



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

June 19, 2021

- **SBI-led banks to sell Vijay Mallya's shares worth Rs 6,200 crore next week to recover Kingfisher Airlines loan:** A clutch of banks led by the country's largest lender, State Bank of India (SBI), is preparing to sell fugitive businessman Vijay Mallya's shareholdings in three companies on June 23 in a bid to recover as much as Rs 6,200 crore lent to his grounded Kingfisher Airlines. The share sale is due to happen through bulk deals in the three firms, United Breweries Limited, United Spirits Limited and McDowell Holding Limited, according to documents reviewed by Moneycontrol. Mallya's airline Kingfisher was grounded on October 20, 2012, after it plunged into a financial crisis. Mallya was declared a fugitive economic offender in January 2019 for defaulting on loans and allegedly defrauding banks. He is fighting extradition to India in UK courts.
<https://www.moneycontrol.com/news/business/sbi-led-banks-to-sell-vijay-mallyas-shares-worth-rs-6200-crore-next-week-to-recover-kingfisher-airlines-loan-7055211.html>
- **IDBI Bank invites bids to divest stake in Asset Reconstruction Company:** IDBI Bank plans to divest its stake in Asset Reconstruction Company Ltd (Arcil) and has invited bids from interested parties. "IDBI Bank intends to sell 6,23,23,800 equity shares, constituting approximately 19.18 percent of the total equity share capital of Asset Reconstruction Company (India) Ltd held by IDBI Bank," it said in a notice. The last date for submission of expression of interest (EoI) is June 25, 2021. The LIC-controlled private sector lender said it reserves the right to withdraw from the process and to accept or reject any or all offers at any stage of the process without assigning any reasons thereof. Arcil was incorporated in 2002 and is owned by banks like SBI, IDBI, ICICI, PNB, and strategic foreign investors such as Avenue India Resurgence Pte Ltd.
https://www.business-standard.com/article/companies/idbi-bank-invites-bids-to-divest-stake-in-asset-reconstruction-company-121061800943_1.html
- **RBI grants in-principle approval to Centrum to own PMC Bank via SFB route:** The Reserve Bank of India gave "in-principle" approval to Centrum Financial Services to set up a small finance bank, which earlier in February showed the expression of interest to own the PMC (Punjab and Maharashtra Cooperative) Bank. Centrum will likely join hands with digital payments platform BharatPe to build up the proposed small finance lender. "The RBI would consider granting a licence for commencement of banking business on being satisfied that the applicant has complied with the requisite conditions laid down by RBI as part of "in-principle" approval," the central bank said in a notification Friday. There were four bidders for the failed PMC Bank that ran into trouble in leaving thousands of depositors hanging aggregating Rs. 10,727 crore. There's no. certainty on how quickly it would be announced. The other bidders include UK's Liberty Group and two independent business houses from Hyderabad and Mumbai.
https://www.business-standard.com/article/finance/rbi-s-in-principle-approval-to-centrum-financial-services-to-set-up-sfb-121061801050_1.html



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- **YES Bank removes fraud tag on Avantha Holdings after forensic audit:** Yes Bank has removed the fraud tag on the account of Avantha Holdings, a family investment company of Delhi-based businessman Gautam Thapar, after it carried out a forensic audit of the company, according to people aware of the matter. The bank had red-flagged the account to the Reserve Bank of India (RBI) after the Thapar group company defaulted on a loan that it had obtained from the bank when Rana Kapoor was helming its affairs. Lenders typically 'red-flag' an account when they believe the borrower has defaulted on a loan due to some suspicious activity such as misuse of the funds. Yes Bank had provided an unsecured loan of Rs 500 crore to Avantha Holdings. To secure its exposure, it provided additional loans to the company between 2017 and 2019 and took shares of CG Power as collateral to secure the entire loan amount. Yes Bank and Avantha Holdings had not responded to ET's queries as of press time.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/yes-bank-removes-fraud-tag-on-avantha-holdings-after-forensic-audit/articleshow/83625913.cms?from=mdr>
- **Banks may drop overseeing panel for quicker resolution:** Banks soon won't need to approach the overseeing committee (OC) to get resolution plans for stressed assets vetted, a measure that could shorten the time taken for dealing with non-performing assets (NPAs). The Indian Banks' Association (IBA) will write to its members advising them to drop the standard clause in the inter-creditor agreement (ICA) that calls for this, said a senior executive aware of developments. Banks had continued to route stressed asset resolution proposals through the OC even after revised guidelines issued by the Reserve Bank of India (RBI) in June 2019 on 'Prudential Framework for Resolution of Stressed Assets' didn't mention such a requirement. "Banks feel that the OC is an additional layer which may delay the resolution process and that, since it's not a regulatory requirement any more, it should be done away with," said the executive cited above. Stressed assets resolution is now under the Insolvency and Bankruptcy Code (IBC) and the RBI's 2019 framework.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-may-drop-overseeing-panel-for-quicker-resolution/articleshow/83621990.cms?from=mdr>
- **MFI portfolio rose 8.4 per cent in FY'21: Report:** Microfinance portfolio rose in double digits in FY'21 amid delinquency concerns even as banks were struggling to lend to larger ticket borrowers. Outstanding portfolio of microfinance sector at Rs 2.53 lakh crore grew 8.4% in FY'21, according to a report by credit bureau CRIF Highmark. The sector was hit as borrowers-generally small sized loans from the bottom of the pyramid were adversely impacted in their ability to repay loans. This was due to job and income losses arising out of pandemic induced lockdown throughout the country creating economic disruptions. Many borrowers could not repay loans. Delinquency of repayments upto 30 days of due rose from 1.7 per cent in March 2020 to 9.7 per cent in March'21. It was higher in Q3 and Q4 of FY 20 - 21 compared to pre Covid levels. "We hope to see these numbers move back to their historic levels in the coming quarters" said Vipul Jain, Head of Products, CRIF High Mark.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/mfi-portfolio-rose-8-4-per-cent-in-fy21-report/articleshow/83610274.cms?from=mdr>



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- **₹12,000-crore IPO plan: Paytm EGM on July 12:** One97 Communications, which is the parent company of Paytm, has called for an extraordinary general meeting on July 12 ahead of its planned initial public offering. The company plans to raise ₹12,000 crore through a fresh issue of shares, which will be taken up at the EGM. A proposal to declassify Paytm founder and CEO Vijay Shekhar Sharma as the promoter will also be taken up at the EGM. Sources said this is being done to meet SEBI norms. The meeting is also expected to discuss the issue of employee stock options as part of the IPO. The Articles of Association of the company are also likely to be amended. A Paytm spokesperson declined to comment on the development.
<https://www.thehindubusinessline.com/money-and-banking/12000-crore-ipo-plan-paytm-egm-on-july-12/article34851949.ece>
- **Covid-19 treatment: Health insurers wary of covering costs of new therapies:** New therapies hold out promise in the treatment of Covid-19. But the fine print is, they are not covered by existing health insurances and coronavirus - specific insurance policies. For several private hospitals, new therapies and drugs are being used in view of their 'efficacy'. However, some of these therapies are expensive, costing patients anything between ₹60,000 and ₹5 lakh, depending on the level of infection, according to information provided by hospitals. A senior official of a leading private general insurer told BusinessLine that monoclonal antibodies therapy and cocktail treatments, for instance, are not covered under the health policies. "This is because most of these treatments do not involve hospitalisation and are not on the list of drugs/treatments advised by Indian Council of Medical Research (ICMR)," he said.
<https://www.thehindubusinessline.com/news/covid19-treatment-health-insurers-wary-of-covering-costs-of-new-therapies/article34852247.ece>
- **Banks get raw deal as top bankruptcy resolutions see 80% average haircuts:** India's bankruptcy resolution system remains marred by meagre recoveries and protracted delays, despite attempts to fine-tune the regime that debuted in 2017. On Tuesday, the National Company Law Tribunal (NCLT) questioned the extensive haircut that lenders have agreed to take in the insolvency resolution of Videocon group companies. Billionaire Anil Agarwal's Twin Star Technologies has proposed to pay ₹2,962 crore against admitted claims of ₹64,838 crore, implying a 95.85% loss to all Videocon creditors. The tribunal noted that this is close to the liquidation value of these companies. However, steep haircuts are nothing new for lenders who have taken bankrupt companies to the courts. According to data from Insolvency and Bankruptcy Board of India (IBBI), in over 363 major NCLT resolutions since 2017, banks have taken an average haircut of 80% over the past four years. Some of the large haircuts include Deccan Chronicle (95%), Lanco Infra (88%), Ushdev International (94%) and Zion Steel (99%).
<https://www.livemint.com/industry/banking/banks-see-80-average-haircut-in-top-nclt-bankruptcy-resolutions-11623956020366.html>
- **Bank staff seek job security assurance after privatization:** The proposed privatization of two state-run lenders has cast a pall of gloom over bank employees who fear loss of jobs and pensions, with unions vowing indefinite strikes to counter any adverse announcement. People who joined government-owned banks with job security in mind believe that while mergers largely did not lead to job losses,



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privatization will. Union finance minister Nirmala Sitharaman announced in the FY22 Union budget that the government will reduce its stake in two public sector banks apart from IDBI Bank. To be sure, she said in March that privatization would not hurt the interests of employees. Though the government has not named any bank yet for privatization, various news reports have pointed to Central Bank of India, Indian Overseas Bank, and Bank of Maharashtra as likely candidates. "We are not sure about what is happening. I have a colleague who left a cushy job to come work at the bank and is now worried about losing his job," said a banker at one of the three lenders mentioned above. Several bank employees have died during the two waves of covid-19 and now the lack of clarity on jobs is quite frustrating, he said.

<https://www.livemint.com/industry/banking/bank-staff-look-for-job-security-assurance-after-privatization-11623957323248.html>

- **Banks recover Rs 13,706 crore from six large assets through insolvency route in one year:** Banks and other financial creditors recovered Rs 13,706.32 crore from six of the large assets referred for resolution under the Insolvency and Bankruptcy Code (IBC) between June 2020 and June 2021, showed data released by the Insolvency and Bankruptcy Board of India (IBBI). One of these assets is Videocon Industries consolidated with its 12 related entities from which lenders are expected to recover Rs 2,962 crore. However, of the few cases that were resolved, banks had to take an average haircut of 60 percent. This means that they got back only Rs 40 for every Rs 100 that they had lent. The IBC, 2016, is one of the important means of resolution of large non-performing assets (NPAs) by banks and other financial creditors. An NPA is a loan that has remained unpaid for over 90 days. In FY21, the Insolvency and Bankruptcy Board of India (IBBI) had suspended initiation of insolvency proceedings against firms that default during the 12-month period starting on March 25, 2020.
<https://www.moneycontrol.com/news/business/banks-recover-rs-13706-crore-from-six-large-assets-through-insolvency-route-in-one-year-7055531.html>
- **Sensex recovers 740 points to end flat on late-hour buying:** The BSE Sensex closed at 52,344.45, up 21.12 points or 0.04 per cent, recovering from day's low of 51,601.11. In opening session, the index hit a high of 52,586.41. The Nifty 50 closed at 15,683.35, down 8.05 points or 0.05 per cent. It hit an intraday high of 15,761.50 and a low of 15,450.90. The breadth of the market continued to remain in favour of the decliners with 2,031 stocks declining, 1,180 advancing and 141 remaining unchanged on the BSE. As many as 374 securities hit the upper circuit and 284 the lower circuit; 375 hit their 52-week high while 23 touched a 52-week low. Adani Ports, Bajaj Auto, Hindustan Unilever, Bharti Airtel and Grasim were the top gainers on the Nifty 50 while ONGC, Coal India, JSW Steel, NTPC and UPL were the top laggards.
<https://www.thehindubusinessline.com/markets/stock-markets/sensex-recovers-740-points-to-end-flat-on-late-hour-buying/article34849786.ece>
- **Gold prices fall 3.59% as dollar soars; silver tumbles 4.79%:** Gold prices dropped for the third successive day by Rs 290 to Rs 47,266 per 10 gram at the Mumbai retail market on sharp appreciation in rupee, however buying emerged at lower levels. The yellow metal ended the week with a loss of Rs 1,762 or 3.59 percent. The rate of 10 gram 22-carat gold in Mumbai was Rs 43,296 plus 3 percent GST, while 24-carat 10 gram was Rs 47,266 plus GST. The 18-carat gold quoted at Rs 35,450 plus GST in the



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retail market. On the data front, a Labour Department reported that the number of Americans filing unemployment benefit rose by 37,000 to 412,000 last week.

<https://www.moneycontrol.com/news/business/commodities/gold-prices-fall-3-59-as-dollar-soars-silver-tumbles-4-79-7055311.html>

- **Rupee snaps 8-day losing streak; settles 22 paise up at 73.86/USD:** The rupee on Friday broke its eight-session long losing streak and appreciated 22 paise to close at 73.86 against the US currency, taking cues from stronger Asian currencies and lower crude oil prices. At the interbank foreign exchange market, the domestic unit opened lower at 74.10 per dollar from the previous close of 74.08.

<https://www.moneycontrol.com/news/business/markets/rupee-snaps-8-day-losing-streak-settles-22-paise-up-at-73-86usd-7055151.html>

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