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DAILY NEWS DIGEST BY BFSI BOARD

26 August 2024

ECONOMY

Foreign investors go bullish on India, inject Rs 11,366 cr in debt market in August, inflow hits Rs 1 lakh crore: Foreign investors infused Rs 11,366 crore in the Indian debt market so far this month, pushing the net inflow in the debt segment to over the Rs 1-lakh-crore mark. The strong buying appetite of foreign investors in the Indian debt market can be attributed to India's inclusion in JP Morgan's Emerging Market government bond indices in June this year. According to data from the depositories, Foreign Portfolio Investors (FPIs) injected Rs 11,366 crore in the debt market this month (till August 24). This inflow came following a net investment of Rs 22,363 crore into the Indian debt market in July, Rs 14,955 crore in June and Rs 8,760 crore in May. Market analysts said that ever since the announcement of India's inclusion came in October 2023 year, FPIs have been front-loading their investments in Indian debt markets in anticipation of the inclusion in global bond indices.
(Business Today)

India, Brazil end dispute on sugar subsidy at WTO: Brazil and India, the biggest two sugar-producing countries in the world, are strengthening their collaboration in ethanol production technology, thus ending their trade dispute on sugar subsidies at the World Trade Organisation (WTO), Kenneth Felix Hacynski Nobrega, Ambassador of Brazil to India said. "(Bilateral) relations are so good in many areas. We have started a dialogue focussing on ethanol, as it can be a way out of surplus (global) sugar production, which could depress prices," Nobrega, told FE.
(Financial Express)

Centre cuts drawback rates on exports of gold, silver jewellery: The Indian government has significantly reduced the drawback rates on gold and silver jewellery exports in response to recent cuts in import duties on these metals. According to a notification from the Department of Revenue, the drawback rate for gold jewelry has been decreased to Rs 335.5 per gram from Rs 704.1 per gram of net silver content. For silver jewelry and silver articles, the rate has been cut to Rs 4,468 per kilogram

of net gold content. The Duty Drawback Scheme refunds the import duties and internal taxes paid on goods imported for the manufacture of export products. The recent Budget reduced the import duty on gold and silver from 15% to 6%.Gems and jewelry exports fell by 7.45% to USD 9.1 billion during April-July this fiscal year. In the Union Budget, Union Finance Minister Nirmala Sitharaman had announced that customs duties on gold and silver will be reduced to 6% and platinum to 6.4%.
(Financial Express)

BANKING & FINANCE

RBI's new credit risk standards are game changer for Indian economy: The Reserve Bank of India (RBI) has taken a significant step in enhancing model risk management (MRM) protocols for regulated entities (REs), issuing draft guidelines on 'Regulatory Principles for Management of Model Risks in Credit'. The guidelines address the increasing complexity and potential vulnerabilities in credit decision models. The need for a comprehensive framework to manage associated risks is pressing. Globally, model risk is a recognised concern among financial regulators. The RBI's initiative seeks to resolve several critical issues faced by REs, such as the lack of a formalised mechanism for model-risk management, ineffective policy implementation etc.
(Business Standard)

Jio Financial Services gets nod to raise foreign investment limit to 49%: Jio Financial Services Ltd Sunday said it has received approval from the Department of Economic Affairs to increase its aggregate limit of foreign investment (including FPIs) to 49% of the paid-up equity share capital on fully diluted basis. Foreign investors currently hold 17.55% stake in the company out of the close to 53% public float of shares, exchange data showed.
(Economic Times)

Domestic banks and NBFCs increase exposure to Adani Group to 36% of total debt: Domestic banks and non-banking financial companies (NBFCs) now account for 36% of the Adani Group's total debt mix, having raised their exposure to the group by around 500 basis points through 2023-24, data showed. Debt at the Indian conglomerate rose on account of capex in some of their businesses.
(Economic Times)

Life insurance in fierce battle to grab annuities market share: Life insurance companies are engaged in a fierce battle for the annuities market, with both HDFC Life and SBI Life witnessing declines in sales of such products in the June quarter, as smaller players offer savers up to 70 basis points higher. Meanwhile, Tata AIA Insurance and Max Life Insurance are offering rates of 7.27% and 7.21%, respectively, compared with SBI Life's 6.65%

(Economic Times)

INDUSTRY OUTLOOK

Zomato launches 'Order Scheduling' feature; users can plan meals two days in advance: Zomato, a food delivery platform, has released a new feature 'Order Scheduling' that lets users plan their meals up to two days in advance. This service represents a substantial improvement to the company's offerings as it is currently offered in several major Indian cities. The CEO and founder of Zomato, Deepinder Goyal, announced the introduction of this functionality on social media platform X, formerly Twitter. Goyal said that initially over 13,000 restaurants in Delhi NCR, Bengaluru, Mumbai, Ahmedabad, Chandigarh, Lucknow and Jaipur will be offering the service for orders over Rs 1,000. "These restaurants historically, have high quantities of dishes in stock and have shown kitchen-preparation-time consistency. More restaurants and cities are being added. We will soon extend this for all orders," Goyal tweeted.

(Financial Express)

20 years since listing: TCS gives 77.5% cash returns to investors: As India's largest information technology (IT) services company, TCS, on Sunday marked 20 years of its listing, its Managing Director and Chief Executive Officer K Krithivasan said the firm would remain equally focused on building a stronger future. In 2004, TCS made history with the first $1 billion initial public offering (IPO) by a private-sector company in India. Tata Sons diluted 14 per cent of its equity shares. Over these two decades, TCS has announced five buybacks and three bonus issues, returning 77.5 per cent of its total cash to shareholders. The company's market capitalisation (mcap) has surged by over 3,300 per cent.

(Business Standard)

Infosys eyes acquisitions; CEO Salil Parekh says 'no layoffs due to AI focus': Infosys Ltd. is looking to acquire more companies operating in data analytics and software-as-a-service (SaaS), as generative artificial intelligence (AI) is fueling clients' strong interest, reported PTI, quoting Salil

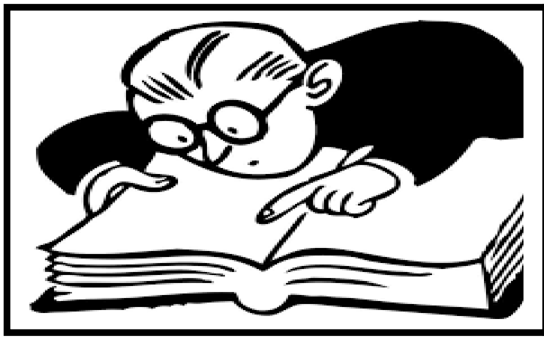
Parekh, the chief executive officer (CEO) at Infosys. The IT giant head also said that he does not foresee any layoff in the company on this new-age technology's (AI) account, reported the news agency. The company may look at some areas within Europe or the United States, according to the executive quoted in the report.
(Mint)

REGULATION & DEVELOPMENT

Cabinet approves BioE3 (Biotechnology for Economy, Environment and Employment) Policy for Fostering High Performance Biomanufacturing: The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, today approved the proposal 'BioE3 (Biotechnology for Economy, Environment and Employment) Policy for Fostering High Performance Biomanufacturing' of the Department of Biotechnology. The salient features of BioE3 policy include innovation-driven support to R&D and entrepreneurship across thematic sectors. This will accelerate technology development and commercialization by establishing Biomanufacturing & Bio-AI hubs and Biofoundry. Along with prioritizing regenerative bioeconomy models of green growth, this policy will facilitate expansion of India's skilled workforce and provide a surge in job creation. Overall, this Policy will further strengthen Government's initiatives such as 'Net Zero' carbon economy & 'Lifestyle for Environment' and will steer India on the path of accelerated 'Green Growth' by promoting 'Circular Bioeconomy'. The BioE3 Policy will foster and advance future that is more sustainable, innovative, and responsive to global challenges and lays down the Bio-vision for Viksit Bharat.
(PiB)

Cabinet approves Unified Pension Scheme for Central Govt Employees: The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, approved the Unified Pension Scheme (UPS). The salient features of the UPS are: Assured pension: 50% of the average basic pay drawn over the last 12 months prior to superannuation for a minimum qualifying service of 25 years. This pay is to be proportionate for lesser service period upto a minimum of 10 years of service, Assured family pension: @60% of pension of the employee immediately before her/his demise, Assured minimum pension: @10,000 per month on superannuation after minimum 10 years of service, Inflation indexation: on assured pension, on assured family pension and assured minimum pension, Dearness Relief based on All India Consumer Price Index for Industrial Workers (AICPI-IW) as in case of

service employees. In addition to this, lump sum payment at superannuation in addition to gratuity at the rate of 1/10th of monthly emoluments (pay + DA) as on the date of superannuation for every completed six months of service. This payment will not reduce the quantum of assured pension. Although UPS offers guaranteed pension, it doesn't resemble the OPS (Old Pension Scheme). The UPS is a fully-funded scheme; employees will contribute 10 per cent of their basic + dearness allowance. The employer's contribution (in this case, the central government) will now be 18.5 percent, up from 14 percent under NPS.
(PiB)



FINANCIAL TERMINOLOGY

COVERED INTEREST RATE PARITY

- Covered interest rate parity refers to a theoretical condition in which the relationship between interest rates and the spot and forward currency values of two countries are in equilibrium.
- The covered interest rate parity situation means there is no opportunity for arbitrage using forward contracts, which often exists between countries with different interest rates.
- Under normal circumstances, a currency that offers lower interest rates tends to trade at a forward foreign exchange rate premium in relation to another currency offering higher interest rates.
- Covered interest rate parity is a no-arbitrage condition that could be used in the foreign exchange markets to determine the forward foreign exchange rate. The condition also states that investors could hedge foreign exchange risk or unforeseen fluctuations in exchange rates (with forward contracts).

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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 : 83.8746
INR / 1 GBP : 110.0698
INR / 1 EUR : 93.3362
INR /100 JPY: 57.6800

EQUITY MARKET

Sensex: 81086.21 (+33.02)
NIFTY: 24823.15 (+11.65)
Bnk NIFTY: 50933.45 (-52.25)

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