



**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
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DAILY NEWS DIGEST BY BFSI BOARD

October 18, 2022

HDFC MERGER MAY TRIGGER NIFTY REBALANCING, \$1.5 BILLION

OUTFLOW: The merger of HDFC Bank with HDFC may soon lead to the ouster of the mortgage lender from all Nifty indices, resulting in an outflow of about \$1.5 billion from passive funds. "As HDFC is a part of all the Nifty indices, the stock could see major selling coming from passive trackers of Nifty50 index. The current weight of the stock in Index is 5.5% and in terms of outflow, it equates to appx USD 1.5 bn," Nuvama Wealth Management's Abhilash Pagaria said. HDFC shareholders will meet on 25 November to vote on the biggest merger in India Inc's history. If the result is in favour of the merger, Nifty indices are likely to announce the exclusion of HDFC from all its indices by the early second half of December. As the weights of the indices are calculated based on free-float market capitalization, thus, the exclusion of HDFC will lead to a redistribution of most weightages in the top-10 Nifty heavyweights like Reliance Industries, HDFC Bank, ICICI Bank and Infosys.

(Economic Times)

SBI CUTS SAVINGS DEPOSIT RATE BY 5 BASIS POINTS TO 2.70 PER CENT:

SBI has reduced the interest rate on savings accounts by a marginal 5 basis points to 2.70 per cent effective from October 15. The new saving rates are applicable on balances of less than Rs 10 crore, on which the bank earlier offered 2.75 per cent per annum interest. The lowering of rates on savings accounts by SBI comes at a time when the peer lenders have been raising deposit rates to mobilise funds. However, on saving account balances of Rs 10 crore and above, SBI has increased the deposit rates to 3 per cent per annum from 2.75 per cent earlier.

(Economic Times)

SME IPOs SEEING SUBSTANTIAL ACTIVITY IN SHARP CONTRAST TO LACKLUSTRE MAIN BOARD: RBI:

Even as fund-raising plans through equity markets remained lacklustre as only 17 companies raised Rs 35,847 crore via mainboard initial public offerings (IPOs) till September in the current fiscal, there was a sharp contrast in the SME segment. There was substantial activity in September 2022 in the SME segment with 19 companies (the highest number since May 2018) raising funds via IPOs, the Reserve Bank of India said in its latest monthly bulletin on Monday citing data from the market regulator Securities and Exchange Board of India (SEBI).

(Financial Express)

JP MORGAN ELEVATES KAUSTUBH KULKARNI AS INDIA HEAD: Wall Street investment bank JP Morgan announced new country head for India, elevating Kaustubh



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Kulkarni to succeed the incumbent Madhav Kalyan, who will be heading the Asia Pacific payments division effective November 1, succeeding Sridhar Kanthadai who will be moving into a new role as co-head of global payment rails and payment VAS.

(Financial Express)

CGTMSE: LOAN GUARANTEE AMOUNT TO MICRO, SMALL ENTERPRISES

NEAR PRE-COVID LEVELS IN H1 FY23 ITSELF: The Credit Guarantee Scheme (CGS), which facilitates collateral-free credit flow to micro and small enterprises under CGTMSE, has neared pre-Covid or FY20 levels in the amount of loan guarantees approved. According to the data from the MSME Ministry, Rs 45,043 crore involved in 5.36 lakh loan guarantees was approved in a little over the first half of the current fiscal. In comparison, Rs 45,215 crore across 8.38 lakh guarantees was approved in the entire FY20. Out of the total guarantees approved as of October 17, 26,940 were settled involving Rs 538 crore vis-a-vis Rs 39,937 guarantees involving Rs 880 crore settled in the complete FY20, data from the ministry's MSME Dashboard revealed.

(Financial Express)

BANK OF MAHARASHTRA Q2 PROFIT DOUBLES TO RS 535 CRORE ON

HIGHER INTEREST INCOME: State-owned Bank of Maharashtra (BoM) on Monday posted a two-fold jump in its net profit to Rs 535 crore in the September 2022 quarter aided by a decline in bad loans and a rise in net interest income. The lender had reported a standalone profit of Rs 264 crore in the year-ago period. The bank was able to reduce gross Non-Performing Assets (NPAs) to 3.40 per cent of the gross loans by the end of September 2022 from 5.56 per cent a year ago. Likewise, net NPAs or bad loans came down to 0.68 per cent from 1.73 per cent at the end of the second quarter of the previous fiscal. During the quarter, the gross advances increased by 28.62 per cent to Rs 1,48,216 crore at the end of September 2022.

(Financial Express)

OVERSEAS INDIAN BANKS REAP OVER RS 700 CR IN FEE FOR TRADE

FINANCE RELATED SERVICES: RBI SURVEY: A recent survey on international trade in banking services for the financial year 2021-22 released by RBI, which focuses on cross-border fund-based banking services, noted Rs 737 crore income for banks through commission or fee charged for trade finance related services (TFR).

(Financial Express)

LARGEST EVER CONTINGENT OF INDIA INC PARTICIPATES IN GITEX

GLOBAL 2022: The GITEX Global 2022 saw the largest ever contingent of Indian companies participating in the event held in Dubai. GITEX Global provides a platform



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for start-ups to explore business and investment opportunities by showcasing innovative products, technology skills and sustainable ideas. These global platforms provide an opportunity to the Indian startups to raise funding. VC funding in India crashed to a ten-quarter low in the third quarter of calendar year 2022 at just \$2.8 billion. The highlights of the event included flying car, the first driverless taxi of UAE, metaverse, Mind-powered football, moon 'walk', hologram phone calls and robotic technologies. The electric flying car, a product of China-based XPeng AeroHT conducted the very first public test flight at Dubai.

(Business Standard)

FLIPKART UNVEILS FLIPVERSE, A VIRTUAL SHOPPING EXPERIENCE IN

METVERSE: E-commerce company Flipkart in partnership with Web3 entertainment firm eDAO, launched Flipverse, a metaverse space where consumers can discover products in a photorealistic virtual destination and shop on Flipkart App. Flipverse will offer gamified, interactive and immersive shopping experiences for consumers in a digital world by giving them access to various brands.

(Business Standard)

MAX LIFE TO PAY RS 3 CR PENALTY IMPOSED BY IRDAI TO AVOID LEGAL

ESCALATIONS: Private sector insurer Max Life Insurance on Monday said it will pay the penalty imposed on it by the Insurance Regulatory and Development Authority of India (Irdai) to avoid unnecessary and long legal escalations. However, it does believe that it has not committed any wrongdoing in its share sale transaction with Axis Bank. The regulator imposed a Rs 3 crore penalty on the life insurer last week and a Rs 2 crore fine was imposed on the bank for the share sale deal that saw the bank acquiring 12.99 per cent stake in the life insurer and becoming a co-promoter of the company.

(Business Standard)

AMERICAN EXPRESS TO START REPORTING CARD INFORMATION TO NeSL

IN NOVEMBER: American Express has notified its card customers that it will commence reporting card information to National e-Governance Services Ltd (NeSL) effective November. This is in accordance with a 2017 RBI circular that asked financial creditors to submit financial information to an information utility under Section 215 of Insolvency and Bankruptcy Code (IBC).

(Business Standard)

PM MODI RELEASES 12TH INSTALMENT OF FUNDS WORTH RS 16K CR FOR

FARMERS: Prime Minister Narendra Modi inaugurated the two-day PM Kisan Samman Sammelan 2022 on Monday and said that the 12th instalment of funds worth Rs 16,000 crore has been sent to farmers across the country. PM Modi also launched the 'Pradhan Mantri



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Bhartiya Jan Urvarak Pariyojana - One Nation, One Fertilizer' during the event. Under the scheme, Prime Minister launched Bharat urea bags, which will help companies market fertilizers under the single brand name 'Bharat'.

(Business Standard)

BANKS HIKE FD RATES. ONE GOVT BANK OFFERS MORE THAN 7% ON FIXED DEPOSITS: The RBI Monetary Policy Committee has hiked the repo rate by 50 basis points to 5.9%. The repo rate hike bring cheers to the investors as banks hike the interest rates on savings, fixed deposits (FDs) and recurring deposits (RDs). After the RBI's latest repo rate hikes, banks including government and private have also announced an increase in interest rate on term deposits. Canara Bank has launched a special fixed deposit plan for a tenure of 666 days. According to this plan, the private-sector lender is offering an interest rate of 7% to its general customers, while senior citizens will receive 7.5% on these deposits. This special term deposit scheme introduced by the state-owned bank is for amount below ₹2 crore.

(Live Mint)



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FINANCIAL TERMINOLOGY/CONCEPTS

INVISIBLE HAND

- ❖ The unobservable market force that helps the demand and supply of goods in a free market to reach equilibrium automatically is the invisible hand.
- ❖ The phrase invisible hand was introduced by Adam Smith in his book 'The Wealth of Nations'. He assumed that an economy can work well in a free market scenario where everyone will work for his/her own interest.
- ❖ He explained that an economy will comparatively work and function well if the government will leave people alone to buy and sell freely among themselves. He suggested that if people were allowed to trade freely, self interested traders present in the market would compete with each other, leading markets towards the positive output with the help of an invisible hand.
- ❖ In a free market scenario where there are no regulations or restrictions imposed by the government, if someone charges less, the customer will buy from him. Therefore, you have to lower your price or offer something better than your competitor. Whenever enough people demand something, it will be supplied by the market and everyone will be happy. The seller end up getting the price and the buyer will get better goods at the desired price.



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RBI KEY RATES

Repo Rate: 5.90%
SDF: 5.65%
MSF & Bank Rate: 6.15%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 82.4047
INR / 1 GBP : 92.9976
INR / 1 EUR : 80.2935
INR /100 JPY: 55.4200

EQUITY MARKET

Sensex: 58410.98 (+ 491.01)
NIFTY : 17311.80 (+ 126.10)
Bank NIFTY: 39920.40 (+ 614.80)

(CMA Chittaranjan Chattopadhyay)

Chairman,

Banking, Financial Services & Insurance Board

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