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DAILY NEWS DIGEST BY BFSI BOARD

13 May 2024



ECONOMY

China credit shrinks for first time, loan growth disappoints: China's credit in April shrank for the first time as government bond sales slowed, while loan expansion was worse than expected in a sign of weak demand. Aggregate financing, a broad measure of credit, decreased by almost 200 billion yuan (\$27.7 billion) in April from the previous month, according to Bloomberg calculations of data released by the People's Bank of China on Saturday. That's the first time the measure has declined since comparable data began in 2017, reflecting a contraction in financing activity. Looking back further, using a smaller data set that excludes things like government funding, it was the first decrease since October 2005, according to Bloomberg Economics.

(Moneycontrol)

China largest trading partner of India in FY24 with \$118.4 bn; US second with \$118.3 bn: China has emerged as the largest trading partner of India with \$118.4 billion two-way commerce in 2023-24, slightly edging past the US, according to the data of economic think tank GTRI. The bilateral trade between India and the US stood at \$118.3 billion in 2023-24. Washington was the top trading partner of New Delhi during 2021-22 and 2022-23. The data showed that India's exports to China rose by 8.7 per cent to \$16.67 billion in the last fiscal. The main sectors which recorded healthy growth in exports to that country include iron ore, cotton yarn/fabrics/madeups, handloom, spices, fruits and vegetables, plastic and linoleum. Imports from the neighbouring country increased by 3.24 per cent to \$101.7 billion. On the other hand, exports to the US dipped by 1.32 per cent to \$77.5 billion in 2023-24 as against \$78.54 billion in 2022-23, while imports dipped by about 20 per cent to \$40.8 billion, the data showed. The Global Trade Research Initiative (GTRI) said that from fiscal year 2019 to FY2024, India's trade dynamics with its top 15 trading partners underwent significant transformations.

(Business Line)



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FPIs withdraw ₹17,000 crore from equities in May on political uncertainty amid general election:

Foreign investors pulled out a massive ₹17,000 crore from Indian equities in the first 10 days of the month owing to the general election and the uncertainty surrounding its outcome coupled with expensive valuations and profit booking. This was way higher than a net withdrawal of ₹8,700 crore, in the entire month of April on concerns over a tweak in India's tax treaty with Mauritius and a sustained rise in US bond yields.

(Business Line)

BANKING & FINANCE



Indian Overseas Bank Q4 results: Net profit rises record 24% to ₹808 crore: Indian Overseas Bank (IOB) on Thursday said the company reported a 24% increase in net profit to ₹808 crore—the highest-ever quarterly profit—for the quarter ended March 31, against ₹650 crore in the same quarter last year. For the year ending March 31, 2024, the consolidated net profit grew to ₹2,665.66 crore from ₹2,103.99 crore a year ago. The operating profit rose to ₹1,961 crore from ₹1,882 crore year-over-year. Total recovery recorded at Rs.4,549 crores as of March 31, 2024, improving Gross NPA by more than 50% to 3.10% as against 7.44% as on 31.03.2023,"

(Mint)

SBI's 85 pc hires to be engineering grads in FY25: Eighty-five per cent of about 12,000 freshers set to join the country's largest lender SBI in FY25 are engineering graduates, its chairman Dinesh Khara has said. The bank is in the process of onboarding up to 12,000 freshers in the roles of probationary officers and associates in FY25, and there is no bias towards onboarding engineers in the ranks, Khara said, stressing that this is not by design. After training the over 3,000 POs and over 8,000 associates with some banking knowledge, they will be channelised into various business roles. It can be noted that this comes at a time when the banking sector is increasing its dependency on technology as it looks for newer ways of enthralling the customer, while some players are also grappling with challenges on this front.

(Economic Times)

RBI looks at asset reconstruction companies amid a flood of allegations: India's central bank is set to hold a meeting with top management from asset reconstruction companies (ARCs) to



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discuss corporate governance and stressed-asset resolutions. This comes amidst concerns about potential back-door entry by defaulting promoters. The meeting, scheduled for May 17 in Mumbai, will see the participation of all 27 registered ARCs, along with RBI executives. Allegations have arisen that ARCs may strike deals with defaulting promoters, allowing them entry at a steep discount, bypassing regulations.

(Economic Times)

INDUSTRY OUTLOOK



FMCG companies expect volume growth in FY25 with improvement in revenue: Leading FMCG makers expect a volume-led growth in FY25, with a revival in consumption supported by a lower inflationary environment, projections of a normal monsoon and good rabi crop. Companies such as Britannia, Marico, Dabur, GCPL and HUL in their latest March quarter earnings also expect a revenue growth in the new financial year as the deflationary cycle is over. The companies were forced to slash prices as prices of major commodities had fallen, which had in turn impacted their topline and value growth in the last two quarters of FY24.

(Business Line)

Large PSUs' capital expenditure reaches ₹50,200 crore in April FY25, slower growth than previous year: Large public sector companies have spent a little over Rs 50,200 crore towards capital expenditure in April FY25 alone, which is 6.46 per cent of their full fiscal target of Rs 7.77 lakh crore, an official said. The pace albeit is slower than Rs 54,177 crore capex spent in April FY24, about 7.3 per cent of the full year budget target of Rs 7.42 lakh crore. "The capex spending will pick up going forward. Also, the numbers for April are still provisional and will go up in the revised final numbers," the official told PTI. The capital expenditure during the first month of 2024-25 fiscal was driven by railways, road, and oil and gas sectors.

(Economic Times)



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REGULATION & DEVELOPMENT

Next round of talks for India-Asean trade agreement review in July: Senior officials of India and the 10-nation bloc of Southeast Asian nations - ASEAN - will hold the next round of talks in July to review the existing free trade agreement in Jakarta, Indonesia, an official statement said on Sunday. The last round of the three-day negotiations concluded on May 9 in Putrajaya, Malaysia. The discussions for review of AITIGA (Asean-India Trade in Goods Agreement) started in May 2023 to make it more trade-facilitative and beneficial for businesses across the region, the commerce ministry said. A joint committee, which is undertaking the review work, has so far met four times. The fourth Joint Committee meeting for the review of AITIGA was held in Putrajaya, Malaysia from 7-9 May. The committee was co-chaired by Rajesh Agrawal, Additional Secretary in the Department of Commerce, and Mastura Ahmad Mustafa, Deputy Secretary General (Trade), Ministry of Investment, Trade and Industry, Malaysia. India and the 10-nation bloc ASEAN have agreed to conclude talks in 2025.

(Business Standard)

Irdaai gives in-principle nod for Hinduja Group-led IIHL bid for Reliance Capital takeover: Insurance sector regulator IRDAI has conditionally approved Hinduja Group's IndusInd International Holdings Ltd (IIHL) for the acquisition of debt-ridden Reliance Capital. "We are happy to acknowledge the receipt of approval from IRDAI yesterday (May 10, 2024) on the auspicious occasion of Akshay Tritiya. The approval is subject to certain 'regulatory, statutory, and judicial' clearances/compliances," PTI quoted an IIHL spokesperson as saying.

(Economic Times)



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FINANCIAL TERMINOLOGY

PERFORMANCE BOND

- ❖ A performance bond is a financial guarantee to one party in a contract against the failure of the other party to meet its obligations. It is also referred to as a contract bond. A performance bond is usually provided by a bank or an insurance company to make sure a contractor completes designated projects.
- ❖ Performance bonds can also be used in commodity trades as a guarantee of delivery.
- ❖ In commodity markets, a seller is asked to provide a performance bond to reassure the buyer if the commodity being sold is not delivered.



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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 : 83.4946
INR / 1 GBP : 104.6928
INR / 1 EUR : 90.0133
INR /100 JPY: 53.6600

EQUITY MARKET

Sensex: 72664.47 (+260.30)
NIFTY: 22055.20 (+97.70)
Bnk NIFTY: 47421.10 (-66.80)

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