ICMAI
THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA
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www.icmai.in
CMA

Telephones: +91-33- 2252-1031/1034/1035
+ 91-33-2252-1602/1492/1619
+ 91-33- 2252-7143/7373/2204
Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723

DAILY NEWS DIGEST BY BFSI BOARD

04 November 2024

ECONOMY

FPIs pull out record Rs 94,000 crore from equities in October on attractive China valuation: Foreign investors pulled out a massive Rs 94,000 crore (around $11.2 billion) from the Indian stock market in October, making it the worst-ever month in terms of outflows triggered by the elevated valuation of domestic equities and attractive valuations of Chinese stocks. Before this, foreign portfolio investors (FPIs) withdrew Rs 61,973 crore from equities in March 2020. The latest outflow came after a nine-month high investment of Rs 57,724 crore in September 2024.
(Business Today)

India emerges as global player in petroleum, gemstone, sugar exports with surging market share in 5 years: India's export competitiveness has seen significant growth across various sectors over the past five years, particularly in petroleum, gemstones, agrochemicals, and sugar, according to data from the commerce ministry. Other sectors that have also experienced an increase in the country's export share between 2018 and 2023 include electrical goods, pneumatic tyres, taps and valves, and semiconductor devices. As per the data, petroleum exports climbed to $84.96 billion in 2023 with India's global market share rising to 12.59% from 6.45% in 2018, making it the second-largest exporter worldwide, up from fifth place in 2018. In the precious and semi-precious stones market, India's share of global exports surged to 36.53% in 2023, a significant jump from 16.27% in 2018. Exports in this category reached $1.52 billion, increasing from $0.26 billion five years ago, propelling India to the top rank in this sector, after being second in 2018. Similarly, cane or beet sugar exports have more than quadrupled, rising to $3.72 billion from $0.93 billion in 2018, with India's market share growing from 4.17% to 12.21% over the same period.
(Business Today)

Government tightens wastage norms for jewellery exports: The government has tightened the wastage allowance that exporters of gold, silver, and platinum jewelry can claim at the manufacturing stage to qualify for duty-free import of raw materials. The revised norms, effective from January 1, will reduce permissible wastage across various jewelry categories, distinguishing for the first time between handmade and machine-made pieces. Announced on Friday by the Directorate General of Foreign Trade (DGFT), these norms are more lenient than those proposed in May, which were subsequently put on hold. The new announcement overrides the previous notice from May. Under the May guidelines, wastage for plain gold and platinum jewelry was sharply reduced to 0.5% (from 2.5%) and for silver to 0.75% (from 3.2%). For studded jewellery, the wastage allowance was cut to 0.75% for gold, silver, and platinum from an earlier 5%.However, after significant pushback from the gems and jewellery industry, the new Standard Input Output Norms (SION) and wastage allowances were suspended to allow for industry consultations. This suspension period was extended five times, lasting until December. According to the new norms announced on Friday, wastage of 2.25% is allowed in handmade jewellery of gold and platinum from 2.5% applicable now and 3% in silver jewellery from 3.2%. For gold and platinum jewellery made by machines, the wastage of 0.45% is allowed and for silver it is down to 0.5%. In studded handmade jewellery of gold, silver and platinum the new norms allow for 4% wastage. For machine made studded jewellery wastage of 2.8% is allowed.

(Financial Express)

BANKING & FINANCE

Ujjivan Small Finance Bank to apply for universal licence this fiscal: MD Sanjeev Nautiyal: Ujjivan Small Finance Bank aims to secure a universal banking license by March 2025. The bank is focusing on building a diverse business mix and strengthening its secured loan portfolio. Efforts include expanding product lines and improving digital and IT infrastructure to address RBI requirements.

(Economic Times)

Canara Bank aims Rs 6,000 cr recovery in H2 FY25: State-owned Canara Bank aims to recover about Rs 6,000 crore from bad loans during the second half of the current fiscal. "We are anticipating recovery somewhere about Rs 3,000 crore in the third quarter and a similar amount in the fourth quarter," Canara Bank managing director and CEO K Satyanarayana Raju told PTI. The bank has recovered Rs 2,905 crore, including recovery in written-off accounts, in the second quarter. Slippages would be much less than recovery as the bank would be underwriting good loans, Raju said.

(Economic Times)

Rise in delinquencies: Banks buckle up, go slow on issuing new credit cards: Rising delinquencies in credit card receivables have made banks wary of ramping up subscriber additions in the festive season. Reserve Bank of India (RBI) data showed that the pace of new card additions slowed to 620,000 in September from 920,000 in August, a fall of nearly a third. New card issuances have fallen by more than 64% from the year earlier. The latest additions take the total credit cards in force to 106 million. Experts say that new card additions will slow further as lenders become wary of the unsecured segment. "New cards issuance was majorly led by HDFC Bank and SBI Cards. However, net new card additions are expected to slow down in the near term due to rising delinquencies in the credit card receivables," said IDBI Capital analyst Bunty Chawla. "Lenders also remain cautious on new cards disbursements due to the RBI's risk weight norms."
(Economic Times)

INDUSTRY OUTLOOK

India, Saudi Arabia sign pacts to boost trade, investment: India and Saudi Arabia on Friday signed a series of "actionable agreements" aimed at enhancing trade volumes and facilitating a smooth flow of investments between the two counties, an official statement said on Friday. The agreements emphasise cooperation in energy transition, digital transformation and exchange of expertise to accelerate economic growth. The agreements were signed in the presence of commerce and industry minister Piyush Goyal who was on a visit to the West Asian kingdom.
(Financial Express)

DGFT surprises exporters with annual returns under the Rodtep scheme: The Director General of Foreign Trade (DGFT) has prescribed an annual return to be furnished by exporters who have claimed duty credits of more than Rs 1 crore in a financial year under the remission of duties and taxes on export products (Rodtep) scheme. The exporters are surprised by the kind of details and declaration called for in the annual Rodtep return (ARR) required to be furnished before the March 31 of the next year.
(Business Standard)

Banks, FIMMDA discuss MIBOR replacement with collateralised rate framework: Banks have suggested phasing out the uncollateralised Mumbai Interbank Offer Rate (MIBOR) and proposed a new benchmark for the interest rate derivatives market, according to sources privy to the development. This came after the RBI's MIBOR Committee released a report on October 1. It recommended changes in the methodology of MIBOR while proposing a shift to a new benchmark for derivative products.The banks proposed a new benchmark for interest rate derivatives market with a balanced 50-50 weighting between TREPS (Tri Party Repo) and CHROMs (Collateralised Borrowing and Lending Obligations in the Overnight Money Market), according to sources.

(Business Standard)

REGULATION & DEVELOPMENT

SEBI proposes Rs 1 cr minimum investment, demat form for securitisation: SEBI has proposed a minimum ticket size or investment threshold of Rs 1 crore for the RBI-regulated originators and unregulated entities engaged in securitisation activities.The proposal also introduced limitations on the number of investors in private placements, allowing securitised debt instruments (SDIs) issued privately to be offered to a maximum of 200 investors. If this limit is exceeded, the issuance must be classified as a public issue. As per the proposal, public offers should remain open for a minimum of three days and a maximum of 10 days with advertisement requirements aligned with SEBI's regulations for non-convertible securities. Additionally, the regulator has suggested that all securitised debt instruments should be issued and transferred exclusively in demat form. The current framework is based on SEBI's 2008 regulations with updates from the RBI 2021 directions on securitising standard assets. SEBI is now considering updates to the regulatory framework for securitised debt instruments and sought public comments till November 16 on the proposals. Regarding risk management, SEBI has proposed that originators retain a minimum risk retention of 10 % of the securitised pool or 5 % for receivables with a maturity of up to 24 months.

(Business Today)

New family pension rules for govt servants: Daughters' names to be retained in family records post-retirement: In a significant move to recognise importance of daughters in government pension schemes, the Department of Pension and Pensioners' Welfare (DoPPW) has issued a directive stating that the names of daughters must be retained in family records after the retirement of government servants, regardless of their eligibility for family pensions. The memorandum clarifies that a daughter is officially considered a member of the family once her name is submitted by the government servant in the prescribed Form 4. This requirement applies whether or not the daughter qualifies for a family pension. The directive mandates that daughters' names remain in the family details submitted by government employees, reinforcing their status as family members.

(Financial Express)

FINANCIAL TERMINOLOGY

NON FARM PAYROLL

- Nonfarm payroll measures the number of workers in the U.S. except those who work in farming, private households, non-profits, and sole proprietorships or self-employment, as well as those who are active military service members.
- The Bureau of Labor Statistics (BLS) surveys private and government entities throughout the U.S. to obtain information about their payrolls. The nonfarm payroll numbers are reported monthly to the public through the closely followed employment situation summary.
- Nonfarm payrolls include 80% of the number of workers in the U.S. contributing to gross domestic product (GDP).

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Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723

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 : 84.0886
INR / 1 GBP : 108.9508
INR / 1 EUR : 91.2505
INR /100 JPY: 55.0300

EQUITY MARKET

Sensex: 79724.12 (+335.06)
NIFTY: 24304.35(+99.00)
Bnk NIFTY: 51673.90 (+198.55)

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