



**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
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DAILY NEWS DIGEST BY BFSI BOARD

September 23, 2022

RBI BARS M&M FINANCIAL SERVICES FROM RECOVERY THROUGH

OUTSOURCING: RBI today said M&M Financial Services cannot undertake loan recovery or repossession activity through outsourcing arrangements, until further orders. However, the non-banking finance company may continue to carry out recovery or repossession activities, through its own employees, said the central bank in a statement. On September 15, a 27-year-old pregnant woman was allegedly crushed to death under the wheels of a tractor which was forcibly being driven away by a recovery agent of a finance company in Jharkhand's Hazaribagh.

(Moneycontrol)

BANK OF ENGLAND ANNOUNCES ANOTHER HALF-POINT HIKE: The Bank of England raised its benchmark rate to 2.25%, matching its half-point increase last month — the biggest hike in 27 years.

(Moneycontrol)

CCI APPROVES AMALGAMATION OF JIO CINEMA WITH VIACOM 18 MEDIA:

The CCI has approved the amalgamation of JioCinema OTT platform with Viacom 18 Media Pvt. Ltd. BTS Investment and Reliance Projects & Property Management Services have invested in the OTT platform

(Business Line)

BANK GNPA_s MAY TOUCH DECADAL LOW OF ABOUT 4% NEXT FISCAL:

Gross non-performing assets (GNPAs) of banks is expected to improve 90 basis points (bps) to about 5 per cent this fiscal, and another 100 bps to a decadal low of about 4 per cent by March 31, 2024, riding on post-pandemic economic recovery and higher credit growth, according to CRISIL ratings. CRISIL observed that the asset quality of the banking sector will also benefit from the proposed sale of NPAs to the National Asset Reconstruction Company Ltd.

(Business Line)

CABINET APPROVES 50% INCENTIVE TO MANUFACTURE

SEMICONDUCTORS: The Cabinet, on Wednesday, approved modifications in the scheme for semiconductors and display manufacturing ecosystem, with a uniform fiscal support of 50 per cent of the project cost for all technology nodes and setting up of display fabs. 'The modifications will strengthen the semi-conductor scheme and raise capacities within the country'

(Business Line)



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RUPEE HITS RECORD LOW AS ASIAN PEERS TUMBLE ON FED RATE VIEW:

The Indian rupee dropped to a record low versus the U.S. dollar on Thursday, as Asian currencies declined on concerns over the pace and quantum of U.S. Federal Reserve's policy tightening ahead. The rupee closed at a record low of 80.86 to the dollar, down from 79.9750 in the previous session. It was the biggest single-day fall for the local unit since Feb. 24. Traders that Reuters spoke to, were unable to confirm whether the Reserve Bank of India intervened in the spot market during the session. Some traders said RBI may have stepped in to arrest the rupee's decline, but the intervention was not too aggressive. Meanwhile, traders at two state-run banks outright denied that RBI sold dollars to rein-in the rupee's fall. And, while the Fed's 75-basis-point rate was expected, financial markets were surprised by the rate forecast.

(Economic Times)

BSNL GRANTED RS 19,000 CRORE SOVEREIGN GUARANTEE TO AID DEBT

RECAST: The government has given a Rs 19,000-crore sovereign guarantee to Bharat Sanchar Nigam Ltd (BSNL), which will allow the ailing state-run telco to restructure its debt and that of state-run Mahanagar Telephone Nigam Ltd (MTNL), officials said. Both firms have a combined debt of around Rs 60,000 crore, of which Rs 33,000 crore is on the books of BSNL. As per the officials, another similar amount of bank guarantee will be given to the firm in the next financial year starting, so that the debt burden can be reduced further.

(Economic Times)

SWIGGY, ZOMATO AMONG TOP 10 GLOBAL ONLINE FOOD DELIVERY FIRMS:

REPORT: Homegrown online food delivery platforms Zomato and Swiggy have made it to the list of the world's 'Top 10' e-commerce-based food delivery companies, says a new report. According to the Canada-headquartered global research firm ETC Group, Swiggy was placed in 9th place and Zomato on 10th. Meanwhile, China's Meituan, the UK's Deliveroo, and the US' Uber Eats, a subsidiary of Uber, captured the top 3 positions, respectively.

(Economic Times)

AXIS BANK STARTS DIGITAL LENDING THROUGH ACCOUNT AGGREGATOR

FRAMEWORK: Axis Bank on Thursday said that it has started lending through the Account Aggregator (AA) Framework. The bank offers personal loans, credit cards, auto loans and small business loans through the account aggregator journey. It provides instant loans that are completely digital and paperless, both for existing and new customers. Axis Bank is already live on multiple Account Aggregators covering retail and SME customers. The Bank's loan disbursements have increased more than 30% month-on-month since Go-Live on the Account Aggregator framework, it said.

(Economic Times)

US MORTGAGE INTEREST RATES HIT 6.25 % MARK, HIGHEST SINCE 2008:

The highly interest-rate-sensitive housing sector in the US has been hugely impacted by the



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rising mortgage rates as the Federal Reserve made an aggressive move to bring down the high inflation by lifting borrowing costs. The central bank is set to unleash three-quarters of a percentage point hike in the rates of interest for a third time later on Wednesday.

(Economic Times)

SEBI PERMITS REITs, InvITs TO ISSUE COMMERCIAL PAPERS: Capital markets regulator SEBI on Thursday allowed emerging investment vehicles, Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT), to issue commercial papers. The move came after Reserve Bank Commercial Paper Directions last month indicated that InvIT and REIT having net worth of at least Rs 100 crore are eligible to issue commercial paper. Commercial Paper or CP in market parlance refers to a short-term debt instrument issued by companies to garner funds generally for a time period up to one year.

(Economic Times)

UCO BANK BECOMES FIRST LENDER TO GET RBI'S APPROVAL FOR RUPEE TRADE: UCO Bank has received the Reserve Bank of India's (RBI's) approval to open a special vostro account with Gazprombank of Russia for trade settlement in Indian rupees. The Kolkata-based lender is the first bank to receive regulator's approval following the RBI's decision to allow Indian banks to settle trade in Indian currency in July.

(Business Standard)

SBI LEAST EFFICIENT IN ASIA-PACIFIC DUE TO HIGH COST-TO-INCOME RATIO: STUDY: State Bank of India was the least efficient among its Asia-Pacific peers in the June quarter due to its high cost-to-income ratio and mark-to-market losses on its investment book, according to S&P Global Market Intelligence. SBI had the highest cost-to-income ratio of 71.06 per cent, followed by Japan's Mitsubishi UFJ Financial Group Inc. SBI's cost-to-income ratio swelled 911 basis points year over year (YoY) in the June quarter, the steepest rise among banks in the sample, according to data compiled by Market Intelligence.

(Business Standard)

OLA ELECTRIC TO FORAY INTO INTERNATIONAL MARKETS STARTING WITH NEPAL: Ola Electric on Thursday said it plans to foray into the international markets starting with Nepal. The scooters will be available in Nepal starting next quarter. In the second phase, the company also aims to enter Latin America, ASEAN and European Union, increasing the company's presence in up to five international markets.

(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

INVOICE FINANCE

- ❖ Invoice financing is a form of short term borrowing which is extended by the bank or a lender to its customers based on unpaid invoices. Invoice financing is often carried out to meet short-term liquidity needs of the company.
- ❖ Invoice financing allows the company or a firm to meet its short-term liquidity needs based on the invoices generated which are still unpaid by its customers. Unpaid invoices are accounts receivable, which means that the company will receive that amount but at a later date.
- ❖ The benefit of invoice financing is that the company doesn't have to wait for accounts receivable to come and then start paying its employees, buy equipment, etc. They can do that as and when they get the money from the bank or lender.
- ❖ Invoice financing can be done in two distinct ways - one is factoring and the other one is discounting.
- ❖ Factoring is an arrangement in wherein a company approaches a financier or a bank to sell unpaid invoice. The lender may pay up to 75 per cent of what the invoices are worth up-front to the company. If the lender receives full payment from customers, it will repay the balance amount less interest or other charges back to the company.
- ❖ Discounting is a method in which the company could get as much as 90 per cent of what the invoices are worth. The only difference between factoring and discounting is that the business collects the payment from customers and then pays it back to the lender. When client(s) makes the payment to the company, it then repays it back to the lender or the bank minus the fee or interest.



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RBI KEY RATES

Repo Rate: 5.40%
SDF: 5.15%
MSF & Bank Rate: 5.65%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 80.7246
INR / 1 GBP : 90.6387
INR / 1 EUR : 79.2608
INR /100 JPY: 55.5700

EQUITY MARKET

Sensex: 59119.72 (-337.06)
NIFTY : 17629.80 (-88.50)
Bank NIFTY: 40630.60 (-572.85)

(CMA Chittaranjan Chattopadhyay)

Chairman,

Banking, Financial Services & Insurance Board

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