

# FINly

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## Rupee Journey

Ancient origins  
to present age



## National Food Security Bill 2013

An overview

In News Now  
Giant buyouts of  
September!



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This week we bring to you the biggest buyouts in the Month of September. Microsoft-Nokia and Vodafone-Verizon.

### **5 Rupee Journey**

Gives a brief history of the Indian currency from its ancient roots to its present form and value

### **9 National Food Security Bill, 2013**

We bring you the highlights of this highly political bill passed by parliament recently

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# NEWS BUZZ

## Verizon buys out Vodafone stake, Microsoft Buys Nokia

Vodafone has become a household name in India, famous for its good cellular network & creative marketing ads (Zoozoo ads in particular). It is actually a UK based company which owns and operates networks in over 30 countries and has partner networks in over 40 additional countries.

Unlike India, Vodafone in the United States was not an independent player. In United States, Vodafone was operating in partnership with Verizon Communications. The joint venture between Vodafone & Verizon Communication was called Verizon Wireless, where Verizon Communications owned 55 percent stake and Vodafone had the remaining 45 percent ownership



Verizon Communications agreed on 2nd September, 2013 to pay \$130 billion to buy 45% stack of Vodafone Group out of its U.S. wireless business, signing the third largest corporate deal ever in history.

Under the terms, Vodafone will get \$58.9 billion in cash, \$60.2 billion in Verizon stock, and an additional \$11 billion from smaller transactions in a deal that is due to close in the first quarter of next year.

The deal will result in opportunities & threats to both the parties. For Verizon, the biggest opportunity is that it will enjoy full access to the profits from the operations of the United States unit. But its debt has increased substantially due to lump sum borrowings for this deal payment.

Barclays and Merrill Lynch have been the financial advisors to Verizon and will also underwrite the \$61 billion in financing for the bid alongside JPMorgan and Morgan Stanley. Goldman Sachs and UBS advised Vodafone.

For Vodafone, the deal marks the exit of the group from US telecom market. But it will get a war chest to reward shareholders, pay down debt and bolster its European operations, which are under pressure from recession and tough regulation. Vodafone said it planned to launch a new investment phase dubbed "Project Spring," to improve its mobile and broadband networks across its networks in Europe and emerging markets such as India and South Africa & cash flow from this deal will surely help UK giant to accomplish that.



# NEWS BUZZ

The other big deal which took place in the same week is the buyout of Nokia by Microsoft Corporation.

Microsoft Corporation and Nokia Corporation announced that the Board of Directors for both companies have decided to enter into a transaction whereby Microsoft will purchase all of Nokia's services & device business, Nokia's patent licensing and use Nokia's mapping services.

The total value of the deal is EUR 5.44 billion in cash, which is at current exchange rates worth \$7.17 billion. The Devices and Services business acquisition in itself accounts for EUR 3.79 billion with the patent licensing deal accounts for the rest EUR 1.65 billion.

Also as a part of the deal, Nokia's CEO Stephen Elop will be stepping down from his position only to occupy a new role at Microsoft as "Nokia Executive Vice President of Devices & Services." Although this seems like the end of Nokia as we know it, it sounds like for now the company is still planning on moving forward as a standalone entity of some sort — although with a very different strategy.

Analysts feel that Nokia might have got the better of Microsoft in selling its once-dominant handset business. The stock price of Microsoft rose to a new high. And no wonder: given the declining state of Nokia's business, the deal seemed like a desperate attempt to prop up the largest manufacturer of phones that run windows before it went under or switched to Google's Android system.



The flip side to the coin is that the smartphone business is still in its growth stage, which means there remains a lot of opportunity, especially in international markets that are far from saturated. Nokia sells more than 200 million phones annually—and most of them are not in Europe or North America. Although Microsoft will have to compete with many of low-cost producers, it might be able to use Nokia's international manufacturing and distribution to its advantage & Microsoft might come up a winner in the long run if it can claw market share from Android and Apple in future.



# Cover Story: Journey of the Rupee

- By Irina Goel

- ▶ The history of the rupee traces back to Ancient India in 6th century BC, the “Punch Marked” coins of the 6th-7th century are believed to be the first documented use of currency in India. The Hindi word rūpiya is derived from Sanskrit word rūpya, which means "wrought silver, a coin of silver", which was first used for transactions by emperor Sher Shah Suri



*Silver Coins issued by Sher Shah Suri*

In 1935, under the Paper Currency Act of 1861, the Raj was granted the monopoly of issuing notes, ending the practice of private and presidency banks. The central bank's first currency, issued in 1938, was a five-rupee note bearing the portrait of King George VI. This was followed by notes of 10, 100, 1,000 and, yes, 10,000 rupees.

In 1940, the one-rupee note was reintroduced as a wartime measure. The watermark was made more difficult to copy and the security thread was introduced in 1944 to counter high-quality forgeries of rupees by the Japanese during their assault on Burma in WW II.

The George VI series continued till 1947. After Independence, a new design one-rupee coin was released in 1949. After careful consideration, King George VI's portrait was replaced by Asoka's Lion Capital, though a portrait of Mahatma Gandhi was initially considered but rejected. In 1960, the Hirakud dam, a symbol of India's industrialisation, replaced the elephant motif on the Rs 100 note.

During British rule, and the first decade of independence, the rupee was subdivided into 16 annas. Each anna was subdivided into either 4 paisas, or 12 pies. So One rupee was equal to 16 Annas, 64 Paises of 192 Pies.

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Dates	Currency system
From 1835	1 rupee = 16 annas = 64 pices (paise) = 192 pies
From 1 April 1957	1 rupee = 100 naya paise
From 1 June 1964	1 rupee = 100 paise



### The Rupee against Dollar:

In 1957, decimalisation occurred and the rupee was divided into 100 Naye Paise (Hindi/Urdu for new paisas). After a few years, the initial "Naye" was dropped.

The paper currency has undergone a sea change—the economic crisis of the late 1960s led to a reduction in the size of notes and fears of black money in circulation led to the cancellation of high denomination notes like the Rs 1,000, the Rs 5,000 and the Rs 10,000 in 1978. But in 2000, the Rs 1,000 series were reintroduced with optically variable ink that changes colour on tilting.

Given that the lifespan of a currency note is generally only two years, many of the paper currencies, such as the Rs 1 and Rs 2 notes, have now been phased out. The five-rupee note is due to be phased out too.

The Indian currency has witnessed a roller-coaster journey since independence. Many geopolitical and economic developments have affected its movement in the last 66 years. Here is a broader look at the Indian rupee's journey since 1947:

India got freedom from British rule on Aug 15, 1947. At that time the Indian rupee was linked to the British pound and its value was at par with the American dollar. There were no foreign borrowings on India's balance sheet.

To finance welfare and development activities, especially with the introduction of the Five-Year Plan in 1951, the government started external borrowings. This required the devaluation of the rupee.

After independence, India chose to adopt a fixed rate currency regime. The rupee was pegged at 4.79 against a dollar between 1948 and 1966.

Two consecutive wars, one with China in 1962 and another one with Pakistan in 1965, resulted in a huge deficit on India's budget, forcing the government to devalue the currency to 7.57 against the dollar.

The rupee's link with the British currency was broken in 1971 and it was linked directly to the US dollar. In 1975, the Indian rupee was linked to a basket of three currencies comprising the US dollar, the Japanese yen and the German mark. The value of the Indian rupee was pegged at 8.39 against a dollar. In 1985 it was further devalued to 12 against a dollar.

India faced a serious balance of payment crisis in 1991 and was forced to sharply devalue its currency.

The country was in the grip of high inflation, low growth and the foreign reserves were not even worth to meet three weeks of imports.

Under these situations, the currency was devalued to 22.69 against a dollar. India mortgaged Gold because of a balance payment crisis and it was the beginning of India's economic reforms

Year	Exchange rate	Event
1947	1 Rupee= 1 Dollar	India gains Independence
1966	6.35	Government devalues rupee to encourage exports
1973	7.67	Oil crisis; government enacts FERA to clamp down illegal forex transactions
1975	8.41	Government imposes political emergency
1985	12.36	First stirrings of liberalization
1991	22.69	India mortgages Gold to wriggle out of a balance of payment crisis; beginning of the industrial licensing regime
1992	25.92	SEBI set up in the wake of the Harshad Mehta Scam
1993	31.44	LERMS introduced
1998	41.27	Asian currency crisis hits
2002	48.60	Prevention of Money Laundering Act enacted
2004	45.32	UPA Government comes to power
2008	43.50	Lehman Brothers collapses
2010		Rupee gets a new Symbol
2012	53.32	P Chidambaram returns as finance minister
28 August, 2013	68.84	Rupee touches an all time low
14 September, 2013	63.50	

The year 1993 is very important in Indian currency history. It was in this year when the currency was let free to flow with the market sentiments.

The exchange rate was freed to be determined by the market, with provisions of intervention by the central bank under the situation of extreme volatility. In 1993, one was required to pay Rs.31.44 to get a dollar.

The rupee traded in the range of 40-50 between 2000-2010. It was mostly at around 45 against a dollar. It touched a high of 39 in 2007. The Indian currency has gradually depreciated since the global 2008 economic crisis.

Due to stagnant reforms, and declining foreign investment, rupee started depreciating in the early 2013. As a result, the Indian Rupee dropped to 68.80 per dollar.

Various measures were announced by the Government prior to this drop to prevent it from dropping further. But, none managed to slow down the depreciation. But, Rupee had its best four-day rally in four decades after Reserve Bank of India Governor Raghuram Rajan moved to reverse sentiment on policymaking, introducing several measures soon after taking over, making Rupee the best performer in September among the 189 currencies listed on the Bloomberg table.





# National Food Security Bill 2013

- *President of India, Mr. Pranab Mukherjee, on 12th September, 2013, gave his approval to the National Food Security Bill, turning it into a Law. The Bill was introduced in the Parliament on December 22, 2011 by the Ministry of Food, Consumer Affairs and Public Distribution, which was subsequently passed by Lok Sabha on 28th August, 2013 and by Rajya Sabha on 2nd September, 2013. The Bill is historic initiatives which will help India join the select League of Nations that guarantee food grains to its majority of population, ensuring food and nutritional security to the people.*

## Highlights of the Bill:

### • Entitlements:

The largest scheme in the world which entitles around 800 million Indians i.e. two-thirds of India's population, the right to have subsidized grains under the Targeted Public Distribution System. The Bill will cover up to 75% of Rural Population and up to 50% of urban population

### • Quantity of food grain entitled:

The bill groups the population into poorest of the poor i.e. Antyodaya Anna Yojana (AAY) group, a priority group and an excluded category. The poorest of the poor (the AAY group) will continue receiving 35 kg of food grain/family/month while others (the priority group) will receive 5 kg of food grain/person/month.

### • Amount to be paid by the beneficiaries:

All the beneficiaries of the scheme will be liable to pay Rs 3/Kg for Rice, Rs 2/kg for Wheat, Re 1/kg for Millets (also called 'coarse grains' in the Bill).

### • Identification of Eligible households:

State governments will be responsible for identification of eligible households based on socio-economic and caste census. The lists of eligible households are to be placed in the public domain and "displayed prominently" by state governments.

• **Pregnant women and lactating mothers** will be entitled to a free meal at the local anganwadi (during pregnancy and six months after child birth) as well as maternity benefit of at least Rs 1,000 per month for a period of six months.

• **Children Entitlements:** For children in the age group of 6 months to 6 years, the Bill guarantees an age-appropriate meal, free of charge, through the local anganwadi. For children aged 6-14 years, one free mid-day meal shall be provided every day (except on school holidays) in all schools run by local bodies, government and government aided schools, up to Class VIII. For children below six months, “exclusive breastfeeding shall be promoted”.

• **Food Commissions:** The Bill states the guidelines for the creation of State Food Commissions whose main function will be to monitor and evaluate the implementation of the act, give advice to the states governments and their agencies, and inquire into violations of entitlements.

• **Cost to the Government exchequer:** The total estimated annual food grains requirement to cover the entire entitled population is 612.3 lakh tons and the corresponding cost required in the implementation of the scheme requires an annual expenditure of around Rs. 1.30 lakh crore.

• **Grievance Redressal Mechanism:** The Bill provides for a two-tier grievance redressal structure i.e. district and state level, involving the District Grievance Redressal Officer (DGRO) and State Food Commission. State governments must also put in place an internal grievance redressal mechanism which may include call centers, help lines and designation of nodal officers.

• In order to give more voice to the women in running households, the eldest woman in the household, 18 years or above, will be considered as the head of the household for the issuing of the ration card.



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