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DAILY NEWS DIGEST BY BFSI BOARD

07 January 2025

ECONOMY

Shares tumble on weak global cues, virus outbreak: Indian equities fell sharply on Monday amid weak global cues, fall in banking stocks and reports of the HMP virus outbreak. The Nifty 50 slipped 1.6 per cent at 23,616, while the Sensex tumbled 1.59 per cent to 77,965. The Nifty Smallcap 100 index and the Nifty Midcap 100 index plunged by 3.2 per cent and 2.7 per cent, respectively. Declining shares outnumbered advancing shares, with advance decline ratio at 0.19 at BSE, lowest since October 22. Nifty PSU Bank, Oil & Gas, Realty and Metals indices were the top losers. Banking stocks faced significant pressure post lacklustre quarterly updates, with the Nifty Bank index falling 2.1 per cent to 49,922, while the Nifty Financial Services index lost 1.76 per cent.
(Business Line)

India's service sector PMI hits four-month high at 59.3 in December: Service sector recorded an impressive performance in December, S&P Global said on Monday highlighting a survey result. Service sector has a share of over 53 per cent in Gross Value Added (GVA). The survey's result is known as the Purchasing Managers' Index (PMI), which rose to 59.3 in December as against 58.4 in November. Growth in the services sector is contracting to manufacturing, where PMI slipped to a 12-month low of 54.1 in December. "India's services companies expressed strong optimism in December as business activity growth surged to a four-month high," said Ines Lam, Economist at HSBC. The PMI is based on a survey among purchasing managers of 400 companies. An index above 50 shows expansion, while below 50 refers to contraction.
(Business Line)

Growth expected to slow down to 6.3-6.6% in FY25: The Indian economy is expected to grow between 6.5 and 6.8 per cent during 2024-25. If the growth rate estimate is close to projections, then it would be the first time in four years (2021-22 to 2024-25) it would go below 7 per cent. Economy growth based on changes in Gross Domestic Product (GDP) was 8.2 per cent in 2023-24. The

Government will come out with the first advance estimates on Tuesday. The advance estimate is used for various Budget calculations. The first advance estimate is critical especially after the July-September quarter shocker of 5.4 per cent. This pushed the RBI to cut growth forecast for the current fiscal to 6.6 per cent from the earlier 7.2 per cent. Still, Finance Minister Nirmala Sitharaman has been hopeful about growth picking up.

(Business Line)

BANKING & FINANCE

ICRA raises FY25 securitisation volume estimate by ₹30,000 cr to ₹2.4 lakh cr: ICRA has revised its securitisation volumes estimate upwards for FY2025 to ₹2.4 lakh crore from the previous estimate of ₹2.1 lakh crore in view of the continued presence of large-size banks in the market. The credit rating agency noted that, historically, non-banking financial companies (NBFCs) and housing finance companies (HFCs) have securitised standard assets in the domestic market. However, this year, the entry of a few large private sector banks that have sold part of their loan portfolio through securitisation (i.e. either direct assignment (DA) or via the pass-through certificate (PTC) route) has driven the growth volumes. ICRA estimates the securitisation volumes at ₹1.8 lakh crore for the first nine months (9M) of FY25 against ₹1.4 lakh crore in 9M of FY24. ICRA estimated the overall volume of securitisation of standard assets for Q3 FY2025 at ₹68,000 crore, largely in line with the volumes witnessed in the previous quarter. The securitisation volumes saw a sharp Year-on-Year jump of 80% (volumes of ₹38,000 crore in Q3 FY2024). In FY243, the securitisation volumes stood at ₹1,91,800 crore.

(Business Line)

RBI releases master direction on reporting of customers credit information: The RBI on Monday came out with a master direction consolidating various instructions issued to banks and other financial institutions on reporting of the credit information of their customers. As per the master direction, credit information companies (CICs) will have to send alerts through SMS/ email to customers when their Credit Information Report (CIR) is accessed by the specified users (SUs). "The alerts shall be sent by CICs only when the CIR enquiry reflects in the CIR of the customer," said the Master Direction Reserve Bank of India (Credit Information Reporting) Directions, 2025. Also, Credit Institutions (CIs), which include banks and Non-Banking Financial Companies (NBFCs), will have to inform customers the reasons for the rejection of their request for data correction, if any, to enable such customers to better understand the issues in the CIR. "Complainants shall be entitled to a compensation of Rs 100 per calendar day in case their complaint is not resolved within a period of thirty (30) calendar days from the date of the initial filing of the complaint by the complainant with a CI/ CIC,"

(Business Standard)

RBI adds 8 tons gold to its reserves in November 2024: WGC: Central banks around the world collectively, in November 2024, added 53 tonnes of gold to their reserves, of which the Reserve Bank of India's addition was 8 tonnes, the World Gold Council (WGC) said in a report on Monday. In 2024, central banks - mostly those from emerging markets - remained keen buyers of gold, driven by the need for a stable and secure asset amid global economic uncertainties. "Assessing the final act of 2024, central banks around the world continued to play a leading role in the demand for gold. November represented another solid month of gold buying as central banks collectively added a net 53 tonnes to global official holdings," WGC said in a report - Central bank gold statistics November 2024

(Economic Times)

FinMin wants banks, NBFCs to join hands to fund large infra projects: The finance ministry has suggested that banks and non-banking financial companies (NBFCs) increase their participation in financing large-scale infrastructure initiatives, which are crucial for India's ambition to achieve developed nation (Viksit Bharat) status by 2047. Speaking at an event organised by the India Infrastructure Finance Company (IIFCL), M Nagaraju, secretary of the Department of Financial Services in the finance ministry, said he had advised IIFCL, National Bank for Financing Infrastructure and Development, and banks to move away from secured assets and pursue new, larger infrastructure projects. "There is also a need for pooling resources by NBFCs and banks so they can finance large projects," Nagaraju said at the National Summit on Indian Infrastructure for Viksit Bharat 2047.

(Economic Times)

INDUSTRY OUTLOOK

India unveils relaxed steel PLI 1.1 scheme, with focus on high-value products: India's Steel Ministry has relaxed norms for the flagship Performance Linked Incentive (PLI) scheme, while increasing its ambit. The second round of the PLI – now called PLI1.1 - will now make it easier for companies to apply and claim incentives in some of the select high-end, value-added speciality steel categories – previously imported into India – such as the cold-rolled grain oriented steel and other ones used in sectors like automobiles, defence, energy transition, etc. The second round will cover five product categories in line with the existing PLI Scheme, namely coated or plated steel products, high strength - wear (and tear) resistant steel, specialty rails; alloy steel products and steel wires; and electrical steel.

(Business Line)

Review of PSU General insurers on cards to gauge capital needs: The government is set to review the financial and operational performance of state-run general insurers, a senior official told ET, adding the exercise is aimed at helping North Block determine the need for capital infusion to strengthen the solvency ratios of these companies. "The financial performance of these companies has significantly improved. But their solvency ratios are still below the regulatory requirements. A decision will be made based on projections, and some amount may be allocated in the budget," he said. The three general insurers, Oriental Insurance, National Insurance, and United India Insurance, have solvency ratios below the stipulated 1.50. "The companies will also need to redraw their plans once the Insurance Amendment Bill goes through, which will further open up the sector and increase competition in various segments," the official said..

(Economic Times)

REGULATION & DEVELOPMENT

FIU-IND, IRDAI sign MoU for enhanced coordination: The Financial Intelligence Unit-India (FIU-IND) and the Insurance Regulatory and Development Authority of India (IRDAI) have signed a memorandum of understanding (MoU) as part of continued coordinated efforts in effective implementation of requirements of the Prevention of Money Laundering Act and its Rules. According to the MoU, FIU-IND and IRDAI will cooperate with each other in the areas of mutual interest, including the following. Appointment of a nodal officer and an alternate nodal officer by each party to the MoU. Sharing of relevant intelligence and information, available in their respective databases. Laying down procedure and manner in which the regulated entities/ reporting entities report to FIU-IND under the PML Rules. Conducting outreach and training for regulated entities /reporting entities.

(Business Line)

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Jobs, growth, demand in focus as FinMin concludes pre-Budget talks: As the finance ministry concluded nine rounds of pre-Budget consultations on Monday, steps to boost consumption and employment, tax concessions — for individuals and micro, small and medium enterprises (MSMEs) — along with wide ranging reforms were among the suggestions given by various stakeholders. The Union Budget for FY26 assumes significance as it comes on the back of lower-than-expected growth numbers during the second quarter and geopolitical uncertainty. Stakeholders ranging from economists and business owners to traders and farmers expect the upcoming Budget to address concerns around investment, inflation and infrastructure as well as take steps to improve ease of doing business.
(Business Standard)

FINANCIAL TERMINOLOGY

BACK LEVERAGE

- The debt incurred by a project sponsor at a holding company level to finance its equity contributions to a project, which is often structurally subordinated, or "back-levered," to another financing. In Renewable Energy projects it has become common for the term Loans to be back levered to a tax equity financing.
- Also referred to as a holdco loan or mezzanine financing, this is a transaction in which a project sponsor or a project developer finances all or a portion of its equity contribution in the project company or holding company with third party loans.
- A back leveraged transaction allows the sponsor to: Access cheaper capital. Equity is typically the most expensive source of capital. Being able to finance the sponsor's contribution to the project is an effective way to lower the project's overall cost of capital and obtain financing outside the project debt structure which may make the project more bankable (see Practice Note, Financial Covenants: Project Finance Transactions).

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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 : 85.8279
INR / 1 GBP : 106.8105
INR / 1 EUR : 88.5200
INR /100 JPY: 54.4300

EQUITY MARKET

Sensex: 77964.99 (-1258.12)
NIFTY: 23616.05(-388.70)
Bnk NIFTY: 49922.00(-1066.80)

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- Certificate Course on Investment Management
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- Aide Memoire on lending to MSME Sector (including restructuring of MSME Credit).
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