

RBI annual report: Decoding the surplus

India Economy | Update

May 31, 2024

Lower MTM loss aids higher RBI surplus in FY24

Key Points

- The RBI surplus expanded by 141% to Rs2,018.8bn in FY24 from Rs874.20bn in FY23 on account of lower contingency provisions as mark-to-market losses on foreign and domestic securities moderated.
- Income was up 17% while expenses declined by 56.3% on account of lower provision (down by 67.3%). Expenses (excluding provisions) were up by 27.5%.
- Interest from foreign sources was up by 71.1%, supported by ~14% expansion in the foreign securities portfolio. Income from domestic sources was up by 3.2% mainly on account of lower net interest outgo under the liquidity adjustment facility (LAF) operations. Other income declined by 5.9% on account of lower FX gains (down by 19.1%).
- Total economic capital of the RBI stood at ~22.55% in FY24, which is within the range of 20-24.5% prescribed by the Bimal Jalan Committee.

RBI balance sheet expands by 11.1% led by foreign securities: Increase in the RBI's balance sheet on the asset side was due to rise in foreign investments, gold and loans & advances by 13.90%, 18.26% and 30.05%, respectively. Domestic assets constituted 23.31% while foreign currency assets, gold (including gold deposit and gold held in India) and loans & advances to financial institutions outside India constituted 76.69% of total assets as on March 31, 2024.

Lower provisions aided by reduced MTM loss boosted RBI surplus: Provisioning declined by 67.3% to Rs 428.20bn in FY24 from Rs1308.76bn in FY23 as market-to-market losses on foreign and rupee securities moderated. The balance (mark to market adjustment) in Investment Revaluation Account (IRA)-Foreign securities increased from Rs(-)1,654.88bn as on March 31, 2023 to Rs(-)1,432.20bn as on March 31, 2024 because of softening of yields for almost all major markets across maturity buckets. The balance in IRA-Rupee Securities increased from Rs (-)194.17bn as on March 31, 2023 to Rs(-)70.90bn as on March 31, 2024 due to softening of yields across the curve. The Contingency Risk Buffer increased from Rs3,512bn in FY23 to Rs4,286.21bn in FY24 aided by provisions of Rs428.20bn and reversal of some of the mark-to-market losses on foreign and rupee securities (Exhibit 2). The available realized equity (ARE) or contingency risk buffer was thus maintained at 6.5% of total assets. As on March 31, 2024, total gold held by the RBI was at 822.10 metric tonnes compared to 794.63 metric tonnes as on March 31, 2023. The balance in Currency and Gold Revaluation Account (CGRA) increased from Rs11,247.33bn as on March 31, 2023 to Rs11,307.93bn as on March 31, 2024 mainly due to depreciation of rupee and increase in the price of gold. This, along with the Contingency Risk buffer contributed to the RBI's total economic capital, which stood at 22.55% of total assets in FY24.

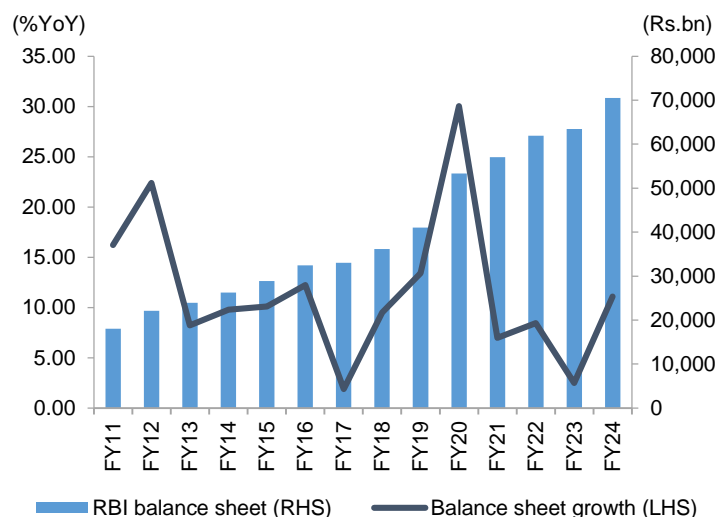
Income growth moderates on lower FX gains and domestic interest income: Income was up 17% in FY24 vs 47.1% growth in FY23. Interest income growth moderated to 31.3% in FY24 from 50.5% in FY23 as domestic interest income grew by a meagre 3.2% due to interest on rupee securities declining by 4.1% even as net interest outgo under the LAF operations moderated. Interest from foreign sources was up 71.1%. Other income declined by 5.9% on account of lower FX gains (down by 19.1%). The rate of earnings on foreign currency assets was 4.21% in FY24 compared to 3.73% in FY23.

Key Macro Forecasts

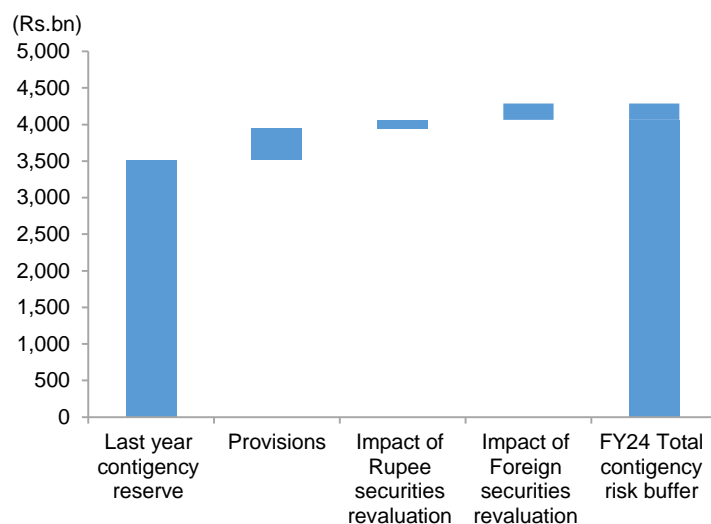
Particulars	FY23	FY24F	FY25F
GDP (% YoY)	7.0	7.8	6.6
GVA (% YoY)	6.7	7.0	6.5
Agriculture (% YoY)	4.7	1.3	3.8
Industry ex. construction (% YoY)	-0.6	9.1	6.3
Services inc. construction (% YoY)	9.9	7.7	7.3
CPI (average)	6.7	5.4	4.8
WPI (average)	10.0	-0.7	2.5
Interest rates-Repo (Fiscal year end)	6.50	6.50	6.0
Fiscal deficit (% of GDP)	6.4	5.8	5.1
Current account balance (% of GDP)	-2.0	-0.7	-1.3
INR/USD (Average)	80.3	82.8	84.6
10 year yields (average)	7.35	7.16	7.0
Crude oil price (US\$/bbl average)	95.0	82.1	80.0

Source : CSO, CEIC, Nirmal Bang Institutional Equities

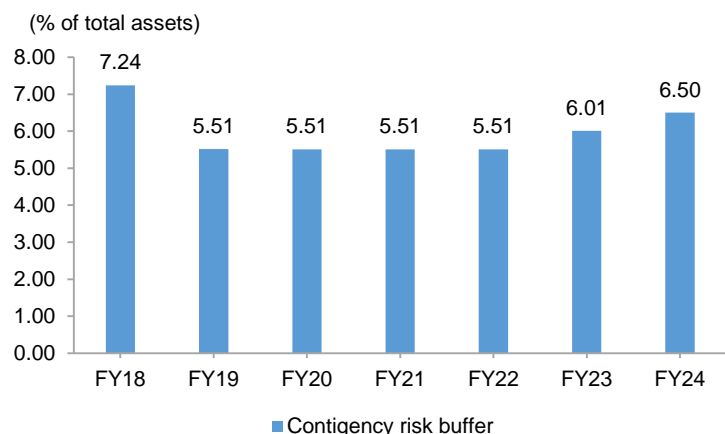
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Exhibit 1: RBI balance sheet grew by 11.1%


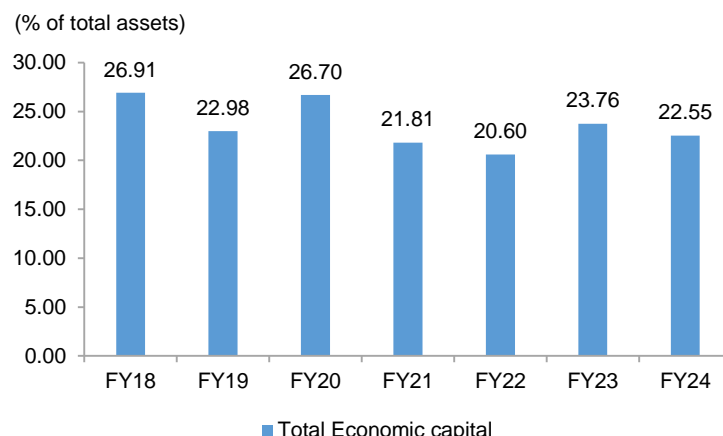
Source: RBI, Nirmal Bang Institutional Equities Research

Exhibit 2: Lower mark-to-market loss aided expansion of contingency risk buffer


Source: RBI, Nirmal Bang Institutional Equities Research

Exhibit 3: Contingency risk buffer at 6.5% of assets


Source: RBI, Nirmal Bang Institutional Equities Research

Exhibit 4: Total economic capital at ~ 22.5% of assets


Source: RBI, Nirmal Bang Institutional Equities Research

Exhibit 5: RBI balance sheet expansion led by foreign assets in FY24

Liabilities (Rs.bn)	FY21	FY22	FY23	FY24
Capital	0.05	0.05	0.05	0.05
Reserve Fund	65.00	65.00	65.00	65.00
Other Reserves	2.34	2.36	2.38	2.4
Deposits	14,915.38	17,337.88	13,542.17	17,198.39
Contingency Fund	2,845.42	3,109.87	3,512.06	4,286.21
Asset Development Fund	228.75	229.75	229.75	229.75
Revaluation Accounts	9,244.55	9,345.44	11,260.88	11,309.637
Other Liabilities	1,506.58	755.48	1,352.83	2,605.21
Notes Issued	28,268.63	31,057.21	33,482.45	34,780.40
Total Liabilities	57,076.69	61,903.02	63,447.56	70,477.03
Assets				
Notes, Rupee, Small Coin	7.55	5.25	2.87	4.69
Gold - ID	1,041.40	1,253.49	1,407.66	1,646.05
Gold - BD	1,435.83	1,968.64	2,307.34	2,747.14
GOLD	2,477.23	3,222.13	3,715.00	4,393.19
Investments - Foreign BD	12,299.40	11,411.28	10,089.93	14,890.81
Investments Foreign ID	27,219.79	29,798.63	32,072.02	33,129.76
FOREIGN SECURITIES	39,519.20	41,209.91	42,161.95	48,020.57
Investments -Domestic-BD	13,331.74	14,888.16	14,064.23	13,633.69
Investments Domestic ID	0.00	0.00	0.00	0.00
RUPEE SECURITIES	13,331.74	14,888.16	14,064.23	13,633.69
Loans and Advances	1,351.19	2,087.93	2,888.14	3,755.93
Investment in Subsidiaries	19.64	20.64	20.64	20.64
Other Assets	370.15	469.00	594.75	648.32
TOTAL ASSETS	57,076.69	61,903.02	63,447.56	70,477.03

Source: RBI, Nirmal Bang Institutional Equities Research

Exhibit 6: Lower provisions aid higher surplus in FY24

(Rs.bn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Income	782.81	1930.36	1496.72	1332.73	1601.12	2354.57	2755.72
Interest	738.71	1068.37	1093.33	690.57	950.89	1430.73	1886.06
o/w interest on from foreign sources	345.40	458.15	483.77	254.69	326.54	602.97	1,031.78
o/w interest from domestic sources	393.31	610.22	609.57	435.88	624.35	827.76	854.28
Others / FX gains and losses	44.10	861.99	403.39	642.16	650.23	923.84	869.67
o/w Exchange gain/ loss from FX transaction	-40.67	289.98	299.93	506.03	689.91	1033.08	836.16
o/w CF written back	0.00	526.18	0.00	0.00	0.00	0.00	0.00
Total Expenses	282.77	170.45	925.4	341.47	1298.00	1480.37	646.94
Employee cost	38.48	68.51	89.28	47.88	38.69	60.04	78.90
Provisions	141.9	0.64	736.15	207.10	1146.67	1308.76	428.20
Surplus	500.04	1759.91	571.3206	991.26	303.12	874.20	2,108.78
Interim dividend	100	280	-	-	-	-	-
Distributable surplus	400.04	1,479.91	571.32	991.26	303.12	874.20	2,108.78

Source: RBI, Nirmal Bang Institutional Equities Research

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