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DAILY NEWS DIGEST BY BFSI BOARD

01 October 2024

ECONOMY

Fiscal deficit in April-August at 27% of full-year target: Govt data: The Centre's fiscal deficit at the end of the first five months—April-August—of the current financial year touched 27 per cent of the budget estimates at Rs 4.35 trillion, according to the latest data released by the Controller General of Accounts (CGA). The fiscal deficit—the gap between expenditure and revenue—was 36 per cent of the budget estimates for the corresponding period last year. The government has set a fiscal deficit target of 4.9 per cent of gross domestic product (GDP) for the current financial year. Net tax receipts for the period stood at Rs 8,73,845 crore, which was 33.8 per cent of the annual budget estimates, according to the data. Total expenditure at Rs 16,52,354 crore was lower at 34.3 per cent of the budget estimates compared to 37.1 per cent in the corresponding period last year. Capital expenditure—spending on building physical infrastructure—for the first five months of the current financial year stood at Rs 3,00,987 crore or 27.1 per cent of the budget estimates. It was higher at 37.4 per cent in the corresponding period last year. In the first five months of this financial year, the government's capital expenditure was Rs 3.01 trillion, or 27 per cent of the annual target, compared to Rs 3.74 trillion for the same period a year earlier.
(Business Standard)

Core sector contracts 1.8% in a first in 42 months, shows govt data: For the first time in 42 months, the output of India's eight key infrastructure sectors saw a 1.8 per cent year-on-year (Y-o-Y) contraction in August, data released by the Department for Promotion of Industry and Internal Trade (DPIIT) on Wednesday showed. The contraction can be attributed to a high base as well as monsoon impacting industrial activity. The growth in the output was 6.1 per cent in July 2024 and 13.4 per cent in August 2023. The eight sectors — coal, steel, cement, fertilisers, electricity, natural gas, refinery products, and crude oil — comprise two-fifths of India's total industrial production. As a result, they

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have a significant impact on the index. Barring steel and fertilisers, which saw growth of 4.5 per cent and 3.2 per cent, respectively, the remaining six sectors witnessed contraction.
(Business Standard)

India's current account deficit stood at $9.7 billion in Q1FY25: India’s current account balance moved into a deficit of $9.7 billion in the April-June quarter (Q1) of 2024-25 (FY25), accounting for 1.1 per cent of gross domestic product (GDP). The current account balance was in surplus to the tune of $4.6 billion in January-March (Q4) of 2023-2024 (FY24), representing 0.5 per cent of GDP. In the same period a year ago, the current account deficit (CAD) was $8.9 billion, or 1 per cent of GDP. RBI, in a statement, said the CAD widened on a year-on-year (Y-o-Y) basis primarily due to an increase in the merchandise trade deficit, which rose to $65.1 billion in Q1FY25 from $56.7 billion in Q1FY24.
(Business Standard)

BANKING & FINANCE

FinMin keeps rate of interest for small savings schemes unchanged for Q3FY25: The government on Monday left the interest rates on various small savings schemes unchanged for the quarter beginning October 1, 2024. "The rates of interest on various Small Savings Schemes for the third quarter of FY 2024-25 starting from 1" October, 2024 and ending on 31 December, 2024 shall remain unchanged from those notified for the second quarter (1" July, 2024 to 30 September, 2024) of FY 2024-25," said a finance ministry notification. As per the notification, deposits under the Sukanya Samriddhi scheme will attract an interest rate of 8.2%, while the rate on a three-year term deposit remains at 7.1 per cent. The interest rates for popular PPF and post office savings deposits scheme too have been retained at 7.1 per cent and 4 per cent, respectively. The interest rate on the Kisan Vikas Patra will be 7.5 per cent, and the investments will mature in 115 months. The interest rate on the National Savings Certificate (NSC) will remain at 7.7 per cent for the July-September 2024 period.
(Moneycontrol)

RBI flags evergreening, unethical lending practices in gold loans: The Reserve Bank of India (RBI) on Monday said it has observed several irregular practices in the manner in which gold loan sanction and servicing is being conducted by certain lenders, including evergreening of loans,

shortcomings in usage of third parties for sourcing and appraisal of loans, and assessing valuation of such loans without the presence of customers, among others. Lenders have been told to inform RBI about action taken against unethical practises within three months.
(Business Line)

Interest equalisation scheme on pre- and post-shipment rupee export credit extended for 3 months; capped at Rs 50 lakh: The government has extended the interest equalisation scheme on pre- and post-shipment rupee export credit for three more months till December 31 to promote the country's outbound shipments. The scheme, which provides exporters interest benefits, ended on September 30. In a trade notice, the Directorate General of Foreign Trade (DGFT) said, "Trade and Industry is hereby informed that the Interest Equalisation Scheme for Pre and Post shipment Rupee Export Credit, which had earlier been extended till September 30, 2024 has been further extended by three months up to December 31, 2024". It also said the fiscal benefits of each MSME, on aggregate, will be restricted to Rs 50 lakh for 2024-25 till December 2024. "MSME manufacturer exporters who have already availed equalisation benefit of Rs 50 lakh or more till 2024-25 till September 30, 2024, will not be eligible for any further benefit in the extended period," it said.
(Business Standard)

INDUSTRY OUTLOOK

Centre notifies PM E-DRIVE Scheme with ₹10,900 crore outlay. Here's a list of who stands to gain: The Centre on Monday notified the PM E-DRIVE scheme, allocating ₹10,900 crore for the promotion of electric vehicles (EVs) and the development of charging infrastructure and manufacturing capabilities. The scheme will run from October 1 to March 31, 2026, and aims to accelerate the country's shift towards electric mobility. The PM E-DRIVE will absorb the ongoing Electric Mobility Promotion Scheme (EMPS) 2024, merging its budget and vehicle targets into the new framework. "The number of vehicles and the expenditure under EMPS, 2024 is subsumed under the PM E-DRIVE Scheme," the official notification confirmed. Subsidies will be offered for various categories of EVs, including two- and three-wheelers, e-ambulances, and e-trucks. Grants will also be available for building charging infrastructure, supporting e-bus fleets, and upgrading testing facilities. Notably, electric buses will receive a significant portion of the funding, with ₹4,391 crore set aside for them, while two-wheelers are allocated ₹1,772 crore.
(Business Today)

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Britain to become first G7 country to end coal power as last plant closes: Britain will become the first G7 country to end coal-fired power production on Monday with the closure of its last plant, Uniper's Ratcliffe-on-Soar in England's Midlands. It will end over 140 years of coal power in Britain. In 2015 Britain announced plans to close coal plants within the next decade as part of wider measures to reach its climate targets. At that time almost 30 per cent of the country's electricity came from coal but this had fallen to just over 1 per cent last year. "The UK has proven that it is possible to phase out coal power at unprecedented speed," said Julia Skorupska, Head of the Powering Past Coal Alliance secretariat, a group of around 60 national governments seeking to end coal power. The drop in coal power has helped cut Britain's greenhouse gas emissions, which have more than halved since 1990.

(Business Line)

Govt extends export benefits under Rodtep scheme till September 2025: The government on Monday extended benefits under the RoDTEP scheme for exports made from domestic tariff area (DTA) units for one year till September 30, 2025. The scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) provides for refund of taxes, duties and levies that are incurred by exporters in the process of manufacturing and distribution of goods and are not being reimbursed under any other mechanism at the Centre, state, or local level. Launched in January 2021, the scheme was valid till September 30. The Directorate General of Foreign Trade (DGFT) said in a notification that for Advance Authorisation (AA) holders, Export Oriented Units (EOUs) and Special Economic Zones (SEZs), the scheme is extended till December 31 this year. "The RoDTEP scheme is being extended for exports made from DTA units till September 30, 2025, and AA/EOU/SEZ units till December 31, 2024," it said. The revised rates under the scheme were also notified for implementation with effect from October 10 this year, once the ICEGATE portal gets updated with new rates, it added. The rates are revised downwards so that the outgo remains within the budgetary allocation. The new rates of refund of taxes range from 0.3 per cent to 3.9 per cent, lower than the 0.5 per cent to 4.3 per cent that prevailed before the latest extension.

(Business Standard)

REGULATION & DEVELOPMENT

SEBI eases rights issue compliance, cuts down completion time to 23 days from 317 days: The market regulator has eased norms for faster rights issue, which is meant to be more appealing than a current market favourite--preferential allotment route. This new route can be

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completed in 23 days from the issuer's board meeting approving the rights issue, versus the present timeline of 317 days, and faster than the 40 working days needed for completion of preferential allotment. The Board has also done discontinuation of the current requirement of filing Draft Letter of Offer with SEBI for issuance of its observation, instead it will be filed with Stock Exchanges for its in-principle approval, as the entity is already a listed entity. Stock Exchanges would confirm that the issuer is in compliance with LODR disclosure requirements. Dispensing with the mandatory requirement of appointment of a Merchant Banker by an Issuer and making it optional subject to completion of rights issue within the timeline of 23 working days. Assigning ancillary activities of Merchant Bankers in rights issue to the Issuer company, Registrar to issue and Market Infrastructure Institutions was also announced.
(Moneycontrol)

SEBI announces MF Lite framework for passive funds: Market Regulator SEBI announced a much awaited liberalised Mutual Funds Lite (MF Lite) framework for passively managed schemes of mutual funds. The regulator noted that under the MF Lite framework there would be a series of relaxed regulatory requirements designed to facilitate easier entry into the mutual fund market. The first being eligibility criteria for sponsors. Under the framework, the barriers related to net worth, track record, and profitability would be lowered, allowing more entities to enter the mutual fund space. Secondly, simplified responsibilities for trustees are expected to ease compliance burdens and encourage new market participants. Third, in regards to approval Process and Disclosures, the amendments would allow for streamlining the approval process and reducing the disclosure obligations for passive schemes, making it less cumbersome for asset management companies (AMCs) to operate in this segment. The new asset classMF Lite , dubbed “Investment Strategies,” is aimed at high-risk investors and seeks to bridge the gap between mutual funds (MFs) and portfolio management services (PMS). The minimum ticket size for this product will be Rs 10 lakh.
(Moneycontrol)

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FINANCIAL TERMINOLOGY

MONTE CARLO SIMULATION

- ❖ A Monte Carlo simulation is a way to model the probability of different outcomes in a process that cannot easily be predicted due to the intervention of random variables. It is a technique used to understand the impact of risk and uncertainty.
- ❖ Monte Carlo simulations can be applied to a range of problems in many fields, including investing, business, physics, and engineering. It is also referred to as a multiple probability simulation.
- ❖ Monte Carlo simulations help to explain the impact of risk and uncertainty in prediction and forecasting models.
- ❖ A Monte Carlo simulation requires assigning multiple values to an uncertain variable to achieve multiple results and then averaging the results to obtain an estimate.

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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 : 83.7888
INR / 1 GBP : 112.1597
INR / 1 EUR : 93.5340
INR /100 JPY: 59.1100

EQUITY MARKET

Sensex: 84299.78 (-1272.07)
NIFTY: 25810.85 (-368.10)
Bnk NIFTY: 52978.10 (-856.20)

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- **Guidance Note on the Internal Audit of General Insurance Companies.**
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