



**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
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## **DAILY NEWS DIGEST BY BFSI BOARD**

**September 20, 2022**

### **INDIA SPENDING FOREX RESERVES AT QUICKER PACE THAN DURING**

**TAPER TANTRUM:** India's central bank is using up its foreign exchange reserves at a quicker pace than during the taper-tantrum period in 2013 as it tries to prevent an overshoot in the rupee, but a larger pool of reserves may allow it to support the currency for some more time, economists said. The Reserve Bank of India has sold a net of \$38.8 billion from its forex reserves between January and July this year, data released on Friday showed. A net of \$19 billion was sold in July alone, the most recent data available, and intervention remained heavy in August when the rupee fell below 80 against the dollar, traders said. Alongside its intervention in the spot market, the central bank's forward dollar holdings have fallen to \$22 billion from \$64 billion in April.

**(Moneycontrol)**

**SEBI PUTS FAIRFAX GROUP-BACKED GO DIGIT'S IPO IN 'ABEYANCE':** Capital markets regulator Sebi has kept in "abeyance" the proposed initial share sale of Canada-based Fairfax Group-backed Go Digit General Insurance Ltd. Go Digit had filed preliminary IPO papers with the capital markets regulator on August 17. Cricketer Virat Kohli and his wife Anushka Sharma are among the investors in the firm. Going by the draft papers, the company's proposed initial public offering (IPO) comprised fresh issuance of equity shares worth Rs 1,250 crore and an offer for sale of 10.94 crore equity shares by a promoter and existing shareholders.

**(Moneycontrol)**

**SEBI SHARES FRAMEWORK FOR SOCIAL STOCK EXCHANGE:** SEBI on September 19 shared the framework for Social Stock Exchange (SSE), which would allow the listing of non-profit organisations (NPOs). The NPOs which are desirous of being listed should be registered as a non-profit entity, and the registration certificate must be valid for the next 12 months, SEBI stated in its circular. The entities must be registered in India as a "charitable trust registered under the public trust statute of the relevant state" or under the Societies Registration Act, 1860, or the Indian Trusts Act, 1882, or incorporated as a company under Section 8 of the Companies Act, 2013. The age of the organisation should be a "minimum of three years" and they should have a valid 80G registration under the Income Tax Act. The NPOs' minimum spending in the last fiscal should be Rs 50 lakh, and a minimum funding of Rs 10 lakh in the past financial year, it added.

**(Moneycontrol)**

**GOVT ASKS GOOGLE TO HELP CURB ILLEGAL LENDING APPS:** Alphabet Inc's Google has been asked by the Indian government and the central bank to introduce more



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stringent checks to help curb the use of illegal digital lending applications in India, according to sources. Google said that last year it revised its Play Store developer program policy for financial services apps, including requiring additional requirements for personal loan apps in India effective September 2021.

***(Moneycontrol)***

**IBBI AMENDS REGULATION TO BOOST VALUE OF STRESSED COS UNDERGOING INSOLVENCY:** In a move that will provide better market-linked solutions for stressed companies, watchdog IBBI has amended its regulations to allow sale of one or more assets of an entity undergoing insolvency resolution process, besides other changes. Also, the Committee of Creditors (CoC) can now examine whether a compromise or an arrangement can be explored for a corporate debtor during the liquidation period.

***(Business Standard)***

**PAYMENT AGGREGATOR LICENCE MAY OPEN AVENUES BEYOND RAIL-TICKETING FOR IRCTC:** Indian Railway Catering and Tourism Corporation (IRCTC) can now apply for a payment aggregator licence to the RBI, and if approved, can enter the payments space with one of the country's largest back-end databases of over 100 million users. The ticket-booking arm of the Indian Railways secured an approval from the Registrar of Companies, NCT, Delhi, and Haryana to alter the Main Objects Clause of the Memorandum of Association and insert a new clause to act as a payment aggregator. According to the RBI's guidelines, payment aggregators must have a net worth of Rs 15 crore by March 2021 and a net worth of Rs 25 crore by March 2023. And, they have to maintain a net worth of Rs 25 crore at all times thereafter.

***(Business Standard)***

**GOVT TO SOON ROPE IN PRIVATE PLAYERS FOR FOODGRAINS PROCUREMENT:** The Centre will soon invite private players along with Food Corporation of India and other state agencies to procure foodgrains for buffer stock, food secretary Sudhanshu Pandey said on Monday. He informed that the Union food ministry has already written to all the state governments regarding this.

***(Business Standard)***

**PAYTM DEPLOYS 4.5 MILLION SOUNDBOX DEVICES:** One97 Communications, the parent company of fintech major Paytm, has deployed over 4.5 million Soundbox devices since launching it in 2019.

***(Business Line)***

**IDRBT DEVELOPS NEW LOW COST FINANCIAL NETWORK TO TAKE BANKING TO REMOTE AREAS:** Soon, it will be possible for people in remote hilly and forest areas without satellite signal to access banking services, thanks to a new technology developed by the Institute for Development and Research in Banking Technology (IDRBT).



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"We have created a new dedicated low cost financial network that can be used privately by banks to send encrypted texts to conduct financial transactions. We are the first in the world to develop this network based on LoRa (Long Range Radio) technology," D. Janakiram, Director, IDRBT told Business Line.

***(Business Line)***

### **RBI ASKS LARGE UCBs TO SET UP BOARD-APPROVED POLICY,**

**COMPLIANCE FUNCTION:** The Reserve Bank of India (RBI) has asked urban cooperative banks (UCBs) with more than ₹10,000 crore deposits (Tier 4 category) to put in place a Board-approved policy and a Compliance Function, including the appointment of a Chief Compliance Officer (CCO) latest by April 1, 2023. UCBs more than ₹1,000 crore and up to ₹10,000 crore deposits (Tier 3 category) too have been asked to implement the same, latest by October 1, 2023.

***(Business Line)***

### **APRIL-JUNE CURRENT ACCOUNT DEFICIT COULD HIT 36-QUARTER HIGH,**

**SAYS INDIA RATINGS:** India's current account deficit (CAD) is expected to hit a 36-quarter high in the June quarter, according to India Ratings. CAD in June quarter may come in at 3.4 per cent of GDP, or \$28.4 billion, the agency said. It may be noted that the comparable quarter a year ago had seen a 0.9 per cent surplus. In Q1 of FY22, the current account surplus was USD 6.6 billion or 0.9 per cent of GDP when India was hit by the second wave of the pandemic. The deficit stood at a moderate 1.5 per cent or USD 13.4 billion in the March 2022 quarter. "As a share of GDP, the current account deficit is expected to jump to a 36-quarter high after the 1QFY14 when it was 4.7 per cent. In absolute terms, it will be at a 38-quarter high after 3QFY13 when the deficit was \$31.8 billion," the agency said in a note.

***(Economic Times)***



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## ***FINANCIAL TERMINOLOGY/CONCEPTS***

### **MAJOR COMPONENTS OF WORKING CAPITAL**

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The various components of working capital are explained as hereunder;

**Inventory:** It includes the raw materials (valued at cost of purchase or market value whichever is lower), stores and spares, stocks in process and finished goods.

**Receivables:** As explained earlier, receivables or Book debts or Sundry Debtors are the dues not received out of the credit sales. Normally the receivables outstanding more than 180 days are considered as bad debts and not included as Current Asset and rather classified as Non-Current Asset.

**Gross Working Capital:** This is the working capital required to fund the entire current assets. In other words it is equivalent to the total current asset.

**Other Current Liabilities (OCL):** It is represented as the Total Current Liability less short term Bank borrowings.

**Working Capital Gap(WCG):** This is the value of Current Asset less all other Current Liabilities excluding short term Bank Borrowings (OCL). Other Current liabilities are very important source of funding ongoing working capital requirement and these should be used diligently before availing Bank credit as a source of finance. Other Current liabilities include Sundry Creditors, advance payment received, short term provisions etc.

**Net Working Capital (NWC):** Net Working Capital can be otherwise termed as promoter's margin in the Working capital and is equivalent to Current Assets less Current Liabilities. It is the contribution from promoters by way of capital i.e from long term source of fund. This is the surplus of long term source of funds in the business after its long term use. Therefore  $NWC = \text{Current Asset} - \text{Current Liability}$  OR  $\text{Long Term Source of Fund} - \text{Long Term use of fund}$ .



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### **RBI KEY RATES**

Repo Rate: 5.40%  
SDF: 5.15%  
MSF & Bank Rate: 5.65%  
CRR: 4.50%  
SLR: 18.00%  
Fixed Reverse Repo: 3.35%

### **FOREX (FBIL 1.30 PM)**

INR / 1 USD : 79.6657  
INR / 1 GBP : 90.8258  
INR / 1 EUR : 79.5244  
INR /100 JPY: 55.5900

### **EQUITY MARKET**

Sensex: 59141.23 (+ 300.44)  
NIFTY : 17622.30 (+ 91.50)  
Bank NIFTY: 40904.40 (+ 127.60)

**(CMA Chittaranjan Chattopadhyay)**

**Chairman,**

**Banking, Financial Services & Insurance Board**

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