



STRICTLY STREET

The official newsletter of AAMDANI

THE FLOURISHING ONLINE GROCERY MARKET IN INDIA

With the fast paced, busy and demanding lifestyle, did you not always want an 'I wish' solution to some of your daily chores? Thanks to the rapid developments in the online grocery market of India. India has a large base of young consumers who form majority of the workforce and due to time constraints, they barely get time for grocery shopping, thus increasing adoption of online grocery stores especially in metro cities. Though there is substantial growth in the online grocery market in the urban areas, a large chunk of Indian consumers, residing in tier II and tier III cities, still remain untapped due to lack of confidence, low awareness and price conscious behaviour.

- The online food and grocery market in India is currently led by BigBasket followed by Grofers, according to analysts.



- Recently, Amazon has brought its online grocery store - Amazon Fresh - to India, which will deliver fresh fruits and vegetables, dairy and meat items and other packaged food items to customers in two hours flat. Amazon Fresh was launched in Seattle in 2007 and has been the flagship food and grocery delivery offering globally.

In India, Amazon had opted to reserve the launch of Fresh and instead started express deliveries of food items through its Prime Now app in Bengaluru and few other cities. Amazon India Retail, the wholly-owned food retail unit of Amazon in India, will be among one of the sellers on Fresh. While Amazon and Flipkart have made a play in the space, their offerings are still restricted to a few cities, largely due to the fact that grocery deliveries require localised warehousing which both the large horizontal e-commerce players do not have.

"I can understand wanting to have a million dollars...but once you get beyond that, I have to tell you, it's the same hamburger."

- Bill Gates

Add to Vocab



KEEPWELL AGREEMENT

It is a contract between parent company and its subsidiary to maintain solvency and financial backing throughout the term set in agreement. It is also known as comfort letter.



REACTION OF THE GOVERNMENT TO THE SLOWDOWN

In a bid to stabilise the slowing economy, the Union Finance Minister has announced a slew of measures.

Measures :

- In order to encourage investment in the capital market, it has been decided to withdraw the enhanced surcharge levied by the Finance Act (No 2) Act 2019 on long and short term capital gains arising from the transfer of equity shares.
- In the auto sector, the government announced a slew of measures including lifting ban on purchase of vehicles by government departments, and allowing additional 15 per cent depreciation on vehicles acquired from now till March 2020. Also, BS-IV vehicles purchased up to March 2020 will remain operational for the entire period of registration.
- The government also decided to front-load the Rs 70,000 crore of capital infusion in public sector banks that was announced in the Budget. Further, the government is working with the banks to ensure that lending rates are lowered in line with the reduction in policy rates by the Reserve Bank of India.
- In a bid to give fillip to job-creating Micro, Small and Medium Enterprises (MSME), Sitharaman said pending GST refunds would be done within 30 days, while startups - a major avenue for employment and new entrepreneurship - would be exempt from so-called 'angel tax'. Also, violation of Corporate Social Responsibility (CSR) obligations would not be treated as a criminal offence and only as a civil liability.
- Other measures announced to boost the economy include setting up of an entity for credit enhancement for infrastructure and housing projects, a task force to finalise the pipeline of infrastructure projects and simplification of Know Your Client (KYC) procedure to improve market access for foreign investors.

After the announcement of various measures to spur growth, the Reserve Bank of India (RBI) has decided to transfer ₹1.76 lakh crore to the Central government from its own reserves on the recommendation of the Bimal Jalan Committee. This amount includes a dividend of Rs. 1.23 lakh crore and Rs. 52,640 crore from its surplus capital. The dividend payment includes Rs.28,000 crore already transferred to the government in February.

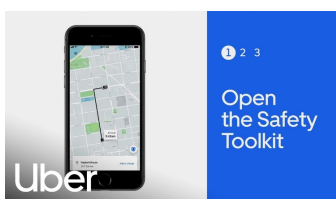


HIGHLIGHTS

- The world's largest contract manufacturer Foxconn will invest about ₹30 crore in setting up two training centres in India to train about 100000 people over three years.
- Noida-based digital payments company Paytm has appointed ex-Goldman Sachs executive Amit Nayyar as a president of the company.
- After Singapore and Bhutan, UAE becomes the 3rd country in the world and the 1st in the Middle-East where RuPay card is being launched.
- Mahindra & Mahindra has picked up a majority 55% stake in Meru cabs for a cash consideration of Rs 201 crore in a bid to participate in the growing shared mobility space.
- Japanese automobile majors Toyota Motor Corp and Suzuki Motor Corp ave announced a "capital alliance" for equity investment into each other amid a shakeup in auto industry. Toyota will acquire a 4.94% stake in Suzuki for about 96 bn yen; the latter will buy shares worth 48 bn yen in Toyota.

UPCOMING GOODS AND SERVICES

- State Bank of India is planning to establish nearly 10 lakh YONO Cash Points in the country over 18 months. This will help to eliminate the requirement of using debit cards.



- Uber has launched a 24 X 7 safety helpline in india. the feature enables people to call the customer support team during an ongoing trip in case of a safety issue
- State-run IDBI Bank has launched a new home loan and auto loan product linked to the Reserve Bank of India's (RBI) repo rate.



RECENT MERGERS : Good or Bad ?

To create a set of strong public sector banks, the government announced a mega merger plan that amalgamates 10 lenders into four combinations. This reduces the number of public sector banks from 27 to 12. Under the plan, Oriental Bank of Commerce and United Bank of India will be merged with Punjab National Bank; Canara Bank with Syndicate Bank; Andhra Bank and Corporation Bank with Mumbai-based Union Bank of India; and Allahabad Bank with Indian Bank. It was the Narasimham Committee that proposed the idea of consolidation through a process of merging strong banks, in late 1990s.

What is it that the government wants ?

Two key things - reducing bad loans and increasing lending activity.



The first will give banks the confidence to lend and the second will hopefully revive investments in the economy. The mergers appear to have been done keeping two related banking ratios in mind. One is the percentage of bad loans (NPA ratio) and the other, the amount of cheap funds that banks can access for lending (CASA ratio). The rest of it involves economies of scale. Multi-state presence and thousands of branches are meant to streamline the operations of these merged government banks. Economies of scale mean to take a close look at costs to improve the financials of these banks and help them invest in technology where they fare very poorly compared to their private sector peers. Thus, large-sized banks will be able to compete better with private banks and globally. Also, these mergers will help to ease the Centre's burden of massive capital infusion into ailing PSU banks. On the other hand, there are some downsides to this announcement also.

Smooth integration of operations always poses a risk, especially with the prospect of resistance from staff and unions in the entities being merged. There are issues like cultural fit, redeployment of staff, and fewer career opportunities for many in a merged entity. Yet another worry is the possible creation of what is known as systematically important institutions, or those too big to fail, leading to the prospect of bailouts in the future, which could hurt the government and financial stability. Indeed, one of the biggest learnings from the 2007-08 global financial crisis is that large banks could pose systemic risks that endanger the entire economy. On the contrary, small is beautiful.

Zerodha system outage

Zerodha's online trading platform Kite crashed for about 25 minutes between 9:55 am and 10:20 am on 29th August due to a technical glitch, resulting in many users not being able to place orders through the platform. Users posted screenshots of how much they'd lost due to the glitch and some even went on to say that Zerodha should be held responsible and must compensate customers for the loss.



Shrinkage in US manufacturing

American manufacturing shrank for the first time in three years this summer. The Institute of Supply Management's manufacturing index came in at 49.1 for the month of August - its lowest level since January 2016. Any number below 50 represents a contraction. The index was last below 50 in August 2016.



"He's right, when you look at it that way, it's not so bad!"

Test your awareness



1. Which Swedish company, for the first time ever across the world, is set to lease space in a retail mall in Mumbai to open its store ?
2. Do you know which is the most entrepreneurial country ?
3. Which hospitality firm has recently acquired Danamica, a Copenhagen-based data science company ?

FACTS!

1. Steve Jobs named his company "apple" partially because he wanted it to appear in the phonebook before Atari, his former workplace.
2. In 1999, Google's founders were willing to sell the company to a web portal called Excite for under \$1 million. However, Excite passed on the offer.