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www.icmai.in

Telephones: +91-33- 2252-1031/1034/1035
+ 91-33-2252-1602/1492/1619
+ 91-33- 2252-7143/7373/2204
Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723

DAILY NEWS DIGEST BY BFSI BOARD

18 January 2025

ECONOMY

India's growth forecast cut by IMF to 6.5% for FY25; FY26 outlook steady: The International Monetary Fund (IMF) on Friday lowered India's growth forecast to 6.5 % for the current fiscal year (2024-25 or FY25) as against 7 % estimated in October. Meanwhile, it has maintained the growth projection for the next two fiscal years (2025-26 or FY26 and 2026-27 or FY27) at 6.5 per cent. Indian economy grew by 6.4 per cent in the July-September quarter, which led to lowering the estimates by various agencies, including RBI. While RBI Cuts the forecast for FY25 to 6.6 per cent against 7.2 per cent, the Statistics Ministry projected 6.6 per cent in first advance estimates. Meanwhile, IMF expects growth to be better in the next two fiscal (FY26 and FY27)
(Business Line)

Number of EVs in India could increase eight-fold by end of 2030: Modi: Prime Minister Narendra Modi on Friday said that the number of electric vehicles (EVs) in India could increase eight-fold by the end of this decade, showcasing the immense potential in this segment. He, therefore, urged the industry to invest more in this sector. Speaking at the inaugural session of the Bharat Mobility Global Expo 2025 here, he also stressed on the need to continuously promote solar power and alternative fuels to tackle the challenges of global warming and climate change. Modi emphasised that significant work was being done in India on both EVs and solar power like PM Suryagarh-Free Electricity Scheme and ₹18,000-crore PLI scheme to promote advanced chemistry cell battery storage.
(Business Line)

US funds pull out $2 billion from India since October: US funds are leading the way in pulling out money from India, with $2 billion of outflows since October, according to data from Elara Securities. US funds saw foreign inflows of $6 billion in the past week with another $6.6 billion inflows from domestic funds. This is symptomatic of flows moving from emerging markets (EMs) to

US funds, with the largest shifts from India, China, South Korea and Taiwan. In contrast, India funds saw outflows of $637 millon this week whereas outflows from India-dedicated funds slowed marginally to $348 million from $426 million in the previous week. India-dedicated active funds posted the worst weekly performance since August last year, slipping 4 per cent.
(Business Line)

BANKING & FINANCE

RBI injects ₹40,000 cr into banking system via 2 auctions: Reserve Bank of India injected over ₹40,000 crore into the banking system through two operations, addressing a liquidity deficit that breached ₹2 lakh crore. The RBI accepted ₹30,760 crore from overnight VRR auction and ₹9,892 crore from government securities buyback. Another VRR auction of ₹50,000 crore is announced for Friday, to be reversed on Monday.
(Economic Times)

Banks plan to move Supreme Court for ways to lend against properties: High-street banks are considering approaching Supreme Court following a ruling that bars lending against properties without completion and occupancy certificates. This decision raises practical issues for older and heritage properties and states where such certificates are not issued. Banks seek further clarification.
(Economic Times)

Asset Reconstruction Companies seek nod to tap capital markets for equity: Asset Reconstruction Companies (ARCs) have approached the central bank, seeking regulatory intervention that would allow them to raise equity capital from the market and improve their liquidity and net worth. This move aims to enhance their liquidity and net worth, as they face competition from National Asset Reconstruction Co (NARCL) and challenges from current regulatory norms.
(Economic Times)

Outward remittances under LRS increase 3.6% in November: RBI data: Outward remittances under the Liberalised Remittance Scheme (LRS) of the Reserve Bank of India (RBI) rose 3.6 per cent in November 2024 to $1.95 billion from $1.87 billion in the year-ago period as growth in overseas investment balanced the degrowth in remittances under international travel, as per RBI's latest data. During September-November 2024, Indians remitted $7.1 billion overseas, as compared to $7.5 billion in the same period of 2023. As per the LRS introduced in 2004, all resident individuals, including minors, are allowed to remit up to $250,000 per financial year for any permissible current

or capital account transaction, or a combination of both. Initially, the scheme was introduced with a limit of $25,000. The LRS limit has been revised in stages consistent with the prevailing macro and microeconomic conditions.
(Business Standard)

HSBC India gets RBI approval to open 20 new branches in 20 cities: HSBC India, the Indian arm of London-headquartered HSBC, said on Friday it had received approval from the Reserve Bank of India (RBI) to open 20 branches across 20 cities. This comes nearly nine years after the bank decided to close 24 branches in 14 cities as part of its strategy to consolidate its network and shift more retail and wealth management business to the online channel. With the addition of 20 branches, HSBC India's branches in the country will reach 46.
(Business Standard)

INDUSTRY OUTLOOK

Centre mulls M&A framework overhaul to speed up corporate restructuring: The central government is considering significant amendments to the Companies Act, 2013, to streamline and simplify the merger, amalgamation, and demerger process. The focus is on reducing procedural bottlenecks and expediting corporate restructuring. A communication from the Cabinet Secretary T V Somanathan to various ministries has sought comments on proposed changes aimed at enhancing efficiency, particularly for listed companies and unlisted entities seeking mergers or demergers, official sources said. The proposals, put forward in response to industry feedback, specifically look at mergers between two listed entities, mergers between a listed entity, and an unlisted entity and extending the scope of the Fast Track Merger (FTR) route. They also seek to rationalise the jurisdiction of the National Company Law Tribunal (NCLT), de-clog the Tribunal and ensure a more seamless approval process for mergers involving listed and unlisted entities.
(Business Line)

Net FDI inflow slowed to $0.5 billion in April-November: RBI data: The net foreign direct investment (FDI) in India -- inflows minus outflows -- dropped to $ 0.5 billion during April-November 2024 from $8.5 billion in the same period in 2023, reflecting the rise in repatriation and overseas investments by Indian firms. Gross inward FDI during April-November 2024 increased to $ 55.6 billion from $ 47.2 billion a year ago, according to the Reserve Bank of India's data (January 2025 bulletin). Repatriation/disinvestment by those who made direct investments in India rose to $

39.6 billion during the period of FY25, up from $ 29.7 billion in April–November 2023, the RBI data showed.
(Business Standard)

Govt approves Rs 11,440 crore for debt-laden Rashtriya Ispat Nigam revival: The Union Cabinet has approved a Rs 11,440 crore revival plan for debt-laden Rashtriya Ispat Nigam Ltd (RINL), according to a statement released on Friday. The infusion includes Rs 10,300 crore as equity capital into RINL and conversion of Rs 1,140 crore working capital loan as 7 per cent non-cumulative preference share capital redeemable after 10 years to keep RINL as a going concern, the official statement said. With this revival package, many of the legacy problems that RINL used to face will be resolved, Information and Broadcasting Minister Ashwini Vaishnaw said.
(Business Standard)

REGULATION & DEVELOPMENT

Centre mulls concessional corporate tax rate for new manufacturing plants in Budget 2025-26: In what could give a push to nascent private investments and slowing economic growth, the Centre is once again thinking of offering a lower corporate tax rate for companies setting up new manufacturing facilities in the country. As part of the proposal, the government could offer a concessional corporate tax rate of between 15% and 18% to companies setting up new manufacturing entities. These could include both Greenfield and brownfield projects, giving additional flexibility to investors. At present, the corporate tax rate for domestic companies is 22% and a lower tax rate could add to India's attractiveness as a manufacturing destination and give a boost to slowing economic growth, which is seen to be at 6.4% this fiscal and at less than 7% even in FY26.
(Business Today)

Financial Intelligence Unit (FIU-IND) and National Housing Bank (NHB) sign MoU for enhanced coordination and information exchange: The Financial Intelligence Unit (FIU-IND) and the National Housing Bank (NHB) have signed a Memorandum of Understanding (MoU) as part of continued coordinated efforts in effective implementation of requirements of the Prevention of Money Laundering Act and Rules framed thereunder. According to the MoU, FIU-IND and NHB will cooperate with each other in the areas of mutual interest including; Sharing of relevant intelligence and information, available in their respective databases, for the purpose outlined in this MoU, Laying down procedure and manner in which the supervised entities / reporting entities report to FIU-IND under the PML Rules, Conducting outreach and training for supervised entities /reporting entities etc.

(Business Line)

Sebi relaxes on timeline for review of ESG rating on BRSR publication: To promote ease of doing business, markets regulator Sebi on Friday provided relaxation in the timeline for review of ESG rating following the publication of Business Responsibility and Sustainability Reporting (BRSR). ESG Rating Providers (ERPs) will carry out a review of the ESG ratings upon the occurrence of or announcement/ news of such material developments immediately, but not later than 10 days of occurrence of the said event. However, review of the ESG rating following the publication of BRSR by the rated entity will be carried out immediately, but not later than 45 days after the publication of the BRSR, Sebi said in its circular.

(Business Standard)

FINANCIAL TERMINOLOGY

PREDATORY LENDING

- Predatory lending is a lending practice that involves using unfair, deceptive, or abusive tactics to take advantage of borrowers; such as high interest rate, hidden costs, high fees aggressive sales tactics etc.
- Predatory lending can trap borrowers in a cycle of debt, making it difficult for them to get out. It often occurs in conjunction with home mortgages and disproportionately affects women, Black, and Latinx communities.
- Although there are no internationally agreed legal definitions for predatory lending, there are laws against some of the specific practices. Federal agencies use the phrase as a catch-all term for many specific illegal activities in the loan industry.

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Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723

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 : 86.5844
INR / 1 GBP : 105.7138
INR / 1 EUR : 89.0798
INR /100 JPY: 55.6300

EQUITY MARKET

Sensex: 76619.33 (-423.49)
NIFTY: 23203.20 (-108.60)
Bnk NIFTY: 48540.60 (-738.10)

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