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DAILY NEWS DIGEST BY BFSI BOARD

08 July 2024

ECONOMY

FM Sitharaman concludes consultations with stakeholders, all eyes now on NDA 3.0's first Budget: Finance Minister Nirmala Sitharaman has wrapped up consultations with various stakeholders, including representatives of industry and social sectors, ahead of the Budget preparation on July 23. Over the last few days, Sitharaman and other ministry officials held a series of interactions with stakeholders, including trade unions & farmer associations, to formulate a roadmap for the various sectors and classes in the first Budget of the NDA 3.0 government. Various reports said that Sitharaman has also received an extensive wish list from BJP allies, Chandrababu Naidu-led TDP and Nitish Kumar-led JD(U).
(Business Standard)

India, Qatar to work on deepening trade ties in joint working group meet: India and Qatar are set to hold their first joint working group (JWG) meeting on trade issues this week to further push bilateral trade by identifying and removing tariff and non-tariff barriers, including regulatory hurdles, sources have said. The move follows Prime Minister Narendra Modi's meeting with his Qatar counterpart Sheikh Mohammed bin Abdulrahman Al Thani in Doha in February this year where the two agreed to boost bilateral cooperation in sectors such as trade, investment, energy, finance and technology. India wants to use the JWG meeting, led by senior officials from both sides, to initiate measures that would increase the country's exports to Qatar in order to lower the trade gap with the country. The Commerce Department recently took inputs from various industry sectors for the agenda to push for at the meeting,"
(Business Line)

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BANKING & FINANCE

PC Jeweller receives PNB's approval for One Time Settlement of outstanding dues: PC Jeweller informed stock exchanges on July 7 that it has received approval from Punjab National Bank (PNB) for its One Time Settlement (OTS) proposal. It said PNB, one of the leading banks among the consortium lenders to PC Jewellers, conveyed its decision via a letter dated July 6. The debt-ridden jewellery company said, under the approved terms and conditions of the OTS, the settlement includes a combination of cash and equity components. Additionally, the proposal involves the release of securities and mortgaged properties held by the banks. The relief follows more than three months after the State Bank of India (SBI), the country's largest lender, accepted the One Time Settlement (OTS) proposal submitted by the company. PC Jeweller's troubles began in February 2023, when banks decided to recall loans advanced to it after it was revealed in a filing that the company had defaulted on loans worth Rs 3,466 crore from banks and financial institutions.
(Moneycontrol)

Commercial banks turn cautious on lending to smaller microfinance players: Commercial banks have turned cautious in lending to smaller microfinance institutions (MFIs), forcing them to avail loans from non-banking finance institutions (NBFCs) at a much higher rate. Recently, the Reserve Bank of India’s deputy governor, M Rajeshwar Rao, criticised micro lenders for increasing their margins ‘disproportionately’ and said these lenders were quick to pass on increased costs to the borrowers but reluctant to pass on benefits under the new regime, where margins are not capped.
(Business Standard)

Bandhan Bank names Ratan Kumar Kesh as interim head: Bandhan Bank has appointed executive director Ratan Kumar Kesh as its interim head to navigate the daily operations as managing director and chief executive officer Chandra Shekhar Ghosh is all set to step down next week. The board of the Kolkata-based lender took the decision Saturday, pursuant to the approval of Reserve Bank of India. Kesh will take charge on July 10 for a period of three months or till a new MD and CEO joins, whichever is earlier, the bank said in a regulatory filing to stock exchanges.
(Economic Times)

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INDUSTRY OUTLOOK

Kalyan Jewellers to make US debut by Diwali: Jewellery major Kalyan will launch its first store in the US by Diwali this year as the retail chain eyes a global footprint much like rival Tanishq from the house of Titan. On Friday, Kalyan Jewellers provided a business update on the April-June (2024) quarter, where it said it had drawn up plans to launch another 40 showrooms of Kalyan and 30 showrooms of digital-first brand Candere in FY25 as part of its broader agenda of rolling out over 130 outlets in the ongoing fiscal. The US foray, part of its store additions this year, will be the first outside of West Asia, where the Thrissur, Kerala-based, chain has 36 outlets so far.
(Financial Express)

Ola's Bhavish Aggarwal says foreign cos 'siphoning off' India's data like East India Company: Ola founder and CEO Bhavish Aggarwal coined the term "techno-colonialism" to describe a situation where India's data is exported to global data centers, processed, and then repurposed and sold back to India. In an interview to a news agency, Aggarwal compared this to the exploitation of Indian resources by the British East India Company. He pointed out that while India generates a significant portion of the world's data, the benefits are largely captured by foreign tech giants. "Only one-tenth of that data is stored in India. Ninety percent is exported to global data centers, largely owned by big tech companies. It is processed into AI, brought back into India, and sold to us in dollars. Yes, it is exactly what happened 200 years ago with the East India Company," Aggarwal explained.
(Business Today)

Greenko gets NABFID sanction for Rs 6200 cr; to prepay overseas bonds: Renewable energy company Greenko will prepay more than $1 billion of dollar bonds maturing next year through funds raised from the government backed National Bank for Financing Infrastructure and Development (NABFID) to lower overseas liabilities amid higher rates abroad, two people with direct knowledge of the impending transaction said. NABFID has sanctioned Rs 6200 crore from which Greenko will use to pay back foreign bond investors for bonds maturing in January and July next year, these people said on the condition of anonymity as the process for the buyback has still not started.
(Economic Times)

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REGULATION & DEVELOPMENT

Hindenburg shared Adani report with client two months before publishing it: SEBI: US short-seller Hindenburg Research had shared an advance copy of its damning report against Adani Group with New York-based hedge fund manager Mark Kingdon about two months before publishing it and profited from a deal to share spoils from share price movement, according to market regulator SEBI. The Securities and Exchange Board of India (SEBI), in its 46-page show cause notice to Hindenburg, detailed how the US short seller, the New York hedge fund and a broker tied to Kotak Mahindra Bank benefited from the over $150 billion routs in the market value of Adani group's 10 listed firms post-publication of the report. SEBI charged Hindenburg of making "unfair" profits from "collusion" to use "non-public" and "misleading" information and induce "panic selling" in Adani Group stocks. Hindenburg, which made public the SEBI notice, in its response, has described the show cause as an attempt to "silence and intimidate those who expose corruption and fraud perpetrated by the most powerful individuals in India" and revealed that the vehicle used to bet against Adani's flagship firm Adani Enterprises belonged to Kotak Mahindra (International), a Mauritius-based subsidiary of Kotak Mahindra Bank.
(Business Line)

Packaged food makers evaluate FSSAI's 'big and bold' letter proposal: Packaged food makers will evaluate the proposed changes in nutritional information labelling and send suggestions to the food regulator, executives said on Sunday. In a bid to increase awareness, the Food Safety and Standards Authority of India (FSSAI) approved a proposal on Saturday that nutritional information like total sugars, salt, and saturated fat should be highlighted in big and bold letters on labels of packaged food items. The decision to amend the Food Safety and Standards (Labelling and Display) Regulations, 2020, was taken during the 44th meeting of the food authority. A statement said the draft notification for the amendment will now be put in the public domain for further suggestions and objections.
(Mint)

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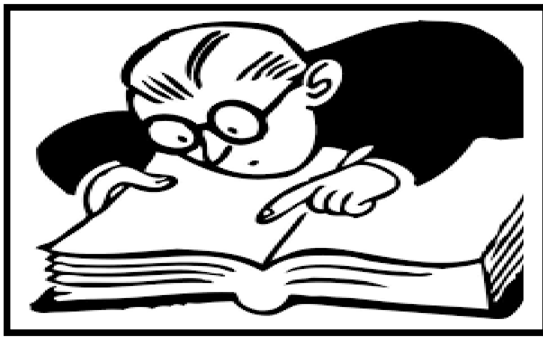

FINANCIAL TERMINOLOGY

SUPPLY CHAIN FINANCING

- Supply chain finance (SCF) is a term describing a set of technology-based solutions that aim to lower financing costs and improve business efficiency for buyers and sellers linked in a sales transaction. SCF methodologies work by automating transactions and tracking invoice approval and settlement processes, from initiation to completion. Under this paradigm, buyers agree to approve their suppliers' invoices for financing by a bank or other outside financier--often referred to as "factors." And by providing short-term credit that optimizes working capital and provides liquidity to both parties. While suppliers gain quicker access to money they are owed, buyers get more time to pay off their balances.
- Supply chain finance works best when the buyer has a better credit rating than the seller, and can consequently source capital from a bank or other financial provider at a lower cost. This advantage lets buyers negotiate better terms from the seller, such as extended payment schedules. Meanwhile, the seller can unload its products more quickly, to receive immediate payment from the intermediary financing body.
- A typical extended payables transaction works as follows: Let's say the buyer, Company ABC, purchases goods from the seller, Supplier XYZ. Under traditional circumstances, Supplier XYZ ships the goods, then submits an invoice to Company ABC, which approves the payment on standard credit terms of 30 days. But if Supplier XYZ is in dire need of cash, it may request immediate payment, at a discount, from Company ABC's affiliated financial institution. If this is granted, that financial institution issues payment to Supplier XYZ, and in turn, extends the payment period for Company ABC, for an additional further 30 days, for a total credit term of 60 days, rather than the 30 days mandated by Supplier XYZ.

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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 : 83.5000
INR / 1 GBP : 106.6501
INR / 1 EUR : 90.3709
INR /100 JPY: 51.9700

EQUITY MARKET

Sensex: 79996.60 (-53.07)
NIFTY: 24323.85 (+21.70)
Bnk NIFTY: 52660.35 (-443.35)

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