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DAILY NEWS DIGEST BY BFSI BOARD

20 Dec, 2023

BANKING & FINANCE

Razorpay, Cashfree receive final RBI nod to operate as payment aggregators: Payment processing major Razorpay and Cashfree has received the final authorisation from the RBI to operate as Payment Aggregators (PA). "We have received the final authorisation to operate as a payment aggregator by the Reserve Bank of India (RBI). We are thrilled to announce that we are now onboarding businesses on Cashfree Payment Gateway," Wrote Cashfree in a LinkedIn post on December 19.
(Moneycontrol)

Evergreening of stressed loans: RBI tightens norms for lenders' investment in AIF units: The Reserve Bank of India has tightened norms for lenders relating to making investments in units of Alternative Investment Funds (AIFs) to address concerns relating to possible evergreening of stressed loans.The central bank is seeking to put a stop to transactions that entail substitution of direct loan exposure of lenders to borrowers with indirect exposure through investments in units of AIFs as such transactions lead to concealment of the real status of stressed loans. An AIF is a privately pooled investment vehicle, which collects funds from investors, for investing it in accordance with a defined investment policy for the benefit of its investors. The RBI said lenders cannot make investments in any scheme of AIFs, which has downstream investments either directly or indirectly in a company that has borrowed/ debtor company (currently has or previously had a loan or investment exposure anytime during the preceding 12 months) from them. In case lenders have aforementioned kind of investments, they have 30 days to liquidate them. Further, if lenders are not able to liquidate their investments within this time limit, they have to make 100 per cent provision on such investments.
(Business Line)

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Growth of MF debt schemes lags behind bank deposits: Mutual Funds' debt assets under management (AUM) as a percentage of bank deposits have fallen in the last five years in the backdrop of banks attracting huge investments due to a rise in interest rates. On the other hand, investors' confidence in debt mutual funds was shaken by credit incidents and increases in key bank rates during the said period. Debt AUM of mutual funds at ₹13.58 lakh crore accounted for 7 per cent of bank deposits, which stood at ₹200.84 lakh crore as of November-end.
(Business Line)

Unclaimed deposits with banks rise by 28% to Rs 42,270 crore in FY23: Govt: There has been a 28 per cent annual increase in unclaimed deposits with the banks to Rs 42,270 crore as on March 2023, Parliament was informed on Tuesday. As compared to Rs 32,934 crore unclaimed deposits with public and private sector banks in FY22, the amount increased to Rs 42,272 crore at the end of March 2023, an increase of 28 per cent. As much as Rs 36,185 crore unclaimed deposits were with public sector banks while Rs 6,087 crore were with private sector banks at the end of March 2023. Banks send unclaimed deposits of account holders lying in their accounts for 10 or more years to RBI's Depositor Education and Awareness (DEA) Fund.
(Business Line)

Import tariff: EU 'disappointed' as India rejects interim arbitration in WTO dispute: The European Union has expressed disappointment over India's rejection of interim arbitration to resolve the dispute over import duties on certain ICT (information and communications technology) products, including smartphones and components, and its `in void' appeal to the non-functional appellate body. At the World Trade Organization's dispute settlement body meeting on Monday, India defended its decision and argued that its longstanding position was that such interim agreements, as suggested by the EU, undermined the right of countries to appeal to a permanent standing body and that it was important to restore the functioning of the appellate body soon.

The EU and a few other WTO members had, three years ago, set up an interim arrangement enabling appeals of WTO panel decisions to be resolved in the absence of a functioning WTO appellate body. India has been opposed to the interim arrangement. In April 2019, the EU had complained against

India's import tariffs on certain ICT products, including mobile phones and components, base stations, integrated circuits, and optical instruments on the ground that they went against India's WTO commitments and requested consultations with the country. In August 2020, the WTO constituted a dispute panel on EU's request. Japan and Chinese Taipei also filed similar disputes against India. As India had committed to zero duties on many ICT products under WTO's IT Agreement (ITA-I), the complainants said the duties, imposed since 2014 and which progressively ranged up to 20 per cent, led to breach of commitment. New Delhi argued that the items were outside the purview of ITA-I.

(Business Line)

IMF reclassified India's de facto exchange rate regime to stabilised arrangement from floating: The International Monetary Fund (IMF) has reclassified India's de facto exchange rate regime from "floating" to "stabilised arrangement" for the period December 2022 to October 2023, while the de jure classification remained "floating" after an article IV review. Meanwhile, it said that India's potential growth rate is much higher, provided reform initiatives are accelerated. Under Article IV review, a staff team from the IMF visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. Based on these, they prepare a report, which forms the basis for discussion by the Executive Board. De facto is defined as a state of affairs that is true in fact, but that is not officially sanctioned. In contrast, de jure means a state of affairs that is in accordance with law (i.e. that is officially sanctioned).

(Business Line)

India star performer, contributing more than 16% of global growth: IMF: Growing at a robust rate due to economic reforms in key sectors like digitisation and infrastructure, India has emerged as a star performer and is projected to contribute more than 16 per cent of the global growth, the International Monetary Fund said on Monday. "What we have been observing for quite some time now is that India has been growing at a very robust rate. It's one of the star performers when it comes to real growth when you look at peer countries. It's one of the fastest growing large emerging markets and it's contributing, in our current projections, more than 16 per cent of global growth this year," Nada Choueiri, the Mission of India at IMF, told PTI in an interview.

(Business Line)

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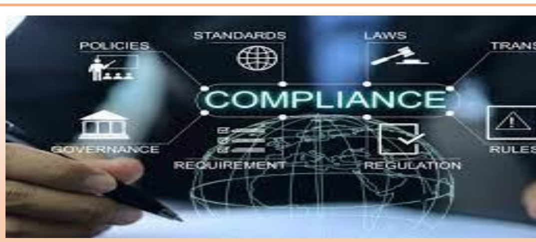
INDUSTRY OUTLOOK

Blackstone plans mega $833 mn exit from Embassy Office Parks REIT: Blackstone plans to exit Embassy Office Parks REIT, India's first publicly traded real estate investment trust, through a mega block deal of $833 million, multiple industry executives familiar with the development told Moneycontrol. "They (Blackstone) intend to sell their entire stake of 23.6 percent in the firm via the block deal route," one of the people said. "The floor price is Rs 310 per share. Kotak Mahindra Capital and IIFL Capital are the advisors for this proposed big trade.
(Moneycontrol)

Goldman ramps up credit business in India, targets diaspora: Goldman Sachs Group Inc. plans to ramp up its credit business in India and sees an increasing opportunity to target the nation's wealthy diaspora as global investors shift their focus from China to what is now the world's fastest-growing major economy. The investment bank wants to broaden the range of loans it offers through its shadow banking unit, according to Sonjoy Chatterjee, chairman and chief executive officer for Goldman in India. The firm also plans to get a license to scale up in currency trading, which would allow Goldman to deal with any counterparty such as financial investors, equity customers or a corporate customer, he said in an interview.
(Economic Times)



REGULATION & DEVELOPMENT

Parliament approves additional spending of Rs 58,378 crore in FY24: Parliament on Tuesday gave its approval for a net additional spending of Rs 58,378 crore in the current fiscal ending March 2024, with a large chunk allocated to MGNREGA and fertiliser subsidies. The gross additional spending would be more than Rs 1.29 lakh crore, out of which Rs 70,968 crore would be matched by savings and receipts According to the demands for grants, the net additional spending by the government would be Rs 58,378.21 crore in the current fiscal. The additional expenditure includes Rs 13,351 crore towards fertiliser subsidies and about Rs 7,000 crore towards spending by the Department of Food and Public Distribution. An additional outgo of Rs 9,200 crore is towards spending by the Ministry of Petroleum and Natural Gas, and Rs 14,524 crore by the Ministry of Rural Development towards MGNREGA is included in the supplementary demands.

(Business Standard)

Share of agriculture in India's GDP declined to 15% in FY23: Share of agriculture in India's GDP declined to 15 per cent last fiscal year from 35 per cent in 1990-91 due to rapid growth in the industrial and service sector, the government informed on Tuesday. "In growth terms, agriculture and allied sector has registered an average annual growth of 4 per cent during last five years. As far as global experience is concerned, share of agriculture in the world's GDP has also declined over the decades and stands at about 4 per cent in recent years,"

(Business Standard)

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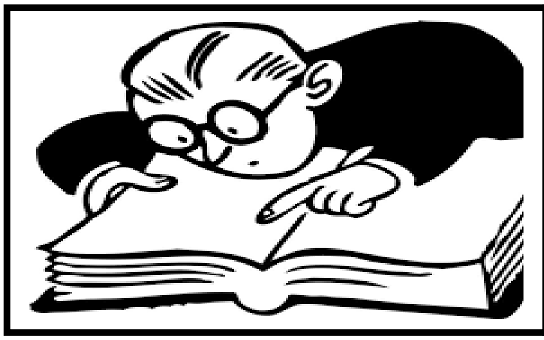

FINANCIAL TERMINOLOGY

ASSEMBLE-TO-ORDER

❖ Assemble-to-order (ATO) is a business production strategy where products that are ordered by customers are produced quickly and are customizable to a certain extent.

❖ It typically requires that the basic parts of the product are already manufactured but not yet assembled. Once an order is received, the parts are assembled quickly and the final product is sent to the customer.

❖ In a typical ATO approach, the costs of assembling the product from its components are negligible, but the costs of making the different components can be substantial.

❖ The assemble-to-order strategy is a hybrid between the make-to-stock strategy (MTS) and the make-to-order strategy (MTO). A make-to-stock strategy is one where products are fully produced in advance. A make-to-order strategy is one where products are manufactured once the order has been received.

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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 : 83.1790
INR / 1 GBP : 105.2636
INR / 1 EUR : 90.8664
INR /100 JPY: 57.9500

EQUITY MARKET

Sensex: 71437.19 (+122.10)
NIFTY: 21453.10 (+34.40)
Bnk NIFTY: 47870.90 (+3.20)

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