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DAILY NEWS DIGEST BY BFSI BOARD

01 August 2024

ECONOMY

Fiscal deficit narrows to 8% of the full year estimate in Q1FY25: Centre's fiscal deficit narrowed to 8.1 percent of the full year estimate in the first quarter of the year, compared with 25.3 percent during similar period in the previous year, government data released on July 31 showed. The fiscal deficit stood at Rs 1.36 lakh crore, compared with Rs 50,615 crore in the first two months of the year. The government data considers interim Budget numbers for estimates. Based on the Budget numbers released on July 23 fiscal deficit was 8.4 percent of target of Rs 16.13 lakh crore. Higher-than-expected RBI dividend of Rs 2.11 lakh crore has helped keep fiscal deficit contained, along with rise in revenue receipts and subdued capital spending.
(Moneycontrol)

India's core sector growth slows to 4% in June, shows DPIIT data: The output of India's eight key infrastructure industries expanded by 4 per cent year-on-year in June, the slowest growth in 20 months, according to data released by the Department for Promotion of Industry and Internal Trade on Wednesday. The slowdown in growth can be ascribed to factors such as a high base and moderating electricity demand due to the monsoon. The output growth was 6.4 per cent in May 2024 and 8.4 per cent in June 2023. The eight sectors — coal, steel, cement, fertiliser, electricity, natural gas, refinery products, and crude oil — constitute two-fifths of India's total industrial production. Consequently, they have a big impact on the index.
(Business Standard)

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BANKING & FINANCE

Fairfax likely frontrunner for IDBI Bank stake acquisition: After months of delay, the divestment of IDBI Bank may advance to the next stage, with highly placed sources indicating that the Reserve Bank of India has granted the necessary approval. The sources indicated that Fairfax India Holdings, one of the three bidders for IDBI Bank, has likely passed RBI's rigorous 'fit and proper' test, advancing to the next stage. The fate of the other two bidders, cited in media reports, is unclear. Fairfax is led by Indian-born Canadian billionaire Prem Watsa. According to the media reports, Fairfax India Holdings, NBD Emirates and Kotak Mahindra Bank are said to have shown interest in buying a majority stake in IDBI Bank. Some of the people cited above said Kotak Bank is no longer in the race, but this could not be independently confirmed.
(Moneycontrol)

Bank of Baroda Q1 results: Net profit rises 9.5% at Rs 4,458 crore: Public-sector lender Bank of Baroda's net profit for the April-June quarter (Q1FY25) grew 9.5 per cent year-on-year (Y-o-Y) to Rs 4,458 crore on lower credit costs. The net profit was Rs 4,070 crore in the year-ago period. Sequentially, the profit declined from Rs 4,886 crore in Q4FY24. Bank's stocks closed 0.94 per cent lower at Rs 253.85 on Wednesday. The asset quality profile improved with gross NPAs declining to 2.88 per cent from 3.51 per cent in June 2023. Net NPAs also declined to 0.69 per cent.
(Business Standard)

Financial bids for IDBI bank likely this fiscal; PSU banks sale on hold: DIPAM Secretary: In an exclusive interview with ANI, Tuhin Kant Pandey, Secretary of the Department of Investment and Public Asset Management (DIPAM), said, "In early August, we will be moving to the due diligence process of IDBI Bank and move forward. We hope to get the financial bids in this financial year." Shedding light on the government strategic disinvestment plan of public banks, Pandey explained that strategic disinvestment is a time-consuming process because management control must be shifted to strategic buyers. On the disinvestment of PSU banks, Pandey stated that the Department of Financial Services could provide more details, but he mentioned that it is not being pursued currently because there is no legislation in place for it, which requires a legislative change.
(Economic Times)

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INDUSTRY OUTLOOK

Infosys gets GST demand for alleged tax evasion of Rs 32,000 crore: India's second-largest IT company Infosys has received demand for alleged tax evasion of over Rs 32,000 crore from the Directorate General of GST Intelligence (DGGI), according to a document viewed by Moneycontrol. "In lieu of receipt of supplies from overseas branch offices, the Company has paid consideration to the branch offices in the form of overseas branch expense. Hence, M/s Infosys Ltd, Bengaluru is liable to pay IGST under reverse charge mechanism on supplies received from branches located outside India to the tune of Rs. 32,403.46 crores for the period 2017-18 (July 2017 onwards) to 2021-22.," the document read. The Reverse Charge Mechanism (RCM) in Goods and Services Tax (GST) is a system where the recipient of goods or services is liable to pay the tax instead of the supplier.
(Moneycontrol)

Tata Steel may need to pay over Rs 17,000 cr to Odisha govt as minerals tax: Tata Steel might need to pay more than Rs 17,000 crore as minerals tax dues to the state of Odisha, if the Supreme Court rules that states can retrospectively impose taxes on mineral extraction, the company said in an exchange filing on July 31. The disclosure comes a week after a nine-judge Constitution bench of the Supreme Court by a majority held that the royalty payable on minerals under the Mines and Minerals (Development and Regulation) Act, 1957 is not a tax. The SC bench said states have the power to impose tax and levies such as cess on land in which the mineral is extracted from.
(Moneycontrol)

'Software glitch' halts online transactions of cooperative sector banks: A software glitch has disrupted online transactions at nearly 300 banks across India for the past three days, primarily affecting cooperative banks. The National Payments Corporation of India (NPCI) suspects a ransomware attack and has temporarily isolated the software. The issue, linked to 'C-Edge' software by TCS and SBI, has caused problems with RTGS and UPI payments. Banks, including 17 in Gujarat, are awaiting restoration as the RBI works to resolve the issue.
(Economic Times)

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REGULATION & DEVELOPMENT

Finance Ministry denies report on short-term capital gains tax hike: The finance ministry has denied any plans to increase short-term capital gains (STCG) tax in response to a Moneycontrol report that said the government may consider raising the tax rate in the coming years, citing a senior official. In a statement, the ministry termed the report as "incorrect, unduly speculative, misleading and factually incorrect in their entirety."
(Moneycontrol)

RBI issues draft framework on Alternative Authentication Mechanisms for Digital Payment Transactions: The Reserve Bank of India announced new alternative methods for additional factor authentication (AFA) in digital payments, including options such as passwords, PINs, software tokens, and biometrics. These methods are categorized based on something the user knows, has, or is. Most digital transactions will need a dynamically created authentication factor unique to each transaction. Small-value, card-present transactions and certain recurring transactions are exempt from mandatory AFA. In February 2024, the RBI declared its plan to publish a Framework on Alternative Authentication Mechanisms. The regulator said that all digital payment transactions, other than card present transactions, will have to ensure that one of the factors of authentication is dynamically created, after the initiation of payment, is specific to the transaction and cannot be reused. Presently, small value card present transactions for values upto Rs 5000, E-mandates for recurring transactions like payment of credit card bills, mutual funds and insurance premium, digital toll payments, and offline payment transactions up to Rs 7500 are exempt from mandatory AFA.
(Economic Times)

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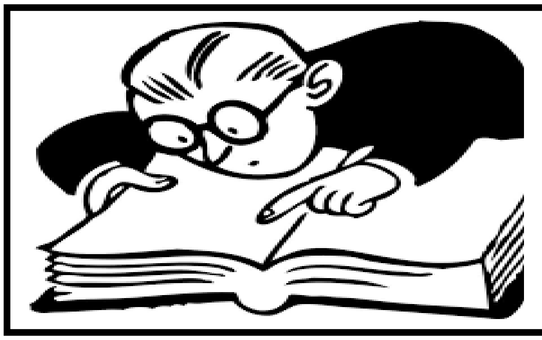

FINANCIAL TERMINOLOGY

ASSET SWAP

- An asset swap is similar in structure to a plain vanilla swap with the key difference being the underlying of the swap contract. Rather than regular fixed and floating loan interest rates being swapped, fixed and floating assets are being exchanged.
- All swaps are derivative contracts through which two parties exchange financial instruments. These instruments can be almost anything, but most swaps involve cash flows based on a notional principal amount agreed upon by both parties. As the name suggests, asset swaps involve an actual asset exchange instead of just cash flows.

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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 83.7440
INR / 1 GBP : 107.5463
INR / 1 EUR : 90.6222
INR /100 JPY: 54.7800

EQUITY MARKET

Sensex: 81741.34 (+285.94)
NIFTY: 24951.15 (+93,85)
Bnk NIFTY: 51553.40 (+54.10)

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- Certificate Course on Credit Management of Banks
- Certificate Course on Treasury and International Banking
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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 2nd Edition)

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