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DAILY NEWS DIGEST BY BFSI BOARD

17 Jan 2024

BANKING & FINANCE



HDFC Bank Q3 Results: Net profit jumps 33.5% to Rs 16,372 crore; asset quality stable: HDFC Bank on January 16 reported a net profit of Rs 16,372 crore for the October-December quarter of 2023-24, which marks a 33.5 percent jump from Rs 12,259 crore clocked a year ago. The net profit, at Rs 16,372 crore, is almost in line with the market estimates of Rs 16,427 crore. The net interest income (NII) of Rs 28,470 crore, which increased by 23.9 percent as compared to Rs 22,990 crore reported in the corresponding quarter of the previous fiscal. The NII, at Rs 28,470 crore, is lower as against the market estimates of Rs 29,554 crore. The bank's gross NPA stood at 1.26 percent, up from 1.23 percent last year. On the other hand, net NPA for the quarter stood at 0.31 percent compared to 0.33 percent last year.

(Moneycontrol)

HDFC Bank plans to increase branches to 13,000 in next 3-5 years: HDFC Bank aims to have a total of 13,000 plus branches in the next three-five years, said Srinivasan Vaidyanathan, Chief Financial Officer at the country's largest private sector lender. "We have added 908 branches in the last twelve months and 146 branches in the last quarter," Vaidyanathan said at the bank's post-results press conference on January 16. "Last year, we added 1,481 branches. And we want to have a total of 13,000 plus branches in the next 3-5 years." At the end of the October-December quarter of the financial year (FY) 2023-24, HDFC Bank had a total of 8,091 branches.

(Moneycontrol)

Corporate affairs ministry may strike off registration, freeze funds of Chinese loan apps for fraud: The ministry of corporate affairs is likely to cancel the registration of Chinese loan app companies and freeze their accounts if an investigation shows that they committed fraud, a government official said. Zonal teams of the ministry's investigation wing are finalising their preliminary reports on searches and raids conducted on the premises of Chinese loan



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app companies that are said to have scammed, extorted and harassed borrowers, following which the investigation report is likely to be finalised.

(Moneycontrol)

Bank of Maharashtra reports 34% increase in Q3 FY24 net profit at ₹1,036

crore: Bank of Maharashtra (BoM) reported a 34 per cent year-on-year (y-o-y) increase in third quarter net profit at ₹1035.51 crore on the back of healthy growth in net interest income, steady other income, and sharp decline in tax expenses. The growth in bottomline comes despite the Pune-headquartered public sector bank's provisions and contingencies (other than taxes) rising 62 per cent y-o-y to ₹943 crore (₹582 crore in the year ago quarter). The bank had reported a net profit of ₹775 crore in the year ago quarter. Net interest income (difference between interest earned and interest expended) was up 24.55 per cent y-o-y at ₹2,466 crore (₹1,980 crore in the year ago quarter).

(Business Lines)

India insurance sector growth pegged at 7.1% in 2024-28: Swiss Re:

India's insurance sector is projected to record the fastest growth among the G20 countries with the total premium expected to rise at an average rate of 7.1 per cent in real terms during 2024-28. In comparison, the growth rate for the global insurance market will be around 2.4 per cent, said a report by Swiss Re Institute. The expanding economy, growing middle class, innovation and regulatory support are driving the insurance market growth in India. In the time period, the life insurance business is expected to record 6.7 per cent growth backed by rising demand for term life cover by the middle-income group and increased adoption of insurtech. Meanwhile, the non-life segment is estimated to grow by 8.3 per cent owing to economic growth, improvement in distribution channels, government support and a favourable regulatory environment with health premiums forecasted to rise by 9.7 per cent.

(Business Standard)

Govt provides exemption to Indian Bank to retain over 30 pc stake in

ASREC: The government has exempted Indian Bank from the requirement to hold shares exceeding 30% in ASREC (India) Limited, an asset reconstruction company. This exemption, recommended by the Reserve Bank of India, is effective until March 31, 2025. The notification, dated January 12, states that the provisions of sub-section (2) of section 19 of the Banking Regulation Act do not apply to Indian Bank in relation to its shareholding in ASREC.

(Economic Times)



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ECONOMY

Fitch affirms India at 'BBB-'; outlook stable: Fitch Ratings has affirmed India's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BBB-' with a stable outlook. In its statement released on January 16, the ratings agency added, "India is poised to remain one of fastest-growing countries globally in next few years." It also added that beyond FY24 there is "less certainty on fiscal path and trade-offs between economic growth and consolidation may become more acute." It also forecast India's GDP growth of 6.9 percent in the current fiscal year, well above our 6 percent FY24 forecast from its last review in May 2023, before easing to 6.5 percent in FY25.

(Moneycontrol)

FinMin imposes anti-dumping duty on meta phenylene diamine imports

from China: The Finance Ministry has imposed definitive anti-dumping duty on 'meta phenylene diamine' (MPDA) imports from China. This chemical intermediate (reagent) is used for manufacturing dyes, engineering polymer, aramid fibre and in photography and medical applications. The most common use is dyes and polymer. Based on the recommendations of the Directorate General of Trade Remedies (DGTR) in its final findings of its second sunset review Investigations on MPDA imports from China, the revenue department has now imposed anti-dumping duty of \$1.50 per kg. For all other producers from China, the anti-dumping duty has been pegged at \$1.71 per kg.

(Business Line)

Bond market expects RBI to change policy stance in February review:

Bond market participants are expecting the Reserve Bank of India (RBI) to change its stance in the February policy review to neutral from withdrawal of accommodation, citing the continuous variable rate repo (VRR) auctions. This optimism stems from the perception that the central bank is adopting an accommodative approach towards liquidity. "RBI is trying to adjust liquidity and bring it close to neutral or zero. The way RBI spoke in the last policy, it doesn't look like it wants a hike anytime soon," said Naveen Singh, vice-president of ICICI Securities primary dealership.

(Business Standard)



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States should cap incremental guarantees at 5% of revenue receipts: RBI:

State Governments may consider fixing a ceiling for incremental guarantees issued during a year at five per cent of Revenue Receipts or 0.5 per cent of Gross State Domestic Product, whichever is less. States could consider charging a minimum guarantee fee for guarantees, according to the Reserve Bank of India's working group. A decision to form a working group on State Government Guarantees was taken at the Conference of State Finance Secretaries held on July 7, 2022, factoring in the risks such guarantees posed to their fiscal health and the banking system. The RBI today issued a statement highlighting the group's recommendations, which are expected to facilitate better fiscal management by the State Governments. The RBI working group also recommended that besides charging a guarantee fee, states may levy an additional risk premium based on the risk category and the tenor of the underlying loan. The word 'Guarantee' should include all instruments, which create an obligation, contingent or otherwise, on the part of the State Government. The purpose for which Government guarantees are issued should be clearly defined, the RBI group advised.

(Business Standard)

INDUSTRY OUTLOOK



A multi-agency team to visit UK to seek extradition of Bhandari, Modi & Mallya:

A high-level multi-agency team of officers drawn from the Central Bureau of Investigation, Enforcement Directorate and National Investigation Agency will be flying off the United Kingdom soon to expedite the process of extradition of India's most wanted fugitives, including defence dealer Sanjay Bhandari, diamond trader Nirav Modi and erstwhile Kingfisher Airlines promoter Vijay Mallya. The team will also seek cooperation in the terror cases NIA has filed against Khalistani radicals who had vandalised the Indian High Commission building in London, said sources aware of the developments. The team, headed by an officer from the Ministry of External Affairs, is expected to meet authorities in London to seek information on the assets and bank accounts fugitives held to accumulate the proceeds of crime committed in India, sources stated.

(Business Line)

Telecom towers require Rs 2-3 lakh cr per annum for maintenance, says

BSNL chairman: Telecom towers, which transmit signals that help make voice calls and help access the internet on mobile phones, require an estimated Rs 2-3 lakh crore per annum to maintain, the head of state-owned BSNL said on Tuesday as he called for technological solutions for bringing



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down cost. Speaking at 'Driving India's Techade: D2M for Bharat – 5G Broadcast Summit', BSNL chairman and managing director Pravin Kumar Purvar said even direct-to-mobile (D2M) broadcasting, which transmits multimedia content to consumers' smartphones without requiring an active internet connection using a technology that is employed for issuing emergency alerts and assisting in disaster management – too would require towers.

(Financial Express)

Govt to launch portal to push exports by MSMEs, startups: Union commerce minister Piyush Goyal announced the launch of the Trade Connect ePlatform to increase the participation of Micro, Small and Medium Enterprises (MSME), and startups in exports, a move aimed at promoting exports with the involvement of small and medium traders. The platform will be available for traders in the next three to four months, the minister said. Trade Connect ePlatform is an intermediary platform providing the facility to connect Indian exporters and entrepreneurs with various stakeholders in international trade, according to a senior official. The portal will also help new exporters access key information and opportunities for MSME traders, which is not easily accessible for small traders due to restricted knowledge about the mechanism, the official added. The platform will be designed in such a way that anyone can get all the information for export promotion activities, including contact details of all resource persons, the official cited above said.

(Economic Times)



REGULATION & DEVELOPMENT

Modi govt plans budget incentives for low-cost housing ahead of elections:

sources: India plans to announce an extension to Prime Minister Narendra Modi's flagship federal housing scheme in next month's budget and an increase in available subsidies for low-cost housing loans, three sources said, ahead of elections this year. Finance Minister Nirmala Sitharaman, who will present an interim budget on Feb. 1, is likely to raise allocations for low-cost housing by more than 15% to 1 trillion rupees (\$12 billion) for 2024/25 from 790 billion rupees in the 2023/24 budget, sources said.

(Economic Times)

Over 8,600 bank accounts linked to cybercriminals frozen in Jharkhand:

Altogether 8,674 bank accounts, allegedly linked to cybercriminals, have been frozen in Jharkhand on suspicion that these were being used for phishing activities, a CID official said on Tuesday. The



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maximum of 2002 accounts were frozen in Deoghar district, followed by 1,183 in Dhanbad and 959 in Ranchi, he said.

(Economic Times)

Union Minister Rao Inderjit Singh launches the MPLADS e-SAKSHI Mobile Application for the Revised Fund Flow Procedure under MPLAD Scheme:

The Minister of State (Independent Charge) of the Ministry of Statistics and Programme Implementation (MoSPI) Rao Inderjit Singh launched the MPLADS e-SAKSHI Mobile Application for revised fund flow procedure under MPLAD Scheme today. The objective of MPLAD Scheme is to enable the Members of Parliament (MPs) to recommend works of developmental nature with emphasis on the creation of durable community assets based on the locally felt needs. The revised set of guidelines aims to broaden the scope of the Scheme so as to enable the MPs to recommend the developmental works as per the changing needs of the community; with an emphasis on improving the functioning, implementation and monitoring of the MPLAD scheme. The mobile app would offer convenience and accessibility, allowing MPs to propose, track, and oversee the projects at their fingertips. This real-time access enhances decision-making processes, enabling swift responses to emerging needs or issues. The application will streamline the communication between MPs and relevant authorities, facilitating a more efficient exchange of information.

(PiB)



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FINANCIAL TERMINOLOGY

SHADOW BANKING SYSTEM

- ❖ The shadow banking system describes financial intermediaries that participate in creating credit but are not subject to regulatory oversight.
- ❖ Banks usually have to operate with plenty of scrutiny from financial regulators in their home countries and around the world. Shadow banks, often known as nonbank financial companies (NBFCs), can usually operate with little to no oversight from regulators.
- ❖ Examples of shadow banks or financial intermediaries not subject to regulation include hedge funds, private equity funds, mortgage lenders, and even large investment banks.
- ❖ The shadow banking system consists of lenders, brokers, and other credit intermediaries who fall outside the realm of traditional regulated banking.



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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 : 82.9774
INR / 1 GBP : 105.2369
INR / 1 EUR : 90.6108
INR /100 JPY: 56.7900

EQUITY MARKET

Sensex: 73128.77 (-199.17)
NIFTY: 22032.30 (-65.20)
Bnk NIFTY: 48125.10 (-33.20)

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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)**
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