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DAILY NEWS DIGEST BY BFSI BOARD

01 March 2025

ECONOMY

India's Q3 GDP grows at 6.2%, FY25 forecast revised to 6.5%: Govt: India's real gross domestic product (GDP) growth for the third quarter (Q3) of financial year 2024-25 (FY25) was 6.2 per cent, according to data shared by the National Statistics Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI) on Friday. The rise comes after GDP growth fell to a seven-quarter low of 5.4 per cent in Q2FY25, significantly below estimates. This acceleration was driven by strong rural demand, supported by favourable monsoon conditions, and increased government spending. The construction sector recorded the highest growth at 8.6 per cent, followed by financial, real estate, and professional services at 7.2 per cent, and trade, hotels, transport, communication, and broadcasting-related services at 6.4 per cent. As a result, the government has revised its full-year real GDP growth projection for FY25 to 6.5 per cent, from 6.4 per cent.
(Business Standard)

Fiscal deficit touches 74.5% of annual target by January-end: The Centre's fiscal deficit touched 74.5 per cent of the annual target at the end of January 2025, according to the data released by Controller General of Accounts (CGA). In actual terms, the fiscal deficit, the gap between expenditure and revenue was ₹11,69,542 crore during the April-January 2024-25 period.The deficit was 63.6 per cent of Revised Estimates (RE) of 2023-24 in the year-ago period. The CGA data showed that the Central government's tax revenue (net) was ₹19.03 lakh crore, or 74.4 per cent of the RE of 2024-25. It was at 80.9 per cent during the corresponding year of the last financial year. The total expenditure was at ₹35.7 lakh crore, or 75.7 per cent of the RE, according to the revenue-expenditure data of the Union government. In the year-ago period it was at 74.7 per cent of that year's RE. In the Union Budget presented in Parliament, the fiscal deficit for 2024-25 has been pegged at 4.8 per cent of GDP (lower than earlier estimate of 4.9 per cent) and at 4.4 per cent for 2025-26.
(Business Line)

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India needs to grow at average 7.8% to become high-income economy by 2047, says World Bank: India will need to accelerate reforms to achieve an average annual growth rate of 7.8 per cent for becoming a high-income economy by 2047, a World Bank report said on Friday. To achieve this goal India would require reforms in the financial sector as well as in land and labour market, the World Bank said in its India Country Memorandum titled 'Becoming a High-Income Economy in a generation'. Recognizing India's fast pace of growth averaging 6.3 per cent between 2000 and 2024, the report notes that India's past achievements provide the foundation for its future ambitions.

(Financial Express)

BANKING & FINANCE

RBI imposes penalty on The Hongkong and Shanghai Banking Corporation: The RBI on Friday said it has imposed a penalty of Rs 66.6 lakh on The Hongkong and Shanghai Banking Corporation Limited for non-compliance with certain directions including those related to 'Know Your Customer' and 'Interest Rates on Deposits'. A penalty of Rs 33.1 lakh has also been imposed on IIFL Samasta Finance Limited for non-compliance with certain provisions of the 'Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016' and Know Your Customer (KYC) Directions.

(Economic Times)

Growth in personal loans slows down to 14.2% in Jan: RBI data: Personal loan growth slowed down to 14.2 per cent in the fortnight to January 24, 2025, mainly due to subdued credit offtake of vehicle loans and credit card outstanding, according to the Reserve Bank data. The RBI on Friday released data on sectoral deployment of bank credit for January 2025 collected from 41 select commercial banks, accounting for about 95 per cent of the total non-food credit deployed. On a year-on-year (y-o-y) basis, non-food bank credit as of the fortnight ended January 24, 2025, grew at 12.5 per cent (a three-month high) as compared to 16.2 per cent for the corresponding fortnight of the previous year (January 26, 2024), the RBI said.

(Economic Times)

Health insurance premiums cross Rs 1 lakh crore in 10 months, growth slows to 10%: Health insurance premiums in India surpassed Rs 1 lakh crore in the first 10 months of the current financial year, reflecting a 10% increase from Rs 90,785 crore collected during the same period last

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year. However, this growth is slower compared to the 20% rise recorded in the previous fiscal year. By January 2025, total health insurance premiums stood at Rs 1.07 lakh crore, as per data from non-life insurers. According to a TOI report, the individual health insurance segment recorded the highest growth, expanding by 13.5% to Rs 37,068 crore, contributing 38% of total premiums. Group health insurance, which is primarily purchased by companies for employees, remained the largest category with a 53% share. Premiums in this segment increased by 12.4% to Rs 47,312 crore.
(Economic Times)

HDFC Bank to grow loan securitisation business over next few years, CFO says: HDFC Bank plans to expand its loan securitisation business to meet increasing investor demand while managing its balance sheet effectively. The bank targets reducing its loan-to-deposit ratio and aims for a substantial increase in securitisation volumes over the next three to five years.
(Economic Times)

INDUSTRY OUTLOOK

Key infra sectors growth picks up to 4.6% in January, shows govt data: The output of eight key infrastructure sectors rose by 4.6 per cent in January against a 4.2 per cent expansion in the same month of last year, according to official data released on Friday. The key infrastructure sectors' output had expanded by 4.8 per cent in December 2024. In January this year, the production of crude oil and natural gas declined compared to the year-ago period. Coal production rose by 4.6 per cent, steel output by 3.7 per cent and electricity generation by 1.3 per cent in January 2025 against 10.6 per cent, 9.2 per cent, and 5.7 per cent, respectively in January 2024.
(Business Standard)

TCS extends partnership with Norway's DNB Bank ASA for next 5 years: India's largest IT services company Tata Consultancy Services (TCS) on Friday announced an extension of its partnership with Norway's largest financial services group, DNB Bank ASA, for an additional five years. With the renewed pact, TCS will continue as DNB's strategic partner, supporting the bank's digital modernisation, while enhancing cost efficiency targets, according to a release. TCS will also deploy next-generation technology for DNB's modernisation initiatives by maintaining and developing new applications, strengthening security capabilities, and providing insights on next-generation technologies, including Artificial Intelligence (AI) and quantum computing.
(Business Standard)

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REGULATION & DEVELOPMENT

SEBI introduces 'Bond Central' to boost transparency in India's corporate bond market: Markets regulator SEBI has launched a centralised database portal for corporate bonds in a bid to create a single, authentic source of information on such securities. The portal, Bond Central, has been developed by the Online Bond Platform Providers Association (OBPP Association) in collaboration with Market Infrastructure Institutions (MIIs), which include stock exchanges and depositories. "The Bond Central aims to create a single, authentic source of information on corporate bonds issued in India and is intended as an information repository for the public at large and is accessible free of cost," SEBI said in a statement. This database is expected to enhance transparency and facilitate informed decision-making among investors and other market participants. It will be operated by the OBPP Association, a not-for-profit entity supported by MIIs.

(Business Line)

EPF interest rate to continue at 8.25% for FY25: The Employees' Provident Fund Organisation's Central Board of Trustees (CBT) has decided to retain interest rate of 8.25 per cent for provident fund deposits for FY 2024-25 but has enhanced social security benefits under its insurance scheme. The CBT recommended 8.25 per cent annual rate of interest will be credited to members' accounts for the FY25 after the Ministry of Finance notifies it. The CBT, under the chairmanship of Union Labour and Employment Minister Mansukh Mandaviya, also approved enhancement of insurance benefits under the Employees' Deposit Linked Insurance (EDLI) scheme. A minimum life insurance benefit of ₹50,000 will be provided in cases where an EPF member dies without completing one year of continuous service, the Ministry of Labour and Employment said in a statement after the CBT meeting got over on Friday.

(Business Line)

Irdai allows insurers to use derivatives for hedging equity portfolios: The Insurance Regulatory and Development Authority of India (Irdai) on Friday allowed insurers to invest in the derivatives market to hedge volatility in equity markets while preserving the market value of equity investments and reducing risks in the portfolio. The regulator also issued guidelines aimed at providing insurers with enhancedpportunities for risk management and portfolio diversification. In its circular, the insurance regulator said, "Considering the requests from insurers, the increasing trend in investments in the equity market by insurers, and the associated volatility in equity prices, a need was felt to permit hedging through equity derivatives as a countermeasure… Insurers are hereby permitted to use equity derivatives for hedging their existing equity exposures, subject to compliance with these guidelines."

(Business Standard)

FINANCIAL TERMINOLOGY

ABANDONMENT VALUE

- Abandonment value is the equivalent cash value of a project if it is liquidated immediately after reducing all debts which need to be repaid.
- Abandonment value is also known as liquidation value of an asset. The general rule for deciding to discontinue the product is that if the product's salvage value is greater than the net present value (NPV) of its expected cash flows, the project is abandoned. It is an important factor in bankruptcy filings where assets are generally sold at a discount.
- Suppose, the optimal economic life of an asset is 4 years, but the project's expected cash flows may change over the life of the asset. The company should also estimate the future abandonment values in the initial investment phase. It would help the manager to effectively gauge the optimal economic life of an asset.
- For Example: A company's cost of capital is 10%, and the initial investment cost to be incurred at the beginning of the project is Rs 3,50,000. Future cash flows expected in the next 4 years are 2,00,000, 1,50,000, 10,0000 and 50,000.

  Now, if we calculate the net present value of each of the cash flows and subtract it with the initial investment value, it still comes out positive, which is Rs 65,067. Considering the fact that NPV is still greater than zero, the company should continue with the project and not exercise the option.

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RBI KEY RATES

Repo Rate: 6.25%
SDF: 6.00%
MSF & Bank Rate: 6.50%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 87.4006
INR / 1 GBP : 109.9762
INR / 1 EUR : 90.7807
INR /100 JPY: 58.3000

EQUITY MARKET

Sensex: 73198.10 (-1414.33)
NIFTY: 22124.70 (-420.35)
Bnk NIFTY: 48344.70 (-399.10)

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