



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

October 27, 2022

COST-AVERAGING LIC CONUNDRUM: 2.65 LAKH RETAIL INVESTORS EXIT

IN Q2: Retail investors seemed to be divided on the prospects of the shares of Life Insurance Corporation of India, as one set completely quit even as another kept accumulating the shares. Retail investors are adopting cost-averaging or buy-on-dips strategy in the country's biggest insurance major, as the share price kept falling every month. Currently, LIC shares are ruling near their lowest point since listing at ₹595 against the issue price of ₹904 (for retail investors) and ₹889 (for policyholders).

According to the latest shareholding pattern, July-September quarter also witnessed an exodus of over 2.65 lakh retail investors from LIC. However, the number of shares held by 35.23 lakh retail investors has increased to 12.21 crore shares from 11.86 crore shares (q-o-q). This is an addition of 35 lakh shares or 0.05 per cent to 1.93 per cent (1.88 per cent). In the IPO, 39.86 lakh investors garnered 1.66 per cent stake or 10.51 crore shares. That means, since IPO, over 1.7 crore shares were added by existing retail investors.

(Business Line)

CATCH-22 SITUATION LEVERAGING EXCESS SLR SECURITIES POSE A CHALLENGE FOR BANKS:

Leveraging excess statutory liquidity ratio (SLR) securities, which are being touted by top bankers as a potential source of liquidity to support credit growth, could pose a challenge for banks at a time when interest rates are on an upswing. Experts opine that banks are in a Catch-22 situation, (a difficult situation in which the solution to a problem is impossible because it is also the cause of the problem) with all of them wanting to whittle down their surplus SLR securities (comprising Central and State government securities) to support credit growth but rising yields are not offering them the opportunity.

In such a situation, it would be an uphill task to sell these securities, as bank treasuries would be wary of mark-to-market losses and consequent investment depreciation provisioning impact. Hence, this could be one of the main reasons why banks are upping retail deposit rates after initially raising only bulk deposit rates. "There is a clear gap between incremental credit and deposit growth. Deposits are not growing at the same rate as credit. Obviously, Banks need deposits. Deposits can be raised only by upping interest rates. Most of the deposit rate hikes are happening in the one to two years maturity buckets as banks don't want to lock in higher deposit rates for longer tenors.

"If all banks want to sell excess SLR to support credit growth, there should also be buyers. Buyers will hammer down prices. Bank treasuries will not want to sell at a loss," said an executive with a mutual fund.



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According to the latest monetary policy report, reflecting the improvement in credit off-take, excess holdings of SLR securities of Scheduled Commercial Banks moderated to 8.8 per cent of their deposits as on August 26, 2022 from 10.4 per cent at end-March 2022.

Banks are required to invest 18 per cent of the deposits they mobilise in SLR securities. During times when credit growth is lackluster, they invest over and above the regulatory minimum, leading to excess SLR holdings.

Excess SLR holdings provide collateral buffers to banks for availing funds under the liquidity adjustment facility(LAF) and are also a component of the liquidity coverage ratio (LCR), per the report.

(Business Line-Opinion)

GOVT NUDGES LIC TO TWEAK PRODUCT STRATEGY FOR BETTER INVESTOR RETURN: The government is nudging LIC to tweak its product strategy to maximise profitability in a bid to help the country's largest insurer realise its full growth potential and yield better returns for investors, an official said.

(Business Line)

DUE DATE FOR FILING ITR BY ENTITIES WITH AUDIT REPORT EXTENDED TO NOV 7: The Income Tax Department on Wednesday extended the due date for filing IT returns to November 7 by corporate and individuals whose accounts need to be audited. The original due date was October 31. Not filing return on or before due date (including extended one) will prove costly, as in such a situation, one needs to pay interest at the rate of 1 per cent per month or part month on the unpaid tax amount. Then a late fee of ₹5,000 will also need to be paid. Also, loss adjustment is permitted only, if one declares the losses in the ITR and files it before the deadline.If one misses the ITR filing due date, he can file a return after the due date, called a belated return. At present, last date for filing belated return of AY 2022-23 is December 31, 2022.

(Business Line)

INDIA, CHINA TRADE CROSSES \$100 BILLION DURING JANUARY-SEPTEMBER; TRADE DEFICIT CLIMBS TO OVER \$75 BILLION: India and China bilateral trade continued to boom, crossing USD 100 billion for the second year in the first nine months of 2022 while India's trade deficit climbed to over USD 75 billion, according to trade data released by Chinese customs. The total bilateral trade, amidst the military standoff in eastern Ladakh, went up to USD 103.63 billion, registering a 14.6 per cent increase compared to last year during the same period. China's exports to India climbed to USD 89.66 billion, registering an increase of 31 per cent, data released by China's General Administration of Customs (GAC) said. However, India's exports in the past nine months stood at USD 13.97 billion, registering a decline of 36.4 per cent.As a result, the total trade deficit went up to over USD 75.69 billion.



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(Economic Times)

BARCLAYS TO CREATE 1,000 JOBS AS BANK HELPS CUSTOMERS IN

INFLATION CRISIS: Barclays Plc plans to hire more than 1,000 staff in the coming weeks to help consumers manage their finances through the looming downturn, according to Chief Executive Officer C.S. Venkatakrishnan.

(Live Mint)

DABUR SET TO ACQUIRE MAJORITY STAKE IN BADSHAH MASALA

FOR ₹587.52 CR: FMCG major Dabur is set to acquire 51 per cent stake in Badshah Masala Pvt Ltd for a cash consideration of ₹587.52 crore. "Cost of acquisition of 51 percent equity shareholding has been agreed at ₹587.52 crore less proportionate debt as on the closing date.

(Live Mint)

IRDAI ALLOWS FOREIGN REINSURANCE BRANCHES: The Insurance Regulatory and Development Authority of India (IRDAI) on Wednesday allowed foreign reinsurance branches (FRB) and Lloyd's India to repatriate excess capital. According to the IRDAI, to ensure sufficient reinsurance capacity in India and to attract more players for offering reinsurance at a competitive price, the free movement of assigned capital for foreign reinsurance branches is required. The Indian insurance regulator has allowed repatriation of excess capital by FRBs and Lloyd's India with prior permission and subject to the following provisions.

(Business Standard)

RUSSIA'S VTB BANK OPENS 'VOSTRO' ACCOUNT IN INDIA FOR RUPEE-

BASED TRADE: Russia's No.2 lender VTB said it had opened a special "vostro" account at its Indian branch that would allow for the more active use of Indian rupees in payments under import and export contracts between Russia and India. It follows a similar move by Russia's dominant lender Sberbank, which on Monday said it was offering clients "vostro" accounts in rupees.

(Business Standard)

UNILEVER RECALL OF DRY SHAMPOOS NOT TO IMPACT INDIA: HUL:

Fast-moving consumer goods (FMCG) giant Unilever's recall of dry shampoo products manufactured under brands like Dove, Tresemmé and other brands in the US and Canada markets will not impact India, the company's Indian unit Hindustan Unilever (HUL) said. According to the company, it does not manufacture or sell the products in the Indian market. "HUL does not manufacture or sell dry shampoos in India. Unilever US and Canada voluntarily



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recalled select lot codes of dry shampoo produced prior to October 2021 out of abundant caution, after an internal investigation identified elevated levels of benzene,” the company said in a statement.

(Moneycontrol)

GOVT LOOKING TO LEVERAGE REGIONAL RURAL BANKS FOR MSME, HOUSING LOANS IN RURAL INDIA: The government is looking to tap into the 15,000-odd strong network of the 43 Regional Rural Banks (RRBs) in India for credit access to rural consumers, according to a report by The Indian Express. The move would involve mandating RRBs to cater to the credit need related to education, housing and small businesses in the hinterland by expanding their portfolio beyond the mainstay of agricultural loans. The development comes amid the Department of Financial Services (DFS) highlighting the issue of educational loans by public sector banks (PSBs) being slowed because of higher defaults.

(Financial Express)



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FINANCIAL TERMINOLOGY/CONCEPTS

FREELANCE ECONOMY

- ❖ The term freelance economy refers to a labor market consisting of a growing number of short-term contracts. Companies hire self-employed workers to undertake specific jobs in return for an agreed-upon payment, rather than offering them permanent positions. The people who do these temporary jobs are called freelancers. They may find jobs through classified ads, temporary staffing agencies, or other means.
- ❖ Freelancers can work as many hours as they like. Some work full-time, balancing a number of different jobs for various clients or companies. Others do it on a part-time basis, which enables them to earn some extra income on the side in addition to a full-time job.
- ❖ Freelancing has been around for quite some time. Unlike the regular staff at a company, freelancers are considered independent contractors. This means they are generally responsible for paying their own taxes, health insurance, and pension contributions. They also are not eligible for vacation benefits or sick leave. That's why companies generally benefit from hiring independent contractors, paying them for work without offering them any additional, costly benefits.



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RBI KEY RATES

Repo Rate: 5.90%
SDF: 5.65%
MSF & Bank Rate: 6.15%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 82.7626
INR / 1 GBP : 93.4075
INR / 1 EUR : 81.6988
INR /100 JPY: 55.5800

EQUITY MARKET

Sensex: 59543.96 (-287.70)
NIFTY : 17656.30 (-74.50)
Bank NIFTY: 41122.75 (-182.15)

(CMA Chittaranjan Chattopadhyay)

Chairman,

Banking, Financial Services & Insurance Board

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