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DAILY NEWS DIGEST BY BFSI BOARD

23 May 2024



ECONOMY

RBI board approves record surplus transfer of Rs 2.11 lakh crore to government for FY24:

The Reserve Bank of India's (RBI) Central Board of Directors has approved the transfer of Rs 2.11 lakh crores as surplus to the government for the financial year 2023-24, the RBI said in a statement on May 22. This is arguably the highest ever yearly surplus transfer to the government by the Indian central bank. The central bank said surplus transfer to government for financial year 2023-24 is based on the Economic Capital Framework (ECF) adopted by the RBI on August 26, 2019 as per recommendations of the Bimal Jalan committee. The sharp jump in the surplus amount could be attributed to higher income from the forex holding of the central bank, among other factors. The dividend, transferred in 2024-25, is sharply higher than what the government had originally expected. The surplus transfer is for the fiscal year 2023-2024, but will reflect in the government's account in the fiscal year 2025.

(Moneycontrol)

Higher RBI dividend to help ease fiscal deficit by 0.2-0.4% in FY25, say economists:

The highest ever dividend transfer approved by the board of Reserve Bank of India (RBI) to government for financial year 2023-24 is expected to ease fiscal deficit by 0.2 percent to 0.4 percent in FY25, economists said. "We expect such a windfall to help fiscal deficit ease by 0.4 percent in FY25," said Upasna Bhardwaj, Chief Economist, Kotak Mahindra Bank. Further, Gaura Sen Gupta, Chief Economist of IDFC FIRST Bank said the higher dividend represents additional fiscal revenue of 0.4 percent of GDP. "Incorporating potential shortfall in disinvestment receipts and more moderate tax collection growth than budgeted, FY25 fiscal deficit could undershoot Budget Estimate by 0.2 percent of GDP," Gupta added.

(Moneycontrol)

RBI buys 1.5 times more gold in January-April than whole of 2023: The Reserve Bank of India added 24 tonnes of gold to its stock of reserves in four months from January to April this year as



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a hedge against volatility amid geopolitical tensions. This is reckoned to be a part of strategic diversification of reserves in challenging times. This is almost one and a half times the volume it did during the whole of 2023 when it added 16 tonnes to its reserves an analysis of the Reserve Bank data indicates.

(Economic Times)

BANKING & FINANCE



ESAF SFB evaluating conversion to universal bank: MD & CEO Paul Thomas: ESAF Small Finance Bank (SFB) is evaluating conversion into a universal bank, said Paul Thomas, managing director and chief executive officer of the bank. In April, the Reserve Bank of India (RBI) came out with guidelines for the voluntary conversion of SFBs to universal banks. According to the guidelines, the SFBs must have a minimum net worth of Rs 1,000 crore and have a satisfactory track record of at least five years with a gross non-performing asset (NPA) of 3 per cent or less and a net NPA of 1 per cent or less in the past two financial years. However, the gross NPA of ESAF SFB stood at 4.8 per cent and net NPA was 2.3 per cent in the quarter ended March 31, 2024.

(Business Standard)

Karur Vysya Bank to open 100 new branches in current financial year: MD & CEO: Private sector Karur Vysya Bank has set a target of opening 100 new branches during the current financial year across the country, a top official said on Wednesday. The Tamil Nadu-based bank's 840th branch in Ayodhya was inaugurated by the bank's Chairperson Meena Hemchandra. Karur Vysya Bank Managing Director and CEO B Ramesh Babu said the bank had opened 39 branches during the current financial year and proposes to add about 100 new branches across the country during the period. In a statement Babu said the bank recorded the highest-ever annual net profit of Rs 1,605 crore in the last financial year while the net Non-Performing Assets (NPA) were at 0.40 per cent as on March 31, 2024. "The bank continues its strong growth momentum, consistency in asset quality and profitability," he said.

(Economic Times)

Mahindra & Mahindra Finance secures IRDAI license to offer tailored insurance plans: Mahindra & Mahindra Financial Services today announced that it has obtained a certificate of registration from IRDAI (Corporate Agency License) to act as a 'Corporate Agent under the Insurance



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Act, 1938. This license would enable Mahindra Finance to offer tailored insurance plans to its customer base, enhancing the company's customer centric approach.

(Economic Times)

INDUSTRY OUTLOOK



Bluechips propelled domestic market from \$4 trillion to \$5 trillion: Bluechips have propelled the domestic market from \$4 trillion to \$5 trillion. On an absolute basis, the top 100 companies have accounted for 63 per cent of the gains (Rs 51 trillion out of Rs 81 trillion), while companies beyond the top 100 have accounted for 37 per cent of the gains (Rs 30 trillion out of Rs 81 trillion). This contrasts with what happened during the market's journey from \$3 trillion to \$4 trillion when the market cap pooled in by the top 100 and those beyond 100 was almost equal in absolute terms. Interestingly, in percentage terms, the growth in both top 100 and beyond 100 universes and also the overall market cap from \$4 trillion to \$5 trillion (in rupee terms) is similar at 25 per cent each. During the 55 per cent jump in market cap (in rupee terms) from \$3 trillion to \$5 trillion, the market value of the beyond 100 pack had almost doubled, while the top 100 had underperformed with just 41 per cent growth.

(Business Standard)

Paytm Q4 Results: Loss widens to Rs 549.60 crore, revenue down 2.9% on-year: One 97 Communications Ltd, the parent company of Paytm on Wednesday recorded a net loss of Rs 549.60 crore during the fourth quarter of FY24, posting a 3.2X jump from Q4FY23 when it had posted a loss of Rs 168.40 crore. The company posted revenue from operations at Rs 2267.10 crore, down 2.9 per cent on-year as against Rs 2334.50 crore during the corresponding quarter of previous fiscal year. "Our Q4 FY 2024 results were impacted by temporary disruption on account of UPI transition, etc. and permanent disruption because of the PPBL embargo. Our contribution margin was 57 per cent including UPI incentives, and 51 per cent excluding UPI incentives. Our EBITDA before ESOP was Rs 103 crore, including UPI incentives and Rs (185) crore excluding UPI incentives," the company stated in a regulatory filing.

(Financial Express)

Slowing EV sales are upending banker climate strategies: Electric vehicles have swiftly gone from a rare bright spot in the fight against climate change to a cause for concern. A slowdown in EV adoption has potentially huge implications for the energy transition. It also has ramifications for



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the many financial institutions that have pledged to decarbonize the loans and investments they make. For lenders such as Bank of America Corp., HSBC Holdings Plc and JPMorgan Chase & Co. that have committed to reduce emissions associated with their financing activities in high-carbon sectors, the auto industry seemed to have a relatively clear path. Unlike certain hard-to-abate industries where getting to net zero relies on scaling up nascent technologies, a widely held assumption was that government incentives and consumer demand for EVs could be counted upon for a smooth transition.

(Economic Times)



REGULATION & DEVELOPMENT

MCA fines LinkedIn India, Nadella, 8 others for companies law violations: The corporate affairs ministry on Wednesday slapped fines on Microsoft-owned LinkedIn India, Satya Nadella and eight other individuals for violation of the significant beneficial owner norms under the companies law. Nadella is the chief of Microsoft, which acquired the professional networking platform LinkedIn in December 2016. In a 63-page order, the Registrar of Companies ((NCT of Delhi & Haryana) said that LinkedIn India and the individuals violated the Significant Beneficial Owner (SBO) norms under the Companies Act, 2013. "... Satya Nadella and Ryan Roslansky are the SBOs in relation to the subject company and are liable to a penalty under section 90(10) of the Act, due to their failure to report as per section 90(1). Ryan Roslansky was appointed as the global CEO of LinkedIn Corporation on 1st June 2020 and started reporting to Satya Nadella," the RoC, which comes under the ministry, said in the order. Section 90 of the Act pertains to SBO. It requires companies have to disclose SBO details. According to the order, the company and its officers are liable for action for the failure to take necessary steps to identify the SBO in relation to the company. The RoC has slapped penalties totalling Rs 27,10,800 on LinkedIn Technology Information Pvt Ltd or LinkedIn India, Nadella, LinkedIn CEO Ryan Roslansky and seven other individuals.

(Business Standard)

Top regulators, govt departments join forces to counter pesky calls, online fraud: Regulators such as RBI, SEBI, Trai, along with government departments like the Ministry of Home Affairs, Ministry of Consumer Affairs, and DoT, convened on May 21 to address the issue of pesky communications and online financial fraud. Discussions centered on tightening KYC rules, improving



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information sharing among stakeholders, and enhancing consent mechanisms. Trai's joint committee of regulators is spearheading collaborative efforts to tackle digital regulatory implications.

(Economic Times)



FINANCIAL TERMINOLOGY

STALKING HORSE BID

- ❖ A stalking horse bid is an initial bid on the assets of a bankrupt company. The bankrupt company will choose an entity from a pool of bidders who will make the first bid on the firm's remaining assets.
- ❖ The stalking horse sets the low-end bidding bar so that other bidders can't underbid the purchase price. The term "stalking horse" originates from a hunter seeking concealment behind either a real or fake horse while stalking game.
- ❖ The stalking horse bid method allows a distressed company to avoid receiving low bids as it sells its final assets. Once the stalking horse bidder has made its offer, other potential buyers may submit competing bids for the company's assets.
- ❖ By setting the low end of the bidding range, the bankrupt company hopes to realize a higher profit on its assets. As bankruptcy proceedings are public, they allow for the disclosure of more information about the deal and the buyer than would be available in a private deal.



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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 : 83.2301
INR / 1 GBP : 106.1062
INR / 1 EUR : 90.3879
INR /100 JPY: 53.2100

EQUITY MARKET

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NIFTY: 22597.80 (+68.75)
Bnk NIFTY: 47781.95 (-266.25)

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