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DAILY NEWS DIGEST BY BFSI BOARD

09 September 2024

ECONOMY

FPIs invest Rs 11,000 cr in Indian equities in first week of September: Foreign investors infused nearly Rs 11,000 crore in domestic equities in the first week of the month owing to resilience of the Indian market and expectations of rate cut in the US. Foreign Portfolio Investors (FPIs) have been consistently buying equities since June. Before that, they had pulled out funds to the tune of Rs 34,252 crore in April-May. The recent inflows are promising and could continue, supported by India's stable macroeconomic position. However, global factors like US interest rate and geopolitical scenario would continue to be the driving force, Himanshu Srivastava, Associate Director- Manager Research, Morningstar Investment Research India, said.
(Business Standard)

India’s private credit market hits $6 billion in H1 2024, shows strong growth: India's private credit market demonstrated robust growth in the first half of 2024 (H1 CY2024), with total investments amounting to USD 6 billion, according to EY report.This performance is a strong indicator of the market's vitality, especially when compared to the USD 8.6 billion invested across CY2023.The momentum seen in H1 CY2024 has already outpaced the deal flow of the previous year, showcasing the growing interest and activity in the private credit sector. Adding to this, the data does not include smaller deals under USD 10 million and offshore credit raises. When factoring in these additional transactions from public sources, they contribute at least USD 174 million and USD 1.9 billion, respectively, further emphasising the market's strong trajectory. In terms of deal volume, H1 CY2024 saw private credit deals totalling USD 6 billion, slightly lower than CY2023's USD 8.6 billion but surpassing CY2022's USD 5.9 billion. Global funds, which have traditionally played a dominant role in the private credit market, contributed 53 per cent of the total investments during H1 CY2024, compared to 63 per cent over the previous two years. This decline allowed domestic funds to increase their share of the market, further diversifying the investor base.
(Business Line)

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BANKING & FINANCE

Jio Financial Services, BlackRock form joint venture for investment advisory services: Jio Financial Services Limited announced on September 8 that it has entered into a joint venture with BlackRock Advisors Singapore Pte Ltd to launch a new investment advisory company, Jio BlackRock Investment Advisers Private Limited. The joint venture was incorporated on September 6, 2024, and will focus on providing investment advisory services, subject to receiving regulatory approvals, it said. Jio Financial Services in its stock exchange filing disclosed that the company will invest Rs 3 crore towards the initial subscription of 30,00,000 equity shares, each with a face value of Rs 10.
(Moneycontrol)

Several banks oppose draft LCR circular, say may affect loan growth: Several banks have written to the Reserve Bank of India (RBI) opposing a draft circular on liquidity coverage ratio (LCR), which proposed an additional run-off factor of 5 per cent for retail deposits enabled with internet and mobile banking (IMB) facilities. This opposition was on the ground that it will impact disbursement of loans since banks are facing challenges in deposit mobilisation. In July, the banking regulator came out with draft guidelines that mandated banks to assign an additional 5 per cent run-off factor for such retail deposits.
(Business Standard)

Education loans to remain among fastest-growing segments for NBFCs: Crisil: Education loans, primarily those to fund courses overseas, will continue to be among the fastest-growing segments for non-banking financial companies (NBFCs) because of rising demand for higher education, said Crisil Ratings. Their assets under management (AUM) is expected to grow at a healthy clip of 40-45 per cent to cross Rs 60,000 crore this fiscal, as per the rating agency. After robust growth of over 80 per cent and 70 per cent in fiscals 2023 and 2024, respectively, NBFCs' education loan assets under management (AUM) rose to Rs 43,000 crore as on March 31, 2024.
(Economic Times)

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INDUSTRY OUTLOOK

Ikea to launch smaller stores: Ikea, the world's largest furniture retailer known for its signature warehouse-style stores across markets, is now looking at a compact store format of around 30,000-40,000 square feet in the country. This is a strategic shift in a key market like India. The retailer is eyeing a couple of locations for the initial rollout of its relatively smaller stores. One is likely to be Delhi, while the second small store could come up in any of its existing markets of Mumbai, Bengaluru and Hyderabad, a top official told FE. These mini stores are expected to focus on specific product categories, accessories and planning services in contrast to the larger stores which are a one-stop destination catering to all needs of a consumer from shopping to dining and a playroom for kids.
(Financial Express)

Mid-tier IT firms scale back client additions to prioritise margins: Several mid-tier information technology (IT) companies are scaling back on client additions as they shift focus towards prioritising margins amid continued weakness in discretionary spending. This marks a significant shift from the aggressive client acquisition that was previously employed to boost revenues. Data from recent quarters highlight a noticeable reduction in client additions across notable mid-tier IT firms such as Cyient, Mphasis and Coforge.
(Financial Express)

Swiggy ties up with skill development ministry to provide jobs and train workforce: On-demand convenience platform Swiggy, along with the ministry of skill development & entrepreneurship (MSDE), launched Swiggy Skills on Saturday. The initiative is aimed at offering a range of skilling and employment opportunities within the Swiggy's food delivery and quick commerce network. Broadly, Swiggy Skills has four components. Under the plan, Swiggy will integrate with MSDE's online Skill India Digital Hub (SIDH) to provide access to online skill development courses, offline certifications, and training modules for its almost 240,000 delivery partners, and the staff of its 200,000 restaurant partners.
(Financial Express)

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REGULATION & DEVELOPMENT

DICGC introduces Daava Soochak for depositors to track claim status: The Deposit Insurance and Credit Guarantee Corporation (DICGC) has launched an online tool Daava Soochak for depositors to track their claim status. The DICGC's mandate since its inception has been the reimbursement of insured amounts to depositors of failed banks. Daava Soochak, a user-friendly online tool, is part of DICGC's ongoing commitment to improving the services provided for depositors. "Depositors can now track the status of their claims by entering their mobile number (registered with their bank) on the DICGC website," said DICGC, a wholly-owned subsidiary of the Reserve Bank of India (RBI). To begin with, depositors can view the status of their claims for banks placed under All Inclusive Directions (AID) post-April 01, 2024. The corporation ensures that all categories of deposits with banks except institutional deposits. The deposit insurance coverage limit has been enhanced six times since 1962, from Rs 1,500 per depositor held in the same right and same capacity at all the branches of the insured bank to Rs 5,00,000 on February 04, 2020.
(Economic Times)

MNRE to launch Green Hydrogen Certification Scheme: The ministry of new and renewable energy has released a draft proposal for the Green Hydrogen Certification Scheme of India. The Bureau of Energy Efficiency would be the nodal authority to accredit agencies for monitoring, verifying and certifying green hydrogen projects, as per the draft. The ministry is seeking suggestions from stakeholders by September 27.
(Business Standard)

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FINANCIAL TERMINOLOGY

ABANDONMENT VALUE

- Abandonment value is the equivalent cash value of a project if it is liquidated immediately after reducing all debts which need to be repaid.
- Abandonment value is also known as liquidation value of an asset. The general rule for deciding to discontinue the product is that if the product's salvage value is greater than the net present value (NPV) of its expected cash flows, the project is abandoned. It is an important factor in bankruptcy filings where assets are generally sold at a discount.
- Suppose, the optimal economic life of an asset is 4 years, but the project's expected cash flows may change over the life of the asset. The company should also estimate the future abandonment values in the initial investment phase. It would help the manager to effectively gauge the optimal economic life of an asset.
- For Example: A company's cost of capital is 10%, and the initial investment cost to be incurred at the beginning of the project is Rs 3,50,000. Future cash flows expected in the next 4 years are 2,00,000, 1,50,000, 10,0000 and 50,000.

  Now, if we calculate the net present value of each of the cash flows and subtract it with the initial investment value, it still comes out positive, which is Rs 65,067. Considering the fact that NPV is still greater than zero, the company should continue with the project and not exercise the option.

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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 : 83.9308
INR / 1 GBP : 110.6275
INR / 1 EUR : 93.3092
INR /100 JPY: 58.9500

EQUITY MARKET

Sensex: 81183.93 (-1017.23)
NIFTY: 24852.15 (-292.95)
Bnk NIFTY: 50576.85 (-896.20)

Courses conducted by BFSI Board

- Certificate Course on Concurrent Audit of Banks
- Certificate Course on Credit Management of Banks
- Certificate Course on Treasury and International Banking
- Certificate Course on Investment Management
- Certificate Course on General Insurance.
- Advance Certificate Course on FinTech

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- Aide Memoire on lending to MSME Sector (including restructuring of MSME Credit).
- Guidance Note on the Internal Audit of General Insurance Companies.
- BFSI Chronicle (quarterly issue of BFSIB)
- Handbook on Stock & Book Debts Audit (Revised and Enlarged 2nd Edition)

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