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# FOREWORD



## Idea Behind This Weekly Newsletter

Being a Commerce College, students are expected to know the changes in the business world. This weekly newsletter will help the students get acquainted with a glimpse of what happened in the week gone by. It will also have insights into various business and commerce related updates which will help you gain in-depth knowledge. Make it a point to read each and every article in this issue and stay updated so that you don't get outdated.

- DR. D. M. Doke  
Principal

# FROM FOODIEBAY TO FOODTECH CATEGORY LEADER, ZOMATO'S IPO NOW BECOMES ONE OF THE LARGEST IPOS IN INDIA

Ms. Samruddhi Zenda,  
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M.L.Dahanukar College of Commerce

Zomato, the first Indian online food aggregator recently launched its Rs. 9,375 crore Initial public offering (IPO) which opened on July 14, 2021 and closed on July 16, 2021. Incorporated in 2008, backed by Jack Ma's Ant Group Co, Zomato is the first among a long list of Indian unicorn startups to launch an IPO. According to the red herring prospectus (RHP), the price band of the IPO was fixed at Rs. 72-76 per share with the face value of Rs. 1 each and comprises an offer for sale of Rs. 375 crore by the company's early investor Info Edge (India). On July 13, 2021, the online food delivery firm raised over Rs. 4,196 crore from 186 anchor investors by allocating 55.2 crore equity shares at a price of Rs. 76 per share. JPMorgan, Morgan Stanley, Goldman Sachs India, Franklin Templeton, SBI Mutual Fund are some of the anchor investors.

The issue saw a strong response by the investors on the day one itself as the issue got oversubscribed. According to the data available on BSE, The total issue was subscribed 1.05 times on the opening day of the bidding process. Further, at the end of the second day i.e. on July 15, 2021 the Zomato IPO got subscribed 4.79 times. Whereas, on the final day the subscription stood at 38.25 times where the retail investor (RIIs) portion was subscribed 7.45 times. While the non-institutional investors (NIIs) who primarily are HNIs put in bids for 32.96 times against their reserved portion. The separate portion for employees was subscribed nearly by 62% and the shares which were allocated for QIBs got subscribed 51.79 times. Bids were received for a total of 2,751.25 crore shares against the total issue size of more than 71.92 crore shares.

Zomato is now spread across 525 cities in India, along with a presence of 23 countries outside India. Post-issue the firm's valuation stands at Rs. 59,623 crore which is far more than the combined market capitalisation of five listed fast food and restaurant companies giving it the 78th position among India's 100 most-valued firms with a cash level of Rs. 15,000 crore respectively.

During the IPO announcement i.e. on July 08, 2021 the company also confirmed that it is soon going to re-enter in the online grocery delivery business by making an investment worth \$100 million in an online grocery firm called Grofers and is also going to launch an online grocery facility on its app. As per the red herring prospectus (RHP), the share allotment is likely to take place on July 22, 2021 and the shares of Zomato are expected to be listed on BSE and NSE on July 27, 2021. While the equity shares will be credited to depository accounts on July 26, 2021. The foodtech company plans to use the money which is raised through IPO towards organic and inorganic growth initiatives funding; herein, inorganic growth includes investment in tech and customer acquisition and mergers and acquisitions (M&A) whereas, up to 25% will be employed for general corporate purposes.

# BOOK BUILDING METHOD – AN EXTREMELY USED MECHANISM FOR PRICE DISCOVERY

Mr. Gaurav Rangnekar,  
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Book Building method is a process which is followed by all the companies when they are issuing their shares for the first time in the market (IPO). The companies have two ways to raise funds through the market.

- A) Fixed issue method
- B) Book Building Method.

In this article , we will be talking about 'Book Building Method'.

In this method , a price range is set by the company in accordance with their merchant banks (Merchant banker is appointed to plan and initiate the IPO as a mediator).

Example – Zomato had used the book building process method and the price range set was Rs 72 to Rs 76. Investor has a choice here to bid as per their price expectation in the given range. The price range is set when the companies are not exactly confident or unsure about the exact price fixation, hence this book building method is used. It is considered to be the most efficient method among all other methods around the globe and so it is widely used by all the global companies as well.

Example –

ABC LTD has filed the papers (draft red herring prospectus) with SEBI and Stock exchanges and the method used is book building issue to raise funds from the primary market (IPO).

1 LOT will contain 10 shares and investors needs to bid for minimum 1 lot and maximum 10 lots. Price range is between Rs100 – Rs 105

1 Lot	10 Lots	Rs 1050 ( Minimum Amount)
10 Lots	100 Shares	Rs 10500 ( Maximum Amount)

Here , Rs 100 will be termed as Floor price , Rs 105 will be termed as Cap price. Tick size is decided as Re 1, hence each investor can bid as Rs 100, Rs 101, Rs 102, Rs 103, Rs 104, Rs 105. The difference of Re 1 is termed as tick price.

#### Bid calculation and determination of Cut off price.

Bid Price	Bids		
Rs 100	25		
Rs 101	45		
Rs 102	55		
Rs 103	100	<b>Cut off Price</b>	As majority bids are at Rs 103, hence this will be decided as the cut off price.
Rs 104	75		As they bid greater than the cut off price, hence chances of them getting the shares are high.
Rs 105	25		As they bid greater than the cut off price, hence chances of them getting the shares are high.

Cut off price is determined by this method and this means the company will not issue shares below the cut off price. In the above case, Rs 103 is the cut off price and so ABC Ltd will not issue the shares below Rs 103. They will issue the shares at Rs 103 or greater than equal to Rs 105.

Note – Book Building process is not as simple as shown above. This example is for understanding purpose only. Majority of the work is now a days performed by software

# FED'S POLICY AND ITS EFFECT ON INDIAN ECONOMY

Ms. Gauri Borhade,  
Alumni,  
M.L.Dahanukar College of Commerce

US Federal Reserve is nation's monetary policy authority, influences the availability and cost of money and credit to promote a healthy economy.

Objectives of fed reserve are "dual mandate" –

- To maximize employment
- Stabilize prices i.e keep inflation in check.

Changes in Fed rates affect emerging market economies (EMEs) including Indian economy. The US is the world's largest economy, any interest changes there influences exchange rates, international money flows and to certain extent, interest rates worldwide. Emerging economies such as India tend to have higher inflation and, thereby, higher interest rates than those in developed countries such as the US and Europe.

- A rate hike in the US will lead to a stronger dollar and a weaker rupee, which will lower investment returns for foreign investors and prompt them to sell.
- A volatile currency may force them to hedge, lowering their returns
- Firms that have borrowed heavily in dollars in the overseas market may see higher cost on borrowings.
- Rupee depreciation can lead to higher import prices.

The US Federal Reserve on 17 June 2021 signalled a potential rise in interest rates by 2023, a move which slammed stocks worldwide and weakened the Indian rupee. It is time for India to craft corrective steps to handle the consequences



# RBI IMPOSES RESTRICTIONS ON MASTERCARD

**Ms. Akshata Khandekar,  
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M.L.Dahanukar College of Commerce**

The Reserve Bank of India (RBI) imposed restrictions on MasterCard Asia/Pacific Pte. Ltd. from on boarding new domestic customers (debit, credit or prepaid) onto its card network from July 22 for non-compliance with the regulator's directions.

"Notwithstanding lapse of considerable time and adequate opportunities being given, the entity has been found to be non-compliant with the directions on Storage of payment system data," the RBI said. The order would not impact existing MasterCard customers.

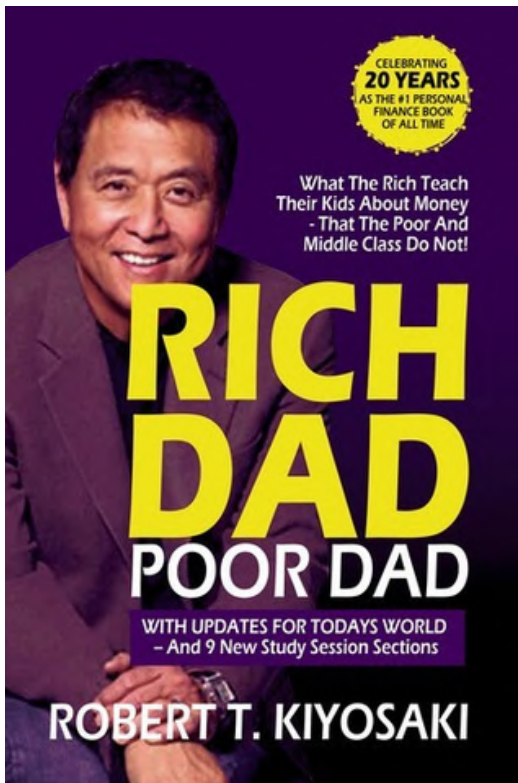
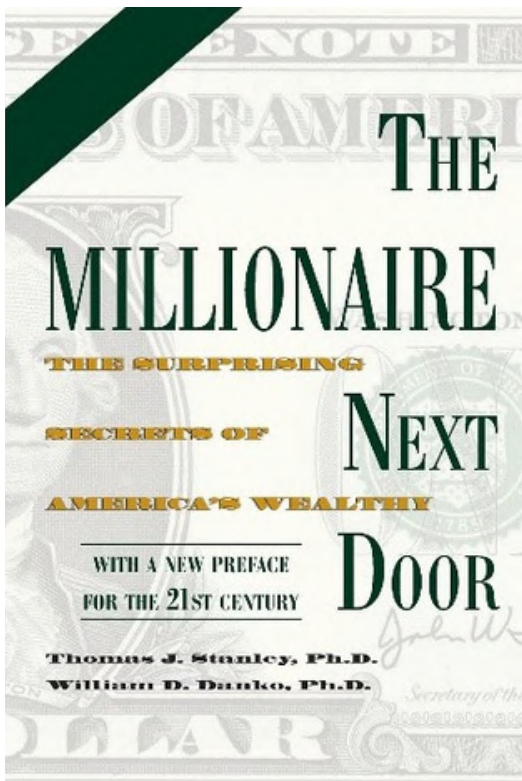
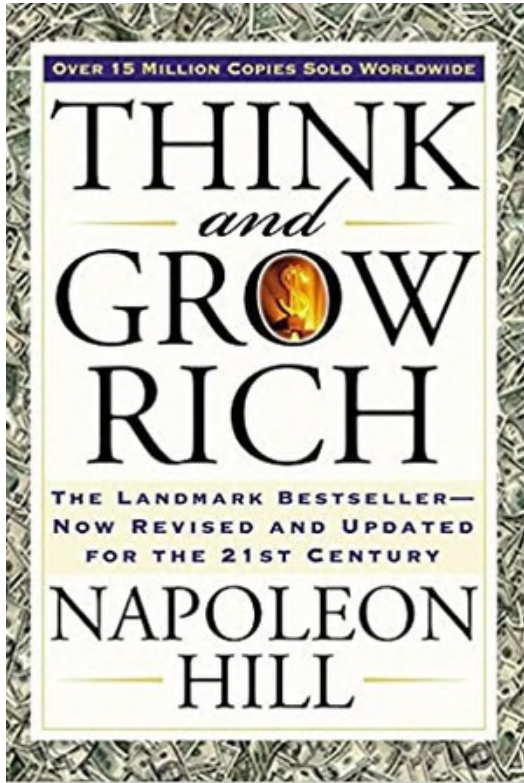
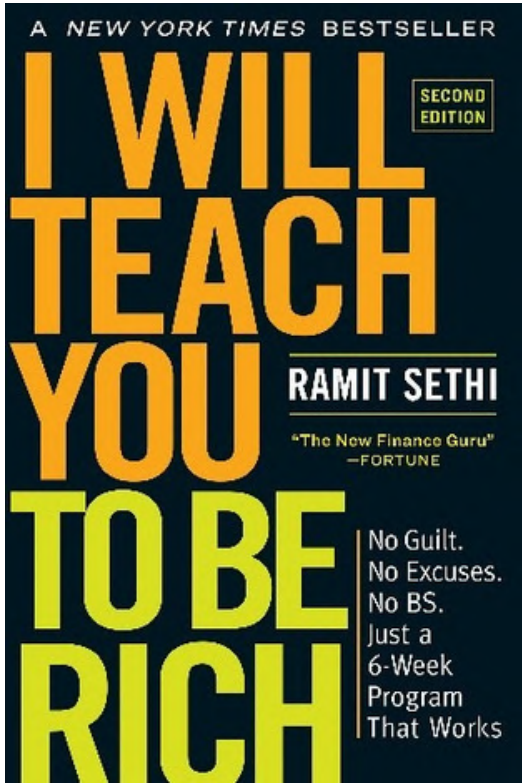
## **What and who will face the issues?**

As many as 5 private bank, including Axis Bank, Yes Bank and IndusInd Bank.

Apart from these banks, Bajaj Finserve and SBI are to be impacted by the Reserve Bank of India's decision to ban Mastercard from issuing new cards.

The issuance of new cards through another payment gateway would take 2-3 months because it involves technology integration and other modalities.

READ TO LEAD



**Designed by:  
Bhavya Bhat, TYBAF**

If you wish to contribute your articles to be featured in the next issue, please mail your articles on [swapnils@mldc.edu.in](mailto:swapnils@mldc.edu.in) or contact on 9987094858 by Tuesday of every week and wait for the issue to be released on Saturday.

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