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DAILY NEWS DIGEST BY BFSI BOARD

October 13, 2022

SEPTEMBER CPI AT 7.41%, MPC LIKELY TO HIKE REPO RATE BY AT LEAST

35 BPS IN DECEMBER: A persistently higher inflation print in September builds the case for the Reserve Bank of India's (RBI) rate-setting Monetary Policy Committee (MPC) to hike the repo rate by at least 35 basis points (bps) at its next policy meeting in December, economists told Moneycontrol on October 12. Headline retail inflation measured by the Consumer Price Index (CPI) rose to 7.41 percent in September from 7.00 percent in August. At 7.41 percent, the September CPI inflation figure was slightly above the consensus estimate. Inflation has now completed three full years above the central bank's medium-term target of 4 percent. More importantly, inflation has been outside the mandated 2-6 percent tolerance range for three consecutive quarters, which is the definition of failure under the flexible inflation targeting framework. "Bond yields are expected to go up further when the market opens tomorrow. With the expectation of further hikes in MPC policy, bond yields will continue to go up.

(Moneycontrol)

IIP CONTRACTS 0.8% IN AUGUST, WORST PERFORMANCE IN 18 MONTHS:

India's industrial growth, as per the Index of Industrial Production (IIP), slid to an 18-month low of -0.8 percent in August from 2.2 percent in July, data released by the Ministry of Statistics and Programme Implementation on October 12 showed. The last time India's industrial production had contracted was in February 2021. At -0.8 percent, the August industrial growth figure is well below the consensus estimate. In August, the electricity sector was the only one of the three to register an increase in output, with production of mining and manufacturing goods falling by 3.9 percent and 0.7 percent, respectively, on a year-on-year basis. (Moneycontrol)

CABINET APPROVES RS 22,000 CRORE ONE-TIME GRANT TO PSU OIL COMPANIESS INDIAN OIL, BPCL, HPCL FOR LPG LOSSES: The Union cabinet has approved a one-time grant of Rs 22,000 crore to three oil marketing companies – Indian Oil Corporation (IOC), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation (HPCL) – to reduce cost pressures and cover the last two years' losses on selling LPG in domestic market. Information and Broadcasting Minister Anurag Thakur said that the LPG prices rose 300 per cent between June 2020 and June 2022. The grant will aid the fuel retailers to tackle the under-recoveries that surfaced during this two-year period, he said at the briefing after the Cabinet meeting.

(Financial Express)

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IMF PRAISES RBI FOR TIGHTENING MONETARY POLICY: The International Monetary Fund (IMF) praised the Reserve bank of India (RBI) for tightening the monetary policy to curb inflation in the country. Tobias Adrian, Financial Counsellor and Director of the Monetary and Capital Markets Department of the IMF, said that monetary policy has tightened in India, similar to other emerging markets, where inflation has been above target. (Business Line)

BYJU'S TO LAY OFF 2,500 STAFFERS; TARGETS PROFITABILITY IN SIX

MONTHS: Edtech giant Byju's is set to lay off nearly 2,500, or 5 per cent, of its employees as part of an "optimisation" plan. The move by India's most valuable start-up comes amid a funding winter and steep losses. "To avoid redundancies and duplication of roles, and by leveraging technology better, around 5 per cent of Byju's 50,000-strong workforce is expected to be rationalised across product, content, media, and technology teams in a phased manner," said the company in a statement. "This means 5 per cent of the employees would be laid off," said a company source.

(Financial Express)

RBI'S REVISED ARC NORMS: AIRCEL, RCOM DEBT RESOLUTION FACES

UNCERTAINTY: In a big setback to the lenders, two big ticket debt resolutions of bankrupt wireless telephony providers, Aircel and Reliance Communications (RCom), face uncertainty as RBI has made acquisitions under the Insolvency and Bankruptcy Code (IBC) with prospective effect for asset reconstruction companies (ARCs). UV Asset Reconstruction Company (UV ARC) had made the winning bid for both the companies but the acquisition was stuck in litigation over transfer of spectrum to the acquirer and the RBI's earlier ban on the ARCs from investing in bankrupt companies under the IBC. Though the RBI has now allowed ARCs to bid, UV ARC will not be able to qualify for future transactions too as it does not have Rs 1,000 crore of net-owned funds, the source said. On Tuesday, the RBI allowed the ARCs to participate in the IBC process which was not allowed under the SARFAESI Act earlier. The RBI, however, said for becoming a bidder, the NOF (net-owned funds) of an ARC should be Rs 1,000 crore which will make only three ARCs eligible for future acquisitions. (Business Standard)

TVS MOTOR COMPANY OVERTAKES HERO MOTOCORP IN MARKET CAPITALISATION: TVS Motor Company, on Wednesday, overtook Hero MotoCorp in terms of market value to become the sixth-largest automobile company on market capitalisation. The former's m-cap now stands at Rs 51,681 crore to the latter's Rs 50,951 crore. Bajaj Auto, with Rs 104,872 crore, is the only two-wheeler manufacturer in the top five. (Business Standard)

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NSDL ACQUIRES 5.6% STAKE IN GOVT'S E-COMMERCE PROJECT ONDC FOR

RS 10 CRORE: Leading depository NSDL on Wednesday said it has acquired a 5.6 per cent stake in the Union government's Open Network for Digital Commerce for Rs 10 crore. ONDC is an initiative of the Commerce Ministry to create an open public digital infrastructure, while NSDL has played a key role in transforming the Indian securities market by facilitating, holding and transfer of securities in dematerialised form.

(Business Standard)

INDIA'S DEBT RATIO PROJECTED TO BE 84% OF ITS GDP BY END OF 2022:

IMF: India's debt ratio is projected to be 84 per cent of its GDP by the end of 2022, which is higher than many emerging economies, but its debt is a little bit easier to sustain, a senior IMF official has said.

(Business Standard)

GOVT AMENDS MULTI STATE COOPERATIVE SOCIETIES ACT TO BRING IN

TRANSPARENCY: Cabinet on Wednesday approved extensive amendments to the Multi State Cooperative Societies Act (MSCS). The Act was last amended in 2002. The amendments make the functioning of the board of such cooperatives transparent — registration becomes simpler and seats can be reserved for women, scheduled caste and scheduled tribe candidates in coop boards. Also, a Cooperative Election Authority can be formed to conduct free, fair and timely elections to coops. For cooperative banks, the banking functions will be governed by the Banking Regulation Act. However, for all other operational issues of such entities, the MSCS Act and its new amendments will be at play.

The Act also empowers the Central government to suspend the Board of a MSCS for fraud or embezzlement of funds or failure to conduct elections within a stipulated time. It also debars relatives of a sitting director to be recruited as an employee in the same cooperative. In also debars 1600 MSCS at present including some big ones like IFFCI, Kribhco, Nafed etc

The key amendments are; Mandatorily Reserves Seats for Women and SC/ST in MSCS Boards, Provides for setting up of Cooperative Election Authority, Cooperative Information Officer and Cooperative Ombudsman, Members can be debarred for three years for electoral malpractices,

(Business Standard)

SBI HOME LOAN BOOK CROSSES RS 6 TRN-MARK; LAUNCHES FESTIVAL

DISCOUNTS: The nation's largest lender State Bank on Wednesday said its home loan book has surpassed the Rs 6-lakh-crore-mark, making it the largest in the industry. To mark the occasion, the bank also announced a festive offer for home loan buyers, offering up to 25 bps



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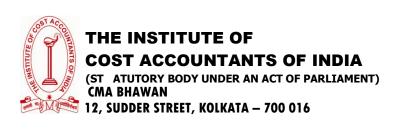
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discount on interest rate starting at 8.40 per cent and also the waiver of the processing fee till January 31, 2023. The lower interest will also be applicable to balance transfer (Business Standard)

INDIA'S WEALTHY FACE A NEW HURDLE TO INVESTING IN OFFSHORE

FUNDS VIA LRS: India's wealthy who invest in offshore investment funds are facing challenges remitting money overseas through the Liberalised Remittance Scheme (LRS) route, following the new norms by the Reserve Bank of India. According to a circular issued by the central bank in late August regarding overseas direct investments (ODI), Indian residents are allowed to invest only in those foreign alternative investment funds (AIFs) which are regulated in the jurisdiction where the fund is located. However, in fund destinations such as Singapore and Luxembourg, the fund managers of these AIFs - not the fund per se - are regulated. (Economic Times)



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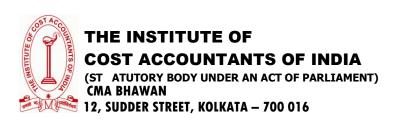
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FINANCIAL TERMINOLOGY/CONCEPTS VIABILITY GAP FUNDING (VGF)

- The Viability Gap Funding Scheme of the Government of India for Financial Support to Public Private Partnerships in Infrastructure, provides financial support (Capital grant) of up to 40% of the Total Project Cost in the form of grant (one time or deferred) to infrastructure projects undertaken through public private partnerships with a view to making them commercially viable. Administered by the Ministry of Finance, budgetary provisions are made in the Annual Plans on a year-to-year basis for the Scheme.
- ❖ The scheme aims at supporting infrastructure projects that are economically justified but fall marginally short of financial viability. Support under this scheme is available only for infrastructure projects where private sector sponsors are selected through a process of competitive bidding. The total Viability Gap Funding under this scheme will not exceed twenty percent of the Total Project Cost; provided that the Government or statutory entity that owns the project may, if it so decides, provide additional grants out of its budget, upto a limit of a further twenty percent of the Total Project Cost.
- In order to be eligible for funding under VGF Scheme, a PPP project should meet the following criteria: The project should be implemented (i.e. developed, financed, constructed, maintained and operated) for the Project Term by a Private Sector Company to be selected by the Government or a statutory entity through a process of open competitive bidding; provided that in case of railway projects that are not amenable to operation by a Private Sector Company, the Empowered Committee may relax this eligibility criterion.



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RBI KEY RATES

Repo Rate: 5.90% SDF: 5.65%

MSF & Bank Rate: 6.15%

CRR: 4.50% SLR: 18.00%

Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 82.2411 INR / 1 GBP : 90.4126 INR / 1 EUR : 79.9718 INR /100 JPY: 56.2500

EQUITY MARKET

Sensex: 57625.91 (+478.59) NIFTY: 17123.60 (+140.10) Bank NIFTY: 39118.60 (+406.15)

(CMA Chittaranjan Chattopadhyay) Chairman,

Banking, Financial Services & Insurance Board

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