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## **DAILY NEWS DIGEST BY BFSI BOARD**

**13 August 2024**



## **ECONOMY**

**CPI inflation at 59-month low but food price pressures continue:** Even as retail inflation as measured by the consumer price index (CPI) fell to a 59-month low in July this year, food price pressures continued with items including vegetables, cereals, and pulses registering high inflation. As per official data released on Monday, retail inflation eased to **3.54%** in July this year as against 7.44% in July 2023 and 5.08% in June 2024. Consumer food price inflation, however, remained closer to the 6% mark at 5.42% in July as against 11.51% a year ago and 9.36% in June 2024. Meanwhile, inflation in the food and beverages basket in July also remained higher than the headline inflation rate at 5.06% although marginally lower than 8.36% in June.

***(Business Today)***

**Net direct tax collection surges over 22% to ₹6.93 lakh crore:** With strong growth in personal income tax (PIT), net direct tax collection surged about 22 per cent to over ₹6.93 lakh crore during April 1 and August 11 of the current fiscal, data released by the Central Board of Direct Taxes (CBDT) released. However, growth in Corporation Income Tax was subdued. Of the tax mop-up, personal income-tax (PIT) outpaced corporation tax. PIT stood at Rs 4.47 trillion (net) as against Rs 3.44 trillion in the same period a year ago. Corporation tax reported at Rs 2.2 trillion, an increase of 5.7 per cent, which is lower than the growth rate of 12 per cent set for this financial year.

***(Business Standard)***

**India and Russia eye dynamic rupee-rouble rate, vostro balance to bypass dollar trade barriers:** India and Russia are exploring the idea of a dynamic reference rate to start a rupee-rouble market, along with allowing greater deployment of the rupee balance that has accumulated in course of trade between the two countries since outbreak of the Ukraine war. A reference or exchange rate is aimed at overcoming the dollar trade barriers raised by US sanctions imposed on Russia in February 2022. These, along with putting in place a payment confirmation mechanism, are expected to figure during a meeting of senior central bank officials and bankers in Moscow this week, two industry



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persons told ET. The Reserve Bank of India (RBI) recently took feedback from banks and financial institutions dealing with Russian funds registered in India.

*(Economic Times)*

## **BANKING & FINANCE**



**Erstwhile HDFC investors question HDFC Bank for lower dividend:** Shareholders of the erstwhile Housing Development Finance Corp. expressed dissatisfaction over reduced dividends at the August 12 annual meeting following its merger with HDFC Bank Ltd. For the year ended March 2024, HDFC Bank has declared an equity dividend of Rs 19.5 per share. Compared to Rs 45 per share of dividend received from HDFC Limited in the previous year, the former investors of the housing financier, now part of the bank raised the issue of lower dividend payouts with HDFC Bank's management at the recently concluded AGM. Responding to this, HDFC Bank's part-time chairman and independent director, Atanu Chakraborty said bank needs to build its capital and provide certain returns to shareholders.

*(Moneycontrol)*

**Union Bank invites EoIs to sell Rs 2,316 crore NPAs across 45 accounts:** State-owned Union Bank of India has invited expressions of interest (EoIs) from entities interested in acquiring non-performing assets (NPAs) totalling Rs 2,316 crore of 45 accounts through an open auction on August 23. The bank has set a reserve price for the accounts and is expecting a recovery of over Rs 1,750 crore, or around 75 per cent of the principal outstanding of these accounts. The bank has invited EoIs from asset reconstruction companies (ARCs), banks, non-banking financial companies (NBFCs), financial institutions (FIs), and alternative investment funds (AIFs) by August 22.

*(Business Standard)*

**Reserve Bank of India tightens HFC norms to bring them on a par with NBFCs:** RBI on Monday tightened norms related to public deposit acceptance by housing finance companies (HFCs), which were so far subject to relaxed prudential norms compared to non-banking financial companies (NBFCs). According to the revised guidelines, the RBI has reduced the ceiling on the quantum of public deposits that a deposit-taking HFC, which is in compliance with all prudential norms and minimum investment grade credit rating, can hold — from 3 times to 1.5 times its net owned fund



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(NoF). As a result, deposit-taking HFCs holding deposits in excess of the revised limit will not accept fresh public deposits or renew existing deposits till they conform to the revised limit. However, the existing excess deposits will be allowed to run off till maturity, the RBI said.

***(Business Standard)***

**PSBs trim branch network but private sector spreads its net, shows data:** Reserve Bank of India Governor Shaktikanta Das asked banks to use their branches effectively to mobilise deposits, highlighting the importance of brick-and-mortar structures. This comes against the backdrop of public sector banks (PSBs) seeing their branch count shrinking in the past five years mainly due to rationalisation after the mergers of several state-run lenders. Ten banks were merged into four, effective April 1, 2020. A year before that, Dena Bank and Vijaya Bank were merged into Bank of Baroda. On the other hand, private sector lenders have added over 7,000 branches in the same period, riding on the aggressive expansion by the country's largest private sector bank, HDFC Bank.

***(Business Standard)***

## INDUSTRY OUTLOOK



**REITs Association backs SEBI, says allegations of framework favouring select few 'baseless':** The Indian REITs Association, an advocacy body for the four listed real estate investment trusts in India, said that allegations in the Hindenburg Research report that the Securities and Exchange Board of India (SEBI) updated the regulatory framework for REITs to benefit a "select few" in the industry, are "baseless and misleading". The Hindenburg report alleged that the SEBI frequently updated regulations for REITs for the benefit for key industry backers such as the private equity firm Blackstone, and SEBI chairperson Madhabi Puri Buch often touted REITs as an investment class, at the same time as her husband is serving as an advisor to Blackstone. Hindenburg's report regarding REITs mainly concerned SEBI Chairperson Madhabi Puri Buch's husband Dhaval Buch's role as a senior advisor at Blackstone, which has been a key player in the development of REITs as an asset class, backing all but one of the four listed REITs in India. The private equity giant has since exited two of the three REITs that it backed - Embassy Office Parks REIT and Mindspace Business Parks REIT - and has pared its stake in Nexus Select Trust, now down to around 22 percent. The other listed REIT, Brookfield India REIT, is sponsored by Brookfield Asset Management.

***(Moneycontrol)***

**Wipro expands partnership with Google Cloud to scale AI adoption:** Wipro has expanded its partnership with Google Cloud. This collaboration will enhance Wipro's adoption of Google



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Cloud's AI technology, focusing on the integration of advanced AI models like Vertex AI and Gemini, the IT company said in an exchange filing. Wipro is equipping its workforce with generative AI-powered tools to boost developer productivity, speed up cloud migrations, and offer GenAI solutions to clients. As part of this initiative, Wipro will build new industry solutions using Gemini models, develop joint go-to-market programs, and integrate Gemini Code Assist into its internal tools.

***(Financial Express)***

**TCS enables 100% in-store mobile checkout for Croma stores:** Tata Consultancy Services (TCS) said it has enabled 100% in-store mobile checkout for all Croma stores, through the deployment of TCS OmniStore, an AI-powered unified composable commerce platform. The transformation facilitated by TCS OmniStore allows customers to enjoy a seamless mobile checkout experience anywhere within the store, contributing to a consistent shopping experience across both physical stores and online channels. This innovation has not only enhanced customer convenience by reducing checkout times but also led to increased sales and footfall for Croma, the IT company said in a press release.

***(Financial Express)***



## REGULATION & DEVELOPMENT

**RBI issues revised regulations for NBFCs, HFCs:** The Reserve Bank of India (RBI) on August 12 released revised regulations for the non-banking finance companies (NBFC) and housing finance companies (HFC). The central bank has modified regulations of NBFCs and HFCs in terms of acceptance of public deposit, maintenance for minimum percentage of liquid assets, full cover for public deposit, repayment of public deposit in order to meet certain expenses of an emergent nature, among others. Since the transfer of regulation of HFCs from National Housing Bank (NHB) to Reserve Bank with effect from August 09, 2019, various regulations have been issued treating HFCs as a category of NBFCs, the RBI said in a release. The RBI further added that to be consistent with this policy stance an analysis of regulations applicable to HFCs and NBFCs was undertaken, with an objective of harmonising these regulations, duly considering specialised nature of the HFCs. The RBI said it has been decided that all deposit taking HFCs shall maintain, on an ongoing basis, liquid assets to the extent of 15 per cent of the public deposits held by them, in a phased manner.

***(Moneycontrol)***





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**CBIC to begin special drive to weed out fake GST registration on Aug 16:** Central and state GST officers will launch a pan-India special two-month drive against fake registration beginning August 16, the CBIC said on Monday. This is the second such drive to identify fake registrations under Goods and Services Tax (GST). Fake GST registrations are usually taken to fraudulently avail and pass on input tax credit and evade GST. "The second Special All-India Drive may be launched by all Central and State Tax administrations from 16th August 2024 to 15th October 2024 to detect suspicious/ fake GSTINs and to conduct requisite verification and further remedial action to weed out these fake billers from the GST eco-system and to safeguard Government revenue," the Central Board of Indirect Taxes and Customs (CBIC) said in an instruction to field formations.

***(Business Standard)***

**India's IIP records a growth of 4.2% in the June 2024:** The IIP growth rate for the month of June 2024 over the corresponding period of previous year is 4.2 percent. The IIP growth rate in June 2023 was 4.0 percent. The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of June 2024 over June 2023 are 10.3 percent, 2.6 percent and 8.6 percent respectively. Within the manufacturing sector, the growth rate of the top three positive contributors to the growth of IIP for the month of June 2024 are – "Manufacture of basic metals" (4.9%), "Manufacture of electrical equipment" (28.4%), and "Manufacture of motor vehicles, trailers and semi-trailers" (4.1%). The corresponding growth rates of IIP as per Use-based classification in June 2024 over June 2023 are 6.3 percent in Primary goods, 2.4 percent in Capital goods, 3.1 percent in Intermediate goods, 4.4 percent in Infrastructure/ Construction Goods, 8.6 percent in Consumer durables and -1.4 percent in Consumer non-durables (Statement III). Based on use-based classification, top three positive contributors to the growth of IIP for the month of June 2024 are – Primary goods, Consumer durables and Infrastructure/Construction goods.

***(PiB)***



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## FINANCIAL TERMINOLOGY

### BACK LEVERAGE

- ❖ The debt incurred by a project sponsor at a holding company level to finance its equity contributions to a project, which is often structurally subordinated, or “back-levered,” to another financing. In Renewable Energy projects it has become common for the term Loans to be back levered to a tax equity financing.
- ❖ Also referred to as a holdco loan or mezzanine financing, this is a transaction in which a project sponsor or a project developer finances all or a portion of its equity contribution in the project company or holding company with third party loans.
- ❖ A back leveraged transaction allows the sponsor to: Access cheaper capital. Equity is typically the most expensive source of capital. Being able to finance the sponsor's contribution to the project is an effective way to lower the project's overall cost of capital and obtain financing outside the project debt structure which may make the project more bankable.



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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 : 83.9691  
 INR / 1 GBP : 107.2655  
 INR / 1 EUR : 91.6915  
 INR /100 JPY: 57.0200

**EQUITY MARKET**

Sensex: 24347.00 (-20.50)  
 NIFTY: 79648.92 (-56.99)  
 Bnk NIFTY: 50577.95 (+93.45)

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  - ❖ **Aide Memoire on lending to MSME Sector (including restructuring of MSME Credit).**
  - ❖ **Guidance Note on the Internal Audit of General Insurance Companies.**
  - ❖ **BFSI Chronicle (quarterly issue of BFSIB)**
  - ❖ **Handbook on Stock & Book Debts Audit (Revised and Enlarged 2<sup>nd</sup> Edition)**
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