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+ 91-33- 2252-7143/7373/2204
Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723

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DAILY NEWS DIGEST BY BFSI BOARD

03 December 2024



ECONOMY

Indian rupee closes at record low over Donald Trump's 100% tariff comments, sluggish GDP growth: Indian rupee closed at record low on December 2 as US President-elect Donald Trump warned BRICS countries with 100 percent tariffs and country's GDP growth was sluggish, currency experts said. According to the Bloomberg data, Indian rupee ended at a record low of 84.70 against the US dollar, down 0.21 percent from its previous close of 84.50 against the greenback. "US President-elect Donald Trump's warned of a potential 100% tariff on BRICS nations if they undermine the US Dollar. Trump's rhetoric is seen as likely strengthening the dollar further. Rupee was also affected by India's GDP growth slowdown to a near two-year low of 5.4% in the July-September quarter," said Kunal Sodhani, Vice President, Shinhan Bank. Donald Trump has warned BRICS countries to commit to not creating new currency or face 100% tariffs during his administration.

(Moneycontrol)

Windfall tax on aviation fuel, petrol and diesel scrapped: The Finance Ministry has scrapped windfall tax on aviation turbine fuel (ATF), crude products, petrol, and diesel. The decision was formalized through notifications numbered 29/2024 and 30/2024, which were laid in Parliament. Imposed in July 2022, the windfall tax—formally known as Special Additional Excise Duty (SAED)—was introduced during a surge in global crude oil prices triggered by the Russia-Ukraine conflict. The tax aimed to capture extraordinary profits reaped by oil producers and exporters, generating substantial revenue for the government during the pandemic years. The withdrawal of windfall taxes, a source told BT, reflects declining revenues, with ₹25,000 crore collected in FY23, ₹13,000 crore in FY24, and just ₹6,000 crore in FY25, highlighting its necessity only during the COVID period.

(Business Today)

Centre accelerates capex loan releases to states: Facing the prospect of missing its target for capex loans to states due to delays in launching the programme, the Centre has fast-tracked



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disbursements under the Rs 1.5 lakh crore, 50-year interest-free capex loan scheme to stimulate economic activity and job creation. A senior official told FE that, so far in FY25, the Centre has sanctioned Rs 85,000 crore in loans for various projects, of which Rs 60,000 crore have been released. This marks an increase of Rs 20,000 crore from the Rs 40,000 crore disbursed by October this year.

(Financial Express)

BANKING & FINANCE



RBI removes restrictions on Sachin Bansal's Navi Finserv: The Reserve Bank of India removed restrictions on Sachin Bansal's Navi Finserv Ltd on December 2, less than two months after imposing them. Such a quick turnaround is quite unusual with restrictions on large banks such as HDFC Bank lasting more than 13 months and Kotak Mahindra Bank (still ongoing) have lasted more than seven months.

(Moneycontrol)

Bajaj Finance to halt co-branded credit cards business: India's largest consumer finance company, Bajaj Finance, is said to have put a hold on its co-branding credit cards business in the near-term. The lender will not be signing up for fresh contracts with banks for credit cards, said people aware of the matter. If regulatory approvals come through, Bajaj Finance may launch its own line of credit cards instead of partnering with bank, said sources. The decision to halt or exit the co-branded cards business is an outcome of revised credit card norms that were put in place from April 2022 by the Reserve Bank of India (RBI). These guidelines reduce a non-bank co-branding partner to merely an originator of cards. In other words, NBFCs are limited to perform marketing and distribution role in the co-branded credit cards business. Other critical aspects such as data retention, collections, credit evaluation and underwriting vest with banks.

(Moneycontrol)

RBI asks banks to bring down inoperative accounts urgently, report their numbers quarterly: The RBI on Monday asked banks to "urgently" reduce the number of inoperative or frozen accounts by taking necessary steps and also report their numbers quarterly. Expressing concern over the rising sums of money lying in such accounts, the RBI said its supervisory inspections have revealed a slew of problems due to which accounts are becoming inoperative or get frozen.

(Economic Times)



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PSBs at only 42% of FY25 MUDRA disbursement target by October-end: Public Sector Banks (PSBs), including their sponsored Regional Rural Banks (RRBs), have achieved only 42 per cent of their current financial year (FY25) disbursement target for MUDRA loans by the end of October, according to an internal document seen by Business Standard. Out of a target of Rs 2.3 trillion for FY25, the banks have disbursed Rs 97,094 crore by October 25, 2024, the document showed.

(Business Standard)

INDUSTRY OUTLOOK



Manufacturing PMI fell to a joint 11-month low of 56.5 in November: Inflation impacted the manufacturing sector in November as Purchasing Managers' Index (PMI) slipped to 11 months low of 56.5 in the said month as against 57.5 of October. Meanwhile, the good news is that job creation was solid. "The rate of output expansion is decelerating due to intensifying price pressures. Input prices for a variety of intermediate goods – including chemicals, cotton, leather, and rubber – rose in November, while output prices soared to an eleven-year high as rising input, labour, and transportation costs were passed on to consumers," Pranjul Bhandari, Chief India Economist at HSBC said. PMI Manufacturing is based in survey among purchasing managers of 400 companies. Index above 50 means expansion, while below 50 reflects contraction.

(Business Line)

Corporation tax paid by listed companies at 4-year low in Q2 FY25: The recent decline in corporate earnings is likely to cast a shadow on the government's direct-tax receipts and its fiscal position. Tax payment by listed companies was down 7 per cent year-on-year (Y-o-Y) in Q2FY25, their worst showing in the last four years and the first decline in corporate tax in seven quarters. The last decline was reported in Q3FY23, when tax payment had shrunk 0.7 per cent Y-o-Y. The combined corporate tax outgo of 3,515 companies in the Business Standard sample declined to around Rs 1.09 trillion in July-September 2024 (Q2FY25) from around Rs 1.18 trillion.

(Business Standard)



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REGULATION & DEVELOPMENT

GST GoM proposes rate tweaks on 148 items, Textile sector braces for major rejig: The GST Group of Ministers (GoM) on rate rationalisation has finalised its report recommending sweeping changes to tax rates on 148 items, including a significant overhaul for the textile sector. The rate changes will be revenue-positive and are likely to be discussed in the upcoming GST Council meeting on December 21, three sources said. “The GoM has kept in mind to lower the rates for items in textile, bicycle, exercise books which are of common man’s use. While the rate on several luxury goods has been proposed to be increased to 28 percent,” a source told Moneycontrol. “The GoM has suggested a revised slab structure that keeps the 5 percent rate for textile items up to Rs 1,500 but proposes an 18 percent tax for products priced between Rs 1,500 and Rs 10,000. For textiles priced above Rs 10,000, the report recommends a hike to 28 percent, aligning them with luxury goods,”

(Moneycontrol)

IBBI extends deadline to file liquidation forms to December 31: The Insolvency and Bankruptcy Board of India (IBBI) on Monday extended the deadline for filing forms to monitor liquidations by a month to December 31. The extension follows a request by liquidators and Insolvency Professional Agencies, citing technicalities and issues involved in the submission of the forms, the regulator said in a communication to stakeholders. Earlier, the deadline was extended from September 30 to November 30. It is further clarified that, for ongoing liquidation and voluntary liquidation cases, the responsibility for filing all forms shall lie with the Insolvency Professionals (IP) currently handling the process.

(Economic Times)



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FINANCIAL TERMINOLOGY

FORBEARANCE

- ❖ The term forbearance refers to the temporary postponement of loan payments, typically for a mortgage or student loan. Lenders and other creditors grant forbearance as an alternative to forcing a property into foreclosure or leaving the borrower to default.
- ❖ The companies that hold mortgages and their insurers are often willing to negotiate forbearance agreements because the losses caused by foreclosures or defaults typically fall on them.
- ❖ Lenders may grant forbearances instead of forcing the borrower into foreclosure or default.



RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 84.6812
INR / 1 GBP : 107.4548
INR / 1 EUR : 89.1275
INR /100 JPY: 56.2400

EQUITY MARKET

Sensex: 80248.08 (+445.29)
NIFTY: 24276.05(+144.95)
Bnk NIFTY: 52109.00 (+53.40)

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