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

**17 January 2025**



### **ECONOMY**

**Bond yields drop 6 bps to 6.75% on RBI's daily VRR auction assurance:** The yields on the 10-year government bond dropped 6 basis points (bps) to close the day at 6.75 per cent after the Reserve Bank of India (RBI) assured banks of conducting variable rate repo (VRR) auctions daily until further notice. The short-term, three-year bond yield fell by 8 bps to 6.69 per cent. In the first VRR auction on Thursday since its announcement on Wednesday, the RBI received bids worth Rs 30,760 crore against a notified amount of Rs 50,000 crore. Primary dealers emerged as the main participants, while banks showed limited participation, said market participants. The RBI allocated the funds at a weighted average rate of 6.51 per cent.

***(Business Standard)***

**Indian economy likely to grow between 6.5-6.9% in FY26, says Ficci:** Industry body Federation of Indian Chambers of Commerce and Industry (FICCI) on Thursday projected the Indian economy to clock a growth rate of 6.5–6.9 per cent in FY26, driven by easing inflationary pressures, a continuing thrust on capital expenditure (capex), and consumer spending gaining momentum. “Considering these factors, participating economists have pegged India’s GDP growth forecast for the fiscal year 2025–26 between 6.5 per cent and 6.9 per cent—reflecting a balanced outlook that accounts for both opportunities and challenges,” the industry body noted in its latest economic outlook. The industry body highlighted that rural consumption will be bolstered by an improved outlook for the agriculture sector, while easing inflationary pressures will drive urban consumption, particularly for low-ticket and discretionary items. Furthermore, monetary easing by the Reserve Bank of India (RBI) could also provide additional impetus to consumption.

***(Business Standard)***

**RBI issue revised guidelines for inoperative accounts, unclaimed deposits:** RBI has released guidelines for banks for classification of unclaimed deposits and inoperative accounts. The



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guidelines will take effect on April 1. Banks will now classify an account as 'inoperative' if there are no customer-induced transactions for over two years. This includes any monetary transaction, KYC update, or non-financial transaction such as balance enquiries or requests for cheque books. Banks are mandated to conduct annual reviews of accounts with no customer-induced transactions for over a year. Customers will be informed via letters, emails, or SMS if their accounts risk becoming inoperative, and will be given an extended period to reactivate the account. To prevent fraud, banks will regularly audit inoperative accounts. Any transaction in reactivated accounts will be monitored for at least six months. No penal charges will be levied on inoperative accounts, nor will banks charge fees for reactivating such accounts.

***(Business Standard)***

## **BANKING & FINANCE**



**Indian Bank appoints Binod Kumar as new MD & CEO:** Chennai-headquartered Indian Bank has appointed Binod Kumar as its managing director (MD) and chief executive officer (CEO). Kumar brings three decades of experience in banking in different capacities. As executive director of Punjab National Bank since November 2022, he was responsible for corporate banking, treasury division, international banking division, finance division, data analytics and data warehousing.

***(Economic Times)***

**RBI gets into liquidity management to tackle spike in short-term interest rates:** The central bank Wednesday prioritised liquidity infusion into the banking system by announcing daily variable rate repo (VRR) operations, accompanied by dollar-rupee buy-sell swaps conducted on Wednesday and last Friday as Mint Road seeks to restrain short-term interest rates that otherwise threaten to dislocate India's money markets.

***(Economic Times)***

**SFB NPAs to go up, loan growth to slow to 18-20 pc in FY25: Icria:** Domestic rating agency Icria on Wednesday said small finance banks (SFBs) will see an uptick in delinquencies in FY25, and the asset growth will slow down to 18-20 per cent. The slowdown in growth from the 24 per cent in FY24 was attributed to the industry-wide concerns in the microfinance segment, where almost all SFBs are active. "Considering the stress seen in the microfinance sector, a larger share of incremental business shall come from secured asset classes, which would be the likely growth drivers in FY26," the agency's head for financial sector ratings Manushree Saggur said. The gross non-performing assets



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ratio for SFBs increased 0.5 per cent to 2.8 per cent as of September, driven by the MFI slippages, the agency said, adding that the asset quality will be volatile.

***(Economic Times)***

**Axis Bank's Q3FY25 results: Net profit rises 4% to Rs 6,034 crore:** Axis Bank, the country's third-largest private-sector lender, reported a subdued year-on-year (Y-o-Y) increase in net profit of 4 per cent, reaching Rs 6,034 crore for the quarter ended December (Q3FY25), owing to a rise in loan-loss provisions on account of an uptick in fresh slippages and a muted increase in net interest income (NII) and other income. NII grew 9 per cent Y-o-Y to Rs 13,606 crore on account of muted growth in advances. During the same period, other income grew 8 per cent Y-o-Y to Rs 5,972 crore. The net interest margin, a measure of banks' profitability, stood at 3.93 per cent, a drop of 6 basis points (bps) from the previous quarter, and 8 bps from the corresponding period a year ago.

***(Business Standard)***

**Amazon to acquire fintech firm Axio to expand credit services in India:** Amazon is set to acquire Bengaluru-based fintech firm Axio, enabling the e-commerce giant to expand credit-based offerings to its customers in India. Information about the deal size and shareholding pattern was not disclosed. In December, after successful completion of due diligence, we signed an agreement with Amazon for a proposed acquisition of Axio. The transaction will now await the required regulatory approvals," said Axio in a company blog post.

***(Business Standard)***

## INDUSTRY OUTLOOK



**Reliance Industries Q3 net profit rises 12% to record high, boosted by digital, retail businesses:** Reliance Industries Ltd posted a 12 percent year-on-year increase in consolidated net profit to a record high of Rs 21,930 crore for the quarter ended December 31, driven by strong performances in its digital services, retail and oils-to-chemicals businesses. RIL's Q3 revenue rose 7.7 percent to Rs 2.67 lakh crore from a year earlier, while EBITDA climbed 7.8 percent to Rs 48,003 crore. EBITDA margin expanded 10 basis points from a year earlier to 18 percent. It widened 1 percentage point from the preceding quarter.

***(Moneycontrol)***



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**Shri Piyush Goyal launches PRABHAAV Factbook, Bharat Startup Challenge on 9th Foundation Day of Startup India:** DPIIT launched PRABHAAV Factbook (Powering a Resilient and Agile Bharat for the Advancement of Visionary Startups). PRABHAAV Factbook is the ultimate guide to India's thriving startup ecosystem and its growth story from 2016-2024. PRABHAAV captures the achievements of every region. Bharat Startup Challenge aims to unleash 75 challenges across various sectors. The challenge will see 20 industry leaders and innovators invite thinkers to solve business challenges. From renewable energy to blockchain, smart manufacturing to agritech semiconductors to social commerce, the challenge will offer procurement opportunities for startups along with cash prizes, funding mentorship, networking and capacity building process. Success of the Startup India mission must be attributed to the funding instruments like Fund of Funds for Startups (FFS) administered by Small Industries Development Bank of India (SIDBI) and financed by the Government of India. This was stated by Union Minister of Commerce & Industry, Shri Piyush Goyal at the Celebration of 9 Years of Startup India.

**(PiB)**

**As Hindenburg shuts shop, a look at its market-shaking short bets:** Hindenburg Research's founder Nathan Anderson announced on Wednesday he would disband the firm whose short reports on companies typically led to sharp plunges in the stock prices, and in some cases, investigations by authorities. The firm bet against publicly listed companies they believed had accounting issues, was being mismanaged or committing fraud, typically following a long period of investigation. The firm would then publicly release those findings.

**(Business Standard)**



## REGULATION & DEVELOPMENT

**Govt announces setting up of 8th Central Pay Commission for govt employees:** Prime Minister Narendra Modi has approved the formation of the 8th Pay Commission for central government employees. The decision to set up the 8th Pay Commission was taken during a meeting of the Union Cabinet which was chaired by Prime Minister Narendra Modi. The tenure of the Seventh Pay Commission ends in 2026. The decision to set up the 8th Pay Commission was taken by Prime Minister Narendra Modi, I&B Minister Ashwini Vaishnaw said. "As the 7th Pay Commission's term concludes in 2026, initiating the process in 2025 ensures sufficient time to receive and review recommendations before its completion,"

**(Moneycontrol)**





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### **Government contemplates extension of export schemes ahead of Union Budget 2025:**

Prior to the announcement of the Union Budget 2025, the government is considering extension of key schemes for exporters that have recently lapsed, including the popular Remission of Duties and Taxes on Exported Products (RoDTEP) from which SEZ units and EOUs have got excluded and the interest equalisation scheme important for ensuring cheap export credit, sources have said. The idea is to continue extending some relief to exporters amidst volatility in global demand. An additional provision of ₹1,600-1,700 crore is being considered to extend RoDTEP to SEZs and EOUs till the end of the fiscal year, while the Commerce Department has also made a case for extending the interest equalisation scheme in a “slightly modified form” for four to five years, sources said.

***(Business Line)***

### **PM to distribute over 65 lakh property cards to property owners under SVAMITVA**

**Scheme on 18th January:** Prime Minister Shri Narendra Modi will distribute over 65 lakh property cards under SVAMITVA Scheme to property owners in over 50000 villages in more than 230 districts across 10 States and 2 Union territories on 18th January at around 12:30 PM through video conferencing. SVAMITVA scheme was launched by Prime Minister with a vision to enhance the economic progress of rural India by providing ‘Record of Rights’ to households owning houses in inhabited areas in villages through the latest drone technology for surveying. The scheme also helps facilitate monetization of properties and enabling institutional credit through bank loans; reducing property-related disputes; facilitating better assessment of properties and property tax in rural areas and enabling comprehensive village-level planning. Drone survey has been completed in over 3.17 lakh villages, which covers 92% of the targeted villages. So far, nearly 2.25 crore property cards have been prepared for over 1.53 lakh villages.

***(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 (see Practice Note, Financial Covenants: Project Finance Transactions).



**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 : 86.4854  
INR / 1 GBP : 105.6609  
INR / 1 EUR : 88.9687  
INR /100 JPY: 55.3700

**EQUITY MARKET**

Sensex: 77042.82 (+318.74)  
NIFTY: 23311.80 (+98.60)  
Bnk NIFTY: 49278.70 (+527.00)

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- ❖ 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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