



FINSCAPE

A MONTHLY NEWS BULLETIN

Issue: 10

for internal circulation only

October 2015

Disclaimer:

'FINSCAPE' is for Private Circulation only intended to bring monthly updates in BFSI sector related information published in various media like newspapers, magazines, e-journals etc. to the attention of faculty members, students of Aurora group of Institutions. Sources of all Cited Information (CI) are duly acknowledged and Members are advised to read, refer, research and quote content from the original source only, even if the actual content is reproduced.

CI selection does not reflect quality judgment, prejudice or bias by CFS. Selection is based on relevance of content to faculty members and students, readability/ brevity/ space constraints/ availability of CI solely in the opinion of CFS.

From Editorial Desk

Dear Readers,

Welcome to the September edition of FINSCAPE.

RBI governor's aggressive rate reduction is the highlight of this month's news. Acting as cheerleader to the India Inc. the RBI governor Mr.RaghuramRajan made an aggressive – more than expected- rate cut of 50 basis points, thus reducing the Repo rate from 7.25% to 6.75%.

This aggressive rate cut is expected to boost the economic activities. The GDP growth rate is projected to grow at 7.4% in 2015-16. Reacting to the rate cut, major stock indices, NSE and BSE gained significantly over the weekend. This is a big boost to the markets after the last month's crash. Commercial banks led by State Bank of India reacted positively by reducing the base rate by 40 basis points. Major Banks followed in SBI footsteps and reduced their base rates. With all major economic factors being stable this RBI move is expected to spur the economic growth in the country.

Happy reading,

VenugopalRajamanuri
Co-ordinator- CFS

Prof. Srinivas R Gangidi
Editor

Prof. NV Ramana
Chief Editor

Head lines:

BANKING & FINANCE

RBI cuts repo rate by 0.50%.

RBI to put a cap on lenders in consortium

IDFC bank to start operations from 1st October, 2015

Proposed Monetary Policy Committee (MPC) to have three members

US Fed Reserve keeps the interest rates unchanged.

INSURANCE

IRDA notifies that Corporate Agents can sell Policies of 3 insurers each

New banks, insurers eye Petrol pumps for biz - The Times of India (Mumbai) – 23rd September 2015

IRDA issues guidelines for social, rural sector obligations - Business Standard – 22nd September 2015

Less than 20% of population under health insurance cover, says report - The Times of India (Delhi) – 24th September 2015

Life insurers' new premium grows by 13.8% in April-August period - Business Standard – 22nd September 2015

CAPITAL MARKETS

Sun Pharma acquires US firm Insite Vision for \$48 million.

Hindustan Unilever (HUL) sells Modern Bread Brand

Government Securities & Bonds: Gold Monetisation Scheme likely to fetch 2% interest on gold deposits.

BANKING & FINANCE

RBI CUTS REPO RATE BY 0.50%.

RBI governor RaghuramRajan's aggressive rate cut of 50 basis point reducing the Repo rate from 7.25% to 6.75% spurs hopes of economic growth. Raghuramrajan has acted like a cheer leader to the economy by this unexpected aggressive rate cut of 0.50%. India Inc. was buoyed by this step and the stock markets reacted positively. SBI lead the commercial banks who reduced their lending rates with this rate cut, by reducing its base rate from 9.70% to 9.30%. Other major banks also followed the rate reduction.

RBI TO PUT A CAP ON LENDERS IN CONSORTIUM

RBI to put a cap on lenders in consortium as stressed assets rise. The stressed assets ratio (Gross NPA + restructured standard advances) for the banking system as a whole was 10.9% in March 2015 as compared to 10% in March 2014. Rs.7.05 lac crores worth advances are in stressed category as compared to Rs.5.91 lac crores in March 2014 (Business Line 16th Sept.)

IDFC BANK TO START OPERATIONS FROM 1st OCTOBER, 2015

Infrastructure financier IDFC, which received a universal banking licence from the Reserve Bank of India (RBI) last year, will start banking operations from October 1. It received in-principle approval for operation in April 2014 and obtained the final approval in July.

Rajiv Lall will be Vice-Chairman and Managing Director, while former Union home secretary Anil Baijal will be the chairman of IDFC bank. Vinod Rai, former Comptroller and Auditor General of India (CAG), will be the Non-executive Chairman of IDFC.

PROPOSED MONETARY POLICY COMMITTEE (MPC) TO HAVE THREE MEMBERS- IIBF VISION – AUGUST EDITION.

The Proposed Monetary Policy Committee (MPC) will have three members from RBI instead of two proposed earlier, under a revised draft of the Indian Financial Code (IFC). Due to the code, the present system of Reserve Bank of India (RBI) Governor solely deciding the monetary policy actions (such as interest rate) will be replaced by an MPC taking

such decisions by majority. As per the revised draft, the MPC would be headed by RBI Chairperson and would include an executive member of its board and one of its employees nominated by the Chairperson, apart from four members appointed by the government of India

US FED RESERVE KEEPS THE INTEREST RATES UNCHANGED.

The Fed Reserve has kept the interest rates unchanged till next review causing relief to Indian markets too.

INSURANCE

IRDA NOTIFIES THAT CORPORATE AGENTS CAN SELL POLICIES OF 3 INSURERS EACH

The regulator IRDA notified on 15th Sept. that Corporate Agents with exclusive Insurance Business and with net worth of Rs.50 lacs can sell policies of 3 insurers each in Life, General and Health Segments. This step is expected to improve the insurance penetration in the country. Insurance penetration is currently at 3.9% of GDP (Business Line 16th Sept.)

NEW BANKS, INSURERS EYE PETROL PUMPS FOR BIZ - THE TIMES OF INDIA (MUMBAI) – 23RD SEPTEMBER 2015

The ubiquitous petrol pump is set to be the next big physical touch point for financial services after bank branches. The oil ministry will leverage its proposed network of 86,000 petrol pumps to tie up with banks and have ATMs and manned kiosks to provide banking and insurance services.

The decision was taken at the meeting of the consultative committee of parliament for the petroleum ministry, chaired by petroleum minister Dharmendra Pradhan in presence of Parliamentary Affairs Minister Rajiv Pratap Rudy, to discuss marketing of petroleum products in a competitive environment.

The Petroleum Ministry has decided to work along with the Finance Ministry and the skill development ministry to create an integrated model of petrol

pumps whereby consumers besides fueling their vehicles will have the option to buy banking, financial and insurance products. At present, there are close to 54,000 company-owned fuel outlets, to which the government is planning to add an additional 32,000 over ten years.

IRDA ISSUES GUIDELINES FOR SOCIAL, RURAL SECTOR OBLIGATIONS - BUSINESS STANDARD – 22ND SEPTEMBER 2015

IRDA has said all insurers from the life, non-life and health segments operating for 10 years should have at least 5% of their total policies from the social sector. Social sector includes the unorganised sector, informal sector and economically vulnerable or backward classes both in rural and urban areas.

For the rural sector - the places or areas classified as rural in the Census - life insurers have to write at least seven per cent of total number of policies from these areas in the first year of operation. This goes up to 20 per cent from the 10th year onwards. For general insurers, two per cent of gross premium income should be in the rural segment in the first year, which goes up to seven per cent from the ninth year onwards. In respect of stand-alone health insurers, it is 50 per cent of the obligations prescribed for non-life insurers. The regulator said micro insurance policies issued are eligible to be reckoned for social-sector obligations. Where a micro insurance policy is issued in a rural area, it can be reckoned for both rural and social sector obligations separately.

IRDA SAID EVERY INSURER SHOULD MANDATORILY DO BUSINESS IN THESE SEGMENTS.

Less than 20% of population under health insurance cover, says report - The Times of India (Delhi) – 24th September 2015

Despite liberalization of the insurance sector, only around 21.6 crore people less than one-fifth of India's population are covered under health insurance. Even among those who have some form of coverage, 67% are covered by public insurance companies, according to National Health Profile 2015, compiled by the Central Bureau of Health Intelligence.

LIFE INSURERS' NEW PREMIUM GROWS BY 13.8% IN APRIL-AUGUST PERIOD - BUSINESS STANDARD – 22ND SEPTEMBER 2015

New business premiums of life insurance companies saw a 13.8 per cent rise for the period between April 1

CAPITAL MARKET NEWS

