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(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
CMA BHAWAN
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : +91-33- 2252-1031/1034/1035
+ 91-33-2252-1602/1492/1619
+ 91-33- 2252-7143/7373/2204
Fax : +91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723
Website : www.icmai.in

DAILY NEWS DIGEST BY BFSI BOARD, ICAI

June 2, 2021

- **SBI's Ecowrap revises FY22 GDP projection to 7.9% from 10.4%:** State Bank of India's economic research department has revised its real GDP projection for FY22 to 7.9 per cent from 10.4 per cent earlier, with its analysis showing a disproportionately larger impact of the second wave of Covid-19 pandemic on the economy. The Department, in its report "Ecowrap", imparted an upward bias to this number with the fervent hope of 1 crore vaccinations per day beginning mid-July as per government projections. "However, our analysis shows a disproportionately larger impact on economy this time and given that rural is not as resilient as urban, the pick up in pent-up demand is unlikely to make a large difference in FY22 GDP estimates, and hence it could only be a modest pick up," said Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI. For the current financial year, GDP outlook will be impacted by the trajectory of international commodity prices which have risen sharply during the year, as per Ecwrap.
<https://www.thehindubusinessline.com/money-and-banking/sbis-ecowrap-revises-fy22-gdp-projection-to-79-from-104/article34696412.ece>
- **Edelweiss boosts co-lending partnership with Central Bank of India for MSME:** Edelweiss Retail Finance Ltd (ERFL) on Tuesday announced strengthening of its co-lending partnership with Central Bank of India for priority sector lending to micro, small and medium enterprises (MSMEs). MSMEs can now avail of collateral free business loans up to Rs 50 lakh as against Rs 10 lakh earlier. Additionally, they can also avail of loan against property up to Rs 10 crore. Building on the success of their partnership, the lenders have collaborated to introduce specially designed products with increased loan limits for the MSME segment. Mehernosh Tata, CEO of Edelweiss Retail Finance, said the initiative is aimed towards unlocking higher business value and delivering a digitally enhanced experience to MSME borrowers. "This arrangement is a win-win for MSMEs, the bank and us. It will help channelise credit to the priority sector as we step up lending in a credit starved economy." Tata said this will expand the reach to underserved markets, enabling priority sector borrowers to get credit at lower costs.
https://www.business-standard.com/article/finance/edelweiss-boosts-co-lending-partnership-with-central-bank-of-india-for-msme-121060100821_1.html
- **PNB slashes MCLR across select tenors from today:** Punjab National Bank (PNB) has reduced its benchmark one-year marginal cost of funds-based lending rate (MCLR) by 0.05 per cent to 7.30 per cent, the bank said in a regulatory filing. The new MCLR rates will come into effect from today, 1 June 2021. The overnight, one-month and three-year MCLR rates have been kept unchanged. The six-month and three-month tenor MCLR rates were cut by 0.10 per cent each to 7 per cent and 6.80 per cent, respectively.
<https://www.livemint.com/industry/banking/pnb-slashes-mclr-across-select-tenors-from-today-11622524179199.html>



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- **RBI slams foreign banks on data rule:** The Reserve Bank of India (RBI) has pulled up several multinational banks operating in the country for not providing a board-approved system audit report certifying compliance with its data-localisation norms. In a recent communication, the RBI said that a majority of banks are yet to submit system audit reports certifying compliance to data storage norms even after three years since the issuance of the circular. It also said that many foreign banks have said that the audit norms did not apply to them and this was not acceptable. The central bank had asked banks to submit their compliance along with a plan of action on or before May 15, 2021. Sources said that recently, the banking regulator had a discussion with some of the foreign banks where it made its displeasure known. According to sources, several foreign banks have been unable to issue an audit report stating that all personal and non-personal transaction data which has been sent overseas for processing has been permanently deleted. Last month, the central bank barred American Express Bank and Diners Club from on-boarding new customers citing violation of data storage norms.
<https://timesofindia.indiatimes.com/business/india-business/rbi-slams-foreign-banks-on-data-rule/articleshow/83127510.cms>
- **HDFC Bank deploys Mobile ATMs across 50 cities in India:** In view of restrictions imposed in various parts of the country, HDFC Bank today announced the availability of Mobile Automated Teller Machines (ATMs) in 50 cities across India to assist customers during the lockdown. At restricted areas, the Mobile ATMs will eliminate the need for general public to move out of their locality to withdraw cash. Customers can conduct over 15 types of transactions using the Mobile ATM, which will be operational at each location for a specific period. The Mobile ATM will cover 3-4 stops in a day. "We hope our mobile ATM will provide a great support for people who want to avail basic financial services without having to venture far from their neighbourhood," said S Sampathkumar, Group Head – Liability Products, Third Party Products and Non-Resident Business at HDFC Bank. "This service will also be of great help to all the healthcare workers, and other essential service providers who have been working tirelessly to combat the pandemic."
<https://economictimes.indiatimes.com/industry/banking/finance/banking/hdfc-bank-deploys-mobile-atms-across-50-cities-in-india/articleshow/83143769.cms?from=mdr>
- **Non-banks' NPAs may rise to 4.5-5 per cent by March 2022: Icra :** Restrictions in movements imposed by various states are likely to impact collections of non-banking financial companies (NBFCs) and housing finance companies (HFCs), which may see NPAs rising to 4.5 - 5 per cent by March 2022, says a report. Icra Ratings said non-banks (NBFC and HFCs) will feel the stress of the second wave of COVID-19 and movement restrictions imposed by various states in April-May 2021, given the fact that 25-30 per cent of their loan collections happen through field collection teams and largely via cash. "We expect the non-bank reported NPAs to increase to about 4.5-5 per cent by March 2022 vis a vis about 4 per cent in December 2020. "This in-turn would keep the earnings subdued in the current fiscal; about 30 per cent lower than the pre-Covid levels," the agency's sector head (financial sector ratings) Manushree Sagar said in a release. Loan collections by non-banks, which were impacted by the nation-wide lockdown and the loan moratorium till August 2020, saw a steady revival during the third and fourth quarters of FY2021, the agency said.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/non-banks-npas-may-rise-to-4-5-5-per-cent-by-march-2022-icra/articleshow/83147376.cms>



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- **NBFC collections fall, NPAs to rise due to lockdowns: ICRA:** Stricter localised lockdowns in May have most likely hit loan collections for non banking finance companies (NBFCs) and could increase non-performing assets (NPAs) by 50 to 100 basis points, credit rating agency ICRA has said. One basis point is 0.01 percentage point. NBFCs with exposure to sectors like microfinance, rural/semi-urban borrowers with small-ticket (SME, vehicle loans) and unsecured loans which have a higher share of field collections will be hit hardest, impacting their asset quality and hence profits. The share of field collections for NBFCs are higher at about 35% to 40% compared to 5% to 10% for housing finance companies whose loans are secured and typically target customers with a better credit profile.
<https://economictimes.indiatimes.com/industry/banking/finance/nbfc-collections-fall-npas-to-rise-due-to-lockdowns-icra/articleshow/83143233.cms?from=mdr>
- **RBI asks banks not to cite its 2018 cryptocurrency circular:** The Reserve Bank of India (RBI) on Monday asked regulated entities to desist from citing or quoting from its April 2018 circular on “Prohibition on dealing in Virtual Currencies (VCs)” as it is no longer valid following the Supreme Court setting the circular aside in March 2020. The regulated entities include all Commercial and Co-operative Banks, Payments Banks, Small Finance Banks, Non-Banking Finance Companies, and Payment System Providers. The central bank said it has come across media reports that certain banks/ regulated entities have cautioned their customers against dealing in virtual currencies by making a reference to the RBI circular on “Prohibition on dealing in Virtual Currencies (VCs)” dated April 06, 2018. “Such references to the above circular by banks/ regulated entities are not in order as this circular was set aside by the Hon’ble Supreme Court on March 04, 2020 in the matter of Writ Petition (Civil) No.528 of 2018 (Internet and Mobile Association of India v. Reserve Bank of India),” RBI said in a statement.
<https://www.thehindubusinessline.com/money-and-banking/rbi-asks-banks-not-to-cite-its-2018-cryptocurrency-circular/article34692382.ece>
- **Investors cheer after RBI clarifies crypto trading isn’t banned :** The Reserve Bank of India’s clarification that cryptocurrency trading isn’t banned in the country is a welcome relief for a community facing push-back from traditional lenders needed to help settle these deals. The regulator late on Monday told banks not to cite a 2018 central bank circular as a reason to hinder crypto trades, given the Supreme Court has since squashed the order. “Banks must continue with other routine due diligence measures on the deals,” the RBI said. The RBI order follows local media reports that financial firms, including SBI Cards & Payment Services Ltd., one of India’s biggest credit card issuers, and the nation’s largest private-sector bank HDFC Bank Ltd. had cautioned customers against dealing in virtual currencies. Indian authorities have repeatedly expressed concern that crypto assets could be used for criminal activity such as money laundering and funding terrorism.
<https://economictimes.indiatimes.com/markets/cryptocurrency/investors-cheer-after-rbi-clarifies-crypto-trading-isnt-banned/articleshow/83149897.cms>
- **India's sovereign bond yields may stretch to April 2020 high, says expert:** India’s sovereign bond yields are likely to head sideways in coming months before starting to spike higher toward year-end, according to a 25-year bond-market veteran. Signs of quicker inflation and concern the Reserve Bank of India will pull back on policy support should eventually put yields on a rising path, said Radhavi



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Deshpande, chief investment officer at Kotak Mahindra Life Insurance Co. in Mumbai. Consumer prices will start to rise as the virus wave subsides, and that will also convince policy makers to ease back on stimulus, she said. "We expect the benchmark 10-year yield to head toward 6.50% as inflation worries and policy normalization concerns begin to resurface along with reducing support from the RBI as we approach the year end," she said in an interview. Yields may stretch toward the high, last seen in April 2020, by March, she added.

https://www.business-standard.com/article/finance/india-s-sovereign-bond-yields-may-stretch-to-april-2020-high-says-veteran-121060100143_1.html

- **YES Bank lowers its FY 2021-22 growth estimate for India to 8.5%:** Yes Bank on Tuesday revised its growth estimate for India for the financial year 2021-22 to 8.5 per cent. Its previous projection was 10.5 per cent. "While all indications pointed to a stable recovery process before the 2nd wave struck, this is now likely to be pushed back to an extent. For FY22, we expect real GDP growth at 8.5 per cent, weaker than our previous estimate of 10.5 per cent," said the report titled 'India GDP: Marathon effort ahead' prepared by Yes Bank's Economist department. It noted that the implementation of lockdown-like restrictions due to the second wave is likely to create a break in the normalisation process in the growth that had started as the economy was unlocked after the tapering off of the first round of infections. The mobility and consumption indicators have already started recording a sequential drop with state level lockdown restrictions through April and May. Other high frequency indicators such as automobile sales and production, PMI manufacturing and PMI services, E-way bills, power consumption etc, have also moderated sequentially.
https://www.business-standard.com/article/finance/yes-bank-lowers-its-fy-2021-22-growth-estimate-for-india-to-8-5-121060100810_1.html
- **Capital Float crosses Rs 2,000 crore financing through its platform:** Buy now pay later credit platform Capital Float on Tuesday said financing through its platform has crossed over Rs 2,000 crore by March 2021. Capital Float said it has ended FY21 on a high note, crossing 20 lakh (2 million) lifetime customers-- a four times increase from March 2020, it said. "It has now financed over Rs 2,000 crore worth of consumer purchases through its Buy-Now-Pay-Later (BNPL) model till-date, making it the fastest growing BNPL platform in India," it said in a release. Additionally, Capital Float's Walnut app surpassed the 500,000 active customers mark and has seen considerable traction for consumer credit, personal financial management and insurance. During the last quarter March'21, company's BNPL disbursements grew by 220 per cent from a year ago period and in March alone it financed over a million transactions. The company also raised Rs 150 crore in debt in Q4 FY20. Capital Float ended FY21 at a monthly disbursement run rate of Rs 140 crore and an net NPA of 1.56 per cent. The company has been adding over 150,000 customers every month.
https://www.business-standard.com/article/finance/capital-float-crosses-rs-2-000-crore-financing-though-its-platform-121060100913_1.html
- **CBI books Ghosh Brothers Automobiles in Rs 168 cr bank fraud case:** The Central Bureau of Investigation (CBI) on Tuesday said that it has registered a case against Guwahati-based Ghosh Brothers Automobiles and its promoters and directors in a bank fraud case worth Rs 168 crore. A CBI spokesperson here said that the agency has booked Pranab Kumar Ghosh, Pratul Kumar Ghosh, Gita



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Rani Ghosh and Prabir Kumar Ghosh, all promoters-Directors of Ghosh Brothers Automobiles. Besides the promoters and directors, the CBI has also named Arunabha Chattopadhyaya, Chartered Accountant and unknown bank officials and private persons. The official said that the case has been registered on the basis of a complaint from IDBI Bank for causing a loss of Rs 168.62 crore. He said that in the complaint it was alleged that term loan and cash credit facility were sanctioned fraudulently to the private company based at Guwahati to the tune of Rs 64.67 crore from IDBI Bank, Guwahati Branch for purchasing vehicles. "It was further alleged that the accused availed loan by submission of false documents and also the accused indulged in diversion of money for the purpose other than for which the loan was sanctioned, and thereby caused loss of Rs 168.62 crore as on January 31, 2021 to the bank," he said.

https://www.business-standard.com/article/finance/cbi-books-ghosh-brothers-automobiles-in-rs-168-cr-bank-fraud-case-121060100986_1.html

- **Rupee Co-op Bank granted extension of banking licence:** Rupee Co-operative Bank has been granted an extension for its banking license by the Reserve Bank of India (RBI) for another three months up to August 31, 2021. Till March 2021, the bank made total recovery of Rs 263.93 crore and aggregate operating profit of Rs 70.70 crore during the last five years. The bank is earning profit consecutively for the last five years. Till March-2021, bank had paid Rs 366.54 crore to 92602 depositors under the Hardship Scheme. Barring negative net worth, there are not any adverse remarks, either in the statutory audit or RBI annual inspection, a statement issued by the bank said. The proposal for merger with Maharashtra State Co-Op Bank, (MSC Bank) is pending with the RBI, Sudhir Pandit, chairman, board of administrators, Rupee Cooperative Bank, said.
<https://www.financialexpress.com/industry/banking-finance/rupee-co-op-bank-granted-extension-of-banking-licence/2262690/>
- **Paytm's shares race past Rs 21,000-mark in grey market ahead of IPO:** The Paytm stock has been in great demand in the grey market ever since the company announced its plan to launch initial public offering (IPO). The stock price has risen from Rs 11,500 to Rs 21,000 over the past few days, however, no one is selling them now despite people willing to buy it. "Last week, we sold Paytm stock to investors between Rs 11,000 and Rs 12,000. The last trade we did in these shares was two days back at Rs 21,000. Since then, there are no stocks available for purchase," LiveMint quoted Mittal Portfolios director Manish Mittal as saying.
<https://www.moneycontrol.com/news/business/paytms-shares-exceeds-to-rs-21000-in-grey-market-ahead-of-ipo-listing-6973561.html>
- **PNB Housing stock hits ceiling for second day:** The proposed large equity infusion —led by the Carlyle Group — in PNB Housing Finance (PNBHF) has set the stock prices of this housing finance company on fire with a two back-to-back 20 per cent jump (upper circuit) in each of last two days to close at ₹630.75 on Tuesday. In the last five days, the stock has gained 56 per cent. Brokerages and foreign investment advisory firms gave a thumbs up to the PNBHF's Board approval for preferential issue as it reduces the overhang on much awaited equity infusion and/or stake sale. This large equity infusion of about ₹4,000 crore should significantly improve confidence of debt markets and equity markets and



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bring back PNBHF back on growth path, Morgan Stanley said in a research note, while upping the price target for the stock to ₹600.

<https://www.thehindubusinessline.com/markets/stock-markets/pnb-housing-stock-hits-ceiling-for-second-day/article34701564.ece>

- **Market ends flat as metals and financials drag:** The BSE Sensex closed flat at 51,934.88, down 2.56 points. It hit an intraday high of 52,228.65 and a low of 51,808.88. The Nifty 50 lost momentum after closing at record highs for three consecutive sessions to end at 15,574.85, down 7.95 points or 0.05 per cent. It hit a new all-time high of 15,660.75 in the first half amid a volatile trading session. It hit an intraday low of 15,528.30. Adani Ports, ONGC, Bajaj Finance, State Bank of India and HDFC were the top gainers on the Nifty 50 while JSW Steel, Tata Steel, ICICI Bank, Asian Paints and Ultratech Cement were the top laggards.
<https://www.thehindubusinessline.com/markets/stock-markets/market-ends-flat-as-metals-and-financials-drag/article34698770.ece>
- **Rupee declines 28 paise to 72.90 against dollar:** Extending losses for the second straight session, the rupee on Tuesday fell by another 28 paise to end at 72.90 against the US currency due to dollar buying by banks and higher crude oil prices. The rupee opened on a marginally positive note at 72.57 per dollar as against its previous close of 72.62 at the interbank foreign exchange market. It hovered in the range of 72.54 to 72.94 per dollar during the day before ending at 72.90. The domestic currency has lost 45 paise in the two trading sessions to Tuesday. Meanwhile, the dollar index, which gauges the greenback's strength against a basket of six currencies, rose 0.01 per cent to 89.83.
https://www.business-standard.com/article/finance/rupee-falls-for-2nd-day-declines-28-paise-to-72-90-against-dollar-121060100869_1.html
- **Gold continues upward march after rising 5% in May; Silver jumps Rs 1,063 a kg:** Gold prices on June 1 rose by Rs 287 to Rs 49,319 per 10 gram at Mumbai retail market on rupee depreciation and positive global trend. The precious metal surged Rs 2,241 or 4.79 percent in the domestic market during May on dollar weakness and growing inflationary pressures. The rate of 10 gram 22-carat gold in Mumbai was Rs 45,176 plus 3 percent GST, while 24-carat 10 gram was Rs 49,319 plus GST. The 18-carat gold quoted at Rs 36,989 plus GST in the retail market. Silver prices soared by Rs 1,063 to Rs 72,413 per kg against its closing price on May 31.
<https://www.moneycontrol.com/news/business/commodities/gold-continues-upward-march-after-rising-5-in-may-silver-jumps-rs-1063-a-kg-6973731.html>

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