



**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
CMA BHAWAN
12, SUDDER STREET, KOLKATA – 700 016.

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
Website : www.icmai.in

DAILY NEWS DIGEST BY BFSI BOARD, ICAI

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- **Repo rate, CRR hike effect: Banks to gradually up lending, deposit rates:** Banks are expected to gradually up their lending and deposit rates following the 40 bps hike in policy repo rate. Rajkiran Rai G, MD & CEO of Union Bank of India, observed that overall, the long-term indications are very clear — interest rates on deposits and advances will go up gradually. He underscored that the banking system still has sufficient liquidity and credit demand has not picked up yet. "This (rate hike) was expected, but the timing is a bit surprising. We have lot of repo rate (external benchmark rate)-linked loans. So, all those loans will be repriced now. The deposit cost for a bank goes up when the liquidity in the system goes down. Now, with the liquidity going out of the system, banks will start increasing deposit rates," Rai said.
<https://www.thehindubusinessline.com/money-and-banking/repo-rate-crr-hike-effect-banks-to-gradually-up-lending-deposit-rates/article65381495.ece>
- **RBI hikes CRR by 50 basis points to 4.5%, to remove Rs 87,000 crore of liquidity:** The Reserve Bank of India (RBI) has hiked the Cash Reserve Ratio (CRR) by 50 basis points raising it to 4.5 per cent in a bid to tighten the liquidity. The move is effective beginning fortnight of May 21. The withdrawal of liquidity through increased CRR could be to the tune of Rs 87,000 crore. The RBI today announced a rate hike to 4.4 per cent, up by 40 basis points in a surprise move that rippled through the equity and bond markets. The sudden announcement came in the backdrop of retail inflation breaching the RBI's comfort level for three consecutive months. The retail inflation for the month March touched nearly 7 per cent as food prices surged.
<https://economictimes.indiatimes.com/news/economy/indicators/rbi-hikes-crr-by-50-basis-points-to-4-5/articleshow/91311695.cms>
- **RBI gov hikes repo rate by 40 basis points in emergency meet:** In an unscheduled press briefing on Wednesday, the Reserve Bank of India (RBI) Governor Shaktikanta Das announced that the Monetary Policy Committee (MPC) in an off-cycle meet unanimously voted to hike rates. The policy repo rate has been hiked by 40 bps to 4.40% with immediate effect. The standing deposit facility rate is now at 4.15% while the marginal standing facility rate and bank rate stand at 4.65%. The RBI also hiked the cash reserve ratio (CRR) by 50 basis points to 4.5% effective May 21. The withdrawal of liquidity due to this hike would be to the order of Rs 87,000 crore, Governor Das said.
<https://economictimes.indiatimes.com/news/economy/policy/rbi-governor-announces-rate-hike-of-40-bps/articleshow/91310867.cms>
- **ASBA-designated bank branches to remain open on Sunday for LIC IPO: Reserve Bank:** Reserve Bank of India (RBI) has said that all ASBA-designated bank branches will remain open for public on Sunday to facilitate processing of applications for LIC's initial public offering. State-owned LIC's Initial Public Offering (IPO), the country's biggest ever offer, opened for subscription by retail and institutional investors on Wednesday. The offer will close on May 9 and there will be bidding on May 7 (Saturday) also. The Government of India, in order to facilitate bidding for LIC IPO, has requested that all bank branches designated to process ASBA (Application Supported by Blocked Amount) applications may be kept open for public on May 8, 2022 (Sunday), RBI said in a statement on Wednesday. "The matter has been examined and it has been decided that banks may keep all their ASBA designated branches open on May 8, 2022 (Sunday) for the above purpose," it said.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/asba-designated-bank-branches-to-remain-open-on-sunday-for-lic-ipo-reserve-bank/articleshow/91320658.cms>



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- **RBI taking inflation, inflationary expectations seriously: Uday Kotak:** Reserve Bank of India's surprise move to hike repo rate reflects that the central bank is taking inflation and inflationary expectations very 'seriously', veteran Banker Uday Kotak said on Wednesday. He expects a 100 basis points repo rate hike in the current fiscal. "It was pretty clear that the wolf of inflation is getting more entrenched. And therefore, there was clearly a need to move. I read this (repo rate hike) as a very strong message by the RBI that they're taking the point on inflation and inflationary expectations seriously and you cannot allow the wolf to get deep in it and then becomes that much trouble to get the wolf out," Kotak, the managing director and CEO of Kotak Mahindra Bank, told reporters.
<https://www.businesstoday.in/industry/banks/story/rbi-taking-inflation-inflationary-expectations-seriously-uday-kotak-after-surprise-rate-hike-332344-2022-05-04>
- **RBI CRR hikes to increase overnight rates:** The Reserve Bank of India (RBI) hiked the cash reserve ratio (CRR) as it sought to lift overnight rates by sucking out some excess liquidity from the markets. Bankers and analysts said the CRR hike together with the repo rate hike will ensure that the overnight rates are closer to the repo rate. CRR has been hiked to 4.5% from 4%, now taking it above the pre pandemic level when it was reduced to 3% as part of the central's banks efforts to support the economy due to the pandemic and subsequently raised to 3.5% in 2021. In his statement governor Shaktikanta Das said the hike in CRR was to ensure, liquidity conditions are "modulated in line with the policy action."
<https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-crr-hikes-to-increase-overnight-rates/articleshow/91321419.cms>
- **LIC IPO: Policyholder portion fully subscribed within hours:** Hours after the initial public offering (IPO) of Life Insurance Corporation of India opened, the portion reserved for policyholders was fully subscribed. According to data with the stock exchanges, by 12:42 pm, the portion reserved for policyholders was subscribed 1.1 times. The overall issue was subscribed 0.32 times with the portion reserved for employees subscribed 0.55 times and the portion for retail investors subscribed 0.35 times. In the non-institutional category, 0.07 times of the quota was subscribed. Qualified Institutional Buyers had bid for just 6,060 shares against 3,95,31,236 shares reserved for them.
<https://www.thehindubusinessline.com/markets/lic-ipo-policyholder-portion-fully-subscribed-within-hours/article65380972.ece>
- **LIC IPO: Investors can bid even on Saturday from 10 am to 7 pm:** In a special dispensation, bidding for the initial public offering (IPO) of Life Insurance Corporation of India would remain open even on Saturday (May 7) between 10 am and 7 pm. The move comes given the huge size of the issue as well as the expected demand from retail investors. Usually, bidding for IPOs is not available on Saturday. Sources indicated the move would also ensure less stress on the banking system. The mega LIC IPO opened for subscription for retail and institutional investors on Wednesday. The government hopes to raise ₹21,000 crore from the issue. The offer consists of 22.13 crore shares of which 5.92 crore shares have been allocated to anchor investors for ₹5,627 crore.
<https://www.thehindubusinessline.com/markets/lic-ipo-investors-can-bid-even-on-saturday-from-10-am-to-7-pm/article65380715.ece>
- **Kotak Mahindra Bank net profit rises 65 per cent to ₹2,767 crore in Q4:** Private sector lender Kotak Mahindra Bank reported a 64.5 per cent jump in standalone net profit for the fourth quarter on the back of robust growth in net interest income and write back of provisions. The bank reported net profit of ₹2,767.4 crore for the quarter ended March 31, against ₹1,682.37 crore in the same period in 2020-21. For 2021-22, its standalone net profit grew 23.1 per cent to ₹8,572.69 crore (₹6,964.84 crore). Net Interest Income in the reporting quarter



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increased 18 per cent to ₹4,521 crore (₹3,843 crore). Net Interest Margin (NIM) was 4.78 per cent for the fourth quarter of last fiscal as against 4.39 per cent a year ago.

<https://www.thehindubusinessline.com/money-and-banking/q4-results-kotak-mahindra-bank-net-profit-rises-65-to-2767-crore/article65381054.ece>

- **G-Sec prices crash, yields zoom on repo rate and CRR hikes:** Prices of Government Securities (G-Secs) crashed on Wednesday, with their yields shooting up, as the Monetary Policy Committee (MPC) upped the policy repo rate and the Reserve Bank of India increased the cash reserve ratio. In an off-cycle meeting, the MPC unanimously voted to up the policy repo rate by 40 basis points to 4.40 per cent from 4 per cent to stanch rising inflationary pressures. CRR was also increased by 50 basis points to 4.50 per cent from 4 per cent.
<https://www.thehindubusinessline.com/money-and-banking/g-sec-prices-crash-yields-zoom-on-repo-rate-and-crr-hikes/article65382414.ece>
- **Infra loans boost corp credit growth to 8-year high in FY22:** As banks loosened their purse strings to fund infrastructure projects and cater to increasing working capital requirements, corporate credit growth touched an eight-year high in FY22. Corporate loans grew 7.1% year-on-year in FY22, against a contraction of 0.4% in the previous fiscal year. Bankers said there is a healthy pipeline of project finance opportunities in FY23 as well, and demand will sustain as more infrastructure projects are executed. In fact, working capital demand rose on the back of higher input costs and rising day-to-day operational expenses. There are also some green shoots in the private sector investment cycle, they added.
<https://www.livemint.com/industry/banking/infra-loans-boost-corp-credit-growth-to-8-year-high-in-fy22-11651603847733.html>
- **Yes Bank hikes MCLR by 10-15 basis points across tenors after swinging to profit:** Private sector lender Yes Bank has hiked marginal cost of funds based lending rate (MCLR) by 10-15 basis points (bps) across tenors, with effect from May 2. MCLR (explained way below) for overnight tenor at Yes Bank is now 6.85 percent, for one month 7.30 percent, three months (7.45 percent, six months 8.25 percent, and one year 8.60 percent. On April 30, Yes Bank revealed a strong show for the March quarter reporting a profit of Rs 367 crore against a loss of Rs 3,788 crore a year ago, driven by a sharp downtick in provisions, strong net interest income and pre-provision operating profit (PPoP) with an improvement in asset quality. On a sequential basis, profit grew 38 percent.
<https://www.moneycontrol.com/news/business/yes-bank-hikes-mclr-by-10-15-basis-points-across-tenors-after-swinging-to-profit-8449981.html>
- **Kotak Mahindra Bank open for 'right opportunities', says Uday Kotak:** Private sector lender Kotak Mahindra Bank is looking at 'right opportunities' going ahead, its managing director and chief executive officer Uday Kotak told Moneycontrol on May 4. "We are consistently looking and we feel that our balance sheet is strong, our positioning is good, our capital adequacy is good, cost of funds is low. We are very open for the right opportunity as we go forward," Kotak said. Kotak's comments are significant as it comes against the backdrop of consolidation in the banking sector.
<https://www.moneycontrol.com/news/business/kotak-mahindra-bank-open-for-right-opportunities-says-uday-kotak-8453481.html>
- **RBI rate hike deflates Sensex by 1,300 points, Nifty ends below 16,700:** The BSE Sensex closed at 55,669.03, down 1,306.96 points or 2.29 per cent. It recorded an intraday high of 57,184.21 and a low of 55,501.60. The Nifty 50 closed at 16,677.60, down 391.50 points or 2.29 per cent. It recorded an intraday high of 17,132.85 and a low of 16,623.95. ONGC, Britannia, Powegrid, NTPC and Kotak Bank were the top gainers on the Nifty 50 while Apollo Hospitals, Adani Ports, Hindalco, Titan and Bajaj Finance were the top losers.



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<https://www.thehindubusinessline.com/markets/rbi-rate-hike-deflates-sensex-by-1300-points-nifty-ends-below-16700/article65381352.ece>

- **Rupee rises 8 paise to close at 76.40 as RBI hikes interest rate:** The rupee appreciated eight paise to settle at 76.40 (provisional) against the US dollar on Wednesday following RBI's surprise rate hike ahead of the US Federal Reserve's policy decision. At the interbank forex market, the domestic unit opened at 76.46 against the US dollar. It moved in the range of 76.17 to 76.58 during the session. The rupee finally closed at 76.40, registering a rise of 8 paise over its previous close.
<https://www.thehindubusinessline.com/markets/forex/rupee-rises-8-paise-to-close-at-7640-as-rbi-hikes-interest-rate/article65382036.ece#:~:text=RBI%20has%20hiked%20the%20benchmark,US%20Federal%20Reserve's%20policy%20decision.>

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