



**THE INSTITUTE OF  
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## DAILY NEWS DIGEST BY BFSI BOARD, ICAI

August 7, 2021

- **Will withdraw PCA only if bank is ‘fit case’: RBI Governor Shaktikanta Das:** The Reserve Bank of India on Friday said it keeps reviewing the position of public sector banks that are under its prompt corrective action (PCA) framework and will take a call on withdrawal only if it is a “fit case”, RBI Governor Shaktikanta Das said on Friday. Currently, there are three public sector lender Indian Overseas Bank (IOB), UCO Bank and Central Bank of India that are under the RBI’s PCA framework. “We keep on reviewing that position. As and when requests are received, we analyse it. If it meets our regulatory requirements, and if in our assessment, we feel confident that it’s a fit case, the RBI will do the needful,” Das told reporters in the post-policy conference. He said the RBI has been taking banks out of the PCA framework. In March this year, the RBI had removed IDBI Bank from PCA framework, which was imposed in May 2017.  
<https://www.financialexpress.com/industry/banking-finance/will-withdraw-pca-only-if-bank-is-fit-case-rbi-governor-shaktikanta-das/2305895/lite/>
- **Timeline for IBC resolution needs to be shortened: Shaktikanta Das:** Reserve Bank of India (RBI) governor Shaktikanta Das has acknowledged that the timeline for resolution of default cases under the Insolvency and Bankruptcy Code (IBC) needs to be shortened, while adding recovery under the new regime is higher than the previous ones. Replying to a question on the large haircuts that creditors have taken in some cases recently Das pointed out that the present National Company Law Tribunal (NCLT) system has given better returns."The total recovery under the Lok Adalat regime was 5%. Under DRT (Debt Recovery Tribunal) framework it was 6%," Das said referring to the data between 2014-15 to 2019-20. He pointed out that the recovery under the preceding SARFAESI regime was also lower at 20% while it is about 40% under the IBC system. "In fact, till the onset of the pandemic the recoveries were even higher at 45%. This is an NCLT supervised, judicially reviewed process. Of course the time taken needs to be reduced and the government has taken certain legislative action to streamline and rationalise the system further. So far as the recovery is concerned IBC is far better than SARFAESI and DRT," Das said.  
<https://economictimes.indiatimes.com/industry/banking/finance/banking/timeline-for-ibc-resolution-needs-to-be-shortened-shaktikanta-das/articleshow/85102082.cms>
- **Rise in retail stress levels not alarming: RBI Deputy Governor Jain:** The Reserve Bank of India is closely monitoring the rising delinquencies in the retail portfolios of lenders, deputy governor, M.K. Jain said. Despite the rise in retail stress levels, the regulator reckoned that the situation is not alarming. “With regard to any kind of movement of stress in the retail and MSME sector we are very closely monitoring, yes there is a visibility of little bit stress from the past data but it is not alarming,” Jain said in the post monetary policy conference while interacting with reporters. “We are constantly engaged with the regulated entities, particularly the outlier banks and NBFCs.” Jain said that they have asked banks and NBFCs to raise capital as well as provisions.  
<https://economictimes.indiatimes.com/industry/banking/finance/banking/rise-in-retail-stress-levels-not-alarming-rbi-deputy-governor-jain/articleshow/85097963.cms>



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- **Actions against HDFC Bank, Mastercard driven by keenness to ensure compliance of norms: Shaktikanta Das:** A keenness to ensure compliance to regulatory guidelines has led the RBI to initiate strong actions against entities like HDFC Bank, Mastercard and American Express, Reserve Bank of India (RBI) Governor Shaktikanta Das said on Friday. The RBI has banned HDFC Bank from selling new credit cards after instances of service outages, and asked Mastercard and American Express to not sell any new cards for data localisation non-compliance. "Whenever there are deviations or violations of the regulatory guidelines, as the regulator, it is our job, it is our responsibility to ensure compliance. "All our actions are an outcome of our keenness and our responsibility to ensure that regulatory guidelines are complied," Das told reporters in the customary post-policy review press conference.  
<https://economictimes.indiatimes.com/news/economy/policy/actions-against-hdfc-bank-mastercard-driven-by-keenness-to-ensure-compliance-of-norms-shaktikanta-das/articleshow/85098961.cms?from=mdr>
- **Growth projection unchanged at 9.5%, inflation revised upwards for FY22:** The RBI Governor Shaktikanta Das, in his speech on the Monetary Policy today, said that the projected GDP growth for FY22 will remain unchanged at 9.5 per cent. The projected inflation for FY22 has been revised upwards to 5.7 per cent. The governor also said that there has been "encouraging movement in high frequency indicators". This implies that the economy is on the road of recovery. India's retail inflation has been beyond the RBI's tolerance band for the past two months. However, price pressures should ebb in the third quarter. "The current assessment is that the inflationary pressures during Q1:2021-22 are largely driven by adverse supply shocks which are expected to be transitory," he said.  
<https://economictimes.indiatimes.com/news/economy/indicators/growth-projection-unchanged-at-9-5-inflation-revised-upwards-for-fy22/articleshow/85091370.cms>
- **Sundaram Finance Holdings invests ₹480 cr in buying out stakes in portfolio companies:** Sundaram Finance Holdings Ltd (SF Holdings) said it invested about ₹480 crore in consolidating holdings in a few portfolio companies in the past one year or so. SF Holdings primarily operates as a holding company owning a portfolio of businesses engaged in various aspects of automotive manufacturing. Significant investments include Sundaram Clayton, Wheels India, IMPAL (all listed) and Brakes India and Turbo Energy (both unlisted). While the performance of portfolio companies is improving, it is still below their results in FY20 due to the downturn in the automotive industry driven by cyclical factors as well as the impact of the pandemic, according to a statement. "We remain optimistic on the recovery and growth of the automotive sector in the medium term and consequently we expect a recovery in the future results of the company," said Harsha Viji, Director, SF Holdings.  
<https://www.thehindubusinessline.com/companies/sundaram-finance-holdings-invests-480-cr-in-buying-out-stakes-in-portfolio-companies/article35751281.ece>
- **Indiabulls Housing Finance Q1 net up marginally:** Indiabulls Housing Finance registered a 3.2 per cent increase in its consolidated net profit at ₹281.69 crore for the quarter ended June 30, 2021. Its net profit was ₹272.84crore in the same period last fiscal. Its net interest income was up 4.65 per cent to ₹765 crore in the first quarter of the fiscal from ₹731 crore a year ago. Total revenue from operations, however, fell 9.9 per cent on a year on year basis to Rs ₹ 2,320.69 crore as on June 30, 2021. Loan



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book degrew by 10.5 per cent to ₹65,438 crore in the first quarter of the fiscal as against ₹73,129 crore a year ago. It shored up provisions on the balancesheet to ₹3,600 crore or 5.5 per cent of the loan book. “The high provision cushion places the company’s portfolio in a strong position to negotiate any macroeconomic uncertainties stemming from second wave and expected third wave of the Covid-19 pandemic,” Indiabulls Housing Finance said in a statement on Thursday.

<https://www.thehindubusinessline.com/money-and-banking/indiabulls-housing-finance-q1-net-up-marginally/article35753036.ece>

- **Reserve Bank plans four VRRR auctions:** The Reserve Bank of India (RBI), on Friday, said it will conduct four variable reverse repo rate (VRRR) auctions in the fortnight beginning August 13 till September 24 to absorb surplus liquidity from the banking system. The quantum of surplus liquidity with the banking system as on August 4 was ₹8.50-lakh crore. The central bank will conduct fortnightly VRRR auctions of ₹2.5-lakh crore on August 13; ₹3.0-lakh crore on August 27; ₹3.5-lakh crore on September 9; and ₹4.0-lakh crore on September 24. RBI Governor Shaktikanta Das underscored that these enhanced VRRR auctions should not be misread as a reversal of the accommodative policy stance, as the amount absorbed under the fixed rate reverse repo is expected to remain more than ₹4.0-lakh crore at September-end 2021. The amount accepted under the VRRR window forms part of system liquidity. Das observed that markets have adapted and even welcomed the VRRR, in view of the higher remuneration it offers relative to the fixed rate overnight reverse repo.  
<https://www.thehindubusinessline.com/money-and-banking/reserve-bank-plans-four-vrrr-auctions/article35770869.ece>
- **Muthoot Finance posts 16% rise in Q1 net profit at Rs 971 cr:** Gold loan lender Muthoot Finance has posted a 16 per cent increase in its standalone profit at Rs 971 crore for Q1 of FY21, against Rs 841 crore in the corresponding period of the previous fiscal. Consolidated PAT of the group also achieved a 14 per cent rise at Rs 979 crore against last year’s Rs 858 crore. The loan assets of the standalone entity stood at Rs 52,614 crore compared to Rs 41,296 crore in the previous year, a growth of 27 per cent. During the quarter, the gold loan assets increased by Rs 142 crore. Consolidated loan assets under management increased by 25 per cent at Rs 58,135 crore.  
<https://www.thehindubusinessline.com/money-and-banking/muthoot-finance-posts-16-rise-in-q1-net-profit-at-rs-971-cr/article35772457.ece>
- **Recast loans worth Rs 70,000 cr get extra time to meet norms:** Loans worth Rs 70,000 crore restructured under the Covid-19 regulatory package last year will get a lease of life from RBI’s move to grant them an extra six months, till October 1, 2022, to meet operational parameters like Debt Service Ratio. Bankers said this move comes as a support to stressed firms from sectors like tourism, real estate, hospitality and other hit badly by the second wave. It is expected to reduce risks of slippage in tandem with economic recovery in the second half of the current financial year, bankers said. Dinesh Khara, chairman, State Bank of India said the deferral of deadline for meeting the operational parameters for stressed entities will help corporates navigate through the pandemic with a degree of certainty.  
[https://www.business-standard.com/article/finance/recast-loans-worth-rs-70-000-cr-get-extra-time-to-meet-norms-121080601571\\_1.html](https://www.business-standard.com/article/finance/recast-loans-worth-rs-70-000-cr-get-extra-time-to-meet-norms-121080601571_1.html)



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- **Covid impact: Banks see slippages rise in cash collection-driven segments:** Lenders reported a deterioration in asset quality during the April-June quarter in loan categories where cash collections play an important role. Gold loans, commercial vehicle (CV) loans and microfinance — all saw fresh bad loans inch up in Q1FY22 as the second wave of Covid-19 hampered collection activities. The absence of a moratorium on repayments, unlike last year, made the stress more evident on lenders' books. State Bank of India (SBI), CSB Bank and Federal Bank were among the lenders who reported an increase in non-performing assets (NPAs) in the gold loan segment. SBI's NPA ratio in gold loans stood at 2.24% in the June quarter. Chairman Dinesh Khara attributed the high NPA ratio in gold loans to the inability of collection staff to reach borrowers amid mobility restrictions.  
<https://www.financialexpress.com/industry/banking-finance/covid-impact-banks-see-slippages-rise-in-cash-collection-driven-segments/2305338/>
- **RBI defers target date to Oct 1, 2022 for meeting thresholds under COVID debt recast scheme:** In further relief to the stressed corporate sector, the RBI on Friday decided to defer the target date by six months to October 1, 2022 for meeting certain operational thresholds outlined by the KV Kamath committee under the COVID-19 debt-recast scheme announced last year. Kamath Committee on September 4, 2020 had recommended financial parameters to be factored in the resolution plans under the 'Resolution Framework for COVID-19-related Stress' along with sector-specific benchmark ranges for such parameters. The committee had recommended financial ratios for 26 sectors which has to be factored by lending institutions while finalizing a resolution plan for a borrower. The financial aspects include those related to leverage, liquidity, debt serviceability.  
<https://www.financialexpress.com/industry/banking-finance/rbi-defers-target-date-to-oct-1-2022-for-meeting-thresholds-under-covid-debt-recast-scheme/2305642/>
- **AU Small Finance Bank posts 15 pc rise in net profit to Rs 203 cr for June quarter:** AU Small Finance Bank (SFB) on Friday reported a 15 per cent increase in its net profit to Rs 203 crore for the first quarter ended June 30. The bank had reported a net profit of Rs 177 crore in the year-ago quarter. Its total income during April-June 2021 rose 11 per cent to Rs 1,538 crore, compared with Rs 1,410 crore in the year-ago period, AU Small Finance Bank said in a regulatory filing. Net interest income jumped 40 per cent to Rs 724 crore from Rs 516 crore, aided by reduction in the cost of funds by 88 basis points and assets under management (AUM) growth, the bank said. The profit after tax was higher by 15 per cent even as the bank prudently increased contingency buffer, it said.  
<https://www.financialexpress.com/industry/banking-finance/au-small-finance-bank-posts-15-pc-rise-in-net-profit-to-rs-203-cr-for-june-quarter/2305835/>
- **No blanket ban on opening of current a/c, RBI following a graded approach: DG Rao:** There is no "blanket ban" on opening of current accounts and the Reserve Bank is following a "graded approach" on the basis of overall banking system's exposure to an account, Deputy Governor M Rajeshwar Rao said on Friday. The assertion came amid reports that many small businesses had suffered freezing of accounts after the July 31 deadline for revised norms. The RBI responded to this by extending the deadline for application of new norms to October 31. "There is no blanket ban on opening of current



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accounts. We are following a graded approach,” Rao told reporters at the post-policy review press conference. There are no restrictions on opening of the current account if the exposure of the borrower is less than Rs 5 crore, and if they have not availed of CC/OD (cash credit and overdraft) facilities from any bank, Rao said.

<https://www.financialexpress.com/industry/banking-finance/no-blanket-ban-on-opening-of-current-a-c-rbi-following-a-graded-approach-dg-rao/2305879/>

- **Banks say RBI policy on expected lines, flag MPC member’s dissent on accommodative stance:** Bankers on Friday reacted to policy review and other measures announced by the RBI as being on expected lines but flagged the dissent vote on maintenance of the accommodative stance as a thing to watch out for. The RBI also “nudges” the governments at the Centre and states to cut the high indirect taxes on fuel products to bring down the pressure on prices, Raj Kiran Rai G, the chairman of industry lobby Indian Banks Association (IBA), who also heads the state-run Union Bank of India, said in a statement. “...policy announcement with respect to accommodative stance and policy signal rates is on the expected lines. It is pertinent to note that while the decision of the monetary policy committee for continuance of the accommodative stance was unanimous in the June policy, it is not so in this policy,” Rai said.  
<https://www.financialexpress.com/industry/banking-finance/banks-say-rbi-policy-on-expected-lines-flag-mpc-members-dissent-on-accommodative-stance/2306031/>
- **India's forex reserves surge by \$9.42 billion to all-time high of \$620.57 billion:** The country's foreign exchange reserves surged by USD 9.427 billion to record high of USD 620.576 billion in the week ended July 30, according to the latest RBI data. In the previous week ended July 23, the reserves had declined by USD 1.581 billion to USD 611.149 billion. In the reporting week ended July 30, the rise in the reserves was on the back of an increase in foreign currency assets (FCAs), a major component of the overall reserves, the Reserve Bank of India's (RBI) weekly data released on Friday showed. FCA increased by USD 8.596 billion to USD 576.224 billion in the reporting week.  
<https://timesofindia.indiatimes.com/business/india-business/forex-reserves-surge-by-9-42-billion-to-all-time-high-of-620-57-billion/articleshow/85111707.cms>
- **Gold prices drop by Rs 359 to Rs 47,647 gm on strong rupee, weak global cues; silver plunges by Rs 869 a kg:** Gold prices dropped by Rs 359 to Rs 47,647 per 10 gram in the Mumbai retail market as the rupee strengthened for the fifth day, bullish economic data and negative overseas cues. The yellow metal slipped below the psychological \$1,800/oz as US dollar and the benchmark bond yield rebounded. The bullion price declined by Rs 783 or 1.62 percent during the week in the domestic market. The price of 10 gram, 22-carat gold in Mumbai was Rs 43,645 plus 3 percent GST, while 24-carat 10 gram stood at Rs 47,647 plus GST. The 18-carat gold is quoted at Rs 35,735 plus GST in the retail market. Silver prices plunged by Rs 869 to Rs 66,727 per kg against its closing price on August 5.  
<https://www.moneycontrol.com/news/business/markets/gold-prices-drop-by-rs-359-to-rs-4764710-gm-on-strong-rupee-weak-global-cues-silver-plunges-by-rs-869-a-kg-7289431.html>





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- **Rupee gains for 5th straight session to settle at 74.15/USD:** The rupee inched 2 paise higher to close at 74.15 (provisional) against the US currency, marking its fifth straight session of gains on Friday, after the announcement of RBI monetary policy. At the interbank forex market, the rupee opened at 74.11 and hit an intra-day high of 74.10 and a low of 74.22. It finally closed at 74.15, higher by 2 paise over its last close.  
<https://www.moneycontrol.com/news/business/markets/rupee-gains-for-5th-straight-session-to-settle-at-74-15usd-7289231.html>
- **Sensex weakens 215 points, Nifty slips below 16,300 as RBI raises inflation concern:** The BSE Sensex closed at 54,277.72, down 215.12 points or 0.39 per cent. It hit an intraday high of 54,633.58 and a low of 54,210.33. The Nifty 50, which moved between 16,336.75 and 16,223.30, closed near the day's low at 16,238.20, down 56.40 points or 0.35 per cent. IndusInd Bank, Adani Ports, IOC, Tech Mahindra and Tata Consumer were the top gainers on the Nifty 50 while Cipla, Reliance, Shree Cements, UltraTech Cement and Tata Steel were the top laggards.  
<https://www.thehindubusinessline.com/markets/stock-markets/sensex-weakens-215-points-nifty-slips-below-16300-as-rbi-raises-inflation-concern/article35765556.ece>

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