

Treasury Dynamics

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Treasury Dynamics

- A Typical Treasury...
- Profit Centre vs Cost Centre
- Value Add Avenues



A Typical Treasury....

A Typical Treasury...

- Resource Raising
- Investment
- Cash Flow
- Liquidity Management
- Ratings
- FX Risk Management
- Capital Allocation
- Balance sheet management
- Documentation
- Risk Management

Resource Raising

Fund Based

- Secured, Unsecured
- Institutional, Retail
- Bank Borrowing, DCM
- Consortium, Multiple
- Rupee, FC
- Long Term, Short Term
- Structured, Vanilla
- B2B, Business

Non Fund Base

Investment

Investment policy

- Risk Appetite
- Defined Universe (Debt MFs, Gsec, Corporate Bond, FDs, Equity & Products)
- Authorisation matrix including exceptions
- MIS & Reporting frequency
- Time horizon
- Liquidity
- Tax Efficiency

Cash Flow

- System to capture all line items, Inflows & Outflows
- Efficient Balance Monitoring System
 - Pooling of funds across banks /CMS
 - Zero Idle balance
 - Minimum Cash Credit Utilisation
- Daily Bank Reco
- Intraday lines
- Stand alone and Group Cashflow

Liquidity Management

- Liquidity Management Policy
- Periodic Liquidity Review
- Cash flow planning at Macro level
- Liquidity Cushion

Rating

- Incidental for borrowing
- Regular interaction across all levels
- Pro-active to borrowing calendar
- Impact on Interest Cost
- Technical Gateway
- Rating types
 - LT/ST
 - LT for ST
 - Securitization with credit enhancement
 - SO ratings
- Withdrawal of Ratings

Foreign Exchange Risk

- You are not in the business of Forex
 - Trade Flows
 - FC Liabilities
- FX Hedging policy is must to have
 - RBI Requirement as well
 - Min. Hedging Requirement, Risk Appetite
 - Stop loss limit for Open Exposure
 - Triggers of Hedging
 - Instrument for Hedging
 - MIS & Reporting right up to Board Level

Capital Allocation

- Capital Allocation framework A must
- Sync with Cash flow
- Payback period
- ROE
- Gearing
- Transfer pricing

Documentation

- Bank Borrowing Consortium, Multiple
- NCD Private Placement, Public Issuance
- Adjudication
- Tracking of Financial Covenants

Balance Sheet Management

- Borrowing Headroom
- ALM
- IRS
- Diversification of Borrowing

Risk Management

- Risk Management Framework
- Operational Risk
 - Define processes
 - Maker/Checker/Authoriser
- Define other risk
 - Interest Rate Risk
 - Credit Risk
 - Liquidity Risk
- Exception Reporting Mechanism



Profit vs Cost Centre

Profit vs Cost Centre

- Top Management Tendency
- D-Facto Treasury is Whatever.....
- Endeavour
- Define performance parameters
- Personal Exposure



Value Add Avenues

Value Add Avenues

- Borrowing Mix
- Spread Management
- Rating Improvement
- And Few More...

Borrowing Mix

- Pro-active review mechanism
- Fixed, Floating
- Swift transmission, slow transmission
- Carved out money market borrowing
- Security cover efficiency
 - MPBF management

Spread Management

Credit Spreads

- Set the Appropriate Benchmark
- Keep eye for peer's spreads
- Rightfully pursue with all lenders

Behave like AAA

- Over borrow, liquidity cushion, Negotiate
- Liquidity Cushion parking, Be a friend in Need

Liquidity Spreads

- Tap the Market Makers
- Investable surplus

Rating Improvement

- Have Self evaluation process in place
- Improve on GAPs, if any
- Regular interactions and Presentation to RAs
- Keep Chasing...

And few more...

Automation & MIS

- Qualitative time to be spent on Analysis & R.C.A. rather than Making a statement
- Reduces Person specific dependency

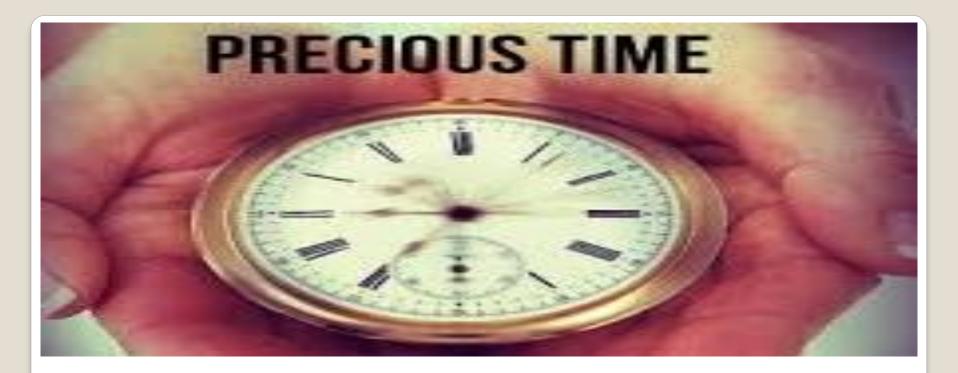
Team Discussion

- Periodic brainstorming in team meetings
 - Bottom up Approach
- Interaction with Investor Relation Team

Treasury Research

And few more...

Relationship & Bonding



Thank You

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