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DAILY NEWS DIGEST BY BFSI BOARD

12 February 2025



ECONOMY

FM Sitharaman cites former RBI governor Raghuram Rajan to explain rupee's fall in Lok Sabha address: Finance Minister Nirmala Sitharaman quoted former RBI governor Raghuram Rajan to explain the fall in the value of the rupee. She said that the currency volatility across major countries is really extensive and that the dollar index rose 6.5% from October last year till January this year. "Former RBI Governor Rajan, who even participated in the Bharat Jodo Yatra, has acknowledged on Jan 15, 2025 that fixation is always with the rupee-dollar exchange rate, reality is dollar has been strengthening against many currencies including the Euro... So it is really a dollar issue," the FM said while addressing the Lok Sabha. Rajan, in an interview to Mojo, spoke about the strengthening dollar as the reason for the fall in rupee's value. He said that the slide in rupee is moderate as compared to some of the other currencies and that the depreciation isn't that much if one were to look at the real effective exchange rate.

(Moneycontrol)

Key factors why Sensex crashed 1,000 points, Nifty fell 1.3% on Tuesday: India's benchmark share market indices Sensex and Nifty crashed over 1.3 percent on Tuesday, extending losing streak for the fifth session in a row with the sharpest single day fall in three weeks. The markets were weighed down by escalating US trade tensions, President Donald Trump's tariffs, relentless foreign fund outflows, and weak corporate earnings. At close, BSE Sensex was down 1,018 points, or 1.3 percent, at 76,294, while NSE Nifty dropped 310 points to end below 23,100. The broader BSE Midcap index slumped 2.9 percent, and the BSE Smallcap index plunged 3.4 percent, reflecting deeper market concerns beyond the blue-chip stocks.

(Moneycontrol)

Net direct tax kitty swells 14.7% to Rs 17.78 trillion till Feb 10: Net direct tax collection grew 14.69 per cent to over Rs 17.78 trillion so far this fiscal, government data showed on Tuesday. As per the data released by the Central Board of Direct Taxes (CBDT), mop up from net non-corporate taxes,



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which include mainly personal income tax, grew 21 per cent year-on-year to about Rs 9.48 trillion. Net corporate tax collection rose more than 6 per cent to over Rs 7.78 trillion between April 1, 2024, and February 10, 2025. Net collections from securities transaction tax (STT) jumped 65 per cent to Rs 49,201 crore so far this fiscal. Refunds worth more than Rs 4.10 trillion were issued during the period, a 42.63 per cent increase against the year-ago period.

(Business Standard)

BANKING & FINANCE



NPS equity annual returns slide to 10.89 per cent as of Feb 1: The sustained “Trump trade” in global stock markets (shifting from emerging markets to the US) since early-November last year, coupled with a correction in Indian equity benchmarks, has significantly eroded NPS annual returns on equity investments, which have now dropped further to 10.89 per cent as of February 1, according to the latest Pension Fund Regulatory and Development Authority (PFRDA) data. Benchmarks have declined over 10 per cent since late-September, driven largely by weak Q2 and Q3 corporate earnings amid slowing economic growth. This sharp decline in NPS returns marks a steep fall from the nearly 40 per cent annual return recorded on September 28, when Indian equity indices hit an all-time high. The slide began soon after, with returns dropping to 30 per cent by November 10, 26.6 per cent by November 30, 24.37 per cent by December 14, and further to 15.86 per cent by December 27. Foreign portfolio investors (FPIs) have net sold about \$10 billion in equities this calendar year.

(Business Line)

RBI green lights ARCs listing plans, opens new capital avenue: Reserve Bank of India (RBI) has green lighted a proposal by asset reconstruction companies (ARCs) to allow them to raise equity capital opening a new avenue for these distressed debt aggregators to access funds and widen their shareholding. The central bank clarified its stance following a query by these companies. ARCs had approached RBI seeking regulatory intervention in allowing them to raise equity capital from the markets.

(Economic Times)

IRDAI takes 856 regulatory actions in FY24: The Insurance Regulatory and Development Authority of India (IRDAI), the insurance sector regulator, took 856 regulatory actions, including penalties against insurers, in FY24, the government informed the Rajya Sabha on Tuesday. In reply to a question, Finance Minister Nirmala Sitharaman said that IRDAI regularly monitors insurers



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through supervisory oversight, such as off-site and on-site inspections, to check solvency ratios, governance practices and financial health.

(Economic Times)

PSBs told to create standardised training norms for new recruits: The government has asked state-run lenders to bring out a standardised induction programme for fresh recruits in all cadres. Banks will also look at cross-bank participation, the composition of training faculties, and special training modules for leadership positions, said two bank executives aware of the developments. As per the latest available data, there are 758,608 employees in public sector banks (PSBs).

(Economic Times)

INDUSTRY OUTLOOK



New company registrations surge amid government push for entrepreneurship: India is witnessing a significant uptick in company registrations, reflecting growing entrepreneurial activity and government-driven efforts to promote ease of doing business. According to the data presented in Rajya Sabha on Tuesday, over 1.38 lakh new companies have been registered under the Companies Act, 2013, between April 1, 2024, and January 26, 2025. However, business closures also remained a concern, with 17,654 companies shutting down during the same period. India recorded 1,38,027 new company registrations in FY24-25 up to January 26 this year. The previous financial year saw 1,85,318 companies registered, while 1,59,302 companies were incorporated in FY22-23, he noted.

(Business Line)

FM calls for free trade, stresses need to boost household sentiments: Finance minister Nirmala Sitharaman on Tuesday made a strong pitch for free trade and globalisation even as a tariff war has erupted with the measures taken by the Trump administration in the US. Replying to the debate on the Union Budget FY26 in the Lok Sabjha, she also countered the criticism of achieving fiscal goals with a “cut” in capital expenditure and reduced allocation for multiple welfare schemes and social-sector programmes, by saying that the entire borrowings are practically used for capex. The FM noted that the government’s main goal in the Budget is to accelerate growth, uplift household sentiments, and encourage financial inclusion. The Centre aims to balance development necessities with fiscal prudence, she stressed.

(Financial Express)



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US, UK refuse to sign AI summit communique calling for 'global governance': The US and UK were among countries that declined to sign the final statement released Tuesday from the AI Summit hosted by France that called for promoting international governance over artificial intelligence. In a speech before the communique was released, Vice President JD Vance argued strongly against the European Union's tough regulatory approach to social-media platforms and AI and what he termed as foreign governments "considering tightening the screws" on US tech companies. UK Prime Minister Keir Starmer's spokesman, Dave Pares, told reporters on Tuesday that while the UK had worked "closely" with the French throughout the summit, "we haven't been able to agree all parts of the leaders' declaration."

(Business Standard)



REGULATION & DEVELOPMENT

Maldives requests India's support for digitization of parliamentary resources: Lok Sabha Speaker Shri Om Birla today reaffirmed India's deep-rooted ties with the Maldives, describing the island nation as not just a friendly neighbor but also a key pillar of India's 'Neighbourhood First' policy and vision 'SAGAR'. Shri Birla made these remarks during bilateral talks with the visiting Maldivian delegation, led by H.E. Mr. Abdul Raheem Abdulla, Speaker of the People's Majlis of Maldives, at Parliament House. During the discussions, Shri Birla highlighted the advances made by Parliament of India in its digital transformation with Artificial Intelligence (AI) to enhance legislative efficiency. He informed the delegation that the Parliament of India now provides simultaneous interpretation services in 15 regional languages, which will soon be expanded to 22 languages.

(PiB)

Uniform Software for PACS: Government of India is implementing the Project for Computerization of functional PACS with a total financial outlay of ₹2,516 Crore, which entails bringing all the functional PACS onto an ERP (Enterprise Resource Planning) based common national software, linking them with NABARD through State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs). The National Level Common Software for the project has been developed by NABARD and 50,455 PACS have been onboarded on ERP software as on 27.01.2025. Computerization of PACS project aims to provide a comprehensive ERP solution for entailing more than 25 economic activities prescribed under the Model Bye-Laws for PACS covering various modules such as financial services for short, medium & long term loans, procurement



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operations, Public Distribution Shops (PDS) operations, business planning, warehousing, merchandising, borrowings, asset management, human resource management, etc. So far, proposals for computerization of 67,930 PACS from 30 States/ UTs have been sanctioned, for which Rs. 741.34 Cr. has been released as GoI share to the States/UTs concerned. All the participants States/UTs can customize the ERP software as per the needs & functional requirements of the concerned States/UTs.

(PiB)

SEBI mandates separate units for brokers to trade G-Secs on NDS-OM: SEBI on Tuesday mandated brokers to establish a separate business unit (SBU) to trade in government securities (G-Secs) through the Negotiated Dealing System–Order Matching (NDS-OM). This follows the Reserve Bank of India's announcement at the recent monetary policy briefing to extend access of NDS-OM to non-bank brokers to facilitate retail participation. NDS-OM is an electronic order-matching system used for secondary market trading in G-Secs. Earlier, NDS-OM was available only to regulated entities and to the clients of banks and standalone primary dealers. The SBUs will exclusively handle transactions on the NDS-OM platform, SEBI said in a circular.

(Business Line)



FINANCIAL TERMINOLOGY

INFLATION SWAP

- ❖ An inflation swap is a contract used to transfer inflation risk from one party to another through an exchange of fixed cash flows.
- ❖ In an inflation swap, one party pays a fixed rate cash flow on a notional principal amount while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI). The party paying the floating rate pays the inflation-adjusted rate multiplied by the notional principal amount. Usually, the principal does not change hands. Each cash flow comprises one leg of the swap.
- ❖ An inflation swap can provide a pretty accurate estimation of what would be considered the "break-even" inflation rate.



RBI KEY RATES

Repo Rate: 6.25%
SDF: 6.00%
MSF & Bank Rate: 6.50%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 86.8861
INR / 1 GBP : 107.4086
INR / 1 EUR : 89.5442
INR /100 JPY: 57.2000

EQUITY MARKET

Sensex: 76293.60 (-1018.20)
NIFTY: 23071.80 (-309.80)
Bnk NIFTY: 49403.40 (-577.60)

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