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DAILY NEWS DIGEST BY BFSI BOARD

16 October 2024

ECONOMY

IMF says global public debt to top $100 trillion, growth may accelerate: The world's total public debt is set to exceed $100 trillion this year for the first time, and may grow more quickly than forecast as political sentiment favours higher spending and slow growth amplifies borrowing needs and costs, the International Monetary Fund said on Tuesday. The IMF's latest Fiscal Monitor report showed global public debt will reach 93 per cent of global gross domestic product by the end of 2024 and approach 100 per cent by 2030. That would exceed its 99 per cent peak during COVID-19. It would also be up 10 percentage points from 2019, before the pandemic exploded government spending. Released a week before the IMF and World Bank hold annual meetings in Washington, the Fiscal Monitor said there are good reasons to believe future debt levels could be well higher than currently projected, including a desire to spend more in the U.S., the world's largest economy.
(Business Line)

UAE to address India's concerns over rise in silver, platinum alloy imports: The United Arab Emirates (UAE) has agreed to look into India’s concerns over compliance to rules related to the import of silver products, platinum alloy and dry dates, the commerce department said on Tuesday. During a joint committee meeting under the India-UAE trade deal, officials from New Delhi raised concerns over the recent surge in imports of these products. These were being shipped to India, taking advantage of the lower tariffs under the pact. Indian government officials, who were in UAE for the meeting, urged officials from the West Asian nations to verify compliance to the rules of origin norms and ensure they are not ‘circumvented’.
(Business Standard)

Canada's FDI into India has more than doubled since pandemic, shows data: Canada’s foreign direct investment (FDI) into India doubled after the pandemic years even as India’s own investments into Canada show signs of slackening in recent years. The cumulative equity FDI inflows from Canada rose from $1.8 billion in March 2019 to $3.9 billion in March 2024, shows data from the

Department for Promotion of Industry and Internal Trade (DPIIT). The overall share is up from 0.42 per cent to 0.57 per cent during the same period, suggesting that Canadian FDI grew faster than overall FDI during this period.
(Business Standard)

129 mn Indians living in extreme poverty in 2024: World Bank report: Almost 129 million Indians are living in extreme poverty in 2024, on less than $2.15 (about Rs 181) a day, down from 431 million in 1990, the World Bank said in report on Tuesday. However, with a higher poverty standard of $6.85 (about Rs 576) per day — the poverty threshold for middle-income countries — more Indians are living below the poverty line in 2024 than in 1990, primarily driven by 'population growth'. Earlier, the World Bank had said that extreme poverty in India had declined by 38 million in 2021 to 167.49 million after growing in the preceding two years.
(Business Standard)

BANKING & FINANCE

CCI approves Central Bank of India's stake buy in Future Generali India Insurance and Future Generali India Life Insurance : The Competition Commission of India (CCI) has approved the proposed acquisition of 24.91 percent shareholding in Future Generali India Insurance Company Ltd (FGIICL) and 25.18 percent shareholding in Future Generali India Life Insurance Company Ltd (FGILICL) by Central Bank of India, a public sector bank.
(Business Line)

Bank of Maharashtra Q2 results: Profit jumps 44% YoY to Rs 1,327 crore; NII rises 15%: State-owned Bank of Maharashtra reported a 44.25% year-on-year (YoY) jump in its net profit to Rs 1,327 crore for the September quarter of FY25. The public sector lender has earned a net profit of Rs 920 crore in the year-ago period. The bank's net interest income (NII) also grew by 15.4% YoY to Rs 2,807 crore during the period under review, from Rs 2,432 crore in the corresponding quarter a year ago. Operating profit for Q2FY25 rose by 14.66% to Rs 2,202 crore, up from Rs 1,920 crore in the corresponding quarter of the previous year.
(Economic Times)

Creditors delayed resolution process for Jet Airways: Winning bidder to SC: Jalan Kalrock Consortium (JKC), which was handed over the grounded air carrier Jet Airways, on Tuesday informed the Supreme Court that the creditors had delayed the resolution process by raising pleas at every stage of compliance. The National Company Law Appellate Tribunal (NCLAT) on March 12 had upheld the resolution plan of the grounded air carrier and approved the transfer of its ownership to the consortium. A bench comprising Chief Justice D Y Chandrachud and Justices JB Pardiwala and Manoj Misra was hearing an appeal of State Bank of India, Punjab National Bank and JC Flowers Asset Reconstruction Private Limited challenging the March 12 verdict of the NCLAT. The NCLAT had directed the Jet Airways monitoring committee to complete the transfer of ownership within 90 days. The consortium, having won the bid to revive the once-grounded airline, is facing a complex legal battle over the compliance with the resolution plan.

(Business Standard)

INDUSTRY OUTLOOK

IndiGo Ventures gets SEBI nod to launch Venture Capital Fund: India's largest domestic airline IndiGo's corporate venture capital fund, IndiGo Ventures, has received the alternative investment fund approval from the Securities and Exchange Board of India (SEBI), it announced on October 15. "The fund will invest in startups that have the potential to redefine the future of aviation and beyond, seeking pre–Series A, Series A, and Series B funding. These include startups working on cutting-edge technologies and solutions within the aviation sector. The fund will also look to invest in consumer startups that have a touchpoint in the passenger journey, such as travel, lifestyle, hospitality, transportation, etc," said IndiGo in a statement. It has already commenced pre-investment activities, including engaging with select start-ups and their founders.

(Moneycontrol)

37-day strike by workers at Samsung's Sriperumbudur unit finally ends: A 37-day-long strike by workers at Samsung Electronics' unit in Sriperumbudur was called off on Tuesday following their extensive negotiations with the management and the Tamil Nadu government. The agreement encompasses an earlier wage hike decision, an assurance that no disciplinary action will be taken against those who participated in the strike, and a commitment by workers to refrain from any "pre-judicial" actions against the company. At the heart of the strike were calls by the workers, led by the Centre of Indian Trade Unions, for a wage increase — a demand that Samsung management had already conceded to early on. However, the CITU extended the strike to press for official recognition of its union at the factory, a matter now pending in court. As part of the settlement, both parties agreed to await the court's verdict on union recognition.

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(Business Standard)

Govt launches textile policy 2024 to boost growth; announces incentives: India has launched its Textile Policy for 2024, focusing on strengthening the textile sector with a range of financial incentives. The policy highlights two main areas: technical textiles, including clothing and apparel, and various manufacturing processes like weaving and dyeing. The policy provides various financial support mechanisms for businesses, including capital subsidies ranging from 10 per cent to 35 per cent of eligible fixed capital investments, capped at Rs 100 crores based on taluka and activity. It offers credit-linked interest subsidies of 5 per cent to 7 per cent for 5 to 8 years, with an annual cap of 2 per cent to 3 per cent. Companies can receive Rs 1 per unit of electricity for 5 years, applicable to DISCOMs or renewable energy sources. Wage assistance will be available for employees, ranging from Rs 3,000 to Rs 5,000 per month for women and Rs 2,000 to Rs 4,000 for men, depending on their roles. Additionally, self-help group (SHG) members will receive Rs 5,000 per month for training for 3 months and payroll support of up to 25 per cent of job work turnover for 5 years. The policy also includes measures for quality certification, energy and water conservation savings, and technology acquisition support.The Textile Policy 2024 places a strong emphasis on labour-intensive units, defined as new industrial units that employ at least 4,000 registered individuals under the Employee Provident Fund (EPF) scheme, including a minimum of 1,000 women. These units can receive capital subsidies of 25 per cent to 35 per cent, capped at Rs 150 crores, and are eligible for credit-linked interest subsidies of 7 per cent to 8 v for up to 8 years, with an annual cap of 3 per cent. Additionally, they will benefit from electricity tariff subsidies with a maximum annual limit of Rs 15 crores for group captive renewable energy sources. Wage assistance for female employees will range from Rs 3,000 to Rs 5,000, while male employees will receive support of Rs 2,000 to Rs 4,000 per month for a decade. Self-help groups (SHGs) will also receive similar financial support. Overall, the policy aims to strengthen India's textile industry, promote employment--especially among women--and enhance competitiveness through various financial aids and technological support.

(Business Standard)

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REGULATION & DEVELOPMENT

Sebi raises index F&O position limits for trading members by 15x to Rs 7,500 crore: The market regulator has raised the position limits for trading members (TMs), cumulatively for client and proprietary trades, in index futures and options contracts to Rs 7,500 crore or 15 percent of the total open interest (OI) in the market, whichever is higher. Position limits are calculated on the notional value of a contract. Earlier, it was Rs 500 crore or 15 percent of the total OI in the market. The Securities and Exchange Board of India (Sebi) informed this through a circular issued on Tuesday, October 15. The circular said, "the overall position limit at the Trading member (TM) level (proprietary + client) to be higher of INR 500 crores or 15% of the total Open Interest (OI) in market. This position limit is separately applicable for all open positions on futures and options contracts, in a particular underlying index. "The position limits for TMs, cumulatively for client and proprietary trades, in index Futures and Options contracts may be set at higher of INR 7,500 crore or 15% of the total OI in the market. "As per the extant practice, the position limits will be applicable for index futures and index options separately."
(Moneycontrol)

Government releases guidelines to prevent greenwashing by brands: Brands will need to ensure that claims such as “clean”, “green”, “eco-friendly”, “good for the planet”, “natural”, “organic”, “pure” or “sustainable” are backed with credible disclosures and evidence. In a bid to protect consumer interests, the government on Tuesday released comprehensive guidelines for prevention and regulation of greenwashing and misleading environmental claims. Greenwashing refers to deceptive and misleading marketing tactics used by brands to make false or exaggerated claims related to the environment. This is done by often using vague or unsubstantial terms. The guidelines stated that manufacturers and service providers will need to substantiate their environmental claims with credible evidence. They cannot use “generic terms” such as pure, organic, eco-friendly or green among others without substantiation. This must be “accessible and verifiable” evidence based on independent studies or third-party certification. It also stressed that consumer-friendly language must be used to explain the meaning and implication of technical terms such as greenhouse gas emissions or Environmental Impact Assessment. These guidelines will be applicable on manufacturers, service providers, traders, ad agencies and endorsers. “Any person making environmental claims shall disclose all material information in the relevant advertisement or communication or either by inserting a QR code or URL,' the guidelines stated. Brands will also need to clarify whether their green claims are related to the manufacturing process, packaging or manner of use and disposal of their products. Also, brands must back their comparative green claims with verifiable and relevant data and not just highlight favourable data.

(Business Line)

FINANCIAL TERMINOLOGY

WAGE DRIFT

- Wage drift is defined as the difference or change in the wage actually paid to a worker as compared to a locally negotiated wage. The increase could be due to several reasons such as overtime, bonus payment paid out by the company etc.
- Wage drift is the difference between the rates negotiated by a company and wages actually given to a worker by the end of a period. Due to uneven demand, the company at times asks employees to put in extra work hours to meet the demand. In that case, a company has to pay overtime to the workers on an hourly basis. Overtime would result in a higher wage given to an employee when compared with the one negotiated by a company at the beginning of the contracts. This is because the wage would now include the overtime component.

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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 : 84.0736
INR / 1 GBP : 109.7256
INR / 1 EUR : 91.5920
INR /100 JPY: 56.2800

EQUITY MARKET

Sensex: 81820.12 (-152.93)
NIFTY: 25057.35 (-70.60)
Bnk NIFTY: 51906.00 (+89.10)

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