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DAILY NEWS DIGEST BY BFSI BOARD

31 August 2024



ECONOMY

Q1 GDP growth slips to 6.7%; slower than RBI's 7.1% projection: India's gross domestic product (GDP) growth decelerated to 6.7% in the April-June quarter, a sharp drop from 8.2% in the same period last year, according to government data released on Friday. The slowdown is primarily attributed to a weaker performance in the agricultural sector. Despite the dip, India maintains its position as the fastest-growing major economy, outpacing China's 4.7% GDP growth in the same quarter. The Reserve Bank of India (RBI) had anticipated a 7.1% GDP growth for Q1 in its latest monetary policy projections, with the full-year growth forecasted at 7.2%. Political uncertainty during the quarter also impacted investment and consumption, further contributing to the slowdown. The Gross Value Added (GVA) increased by 6.8% year-on-year, up from 6.3% in the previous quarter, signaling a more stable growth trajectory. Manufacturing, which constitutes about 17% of India's GDP, grew by 7% in Q1, down from 8.9% in the previous quarter. The agricultural sector saw a modest 2% year-on-year growth, an improvement from 1.1% in the previous quarter.

(Financial Express)

Core sector growth rises to 6.1% in July: India's core sector growth rose to 6.1 percent in July after it had eased to a five month low of 5.1 percent in the previous month as four of the eight sectors grew faster, according to data released by the government on August 30. The sub-sectoral data indicates that the upturn in yoy growth was not uniform/broad-based. The significant pickup in the yoy growth of only four sectors namely refinery products, fertilisers, steel and cement representing 54% of the eight-sector infrastructure index helped in lifting up the growth of the segment.

(Moneycontrol)

India's fiscal deficit at 17.2% of FY25 target as of July: The central government's fiscal deficit in the first four months of FY25 touched 17.2% of the annual target, against 33.9% a year before, government data showed on Friday. India's fiscal deficit for April-July was 2.77 trillion rupees (\$33.05 billion), or 17.2% of the estimate for the financial year. Net tax receipts for the period were



7.15 trillion rupees, or 27.7% of the annual target, compared with 5.83 trillion rupees for the same period last year, according to the data. Total government expenditure during the period was 13 trillion rupees, or about 27% of the annual goal, lower than the 13.81 trillion rupees in the same period last year. For the first four months, the government's capital expenditure or spending on building physical infrastructure was 2.61 trillion rupees, or 23.5% of the annual target, against 3.2 trillion rupees for the same period a year earlier. The Indian government has pegged its fiscal deficit target to 4.9% of GDP in its latest budget, compared with 5.6% in the last fiscal year.

(Economic Times)

BANKING & FINANCE



Karnataka Bank to offer personal loans on ONDC: Karnataka Bank has said that it will offer personal loans on ONDC (Open Network for Digital Commerce). This, according to a media statement, makes Karnataka Bank the first bank to offer such service. The bank will offer personal loans through buyer apps on ONDC, which will initially be available for its existing customers

(Business Line)

Indian banks' body to seek easing of proposed norms for retail deposits, sources say: The Indian Banks' Association is likely to ask the central bank to reduce the amount of additional funds lenders will need to set aside against some retail deposits and also seek a delayed and gradual implementation of the proposal, seven sources told Reuters. The Reserve Bank of India in July proposed an additional 5% 'runoff' requirement on retail deposits enabled with internet and mobile banking facilities to bolster the liquidity resilience of banks. The RBI had sought feedback on the proposal until Aug. 31, after which it would finalise them for implementation from April 2025.

(Economic Times)

Deposit and lending rates rise sequentially in July: In a likely impact of the nudge given by RBI to banks to focus on deposit growth, both deposit and lending rates increased sequentially in July according to the latest data on lending and deposit rates of commercial banks released by the Reserve Bank of India. The weighted average domestic term deposit rate (WADTDR) on fresh rupee term deposits of the commercial banks stood at 6.48 per cent in July 2024 as compared to 6.46 per cent in June 2024. The weighted average domestic term deposit rate (WADTDR) on fresh rupee term deposits of the commercial banks stood at 6.48 per cent in July 2024 as compared to 6.46 per cent in



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June 2024. The weighted average domestic term deposit rate (WADTDR) on outstanding rupee term deposits was at 6.92 per cent in July 2024 compared to 6.91 per cent in June 2024.

(Economic Times)

All-India house price index moderates to 3.3% in Q1FY25: RBI data: The all-India House Price Index (HPI) moderated to 3.3 per cent in the June quarter of 2024-25 from 5.1 per cent in the year-ago period, according to data released by the Reserve Bank of India on Friday. The RBI releases HPI-based on transaction-level data received from the registration authorities in 10 major cities. The cities are Ahmedabad, Bengaluru, Chennai, Delhi, Jaipur, Kanpur, Kochi, Kolkata, Lucknow and Mumbai. "All-India HPI increased by 3.3 per cent (y-o-y) in Q1 2024-25 as compared to 4.1 per cent growth in the previous quarter and 5.1 per cent a year ago; annual HPI growth varied widely across the cities - ranging from a high of 8.9 per cent (Kolkata) to a low of (-)1.7 per cent (Delhi)," the central bank said.

(Business Standard)

INDUSTRY OUTLOOK



Finance Ministry adds four new navratnas: Finance minister Nirmala Sitharaman has granted the navratna status to four more state-owned public enterprises - Satluj Jal Vidyut Nigam Ltd, Solar Energy Corporation of India Ltd, Railtel Corporation of India Ltd and National Hydroelectric Power Corporation Ltd. The number of navratna firms have increased to 25 as a result, from 21 earlier. The upgrade to navratna status will give the board of these four central public sector enterprises greater autonomy in terms of taking financial decisions.

(Economic Times)

Govt slashes windfall tax on petroleum crude to Rs 1,850/tonne: Continuing another cut, the Union government on Friday slashed windfall tax on domestically produced crude oil to Rs 1,850 per tonne from previous Rs 2,100 per tonne. The new rates will be effective from August 31, an official notification said. While on the other hand, windfall tax on export of diesel and aviation turbine fuel (ATF) has been retained at nil.

(Economic Times)

Jio Financial to launch home loans soon: Jio Financial Limited (JFL), the financial services arm of Reliance Industries Ltd., is in the final stages of launching its home loan products, currently being rolled out in beta mode, according to the company's management at its first annual general



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meeting post-listing on the stock exchanges in August 2023. The non-banking financial company (NBFC) is also preparing to introduce loans against property and securities.

(Economic Times)



REGULATION & DEVELOPMENT

SEBI revises criteria for stocks to enter, exit derivatives segment: The market regulator has changed the criteria for entry and exit of stocks from the derivatives segment. The regulator has raised the median quarter sigma order size (MQSOS) over the previous six months by three times, the minimum market wide position limit (MWPL) by three times and the minimum average daily delivery value by 3.5x. MQSOS is an indication of the stock's liquidity; higher the number, harder it is to manipulate its prices. Earlier, the MQSOS was Rs 25 lakh. This has now been raised to Rs 75 lakh. The rationale given for this: "Since average market turnover is now over 3.5 times the figure during the last review, MQSOS criteria would need to increase between 3-4 times". The stock's MWPL, over the period of previous six months, has been raised from Rs 500 crore to Rs 1,500 crore. Rationalisation is that market capitalisation is now 2.8x the last review. The stock's average daily delivery value (ADDV) in the cash segment, over the previous six months on a rolling basis, should be a minimum of Rs 35 crores. It was earlier Rs 10 crore. Rationale is that ADDV has increased by over 3x since the last review. If a stock in derivatives segment fails to meet any of the above criteria, for a continuous period of three months, on a rolling basis, based on the data for previous six months, then it shall exit from derivatives segment.

(Moneycontrol)

CBDT rolls out Dispute Resolution Scheme (e-DRS), 2022, to minimise litigation: In pursuance of section 245MA in the Income-tax Act, 1961, the Central Board of Direct Taxes (CBDT) had notified the e-Dispute Resolution Scheme, 2022 (e-DRS) with the aim to reduce litigation and provide relief to eligible taxpayers. Section 245MA of the Act also provides for the constitution of Dispute Resolution Committees (DRC). The e-DRS enables the taxpayer, who fulfils certain specified conditions as stipulated in section 245MA of the Act, to file an application electronically for dispute resolution to the DRC designated for the region of Principal Chief Commissioner of Income-tax having jurisdiction over the taxpayer. As per e-DRS, a taxpayer can opt for e-Dispute Resolution against the 'specified order' as defined in clause (b) of the Explanation to section 245MA of the Act,



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which includes an order in which the aggregate sum of variations proposed or made does not exceed Rs.10 lakh and returned income for the relevant assessment year does not exceed Rs. 50 lakh. The DRC is mandated to pass its order within six months from the end of month in which application for dispute resolution is admitted by it.

(PiB)



FINANCIAL TERMINOLOGY

Capital Asset Pricing Model (CAPM)

- ❖ The capital asset pricing model (CAPM) describes the relationship between systematic risk, or the general perils of investing, and expected return for assets, particularly stocks. It is a finance model that establishes a linear relationship between the required return on an investment and risk.
- ❖ CAPM is based on the relationship between an asset's beta, the risk-free rate (typically the Treasury bill rate), and the equity risk premium, or the expected return on the market minus the risk-free rate.
- ❖ CAPM evolved as a way to measure this systematic risk. It is widely used throughout finance for pricing risky securities and generating expected returns for assets, given the risk of those assets and cost of capital.



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 : 83.8709
INR / 1 GBP : 110.4966
INR / 1 EUR : 92.9083
INR /100 JPY: 57.8600

EQUITY MARKET

Sensex: 82365.77 (+231.16)
NIFTY: 25235.90 (+83.95)
Bnk NIFTY: 51351.00 (+198.25)

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