



**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
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DAILY NEWS DIGEST BY BFSI BOARD

October 19, 2022

POLICY RATE LIKELY TO PEAK BY JANUARY-MARCH QUARTER AS MPC SHIFTS FOCUS TO GROWTH:

The widening divergence among members of Monetary Policy Committee suggests that India may not be very far from reaching the end of the current rate hike cycle, at least six economists told on Tuesday. Once inflationary pressures recede, the rate-setting MPC will likely shift focus to address worries surrounding economic growth in FY24 and assess the impact of previous rate hikes, economists said.

(Moneycontrol)

FSSAI TIGHTENS LABELLING NORMS FOR BREADS: The Food Safety and Standards Authority (FSSAI) is tightening labelling norms for breads. From May next year, bread-makers will need to ensure that a product labelled as whole wheat bread is made of at least 75 per cent whole wheat flour and brown bread comprises at least 50 per cent whole wheat flour. Similarly, companies and bakeries will need to ensure that the flour used to make multi-grain bread consists of certain minimum amount of grains other than wheat.

(Business Line)

GOVERNMENT SEEKS WAIVER IN KEY NORM FOR IDBI BANK STAKE SALE:

SOURCES: Govt. of India is in talks with the market regulator seeking to relax a key public shareholding norm for the potential buyer of IDBI Bank in a bid to attract a larger pool of suitors, according to two sources. Earlier this month, Govt invited bids for a 60.72% stake in IDBI Bank which is 45.48% owned by the government and 49.24% by state-owned Life Insurance Corp (LIC) after dragging its feet for years. SEBI, mandates a minimum 25% of public shareholding for all listed entities, excluding state-owned companies, within three years of listing. The government has asked SEBI if it can classify the government and LIC's remaining stake of about 34% after the sale as public float, which will help the new buyer meet the minimum public shareholding norm without diluting its ownership, one of the sources, told Reuters.

(Moneycontrol)

PM MODI URGES INTERPOL TO SPEED UP RED CORNER NOTICES PROCESS:

Prime Minister Narendra Modi on Tuesday urged the Interpol to speed up Red Corner Notices against fugitive offenders to help eliminate safe havens for the terrorists, corrupt and criminals. Red Notices are issued by Interpol to locate a fugitive who has fled the country where he is wanted. A member country can arrest or deport an individual against whom such a notice is circulated by Interpol.

(Economic Times)



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DELAYED PAYMENT COMPLAINTS BY SMALL BUSINESSES AGAINST MINISTRIES, PSUs DROP IN H1 FY23:

The number of delayed payment applications filed by micro and small enterprises against ministries, central & state government departments, PSUs, and others in the first half of the current financial year (April-September) has declined from the corresponding period in the previous fiscal. According to the government data, 15,203 applications involving Rs 3,844 crore were filed during H1 FY23, down 10.6 per cent from 17,021 applications involving Rs 3,998 crore filed during H1 FY22 and 9.3 per cent from 16,778 applications amounting Rs 6,045 crore during the similar period in FY21.

(Financial Express)

SECURITISATION VOLUMES JUMP 48 PC IN H1FY22, SAYS CRISIL:

Securitization volumes have jumped 48 per cent to over Rs 75,000 crore for the first half of the fiscal, a domestic rating agency said on Tuesday. In a report, Crisil Ratings attributed the jump to continued faith of investors in retail loans amid the macroeconomic headwinds. Mortgage-backed securitization loans remain the largest segment among asset classes, accounting for 40 per cent of market volume.

(Financial Express)

MSP FOR RABI CROPS HIKED; WHEAT UP RS 110, MUSTARD RS 400 PER QUINTAL:

The Union Cabinet on Tuesday approved a hike in the Minimum Support Price for Rabi Crops, including wheat and mustard. The Cabinet Committee on Economic Affairs (CCEA), hiked the MSP for wheat by Rs 110 per quintal and MSP for mustard by Rs 400 per quintal, for the RMS (rabi marketing season), 2023-24. The government increased the MSP for lentils by Rs 500, the highest among all crops. The hikes in the MSP for wheat and mustard has witnessed a two fold increase in the returns on cost of production, according to Union Information and Broadcasting Minister, Anurag Thakur. The cost of production is estimated after factoring in all the costs incurred by the farmers, including labour, seeds, fertilisers, working capital, among other things. The government, in the union budget 2019-19, announced that the MSP, the price at which the government procures crops from farmers, will be aligned at a level of at least 1.5 times the pan-India weighted average cost of production, in order to fairly remunerate the farmers. The MSP for wheat was increased from Rs 2015 per quintal in 2022-23 to Rs 2125 per quintal for 2023-24. The average cost of production for the upcoming RMS is estimated at Rs 1065 per quintal, thus reflecting a return of 100 per cent on cost of production.

(Financial Express)

JIO TOPPLES BSNL TO BECOME LARGEST FIXED-LINE SERVICE PROVIDER IN AUGUST:

Private telecom operator Reliance Jio toppled BSNL in August to become the



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largest fixed-line service provider in the country, according to a Trai report released on Tuesday. This is the first time since the beginning of telecom services in the country that a private operator has gained the numero uno position in the wireline segment. According to Trai's subscriber report for August, Jio's wireline subscriber base reached 73.52 lakh while that of BSNL was at 71.32 lakh.

(Business Standard)

CENTRE TO INFUSE RS 5,000 CRORE IN STATE-RUN GENERAL INSURERS:

The central government will reportedly infuse Rs 5,000 crore as equity support into state-run general insurers. This is over and above the support of Rs 5,000 crore already given to general insurers. National Insurance has been given Rs 3,700 crore, Oriental Insurance Rs 1,200 crore and United Insurance Rs 100 crore, the report added. Only New India Assurance is profitable among all the four state-run general insurers. Oriental Insurance, National Insurance and United India are loss-making. The government has also been moving ahead with the plans to privatising one general insurer. After the General Insurance Business Amendment Act, the government can now own a 51 per cent stake in public insurers.

(Business Standard)

LULU GROUP TO INVEST RS 3K CR TO SET UP INDIA'S BIGGEST MALL AT

AHMEDABAD: UAE-based billionaire Yussuf Ali's Lulu Group International is entering Gujarat, where it would invest Rs 3,000 crore to set up India's biggest shopping mall at Ahmedabad, a company official said. This would be Lulu Group's third shopping mall in the country after Kochi, (Kerala) and Lucknow (Uttar Pradesh)

(Business Standard)

INDIA UNLIKELY TO JOIN G7 PUSH TO CAP RUSSIAN OIL PRICES TO

COUNTER PUTIN: India may not be the most excited member of the club planning to cap prices of Russian crude oil. Recently, finance ministers of G7 countries led by the US, proposed that oil-related service providers may only be allowed to deal in Russian seaborne oil and petroleum products at a price cap. India, which is currently the world's largest oil importer, is reluctant to join the initiative against Russia, as it continues to receive oil cargoes from Russia at discounted rates. In FY2023, Russia emerged as the third-largest supplier of oil to India. Before the Russia-Ukraine conflict, Russia was never India's major oil supplier.

(Business Standard)

SBI HIKES INTEREST RATE ON SAVINGS DEPOSITS ABOVE RS 10 CRORE

BY 30 BPS: State Bank of India, has hiked interest rates on savings bank deposits of over Rs 10 crore by 30 basis points, with effect from October 15. Accordingly, deposits of Rs 10



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crore and above will attract an interest rate of 3 per cent from now as opposed to 2.70 per cent earlier.

(Business Standard)

RBI's 2013 PLAYBOOK TO REBUILD FOREX RESERVES UNLIKELY TO WORK: ANALYSTS: The Indian central bank's 2013 playbook to buffer the domestic currency against steep declines and rebuild foreign exchange reserves is unlikely to prove fruitful in the current crisis as economic fundamentals are vastly different, analysts said. Back in 2013, the RBI had offered to swap the U.S. dollars banks had raised via foreign currency non-resident (FCNR) deposits or foreign currency funding for rupees at concessional rates. It swapped FCNR deposits, with a maturity of three years or more, at a fixed rate of 3.5% per year, which was about 3 percentage points less than market rates at the time, while it swapped foreign currency funding at 1 percentage point below market rates. These two swap windows had brought in around \$34 billion at a crucial time, with \$26 billion via the FCNR route alone. But these methods are unlikely to be as fruitful now. The FCNR deposits route might not be as effective this time around, including for reasons like a narrower US-IN rate spread and less aggressive rate hikes in this cycle versus back in 2013,"

(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

WET AND DRY LEASING OF AIRCRAFTS

- ❖ Airlines prefer to lease aircraft to reduce purchase costs and ramp up capacity at the same time. In aviation, there are two types of leasing arrangements -- wet leasing and dry leasing.
- ❖ Wet Leasing: Wet leasing is an arrangement where the lessor provides an aircraft and the crew too. So here, the lessor is responsible for the operational maintenance of the flight.
- ❖ Dry Leasing: In contrast, dry leasing is an arrangement where the lessor offers only an aircraft, without crew and ground staff. Here the lessee will be responsible for the operations of aircraft. In dry leasing, the aircraft is also operated under the lessee's air operator certificate.
- ❖ Both wet leasing and dry leasing have their pros and cons, depending on the requirements of the airlines. Wet leasing is slightly costlier and can increase operational costs for the airline as the lessor provides for maintenance and crew. In dry leasing, the lessee is responsible for training the crew, costs of maintenance, staffing etc. In this case, the airline will also be in full control of the flying experience.
- ❖ According to regulator DGCA rules, wet lease is only permitted in emergency situations for up to three months and the contract is subject to an additional extension of three more months. Meanwhile, dry leasing is permitted for up to 12 months and the contract can be extended for 12 more months.
- ❖ According to reports, both IndiGo and SpiceJet are planning to wet lease aircraft to increase capacity during the winter. As the demand returned after the pandemic, airlines fear losing out market share without additional capacity.



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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 : 82.2279
INR / 1 GBP : 93.3627
INR / 1 EUR : 81.0153
INR /100 JPY: 55.2300

EQUITY MARKET

Sensex: 58960.60 (+ 549.62)
NIFTY : 17487.00 (+ 175.20)
Bank NIFTY: 40318.80 (+ 398.35)

(CMA Chittaranjan Chattopadhyay)

Chairman,

Banking, Financial Services & Insurance Board

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