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## **DAILY NEWS DIGEST BY BFSI BOARD**

**23 August 2024**



## **ECONOMY**

**RBI MPC Minutes: Food inflation pressures showing little signs of abatement in near term, central bank observes:** RBI on Thursday observed that the policy must continue to be actively disinflationary to ensure anchoring of inflation to its target level. In the MPC minutes released today, the central bank noted that the headline inflation has seen upward movement in June to 5.1 per cent, as food inflation pressures increased and offset the impact of subdued core (CPI excluding food and fuel) inflation and deflation in the fuel group. Although food inflation is still high, the RBI's rate-setting panel observed that price stability and resilient growth have created space for the monetary policy to focus unambiguously on inflation. On future indicators, the RBI noted that headline inflation in July and Q2 of the current financial year are expected to be lower, given their base effect advantage; but with food inflation pressures showing little signs of abatement in the near-term, and household inflation expectations picking up, monetary policy has to remain vigilant to potential spillovers of food price pressures to the core components.

***(Business Today)***

**Finance Ministry projects real GDP growth of 6.5-7% for FY25 despite erratic monsoon:** India's economic momentum remains strong despite a somewhat erratic monsoon, with the Finance Ministry projecting real GDP growth of 6.5-7% for the current fiscal year, according to a report released Thursday. The Monthly Economic Review for July indicates that the Indian economy has maintained its momentum in the first four months of FY25. Goods and Services Tax (GST) collections have risen due to an expanded tax base and increased economic activity, the report stated. The report highlighted that domestic economic resilience is reflected in the robust performance of manufacturing and services sectors. Manufacturing growth has been driven by increased demand, higher new export orders, and rising output prices.

***(Financial Express)***



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**Fema tweaks: FPIs may switch to FDI after reaching 10% ownership cap:** The government is planning to introduce legislative changes to the Foreign Exchange Management Act (Fema) regulations, with a focus on easing the pathway for inflows from a foreign portfolio investor to transition seamlessly into foreign direct investments (FDI) once the FPI surpasses the 10 per cent ownership threshold in a company. This move stems from multiple requests by foreign investors seeking to streamline the reporting requirements that arise when their stakes in Indian firms cross the 10 per cent mark.

*(Business Standard)*

## **BANKING & FINANCE**



**RBI streamlines payments, allows instant auto top-ups for FASTag and NCMC:** The Reserve Bank of India on Thursday updated its e-mandate rules to allow automatic top-ups for FASTag and National Common Mobility Card (NCMC) accounts. Previously, these accounts needed a 24-hour advance notice before any debit. Now, auto-replenishment will be permitted as soon as the balance drops below a customer-set level, without needing the advance notice. This change, announced in June, means you won't have to wait for a pre-debit alert for these recurring payments. "It has been decided to include auto-replenishment of FASTag and NCMC, as and when the balance falls below a threshold set by the customer, under the e-mandate framework. Payments for auto-replenishment, since they are recurring in nature but without any fixed periodicity, will be exempt from the requirement of pre-debit notification," the RBI said in a circular.

*(Financial Express)*

**Govt unlikely to issue more SGBs, calls them 'costly and complex':** The Union government is likely to halt the sale of sovereign gold bonds (SGBs) because they are "complex and expensive", a top government official said. Earlier this month, the Reserve Bank of India (RBI) announced the redemption price of the SGB scheme (SGB 2016-17 Series I - Issue date August 5, 2016) at Rs 6,938 for gold of 999 purity (one gram). This was 122 per cent higher than the issue price of Rs 3,119 in August 2016. However, the redemption price was around 4.5 per cent lower than the average price of the week before the Union Budget

*(Business Standard)*



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**Bandhan Bank introduces new savings product 'avni' exclusively for women:** Bandhan Bank has unveiled a savings product exclusively for women with an aim to boost low cost deposit mobilisation. The share of Bandhan's current and savings account fell to 33.4% at the end of June, as compared with 37.1% three months prior to that. "We expect improvement in CASA (current and savings account) deposit share with this product. We are planning more innovative products which will act as important levers towards universal banking mandate," Bandhan Bank's interim managing director Ratan Kumar Kesh told ET.

*(Economic Times)*

**PhonePe launches credit line on UPI platform for seamless merchant payments:** Walmart backed fintech firm PhonePe on Thursday launched Credit Line on UPI on its platform to enable consumers availing credit lines from their banks to seamlessly link them to UPI on PhonePe for merchant payments. The feature will enable consumers to purchase with ease across millions of merchants and avail the flexibility of short-term credit that helps them manage their monthly expenses better. "This is the second offering that will unlock the potential of credit usage on UPI, following the tremendous success of Rupay Credit Cards on UPI. We believe digital payments in India is growing strength to strength and PhonePe is committed to providing the most innovative and best-in-class solutions to our customers," said Deep Agrawal, Head of Payments at PhonePe.

*(Business Line)*

## INDUSTRY OUTLOOK



**Zomato shuts down inter-city delivery service Legends over 'lack of product-market fit':** Restaurant aggregator and food delivery platform, Zomato, on August 22 announced shutting down its intercity food delivery service Zomato Legends. In a post on X (formally Twitter), Chief Executive Officer Deepinder Goyal wrote, "Update on Zomato Legends - after two years of trying, not finding product market fit, we have decided to shut down the service with immediate effect." The service was suspended in April this year and was relaunched in July. In its second avatar, the company tweaked the model to deliver pre-stocked items from other cities with a shorter delivery timeline. The Legends facility offered iconic dishes from 10 cities to other parts of the country. Following the shut-down, Zomato's food delivery service will now operate only within cities.

*(Business Today)*



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**Govt may let foreign investors raise capital in rupees to invest overseas:** India may allow certain foreign investors to raise capital in rupees for investments in select countries, a government official said, in a move aimed at boosting the international use of the South Asian nation's currency. The plan comes after Indian Finance Minister Nirmala Sitharaman said in July the nation will simplify its foreign direct investment and overseas investment rules to promote opportunities for use of the Indian rupees as a currency for overseas investments. India may allow certain foreign investors to raise capital in rupees for investments in select countries, a government official said, in a move aimed at boosting the international use of the South Asian nation's currency. The new provision could enable investments in rupees in select nations of "strategic interest" to India, said the official with direct knowledge of the plans.

***(Business Standard)***

**Airtel, SBI Life receive tax demand notice from GST appellate authority:** The Goods and Service Tax Appellate Authority has ordered Bharti Airtel to pay Rs 194 crore GST on licence fees and spectrum usage charges demanded by the Department of Telecom, a regulatory filing said on Thursday. The matter pertains to the demand for Goods and Service Tax (GST) of Rs 604.66 crore by the GST Department under the reverse charge mechanism on license fee (LF) and spectrum usage charges (SUC) basis the demand note issued by the Department of Telecommunications. "On an appeal filed by the Company to Commissioner (Appeals), Central Goods and Service Tax Appellate Authority, Delhi, the Appellate Authority has passed an appeal order reducing the said demand to Rs 194 crore," the company said. SBI Life on Thursday said tax authorities have slapped a demand notice of about Rs 239.27 crore on it for short payment of Goods and Services Tax (GST) for the financial year 2019-20. The company has received an order for interest and penalty from the Deputy Excise & Taxation Commissioner, Rohtak, Haryana, SBI Life said in a regulatory filing.

***(Business Standard)***



## **REGULATION & DEVELOPMENT**

**Govt aiming to fully automate customs processes by April 2026:** The government is aiming to digitalise the entire customs process by April 2026 and bring more departments on board the single window interface for facilitating trade (SWIFT) portal to expedite the clearance procedure, official sources said. "The aim is to enhance ease of doing business for importers and exporters, and reduce the turnaround time for trade," an official said. "We expect all the remaining processes to be





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automated within two years...it should be done by April 2026,” the official added. Earlier this year, revenue secretary Sanjay Malhotra had said that the customs department was developing a fully automated trade interface system — ‘Customs 2.0’. This was being done as the government aimed to improve its ranking in the World Bank’s Logistics Performance Index (LPI), he had said.

***(Financial Express)***

**Rs 15,000 crore PLI sops likely this fiscal:** The government may double the disbursements under production-linked incentive (PLI) schemes in this fiscal to Rs 15,000 crore. This would be more than double the amount of Rs 6,800 crore disbursed to various sectors in FY24. The combined investments under the PLI schemes had hit Rs 1.3 trillion at the end of May, according to official estimates. The PLI schemes were launched in 2021, covering as many as 14 sectors. However, only Rs 9,721 crore or 5% of the Rs 1.95-lakh-crore incentives earmarked for them was disbursed till March 2024. The government is undertaking a revamp of the PLI schemes by relaxing the norms for the release of funds by accepting applications for the release of incentives every quarter, compared to the earlier norm of annual releases of the funds. Of the Rs 14,837 crore estimated release of incentives in FY25, the large-scale electronics manufacturing sector, mainly mobile manufacturers, will account for a lion’s share of Rs 6,044 crore or 41% of the total disbursements.

***(Financial Express)***

**NSE tightens SME listing norms amid concerns over company quality:** The National Stock Exchange (NSE) on Thursday prescribed eligibility conditions for the listing of small and medium enterprises (SMEs) amid concerns about the quality of companies raising funds through this route. The stock exchange permits the listing of SMEs on its platform, NSE Emerge, from which firms can later migrate to the mainboard upon fulfilling certain conditions. On Thursday, the NSE added the condition of positive free cash flow (FCF) as an eligibility criterion for listing on NSE Emerge. “The company/entity should have positive FCF to equity for at least two out of the three financial years preceding the application,” said NSE in a circular outlining the computation methodology. The additional criteria will be applicable to all draft documents filed from September 1 onwards.

***(Business Standard)***



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## FINANCIAL TERMINOLOGY

### LEVERAGED BUYOUT

- ❖ A leveraged buyout (LBO) is the acquisition of another company using a significant amount of borrowed money (bonds or loans) to meet the cost of acquisition. The assets of the company being acquired are often used as collateral for the loans, along with the assets of the acquiring company.
- ❖ The buyer typically wishes to invest the smallest possible amount of equity and fund the balance of the purchase price with debt or other non-equity sources. The aim of the LBO model is to enable investors to properly assess the transaction and earn the highest possible risk-adjusted internal rate of return (IRR).
- ❖ In an LBO, the goal of the investing company or buyer is to make high returns on their equity investment, using debt to increase the potential returns.



### **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 : 83.9569  
INR / 1 GBP : 109.9298  
INR / 1 EUR : 93.5884  
INR /100 JPY: 57.7900

### **EQUITY MARKET**

Sensex: 81053.19 (+147.89)  
NIFTY: 24811.50 (+41.30)  
Bnk NIFTY: 50985.70 (+300.15)

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