

# Treasury Dynamics

CA Deepak Mundra

# 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**
- **Capital Allocation**
- **Balance sheet management**
- **FX Risk Management**
- **Documentation**
- **Other 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**

# Capital Allocation

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

# Documentation

- **Appointment of LLC**
- **Sharing of Draft Documents with Consortium banks**
- **Inviting comments/suggestions from Banks**
- **Making acceptable changes**
- **Adjudication of Final Docs**
- **Execution**
- **Post vetting certificate**

# Balance Sheet Management

- **Borrowing Headroom**
- **ALM**
- **IRS**
- **Diversification of Borrowing**

# Foreign Exchange Risk

- **We are not in business of Forex**
  - Import/Export, Loans (Buyers Credit/ECBs/FCNR(B))
- **FX Hedging policy is must to have**
  - Benchmarking
  - Min. Hedging Requirement
  - Triggers of Hedging
  - Instrument for Hedging
  - Risk Appetite
  - Stop loss limit for Unhedged Exposure
  - MTMs

# Other 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**

- **Relationship & Bonding**

**Thank You**

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# Relationship Bonding

- **Identify Key Stakeholders & Apply (“Suno, Samjo & Sulzao”)**

External :-

- Banks
- MFs
- Insurance/Retirement Funds
- Credit Rating Agencies

Internal:-

- Business
- Legal & Compliances
- F&As

- **Keep an eye on change/development of External Stakeholders**

- Push for automation – M.o.Ms drafting, Delegation of Actionable
- Change in Key Management
- Keep Human touch - Birthday & Anniversary