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DAILY NEWS DIGEST BY BFSI BOARD

14 January 2025



ECONOMY

Markets tumble as rupee hits historic low; Realty stocks lead decline: Equity markets witnessed a sharp selloff on Monday, with the benchmark Sensex plunging 1,048.90 points or 1.36 per cent to close at 76,330.01, while the Nifty 50 fell 345.55 points or 1.47 per cent to end at 23,085.95, as the rupee sank to an all-time low against the US dollar. The Indian rupee recorded its steepest single-day fall in nearly two years, declining 58 paise to close at a historic low of 86.62 against the US dollar. The currency's unprecedented decline was attributed to aggressive dollar buying by investors and substantial foreign capital outflows from Indian equities. Foreign Institutional Investors (FIIs) have withdrawn ₹22,194 crore from Indian equities so far this month, with ₹2,254.68 crore being pulled out on Friday alone. The country's forex reserves also dropped by USD 5.693 billion to USD 634.585 billion in the week ended January 3.

(Business Line)

India's retail inflation moderates to four-month low of 5.22% in December driven by easing food prices: India's retail inflation rate, measured by the consumer Price Index, for December stood at 5.2 per cent, showing a slight dip from 5.5 per cent in November on the back of a notable drop in price of key food items including vegetables, pulses, sugar and cereals, government data showed on Monday. Despite the moderating print, economists remained divided over the policy rate cut.

(Business Line)

India's net direct tax collection swells 16% to ₹16.90 lakh crore so far in FY25: India's net direct tax collection grew 16 per cent to about ₹16.90 lakh crore so far in the current fiscal 2024-25 (FY25). According to data released by the Central Board of Direct Taxes (CBDT), mop-up from net non-corporate taxes, which include mainly personal income tax, stood at over ₹8.74 lakh crore. Between April 1, 2024, and January 12, 2025, the net corporate tax collection was around ₹7.68 lakh



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crore. The net collections from securities transaction tax (STT) stood at ₹44,538 crore so far this fiscal.

(Mint)

BANKING & FINANCE



LIC's decline dampens life insurance industry growth in December 2024: The life insurance industry posted a muted 4.8% year-on-year growth in Retail Annualized Premium Equivalent (APE) for December 2024, primarily due to a 13% decline in LIC's Retail APE, offset by an 11.4% rise in private sector growth. The industry growth was impacted by regulatory uncertainties regarding the banca channel and implementation of the new surrender regulations leading to an impact on the lower ticket-size policies.

(Economic Times)

NPCI debunks new 'Jumped Deposit Scam' reports; clarifies 3 points to note: In response to recent media reports surrounding a new online fraud called the 'Jumped Deposit' Scam, the National Payments Corporation of India on Monday issued a statement clarifying that no fraudulent activities have observed on the Unified Payments Interface (UPI) platform, and there is no evidence suggesting any breach of security. The emergence of these reports, particularly in the context of users allegedly losing funds through unauthorised transactions, has raised concerns. However, NPCI has clarified several technical points to reassure the public and provide clarity on the functioning of UPI, which remains one of the most secure digital payment systems in the world. The NPCI has pointed out that simply opening a UPI or banking app does not authorise or approve a transaction. In order for any payment to occur, users must actively navigate to the payment request and click on the 'pay' option, followed by entering their UPI PIN.

(Economic Times)

Budget FY26: Goldman Sachs highlights focus on fiscal deficit, growth: As India gears up for the Union Budget for the financial year 2025-2026 (FY26) on February 1, a report by Goldman Sachs highlighted two critical challenges- managing fiscal consolidation and prioritising government spending- that could play a crucial role in shaping India's economic trajectory amid high public debt levels and fiscal deficit compared to other emerging markets, the foreign broker said. For several years, India has been facing the challenge of reducing its fiscal deficit while sustaining economic growth. The fiscal deficit target for FY26 is expected to be set at 4.4-4.6 per cent of GDP, a reduction from 4.9 per cent in FY25. However, according to the report, this tightening could slow economic



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growth, which is already experiencing a cyclical downturn due to reduced public spending and tighter credit policies.

(Business Standard)

INDUSTRY OUTLOOK



India's fintech funding dips to \$1.9 billion in 2024, yet retains global standing: India's fintech sector raised funding of \$1.9 billion in 2024, a 33 per cent decline from the \$2.8 billion secured in 2023 and a significant 66 per cent drop from the \$5.6 billion raised in 2022. Despite the decline, India remained the third-largest fintech funding hub globally, trailing only the US and the UK. The third quarter of 2024 emerged as a bright spot, with \$805 million raised, accounting for 42 per cent of the year's total. August was the most robust month, contributing \$434 million to the annual total. However, only three funding rounds exceeded \$100 million, half of the six recorded in 2023.

(Business Line)

JSW Cement secures SEBI nod for Rs 4,000 crore IPO: JSW Cement, part of Sajjan Jindal-promoted diversified JSW Group, has received go ahead to raise Rs 4,000 crore through an initial public offering (IPO), according to an update with the markets regulator, Securities and Exchange Board of India (SEBI) showed on January 13. The initial share sale comprises a fresh issue of equity shares worth Rs 2,000 crore and an Offer-for-Sale (OFS) of Rs 2,000 crore by investor shareholders, according to the Draft Red Herring Prospectus (DRHP) filed in August 2024.

(Business Standard)



REGULATION & DEVELOPMENT

Irdai widens scope of sandbox framework to encourage innovation: Regulator Irdai has expanded the scope of regulatory sandbox framework to encourage proposals that foster innovation, improve efficiency and ease of doing business. The IRDAI (Regulatory Sandbox) Regulations, 2025 is now more of principle-based whereby operational aspects will be issued through a master circular,



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Insurance Regulatory and Development Authority of India (Irdai) said in a statement. "A notable addition is an enabling provision to file Inter-Regulatory Sandbox proposals, cutting across more than one financial sector," the regulator said. Regulatory sandbox usually refers to live testing of new products or services in a controlled/test regulatory environment for which regulators may (or may not) permit certain relaxations for the limited purpose of the testing.

(Economic Times)

DGFT updates export policy for every product to promote ease of doing biz: The Commerce Ministry's arm DGFT on Monday updated the export policy for all products, specifying detailed conditions for each item to enhance the ease of doing business in the country. Earlier specific policy conditions were only outlined for goods which were subject to certain restrictions or fell under some norms. "Schedule-II (Export Policy)' in sync with Finance Act 2024 dated August 16, 2024, has been notified," the directorate general of foreign trade (DGFT) said in a notification. The updated schedule contains the current export policy of all ITC (HS) codes, along with specific policy conditions (if any) to be fulfilled, it added. In international trade parlance, every product is categorised under the Indian Trade Classification (Harmonised System) - ITC (HS). It helps in the systematic classification of goods across the globe.

(Business Standard)

RBI uses FX swaps to ease liquidity squeeze as rupee hits a new low: India's central bank is using dollar-rupee swaps to ease a liquidity squeeze in the country's financial system, according to people familiar with the matter. The Reserve Bank of India used swaps to inject rupee liquidity worth around \$3 billion on Friday, the people said, asking not to be named because they aren't authorized to speak publicly on the matter. The swaps had maturities of three, six and 12 months, they said. The RBI didn't immediately respond to an emailed request for comment.

(Business Standard)



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FINANCIAL TERMINOLOGY

CAPITAL ASSET PRICING MODEL (CAPM)

- ❖ The capital asset pricing model (CAPM) describes the relationship between systematic risk, or the general perils of investing, and expected return for assets, particularly stocks. It is a finance model that establishes a linear relationship between the required return on an investment and risk.
- ❖ CAPM is based on the relationship between an asset's beta, the risk-free rate (typically the Treasury bill rate), and the equity risk premium, or the expected return on the market minus the risk-free rate.

$$ER_i = R_f + \beta_i(ER_m - R_f)$$

where:

ER_i = expected return of investment

R_f = risk-free rate

β_i = beta of the investment

$(ER_m - R_f)$ = market risk premium



RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 86.4368
INR / 1 GBP : 105.0472
INR / 1 EUR : 88.3563
INR /100 JPY: 54.8800

EQUITY MARKET

Sensex: 77378.91 (-241.30)
NIFTY: 23431.50 (-95.00)
Bnk NIFTY: 48734.15 (-769.35)

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