



ICMAI
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DAILY NEWS DIGEST BY BFSI BOARD

14 May 2024



ECONOMY

Retail inflation hits 11-month low of 4.83% in April: Retail inflation in the country hit a 11-month low in April 2024 at 4.83 per cent, slightly lower than the March 2024 print of 4.85 per cent. The latest consumer price index (CPI)-based inflation print is, however, higher than the April 2023 level of 4.70 per cent, data released by Ministry of Statistics & Programme Implementation (MOSPI) showed. A comforting factor is that the ongoing seven phased General Elections has so far had no impact on headline inflation number although this was a concern at some point of time. For the month under review, the rural inflation stood at 5.43 per cent (5.51 per cent in March 2024) and urban inflation came in at 4.11 per cent (4.14 per cent in March 2024). RBI's Monetary Policy Committee (MPC) has a CPI inflation target of 4 per cent, with a range of 2-6 per cent. Core inflation softened to 3.2 per cent in April 2024 from 3.3 per cent in previous month. This is the lowest ever recorded for core inflation.

(Business Line)

RBI to maintain pause in June despite easing CPI print as food inflation risk remains, say economists: The Reserve Bank of India-led Monetary Policy Committee (MPC) is likely to keep interest rates unchanged in the upcoming monetary policy despite marginal easing in Consumer Price Index (CPI) inflation as food inflation risks remain, economists said. "Going forward, food inflation risks continue to linger— on account of the seasonal summer impact as well as heat waves. This print is unlikely to move the needle on monetary policy in June with the RBI remaining watchful of both domestic and global risks," said Sakshi Gupta, Economist at HDFC Bank. Further, Upasna Bhardwaj, Chief Economist at Kotak Mahindra Bank, expects much change to RBI's narrative for now, as a prolonged pause in policy rates remains the base case. India's headline retail inflation stayed largely unchanged at 4.83 percent in April, according to data released by the Ministry of Statistics and Programme Implementation on May 13.

(Moneycontrol)



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Domestically held gold reserve rise by 40% in 5 years, shows RBI data: India's gold reserve, held domestically, surged by 40 per cent between March 2019 and March 2024, latest data released by the Reserve Bank of India showed. Total gold reserves saw an uptick of 34 per cent during the same period. As of the end of March 2024, the Reserve Bank of India held a total of 822 metric tonnes of gold, with 408 metric tonnes held within the country. The total gold reserve stood at 612 metric tonnes as at the end of March 2019, out of which 292 metric tonnes were held domestically. According to the half-yearly report on foreign exchange management released on Monday, the share of gold in total foreign exchange reserves increased from 7.37 per cent as at the end of September 2023 to 8.15 per cent as at the end of March 2024. India's foreign exchange reserves cover of imports (on balance of payments basis) increased to 11 months as of the end of March 2024 from 10.2 months at the end of September 2023. At the end of March 2023, the import cover stood at 9.3 months.

(Business Standard)

BANKING & FINANCE



Zomato to surrender RBI licence to operate as online payment aggregator: Food tech major Zomato on Monday said its subsidiary Zomato Payment Pvt Ltd (ZPPL) has decided to voluntarily surrender the certificate of authorisation it obtained from the Reserve Bank to operate as an online payment aggregator. "At Zomato, we do not see ourselves having a significant competitive advantage against the incumbents in the payments space and hence we don't foresee a business in payments space as commercially viable for us, at this stage.

(Business Standard)

Banks' overdue SMA-2 loans rise in Q4 even as overall asset quality improves: Overdue loans classified as SMA-2 increased for at least 11 banks including State Bank of India and Punjab National Bank in the January-March quarter, a Moneycontrol analysis showed. Experts said the trend indicates some concern over their asset quality. SMA-2 loans are those that have been overdue for more than 60 days and up to 90 days. The increase in this category of loans came even as banks reported better asset quality in the quarter. Experts said the development evokes some concern on their future asset quality, although the outlook remains healthy. According to Moneycontrol's analysis of 16 banks, 11 banks including State Bank of India, the country's largest, and Punjab National Bank reported an increase in SMA-2 loans.

(Moneycontrol)



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Exim Bank to borrow ₹63,000 cr from domestic and overseas markets: Exim Bank of India plans to borrow ₹63,000 crore from domestic and international markets to support 10-12 per cent credit growth and repay foreign currency borrowings amounting to \$1.2 billion. The All India Financial Institution (AIFI), which facilitates trade and investment as India's specialised export credit agency, had raised ₹60,000 crore (including ₹35,000 crore from domestic markets and ₹25,000 crore/\$3.26 billion from overseas markets) in FY24, according to Harsha Bangari, Managing Director. The bank is not looking at capital infusion from the Government in FY25 due to robust capital to risk-weighted assets ratio (CRAR) of 21.18 per cent (as of March-end 2024), including core capital of 19.56 per cent, she said.

(Business Line)

INDUSTRY OUTLOOK



TCS announces creation of Global AI Center of Excellence in Paris: Tata Consultancy Services (TCS) today announced the creation of a Global Artificial Intelligence (AI) Centre of Excellence in Paris, during the Choose France Summit, hosted by President Emmanuel Macron. The new AI centre will be based in the upcoming TCS PacePort in the La Défense area of Paris, which will be inaugurated in June 2024, becoming the seventh such facility in TCS' global Pace network, following Amsterdam, London, New York, Pittsburgh, Toronto, and Tokyo.

(Business Standard)

Warburg Pincus acquires Shriram Housing Finance for Rs 4630 crore: US private equity firm Warburg Pincus has fully acquired Shriram Housing Finance Ltd (SHFL) from its promoter Shriram Finance and minority shareholder Valiant Capital Management for Rs 4630 crore, in the largest M&A deal in the housing finance sector. The deal will allow Warburg to foray into the ever expanding affordable housing space in the world's fourth largest economy. The New York-headquartered private equity firm finalised the deal on Monday with Chennai-based non-banking finance company (NBFC) Shriram Finance, which owned 84.82% in the mortgage lender.

(Economic Times)



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REGULATION & DEVELOPMENT

India signs long-term bilateral contract on Chabahar port with Iran: In a landmark development, the long-term bilateral contract concerning operations of Chabahar Port was signed between India and Iran on Monday. India's IPGL (Indian Ports Global Ltd) will invest \$120 million in Chabahar port; while a credit window of \$250 million equivalent has been offered for mutually identified projects aimed at improving Chabahar-related infrastructure, Embassy of India in Iran said on social media platform X. The 10-year agreement was signed between IPGL and Iran's Port & Maritime Organisation. Union Shipping Minister Sarbananda Sonowal and his Iranian counterpart, Mehrdad Bazrpash, attended the ceremony. This deal allows for operation of the Shahid-Behesti terminal in the Chabahar Port Development Project, a statement from the Shipping Ministry said. Previously, operations continued through short-term contracts (of one year duration).

(Business Line)

Five states ready for GST registration based on Aadhaar technology: Five states, including Karnataka, Tamil Nadu and Telangana, have shown interest in rolling out Aadhaar-based authentication for GST registration, an official said on Monday. The biometric-based authentication was discussed at the third National Co-ordination Meeting of senior Central and State GST officers earlier this month. Currently, two states, Gujarat and Andhra Pradesh, and the Union Territory of Puducherry have launched the Aadhaar authentication of taxpayers on a pilot basis. "Around five states, including Karnataka, Tamil Nadu and Telangana, have shown interest in implementing Aadhaar-based authentication for GST registration," an official told. The official further said that these states wanted to assess the cost involved, the infrastructure and manpower requirement for implementing the requirement of biometric authentication for registration.

(Business Standard)

Income tax department rolls out new functionality in AIS: In AIS, a taxpayer has been provided with a functionality to furnish feedback on every transaction displayed therein. The income tax department on Monday said it has rolled out a new functionality in the Annual Information Statement (AIS) through which taxpayers will be able to view the status of information confirmation process. AIS is populated based on the financial data received from multiple information sources and



provides details of a large number of financial transactions undertaken by the taxpayer that may have tax implications. In AIS, a taxpayer has been provided with a functionality to furnish feedback on every transaction displayed therein. This feedback helps the taxpayer to comment on the accuracy of the information provided by the source of such information. In case of wrong reporting, the same is taken up with the source for their confirmation, in an automated manner.

(Moneycontrol)



FINANCIAL TERMINOLOGY

DECENTRALIZED FINANCE (DeFi)

- ❖ Decentralized finance (DeFi) is an emerging financial technology based on secure distributed ledgers similar to those used by cryptocurrencies. Decentralized finance, or DeFi, uses emerging technology to remove third parties and centralized institutions from financial transactions. DeFi eliminates the fees that banks and other financial companies charge for using their services.
- ❖ Decentralized finance differs from traditional, centralized financial institutions and banking. In centralized finance, money is held by banks and third parties who facilitate money movement between parties, with each charging fees for using their services. A credit card charge starts from the merchant and moves to an acquiring bank, which forwards the card details to the credit card network.
- ❖ The network clears the charge and requests a payment from the bank. Each entity in the chain receives payment for its services, generally because merchants must pay for the use of credit and debit cards.
- ❖ Decentralized finance eliminates the need for a centralized finance model by enabling anyone to use financial services anywhere regardless of who or where they are. DeFi applications give users more control over their money through personal wallets and trading services that cater to individuals.
- ❖ Decentralized finance uses the blockchain technology that cryptocurrencies use. A blockchain is a distributed and secured database or ledger. Applications called dApps are used to handle transactions and run the blockchain.



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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 : 83.5234
INR / 1 GBP : 104.6431
INR / 1 EUR : 89.9792
INR /100 JPY: 53.0600

EQUITY MARKET

Sensex: 72776.13 (+111.66)
NIFTY: 22104.05 (+48.85)
Bnk NIFTY: 47754.10 (+333.00)

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