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DAILY NEWS DIGEST BY BFSI BOARD

24 February 2024

BANKING & FINANCE

RBI announces more steps on Paytm, asks NPCI to examine request to become Third-Party Application: The Reserve Bank of India (RBI) on February 23 said it has advised National Payments Corporation of India (NPCI) to examine the request of One97 Communication Ltd (OCL) to become a Third-Party Application Provider (TPAP) for UPI channel for continued UPI operation of the Paytm app. The central bank further advised that in the event of NPCI granting TPAP status to OCL, it may be stipulated that '@paytm' handles are to be migrated in a seamless manner from Paytm Payments Bank to a set of newly identified banks to avoid any disruption. "No new users are to be added by the said TPAP until all the existing users are migrated satisfactorily to a new handle," RBI said.
(Moneycontrol)

After Axis Bank, HDFC and Yes Bank submit TPAP application for Paytm UPI business: One97 Communications, which runs the Paytm brand, and private sector lenders HDFC Bank and Yes Bank have jointly applied to be a third-party application provider (TPAP) with the National Payments Corporation of India (NPCI) on February 22 for running the mobile payments platform Unified Payments Interface (UPI). Early this week, Moneycontrol reported that Axis Bank and Paytm had submitted a joint application with NPCI to be a TPAP. All three banks have been in discussions with NPCI, the entity overseeing and regulating UPI, over the past few days. NPCI is expected to expedite the process to ensure that customers do not encounter any difficulties using the Paytm app for UPI payments.
(Moneycontrol)

Goldman Sachs downgrades SBI, ICICI Bank, YES Bank; cites multiple challenges to earnings: Global research firm Goldman Sachs on Friday downgraded its rating on State Bank of India, ICICI Bank and YES Bank citing the end of the "Goldilocks period" for financial sector entities. It downgraded SBI and ICICI Bank from 'buy' to 'neutral' basis a 4 per cent downside and 3 per cent

upside, respectively. Further, it downgraded YES Bank from 'neutral' to 'sell' attributing the call to a 37 per cent downside on the stock, but reiterated the 'buy' rating on HDFC Bank. "We believe the proverbial Goldilocks period (strong growth and strong/visible profitability) is over for the financial sector in the near-term as headwinds are increasing," it said in a report.
(Business Line)

RBI allows issue of PPIs for making payments across public transport: The Reserve Bank of India has allowed authorised bank and non-bank Prepaid Payment Instruments (PPIs) to issue PPIs for making payments across various public transport systems to provide convenience, speed, affordability, and safety of digital modes of payment to commuters for transit services. Issuers will now be able to issue such PPIs for Mass Transit Systems (PPI-MTS) to make payments across various modes of public transport such as metro, buses, rail, and waterways, tolls and parking, effective immediately.
(Business Line)

ECONOMY

US Treasury Department imposes 500+ sanctions on Russia; EU targets companies in new round: The United States and the European Union are piling new sanctions on Russia on the eve of the second anniversary of its invasion of Ukraine and in retaliation for the death of noted Kremlin critic Alexei Navalny last week in an Arctic penal colony. The US Treasury Department plans Friday to impose more than 500 new sanctions on Russia and its war machine in the largest single tranche of penalties since Russia's invasion of Ukraine on February 24, 2022. They come on the heels of a series of new arrests and indictments announced by the Justice Department on Thursday that target Russian businessmen, including the head of Russia's second-largest bank, and their middlemen in five separate federal cases. The European Union announced Friday that it is imposing sanctions on several foreign companies over allegations that they have exported dual-use goods to Russia that could be used in its war against Ukraine.
(Moneycontrol)

Milk production grew 60% in last decade, Amul key driver: PM: Bucking the global trend, India's dairy sector is growing at an impressive rate of 6% with the country's largest milk cooperative, the Gujarat Cooperative Milk Marketing Federation (Amul) contributing significantly to the growth,

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prime minister Narendra Modi said on Thursday. Addressing a gathering of farmers and cooperative members here at the Narendra Modi stadium, the PM said, “In the past 10 years, the milk production in India has gone up by around 60% and the per person availability of milk has grown by around 40%. At a time when the global dairy sector is growing merely at a rate of 2%, India’s dairy sector is growing at a rate of 6%.” He noted that Amul is targeting to double the milk processing capacity of its plants in the next five years, but I want Amul to become the largest dairy company as soon as possible from its current position of 8th largest dairy firm.”
(Financial Express)

UAE dropped from financial crime watch list in win for nation: The United Arab Emirates, home to the financial hub of Dubai, has been dropped from a global watchdog's list of countries at risk of illicit money flows, a win for the nation that could bolster its international standing. The Financial Action Task Force (FATF), a body that groups countries from the United States to China to tackle financial crime, on Friday dropped the UAE from its 'grey list' of around two-dozen nations considered risky. The Gulf country, a magnet for millionaires, bankers and hedge funds, was placed under closer scrutiny in 2022, when the FATF highlighted the risk of money laundering and terrorist financing involving banks, precious metals and stones as well as property.
(Economic Times)

INDUSTRY OUTLOOK

Indian trade body asks businesses to avoid foreign-owned PhonePe, Google Pay when shifting from Paytm: India's Confederation of All India Traders (CAIT) has asked brick-and-mortar businesses to avoid switching to foreign-owned payment applications such as PhonePe or Google Pay as traders start shifting away from Paytm, the association's Secretary General Praveen Khandelwal told Moneycontrol. "We have asked traders to pick the Unified Payments Interface (UPI) or payment applications offered by Indian banks, rather than go for applications backed by foreign companies. We need to stick to our Make in India vision," Khandelwal said. This recommendation by CAIT, one of the key trade associations in India, follows an advisory issued on February 4 asking businesses to drop Paytm after the clampdown by the Reserve Bank of India (RBI).
(Moneycontrol)

Pension funds ride high on equity bull run, 1-year returns surge to 28.66%: Roaring bull markets in equities have helped Pension Funds continue registering a sizzling performance with an average annual return of nearly 30 per cent from their equity investments, the latest PFRDA data

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showed. This average annual return of 28.66 per cent in equities — as of February 16, 2024 —is more than triple the return of about 8.17 per cent seen in Corporate Bonds. It is also much higher than the 9.91 per cent in the government securities and about 11.60 per cent in Central and 11.56 per cent in State government schemes, data showed. Over the last three-year period, the seven pension funds have generated an average return of 15.84 per cent. The average return from equities since inception of NPS stood at 13.45 per cent.
(Business Line)

Mukesh Ambani's Jio Financial Services market cap tops Rs 2 trillion: Mukesh Ambani-led Jio Financial Services has become the latest entrant to the Rs 2-trillion market cap club. The company's shares on Friday climbed 10.2 per cent to close at Rs 334, valuing the unit spun off from Reliance Industries (RIL) last year, at Rs 2.12 trillion. Shares of Jio Fin are up 34.5 per cent so far this month. The gains come amid troubles at digital payments major Paytm following the Reserve Bank of India (RBI) action against its payments bank's unit. Shares of One 97 Communications, Paytm's parent, are down 46 per cent this month.
(Economic Times)

REGULATION & DEVELOPMENT

FinMin asks depts to surrender unspent Budgetary allocation by March 8: Finance Ministry has asked other ministries and departments to surrender unspent Budgetary allocation for 2023-24 by March 8. The last date for accepting the Surrender of Savings anticipated in the grants for 2023-24 has been fixed as March 8, 2024, an office memorandum issued by the Department of Economic Affairs dated February 22 said. It is requested that the details of surrender of savings under each unit of appropriation may be sent to the Budget Division, Ministry of Finance by the said date in a specified format, it said. "The ministries/departments are also requested to furnish the details of excess or shortfall in recoveries, receipts if any, in the respective grants against the original estimates or recovery, while intimating the surrender of savings," it said.
(Business Standard)

Central Economic Intelligence Bureau launches "automated search portal" for public sector banks: The Central Economic Intelligence Bureau (CEIB) has launched an "Automated Search Portal" to help public sector banks (PSBs) with antecedent verification of prospective borrowers and non-performing assets (NPAs). The portal, which has been developed by the Bureau in collaboration with the State Bank of India (SBI), will help PSBs obtain mandatory intelligence

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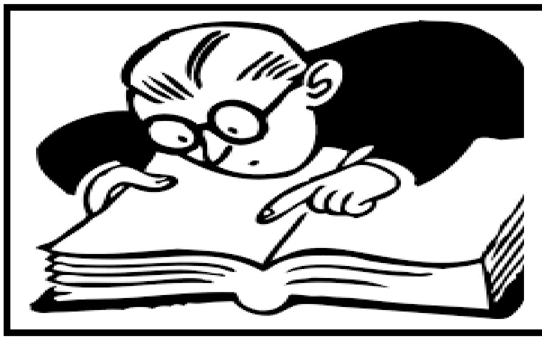
clearance from CEIB in a prompt manner, which in turn will facilitate timely disbursement of funds, per Indian Banks' Association's statement. "This is a welcome move by C.E.I.B which is aimed at equipping banks with quick access to information for taking timely decisions," the Association said. As per the "Framework for timely detection, reporting, investigation etc. relating to large value bank frauds" (May 13, 2015 and November 6, 2019) issued by Department of Financial Services, Ministry of Finance, PSBs seek report from the Bureau before sanction of loan exceeding ₹50 crore and above in case of new borrowers and if the existing borrower's accounts turn NPA.

(Business Line)



FINANCIAL TERMINOLOGY

ABANDONMENT VALUE

- Abandonment value is the equivalent cash value of a project if it is liquidated immediately after reducing all debts which need to be repaid.
- Abandonment value is also known as liquidation value of an asset. The general rule for deciding to discontinue the product is that if the product's salvage value is greater than the net present value (NPV) of its expected cash flows, the project is abandoned. It is an important factor in bankruptcy filings where assets are generally sold at a discount.
- Suppose, the optimal economic life of an asset is 4 years, but the project's expected cash flows may change over the life of the asset. The company should also estimate the future abandonment values in the initial investment phase. It would help the manager to effectively gauge the optimal economic life of an asset.
- For Example: A company's cost of capital is 10%, and the initial investment cost to be incurred at the beginning of the project is Rs 3,50,000. Future cash flows expected in the next 4 years are 2,00,000, 1,50,000, 10,0000 and 50,000.

  Now, if we calculate the net present value of each of the cash flows and subtract it with the initial investment value, it still comes out positive, which is Rs 65,067. Considering the fact that NPV is still greater than zero, the company should continue with the project and not exercise the option.

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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 : 82.8865
INR / 1 GBP : 104.9531
INR / 1 EUR : 89.7114
INR /100 JPY: 55.0300

EQUITY MARKET

Sensex: 73142.80 (-15.44)
NIFTY: 22212.70 (-4.80)
Bnk NIFTY: 46811.75 (-108.05)

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