



FrankBanker
Idea Exchange for Bankers

7th May 2022



ISSUE 15

LATEST FACTS

Repo : 4.40% | Rev Repo: 3.35% | Fx Reserves: \$597.728 ▼

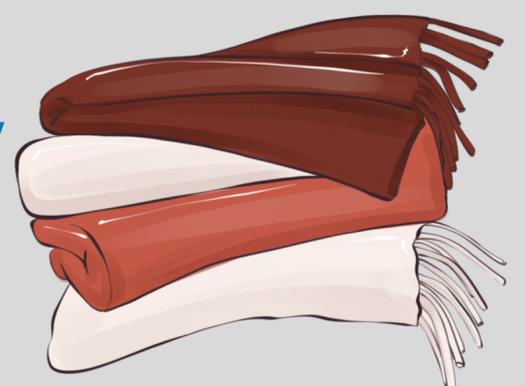
CPI Inflation : 6.95% (Mar 22) | GDP Growth: 5.4% (Oct-Dec21)

Bitcoin: ₹27,45,071.10 ▼ | Ethereum : ₹2,04,329.87 ▼

Brent Crude : \$111.75 ▲ | USD/INR: ₹76.7470 ▼

INSIDE ▼

- RBI Actions this week
- **Tax considerations** for Partnerships/LLPs
- **India's Exports Performance**
- Quick view of **Textile Industry**
- Fintech and Banking News



RBI ACTIONS



- **Monetary Policy**

- RBI **increased the Repo rate by 40 basis points** to 4.40%, over fears of rising inflation
 - CRR raised from 4% to 4.5%, bringing it above the pre-pandemic level. This will reduce liquidity and further increase rates.
- RBI gave nod to the reverse merger of Equitas Holdings Ltd (EHL) and Equitas Small Finance Bank Ltd (ESFBL)
 - RBI imposed ₹5 lakh penalty each on Daimler Financial Services India and KKR India Financial Services for non-compliance with directions related to 'monitoring of frauds in NBFCs'

INFO STORY



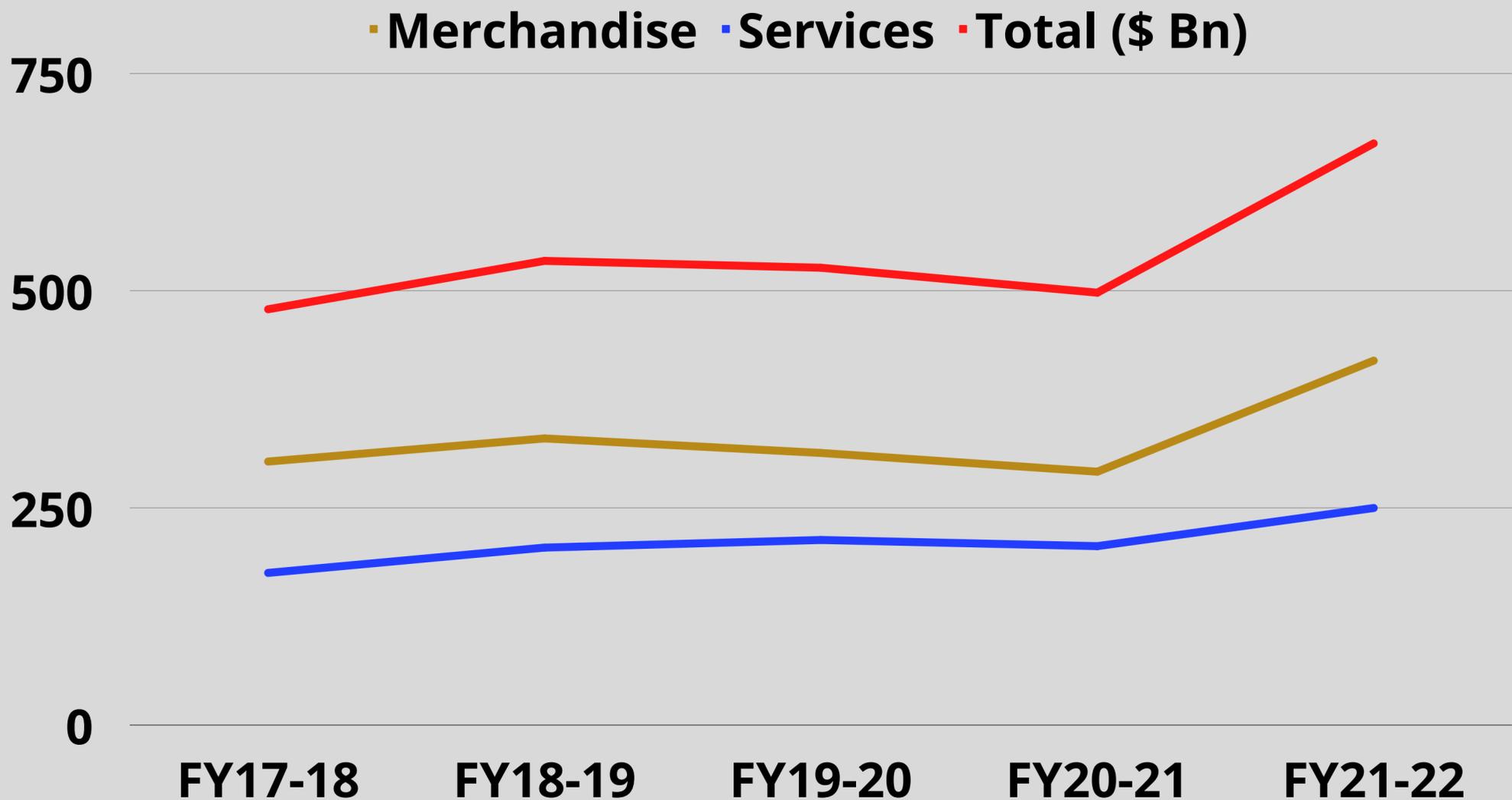
Tax considerations for Partnerships/LLPs

- **Income Tax:** General partnership, limited partnership, and Limited Liability Partnership pay Income Tax @ 30%. If tax payable is > ₹1 cr, additional 12% surcharge is levied
- **Audited financials** required if total sales exceed ₹1 crore for Partnerships and ₹40 Lakhs for LLPs
- **Rate of Interest as an expense:** Interest paid to a partner should not exceed equivalent of 12% simple interest per year (Section 40(b)). Amount above 12% are disallowed
- **Remuneration to Partners:** Remuneration is allowed as an expense but is taxable in the hands of receiving partner as "Income from Business or Profession"



DATA STORY

India's Exports Performance 1/2



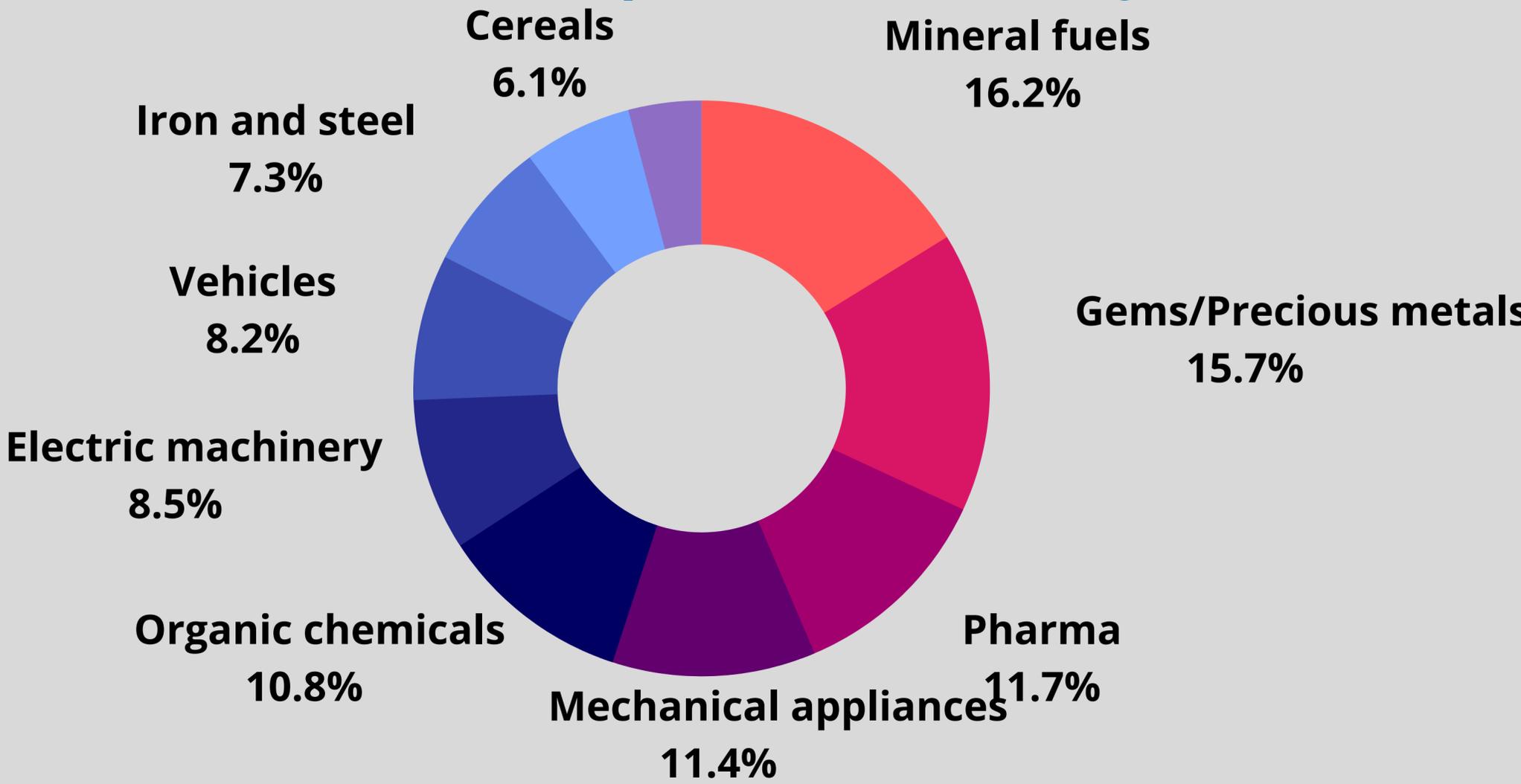
- Going by recent data, India's exports are reaching an inflexion point. **Exports for FY22 reached a record level of \$670Bn.**
- Importantly this growth is led by an uptick in **Merchandise (goods) exports**. *See the golden line in the graph above*
- This includes **Agri exports** (including marine and plantation products) which also crossed \$50 billion, the highest ever
- *More data on Export distribution on the next page*



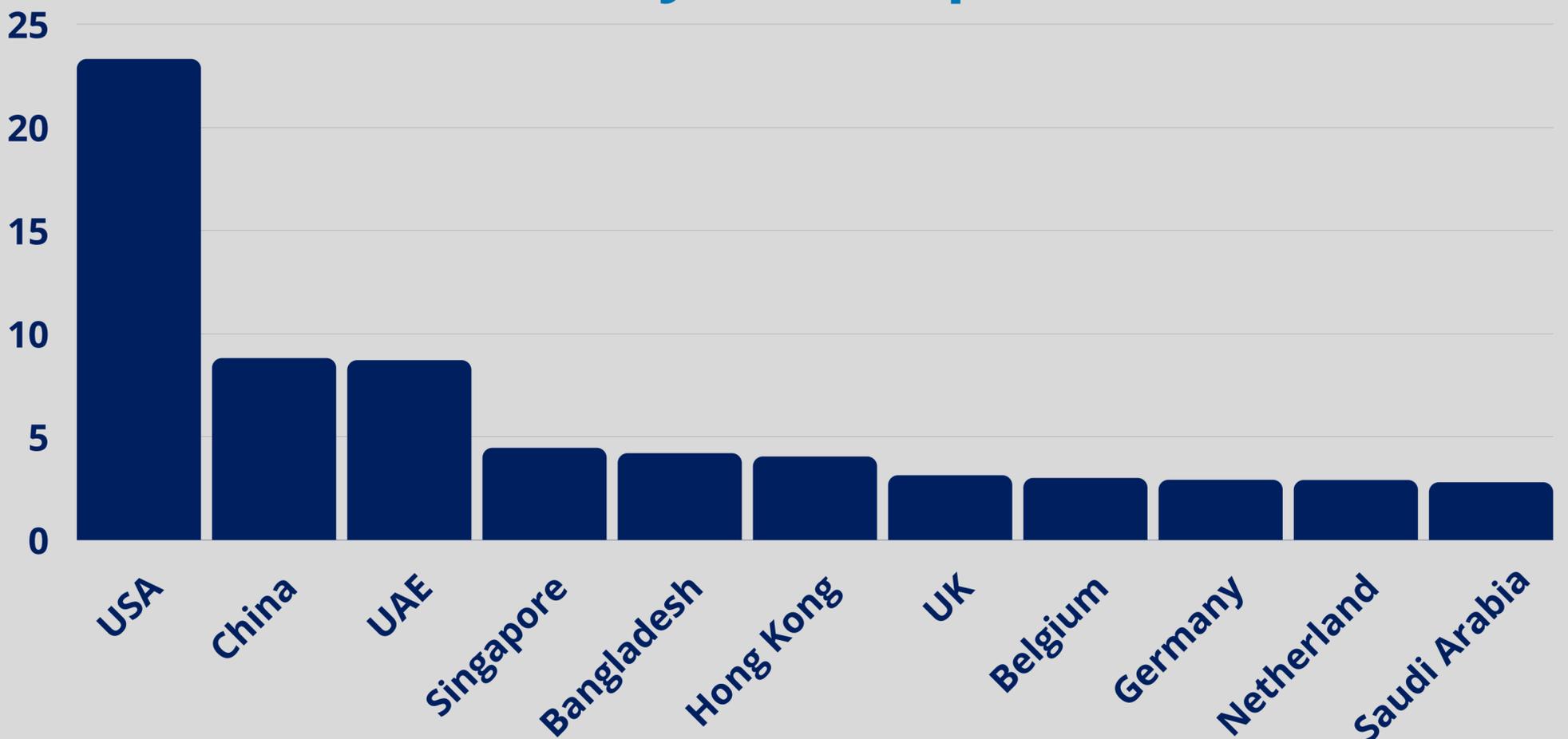
DATA STORY

India's Exports Performance 2/2

Merchandise Exports (Commodity-wise)



Country-wise Exports





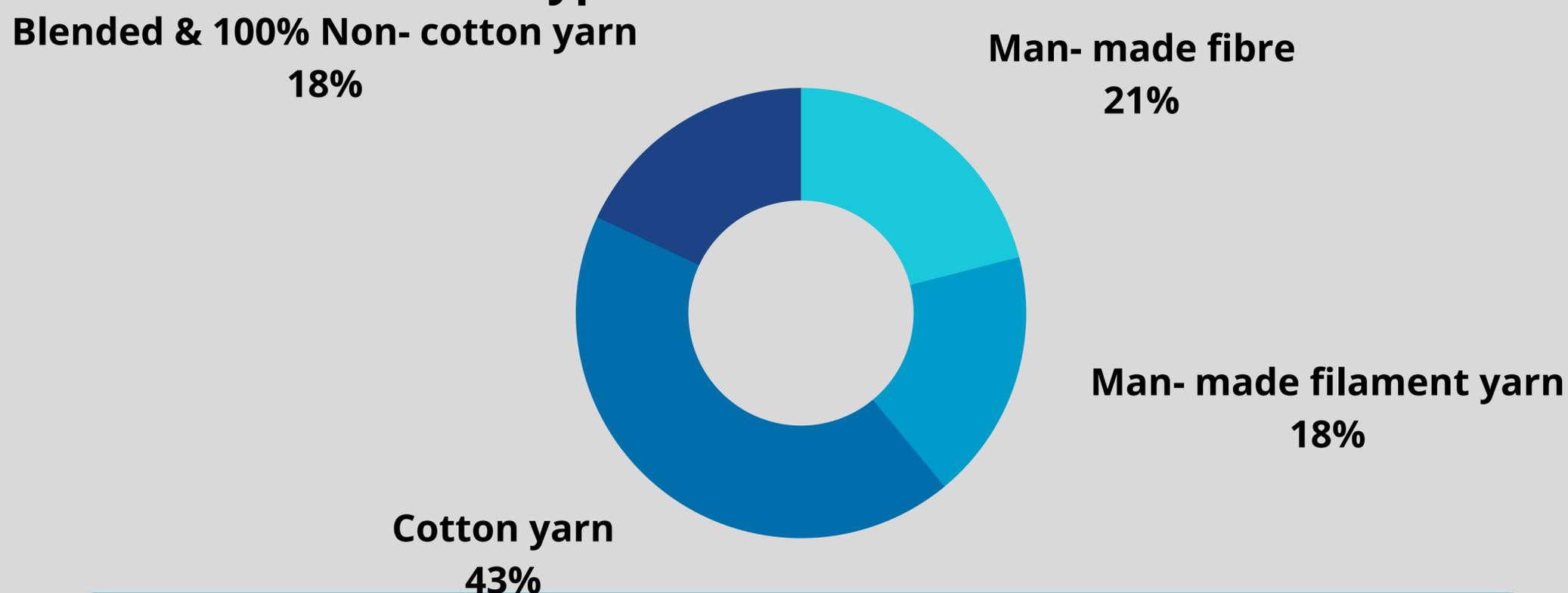
SECTOR STORY

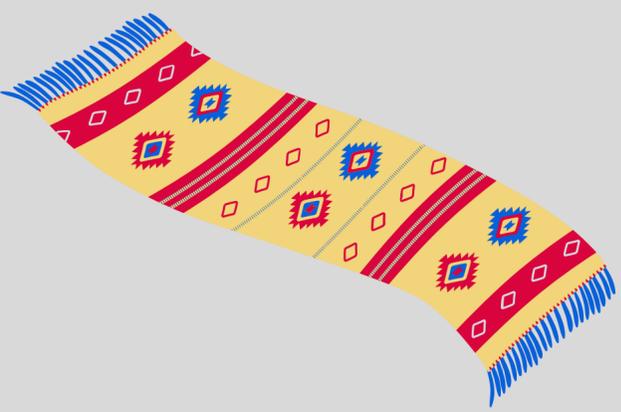
Textile Industry

1/2

- India is the world's
 - **2nd largest textile and apparel (T & A) producer** and 6th largest exporter
 - One of the **largest producers of Cotton and Jute**, largest in Silk and 95% of hand-woven fabrics
 - India's **Technical textiles** segment is estimated at \$16 bn, around 6% of the global market
- It accounts for **5% of country's GDP**, 7% of industry output in value terms, and 12% of export earnings. Its the 2nd largest employer in the country
- T&A Industry comprises of Yarn and Fibre, Fabric and Ready Made Garments/Apparels

Type of Yarn Produced





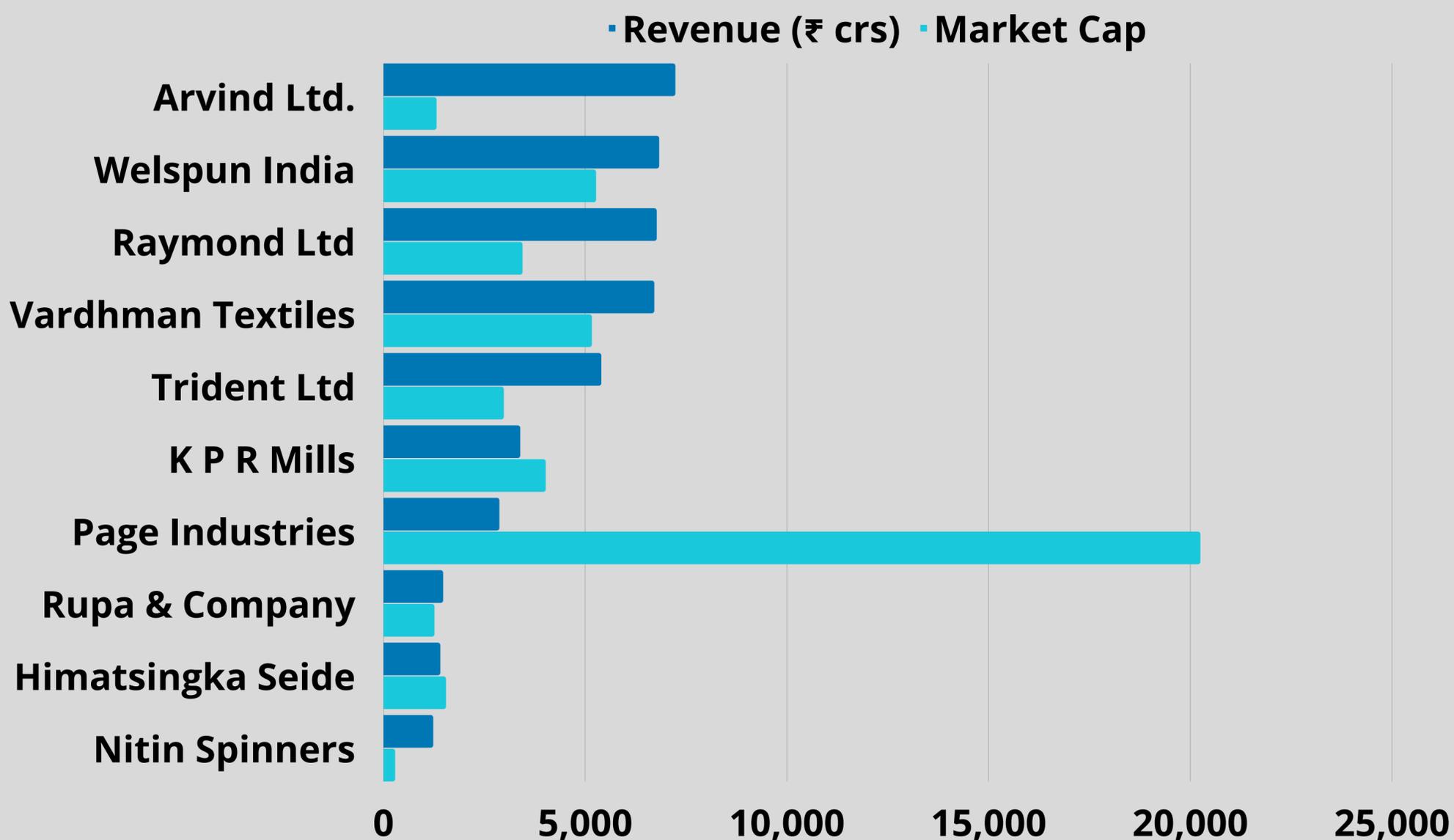
SECTOR STORY

Textile Industry

2/2

- **FDI Policy:** 100% FDI is allowed under automatic route
- **GST rate** made uniform for Man-made Fibre (MMF) value chain at 12%
- **Production-linked Incentive (PLI) Scheme** worth ₹10683 crore (\$1.44 billion) is allotted for MMF and technical textiles over a 5 year period.
- **Schemes:** Scheme for Integrated Textile Parks (SITP), Technology Upgradation Fund Scheme (TUFS) and Mega Integrated Textile Region and Apparel (MITRA) Park scheme

Key Textile players



FINTECH NEWS



- **Paytm** will tokenize 28 million cards by June 30 in order to delete saved card info. **Tokenization** refers to the substitution of actual card details with a unique code called the 'token,' which aims to improve the payment system's safety and security
- As a result of the new RBI auto-debit standards, **Apple App Store** ceased accepting Credit and Debit cards in India for purchasing and subscribing to services
- IIFL Finance Ltd. and Open Financial Technologies Private Ltd, a SME oriented neo-banking platform, announced a JV to build India's first neobank to serve MSMEs
- Bliv.Club, a Web3 Fintech Startup that aims to create products like Derivatives for NFTs, raised undisclosed amount in a round led by Alpha Wave Ventures

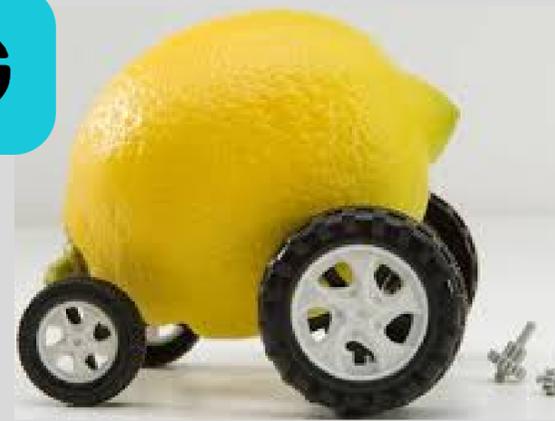
LATEST IN BANKING



- **LIC of India** came out with its ₹2100 crore IPO, with the government diluting 3.5% stake. The Price band is fixed at ₹902- ₹949 per equity share, with discount for retail investors and Policy holders
- **US Federal Reserve** raised benchmark interest rates by 50 BPS. It also decided to shrink its balance sheet by reducing bond holdings to pare liquidity
- ICICI, Bank of Baroda, SBI and many other banks have notified increase in loan rates post the Repo Rate increase by RBI
- To strengthen its financial health, **Central Bank of India**, a state-owned commercial bank, proposes to close 13% of its branches

LET'S KEEP LEARNING

TERM OF THE WEEK



- **LEMONS PROBLEM** : The lemons dilemma refers to the challenges that arise when the buyer and seller have **asymmetric information** about the worth of an investment or product. Its derived from a 1970 paper by economist George Akerlof titled *The Market for Lemons: Quality Uncertainty and the Market Mechanism*
- Lets say in a market Sellers hold Good products (Peaches) with higher price or Bad (Lemons) products with lower price. The Buyer does not know which is Peach or Lemon and hence averages the price. This in turn leads the Peach Sellers to exit, which in turn increases Lemons in the market, reducing the price further. In short, leading to high quality products existing a market
- In common use "lemon" refers to a vehicle with several flaws and issues that limit its utility

Announcement

We are pleased to launch

FRANKBANKER FORUM

**A no-nonsense platform for banking and
finance community**



We invite you to sign up and start sharing your thoughts, ideas, questions on Banking, Finance, Economy and related Technology

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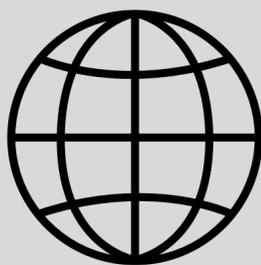
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