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DAILY NEWS DIGEST BY BFSI BOARD

05 July 2024



ECONOMY

Budget 2024-25: Standard deduction for salaried individuals may increase to Rs 1 lakh:

With the Budget around the corner, there are many expectations and speculations regarding the benefits the Finance Minister may announce for taxpayers. One such anticipated benefit is an increase in the standard deduction limit. Standard deduction of Rs 40,000 per year for salaried individuals was reintroduced in Budget 2018, replacing two earlier deductions—travel allowance (Rs 19,200) and medical deduction (Rs 15,000) per annum. In the interim budget of 2019, the standard deduction limit was increased to Rs 50,000. However, there has been continuous demand to increase this limit, as the combined total of the replaced deductions was Rs 34,200. Consequently, the current limit of Rs 50,000 offers only marginal additional savings to tax payers. Experts believe that in the upcoming budget the Finance Minister may consider increasing standard deduction to up to Rs 1 lakh per annum.

(Moneycontrol)

Total divestment potential of about Rs 11.5 lakh cr at current mcap, even if govt retains 51% control: CareEdge:

Stake sales in public sector enterprises could help the centre raise as much as Rs 11.5 lakh crore at current market rates even while maintaining a majority stake of 51%, a new report by CareEdge has revealed. “Of this, CPSEs could contribute around Rs 5 trillion, while PSBs and insurance firms could potentially add another Rs 6.5 lakh crore. This represents the maximum amount that could be raised at current market prices without the government losing governance control of these entities,” said the report released on Thursday. Indian Railway Finance Corporation Ltd, Hindustan Aeronautics Ltd, Coal India Ltd, and Oil and Natural Gas Corporation are the top firms in terms of divestment potential mathematically, it said. “To put things in perspective, Rs 11.5 lakh crore is a little more than twice the total divestment of Rs 5.2 lakh crore conducted since 2014,” the report said, but cautioned that the government may not opt to divest all of its potential and the



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decision to divest these listed firms may be influenced by the industry's strategic nature, the companies' profitability, financial market conditions and welfare and social considerations.

(Business Today)

BANKING & FINANCE



HDFC Bank reports healthy advances growth, high CD ratio remains a worry: HDFC Bank on July 4 reported 52.6 percent jump in gross advances at Rs 24.87 lakh crore in the quarter ended June 2024 as compared to Rs 16.3 lakh crore in the year-ago period, the lender said in a stock exchange filing. Excluding the impact of the merger, the bank's gross advances grew by 14.9 percent over June 2023 quarter. In the three-month period ended March 31, the private lender reported gross advances of Rs 25.07 lakh crore. The bank's deposits stood at Rs 23.8 lakh crore in the June quarter, posting a growth of around 24.4 percent over Rs 19.13 lakh crore reported in the year-ago period, and were at similar levels compared to Rs 23.8 lakh crore in the March quarter of FY24. Excluding the July 2023 merger impact, the bank's deposits grew by 16.5 percent over June 30, 2023. The lender's credit-deposit (CD) ratio, the ratio of how much a bank lends out of the deposits it has mobilized, stood high at 105 percent, down from 112 percent last year and 106 percent in the previous quarter.

(Moneycontrol)

Bank of Maharashtra, UCO Bank report strong credit growth in Q1: Public sector banks seem to have started FY25 on a strong note, clocking robust credit growth, going by provisional business updates of Bank of Maharashtra (BoM) and UCO Bank for the first quarter of FY25. However, deposit growth of these banks continues to lag credit growth. BoM has reported a 19.01 per cent year-on-year (yoy) growth in gross advances and 9.44 per cent yoy growth in total deposits in Q1FY25. As on June-end 2024, the Pune-headquartered public sector bank's gross loans stood at ₹2,09,065 crore (₹1,75,676 crore as on June-end 2023), per the bank's provisional quarterly business update.

(Business Line)

LIC partners with AT Kearney for agency transformation initiative: Life Insurance Corporation of India (LIC) has partnered with global strategy consulting firm A.T. Kearney to undertake a comprehensive agency transformation project to ensure that the corporation stays ahead of industry trends and regulatory changes. This initiative will involve an end-to-end review of LIC's existing agency framework, which will be done to revamp operations at the branch, division, and



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zonal levels to establish global best practices amid the rapidly changing insurance industry and regulatory landscape in India, LIC said in a statement. The project, called "Jeevan Samarth," is undertaken for "future-proofing" its 1.4 million agent workforce to better meet the evolving needs of customers.

(Economic Times)

RBI cancels licence of Varanasi-based Banaras Merchantile Co-op Bank: The RBI has cancelled the licence of Banaras Merchantile Co-operative Bank, Varanasi in the wake of its worsening financial position. "Consequently, the bank ceases to carry on banking business, with effect from the close of business on July 04, 2024," the Reserve Bank of India said while cancelling the licence. RBI said the cooperative bank does not have adequate capital and earning prospects, and its continuance is prejudicial to the interests of its depositors.

(Economic Times)

INDUSTRY OUTLOOK



Now, auditors more vigilant on 'going concern' status of companies: The tussle between the auditors and the management of Paytm Payments Bank Limited (PPBL) over the "going concern" status of the company shows that corporate governance systems are maturing in India unlike before, when the former were pulled up for not flagging these issues, a senior official told Business Standard. The auditors have doubted whether PPBL can continue as a "going concern", given its operational challenges. Going concern is an accounting term for a company that is financially stable enough to meet its obligations and continue its business for the foreseeable future.

(Business Standard)

Dr Reddy's, Sun Pharma recall drugs in US market: USFDA: Dr Reddy's Laboratories and Sun Pharma are recalling products in the US due to manufacturing issues, as per the latest Enforcement Report by the US Food and Drug Administration (USFDA). According to the report, Dr Reddy's Laboratories is recalling drugs to treat insomnia and gout in the American market. New Jersey-based Dr Reddy's Laboratories, Inc., a unit of Hyderabad-based drug major, is recalling 13,752 bottles of Eszopiclone tablets, the USFDA stated. The affected lot has been produced at Dr Reddy's Bachupally plant in Telangana.

(Economic Times)



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REGULATION & DEVELOPMENT

Currency-derivatives segment shrinks further by 72% MoM and by 96% since RBI directive made headlines: Currency-derivatives segment has shrunk even further in May, with the segment's notional turnover dropping by 72 percent from a month ago. The Securities and Exchange Board of India (Sebi) Bulletin, released on July 4, showed that the notional turnover of the segment fell to Rs 1.14 lakh crore in May versus Rs 4.04 lakh crore in April. The segment had already seen a significant reduction in April, when the segment's notional turnover had plunged from Rs 29.5 lakh crore in March. This was immediately after the central bank had reiterated its stance that currency-derivatives be used only to hedge currency-risk exposure, and not for speculative trade, through a circular on January 5 with a deadline for implementation set at April 5 and then a circular issued on April 4 that extended the deadline to May 04.

(Moneycontrol)

Development of drone ecosystem aligns with PM's 'NAMO Drone Didi' scheme to empower women in agri sector: Union Minister of Commerce & Industry, Shri Piyush Goyal during his address at the International Innovation Conclave organised by the PHD Chamber of Commerce & Industry (PHDCCI) in New Delhi said that Prime Minister Narendra Modi's government is ready to promote the drone industry that has seen rapid growth in the last three years. Praising the development of technology and growth in the drone industry on the strength of innovation, Shri Goyal asserted that development of the drone ecosystem and deploying them in villages across the nation aligns with the PM's 'NAMO Drone Didi' initiative that will help empower the women in the agriculture sector.

Shri Goyal said that technological progress in the drone industry will help combat erratic weather patterns and assist farmers in getting higher quality and higher quantity yields. The Production-Linked Incentive (PLI) Scheme for drones and drone components is a kickstarter for the sector to progress and should not be considered as a permanent subsidy scheme from the government, said the Minister. "In the third term of the PM's administration we will work at triple the speed, ensure three times the result and hope to become the third largest economy in the world", said the Union Minister.

(PiB)



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FINANCIAL TERMINOLOGY

51% ATTACK

- ❖ A 51% attack is an attack on a cryptocurrency blockchain by an entity or group that controls more than 50% of the network. If a party were to gain this much control of a network, it would have the power to alter the blockchain.
- ❖ The attackers would be able to prevent new transactions from gaining confirmations, allowing them to halt payments between some or all users. They would also be able to reverse non-confirmed transactions that were completed while they were in control. Reversing transactions could allow them to double-spend coins, one of the issues mechanisms like proof-of-work were created to prevent.



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 : 83.5016
INR / 1 GBP : 106.4545
INR / 1 EUR : 90.1094
INR /100 JPY: 51.7300

EQUITY MARKET

Sensex: 80049.67 (+62.87)
NIFTY: 24302.15 (+15.65)
Bnk NIFTY: 53103.70 (+14.45)

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