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DAILY NEWS DIGEST BY BESI BOARD

29 March 2024

BANKING & FINANCE



SEBI cancels investment banking licence of Karvy Investor Services: The market regulator has cancelled the certificate of registration of the merchant banker Karvy Investor Services (KISL). The order was issued by the Securities and Exchange Board of India (SEBI) on March 27. The regulator, when conducting an inspection, found that the merchant banker did not have the necessary infrastructure — such as adequate office space, equipment and manpower — to discharge its duties. It did not also have in its employment, a minimum of two persons having experience in conducting merchant banking business. During the investigation, KISL was found to have not been operating from its registered address and corporate office. The investigators were told that KISL had shifted its correspondence address to a new location.

(Moneycontrol)

Adani Power consolidates ₹19,700-crore loans of 6 SPVs into single long-term debt:

Adani Power on Thursday said it has consolidated standalone term loan facilities of its six Special Purpose Vehicles (SPVs) into a single long-term loan facility of ₹19,700 crore. “Consequent to the enhancement in the credit rating of Adani Power Ltd to AA-, which followed the amalgamation of its six Special Purpose Vehicles (“SPVs”) with itself, the company has consolidated the standalone term loan facilities of the SPVs into a single long-term Rupee term loan facility of ₹19,700 crore under a consortium financing arrangement comprising eight lenders,” the company stated in a filing with the stock exchanges. “The revised arrangement will allow the company to benefit from uniform terms and greater financial flexibility in addition to reducing the effective rate of interest,” it added.

(Business Line)

Kotak Bank acquires Sonata Finance for Rs 537 crore: Kotak Mahindra Bank on Thursday said it has acquired NBFC Sonata Finance Pvt Ltd for Rs 537 crore. Sonata is operating in 10 states through 549 branches and has an Asset Under Management (AUM) of approximately Rs 2,620 crore as of December 31, 2023. “The Bank has, today, acquired 100 per cent of the issued and paid up



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capital of Sonata Finance Private Limited, a Non-Banking Finance Company (NBFC), a microfinance institution registered with the RBI for a total consideration of approximately Rs 537 crore,” Kotak Bank said in a regulatory filing.

(Financial Express)

Loans to real estate rise four-fold in February: Loans to real estate recorded a four-fold increase in February as bank lending rose 16.5 percent in February, with loans to services accelerating at a faster pace while retail loans growth moderated as the regulator intended, data from RBI shows. Loan growth to industry also increased at a faster pace than the previous year. Lending rates in February fell from January though were higher last year. On a year-on-year basis, non-food bank credit rose 16.5 percent in February 2024 as compared with 15.9 per cent a year ago according to the latest data on sectoral deployment of bank credit released by the Reserve Bank of India.

(Economic Times)



ECONOMY

India can achieve 10 pc growth rate in next decade: RBI deputy gov: India can achieve a growth rate of 10 per cent in the next decade and become the second-largest economy by 2032 and the largest by 2050, given the energies and transformation driving the nation to overcome its challenges, said RBI Deputy Governor Michael Debabrata Patra. He was delivering a keynote address on The Indian Economy: Opportunities and Challenges at Nomura’s 40th Central Bankers Seminar in Kyoto, Japan on March 25. India’s growth trend is on the cusp of a post-pandemic upshift, with early signs of it rising above 7 per cent recorded during the 2000s before COVID-19 struck, he said. "India’s recent growth performance has surprised many, triggering a flurry of upgrades. For instance, the International Monetary Fund (IMF) has cumulatively revised its forecast for 2023 upwards by 80 basis points between April 2023 and January 2024," Patra said.

(Moneycontrol)

Weighted avg cost of State govt borrowings eased 20 bps to 7.52% in FY24: Weighted average cost of State Government Securities (SGS) eased by 20 basis points to 7.52 per cent in FY 2024, despite 33 per cent surge in issuance, according to ICRA. Twenty-six state governments and 2 Union Territories (UTs) issued gross SGS’ of ₹10.1 lakh crore in FY2024, 33 per cent higher than the ₹7.6 lakh crore issued in FY2023, the agency said in a report. Despite this, the weighted average cut-



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off (WAC) of the SGS dipped by about 20 basis points (bps) to 7.52 per cent in FY2024, from 7.71 per cent in FY2023, led by a relatively sharper decline in rates for longer tenor papers.

(Business Line)

FTSE Russell defers India's inclusion in its Emerging Markets Government Bond Index:

FTSE Russell, a global index provider, has deferred the inclusion of India in its Emerging Markets Government Bond Index (EMGBI), noting that the country would stay in its watchlist as certain criteria for inclusion were still not met. "India will remain on the FTSE (Fixed Income Country Classification Watch List) for the potential reclassification of its Market Accessibility Level from 0 to 1, and consideration for inclusion in the FTSE EMGBI", said FTSE Russell in its latest FTSE Fixed Income Country Classification Review published on Wednesday.

(Business Line)

India's core sector growth rises to 6.7% in February versus 4.1% in January: India's eight core sectors posted a 6.7 percent growth in February against 4.1% last month. It was 7.4 percent in February 2023. Production rebounded for refinery products (2.6% vs -4.3%), and rose faster for electricity (6.3% vs 5.7%), coal (11.6% vs 10.2%), crude oil (7.9% vs 0.7%), natural gas (11.3% vs 5.5%), cement (10.2% vs 5.7%). The index of Eight Core Industries (ICI) measures the combined and individual performance of production of eight core industries namely cement, coal, crude oil, electricity, fertilizers, natural gas, refinery products and steel. These industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP).

(Business Today)

INDUSTRY OUTLOOK



Adani Energy in talks with banks to borrow up to \$600 million: Adani Energy Solutions Ltd is seeking a credit facility for as much as \$600 million to fund smart meter projects for electricity supply, according to people familiar with the matter. The unit of India's ports-to-power conglomerate is discussing the planned transaction with a group of global lenders, the people said, asking not to be identified because the details are private. The foreign currency loan's tenor could range from three to five years, with the pricing likely linked to the Secured Overnight Financing Rate, they said.

(Moneycontrol)

FPI flows into India hit record ₹3.33 lakh crore this fiscal year: India got overseas flows to the tune of ₹3.33-lakh crore, or \$40.4 billion, in equities, debt and hybrid instruments put together



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this financial year, a record for any year. This is 25 per cent higher than the previous high of ₹2.67-lakh crore garnered in FY21. Equity flows stood at over \$25 billion, more than flows received by all other Asian markets except Japan, which received \$59.5 billion. China, on the other hand, saw outflows of over \$67 billion in the 12 months to December. Some of the flows could have made their way into India. According to reports, emerging market investors in the US are increasingly favouring exchange-traded funds that avoid exposure to China. There is a noticeable uptick in interest towards MSCI ex-China ETFs.

(Business Line)



REGULATION & DEVELOPMENT

Centre notifies 3-10% MGNREGA wage hike for 2024-25: Ahead of the general elections, the Centre has notified a 3-10 per cent increase in the wage rates for MGNREGA workers for the financial year 2024-25. The new wage rates will come into effect from April 1, 2024. While Goa (10.56 per cent) and Karnataka (10.4 per cent) have seen the highest percentage increase, wage rates in Uttar Pradesh and Uttarakhand are set to see the lowest increase at 3 per cent for FY'24-25. Andhra Pradesh (10.29%), Telangana (10.29%) and Chattisgarh (9.95%) saw robust percentage increases. The average MGNREGA wage increase across India is ₹28 per day. The average wage for 2024-25 will be ₹289 as against ₹261 for FY'23-24. Currently, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) wages are decided based on changes in the CPI-AL (Consumer Price Index-Agriculture Labor), which reflects inflation in rural areas.

(Business Line)

Govt's gross liabilities rise to Rs 160.69 lakh crore at Dec-end: Finance Ministry: The finance ministry reported a slight increase in the total gross liabilities of the government to Rs 160.69 lakh crore by December 2023 from Rs 157.84 lakh crore in September. Public debt comprised 90 percent of total gross liabilities during this period. The quarter saw fluctuations in Indian domestic bond yields, influenced by factors like declining crude oil prices, lower-than-expected domestic CPI prints, and news about possible inclusion of Indian Government Bonds in a major global emerging market index.

(Economic Times)



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FINANCIAL TERMINOLOGY

LEVERAGED BUYOUT (LBO)

- ❖ 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.
- ❖ A leveraged buyout (LBO) occurs when the acquisition of another company is completed almost entirely with borrowed funds.
- ❖ LBOs have garnered a reputation for being an especially ruthless and predatory tactic, as the target company doesn't usually sanction the acquisition. Aside from being a hostile move, there is a bit of irony to the process in that the target company's success, in terms of assets on the balance sheet, can be used against it as collateral by the acquiring company.



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 : 83.3739
INR / 1 GBP : 105.2935
INR / 1 EUR : 90.2178
INR /100 JPY: 55.0900

EQUITY MARKET

Sensex: 73651.35 (+655.04)
NIFTY: 22326.90 (+203.25)
Bnk NIFTY: 47124.60 (+338.65)

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