents	612.40	725.19
- Bank balances other than cash and cash equivalents above	184.31	99.53
- Loans	97.83	7.46
- Other financial assets	2,697.23	4,253.62
Other current assets	1,527.27	1,827.91
<b>Total current assets</b>	<b>25,443.99</b>	<b>24,437.64</b>
<b>Total assets</b>	<b>62,212.24</b>	<b>62,638.83</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity Share Capital	1,004.73	1,004.73
Other equity		
- Reserves and surplus	27,066.55	23,886.60
- Other reserves	(1.00)	4.57
<b>Total equity</b>	<b>28,070.28</b>	<b>24,895.90</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Financial liabilities		
- Borrowings	7,665.77	12,500.50
- Lease liabilities	104.26	-
- Other financial liabilities	33.75	34.23
Non-current tax liabilities	1,517.35	1,323.85
Deferred tax liabilities (net)	1,947.75	1,811.61
Other non-current liabilities	676.16	830.37
<b>Total non-current liabilities</b>	<b>11,945.44</b>	<b>16,500.56</b>
<b>Current liabilities</b>		
Financial liabilities		
- Borrowings	12,362.72	9,994.89
- Lease liabilities	44.72	-
- Trade payables		
(a) Total outstanding dues of micro enterprises and small enterprises	84.43	54.67
(b) Total outstanding dues of creditors other than micro enterprises	5,740.97	5,586.40
- Other financial liabilities		
- Other financial liabilities	3,079.91	3,771.56
Provisions		
- Employee benefits	702.58	1,555.99
- Other provisions	241.59	679.93
Other current liabilities	241.59	273.93
<b>Total current liabilities</b>	<b>22,196.52</b>	<b>21,242.37</b>
<b>Total liabilities</b>	<b>34,141.96</b>	<b>37,742.93</b>
<b>Total equity and liabilities</b>	<b>62,212.24</b>	<b>62,638.83</b>



# Candidate Response

	Note	Year ended March 31, 2020 (Rs. million)	Year ended March 31, 2019 (Rs. million)
<b>Income</b>			
Revenue from operations	17	53,235.69	53,952.64
Other Income	18	431.40	830.40
<b>Total Income</b>		<b>53,667.09</b>	<b>54,783.04</b>
<b>Expenses</b>			
Cost of materials consumed	19	27,239.35	27,621.82
Purchases of stock-in-trade		755.16	679.00
Changes in inventory of finished goods, work-in-progress and stock-in-trade	20	(1,496.20)	684.96
Employee benefits expense	21	5,380.73	4,870.26
Depreciation and amortization expense	22	3,881.40	4,015.44
Other expenses	23	11,264.36	12,148.06
Finance costs	24	948.18	924.99
<b>Total expenses</b>		<b>47,972.98</b>	<b>50,944.53</b>
<b>Profit before exceptional items and tax</b>		<b>5,694.11</b>	<b>3,838.51</b>
Exceptional items-(Income)/ Expense	25	(431.60)	2,080.24
<b>Profit before tax</b>		<b>6,125.71</b>	<b>1,758.27</b>
<b>Income tax expense</b>			
- Current Tax	26	1,244.29	358.04
- Deferred Tax		132.50	(17.42)
<b>Total Income Tax Expense</b>		<b>1,376.79</b>	<b>340.62</b>
<b>Profit for the year</b>		<b>4,748.92</b>	<b>1,417.65</b>
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss			
Change in fair value of FVOCI equity instruments Gain/(Loss)	10 (c)	(5.57)	(6.88)
Remeasurement of post employment benefit obligation Gain/(Loss)	21	8.70	(28.00)
Income tax effect	26	(3.04)	9.78
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>0.09</b>	<b>(25.10)</b>
<b>Total Comprehensive Income for the year</b>		<b>4,749.01</b>	<b>1,392.55</b>
<b>Earnings Per Share (Rs.) [Nominal value per share : Re. 1 (March 31, 2019 Re. 1)]</b>			
- Basic		4.73	1.41
- Diluted		4.73	1.41



	Year ended March 31, 2020 (Rs. million)	Year ended March 31, 2019 (Rs. million)
Stamps and Stamps Collected	10.27	1,009.45
Printing and Stationery	15.16	2,422.81
Contract Labour Charges	534.33	534.33
Job Work Expenses	1,282.87	1,282.87
Power, Fuel and Water Charges	4,947.63	4,947.63
Repairs and Maintenance		
Plant and Machinery	148.69	148.69
Factory Building	43.55	43.55
Others	211.23	211.23
Brokerage and Commission	1.22	1.22
Freight, Forwarding and Cc'd Charges	135.57	135.57
Directors' Sitting Fees	3.42	3.42
Rent (Refer Note 37)	84.97	84.97
Rates and Taxes	20.28	20.28
Printing and Stationery	13.83	13.83
Travelling and Conveyance	186.80	186.80
Legal and Professional Charges	395.85	395.85
Security Expenses	38.79	38.79
Insurance	93.89	93.89
Communication	23.73	23.73
Postage and Courier	8.28	8.28
Provision for Doubtful Debts	-	-
Provision for Doubtful Advances	18.71	18.71
Provision for impairment	-	-
Advances written off	-	-
Net loss on financial assets measured at fair value through profit or loss	171.31	171.31
Loss on Cancellation of Forward/ Swap Contracts	19.86	19.86
Design and Development Expenses	29.22	29.22
Advertising and Sales Promotion	86.26	86.26
Donations	2.07	2.07
Corporate Social Responsibility Expenses [Refer Note 23 (b) below]	113.71	113.71
Payments to auditors [Refer Note 23 (a) below]	9.14	9.14
Miscellaneous	90.59	90.59
<b>Total Other Expenses</b>	<b>11,264.36</b>	<b>12,148.06</b>

- Current Ratio
- Long Term Debt / EBITDA
- TOL/TNW
- Debt service Coverage ratio
- Net Cash accruals

1.2 Based on financials and ratios calculated (approximately) above give your views on the overall financials of the Company and the above ratios (10 marks) (in approximately 150 words)

(Note:

- The ratios calculated above can be approximate and not be in exact decimals.
- Please mention in case any assumption is made while calculating the above ratios)



## A. 1. calculation of ratio

a. Current Ratio = Current assets / Current liabilities = (for 31.3.2020)  $25443.99 / 22196.52 = 1.1463$   
: (for 31.03.2019)  $24437.64 / 21242.32 = 1.1504$

b. Long term debt / ebitda = (for 31.3.2020)  $9998.29 / 10955.29 = 0.9126$  ; (for 31.03.2019)  $14688.95 / 6698.70 = 2.1928$

c. TOL / TNW =

d. Debt Service coverage ratio = operating profit / (interest + instalment) = (for 31.3.2020)  $10524.42 / (948.18 + 4833.23) = 1.82$  ; for 31.3.2019 it can not be calculated in absence of previous year's information.

e. Net Cash Accruals =

## 2. views

-The current ratio of company is on same level. It is approx 1.15:1, which shows that the current assets are used to finance the long term plans but it is lesser than the generally accepted market numbers which is 2:1. However it depends on the industry in which the company operates.

-The EBITDA of company has improved in one year. However that is because of exceptional items. In year ended on 31.3.2019, the company has recorded exceptional expenses of 2080 million. That needs to be taken into account before taking decision about profitability of the company and its EBITDA.

-The debt service coverage ratio is 1.82 which suggests that the company has sound financial position. It is in good position to repay the debt obligation.



Q. " Answer either one of the following questions (2.1 or 2.2)

2.1 Indian Economy ( answer all - a,b,c):

a. Choose a sector from the Indian economy and list out the features of the sector and its contribution to GDP. Give your views and outlook on the sector in the coming years (6 Marks) (approximately 150 words)

b. Explain, with facts and figures, the impact of COVID - 19 pandemic (from Jan 20 onwards) on the Indian economy? Mention atleast 2 incentives offered by the Government and/or RBI under various stimulus packages to industries. (6 Marks) (approximately 150 words)

c. Analyse the current situation of Indian economy based on the following parameters with the latest available data - GDP, trade deficit, forex reserve, inflation. (8 Marks) (approximately 200 words)

OR

2.2 Indian Banking (answer all - a,b,c)

a. Briefly explain the NPA situation in Indian Banking system. What contributed to the increase in NPAs in Indian Banks. (6 Marks) (approximately 150 words)

b. Briefly explain rationale for merger of Public Sector Banks in India. What are the possible favourable and adverse impacts of these mergers on the Indian economy and Indian Banking system? (6 Marks) (approximately 150 words)

c. What is Insolvency and Bankruptcy code? What is the difference between Insolvency and Bankruptcy? Mention names of any 2 Companies, that were in the news under IBC. What is the trend in the referrals under IBC in this current FY and reasons for the same?(8 Marks) (approximately 200 words) "

A. 2.2 Indian Banking:-

a.

The NPA situation in the Indian Banking industry deserves consideration for a discussion. From last decade the NPAs are rising which is not a good sign. The portion of stressed and loss assets are much higher in Indian industry. Even after some tough measures by the RBI, it has not fully come under control.

The main reasons for these NPA rise are failure of few business and the frauds committed by some sharp minds of the country.

b.

the merger of public sector bank favourable outcome -

it will provide the economies of scale to the lenders. The PSBs will get more capital base after merger.

The merged PSBs will be easy to manage at strategy level for the government.



3



merger.

The merged PSBs will be easy to manage at strategy level for the government.

adverse outcome -

4 Since the size of merged organisation will be large, the operational issues will be more. It will be tough to solve all operation issues at the same efficiency level

Further, there will be transmission issues - eg update of IFSC code etc

c.

3 -The insolvency and bankruptcy code is a special law made in relation to the insolvency process. The law regulates the proceedings of insolvency. It provides full mechanism for it.

-Insolvency word is used for corporate and bankruptcy word is basically used for non corporates.

-Two companies that were in news : BHUSHAN STEEL,

Q. "ABC Ltd, India is looking to export its products to a buyer in Europe at a lucrative margin. However, the Company is faced with the below problem

- The buyer in Europe wants a 60 days credit period and the Indian exporter Company is concerned about the buyer's credentials
- The importer is willing to pay the Indian exporter only in EURO. However, as all the expenses and other revenue for the Indian exporter is in INR, the exporter is concerned about the likely movement of EURO vs INR/ its likely impact on profitability.

Which products of the Bank will suit the exporter to complete the transaction safely? Briefly explain the mechanism of at least 2 such products. (2 marks for each product - 2\*2 = 4 Marks) (approximately 150 words)"

A.



Q. "XYZ Bank, Mumbai borrows money from market and utilises it to lend to its customers. It usually borrows money in Indian market in rupees for period upto 3 years at interest rates linked to Repo rate.

The Bank utilises the borrowed money to lend to the below purposes

1. Rupee term loans at a fixed rate of 9% p.a for 10-15 years
2. Loans to Corporates in Foreign currency with maturity upto 3 years and at rates linked to LIBOR.

What are the risks the XYZ Bank is exposed to ? (2 marks) (approximately 100 words)

What steps should the above Bank take in-order to avoid such risks. (2 marks) (approximately 100 words)"

A. Risks for XYZ bank :

-Since the borrowing is linked to variable rate (repo rate),there is a risk that the variable rate will get increased.If that happens the cost of borrowing of funds will be increased and that will result into costly funds.

-Rupee term loan and foreign currency loan,both are subject to default risk.

-Loan given to Corporates in foreign currency is linked to LIBOR,if the LIBOR goes down than there will be negative impact of the earning of the bank.

-Further,the loan given in foreign currency is facing another risk of forex rate fluctuation.If the INR appreciates than the total inflow in INR will be lesser than the expected earnings.

Steps to avoid such risk :

-In order to avoid risk of change in interest rate change(REPO in case of borrowing and LIBOR in case of lending),the bank can enter into a interate rate future.In case of change in rate the loss due to change can be offset by profir from the interest rate futures.

-in order to hedge the forex rate fluctutions,the bank can entre into a forward transaction of USD-INR conversion.By doing that bank can hedge the exposure.

5



# Candidate Response

Q. "XYZ Bank has an outstanding loan of INR 120 crore to a manufacturing Company. The loan is secured by properties of the Company worth INR 150 crore. The principal instalment was last due on September 30, 2020 and the Company has not paid the instalment till date. The Bank has been following up with the Company for making payment of this instalment due. In this case, how will this account/asset be classified in the Bank's book as on October 01, 2020, November 01, 2020, December 01, 2020 and January 01, 2021? (2 marks)

What is the minimum provisioning (in terms of % of the outstanding loan amount) applicable for this account as on March 31, 2021 in case the Company does not clear the outstanding overdues of September 30, 2020 (2 marks). "

A. 0

Q. "As a credit officer you are evaluating a project for lending. The project life time is 12 years and it requires INR 100 crore initial investment. The Company has requested the Bank for a loan of INR 80 crore for a tenor of 5 years. The project parameters are below

1. The project IRR is 12% and the cost of capital is 10%.
2. Minimum ICR during the tenor of the projection: 1.95
3. Minimum DSCR of 0.95 and average DSCR for the projected tenor: 1.10

Give your views on the above project, its viability and its suitability for the Bank to lend to this project. (2 marks) (approximately 100 words)

In case if you are satisfied with other aspects like security for the loan, good external rating of the Company, promoter's integrity, other financial parameters etc, what suggestions would you give to structure the loan repayment so that the Company does not face cash flow issues during the years of loan repayment. (2 marks) (approximately 100 words)"

A. 0



Q. "Consider the following details for 2 bonds and answer the questions given below:

Particulars 7% Series A Bond 7% Series B Bond

Face Value INR 100 INR 100

Coupon Rate 7% 7%

Current Market Price INR 100 INR 100

Term to Maturity 4 years 7 years

Coupon Payment Annually Annually

a) Compute the YTM of both the bonds (1 mark)

b) If the external market interest rate falls by 1%, compute the market price of both the bonds. (1 mark)

c) Compute the percentage change in price of both the bonds after the interest rate reduction and comment on percentage change in price of bonds in relation to their maturity. (2 marks)

Note:

Present Value Factor Annuity

No. of Years 6% 7%

1 0.943 0.935

2 1.833 1.808

3 2.673 2.624

4 3.465 3.387

5 4.212 4.100

6 4.917 4.767

7 5.582 5.389"

A.

0

Q. Explain the need for export promotion for a country (2 marks) (approximately 50 words). Mention any 2 export promotion institutions in India and their role in India's export promotion (2 marks) (approximately 100 words)

A.



Q. What is Ind AS and why was it introduced in place of Indian GAAP (2 marks) (approximately 100 words). Mention atleast 2 differences in the accounting treatment between Ind AS and Indian GAAP (2 marks) (approximately 100 words)

A. -Ind AS means the new Accounting standards issued for the Indian Industry. They are converged form of the IFRS. Since the Indian Industry is getting a prominent place in the global map, the importance of financials of the industry is increasing. Further comparability of the financials of Indian companies is also important. In order to meet the expectation of comparability and allow the industry to adopt the globally accepted fair value model of accountancy, the Ind AS were introduced in India.

-Basically, the Ind AS are in line with the IFRS. As written above, it is converged form of IFRS. India made certain changes, as required in Indian context, in the globally accepted IFRS and introduced its newly formed Accounting standards (known as Ind AS).

Differences between Ind AS and Indian GAAP :

-One of the key difference is in revenue recognition model. In Ind AS the revenue is recognised as per the five step model as provided under Ind AS 115. Which is different from the recognition criteria of Indian GAAP (AS 9). In Indian GAAP, the revenue recognition is based on transfer of risk and reward model but in Ind AS it is new model called 5 step model where performance obligation criteria is major point.

-Second major difference is accounting for operating lease. In Indian GAAP operating lease payments are simply shown as rentals in p/l but in Ind AS those are differently treated. The Ind AS 116 says that those should be shown in balance sheet. Present value of such payments is found and then it is recorded as Right of Use asset in balance sheet and depreciated over lease period.

