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DAILY NEWS DIGEST BY BFSI BOARD

20 March 2024

BANKING & FINANCE



Exim Bank extends \$23 mn line of credit to Guyana for aircraft procurement: The Export-Import Bank of India (Exim Bank) on Tuesday announced it has extended a \$23.37 million (about Rs 194 crore) line of credit to the government of Cooperative Republic of Guyana for the procurement of two aircraft from India for the South American country's defence forces. With this line of credit (LOC), the bank has 292 LOC in place now, covering 62 countries in Africa, Asia, Latin America, CIS, and Oceania, with credit commitments of around \$2.72 billion available for financing exports from India.

(Business Line)

Jio Financial Services invests Rs 40 cr in leasing arm JLSL: Jio Financial Services on Tuesday said it has invested Rs 40 crore in its wholly-owned subsidiary Jio Leasing Services Ltd (JLSL) which has been formed for undertaking leasing of movable assets activity. The company on Tuesday subscribed to 4,00,00,000 equity shares of Rs 10 each of JLSL for cash at par aggregating Rs 40 crore for its business purposes, Jio Financial Services said in a regulatory filing.

(Financial Express)

RBI says won't drop higher risk weights for loans to PSU NBFCs after banks seek easier norms: The Reserve Bank of India (RBI) has rejected a demand from banks to scrap higher risk weights for loans to government-backed entities such as Power Finance Corp. (PFC), Indian Renewable Energy Development Agency (IREDA) and IIFCL. In a letter sent earlier this month, the RBI said it cannot make an exception for any particular set of non-banking finance companies (NBFCs), said people familiar with the matter. In November 2023, the regulator increased the risk weights for loans to NBFCs by 25 basis points, making bank borrowing more expensive for them. A basis point is 0.01 percentage point.

(Economic Times)



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SBI to shift global back office from Kolkata to Mumbai: State Bank of India is likely to shift its centralised global back office and some other foreign exchange related departments from Kolkata to Mumbai, the country's financial capital, in yet another move to centralize operations. The back office was set up in 2015 in the City of Joy when Anundhati Bhattacharya was the chairperson of the bank. The back office works 22x7 to cater to customers in Sydney, Bahrain, Hong Kong, London and New York.

(Economic Times)



ECONOMY

BSE Smallcap on the verge of recording worst monthly performance in 2 years: A sharp sell-off in smallcaps has spooked retail investors. BSE Small cap index is down by more than 7 percent in March so far. If the broader index benchmark manages to close the month at current levels we will be witnessing the worst monthly performance in the past 2 years by BSE Smallcap index. In February 2022 BSE Smallcap index fell by more than 9 percent. When we compare the performance (monthly) of BSE Smallcap index with BSE Sensex we find that the benchmark index that tracks the performance of 900+ small cap stocks across sectors is underperforming BSE Sensex by more than 8 percent in March alone, so far. This is only the 4 instance since 2015 where BSE Smallcap Index has underperformed key benchmark index by more than 8 percent in any given month. As BSE Smallcap index weakens, there have been only 7 instances where BSE Smallcap index has fallen by more than 7 percent in any calendar month since 2015.

(Moneycontrol)

Food price pressures deter swifter fall in inflation towards 4% target: RBI Bulletin: Food price pressures is an obstacle in swifter fall in retail inflation to the Reserve Bank's target of 4 per cent, said an article on the 'State of Economy' in the central bank's March Bulletin published on Tuesday. Retail inflation based on Consumer Price Index (CPI) is on a decline since December and was at 5.09 per cent in February. Retail inflation based on Consumer Price Index (CPI) is on a decline since December and was at 5.09 per cent in February. "Even as inflation is on the ebb with broad-based softening of core inflation, the repetitive incidence of short amplitude food price pressures deters a swifter fall in headline inflation towards the target of 4 per cent," said the article.

(Moneycontrol)



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World's largest sovereign fund ups India bet in CY23: Norway's Government Pension Fund Global, the world's largest sovereign wealth fund with a portfolio value in excess of \$1.4 trillion, raised its India bets last year amid a surge in Indian equities. Its Indian holdings as a percentage of its total equity portfolio rose by 20 basis points (bps) year-on-year in calendar year 2023 to 2.2 per cent, the fund's annual disclosures show. Considering a total equity portfolio of about \$1 trillion, the fund's India equity investments amount to about \$22 billion. India has the second largest weight in its emerging market portfolio after China, whose weight reduced by 70 bps last year to 3.1 per cent. The India weight in the fund's equity portfolio stood at 1.6 per cent at the end of CY21, implying a rise of 60 bps in the last two years.

(Business Line)

RBI forecasts 8% growth prospects on strong demand visibility: The Reserve Bank of India's (RBI) monthly bulletin released on Tuesday highlighted the state of the Indian economy and stated that the India can sustain a GDP growth of 8 per cent fuelled by a conducive macroeconomic configuration which can further the country's growth trajectory. "Over the period FY21-FY24, growth has averaged above 8 per cent; and the underlying fundamentals indicate that this can be sustained and even built upon," the bulletin highlighted. The Central Bank also highlighted that the global economy is losing steam and some of the most resilient economies are seeing a slowdown in growth. High frequency indicators suggest further moderation in the near future, it added.

(Financial Express)

INDUSTRY OUTLOOK



Maharashtra RERA proposes mandatory separate bank accounts for real estate developers: The Maharashtra Real Estate Regulatory Authority has floated a discussion paper that mooted that real estate developers should open three bank accounts in a single bank before they can apply to register a project. The three accounts should be a collection account for the project, a separate account for the project, and a transaction account for the project. The promoter must main the collection account to receive all the collections from the allottees, including parking, amenities, and other charges excluding all other taxes and statutory duties. The separate bank account is where 70 per cent of the amounts realised for the project from the allottees received in the Collection Account shall be deposited. The amount deposited in this account shall solely be used to cover the construction and the land cost. Transaction Account is an account to be maintained by the



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promoter for transferring up to 30 per cent of the total collections received in the collection account of the project.

(Business Line)

Not changing view on Adani companies: JP Morgan amid probe reports: Global brokerage firm JP Morgan has said it will stick to its recommendations for Adani Group companies despite reports that US prosecutors are investigating if the Gautam Adani-led enterprise bribed Indian officials to get energy projects cleared. "Overall, as details are very scant and the investigation itself might not lead to any successful prosecution, with likely limited potential financial/fundamental impact, we do not make changes to our recommendations at this stage for the Adani Group," Love Sharma, senior credit research analyst at JP Morgan, said in a report.

(Economic Times)

Road ministry amends model concession agreements for BOT and TOT projects: The ministry of road transport and highways (MoRTH) have made over a dozen changes to the model concession agreement for build-operate-transfer (BOT) and tolling, operation, maintenance and Transfer (TOT) model to incentivise private sector to invest in creation of road infrastructure and to remove any ambiguity in the existing agreements. Some of the key amendments for capacity augmentation on BOT, aimed at incentivising the private sector, include construction support to the concessionaire to complete projects on time and longer tolling period to tide away losses on account of competing roads.

(Economic Times)



REGULATION & DEVELOPMENT

Modi asks cabinet to prepare 5-year plans by May 1: Prime Minister Narendra Modi has asked all the ministries under the 10 Sectoral Groups of Secretaries (SGoS) to create a post-election five-year plan as well as a 100-day programme. He wants the first draft prepared and ready for approval by the Cabinet Secretary by May 1. The PM is said to have asked the Finance Ministry to ensure a “paradigm shift” in Budget 2024-25 — to embed the first steps for achieving the vision of Viksit Bharat by 2047. The Department for Promotion of Industry and Internal Trade (DPIIT) has been asked to hold seminars with industry chambers like CII and FICCI, the sources said.

(Business Line)



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Net direct tax collection surged 20% to 18.9-lakh crore: Improved compliance, along with rising income levels, helped the government collect over ₹18.9-lakh crore as net direct taxes from April 1 to March 17 of the current fiscal. With this, 97 per cent of the revised estimate of ₹19.45-lakh crore has already been achieved, with the expectation that the collection could exceed the target. Data released by the Central Board of Direct Taxes (CBDT) on Tuesday showed that net collection recorded a growth of around 20 per cent over ₹15.77-lakh crore during the corresponding period of the last fiscal. Net collection includes Corporate income tax (CIT) at ₹9.14-lakh crore and personal income tax (PIT) including securities transaction tax (STT) at ₹9.72-lakh crore.

(Business Line)

Bihar's Begusarai is the world's most polluted city: Begusarai in Bihar has been found to be the most polluted city in the world, according to the World Air Quality Report 2023 released by Switzerland-based IQAir. Also, India ranks third behind Bangladesh and Pakistan among five most polluted countries in the list of 134 countries. India was ranked the eighth most polluted country in the 2022 report in a list of 131 countries. According to the report, out of 100 top polluted places, 83 are from India. Guwahati is at the second place while Delhi is at the third place.

(Business Line)



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FINANCIAL TERMINOLOGY

VARIABLE RATE REPO (VRR) AUCTION

- ❖ Variable Repo Rate is used when RBI desires to infuse liquidity in economy but Banks are not eager to borrow from RBI at Repo Rates as interest rates in economy may already be lower. In that case RBI allows Banks to borrow at rate decided by market generally lower than Repo Rate (though not less than Reverse Repo Rate) for duration more than One Day.
- ❖ Usually, the central bank announces the variable rate repo (VRR) auction to inject liquidity in the banking system when it turns tight or deficit.
- ❖ Reserve Bank has been rebalancing the surplus liquidity in the system by shifting it out of the fixed rate overnight reverse repo window into the variable rate reverse repo (VRRR) auctions of longer maturity.



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 : 82.9401
INR / 1 GBP : 105.4135
INR / 1 EUR : 90.1321
INR /100 JPY: 55.1700

EQUITY MARKET

Sensex: 72012.05 (-736.37)
NIFTY: 21817.45 (-238.25)
Bnk NIFTY: 46384.80 (-191.10)

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