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DAILY NEWS DIGEST BY BFSI BOARD

08 August 2024

ECONOMY

Borrowing costs soften amid rising surplus liquidity in banking system: The Reserve Bank of India may or may not ease its stance of withdrawing monetary accommodation on Thursday but borrowing costs in the economy have softened nonetheless as a build-up of surplus banking system liquidity has brought down rates on a host of debt instruments. After remaining in surplus mode throughout July, excess cash with banks has built up more this month, rising to a two-year high of ₹2.86 lakh crore as on August 5, RBI data showed. Surplus liquidity conditions are measured on the basis of the quantum of funds absorbed by the RBI, or the amount of excess money that banks deploy with the central bank. "The RBI has been tolerating a liquidity surplus for more than a month now and that sends out a signal in one sense. While the central bank has been taking some steps to mop up liquidity, it has not absorbed all the flows," said Sakshi Gupta, principal economist, HDFC Bank. Gupta expects the RBI to announce a shift to a neutral stance in the central bank's monetary policy statement on Thursday.
(Business Standard)

India needs to focus on privatisation of banks and public sector enterprises, to push the economy towards higher growth, said Arvind Panagariya: India needs to focus on privatisation of banks and public sector enterprises, as one of the reforms to push the economy towards higher growth, said Arvind Panagariya, chairman, sixteenth finance commission at a FICCI event on August 7. "Main reform needed is the privatisation of banks," Panagariya noted, highlighting the history of non performing assets in the country, which led to bank capitalisation.We have gone through two cycles of NPA clean up, he noted, pointing out that the government needs to get out of this cycle.On the issue of economic activity, Panagariya pointed out that it stays heavily in the public sector, where capital is not being used.
(Moneycontrol)

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BANKING & FINANCE

PhonePe eyes South East Asia, Middle East for its global foray: Digital payments major PhonePe is looking to set up retail payment operations in new geographies, including Southeast Asia and the Gulf region, two people aware of the company's plan told ET. Places like Singapore, the Gulf region and some countries in Europe are on the agenda, but the plan is still in the early stage and implementation will be done slowly, they said. “The plan is to apply for a payment licence in these geographies and set up retail payment operations there,” said one person, requesting not to be named. "The expertise that the team has built scaling up business in India will be handy there and there is a large opportunity as payments get digitised in these places."
(Economic Times)

IBBI issues guidelines for creditors in insolvency process: The Insolvency and Bankruptcy Board of India (IBBI) the regulator for bankruptcy proceedings in the country has issued 15 point guidelines to the committee of creditors (COC) while deciding insolvency cases with an aim to stem value erosion by curbing procedural delays and increase co-ordination among members. The guidelines asks creditors to resolve any inter-se disputes between the members, particularly in relation to claims, preferably, through dialogue, or other non-adversarial means and avoid litigation. "The CoC has to also regularly monitor the activities of the insolvency professional (IP) and seek rationale of decisions/actions taken by him. CoC has to also carefully review and assess the information memorandum prepared by the IP and offer additional insights," the guidelines say. It also asks creditors to contribute to the preparation of the marketing of the assets of the corporate debtor, if necessary, a task so far left only to the IP. The CoC has also been directed to proactively share the latest financial statements, relevant extract from the audits of the corporate debtor, conducted by the creditors such as stock audit, transaction audit, forensic audit, etc. and other relevant information available, with the IP to enable efficient conduct of the process.
(Economic Times)

Fintech should work together with banks to develop scalable, regulatory compliant solutions: Financial Services Secretary Vivek Joshi: Financial Services Secretary Vivek Joshi on Wednesday urged the fintech community to work in close coordination with banks so that scalable

and regulatory compliant solutions can be designed. Addressing FICCI-IBA PICUP Fintech Conference, Joshi said the fintech sector is growing very fast and India has the highest fintech adoption rate vis-a-vis global average. Observing that fintech has transformed the financial sector architecture by providing innovative solutions to various services, he said, "I would urge fintechs to work hand in hand with banks, rather than creating a solution themselves and then approaching banks...because banks deal with the very large, bigger issues."
(Economic Times)

INDUSTRY OUTLOOK

Moody's upgrades Tata Motors' ratings to Ba1, outlook remains positive: Ratings agency Moody's on August 7 said it has upgraded Tata Motors Limited's (TML) corporate family rating (CFR) by two notches to Ba1 from Ba3 with the outlook remaining positive, due to the automaker's revenue growth, improving profitability and debt reduction. The agency also upgraded Tata Motors' senior unsecured instruments' ratings to Ba1 from Ba3. "TML's two-notch rating upgrade with a positive outlook follows the company's sustained track record in achieving revenue growth, improving profitability and reducing debt using its large free cash flow despite its elevated capital expenditure to refresh its products.
(Moneycontrol)

States get nearly 3/4th of GST on health insurance, says Sitharaman: Finance Minister Nirmala Sitharaman on Wednesday said that States receive almost 3/4th of the revenue collected through GST on insurance. Responding to ongoing debate and criticism of the Centre levying GST on health insurance, Sitharaman said the Opposition parties should address their concerns on the issue to finance ministers of respective States where they are in power.
(Business Line)

Adani Enterprises plans to raise $1 bn via QIP for green hydrogen expansion: Top executives from Adani Enterprises told analysts last week that the company plans to raise funds through the qualified institutional placement (QIP) route at the earliest to fund its green hydrogen plans."We are looking to fast-track our green hydrogen. So, we are looking to have the QIP done at the earliest," said Saurabh Shah, deputy chief financial officer (CFO) for the company. He added that capex plans for airports, roads, data centres, PVC, and copper business are fully funded. "So, except Adani New Industries, wherever there is the capex which goes on, but with Adani Industries already

throwing up a sizable amount of cash with the new and new expansion that we do, we will have enough cash for the equity portion of it for at least another 1-2 years. And whatever the substantial portion of equity requirement that is there for Adani New Industries will be fulfilled through this QIP program," he informed analysts.
(Business Standard)

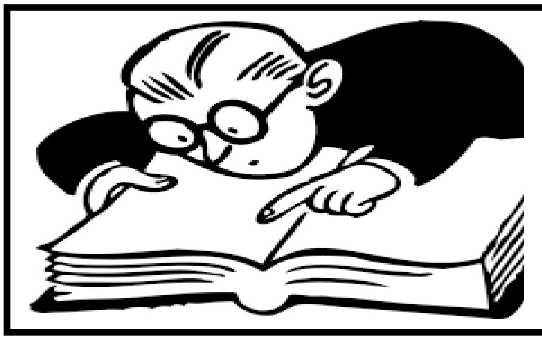
Mukesh Ambani draws zero salary for fourth consecutive year: Reliance Industries annual report.The RIL annual report stated that in the last three years, Mukesh Ambani chose not to receive any allowances, perquisites, retiral benefits, commission, or stock options from Reliance in his capacity as the chairman and managing director.
(Business Today)

REGULATION & DEVELOPMENT

LTCG Tax Rollback: Major relief for middle-class homeowners, property prices may be impacted: In a major relief for property owners, the central government has proposed an amendment to the long-term capital gains (LTCG) taxes for properties bought before July 23, 2024, allowing the homeowners to choose between paying a 20 percent LTCG tax with an indexation benefit or a 12.5 percent rate without indexation. This comes after a major backlash from the real estate sector, including middle-class homeowners, over the higher tax liability without indexation benefits to factor into market inflation. Removing indexation benefits also raised fears that transactions would include more cash, fuelling black money back into the real estate market. According to the new amendments, homeowners who bought properties before July 23, 2024, will have the option to choose between the new regime taxed at 12.5 percent without indexation benefits or the old regime taxed at 20 percent with indexation benefits. However, owners who bought the property on July 23 or after will have to follow the new tax regime by default.
(Moneycontrol)

CBDT relaxes provisions of TDS/TCS in event of death of deductee/collectee, before linkage of PAN and Aadhaar: The Central Board of Direct Taxes (CBDT) has relaxed provisions of TDS/TCS in event of death of deductee/collectee, before linkage of PAN and Aadhaar. In view of genuine difficulties being faced by taxpayers, CBDT issued the Circular no. 8 of 2024 dated 05.08.2024, and vide the same, the Government has relaxed the provisions of TDS/TCS as per the

Income-tax Act, 1961(the 'Act') in the event of death of deductee/collectee before linking of PAN and Aadhaar. In order to redress the grievances of the taxpayers wherein instances have been cited, of demise of the deductee/collectee on or before 31.05.2024 and before the option to link PAN and Aadhaar could have been exercised, the Circular provides that there shall be no liability on the deductor/collector to deduct/collect the tax under section 206AA/206CC of the Act, as the case maybe pertaining to the transactions entered into upto 31.03.2024. This is in continuation of Circular no. 6 of 2024 dated 23.04.2024 issued earlier by CBDT wherein the date for linking of PAN and Aadhaar was extended upto 31.05.2024 for the taxpayers (for the transactions entered into upto 31.03.2024) to avoid higher TDS/ TCS as per the Act.
(PiB)



FINANCIAL TERMINOLOGY

CURRENCY SWAP

- A currency swap is an agreement between two cross-border entities where one of them agrees to provide a loan to another in a foreign currency. The repayment takes place in a different currency at a fixed date and an exchange rate. The interest rate charged on such loans is usually lesser than that available in the foreign market.
- Let us understand it with an example. Suppose India signs a currency swap agreement worth $5 million with say, Nepal. India will then provide a loan to Nepal in a foreign currency which may be US Dollar. In return, Nepal will have to return the money in Indian Rupees at a fixed interest rate.
- This comes as a saviour for the countries going through a foreign reserve crisis as it allows them to get a loan in USD, at a lower rate of interest.

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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 : 83.9519
INR / 1 GBP : 106.6592
INR / 1 EUR : 91.6212
INR /100 JPY: 57.2400

EQUITY MARKET

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NIFTY: 24297.50 (+304.95)
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