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DAILY NEWS DIGEST BY BFSI BOARD

11 July 2024

ECONOMY

Govt to begin open market sale of wheat & rice from Aug 1: The government has approved sale of wheat and rice in the open market for the bulk buyers from next month from buffer stocks, in a bid to improve domestic supplies and preempt rise in the prices of the two staple cereals in the coming months,The food ministry has asked the Food Corporation of India (FCI) to start offloading wheat and rice at a price excluding transportation at Rs 2325/quintal and Rs 2800/quintal respectively from August 1. The price for wheat is lower than its prevailing market price of Rs 2400/quintal. According to an official note, the exact quantity of grain stocks to be offloaded will be decided by FCI in consultation with the ministry after keeping the stock for requirement under the public distribution system, buffer norms and additional quantity of 2 MT.
(Financial Express)

India's path to economic success lies in powering service sector: Rajan: Former Reserve Bank of India (RBI) Governor Raghuram Rajan called on India to prioritise the enhancement of its service sector over the expansion of manufacturing to achieve sustainable economic growth and create jobs. Speaking at the Annual World Bank Conference on Wednesday, Rajan argued that manufacturing is not the "holy grail" for India’s economic success. Rajan highlighted that the manufacturing sector faces challenges due to limited export absorption and is no longer competing against high-cost labour in the US, instead facing intense competition from countries such as China, Vietnam, Indonesia, and Mexico, which also offer cheap labour and have more capital than India.
(Business Standard)

Seafood exporters in troubled waters as shipping freight rates see 5x surge: India's seafood export industry, valued at $7.26 billion, is facing significant challenges due to a sharp rise in shipping freight rates. The Seafood Exporters Association of India (SEAI) has highlighted a surge of 4-5 times in rates within two months, attributing it to increased container demand in China ahead of US tariffs effective August 1. Freight rates from Chennai to Los Angeles have soared 255% to $10,500

per tonne, impacting exporters who cannot pass these costs to buyers under existing contracts leading to potential losses amid global competition.
(Economic Times)

BANKING & FINANCE

Four PSU banks pay Rs 6,481 crore dividend to Govt: Four public sector banks, including Canara Bank and Indian Bank, on Wednesday presented dividend cheques worth Rs 6,481 crore to Finance Minister Nirmala Sitharaman for financial year 2023-24. "Smt @nsitharaman receives a dividend cheque of Rs 2,514.22 crore for FY 2023-24 from Shri Debadatta Chand, Managing Director & CEO -@bankofbaroda," the finance ministry said in a post on X. Similarly, a dividend cheque of Rs 1,838.15 crore was handed over by Canara Bank MD and CEO K Satyanarayana Raju. Chennai-based Indian Bank paid a dividend cheque of Rs 1,193.45 crore for 2023-24. Bank of India too paid a dividend of Rs 935.44 crore and the cheque was presented by its MD and CEO Rajneesh Karnatak.
(Moneycontrol)

RBI expands Liberalised Remittance Scheme norms for investment via GIFT IFSC: The Reserve Bank of India on Wednesday issued a notification that said it has expanded the scope of remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme (LRS). The central bank highlighted it has allowed authorised persons to facilitate remittances for availing financial services or products as per the International Financial Services Centres Authority Act, 2019 within IFSCs. It has also permitted current or capital account transactions overseas (except foreign IFSCs) through a foreign currency account (FCA). Currently, remittances within the Liberalized Remittance Scheme (LRS) to International Financial Services Centres (IFSCs) are limited to investments in securities within IFSCs and payment of education fees to foreign universities or institutions in IFSCs for specific courses. The central bank noted: On a review, it has been decided that Authorised Persons may facilitate remittances for all permissible purposes under LRS to IFSCs for:
i. Availing financial services or financial products as per the International Financial Services Centres Authority Act, 2019 within IFSCs; and
ii. All current or capital account transactions, in any other foreign jurisdiction (other than IFSCs) through an FCA held in IFSCs.

"For these permissible purposes, resident individuals can open Foreign Currency Account (FCA) in IFSCs,"
(Moneycontrol)

UPI top choice to make digital payments, 90% consumers favour digital transactions, says report: People in urban India now prefer to use more digital payments as compared to cash transactions for their day-to-day spendings. According to a survey by Kearney India and Amazon Pay India titled "How Urban India Pays", over 6,000 consumers and 1,000 merchants, revealed a seismic shift in payment preferences. Per the report, 90 per cent of respondents favour digital payments for online purchases while nearly 50 per cent extend this preference to brick-and-mortar stores. Further, it added that Indian merchants have too adapted with a substantial 69 per cent of their transactions now conducted through digital channels.
(Financial Express)

RBI permits banks to use ratings of Brickwork Ratings subject to conditions: The Reserve Bank of India (RBI) has lifted restrictions on banks using ratings from Brickwork Ratings India Private Limited, two years after forbidding fresh ratings due to regulatory concerns. Banks can now utilize Brickwork Ratings' assessments for calculating risk weights for capital adequacy purposes, subject to certain conditions. Listing out certain conditions, the RBI said that in respect of fresh rating mandates, rating may be obtained from Brickwork Ratings for bank loans not exceeding Rs 250 crore. In respect of existing ratings, Brickwork may undertake rating surveillance irrespective of the rated amount for the residual tenure of such loans, the RBI said.
(Economic Times)

INDUSTRY OUTLOOK

SCI, NMDC Steel at advanced stages of strategic sale, await nod from PMO: The government's disinvestment agenda is very much on, if at an unsteady pace, according to a senior government official. Some public sector undertakings (PSUs) are at an advanced stage of strategic sale but are awaiting the nod from the top political levels, the official said. While the government has decided to not set divestment targets to chase in the budget, DIPAM, or the finance ministry's Department of Investment and Public Asset Management is hoping to push through strategic sales in companies like Shipping Corporation of India (SCI) and NMDC Steel Limited (NSL). "NMDC Steel's strategic sale is at an advanced stage. All the work is done, only financial bids need to be invited. It's a ripe case for privatisation. The government can do it but without a go-ahead from the PMO (Prime

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Minister's Office) nothing will happen. There is uncertainty," the official told Moneycontrol on condition of anonymity. The NSL divestment is fraught with political challenges. Workers' unions have been opposed to the move. The company employs 5,887 people and has Rs 36,929 crore of assets.

(Moneycontrol)

Labour ministry resolves employment dispute between Paytm and employees: The Ministry of Labour and Employment has successfully mediated a grievance filed by an employee regarding alleged termination practices at Paytm. The development came after series of complaints were filed by the employees with the ministry, accusing the company of violating laws and forcing terminations without pay. On July 10, the representative of the management of Paytm appeared before the Regional Labour Commissioner, in regard with a particular case, and agreed not to recover the joining bonus and pay the notice period payment to the employee. While Paytm claimed to have provided outplacement support to employees who resigned as a part of the restructuring efforts, several accused the firm of forcing them to take voluntary exits without prior notice, compensation or justification.

(Economic Times)

REGULATION & DEVELOPMENT

Central govt staff may get 50% of last pay drawn as pension under NPS: The NDA government may offer 50% of the final pay drawn as a pension for central government employees who have enrolled under the National Pension System. This would be done in order to address their concerns regarding pension payouts, even though the Centre has said that the NPS will offer attractive returns for those who remain invested for 25-30 years, especially for those recruited after 2004. A committee, led by finance secretary T V Somanathan, was established following an announcement by finance minister Nirmala Sitharaman. While the government has rejected the return of the Old Pension Scheme (OPS), it is open to providing a certain level of reassurance, especially in light of the recent announcement by the Congress to reverse a decision made by the previous government under Manmohan Singh. The Somanathan committee has reviewed global practices and analysed the adjustments implemented by the Andhra Pradesh government. In addition, comprehensive calculations have been conducted to evaluate the impact of ensuring a specific return. While the Centre could potentially provide a guarantee of 40-45%, it may not fully address the concerns of

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employees with decades of service. Consequently, there is a trending acceptance within the government to consider a 50% guarantee, where the government would step in to bridge any shortfall if needed, the report said.
(Business Today)

Retail inflation for industrial workers eases to 3.86% in May:: Retail inflation for industrial workers eased to 3.86 per cent in May compared to 4.42 per cent in the same month a year ago. The Consumer Price Index-Industrial Workers (CPI-IW) was 3.87 per cent in April 2024, a labour ministry statement said. The All-India CPI-IW for May 2024 increased by 0.5 points and stood at 139.9 points. It was 139.4 points in April 2024. The Labour Bureau, an attached office of the Ministry of Labour & Employment, has been compiling the Consumer Price Index for Industrial Workers every month on the basis of retail prices collected from 317 markets spread over 88 industrially important centres in the country.
(Business Standard)

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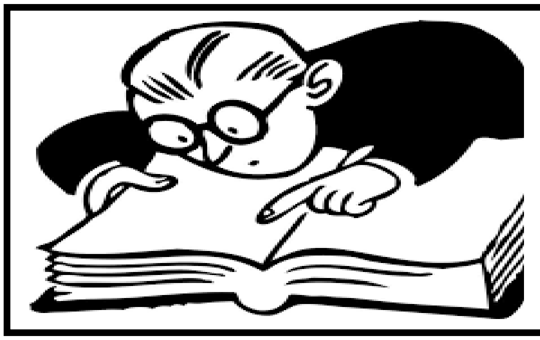

FINANCIAL TERMINOLOGY

ONEROUS CONTRACT

- An onerous contract is an accounting term that refers to a contract that will cost a company more to fulfill than what the company will receive in return. The term is used in many countries worldwide, where international regulators have determined that such contracts must be accounted for on balance sheets. The United States has a different system, based on generally accepted accounting principles, or GAAP, as set forth by the U.S.-based Financial Accounting Standards Board.
- This is an accounting term defined under the International Financial Reporting Standards (IFRS), used in many countries around the world.
- Companies that follow those standards are required to report any onerous contracts they're committed to on their balance sheets.
- An example of an onerous contract might be an agreement to rent a property that is no longer needed or that can no longer be made use of profitably. For instance, suppose a company signs a multiyear agreement to rent office space, then moves or downsizes while the agreement is still in effect, leaving the office space, which it now has no use for, vacant. Or consider a mining company that has signed a lease to mine for coal or some other commodity on a piece of land, but at some point during the term of the contract, the price of that commodity falls to a level that makes extracting it and bringing it to market unprofitable.

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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 : 83.4923
INR / 1 GBP : 106.8011
INR / 1 EUR : 90.3264
INR /100 JPY: 51.7200

EQUITY MARKET

Sensex: 79924.77 (-426.87)
NIFTY: 24324.45 (-108.75)
Bnk NIFTY: 52189.30 (-379.50)

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