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DAILY NEWS DIGEST BY BFSI BOARD

04 January 2025

ECONOMY

India Inc enters 2025 with cash reserves of Rs 7.6 lakh crore, up 51% since covid: As India Inc enters 2025 facing several headwinds such as global tariff wars and weakening demand at home, its robust balance sheet is likely to put it in a strong position to tide over these challenges. According to ACE Equities' data, the cash reserves of BSE 500 companies (excluding BFSI and oil & gas) stood at Rs 7.68 lakh crore on September 30, 2024. India Inc's cash reserves have grown over 51 percent since just before covid (end of FY20), when its cash reserves were at around Rs 5.06 lakh crore, data shows.
(Moneycontrol)

Centre pushes transfer to states to meet capital expenditure goals: Capital expenditure (capex) in the country in November declined 9 per cent over the previous month amid expectations that it would intensify in the second half this financial year. The data released by the Controller General of Accounts (CGA), however, shows a positive trend in the transfer to states, which has grown 5 per cent in April-November this financial year from a year-on-year decline of 20 per cent during April-October 2024-25. In what could ensure utilisation of more funds, the CGA data showed the highest amount of loans disbursed for capex in any single month this financial year was in November with the Centre releasing Rs 18,486 crore as against Rs 12,503 crore in October. Experts feel despite government efforts there has been a lag in capex pick up but there is a good case for continued push towards such expenditure.
(Business Standard)

New rule to avoid tax deduction on purchases through IFSC sellers: The Ministry of Finance has introduced a new tax rule, effective January 1, 2025, allowing buyers to avoid tax deduction on purchases made from sellers operating within the International Financial Services Centres (IFSC). This change simplifies the tax deduction process, provided buyers follow specific

guidelines. Under the new regulation, sellers must submit a declaration detailing the previous years for which they are claiming tax deductions. This declaration must be in the prescribed format and verified according to the government's guidelines. Once buyers receive this declaration from sellers, they will not be required to deduct tax on payments made to them.
(Business Standard)

BANKING & FINANCE

SBI launches two new deposit schemes -- Har Ghar Lakhpati RD scheme: SBI has announced the introduction of two new deposit schemes for its customers, namely the Har Ghar Lakhpati RD scheme, SBI Patrons FD scheme. Har Ghar Lakhpati is a pre-calculated recurring deposit scheme designed to help customers to accumulate Rs 1 lakh or multiples thereof. 'SBI Patrons,' is a fixed deposit scheme specifically for select senior citizens who are 80 years and above. "The Har Ghar Lakhpati scheme simplifies the process of achieving financial goals, allowing customers to plan and save effectively. This product is also available to minors, encouraging early financial planning and savings habit," SBI said in a statement. 'SBI Patrons' is a specialized fixed deposit scheme tailored for senior citizens aged 80 years and above. The new SBI scheme offers enhanced interest rates, recognizing the long-standing relationship many senior customers have with the bank. 'SBI Patrons' is available to both existing and new FD investors, the bank said in its statement.
(Economic Times)

Banks cut down on short-term bonds: Amid tight liquidity conditions in the banking system, banks have cut down on their investments in short-term government bonds, according to dealers. At the same time, banks are shifting towards building up positions in the longer duration papers due to rising bets on the Reserve Bank of India (RBI) cutting rates in February. A large section of the market is anticipating a cut in the policy rate by the central bank in February. Generally, when the rate cut happens, long-term bonds tend to perform better than shorter duration papers because investors lock in a higher interest rate for a long period of time.
(Financial Express)

RBI removes lending restrictions on microfinance company Arohan Financial Services: The Reserve Bank of India has removed the lending restrictions on microfinance company Arohan Financial Services after it became satisfied with the company's revamped processes as well as its

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commitment to adhere to the regulatory guidelines. On October 17, last year, the regulator had barred Arohan, Asirvad Micro Finance and two other non-banks -- Navi Finserv and DMI Finance -- from lending due to "unfair and usurious practices" and non-adherence to the regulatory guidelines. Subsequently, the company initiated remedial action and took efforts to comply with the regulations, the central bank said.
(Economic Times)

RBI okays NCBL, Cosmos Co-operative bank merger: The Reserve Bank of India (RBI) today approved the amalgamation of the National Co-operative Bank Ltd., Bangalore (Karnataka) with Cosmos Co-operative Bank Limited (Maharashtra). The scheme has been sanctioned in exercise of the powers conferred under Sub-Section (4) of Section 44A read with Section 56 of the Banking Regulation Act, 1949, RBI said in a release. The scheme will come into force with effect from January 06, 2025. The branches of NCBL will function as branches of Cosmos with effect from January 06, 2025, RBI added. Earlier on December 31, RBI imposed a monetary penalty of Rs 8.30 lakh on Cosmos for non-compliance with certain directions issued earlier.
(Economic Times)

INDUSTRY OUTLOOK

NSE leads global exchanges in IPO fundraising for 2024: Investment bankers have pocketed $1.3 billion in fees in 2024 with Kotak Mahindra Bank taking the top position for overall investment banking fee ranking in India, according to Deals Intelligence, LSEG. Meanwhile, National Stock Exchange of India (NSE) has emerged as the global leader in IPO fundraising for calendar year 2024, raising ₹1.67 lakh crore ($19.5 billion) through 268 initial public offerings. The exchange facilitated 90 mainboard IPOs and 178 SME listings, surpassing major global exchanges including NYSE and NASDAQ. The mainboard listings accounted for ₹1.59 lakh crores ($18.57 billion) of the total funds raised, while SME listings contributed ₹7,349 crore ($0.86 billion). Hyundai Motor India Ltd.'s IPO, raising $3.3 billion, was India's largest and globally the second-largest IPO of the year.
(Business Line)

CPSE dividend receipts reach 86 per cent of FY25 target: The Centre's dividend receipts from the Central Public Sector Enterprises (CPSEs) and other investments have fetched Rs 48,376 crore or 86% of the annual target so far in the current financial year. Going by the performance of the CPSEs so far, the dividend receipts from these companies is poised to exceed Rs 60,000 crore for the second

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year in a row in FY25 as against the target of Rs 56,260 crore. As against the Budget estimate of Rs 50,000 crore, the dividends from CPSEs and other residual stakes in other firms had fetched the Centre Rs 63,749 crore in FY24, the highest in any financial year.
(Financial Express)

Refinancing on agenda, Reliance raises dual currency loan of $3 billion: Reliance Industries (RIL), India's largest corporate by revenues, has raised $3 billion from 11 banks in what is the largest such deal by the company in almost two years. Reliance Industries has secured $3 billion in a loan deal from 11 banks. The five-year loan includes $450 million in yen and will be used to refinance loans due in 2025. Major banks involved include Bank of America, DBS Bank, and HSBC. More banks may participate in the syndication later this quarter.
(Economic Times)

REGULATION & DEVELOPMENT

EPFO news: Centralised Pension Payments System rolled out across India: Beginning January 1, 2025, retired individuals covered under the Employees' Pension Scheme (EPS), 1995, will be able to conveniently access their pension funds from any bank branch located in India. In this regard, the Centre informed that EPFO has completed full scale rollout of the new Centralized Pension Payments System (CPPS) under Employees' Pension Scheme 1995 in December 2024. The CPPS represents a significant shift in providing a centralized platform on a national level for pension disbursements, allowing access through any bank or branch within India.
(Business Today)

DFS Secretary unveils revamped E-auction portal: Financial services secretary M Nagaraju Friday launched a revamped **'Baanknet' portal** that aims to streamline property e-auctions from all public sector banks (PSBs), making it simpler for buyers and investors to discover and participate in valuable opportunities. The finance ministry said that over 122,000 properties have already been migrated to the portal for auction. "This platform consolidates information on e-auction properties from all PSBs and offers a one-stop destination for buyers and investors to discover a wide range of assets," it said. It noted that the portal will offer frictionless user journeys, saying it has automated and integrated payment gateway besides KYC tools.
(Economic Times)

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Govt releases draft Digital Personal Data Protection Rules, no penal clause: The government on Friday released the long-awaited draft of Digital Personal Data Protection Rules which specify that parent's verifiable consent will have to be obtained by social media or online platforms before children can create any account. Further, parents' identity and age will also have to be validated and verified through voluntarily provided identity proof "issued by an entity entrusted by law or the Government", as per the draft rules. As per the rules, entities will be able to use and process personal data only if individuals have given their consent to consent managers which will be entities entrusted to manage records of consents of people.
(Business Standard)

FINANCIAL TERMINOLOGY

RETROCESSION

- Retrocession refers to kickbacks, trailer fees or finders fees that asset managers pay to advisers or distributors. These payments are often done discreetly and are not disclosed to clients, although they use client funds to pay the fees.
- Retrocession commission is a heavily criticized fee-sharing arrangement in the financial industry because money flows back to marketers for their efforts in raising interest for a particular product. Therefore, this raises the question of impartiality and favoritism on the part of the advisor. The system would seem to encourage advisors to promote funds or products because they will receive a fee for doing so, not because the products are the best option for the client.

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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 85.7598
INR / 1 GBP : 106.3410
INR / 1 EUR : 88.1056
INR /100 JPY: 54.5300

EQUITY MARKET

Sensex: 79223.11 (-720.60)
NIFTY: 24004.75 (-183.90)
Bnk NIFTY: 50988.80 (-616.75)

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- Guidance Note on the Internal Audit of General Insurance Companies.
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