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DAILY NEWS DIGEST BY BFSI BOARD, ICAI

June 15, 2021

- **Indian Overseas Bank Q4 profit rises over 2-folds to ₹350 crore:** State-owned Indian Overseas Bank (IOB) on Monday reported a jump of over two times in its net profit at ₹349.77 crore in the last quarter of the fiscal ended March 2021. The bank had posted a net profit of ₹143.79 crore in the same period a year ago. Total income during Q4FY21 rose to ₹6,073.80 crore as against ₹5,484.06 crore in Q4FY20, IOB said in a regulatory filing. Provisions for bad loans and contingencies for the reported quarter increased to ₹1,380.46 crore as against ₹1,060.38 crore parked aside in the corresponding period a year earlier. For the full year 2020-21, the bank reported a net profit of ₹831.47 crore. There was a net loss of ₹8,527.40 crore in 2019-20. Total income during the year increased to ₹22,524.55 crore from ₹20,712.48 crore in the previous fiscal year. Bank's asset quality showed improvement with the gross non-performing assets (NPAs) falling to 11.69 per cent of the gross advances as of March 31, 2021 from 14.78 per cent by year ago same period. In value terms, the gross NPAs or bad loans were of the order of ₹16,323.18 crore, down from ₹19,912.70 crore.
<https://www.thehindubusinessline.com/money-and-banking/indian-overseas-bank-q4-profit-rises-over-2-folds-to-350-crore/article34811667.ece>
- **After UCO Bank, IOB requests RBI to remove prompt corrective action tag:** Chennai-based Indian Overseas Bank (IOB) has requested the Reserve Bank of India (RBI) to take it out of the so-called prompt corrective action (PCA) framework. IOB Managing Director & Chief Executive Officer Partha Pratim Sengupta said the request was made a couple of weeks ago. "As far as all the PCA ratios are concerned, we have been achieving it in the past quarters also, barring one ratio, which is the leverage ratio. With the ploughing back of the profits and also with the infusion of funds by the government of India, we are very, very comfortable in all the parameters," Sengupta said after IOB announced its financial results for the January-March quarter. The lender received Rs 4,100 crore from the government. Under PCA, the RBI imposes business restrictions on banks with weak financial metrics. The severity of the PCA restrictions will be decided on a case to case basis.
<https://www.moneycontrol.com/news/business/after-uco-bank-iob-requests-rbi-to-remove-prompt-corrective-action-tag-7033371.html>
- **RBI expands scope and coverage of Bharat Bill Payment System:** The Reserve Bank of India (RBI) has decided to permit 'mobile prepaid recharges' as a biller category in Bharat Bill Payment system (BBPS), on a voluntary basis. This will be implemented on or before August 31, 2021. "With consistent growth in different biller categories and to facilitate mobile prepaid customers with more options to recharge, it has been decided to permit 'mobile prepaid recharges' as a biller category in BBPS, on a voluntary basis," RBI said in a circular. So far, the scope and coverage of BBPS included all categories of billers who raise recurring bills (except prepaid recharges) as eligible participants, on a voluntary basis.
<https://www.thehindubusinessline.com/money-and-banking/rbi-expands-scope-and-coverage-of-bharat-bill-payment-system/article34809968.ece>



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- **Regulators to look into PNB Housing Fin's plan to raise Rs 4,000 crore from Carlyle, other entities:** Reserve Bank of India as well as Sebi will look into various regulatory issues related to the proposed Rs 4,000 crore-investment by US-based private equity firm Carlyle and others in PNB Housing Finance, sources said on Monday. Last month, the board of PNB Housing Finance cleared a proposal to raise up to Rs 4,000 crore by issuing preference shares and convertible warrants to Carlyle Group firms and other entities. According to the sources, concerns of minority shareholders, corporate governance and others regulatory aspects would be looked into by RBI and Securities and Exchange Board of India (Sebi). Earlier this year, RBI had shot down a proposal of Punjab National Bank (PNB) to infuse capital into its subsidiary PNB Housing Finance through a rights issue on concerns of the lender's financial health.
<https://economictimes.indiatimes.com/industry/banking/finance/regulators-to-look-into-pnb-housing-fins-plan-to-raise-rs-4000-crore-from-carlyle-other-entities/articleshow/83510251.cms?from=mdr>
- **RBI paper proposes to cap borrowers' repayment outgo, scrap lending rate cap in uniform MFI regulation:** The Reserve Bank of India has suggested capping the total repayment outflow from a household to half of the annual income of the economically weaker households, which form the target segment for microfinance lenders, as part of a slew of proposals to revamp the regulations on microfinance. RBI said the guidelines will be lender agnostic while it proposed to do away with interest rate cap on microloans, which has so far been applicable only to pure-play microfinance institutions. The suggestions put forward by a central bank consultative paper, have come over a decade after the Malegam Committee report, which had laid down the platform for microfinance regulation in the country. The proposals include a collateral free loans system for micro borrowers and a complete waiver of pre-payments penalties. "The primary objective is to address the concerns related to the over-indebtedness of microfinance borrowers and to enable the market mechanism to bring the interest rates downwards in the microfinance sector," RBI said.
<https://economictimes.indiatimes.com/news/economy/finance/rbi-suggests-capping-repayment-outflow-from-households-to-half-of-yearly-income/articleshow/83515270.cms?from=mdr>
- **RBI extends timeline for advisory group to submit feedback to GoAs assisting Regulatory Review Authority:** The Reserve Bank of India (RBI) has extended the timeline for submission of feedback and suggestions from all regulated entities, industry bodies and other stakeholders to the Group of Advisors (GoA) assisting the Regulation Review Authority (RRA 2.0) by 15 days till June 30. This has been done keeping in view the Covid-19 related disruptions and based on the requests received from stakeholders, RBI said in a statement. RRA 2.0 has been set up initially for a period of one year from May 1, 2021. M Rajeshwar Rao, Deputy Governor, RBI, was appointed as the Regulations Review Authority in April 2021.
<https://www.thehindubusinessline.com/money-and-banking/rbi-extends-timeline-for-advisory-group-to-submit-feedback-to-goas-assisting-regulatory-review-authority/article34810475.ece>
- **DHFL case: CoC decision on share of FD holders can set a precedent:** Amidst the ongoing Covid-19 pandemic and job losses, the National Company Law Tribunal (NCLT) has asked lenders of Dewan Housing Finance Corporation Ltd (DHFL) to reconsider the distribution of funds to fixed deposit



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holders and provident funds within two weeks. Considering the number of small investors and senior citizens who had deposited their hard-earned money and who now face a financial crisis due to the pandemic, the Resolution Plan should provide for an increased share for them, the NCLT said in its order dated June 7. “It’s generally considered that the investment in the fixed deposit, NCDs are low-risk investment [compared with investing in equity shares]. Therefore, these small investors should not be put to more risk, take more hair cut than the stronger financial institutions viz banks, financial institutions. “Accordingly, for this limited purpose, we direct the Committee of Creditors (CoC) to reconsider their distribution method amongst various members of the CoC within two weeks from today and report the same to this Adjudicating Authority,” the NCLT said.

<https://www.thehindubusinessline.com/money-and-banking/dhfl-case-coc-decision-on-share-of-fd-holders-can-set-a-precedent/article34806278.ece>

- **Public sector banks support for Covid-19 health infra gathers pace:** Public sector banks in the country appear to be supporting the government’s efforts to boost Covid-19 related healthcare infrastructure in the country by actively lending to the healthcare and associated segments that are in need of liquidity. Last month, the Reserve Bank of India (RBI) announced a term liquidity facility of ₹50,000 crore for Covid-related healthcare infrastructure and services in the country. This was done for fresh lending support to a wide range of entities in the healthcare space. Fresh lending provided under this facility will be classified as ‘Priority Sector Lending’ till the repayment or maturity of these loans. The RBI has also allowed on-lending to other financial entities that are regulated by the Central bank. Further, banks are eligible to park surplus liquidity equivalent to the loan amount in the reverse repo window at a rate that is 40 bps higher than the prevailing reverse repo rate.
<https://www.thehindubusinessline.com/money-and-banking/public-sector-banks-support-for-covid-19-health-infra-gathers-pace/article34806560.ece>
- **Post SC order, banks move to assess value of promoters’ assets:** Armed with the Supreme Court’s order on invoking personal guarantees of defaulting promoters, banks have set in motion the process to assess the value of assets held by promoters of at least 40 companies that are under the insolvency process. This includes assets owned by Kapil and Dheeraj Wadhwan of DHFL; Videocon promoters Venugopal and Rajkumar Dhoot; Lanco Infratech’s Madhusudhan Rao and family; IVRCL’s Sudhir Reddy; and Jatin Mehta of Winsome Diamonds. “Banks are in the process of appointing valuation advisors to arrive at the current fair value of the assets owned by the promoters. Most of the personal guarantees given by the promoters are well documented but their value may not have been determined properly when the loan agreements were signed,” said a banking industry source.
<https://www.thehindubusinessline.com/money-and-banking/post-sc-order-banks-move-to-assess-value-of-promoters-assets/article34806617.ece>
- **Amid economic uncertainty, many banks eye capital raising plans:** With expectations of further economic uncertainty as the second wave of the Covid-19 pandemic continues and expectations of a third wave, banks are looking to raise funds to improve their capital buffers and fund expansion plans. Private sector lender Federal Bank said its board will meet on June 16 to consider proposals for issuance of equity shares by way of a preferential allotment and raising of equity capital of the bank either through Rights Issue, Private Placement, Preferential Issue, Further Public Offer, Qualified



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<https://www.thehindubusinessline.com/money-and-banking/amid-economic-uncertainty-many-banks-eye-capital-raising-plans/article34809914.ece>

- **Step-up working capital loans to street vendors: RBI nudges PSBs:** The Reserve Bank of India (RBI) has impressed upon public sector banks (PSBs) the need to step up working capital loans up to ₹10,000 to street vendors, who have taken the brunt of the COVID-19 pandemic and consequent lockdowns. Given that the livelihood of street vendors (SVs) has been adversely affected in the two waves of the pandemic, the central bank is keen that Banks mount a larger outreach under the PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) scheme, said a top banker. As on June 14, 2021, lenders (including Banks, non-banking finance companies, and microfinance institutions) received a total of 42,27,999 applications under the PM SVANidhi scheme, which was launched last year. However, the ratio of the number of loans sanctioned and disbursed as a percentage of the total applications was only 58 per cent, as per Ministry of Housing and Urban Affairs (MoHUA) data.
<https://www.thehindubusinessline.com/money-and-banking/step-up-working-capital-loans-to-street-vendors-rbi-nudges-psbs/article34812258.ece>
- **ICICI Venture eyes digital start-ups, real estate fund of \$300-400 million:** ICICI Venture has decided to invest in digital start-ups and is considering setting up a separate fund for this purpose. It is also looking at setting up a new fund in real estate of around \$300-400 million to leverage the post covid-19 requirements in the commercial space. The leading private equity player is re-entering the start-up space after around two decades. When it started as a venture capital fund in 1988, ICICI Venture focused on investing in early stage companies such as naukri.com but from 2002 on, it shifted back to later stage companies and bigger deals. This is reflected in the fact that, till 2000, the fund did as many as 500 deals. From 2001 till now, it has participated in only 100 deals. The policy meant that it did not invest in domestic start-ups which have grown phenomenally in the last decade. Last year, India had over 50 unicorns and in the first five months of this year, another 14 joined the list. "We are evaluating investing in the digital start-up space. We are well-positioned to play an active role here especially as we understand the Indian consumer. We will look at various areas from fintech and healthcare to edtech and digital payments," said Puneet Nanda, CEO and MD, ICICI Venture.
https://www.business-standard.com/article/companies/icici-venture-eyes-digital-start-ups-real-estate-fund-of-300-400-million-121061400026_1.html
- **Jana Small Finance Bank extends overdraft facility against FD for all customers:** To offer financial support to many affected by Covid-19, Jana Small Finance Bank Ltd has extended its Overdraft (OD) facility against fixed deposit (FD) at a nominal interest rate to all its customers across India. The interest rate on this facility is 0.25 percentage points over and above the FD rate with a utilisation of 50% or more. Under this facility, up to 90 per cent of the FD value can be availed as OD. The special pricing will be available to its existing customers till 31st December 2021 and the customers are requested to apply before 30th June 2021 for the same. Customers can avail this facility instead of liquidating the FD to meet their liquidity requirements. The Bank emphasized that customers will continue to earn applicable rates of interest on their FDs. Customers can make the payment for the



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OD facility according to their choice, i.e., either in a lump sum or in instalments. Jana Small Finance Bank will not be charging any processing fee for the same. This facility can be availed by providing simple documentation and quickly done.

<https://www.livemint.com/industry/banking/jana-small-finance-bank-extends-overdraft-facility-against-fd-for-all-customers-11623654623930.html>

- **RBI proposes removing interest rate caps for microlenders:** The Reserve Bank of India (RBI) on Monday called for changes in the regulatory framework of microfinance institutions (MFI), including removal of prescribed ceiling on interest rates and instead rooting for board-approved policies to determine it. "NBFC-MFIs, like any other non-banking financial company (NBFC), shall be guided by a board-approved policy and the fair practices code, whereby disclosure and transparency would be ensured. There would be no ceiling prescribed for the interest rate. However, while doing so they should ensure that usurious interest rates are not charged," RBI said in its Consultative Document on Regulation of Microfinance.
<https://www.livemint.com/industry/banking/rbi-releases-framework-for-regulation-of-microfinance-loans-seeks-feedback-from-stakeholders-11623676607782.html>
- **Gautam Adani loses over \$7 billion in net worth after questions over the meteoric rise in group stocks:** Shares of all the six Adani Group companies listed on the Indian stock exchanges hit lower circuits in the opening session today morning (June 14). Adani Ports and Adani Transmission share prices were down by 15% each, while those of the other four companies were down by 5% each. The downward spiral in the share price of these companies has wiped out over \$7.6 billion (approx. ₹55,000 crore) net worth of Gautam Adani, according to Forbes' real-time billionaires list, as of 10:00 a.m., on Monday.
<https://www.businessinsider.in/stock-market/news/adani-group-under-sebi-scanner-on-market-manipulation/articleshow/83501698.cms>
- **Secured Creditor Can't Challenge Resolution Plan Insisting That Higher Amount Should Be Paid Based On Security Interest: Supreme Court:** The Supreme Court has held that a dissenting secured creditor cannot challenge a resolution plan approved under the Insolvency and Bankruptcy Code (IBC) with an argument that higher amount should have been paid to it on the basis of the security interest held by it over the corporate debtor. A division bench comprising Justices Vineet Saran and Dinesh Maheshwari observed that it is against the scheme of IBC to hold that a secured creditor is entitled to the amount in reference to its security interest. "It has not been the intent of the legislature that a security interest available to a dissenting financial creditor over the assets of the corporate debtor gives him some right over and above other financial creditors so as to enforce the entire of the security interest and thereby bring about an inequitable scenario, by receiving excess amount, beyond the receivable liquidation value proposed for the same class of creditors", the Court observed in the case India Resurgence ARC Pvt Ltd VS Amit Metaliks Ltd & Anr. The Court added : " ..what amount is to be paid to different classes or sub-classes of creditors in accordance with provisions of the Code and the related Regulations, is essentially the commercial wisdom of the Committee of Creditors; and a dissenting secured creditor like the appellant cannot suggest a higher amount to be paid to it with reference to the value of the security interest"



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<https://www.livelaw.in/top-stories/ibc-creditor-resolution-plan-higher-amount-based-on-security-interest-supreme-court-175665>

- **Gold price tumbles near Rs 48,000/10 gm as investors shift to riskier assets; silver tanks Rs 799/kg:** Gold prices slumped by Rs 683 to Rs 48,345 per 10 gram at Mumbai retail market on the back of weak global trends and the dollar advanced to 5 weeks high amid investor shifting to riskier assets. However, the continued depreciation in the rupee capped the downside limited and market focus turns toward the Federal Reserve policy meeting this week. The rate of 10 gram 22-carat gold in Mumbai was Rs 44,284 plus 3 percent GST, while 24-carat 10 gram was Rs 48,345 plus GST. The 18-carat gold quoted at Rs 36,259 plus GST in the retail market. Silver prices declined by Rs 799 to Rs 71,340 per kg against its closing price on June 11.
<https://www.moneycontrol.com/news/business/commodities/gold-prices-tumbles-near-rs-4800010-gm-as-investor-shift-to-riskier-assets-silver-tanks-rs-799-a-kg-7033211.html>
- **Rupee slips 14 paise to 73.21 against US dollar in early trade:** The Indian rupee slipped 14 paise to 73.21 against the US dollar in early trade on Monday, as rising crude oil prices and weak domestic equities weighed on investor sentiment. Forex traders said weak Asian currencies and strengthening of the greenback in the overseas market were the other factors that dragged down the local unit. At the interbank foreign exchange, the domestic unit opened at 73.21 against the dollar, registering a decline of 14 paise over its previous close. On Friday, the rupee had settled at 73.07 against the American currency.
<https://www.thehindu.com/business/markets/rupee-slips-14-paise-to-7321-against-us-dollar-in-early-trade/article34809839.ece>
- **Benchmark indices end in green as market rebounds at closing hours:** The BSE Sensex has recovered from the day's low of 51,936.31 to close at 52,551.53, up 76.77 points or 0.15 per cent. It hit an intraday high of 52,590.92. The Nifty 50 closed at 15,811.85, up 12.50 points or 0.08 per cent. It hit an intra-day high of 15,823.05 and a low of 15,606.50. The breadth of the market remained neutral with the ratio of stocks declined and advanced being 1:1 with 1,655 stocks advancing, 1,663 declining and 163 remaining unchanged on the BSE. As many as 548 securities hit the upper circuit and 246 the lower circuit; 481 hit their 52-week high while 29 touched a 52-week low. Divi's Labs, Tata Motors, Reliance, Wipro and Bajaj Finance were the top gainers on the Nifty 50 while Adani Ports, Coal India, Kotak Bank, HDFC and NTPC were the top laggards.
<https://www.thehindubusinessline.com/markets/stock-markets/benchmark-indices-end-in-green-as-market-rebounds-at-closing-hours/article34812154.ece>

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