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+ 91-33- 2252-7143/7373/2204

Fax : +91-33-2252-7993

+91-33-2252-1026 +91-33-2252-1723

Website : www.icmai.in

## DAILY NEWS DIGEST BY BFSI BOARD, ICAI

July 13, 2022

• JUNE CPI INFLATION COMES IN AT 7.01%, RBI ONE QUARTER AWAY FROM FAILURE: India's headline retail inflation rate, as measured by the Consumer Price Index (CPI), was largely unchanged at 7.01 percent in June from 7.04 percent in May, data released on July 12 by the Ministry of Statistics and Programme Implementation showed. At 7.01 percent, the June CPI inflation print takes average inflation for April-June to 7.3 percent, 20 basis points lower than the Reserve Bank of India's (RBI) forecast of 7.5 percent. The RBI's Monetary Policy Committee is deemed to have failed when average CPI inflation is outside the 2-6 percent tolerance band for three consecutive quarters. With inflation having already averaged 6.3 percent in January-March, the RBI is now only one quarter away from failure. The RBI's latest forecast pegs average CPI inflation for July-September at 7.4 percent.

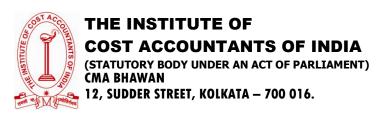
Retail inflation stays unchanged at 7.01% in June, RBI policy a quarter away from failure (moneycontrol.com)

RBI GOVERNOR SAYS WILL ENSURE ORDERLY MOVEMENT IN RUPEE: India's central bank is for an orderly appreciation or depreciation in the currency and is intervening in all market segments to curb volatility, Governor Shaktikanta Das said. "We don't have a level in mind, but our endeavor is to ensure there is orderly evolution of rupee in both ways," Das said in a fireside chat at the Singapore Indian Chamber of Commerce and Industry's event in the city-state on Tuesday. India's currency has been on a downward spiral, falling 6.6% this year, as fears of a global recession and deteriorating external balances fuel outflows. The central bank, earlier this month, announced measures to help shore up its foreign exchange reserves that have declined to the lowest in more than 14 months at \$588.3 billion as of July 1. The rupee declined 0.2% to 79.6025 to a dollar on Tuesday. It fell to another low of 79.6613 in intraday trade. Das said the deficit in India's current account -- the broadest measure of trade -- will stay manageable at below 2.5% of gross domestic product should oil average at \$105 a barrel. India has seen nearly \$30 billion of outflows from equities this year, prompting Das to say that whatever outflows that had to happen already happened. Under the plan announced Monday, importers buying goods from abroad will make payments in the rupee, which will be credited to the special account of the correspondent bank of the partner country, while exporters will be paid from the balances in the designated special account, the RBI said.

RBI Governor says will ensure orderly movement in rupee (moneycontrol.com)

• FAVOURABLE BASE PROPELS IIP GROWTH TO 19.6% IN MAY: India's industrial growth, as per the Index of Industrial Production (IIP), surged to 19.6 percent in May from 7.1 percent in April, data released on July 12 by the Ministry of Statistics and Programme Implementation showed.At 19.6 percent, the May industrial growth rate is the highest in one year, although it has been aided by a favourable base effect.IIP growth in May 2021 was 27.6 percent.

Favourable base propels IIP growth to 19.6% in May (moneycontrol.com)



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• EARNEST MONEY DEPOSITS INDICATE JIO MAY BE THE MOST AGGRESSIVE BIDDER FOR 5G SPECTRUM: The earnest money deposited by the four bidders for the 5G spectrum indicates that Reliance Jio is expected to bid the most aggressively. Sources told BusinessLine that both Reliance Jio and Bharti Airtel are expected to cross ₹5,000 crore in earnest money deposits (EMD), while Vodafone Idea will deposit an EMD of around ₹1,000 crore. Adani, which has been issued a letter of intent by the Department of Telecommunications for grant of Unified Licence for the Gujarat Circle, has likely put a token deposit below ₹250 crore to buy minimal spectrum to set up private networks.

Earnest money deposits indicate Jio may be the most aggressive bidder for 5G spectrum - The Hindu BusinessLine

• PSBs SET TO GO LIVE ON ACCOUNT AGGREGATOR PLATFORM SOON: The account aggregator ecosystem is set to get a major boost with the public sector banks gearing up to join the platform. "Public sector banks are working in earnest towards joining the account aggregator framework and a few of them are expected to go live by July end," said, co founder and CEO, Sahamati. State Bank of India, Canara Bank, Punjab National Bank and Indian Bank are some of the PSBs that have started their implementation, he further said. According to data with Sahamati — an industry alliance formed to promote and strengthen the AA ecosystem in India — a number of private sector lenders including HDFC Bank, Axis Bank and Federal Bank are already live on the platform along with State-owned Union Bank of India. In all, 54 FIUs and FIPs are live on the AA platform. Meanwhile, other public sector lenders such as State Bank of India and Indian Bank are in the testing phase on the AA platform; while others like Indian Overseas Bank, Punjab and Sind Bank, Bank of Baroda and Bank of Maharashtra are in the development phase.

PSBs set to go live on account aggregator platform soon - The Hindu BusinessLine

• ICRA EXPECTS HOTEL INDUSTRY REVENUES, MARGINS TO RETURN TO PRE-COVID LEVELS IN FY23: The hotel industry's revenues and margins are expected to return to pre-Covid levels in FY23 despite potential impact on demand in case of further waves of Covid, according to ratings agency, ICRA. Domestic leisure and transient travel will be the main demand drivers, although there will be a gradual recovery in business travel and foreign tourist arrivals (FTAs), ICRA said in a statement. Pan-India premium hotel occupancy is expected to be at 68-70 per cent for FY23, it said adding the average room rate (ARR) is expected to hover around ₹5,600-5,800.

ICRA expects hotel industry revenues, margins to return to pre-Covid levels in FY23 - The Hindu BusinessLine



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• HAVE MADE INDIA'S FIRST INDIGENOUSLY MADE LITHIUM ION-CELL, SAYS OLA: Ola Electric, the ride-hailing firm's electric vehicle arm said on Tuesday that it has unveiled India's first indigenously developed lithium-ion cell, NMC 2170. SoftBank-backed Ola will begin the mass production of its cell at its upcoming Gigafactory by 2023. The Nickel Cylindrical Ola Cell uses NMC (Nickel Manganese Cobalt) on the cathode side; and Graphite and Silicon on the Anode side. The firm said the use of specific chemistry and materials enables the cell to pack more energy in a given space and also improves the overall life cycle of the cell. The cell has been developed keeping the indigenous conditions at the core. "Ola is building the world's most advanced cell research centre that will enable us to scale and innovate faster, and build the most advanced and affordable EV products in the world with speed," said Bhavish Aggarwal, founder and CEO, Ola Electric.

<u>Have made India's first indigenously made lithium ion-cell, says Ola | Business Standard News</u> (business-standard.com)

• NMDC TO BE EXCLUDED FROM NIFTY CPSE INDEX OVER MOVE TO HIVE OFF STEEL ARM: State-owned miner NMDC will be removed from the Nifty CPSE index following its decision to hive off its steel subsidiary NMDC Steel. The proposal has received shareholder's approval. According to an analysis done by IIFL Alternative Research, NMDC, which has nearly 5 per cent weightage in the Nifty CPSE index, could see outflows of over \$100 million (nearly Rs 800 crore) on account of its exclusion. No new stock will get added to the index as a result, some of the existing members of the CPSE index will benefit due to the rebalancing.

NMDC to be excluded from Nifty CPSE index over move to hive off steel arm | Business Standard News (business-standard.com)

• RBI FINES OLA FINANCIAL SERVICES RS 1.67 CR FOR NOT FOLLOWING DIRECTIONS: RBI on Tuesday fined Ola Financial Services Rs 1.67 crore for not complying with its directions on prepaid payment instruments. The company is a unit of the ride-hailing platform. Ola Financial Services was found to be non-compliant with the directions issued by RBI on Know Your Customer (KYC) requirements. Accordingly, the central bank issued a notice to the entity advising it to show cause as to why a penalty should not be imposed on it.

RBI fines Ola Financial Services Rs 1.67 cr for not following directions | Business Standard News (business-standard.com)

• BANKS TO REPORT MARK-TO-MARKET LOSSES OF RS 13,000 CRORE ON RISING BOND YIELDS: Rising bond yields will force banks to report mark-to-market losses of up to Rs 13,000 crore on their investment portfolios in the April-June quarter, a report said on Tuesday. Profits will moderate for the quarter, but improved loan growth and operating profits will ensure that the banks' bottom lines remain "steady" for FY23, the report by domestic rating agency ICRA said. The agency estimated the system will report an incremental credit growth of 10.1-11 per cent or Rs 12-13 lakh crore in FY23. The banks have a higher holding of government securities, especially the ones with longer tenors, in their investment portfolios due to which the rising bond yields pose headwinds from a profitability perspective.

Bank News: Banks to report mark-to-market losses of Rs 13,000 crore on rising bond yields: Report - The Economic Times (indiatimes.com)



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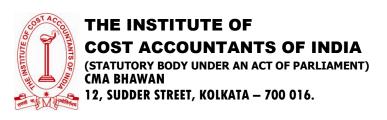
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THE CONSEQUENCES OF THE EURO'S FALL TO DOLLAR PARITY: The euro on Tuesday fell to parity with the dollar for the first time in nearly 20 years. Here are the concrete consequences of the decline in the value of the single European currency. On inflation, purchasing power Nearly half of all goods imported into the eurozone are invoiced in dollars, compared to less than 40 percent in euros, according to the European statistics authority, Eurostat. Oil and gas, for example, are traditionally paid for in dollars, and the price of these two commodities has soared in recent months as a result of Russia's war against Ukraine. That means more euros are needed to pay for an equivalent amount of goods in dollars. "Imported goods become less competitive, compete against each other and therefore become more expensive," which fuels inflation and erodes households' purchasing power, said Isabelle Mejean, professor at Sciences Po university. One specific effect of the euro's fall against the dollar is that it will "dampen European tourism to the United States in particular. "Companies that export outside the euro area benefit from the euro's fall because their prices become more competitive" when converted into dollars, said Philippe Mutricy, research director at the public-sector bank Bpifrance. "By contrast, import-orientated businesses are at a disadvantage." The biggest winner from the euro's falling exchange rate are export-orientated manufacturing sectors such as the aerospace, automobile, luxury goods and chemicals industries.

The consequences of the euro's fall to dollar parity - The Economic Times (indiatimes.com)

• GST ON ONLINE GAMING, CASINOS: GROUP OF MINISTERS TO FINALISE REPORT BY 10 AUG: The Group of Ministers (GoM) will finalise its report on taxing casinos, online gaming and horse racing by 10 August. In a virtual meeting held on Tuesday, the GoM discussed various methods of taxation of casinos, horse racing and online gaming. According to reports, the state finance ministers' panel looking to bring online gaming and casinos under GST failed to reach a consensus today and decided to finalise its report by next month. At present, the current rate of GST on this sector of online skill gaming industry is 18% on the Gross Gaming Revenue (GGR) and 0% on Contest Entry Fee (CEF). The GST council has been mulling to increase the tax on online gaming to 28%. The report is expected to be taken up for discussion in the GST Council meeting scheduled to be held in Madurai in August.

GST on online gaming, casinos: Group of Ministers to finalise report by 10 Aug | Mint (livemint.com)



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## **RBI KEY RATES**

Repo Rate: 4.90% SDF: 4.65% MSF & Bank Rate: 5.15% Fixed Reverse Repo Rate: 3.35%

> CRR: 4.50% SLR: 18.00%

## **FOREX RATES (AS PER FBIL 1.30 PM)**

INR / 1 USD: 79.6401 INR / 1 GBP: 94.4935 INR / 1 EUR: 79.8259 INR /100 JPY: 57.9900

## **EQUITY MARKET**

Sensex: 53886.61 ( -508.62) NIFTY: 16058.30 ( -157.70)

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