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DAILY NEWS DIGEST BY BFSI BOARD

06 May 2024



ECONOMY

Indian market has 'unexplored' opportunities, says Warren Buffett: Billionaire investor Warren Buffett said that the Indian market has unexplored opportunities which his conglomerate holding company, Berkshire Hathaway, would like to explore in the future". Buffett's remarks came at Berkshire's annual meeting on Friday when Rajeev Agarwal of DoorDarshi Advisors, a US-based hedge fund that invests in Indian equities, asked him about the possibility of Berkshire exploring in India, the world's fifth-largest economy.

It is a very good question. I am sure there are loads of opportunities in countries like India," he said. The question, however, is whether we have any advantage or insights into those businesses in India or any contacts that will make possible transactions that Berkshire would like to participate in. That is something a more energetic management at Berkshire could pursue, the co-founder, chairman and CEO of Berkshire Hathaway said.

(Business Standard)

India urges ADB not to overlook its focus on growth, shared prosperity: India on Sunday urged the Asian Development Bank (ADB) not to overlook its focus on reduction of remaining poverty while promoting sustainable growth for the member nations in the Asia Pacific region. Making intervention at the Board of Governors Business Session at the 57th Annual Meeting of ADB, India's Temporary Alternate Governor Vikas Sheel said the bank has played a critical role in facilitating measures of faster economic development, reducing poverty and promoting regional cooperation while effectively addressing the challenges and delivery of global public goods. "We note with concern that economic growth and dealing with the remaining poverty do not find a place in the enhanced focus areas of the ADB in the review of its Strategy 2030. We urge ADB not to overlook the ADB's charter mandate on growth and shared prosperity," he said.

(Business Standard)



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Home loan outstanding up by ₹10 lakh cr in last 2 yrs; reaches ₹27 lakh cr in March:

RBI data: Credit outstanding to the housing sector rose by nearly ₹10 lakh crore in the last two fiscals to reach a record ₹27.23 lakh crore in March this year, according to RBI's data on 'Sectoral Deployment of Bank Credit'. Experts from banking and real estate sectors attributed this growth in housing credit outstanding to a strong revival in the residential property market post-Covid pandemic on pent-up demand. According to the data of the Reserve Bank of India (RBI) on sectoral deployment of bank credit for March 2024, the credit outstanding to the housing (including priority sector housing) stood at ₹27,22,720 crore in March 2024, up from ₹19,88,532 crore in March 2023, and ₹17,26,697 crore in March 2022. The data also showed that the credit outstanding towards commercial real estate stood at ₹4,48,145 crore in March 2024. It was at ₹2,97,231 crore in March 2022

(Business Line)

BANKING & FINANCE



JP Morgan upgrades Kotak Mahindra Bank to overweight from neutral; ups target price by 34%: JP Morgan upgraded Kotak Mahindra Bank (KMB) to overweight from neutral, citing supportive valuations post recent RBI actions and senior management departure. The target price has been raised to Rs 2070 per share, marking a 34 percent increase from the last close. JP Morgan stated that the impact after RBI action on F25/26 growth should be minimal. In Q4, the bank demonstrated strong core operating metrics, with headline profit adjusted for one-offs surpassing JPMe by 8 percent. Core PPOP growth stood at +% 12y/y, accompanied by significant fee growth. Kotak Mahindra Bank estimated the total impact of the RBI ban at a minimal Rs 300-500 crore at the PBT level (2 percent of F26 PBT at the top end).

(Moneycontrol)

Kotak Mahindra Bank's net profit rises 18% on healthy loan growth: Kotak Mahindra Bank on Saturday reported an 18% rise in net profit to Rs 4,133 crore in the fourth quarter of the previous financial year, driven by healthy loan growth. The lender surpassed street expectations, as Bloomberg analysts expected the bank to post Rs 3,304 crore net profit in the quarter. Net interest income, the difference between interest earned and paid, rose 13% to Rs 6,909 crore in 2023-24 from Rs 6,103



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crore in the same quarter of the previous fiscal. The bank's advances increased 20% year-on-year (YoY) to Rs 3.9 trillion as on March 31, from Rs 3.2 trillion as on March 31, 2023.

(Financial Express)

Hinduja group's IIHL to raise stake in IndusInd Bank in multiple tranches: The Hinduja Group will raise its stake in IndusInd Bank from 16% to 26% in multiple tranches even as its promoter company IndusInd International Holding is working on a plan to list on Mauritius-based stock exchange Afrinex. IndusInd International Holding Ltd (IIHL) has received the Reserve Bank of India's approval letter to raise its stake in the bank to 26%, but the regulatory process is taking time, Ashok Hinduja, director of Hinduja group, said at a recent media interaction. At the current stock price, IIHL will need to infuse a little over Rs 11,500 crore for an additional 10% stake in IndusInd Bank.

(Economic Times)

INDUSTRY OUTLOOK



REC receives RBI approval to set up subsidiary in Gujarat's GIFT City: State-owned REC Ltd on Sunday said it has received RBI's approval to set up a subsidiary in GIFT City, Gujarat. The proposed subsidiary will engage in a range of financial activities as a finance company within GIFT, including lending, investment, and other financial services, a company statement said. According to the statement, REC Ltd, under the Ministry of Power and a leading NBFC, has received a 'No Objection Certificate' (NOC) from the Reserve Bank of India (RBI) for setting up a subsidiary in Gujarat International Finance Tech-City (GIFT) in Gandhinagar, Gujarat. The decision to expand operations into GIFT, a burgeoning hub for financial services in India, comes as REC continues to diversify its portfolio and explore new avenues for growth, it stated.

(Business Standard)

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



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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)

HDFC Capital exits Total Environment project in Bengaluru: HDFC Capital, a subsidiary of HDFC Bank and the real estate private equity arm of HDFC Group, has exited a Total Environment project in Bengaluru with a return of close to ₹300 crore. HDFC Capital had invested Rs 229 crore in a residential apartment project located in Whitefield, Bengaluru. The investment supported the development of one million square feet of residential apartments in the Pursuit of a Radical Rhapsody project. The project consisted of 4.4 million sq ft of residential and 500,000 sq ft of commercial development.

(Economic Times)



REGULATION & DEVELOPMENT

Banks may challenge CBI's retro touch to fraud accounts: The wrangle between the Central Bureau of Investigation (CBI) and high-street banks over crooked clients may soon boil over to the highest court. A few large banks are planning to move the Supreme Court to resolve the differences that have cropped up over borrowers that were tagged by banks as 'fraud accounts'. Last year, the highest court had ruled that a borrower must be given a hearing before labelling the account as 'fraud'. Now, CBI, which is probing many of these cases, insist that the SC verdict stands for all fraud accounts - new as well as old cases - but banks assert that the SC ruling cannot be given 'retrospective' effect to cover borrowers listed as frauds before the ruling. Many banks fear that seeking fresh response on past frauds from dodgy customers could not only mean treading a legal minefield, but even pose a challenge in locating such clients, with a few turning fugitive. The disagreement between the central agency and high-street banks is threatening to stall investigation in multiple cases.

(Economic Times)

India has one of the most stringent standards of maximum residue limits in the world: FSSAI: Claiming some media reports to be false and malicious, the Food Safety and Standards Authority of India (FSSAI) on Sunday said that India has one of the most stringent standards of maximum residue limits (MRLs) in the world, and that these are fixed at different levels for different food commodities based on risk assessments. MRL is the maximum amount of pesticide residue expected to remain on food products when a pesticide is used according to label directions and is not



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a health concern for humans, the Indian food regulator said in a press statement. The development came as some media reports claimed that FSSAI allowed 10 times more pesticide residue in herbs and spices.

(Mint)

RBI asks fintechs not to pursue blistering growth: After asking banks and non-banking finance companies to take a calibrated approach to growth, the Reserve Bank of India has signalled fintechs to tamp down. In a meeting recently held with fintech heads, the regulator is said to have told many companies, especially those involved in loan products and/or operating as loan service providers, to cut down growth. RBI's concern, according to sources, is that despite curbs in risk weights in unsecured loans, there is little or no moderation in growth. "This isn't good from a systemic perspective," said a highly placed source aware of the matter. While a few fintech leaders have communicated to the regulator that high growth is coming off a low base, the reasoning hasn't found favour. "Target growth at around 15–20 per cent is the message given to all of us," said a CEO of a lending fintech who didn't want to be named. Currently, fintech lenders are among the fast-growing entities and almost every fintech across the board may have closed FY24 with 35-50 per cent growth. "This warning has put us in a spot," said the CEO.

(Business Line)



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FINANCIAL TERMINOLOGY

OPTIMAL CAPITAL STRUCTURE

- ❖ The optimal capital structure of a firm is the best mix of debt and equity financing that maximizes a company's market value while minimizing its cost of capital. In theory, debt financing offers the lowest cost of capital due to its tax deductibility.
- ❖ However, too much debt increases the financial risk to shareholders and the return on equity that they require. Thus, companies have to find the optimal point at which the marginal benefit of debt equals the marginal cost.
- ❖ An optimal capital structure is the best mix of debt and equity financing that maximizes a company's market value while minimizing its cost of capital.
- ❖ Minimizing the weighted average cost of capital (WACC) is one way to optimize for the lowest cost mix of financing.



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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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