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DAILY NEWS DIGEST BY BFSI BOARD

22 April 2024

ECONOMY

Iran-Israel conflict: Strait of Hormuz blockade could trigger Oil and LNG price surge, analysts warn: Analysts have warned that if Iran were to block the Strait of Hormuz, a vital passage for countries like India to import crude oil from Saudi Arabia, Iraq, and the UAE, both oil and LNG prices could soar, potentially leading to inflation spikes.The conflict between Iran and Israel has intensified in recent days, marked by Iran's drone and rocket attacks on Israel, which prompted retaliatory missile strikes. With crude oil prices hovering around $90 per barrel amid the conflict, Motilal Oswal Financial Services suggested in a note that while efforts to de-escalate the situation may mitigate the crisis, any complete or partial blockade of the Strait of Hormuz by Iran could trigger significant spikes in oil and LNG prices. While alternative routes through the Red Sea exist for oil transportation, there are no such alternatives for liquefied natural gas (LNG), according to the analysis. In the event of blockade of the Strait, "we anticipate materially higher crude oil prices, refining margins, and spot LNG prices", it said. "While investors focus on oil, we believe that spot LNG prices will witness even sharper escalation if the Strait of Hormuz is closed due to the absence of alternative routes," it also said.
(*Moneycontrol)*

Importers of computers, tablets, servers to get clarity on future import regime after elections: Importers of seven IT hardware items including laptops, personal computers and tablets will stay in suspense for some more time over what India's import policy on the products would be once the existing notification on obtaining automatic authorisations through an `import management system' lapses on September 30, this year. A decision on the matter has now been deferred till after the general elections, according to officials. "The industry, which includes multinationals such as Apple, HP and Dell, is keen to know what the import regime for IT hardware items would be after September 30. The Ministry of Electronics and Information Technology (MeitY) has been analysing import data being provided by the industry over the last six months. But it has been now decided that

a call will be taken on the matter only after the general elections as the policy could have a major impact on both domestic production and imports and also determine the success of the PLI scheme," an official tracking the matter told businessline. India adopted a new `import management system' for monitoring shipments of seven items including laptops, tablets, PCs, ultra small form factor computers and servers, large or mainframe computers and automatic data processing machines since October 1, 2023. Free imports are no longer allowed. Instead, importers have to apply to the Directorate General of Foreign Trade for import authorisations that are issued automatically once the application is submitted online.
(Business Line)

EPFO adds 15.48 lakh net members during February 2024: EPFO's provisional payroll data released on 20th April, 2024 highlights that EPFO has added 15.48 lakh net members in the month of February, 2024. The data indicates that around 7.78 lakh new members have been enrolled during February, 2024. A noticeable aspect of the data is the dominance of the 18-25 age group, constituting a significant 56.36% of the total new members added in February 2024 indicating the majority of individuals joining the organized workforce are youth, primarily first-time job seekers. The payroll data highlights that approximately 11.78 lakh members exited and subsequently rejoined EPFO. These members switched their jobs and re-joined the establishments covered under the ambit of EPFO and opted to transfer their accumulations instead of applying for final settlement thus, safeguarding long-term financial well-being and extending their social security protection.
(PiB)

BANKING & FINANCE

Investment bankers to receive hefty bonuses as deal activity surges: Investment bankers from top domestic firms could take home, on an average, 100-150 per cent of annual salary as bonuses — much higher than last year when payouts ranged from 30-40 per cent. FY24 saw robust equity capital market activity that resulted in a fee collection of over ₹2,000 crore. Total equity fundraising stood at ₹1.86-lakh crore, underpinned by a roaring secondary market. This is 142 per cent higher than FY23, a year in which a series of interest rate hikes and geopolitical tensions marred fundraising. India Inc raised ₹61,915 crore through 76 main board IPOs in 2023-24 — 19 per cent higher than the ₹52,116 crore mobilised by 37 IPOs in 2022-23, according to primedatabase.com. The

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amount raised through qualified institutional placements stood at ₹78,089 crore, more than seven times the amount raised the year before. Bulk and block deals totalled ₹5.25-lakh crore, which is 55 per cent higher than the previous fiscal.
(Business Line)

HDFC Bank's Rs 1,500 crore ex-gratia a gesture of employee appreciation: Following an impressive Q4FY24 performance, HDFC Bank announced an ex-gratia payment of around Rs 1,500 crore to its staff. The bank's decision came as a gesture of appreciation for the employees' dedication during the merger with HDFC Ltd as well as address attrition, said Sashidhar Jagdishan, the managing director & chief executive of the largest private sector lender. The lender, which announced its January-March earnings on Saturday, reported a 37.1 per cent growth in net profit, boosted by a one-time gain from selling a majority stake in HDFC Credila – an education loan company.
(Business Standard)

HDFC Bank Q4 Results: Net profit at ₹16,512 crore, NII rises to ₹29,007 crore: HDFC Bank announced its January-March quarter results for fiscal 2023-24 (Q4FY24) reporting a standalone net profit of ₹16,512 crore, compared to ₹16,373 crore in the preceding December quarter. HDFC Bank merged with its parent Housing Development Finance Corporation (HDFC) in July, which means its results are not comparable on a year-over-year basis. India's biggest private lender's asset quality remained stable, with a gross non-performing assets (NPA) ratio of 1.24 per cent at the end of March, compared with 1.26 per cent three months earlier. Similarly, net NPA increased marginally to 0.33 per cent from 0.31 per cent in the previous quarter. HDFC Bank's core net interest income -the difference between interest earned and paid- grew to ₹29,080 crore for the reporting quarter, while the other income grew to ₹18,170 crore. The lender has reported its core net interest margin (NIM) of 3.44 per cent on total assets. The bank announced that its board of directors recommended a dividend of ₹19.5 per equity share of Re 1 for the year ended March 31, 2024.
(Mint)

HSBC Geneva leak: ITAT says data is old, bank balance can't be taxed: Almost 14 years after the sensational data leak from HSBC Geneva, a tax order has questioned the very approach of the Income-Tax (I-T) department in going after individuals whose names figured in the infamous list of information that was stolen by an employee of the British bank's Swiss private banking arm. In a decision that could have a bearing on other `HSBC account' cases, a tax tribunal last week has ruled that the I-T department cannot go back 16 years to reopen old matters to tax the 'peak balance' lying in such bank accounts. According to the Mumbai bench of the Income Tax Appellate Tribunal --- a quasi judicial authority --- a bank balance reflects 'assets' and not 'income', and, under the law, only income can be taxed.
(Economic Times)

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INDUSTRY OUTLOOK

Delink bank loans from on-lending to group cos: RBI tells Tata Sons: After months of negotiations with the Reserve Bank of India, Tata Sons is said to have worked out a solution which may not only help the tech to FMCG behemoth avoid the requirement for mandatory listing but also shun the non-banking finance company – upper layer (NBFC–UL) classification. According to sources, RBI has asked Tata Sons to delink the 'on-lending' tag on its bank borrowings.
(Business Line)

Apple set to scale up production India, employ 5 lakh people in next 3 years: iPhone maker Apple is set to scale up its production in India through vendors and is expected to employ around 5 lakh employees from the country in the next three years, the sources from the government revealed on Sunday. The fresh plans around hiring will be a significant boost from the current level of 1.5 lakh Apple employees in India, the majority of them through its two plants run by Tata Electronics. "Apple is accelerating hiring in India. At a conservative estimate, it is going to employ five lakh people in the next three years through its vendors and components suppliers," a senior government officer told PTI.
(Mint)

Aditya Birla Fashion gets board nod for Madura demerger: The board of directors of Aditya Birla Fashion and Retail (ABFRL) on Friday approved the demerger of the Madura Fashion & Lifestyle (MFL) business, its biggest vertical, into a newly-incorporated company called Aditya Birla Lifestyle Brands (ABLBL), which will be listed separately once the demerger is completed.

With annual sales of Rs 7,959 crore in FY23, Madura brands and other lifestyle businesses accounted for nearly two-third of ABFRL's total revenue of Rs 12,418 crore.
(Financial Express)

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REGULATION & DEVELOPMENT

Direct tax collections exceed revised estimates by ₹13,000 cr: Big boost from personal income tax helped the government receive over ₹19.58 lakh crore through direct taxes in fiscal year 2023-24. With this, collections exceeded both budget estimates (BE) and revised estimates (RE). According to a Finance Ministry statement, net collection of direct taxes (gross collection minus refund) rose to ₹19.58 lakh crore in FY24 which is 17.7 per cent higher than ₹16.64 lakh crore of FY23. Although the statement has not mentioned any reasons for rise, officials say that the rise in overall income level along with better compliance and ease of tax-paying enabled the government to get higher revenue. Originally, the target of direct tax collection was ₹18.23 lakh crore, which was later revised to ₹19.45 lakh crore. Now, based on provisional data, collections have exceeded budget estimate and revised estimate by 7.7 per cent and 0.7 per cent respectively. This growth has been achieved despite much higher refund. "Refunds of ₹3.79 lakh crore have been issued in FY24 showing an increase of around 23 per cent over the refunds of ₹3.09 lakh crore issued in FY23," the statement said.

(Business Line)

All health schemes gradually coming under Ayushman Bharat umbrella: The Centre's flagship health insurance scheme, the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), is gradually shaping up as the umbrella scheme for all health schemes in the country, with many central government ones already aligned, and talks on for several others. What's more, the AB-PMJAY coverage is also likely to be doubled to Rs 10 lakh in days to come. Major central government health schemes like the Employees' State Insurance Scheme (ESIS) and the Central Government Health Services (CGHS) have already been aligned with the PMJAY. And discussions are on to align others like the Building and Other Construction.

(Business Standard)

Big update for senior citizens: Age cap removed, those above 65 yrs too can buy health insurance: Insurance regulator IRDAI has removed the age limit of 65 years for individuals buying health insurance policies, marking a significant departure from the constraints that limited individuals in securing comprehensive coverage. By abolishing the maximum age restriction on

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purchasing health insurance plans, IRDAI aims to foster a more inclusive and accessible healthcare ecosystem, ensuring adequate protection against unforeseen medical expenses. As per the earlier guidelines, individuals were allowed to purchase a new insurance policy only till the age of 65. However, with the recent amendment, which has been effective from April 1, anyone, regardless of age, is eligible to buy a new health insurance policy.

In a recent gazette notification, IRDAI said, "insurers shall ensure that they offer health insurance products to cater to all age groups. Insurers may design products specifically for senior citizens, students, children, maternity, and any other group as specified by the Competent Authority." Besides, insurers have been mandated to offer health policies to individuals with pre-existing medical conditions of any kind.

Consequently, insurers are prohibited from refusing to issue policies to individuals with severe medical conditions like cancer, heart or renal failure, and AIDS. According to the notification, insurers are allowed to offer premium payment in instalments for the convenience of policyholders.
(Business Today)

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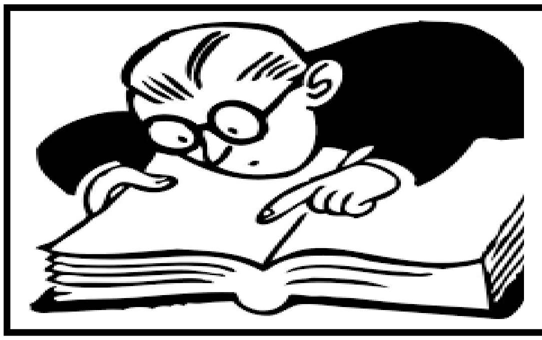

FINANCIAL TERMINOLOGY

TOTAL UTILITY

- Total utility is the aggregate amount of satisfaction or fulfillment that a consumer receives through the consumption of a specific good or service.
- Total utility is often compared to marginal utility, which is the satisfaction a consumer receives from consuming one additional unit of a good or service. Total utility helps economists understand the demand for goods and services.
- To best understand total utility, one should understand the Law of Diminishing Marginal Utility, which states that as more of a single good or service is consumed, the additional satisfaction, referred to as marginal utility, drops.
- In general, economic theories believe that consumer actions are usually based on the goal of total utility maximization, which leads to purchasing units perceived to have the greatest utility satisfaction.

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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)

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INR / 1 GBP : 103.7959
INR / 1 EUR : 88.8874
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