



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

July 8, 2021

- **RBI asks banks to reclassify retail and wholesale trade as MSMEs as per revised criteria:** Reserve Bank of India on July 7 asked banks, financial institutions and Non banking financial companies (NBFCs) to reclassify retail and wholesale trade as MSMEs as per revised criteria. On July 2, Ministry of Micro, Small & Medium Enterprises (MSME) announced the inclusion of retail and wholesale trades as MSME. "Ministry of Micro, Small and Medium Enterprises has decided to include Retail and Wholesale trade as MSMEs for the limited purpose of Priority Sector Lending, "the central bank said in a communication to banks, financial institutions and NBFCs. Loans given to MSMEs come under the ambit of PSL and as per the RBI's guidelines, commercial banks should extend 40 percent of the total lending towards the priority sector while for the regional rural banks and small finance banks, the PSL target has been set at 75 percent of the total lending It further said that retail and wholesale traders which are into following activities namely - "Wholesale and retail trade and repair of motor vehicles and motorcycles", "Wholesale trade except of motor vehicles and motorcycles" and "Retail trade except of motor vehicles and motorcycles" be allowed to be registered on Udyam Registration Portal. <https://www.moneycontrol.com/news/business/rbi-asks-banks-to-reclassify-retail-and-wholesale-trade-as-msmes-as-per-revised-criteria-7142401.html>
- **RBI penalises 14 banks for non-adherence to rules on lending to NBFCs:** The Reserve Bank of India on Wednesday penalised fourteen banks including State Bank of India, Bank of Baroda, IndusInd Bank and Bandhan Bank. Lenders were fined for non-compliance with certain provisions of directions issued by the regulator on lending to non-bank lenders, restrictions and provisions on loans and advances and reporting to the central database on large exposures. While Bank of Baroda was levied a penalty of Rs 2 crore, IndusInd Bank, Bandhan Bank, Credit Suisse AG, Central Bank of India, Bank of Maharashtra, Indian Bank, Utkarsh Small Finance Bank were asked to cough up Rs 1 crore as fine. A penalty of Rs 50 lakh was imposed on State Bank of India. RBI said a scrutiny was carried out and it was observed that the banks had failed to comply with provisions of the Banking Regulation Act. Notices were issued to the banks advising them to show cause as to why penalty should not be imposed for non-compliance. After examining the responses, the regulator concluded that it warranted imposition of monetary penalty on these banks. <https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-penalises-14-banks-for-non-adherence-to-rules-on-lending-to-nbfc/articleshow/84208927.cms>
- **Indian banks improved performance due to delay in stress recognition: Fitch:** The challenges posed by Indian lenders have increased due to the virulent second wave, Fitch Ratings said on Wednesday. It also said the recent asset quality numbers that show improved performance by banks are at the cost of delayed stress recognition. Fitch expects impaired loans to peak after FY23. "Regulatory relief measures have postponed underlying asset-quality issues for now, but banks' medium-term performance will be dented without a meaningful economic recovery," it said. The asset quality of banks surprised positively with decline in reported gross non-performing loan ratio at 7.6% and net NPA ratio at 2.5% at the end of March 2021. This was against 8.60% and 3.0% respectively as on



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March 31, 2020. Fresh NPA generation also declined to Rs. 2.6 lakh crore in FY2021 compared to Rs. 3.7 lakh crore in FY2020, an ICRA report showed.

<https://economictimes.indiatimes.com/industry/banking/finance/banking/indian-banks-improved-performance-due-to-delay-in-stress-recognition-fitch/articleshow/84201732.cms>

- **Asset quality numbers do not reflect stress on bank books: ICRA:** The recent improvement in the bad loan numbers of Indian banks does not reflect the underlying stress on the income and cash-flows of the borrowers impacted because of Covid-19, rating agency ICRA said on Wednesday. The agency also said that the stress has been masked by various regulatory and policy measures such as moratorium on loan repayment, standstill on asset classification and liquidity extended to borrowers under Emergency Credit Line Guarantee Scheme. “As the overdue loan book continues to remain at elevated levels, the second wave could push some of these borrowers into NPAs,” the agency noted. The asset quality of banks surprised positively with decline in reported gross non-performing loan ratio at 7.6% and net NPA ratio at 2.5% at the end of March 2021. This was against 8.60% and 3.0% respectively as on March 31, 2020. Fresh NPA generation also declined to Rs. 2.6 lakh crore in FY2021 compared to Rs. 3.7 lakh crore in FY2020.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/asset-quality-numbers-do-not-reflect-stress-on-bank-books-icra/articleshow/84197632.cms>
- **Bajaj Allianz General Insurance, Bank of India in distribution tie-up:** Bajaj Allianz General Insurance and Bank of India have entered into a corporate agency agreement. This will enable distribution of Bajaj Allianz General Insurance’s products through the bank’s vast network of 5,084 branches, 80 retail business centres and 60 SME city centres across the country. “As a part of this agreement, Bajaj Allianz General Insurance will be offering a bouquet of personal lines of products such as motor insurance, health insurance, home insurance, travel insurance along with commercial line of products like engineering insurance, marine insurance to bank’s customers,” the two said in a statement on Wednesday.
<https://www.thehindubusinessline.com/money-and-banking/bajaj-allianz-general-insurance-bank-of-india-in-distribution-tie-up/article35185538.ece>
- **PCHFL to raise up to ₹1,000 cr through NCD:** Piramal Capital and Housing Finance on Wednesday announced the issue of secured, rated, listed, redeemable, non-convertible debentures of the face value of ₹1,000 each. “The Tranche I Issue has a base issue size of ₹200 crore with an option to retain over subscription up to ₹800 crore, aggregating up to ₹1,000 crore,” it said in a statement. The tranche 1 issue opens on July 12 and closes on July 23 (with an option of early closure or extension). The lead managers to the NCD issue are AK Capital Services, Edelweiss Financial Services, JM Financial and Trust Investment Advisors.
<https://www.thehindubusinessline.com/companies/pchfl-to-raise-up-to-1000-cr-through-ncd/article35198310.ece>
- **Drip Capital partners with SBM Bank India to empower MSME exporters:** Drip Capital, a fintech provider of cross border trade finance, has partnered with SBM Bank India to offer trade financing solutions — customised for small and medium-sized exporters in India. With this partnership, MSME



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exporters will be able to avail collateral-free working capital at competitive rates. Commenting on the collaboration, Pushkar Mukewar, co-Founder and CEO, Drip Capital, said in a statement, “By partnering with SBM Bank India, we aim to provide collateral-free working capital to MSME exporters through our invoice discounting facility. This association is an example of how fintech companies are eager to partner with banks and other financial institutions to grow collectively by using technology to its very core.”

<https://www.thehindubusinessline.com/money-and-banking/drip-capital-partners-with-sbm-bank-india-to-empower-msme-exporters/article35184659.ece>

- **FREO partners with HDB Financial Services to offer lending solutions:** Neobank FREO has partnered with HDB Financial Services to offer a credit line and high-ticket personal loans to customers across multiple cities in India. “The credit line is FREO’s flagship product. HDBFS in partnership with FREO will offer the credit line which enables consumers to get access to credit anywhere, anytime via a smartphone,” it said in a statement. Customers will get a personalised amount approved which they can start using immediately. As they repay the borrowed amount, the credit limit is replenished and they can continue withdrawing as much as they need. Interest is levied only on the amount the consumer uses, and not on the overall limit.

<https://www.thehindubusinessline.com/money-and-banking/freo-partners-with-hdb-financial-services-to-offer-lending-solutions/article35183822.ece>

- **Max Bupa Health Insurance and Axis Bank enter into a Bancassurance partnership:** Max Bupa Health Insurance, a standalone health insurer, has entered into a bancassurance partnership with Axis Bank, the country’s third largest private sector bank. This partnership will help provide comprehensive health insurance solutions to Axis Bank’s employees and customers. The tie-up will enable millions of Axis Bank customers across 4,500 plus branches to gain access to quality healthcare solutions through a range of health insurance products offered by Max Bupa. Max Bupa Health Insurance will offer indemnity as well as fixed benefit products, and their customisable variants to the diverse customers of the bank across the country. Axis Bank also has an existing health insurance tie-up with Aditya Birla Health Insurance.

<https://www.thehindubusinessline.com/money-and-banking/max-bupa-health-insurance-and-axis-bank-enter-into-a-bancassurance-partnership/article35194726.ece>

- **Bajaj Finance sees sharp rise in new loans in June quarter:** Bajaj Finance on Tuesday reported a rise in new loans booked during the June 2021 quarter to 4.6 million compared to 1.8 million in Q1FY21. Reporting provisional numbers for the June quarter, the company said assets under management (AUM) for the June quarter stood at Rs 1,59,000 crore compared to Rs 1,38,055 crore as of June 30, 2020. Bajaj’s customer franchise on June 30, 2021, stood at 50.5 million compared to 43 million as of 30 June 2020. The company said it had acquired 1.9 million new customers in Q1FY22 as compared to 0.5 million in Q1FY21. Bajaj Finance’s consolidated liquidity surplus stood at approximately Rs 10,900 crore. The company said it remained well capitalised with capital adequacy ratio (CRAR) of 28.6% as of June 2021. The deposit book in Q1FY22 grew by Rs 2,200 crore and it stood at Rs 28,000 crore as on June 30, 2021, compared to Rs 20,061 crore as of June 30, 2020. Post the provisional quarterly report, the Bajaj Finance stock rose by 2.17% on the BSE to close at Rs 6,203.45.



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<https://www.financialexpress.com/industry/bajaj-finance-sees-sharp-rise-in-new-loans-in-june-quarter/2285159/>

- **LIC hikes stake marginally in Cadila Health, Alembic Pharma:** Pharma companies seems to be the flavour of LIC, as it hiked stake in two of them -- Cadila Health, Alembic Pharma -- during Q1 of current fiscal. However, none of the other companies from pharma sector has disclosed the shareholding pattern for the quarter. LIC has hiked its stake marginally in these companies, even as mutual funds and foreign portfolio investors reduced their holding. For instance, in Cadila Healthcare, Life Insurance Corporation of India holding increased marginally from 3.30 per cent to 3.61 per cent. On the other hand, FPIs have cut their stake to 4.65 per cent (5.23 per cent) and mutual funds 5.83 per cent (6.41 per cent).
<https://www.thehindubusinessline.com/markets/stock-markets/lic-hikes-stake-marginally-in-cadila-health-alembic-pharma/article35199168.ece>
- **BSE Sensex ends at all-time closing high:** The BSE Sensex closed above the 53,000-mark at 53,054.76, up 193.58 points or 0.37 per cent. It hit an intra-day high of 53,105.41 and a low of 52,751.76. The Nifty 50 closed at 15,879.65, up 61.40 points or 0.39 per cent. It hit an intra-day high of 15,893.55 and a low of 15,779.70. The breadth of the market turned positive with 1,787 stocks advancing, 1,411 declining and 148 remaining unchanged on the BSE. As many as 438 securities hit the upper circuit and 251 the lower circuit; 415 hit their 52-week high while 15 touched a 52-week low. Tata Steel, JSW Steel, Hindalco, Bajaj Finserv and UPL were the top gainers on the Nifty 50 while Titan, ONGC, Maruti, SBI Life and Reliance were the top laggards.
<https://www.thehindubusinessline.com/markets/stock-markets/benchmark-indices-trade-flat-amid-volatility-sensex-up-17-pts-nifty-above-15800/article35186312.ece>
- **Rupee declines 7 paise to close at 74.62 against US dollar:** The rupee weakened by 7 paise to end at 74.62 against the US currency on Wednesday as a stronger dollar and rising crude oil prices weighed on the investor sentiment. The rupee traded in a narrow range ahead of the release of the minutes of the US Federal Open Market Committee meeting later in the day, forex dealers said. At the interbank foreign exchange market, the rupee opened at 74.60 per dollar. It hovered in a range of 74.59 to 74.79 during the day, before ending at 74.62 against the greenback.
<https://www.moneycontrol.com/news/business/rupee-declines-7-paise-to-close-at-74-62-against-us-dollar-7142071.html>
- **Gold prices reclaim Rs 48,000 per 10 gm on rupee depreciation; silver slumps Rs 436 a kg:** Gold prices rose marginally to Rs 48,023 per 10 gram at the Mumbai retail market on rupee depreciation and positive global trend. The precious metal price was boosted by a retreat in Treasury yield and a weaker dollar. The rate of 10 gram 22-carat gold in Mumbai was Rs 43,989 plus 3 percent GST, while 24-carat 10 gram was Rs 48,023 plus GST. The 18-carat gold quoted at Rs 36,017 plus GST in the retail market. Silver prices dropped by Rs 436 to Rs 69,428 per kg against its closing price on July 6.
<https://www.moneycontrol.com/news/business/commodities/gold-prices-reclaim-rs-48000-per-10-gm-on-rupee-depreciation-silver-slumps-rs-436-a-kg-7141841.html>



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