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DAILY NEWS DIGEST BY BFSI BOARD

04 May 2024



ECONOMY

Government imposes 40% export duty on onion effective May 4: The government on Friday imposed a 40 per cent duty on export of onions. It also exempted duty on the import of desi chana till March 31, 2025. It also exempted duty on the import of desi chana till March 31, 2025. Besides, it has extended the duty exemption on imports of yellow peas covered by the bill of entry issued on or before October 31, 2024. In a notification, the finance ministry said the changes would be effective from May 4. In a notification, the finance ministry said the changes would be effective from May 4. Currently, the export of onion is banned. However, the government allows shipments to India's friendly nations. It has permitted a specified quantity of onion exports to UAE and Bangladesh. In August last year, India had imposed a 40 per cent export duty on onions up to December 31, 2023.

(Moneycontrol)

Markets plunge, giving up week's gains as foreign investors exit; volatility intensifies: Selling by overseas investors in index heavyweights dragged down benchmark indices after a gap-up opening on Friday, capping a volatile week that saw the US Fed keep interest rates steady. Marginally better than anticipated Q4 earnings and a correction in oil prices led to a positive start to the week. A status quo by the Fed that hinted that rates could remain higher for longer led to a broad-based correction. On Friday, the Nifty slid 0.7 per cent to end at 22,475, while the Sensex shed nearly a per cent to close at 73,878, more than 1,000 points below the day's high. Foreign portfolio investors continued their selling spree, offloading shares worth ₹2,391 crore, while domestic investors bought shares worth ₹690 crore, provisional data showed.

(Business Line)

India's services exports growth enters slow lane in FY24: RBI data: After recording double-digit growth for two consecutive years, India's services exports decelerated in FY24 to a three-year low, with a modest increase of 4.9 per cent to \$341.1 billion, data released by the Reserve Bank of India showed. However, net services exports grew at a robust pace of 13.6 per cent to \$162.8 billion



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as services imports contracted 2 per cent to \$178.3 billion during the financial year ended March 31. In FY24, merchandise exports had contracted 3.2 per cent to \$437.1 billion, leading to a trade deficit of \$240.2 billion, data released by the commerce ministry last month showed. However, a robust services trade surplus is expected to narrow down the current account deficit (CAD) in FY24 to around 1 per cent of GDP. The latest round of RBI's survey of Professional Forecasters on Macroeconomic Indicators projects the CAD to GDP ratio at 1.2 per cent and 1.1 per cent for FY25 and FY26. Goldman Sachs in a recent report said the revenues of GCCs in India have grown nearly four times, at a compound annual growth rate (CAGR) of 11.4 per cent over the past 13 years to \$46 billion as of FY23.

(Business Standard)

BANKING & FINANCE



RBI releases draft guidelines on 'Prudential Framework for IRACP pertaining to Advances - Projects Under Implementation': As announced in the Statement on Developmental and Regulatory Policies dated October 06, 2023, with a view to strengthen the extant regulatory framework governing project finance and to harmonise the instructions across all regulated entities, the Reserve Bank of India today released the draft Direction on the prudential framework applicable to financing of project loans. Given the complexities involved in project finance, the revised guidelines seek to provide an enabling framework for the regulated entities for financing of project loans, while addressing the underlying risks. The Comments on the draft Direction are invited from public/stakeholders by June 15, 2024.

(RBI Notification)

RBI proposes floor for banks' loan exposure for project finance: RBI on Friday proposed to set a floor for banks' loan exposure for project finance for consortium lending and mandated 5 per cent standard asset in the construction phase. In the draft guidelines on the financing of project loans, it said, "In projects financed under consortium arrangements, where the aggregate exposure of the participant lenders to the project is up to Rs 1,500 crore, no individual lender shall have an exposure which is less than 10 % of the aggregate exposure". For projects where the aggregate exposure of lenders is more than Rs 1,500 crore, this individual exposure floor shall be 5 % or Rs 150 crore, whichever is higher, it said. For all projects financed by the lenders, the draft said, that banks must



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ensure that financial closure has been achieved and DCCO [date of commencement of commercial operation] is clearly spelt out and documented prior to disbursement of funds. The draft norms proposed a general provision of 5 % of the funded outstanding to be maintained on all existing as well as fresh exposures on a portfolio basis.

(Business Standard)

RBI approves reappointment of Atanu Chakraborty as part-time chairman of HDFC Bank for 3 years: Atanu Chakraborty has been reappointed as the part-time chairman of HDFC Bank by the Reserve Bank of India for a three-year term from May 5, 2024, to May 4, 2027. With a 35-year tenure in the Indian Administrative Service (IAS) in the Gujarat cadre, Chakraborty has extensive experience in finance, economic policy, infrastructure, and petroleum and natural gas sectors. He held key positions in the Union Government, including Secretary in the Ministry of Finance-Department of Economic Affairs, where he oversaw economic policy-making and budget formulation.

(Economic Times)

INDUSTRY OUTLOOK



Jio proposes to build Railways, disaster services' common 4G/5G network: Reliance Jio has proposed to build and operate a common 4G/5G network for safety and security applications of Railways and for public protection and disaster relief (PPDR) related services, using the 700 MHz band assigned by the government to Railways. In its submission to the Telecom Regulatory Authority of India (Trai), Jio has said the spectrum in the band should not be restricted only to Railways but there should be a common network infrastructure which can be used by Railways and disaster relief agencies to deliver a seamless first response to any calamity or event. The model proposed by Jio is similar to FirstNet authority and AT&T public-private partnership in the US that facilitates seamless communication between disaster relief and other key organisations in case of human-made or natural disasters. This is crucial when the public network becomes congested or fails.

(Financial Express)

Startup funding in April rises 21% on year to \$564 million: New-age startups logged a total funding value of about \$563.5 million in April 2024, up 21% from the same month a year ago. Startups across stages, mostly late, raised the funding across 78 rounds, as per Tracxn data. In April



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2023, they had raised a total of \$464 million across 113 rounds. The funding winter was in full force in March 2023, having set in from September 2022. Mumbai-based Venture Catalysts emerged as the topmost investor in terms of deal volume last month. It deployed capital in startups such as Plotch, MatchLog, CloudWorx and BluWheelz. In terms of deal volume in the month, total deals stood at 78, compared to 95 in March 2024 and 113 in April 2023. Sequentially, deal value went down about 26% from \$765 million to \$563.5 million.

(Economic Times)

Bajaj to launch first CNG-powered motorcycle on June 18, reveals MD Rajiv Bajaj: Bajaj Auto will launch India's first ever CNG-powered motorcycle on June 18, 2024. Rajiv Bajaj, Managing Director of Bajaj Auto, announced the launch date earlier today during the launch event of Pulsar NS400Z. The two-wheeler maker plans to disrupt the entry-level motorcycle market with the CNG bike. The bi-fuel motorcycles, priced at a premium, will challenge Hero MotoCorp's dominance. Bajaj aims to capitalize on the mileage-conscious entry-level segment, where it currently holds an 8% share.

(Economic Times)



REGULATION & DEVELOPMENT

Renewable energy accounted for 71% of India's power generation capacity addition in FY24: Report: Renewable energy (RE) sources contributed 71% of the 26 GW of power generation capacity that India added in FY24, according to the latest edition of the CEEW Centre for Energy Finance (CEEW-CEF) Market Handbook. The country's total installed energy capacity has now reached 442 GW, of which 144 GW (33%) was RE and 47 GW (11%) came from hydroelectric. Consequently, the coal and lignite share in India's total installed capacity tipped below the 50% mark for the first time. The CEEW-CEF Market Handbook also found that solar—grid-scale and rooftop—continued to dominate India's RE capacity addition, accounting for 15 GW (or 81% of RE addition) in FY24. Wind capacity addition almost doubled and stood at 3.3 GW (2.3 GW in FY23). Notably, for the first time since FY17, nuclear capacity (1.4 GW) was added in FY24.

(Business Today)

'Why do we have to pay a GST of 28%?': Rajiv Bajaj slams high tax rates on commuter bikes: "On one hand we want regulations at the highest level in terms of emissions, which is fine. But then the government should reconsider the GST at 12-18 percent and not at 28 percent," he said,



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adding "You look at ASEAN countries typical equivalent of GST is 8 percent and 14 percent." Rajiv Bajaj, Managing Director of Bajaj Auto, flagged the steep taxation on commuter motorcycles and sought a more manageable GST rate. The Bajaj MD blamed the rise in the price of commuter motorcycles on overregulation and high taxation. He urged the Union government to consider a lower tax rate on commuter motorcycles to 18 percent from the current 28 percent.

(Business Today)

Corporate affairs ministry bats for effective cost audits to curb corporate frauds: The corporate affairs ministry has underscored the importance of effective and timely cost audits to curb manipulation by unscrupulous elements, a development that comes amid increasing bids by fraudulent companies to mislead authorities with dodgy information about inventory value or related party sales. In a communication for stakeholders, the ministry said any discrepancies between the inventory value presented in the financial statements of companies and the cost audit report raise red flags, indicating potential misrepresentation of facts. "Companies often overvalue inventory to mislead banks and financial institutions into providing higher credit facilities or loans," it said. "Similarly, companies understate sales to related parties, resulting in undervaluation to reduce GST liability, ultimately causing a loss of revenue for the government." Compliance requirements and data use Section 148 of the Companies Act, 2013, empowers the government to mandate certain classes of companies in 39 industries to maintain cost records. Such companies are required to e-file cost audit reports with the ministry, which are monitored by its Cost Audit Branch.

(Economic Times)



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FINANCIAL TERMINOLOGY

RING FENCE

- ❖ The term ring-fence refers to the creation of a virtual barrier that segregates a portion of a company's financial assets from the rest. This may be done to reserve money for a specific purpose, to reduce taxes on the individual or company, or to protect the assets from losses incurred by riskier operations. Moving a portion of assets offshore to reduce an investor's net worth or lower the taxes due on income is one example of ring-fencing.
- ❖ Ring-fencing may involve transferring a portion of assets from one high-tax jurisdiction to another with lower or no taxes or less onerous regulations. In other cases, it may be used to keep the money in reserve for a specific purpose. It also may be done to make the money unavailable for another purpose.



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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 : 83.3795
INR / 1 GBP : 104.6174
INR / 1 EUR : 89.5007
INR /100 JPY: 54.4500

EQUITY MARKET

Sensex: 73878.15 (-732.96)
NIFTY: 22475.85 (-172.35)
Bnk NIFTY: 48923.55 (-307.50)

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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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