



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

July 20, 2021

- **Indian Bank expects profit to sustain at this level, MSME asset quality falters:** State-owned Indian Bank has reported Rs 1,182 crore net profit for the June quarter, which is a more than three-fold rise over Rs 369 crore in the year ago period, helped by higher non-core income and fall in operational expenses. The bank chief executive Padmaja Chunduru exuded confidence on sustainability of net profit around this level, if no further crisis hits the economy. "We have reached this level despite the challenging environment and therefore we expect this to be sustainable," she said. But the micro small and medium enterprise (MSME) sector has turned out to be "most vulnerable" with more than 15% of the MSME loans becoming sticky. She projected pick-up in corporate credit from this quarter onwards. The bank has about Rs 20,000 crore in the pipeline to be disbursed to the corporate sector. Its operating profit for the quarter under review rose 26% at Rs 3472 crore from Rs 2753 crore in the year ago quarter even as interest income dipped 5% to Rs 9624 crore from Rs 10120 crore over the same period. However, a 41% rise in other income at Rs 1877 crore helped the bank in recording higher profit. "A two-pronged approach helped the performance. While we are trying to boost income, we are also exploring how to optimise expenditure," Chunduru said. The bank's cost of funds fell 81 basis points year-on-year to 4.08% with expenses ratio easing 620 bps to 40.86%. Recovery of bad debt to the tune of Rs 359 crore as against Rs 24 crore in the year ago period also helped.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/indian-bank-expects-profit-to-sustain-at-this-level-msme-asset-quality-falters/articleshow/84551981.cms>
- **Government to first gauge investor response to IDBI stake sale:** The government will likely wait till the completion of its stake sale in IDBI Bank and watch investor response before going ahead with the privatisation of other state-run lenders. The response and challenges will be assessed and, based on that, a strategy will be formulated for future privatisation in the financial sector, a senior government official told ET. "The privatisation of state-run banks and financial institutions is a long-term agenda. It is not a fire sale," said the official. "Let IDBI be a successful transaction and then we will move on to other assets." The government is currently in the process of selecting advisers for the IDBI stake sale. Bank of Maharashtra, Bank of India and Indian Overseas Bank are frontrunners to be privatised next. Central Bank of India may also be taken up based on its financial recovery. The Cabinet Committee of Economic Affairs has approved a proposal allowing both the government and LIC to sell their entire stake in IDBI Bank, along with the transfer of management to the new owner.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/govt-to-first-gauge-investor-response-to-idbi-stake-sale/articleshow/84537794.cms>
- **MSME loans risky even as banks transmitted rate cuts the most:** Even as banks have transmitted rate cuts most to the MSME sector and education loans during pandemic, they are still perceived to be risky. The spread over one year benchmark lending rate is highest for such loans, according to a study by RBI economists. Spreads of weighted average lending rates (WALRs) on fresh rupee loans over 1-year marginal cost of funds-based lending rate (MCLR) for loans to MSME was 179 basis points (bps-



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one bps is 0.01 per cent) in May, factoring the median WALR at 7.28 per cent even as banks transmitted 132 bps of policy rate cuts during the pandemic between April 2020 and May 2021, analysis by the economists in a study published in the latest monthly bulletin showed. Such spread for education loan was 219 per cent and the banks transmitted 162 basis points. Put simply, even though these loans are risky, lending rates were lowered to revive activities. "Despite the restructuring, however, stress in the MSME portfolio of PSBs remains high" noted RBI's latest financial stability report (FSR). " Given the elevated level of debt of the stressed cohort, the implications of business disruptions following the resurgence of the pandemic could be significant."

<https://economictimes.indiatimes.com/industry/banking/finance/banking/msme-loans-risky-even-as-banks-transmitted-rate-cuts-the-most/articleshow/84551997.cms>

- **HDFC Bank to work for both India and Bharat, creates a segment: Chairman :** HDFC Bank, largest lender by market capital, has created a new business segment of commercial and rural banking to capture the next wave of growth, said Atanu Chakraborty, the bank's non-executive chairman, in the annual general meeting held on July 17. "This will not only reinforce your bank's top position in the MSME segment but also strengthen efforts to serve customers in both India and Bharat," Chakraborty said, adding that the tech savvy young customers too would be benefited out of this move. The delivery channels will be complemented with digital marketing, even as your bank leverages the branch channel and virtual relationship channel.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/hdfc-bank-to-work-for-both-india-and-bharat-creates-a-segment-chairman/articleshow/84555361.cms>
- **Paytm Payment Gateway enables payment from fixed deposit account held with partner IndusInd Bank:** Digital payments and financial services firm Paytm on Monday said Paytm Payments Bank's customers can now make instant payments through its payment gateway using balances available in their fixed deposit account held with its partner bank, IndusInd Bank. Paytm Payments Bank enables its customers to open fixed deposits with partner IndusInd Bank. "Paytm all-in-one payment gateway now allows fixed deposit (FD) balances to make payments on partnered platforms. "This is in association with Paytm Payment Bank Ltd, whose account holders can now use their fixed deposits with IndusInd Bank to make instant payments across online platforms. The innovation will help customers manage their liquidity in real-time to make payments seamlessly," Paytm said in a statement.
https://www.business-standard.com/article/finance/paytm-gateway-enables-payment-from-fixed-deposit-account-held-with-indusind-121071900895_1.html
- **RBI's Mastercard ban may hit Citibank India's retail biz sale:** The Reserve Bank of India's (RBI) recent regulatory ban on Mastercard has raised questions over the likely valuations of Citibank India's retail banking business, which is up for sale. Citibank has an exclusive tie-up with the payments company for issuing debit cards and will have to stop issuing them from July 22, according to the RBI circular. While the ban does not impact existing customers and businesses, it will impact addition of new clients between now and the actual sale and could weigh on the price that the potential buyers are likely to pay. "Citi has a great franchise on the retail side and so there may be many suitors interested," said a banking executive. "But with this ban, the bank cannot add new liability customers. Though it does not



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affect the business already built, it can be value destructive if this situation drags on as wealth management customers are an important part of the business up for sale and closely linked to the liability portfolio of the bank.”

<https://economictimes.indiatimes.com/industry/banking/finance/banking/rbis-mastercard-ban-may-hit-citibank-indias-retail-biz-sale/articleshow/84533194.cms>

- **Banks to log in bonds for loans, safety first!:** Top banks including Axis, HDFC, SBI and ICICI Bank are rather willing to compromise on yields for safety and liquidity as they lap up tradeable bonds for loans. Banks’ credit is yet to show any sign of expanding with a looming corona infection threat. Banks have likely bought into bonds of Tata Motors, Trent West Side, HDFC Ltd, Chennai Petroleum, Rural Electrification Corp (REC), Power Finance Corp (PFC), and Indian Hotels in recent months among others as loan demand is slowing. “Banks see opportunity in expanding business through investments with the industry growing little,” said Ajay Manglunia, managing director – debt capital market at JM Financial. “They are seen subscribing a sizable share in every branded issue, which offers safety first over any higher yield.”

<https://economictimes.indiatimes.com/markets/bonds/banks-to-log-in-bonds-for-loans-safety-first/articleshow/84554340.cms>

- **NCLAT stays Vedanta's take over of Videocon:** The National Company Law Appellate Tribunal (NCLAT) has stayed Vedanta Group's winning bid for debt laden Videocon Industries after an appeal by dissenting creditors who were unhappy with the value realised through the resolution. A two judge bench headed by officiating NCLAT chairman Ashok Iqbal Singh Cheema has stayed the implementation of the resolution plan and adjourned the matter to September 7 till which date the company will be continued to be managed by the resolution professional. Bank of Maharashtra and IFCI had filed a plea opposing the existing plan arguing that the value ascribed to the company was very close to the liquidation value and even a part of the payment to dissenting creditors was through non convertible debentures (NCDs) which is in contrast to the Supreme Court order in the Jaypee Infratech case which had set a precedent by directing that dissenting creditors should only be paid by cash.

<https://indianexpress.com/article/business/economy/nclat-stays-nclt-nod-for-vedanta-arms-videocon-takeover-7412772/>

- **Unemployment rate at 20.8% in urban India in Q1 of 2020 due to stringent nationwide lockdown :** Labour minister Bhupender Yadav on Monday said India witnessed an unemployment rate of 20.8% in urban India in the April-June quarter 2020, a period which witnessed two months of stringent nationwide lockdown to prevent the spread of the first wave of Covid-19 pandemic. The minister, in response to a question in Lok Sabha, quoted the Periodic Labour Force Survey and said the complete picture of employment and unemployment situation in the country can be assessed only from survey data for the entire year covering both rural and urban areas. “As per current weekly status(CWS) in urban areas for persons of age 15 years and above in the country to the extent available for the quarter ending July-September 2019, October-December 2019, January-March 2020 and April-June 2020 were 8.3%, 7.8%, 9.1% and 20.8% respectively,” he said.



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<https://economictimes.indiatimes.com/news/economy/indicators/unemployment-rate-at-20-8-in-urban-india-in-q1-of-2020-due-to-stringent-nationwide-lockdown/articleshow/84548514.cms>

- **Goldman Sachs expands back-office ops with Hyderabad office, to hire 560 staff in 2021:** Wall Street bank Goldman Sachs on Monday expanded its back-office operations in the country with the inauguration of 1,300-seater office space in Hyderabad. The bank, which already has a similar office in Bengaluru, will be hiring 560 people by the end of 2021 as part of the expansion, according to a statement. It can be noted that a slew of global banks and financial institutions have such offices in various parts of the country, including Bengaluru, Pune and Hyderabad, where local staff help carry out necessary processes for worldwide operations and innovation activities. Goldman Sachs chairman and chief executive David M Solomon said he is excited to continue the growth in India, and the Hyderabad office will serve as an innovation hub for a wide range of businesses.
<https://www.financialexpress.com/industry/goldman-sachs-to-hire-over-2000-by-2023-for-hyderabad-office/2293245/>
- **Creditors got Rs 2.45 trn from 394 resolution cases under IBC: FinMin;** Financial creditors, including banks, realised Rs 2.45 trillion from approved resolution plans for 394 corporate insolvency resolution cases under the Insolvency and Bankruptcy Code as on June 30, Minister of State for Finance Pankaj Chaudhary said. Creditors got Rs 2.37 trillion through approved resolution plans of top 100 CIRPs, which is over 36 per cent of the admitted claims. About 4,540 cases were admitted for the corporate insolvency resolution process under IBC until June 30, 2021, Chaudhary said in response to a query in Lok Sabha. In a separate response, the minister said, the separate framework for resolution of systemically important financial service providers other than banks, has led to approval of a resolution plan that will help in realising Rs 37,167 crore.
https://www.business-standard.com/article/finance/creditors-got-rs-2-45-trn-from-394-resolution-cases-under-ibc-finmin-121071901160_1.html
- **Paytm gateway enables payment from fixed deposit account held with IndusInd:** Digital payments and financial services firm Paytm on Monday said Paytm Payments Bank's customers can now make instant payments through its payment gateway using balances available in their fixed deposit account held with its partner bank, IndusInd Bank. Paytm Payments Bank enables its customers to open fixed deposits with partner IndusInd Bank. "Paytm all-in-one payment gateway now allows fixed deposit (FD) balances to make payments on partnered platforms." This is in association with Paytm Payment Bank Ltd, whose account holders can now use their fixed deposits with IndusInd Bank to make instant payments across online platforms. The innovation will help customers manage their liquidity in real-time to make payments seamlessly," Paytm said in a statement. Customers with a Paytm Payment Bank account can redeem the FD from IndusInd Bank into Paytm Payments Bank account in real-time and use the money to make payments, it added.
https://www.business-standard.com/article/finance/paytm-gateway-enables-payment-from-fixed-deposit-account-held-with-indusind-121071900895_1.html



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- **HDFC Life's Q1 net falls 33% due to higher provisions and claim payout:** Private sector life insurer, HDFC Life, has reported a 33 per cent decline in standalone net profit at Rs 302 crore in Q1FY22. This, due to higher claim payout by the company and higher provisions being set aside to mitigate the impact of higher claims because of Covid pandemic. The firm has set up an additional reserve of Rs 700 crore to service further claims. The company said it has settled around 70,000 claims in Q1FY22, and the gross and net claims amounted to Rs 1,598 crore and Rs 956 crore, respectively. "In the quarter gone by, we witnessed a steep rise in death claims, with peak claims in wave 2 at around 3-4 times of the peak claim volumes in the first wave," the company said.
https://www.business-standard.com/article/companies/hdfc-life-s-q1-net-falls-33-due-to-higher-provisions-and-claim-payout-121071900789_1.html
- **Dhanlaxmi Bank announces strategic alliance with SMC Global Securities:** The Dhanlaxmi bank on Monday announced a strategic alliance with SMC Global Securities Limited for offering online trading services to customers. The tie-up will offer an integrated 3-in-1 account, comprising a Savings, Demat and Trading account providing a hassle free and convenient trading experience to the Dhanlaxmi Bank customers through the portal "www.smctradeonline.com apart from mobile trading app (SMC ACE) and desktop based software, a bank release said. "The trading platform is a high end, integrated application for fast, secure and hassle free execution of trades. This tie up will help SMC Global increase its client base by leveraging upon the banks deep presence in Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Telangana and other parts of the country. The tie up will help the bank provide additional services to its account holders and to generate an additional source of revenue," the release said.
<https://www.livemint.com/industry/banking/dhanlaxmi-bank-announces-strategic-alliance-with-smc-global-securities-11626701089864.html>
- **Kotak Mahindra Bank automates partner payments with Act21 Software's solution:** Private sector lender Kotak Mahindra Bank on Monday said it has automated its partner payments process, powered by Act21 Software's end-to-end payout solution Hyperform. Hyperform is a payment automation solution for the banking and financial services industry (BFSI). By integrating with the bank's existing technology ecosystem, Hyperform enables the bank to effectively manage and monitor payouts with increasing efficiency, enhancing data accuracy, and making timely payments, the bank said in a statement.
<https://www.livemint.com/industry/banking/kotak-mahindra-bank-automates-partner-payments-with-act21-software-s-solution-11626695469761.html>
- **Banks to exit ARCs as they set up 'bad bank':** Lenders have started looking for buyers for their stakes in asset reconstruction companies (ARCs) to free up capital for the launch of the National Asset Reconstruction Co. Ltd (NARCL), the 'bad bank' they will jointly own. In February, state-run Punjab National Bank (PNB) put its entire 10.01% stake in Arcil, one of India's oldest ARCs with assets worth ₹12,000 crore under management, for sale. This was followed by private lender IDBI Bank, which, too, has begun looking for a buyer to sell its 19.18% stake in Arcil. Similar talks are underway to divest ownership in ASREC (India) Ltd, a Mumbai-based ARC. On Thursday, three public sector banks—Union



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Bank of India, Indian Bank and Bank of India—said they jointly intend to sell up to 88.4 million shares, constituting up to 90.31% of the total equity share capital of ASREC.

<https://www.livemint.com/industry/banking/banks-to-exit-arcs-as-they-set-up-bad-bank-11626634496049.html>

- **BharatPe to hire 100 people for tech team in FY22:** Fintech firm BharatPe on Monday said it will hire 100 people across various roles for its technology team in the current financial year. The company, which is planning to launch a slew of products in the merchant and consumer lending space, said it will be almost tripling the strength of its technology team and hiring 100 more members. It has also advanced the appraisals of its technology team by eight months, and the team has earned 75 per cent increments split between CTC and incremental ESOPs, effective July 1, 2021, according to a statement. Currently, the company has around 60 employees in its technology team. The skill sets BharatPe is hiring for include Android, backend, web, iOS, DevSecOps, data engineering, POS/IoT, and QA (Automation), and the experience level being sought ranges from 2-16 years.
<https://bfsi.economictimes.indiatimes.com/news/fintech/bharatpe-to-hire-100-people-for-tech-team-in-fy22/84576991>
- **Gold prices decline to Rs 48,126/10 gm on stronger dollar, ETF outflow; silver tanks Rs 1,122 a kg:** Gold prices dropped for the second day by Rs 147 to Rs 48,126 per 10 gram in the Mumbai retail market on weak global cues and broad selloff across assets class, however, the downside was capped by a sharp fall in rupee. The yellow metal declined below the psychological level of \$1,800/oz as investors took refuge in the US dollar as a safe-haven on surging inflation and rising coronavirus cases. The price of 10 gram, 22-carat gold in Mumbai was Rs 44,083 plus 3 percent GST, while 24-carat 10 gram stood at Rs 48,126 plus GST. The 18-carat gold is quoted at Rs 36,095 plus GST in the retail market. Silver prices slumped by Rs 1,122 to Rs 67,790 per kg against its closing price on July 16.
<https://www.moneycontrol.com/news/business/commodities/gold-prices-decline-to-rs-4812610-gm-on-stronger-dollar-etf-outflow-silver-tanks-rs-1122-a-kg-7192681.html>
- **Benchmark indices end 1 per cent lower amid global sell-off:** The BSE Sensex closed at 52,553.40, down 586.66 points or 1.10 per cent. It hit an intraday high of 52,821.17 and a low of 52,405.89. The Nifty 50 closed at 15,752.40, down 171.00 points or 1.07 per cent. It hit an intraday high of 15,836.90 and a low of 15,707.50. Despite the global sell-off, the breadth of the market remained positive with 1,757 stocks advancing, 1,571 declining and 164 remaining unchanged on the BSE. As many as 622 securities hit the upper circuit and 223 the lower circuit; 520 hit their 52-week high while 29 touched a 52-week low. NTPC, BPCL, Divi's Labs, Nestle India and Tata Consumer were the top gainers on the Nifty 50 while HDFC Bank, IndusInd Bank, HDFC Life, Axis Bank and HDFC were the top laggards.
<https://www.thehindubusinessline.com/markets/stock-markets/benchmark-indices-end-1-per-cent-lower-amid-global-sell-off/article35406139.ece>
- **Rupee falls for 2nd day, settles 31 paise down at 74.88/USD:** The Indian rupee tumbled 31 paise to end at 74.88 (provisional) against the US currency on Monday, marking its second straight session of loss amid a lacklustre trend in domestic equities and strengthening of the greenback overseas. At the interbank foreign exchange market, the rupee opened on a negative note at 74.73 per dollar as



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against its previous close of 74.57. It hovered in the range of 74.71 to 74.92 during the day before ending at 74.88. The domestic currency has lost 34 paise in the two trading sessions to Monday.
<https://www.moneycontrol.com/news/business/markets/rupee-falls-for-2nd-day-settles-31-paise-down-at-74-88usd-7192411.html>

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