



**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
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DAILY NEWS DIGEST BY BFSI BOARD

February 10, 2023

LIC Q3 NET PROFIT SURGES TO RS 6,334 CRORE: Life Insurance Corporation of India on February 9 reported a net profit of Rs 6,334.19 crore for the December quarter of the financial year 2022-23, a multifold year-on-year increase on the back of strong growth. The net profit for the corresponding quarter of the previous year was Rs 234.91 crore. However, on a sequential basis, the life insurer's net profit has seen a sharp fall. Its September quarter net profit was Rs 15,952.49 crore. The net premium income grew by 14.5 percent to Rs 1.11 lakh crore from Rs 97,620 crore in the same quarter of the previous year.

(Moneycontrol)

AGRI, PROCESSED FOOD EXPORTS ROSE 13% TO USD 19.69 BILLION BETWEEN APR-DEC: India's agricultural and processed food exports increased by 13% to USD 19.69 billion from April through December of this fiscal year, according to data released by the commerce ministry. "For 2022-23, an export target of USD 23.6 billion has been fixed by the Agricultural and Processed Food Products Export Development Authority (APEDA).

(Economic Times)

RBI TO HIKE RATES AGAIN ON STICKY INFLATION, FED PRESSURE-ANALYSTS: The Reserve Bank of India is likely to raise interest rates once again in April as inflation pressures persist and the Federal Reserve continues to tighten, analysts said on Thursday, a day after the central bank delivered what many had expected to be its last hike in the current cycle. The RBI raised the repo rate by a widely expected 25 basis points (bps) on Wednesday, in its sixth straight rate hike in a row that took the total to 250 bps in the current fiscal year. However, the central bank surprised markets by leaving the door open to more tightening, saying the stickiness of core inflation was concerning. "A more aggressive projection of growth-inflation profile and (policymakers') cautious commentary has led us to add another 25-bps hike in April 2023 to our base case," said Samiran Chakraborty, Citi's chief India economist.

(Economic Times)

SEBI MULLS REVIEW OF NORMS FOR COS WITH HIGH-VALUE DEBT, RELATED PARTY TRANSACTIONS: The Securities and Exchange Board of India (Sebi) has floated a consultation paper to review the existing corporate governance norms for 'high-value' debt listed entities. This comes in the wake of the recent rout in Adani Group companies against whom allegations have been made on corporate misgovernance, stock price manipulation and high leverage by US-based short seller Hindenburg Research. The capital



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market regulator introduced corporate governance requirements for listed entities to improve transparency in their functioning and ensure enhanced disclosures to investors. These include code of conduct, implementing risk management plan for listed entities, vigil mechanism, stipulations related to related party transactions (RPT), among others.

(Economic Times)

ADANI POWER RECEIVES NCLT NOD FOR AMALGAMATION OF 6 SUBSIDIARIES WITH COMPANY:

The National Company Law Tribunal (NCLT) on Thursday approved the merger of Adani Power Maharashtra, Adani Power Rajasthan, Udupi Power Corporation, Raipur Energen, Raigarh Energy Generation and Adani Power (Mundra) with Adani Power, an unit of the Adani Group. According to a regulatory filing, the NCLT has sanctioned the scheme of amalgamation of six wholly-owned subsidiary companies of Adani Power Limited. In December last year, the company's secured creditors had approved the scheme of amalgamation following which the stock hit a high of ₹338 on BSE.

(Mint)

PROBE REVEALS OVERSEAS SHORT-SELLING BEHIND \$100 BILLION ROUT IN ADANI SHARES:

An initial probe by government agencies has revealed that the bear cartel targeted Adani companies through the use of structured product derivatives (SPDs) - potent stock market instruments, tailor-made by foreign brokers for large clients in offshore jurisdictions. These SPDs are similar to the controversial participatory notes in many ways since the identity of the actual clients stays hidden, unless the regulators lift the veil.

As per India's tax and SEBI laws, short selling of domestic stocks outside the country's jurisdiction is illegal unless they are listed on any exchange. But the probe reveals that billions of dollars worth of trading took place in Adani group stocks outside the country, which had a domino effect on India-listed shares as the volatility increased. The biggest clue of the overseas short selling in Adani stocks came from Hindenburg, which claimed to have targeted the group citing fraud and sky high valuations.

On January 24, Hindenburg revealed: "held short positions in Adani companies through bonds and non-Indian-traded derivative instruments." While Adani bonds are listed on the US exchange, Hindenburg's reference to the 'non-Indian-traded derivatives' raised the alarm for Indian regulators. Sources told businessline that these non-Indian-traded derivatives are nothing but SPDs. If not for these derivative instruments, which triggered the rout, there was no chance of heavy selling in Adani shares in India that could have wiped out \$100 billion in less than a week, since more than 90 per cent of the float was held by promoters, entities close to them and domestic institutions. It is an open secret that the dream run in Adani stocks was fuelled by this demand-supply mismatch. When foreign brokers sell SPDs on Indian underlying to their confidential clients in tax havens and offshore jurisdictions, they themselves or through their associates registered as foreign portfolio investors (FPIs) in India try to partly



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hedge their positions on Indian exchanges. This hedge of the FPIs, who had shorted Adani stocks overseas, led to rise in bearish bets on Indian markets.

(Business Line)

INDIAN OVERSEAS BANK Q3 PROFIT RISES 22 PC TO RS 555 CRORE: State-owned Indian Overseas Bank (IOB) on Thursday reported a 22 per cent growth in its profit at Rs 555 crore in the quarter ended December 2022 due to an increase in interest income and improved asset quality. On the asset quality front, the bank recorded an improvement with gross NPAs declining to 8.19 per cent, as compared to 10.4 % at the end of third quarter of previous fiscal. At the same time, net NPAs too eased to 2.43 %, as against 2.63 per cent in the same period a year ago. The capital adequacy ratio declined marginally to 15.16 % in the December quarter.

(Financial Express)

INDIA'S ACCREDITATION SYSTEM RANKED 5TH GLOBALLY; OVERALL QUALITY INFRASTRUCTURE SYSTEM IN TOP 10: India's national accreditation system under the Quality Council of India (QCI) has been ranked 5th in the world in the recent Global Quality Infrastructure Index (GQII) 2021. The GQII ranks the 184 economies in the world on the basis of the quality infrastructure (QI). India's overall QI system ranking continues to be in the Top 10 at the 10th position, with the standardization system (under BIS) at 9th and the metrology system (under NPL-CSIR) at 21st position in the world.

(PiB)

RBI RESUMES REPO OPS AFTER 5 MONTHS AS LTRO MATURITIES LINED UP: RBI on Thursday said it would conduct a 14-day variable rate repo auction worth Rs 50,000 crore on February 10. This will be the first repo auction by the central bank since September 22, 2022. The reversal of the repo auction will take place on February 24, the RBI said in a press release. When the central bank conducts repo operations such as 14-day repo auctions, it infuses short-term liquidity into the banking system. Liquidity in the banking system is seen tightening in coming days due to the scheduled redemptions of large-scale long-term repo operations (LTRO) and targeted long-term repo operations (TLTRO). The RBI had conducted these repo operations in early 2020 in order to provide easy access to liquidity at the height of the Covid crisis in India.

(Business Standard)

ALL GOVT DEPTS TO INTEGRATE WITH NATIONAL SINGLE WINDOW SYSTEM BY DEC: All the states, UTs and 32 central government departments will integrate with the National Single Window System (NSWS) by December this year, through which companies can seek all approvals and clearances for their businesses. So far 19 states/UTs



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and 27 central government departments are already onboarded. NSWS enables the identification, applying and subsequent tracking of approvals for all integrated states and central departments.

(Business Standard)

RESERVE BANK WIDENING BOND LENDING MAY SHIELD BEARS FROM SHORT SQUEEZES: RBI's plan to allow a broader set of investors, including insurers and asset managers, to borrow and lend government debt securities may shield bond bears from short squeezes. The change in the rule proposed by the RBI could prevent episodes of the so-called 'repo squeezes,' seen in the government bond market when some large state-run banks refuse to lend the securities to those running overnight outright short positions forcing them to cover it at losses.

(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

STRUCTURED PRODUCT DERIVATIVES (SPDs)

- ❖ The use of derivative 'options' is the most powerful strategy for short selling stocks and SPDs wield them most effectively. If trader "A" is bearish on a particular stock or market but does not want to take direct position, he may approach a foreign broker, who after a thorough risk assessment, will sell him the Put options of the underlying with some spread and higher than usual brokerage commission.
- ❖ SPDs can consist of anything in the debt, equity, and commodity universe for short selling and are sold for one-three-month periods. Strategies like 'total return swap' consisting Puts, or selling Calls are popular. When the price of the underlying asset falls, trader A will benefit without any direct position in India. Instead, the broker who sold the SPD to the client will take position in India through various entities in a way that does not raise any alarm. Investigators suspect Hindenburg played this game of dealing in "non-India-traded derivatives of Adani." The colossal weight of this overseas short selling fell on Adani stocks in India, which, despite extremely low floating stock, suffered a historic rout.
- ❖ When foreign brokers sell SPDs on Indian underlying to their confidential clients in tax havens and offshore jurisdictions, they themselves or through their associates registered as foreign portfolio investors (FPIs) in India try to partly hedge their positions on Indian exchanges. This hedge of the FPIs, who had shorted Adani stocks overseas, led to rise in bearish bets on Indian markets.



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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 : 82.6103
INR / 1 GBP : 99.8918
INR / 1 EUR : 88.7014
INR /100 JPY : 62.9100

EQUITY MARKET

Sensex: 60806.22 (+142.43)
NIFTY: 17893.50 (+21.80)
Bnk NIFTY: 41554.30 (+16.65)

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.**

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Publications by BFSI Board

- ❖ **Aide Memoire on Infrastructure Financing.**
- ❖ **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)**

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CMA Chittaranjan Chattopadhyay

Chairman,

Banking, Financial Services & Insurance Board

The Institute of Cost Accountants of India

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