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DAILY NEWS DIGEST BY BFSI BOARD

30 Jan 2024

BANKING & FINANCE

LIC's proposed stake buyout in HDFC Bank 'well-timed', has limited downside: After a week of heavy selloff, HDFC Bank shares gained two percent to touch Rs 1,462 per share on January 29 on the back of Reserve Bank of India's (RBI's) nod to Life Insurance Corporation's (LIC's) request of additional stake buyout. RBI allowed LIC to buy up to a 9.99 percent stake in the private sector lender from its current hold of 5.2 percent. This will be sentimentally positive for the stock and any downside from here on would be limited, said analysts.
(***Moneycontrol)***

PNB board approves fund raising of Rs 7,500 crore via share sale in FY'25: State-owned Punjab National Bank (PNB) on Monday said the board of the bank has given green signal for raising Rs 7,500 crore through Qualified Institutions Placement (QIP)/Follow-on Public Offer (FPO) during 2024-25. The decision in this respect was taken in a meeting held on January 29. The board gave nod for raising of equity capital for an amount aggregating up to Rs 7,500 crore in one or more tranches during FY2024-25 through Qualified Institutions Placement (QIP)/Follow-on Public Offer (FPO) or any other permitted mode or a combination, PNB said in a regulatory filing. The fund raising should be done in such a manner that the shareholding of the Government of India does not fall below 52 per cent, it added.
(Moneycontrol)

Banks' robust health sets stage for decade's next credit boom: FinMin: The Finance Ministry said on Monday that the slew of measures undertaken over the past decade, including recapitalisation of banks and enabling the restructuring of industry, have positioned the economy for the next round of credit and investment growth this decade. "With stronger balance sheets in the non-financial corporate and banking sectors, growth in investments and credit are poised to increase in this decade, as is already evident in the data for the last three years," said a new report titled 'The Indian Economy: A Review', released by the Department of Economic Affairs (DEA) in the Finance

Ministry. With numerous investment-boosting reforms and healthier balance sheets, private corporate investment has begun to crowd in, and banks are responding with greater credit disbursement, said the DEA report.
(Business Line)

NSRCEL IIM Bangalore, SIDBI launch pre-seed deep tech accelerator fund: IIM Bangalore's NSRCEL and SIDBI have collaborated to establish a pre-seed fund, specifically for start-ups in the deep tech and emerging businesses area. The MoU signed between the two organisations laid the foundation for a multi-year relationship to nurture start-ups and lead them towards scaling up their business activities. Over the past 20 years, NSRCEL has been supporting early-stage ventures in India, incubating more than 1,600 start-ups and mentoring many more.
(Business Line)

Government may set higher dividend target at Rs 70,000 crore from RBI, banks and FIs: Having reaped rich dividends from the Reserve Bank in the current financial year, the government will be looking forward to receiving about Rs 70,000 crore from the central bank and the financial institutions (FIs) in the next financial year. In the interim Budget to be unveiled in the Lok Sabha on February 1 by Finance Minister Nirmala Sitharaman, sources said, the government would peg receipts from dividends from financial institutions at much higher level than Rs 48,000 crore estimated for the current fiscal.
(Economic Times)

FinMin sees GDP growth at 7% in FY25; $7-trillion economy by 2030: Ahead of the Interim Budget, a Finance Ministry report on Monday placed FY25 GDP growth close to 7 per cent despite new geopolitical risks such as the Red Sea crisis that could impact global inflation and economic output. The report said India can aspire to become a $7-trillion economy by 2030. In a normal year, the annual Economic Survey is presented a day before the Union Budget and gives real growth rate for the coming fiscal. This being an election year, the annual Survey will be tabled in July, but the interim report 'Indian Economy- A Review' prepared by the Economic Affairs Department of the Finance Ministry underlined that India's growth will outpace the global economy in the next fiscal year.
(Business Line)

Simi ban extended for five years under UAPA: The Students Islamic Movement of India (SIMI) in India has been extended a five-year ban under the Unlawful Activities (Prevention) Act (UAPA), 1967, following a plan to disrupt Prime Minister Narendra Modi's visit to Phulwari Sharif in Patna. Ten states have also sought a ban on SIMI for their involvement in unlawful activities. A judicial tribunal will be set up under UAPA to examine the proposed ban.
(Economic Times)

BRI in Nepal remains non-starter despite optimism among section of Nepalese leadership: China's Belt and Road Initiative (BRI) in Nepal remains a non-starter despite recent assertion by the Himalayan state's deputy prime minister that the two countries will "very soon" sign a plan to implement the ambitious infrastructure programme. Nepal and China signed a memorandum of understanding on BRI in 2017. Nearly seven years since, not a single project under the initiative has either been executed or negotiated as successive governments in Nepal have been averse to borrowing loans from Beijing unlike Sri Lanka and Pakistan, according to Nepal watchers.
(Business Line)

INDUSTRY OUTLOOK

Sony scrapped $10 billion India merger as Zee failed to meet financial terms: Report: Sony scrapped the $10 billion merger of its Indian arm with Zee Entertainment in part because Zee failed to meet some financial terms of the deal and come up with a plan to address them, according to a termination notice reviewed by Reuters. Zee denied the allegations in a letter to Sony, also reviewed by Reuters, and accused the Japanese company of "bad faith" in calling off the merger. A Zee-Sony merger in India would have created a media powerhouse in the world's most populous nation with 90-plus channels across sports, entertainment and news. But Sony terminated the plans on Jan. 22, saying in a statement it was doing so because "closing conditions" were not satisfied after two years of negotiations. Neither Sony nor Zee made the contents of the termination notice public.
(Moneycontrol)

Samsung to start making laptops in India this year: Samsung plans to expand its manufacturing presence in India by producing laptops at its factory in Noida starting later this year, mainly to cater to the domestic market. "Starting this year, we intend to produce Samsung laptops in India as well, which will be provided to the Indian market. The setup, preparation is currently underway, and we will be able to make supplies from this year,"
(Economic Times)

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Sensex, Nifty rally as investors add Rs 6 lakh crore:: Domestic equity market settled sharply higher on Monday ahead of the interim budget and US Federal Reserve's policy meeting outcome due later this week. Headying buying in Reliance Industries amid geopolitical concerns and banking stocks pushed the headline indices sharply higher. For the day, BSE Sensex surged 1,240.90 points, or 1.76 per cent, to settle at 71,941.57. NSE's Nifty50 index rallied 385 points, or 1.8 per cent, to end the session at 21,737.60. In the broader markets, The BSE midcap index rose 1.7 per cent, while the smallcap index ended a per cent higher. Fear gauge India VIX shot up sharply to 15.68-levels, rising over 13 per cent for the day.

(Business Today)

REGULATION & DEVELOPMENT

Female govt employees can now nominate sons, daughters for family pension instead of spouse: Female government employees now have the option to nominate their sons or daughters for family pension, instead of their husbands, as per the amendments to the Central Civil Services (Pension) Rules, 2021 moved by the Department of Pensions and Pensioners' Welfare (DoPPW) on January 29. The decision is "path-breaking" and will have "far-reaching socio-economic impact", the Centre said in an official release. Previously, family pension was granted to the spouse of a deceased government servant or pensioner, while other family members became eligible only after the spouse's ineligibility or demise, the statement said. "However, the new amendment allows female government servants or pensioners to request the grant of family pension to their eligible child/children after their own demise, instead of their spouse," it added.

(Business Line)

CMFRI to develop lab-grown fish meat for the first time in India: An Indian Council of Agricultural Research (ICAR) institute has signed a first-of-its-kind agreement in India with a start-up to develop lab-grown fish meat. The Kochi-based Central Marine Fisheries Research Institute (CMFRI) has entered into a collaborative research agreement with Neat Meatt Biotech, a start-up working on cultivated meat. Lab-grown meat or alternative proteins is gradually attracting big investments globally. As of 2020, around $3.1 billion capital was invested in the smart proteins sector, according to reports. Some studies suggest that the niche market is projected to reach $290 billion by 2035. Major agencies also predict that it would make up 4 to 60 per cent of the world meat market by 2040.

(Business Standard)

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Ex-railway board chairman Anil Kumar Lahoti is new Trai chairman: Former railway board chairman and CEO, Anil Kumar Lahoti, has been appointed as the chairman of Telecom Regulatory Authority of India (Trai), becoming the third non-IAS officer to hold the position. Lahoti, an Indian Railway Service of Engineers officer, is the ninth chairman of the regulatory body. The Ministry of Personnel, Public Grievances and Pensions approved his appointment for a three-year term.

(Economic Times)

FINANCIAL TERMINOLOGY

JUNK BOND

- Junk bonds are bonds that carry a higher risk of default than most bonds issued by corporations and governments.
- Junk bonds represent bonds issued by companies that are financially struggling and have a high risk of defaulting or not paying their interest payments or repaying the principal to investors.
- Junk bonds are also called high-yield bonds since the higher yield is needed to help offset any risk of default. Because of the higher risk, investors are compensated with higher interest rates, which is why junk bonds are also called high-yield bonds.

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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 : 83.1494
INR / 1 GBP : 105.6624
INR / 1 EUR : 90.1655
INR /100 JPY: 56.2000

EQUITY MARKET

Sensex: 71941.57 (+1240.90)
NIFTY: 21737.60 (+385.00)
Bnk NIFTY: 45442.35 (+576.20)

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- Aide Memoire on lending to MSME Sector (including restructuring of MSME Credit).
- Guidance Note on the Internal Audit of General Insurance Companies.
- BFSI Chronicle (quarterly issue of BFSIB)
- Handbook on Stock & Book Debts Audit (Revised and Enlarged 2nd Edition)

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